

JSC Partnership Fund

Update

Ratings

Foreign Currency

Long-Term Rating	BB-
Short-Term Rating	B

Local Currency

Long-Term Rating	BB-
------------------	-----

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

JSC Partnership Fund

	31 Dec
	11
Revenue (GELm)	5.9
Profit from operations (GELm)	3.7
Net profit (loss) (GELm)	4.0
Equity (GELm)	382.7
Gross debt (GELm)	0.7
Gross debt/equity (x)	0.001

Key Rating Drivers

Ratings Affirmed: Fitch Ratings affirmed the Long-Term Foreign- and Local-Currency ratings at 'BB-' for JSC Partnership Fund (PF) on 29 March 2013. This reflects the equalisation of PF's ratings with those of Georgia (BB-/Stable/B). Fitch uses its public-sector entities rating criteria and applies a top-down approach in its analysis of PF. The Georgia government's ability and intention to support the PF's potential issued or guaranteed debt remains key to determining rating equalisation with the sovereign.

Strategic Assets Manager: PF is 100% owned by the Georgian state. The fund manages on behalf of the government its key infrastructure corporations. The state increased the fund's stakes in strategic assets in 2012 and PF currently has 100% of Georgian Railway (Grail, BB-/Stable), 100% of JSC Georgian Oil and Gas Corporation (GOGC, BB-/Stable), 100% of JSC Georgian State Electrosystem (GSE), and 100% of JSC Electricity System Commercial Operator (ESCO) among other assets.

Equity Investments Promotion: PF's mandate is to shape and develop private equity investments in viable economic projects generating positive economic returns. The private equity market is currently undeveloped in Georgia, the limiting country's growth potential. PF targets profitable projects in several key areas - agriculture, manufacturing, real estate and energy.

Strong State Control: The fund's supervisory board is chaired by the Georgian prime minister and composed of five leading cabinet members and four independent directors. Blending corporate structure with strong state control should, in Fitch's view, ensure the fund's accountability to Georgia's government, and hence its adherence to mandated policy objectives, as well as adding investment expertise.

Low Debt: The debt of PF is low and limited to an open credit line (USD5m) and a loan from its subsidiary (USD50m), GOGC. PF took the loan to make an advance payment for Gardabani Power Plant project in 2012. PF is considering an exchange of debt to equity with GOGC in 2013, which will effectively reduce the fund's debt liability. PF has no plans to issue its own debt.

Limited Track Record: PF was established in June 2011 and its operational track record is relatively short. The fund launched several investment projects in the real estate and energy sectors in 2012 but as of March 2013 none were completed.

Fund's Potential Reorganisation: Following the 2012 parliamentary elections in Georgia, the new government decided to review its strategy on the future development of the fund. Once achieved, any changes in PF's structure or status that strengthen its links with the state will support Fitch's view of equalising the ratings with those of Georgia. On the contrary, any decision to dispose of material stakes in state-owned infrastructure companies, or changes in the goals of the fund is viewed as rating negative by Fitch.

Rating Sensitivities

Sovereign Linkage: An upgrade of Georgia, coupled with continued state support, would be rating positive. A downgrade of Georgia, or changes that would lead to a dilution or reassessment of state support could exert downward pressure on the rating.

Related Research

[Georgia's Post-Election Outlook \(December 2012\)](#)

Analysts

Konstantin Anglichanov
+7 495 956 9994
konstantin.anglichanov@fitchratings.com

Behruz Ismailov
+7 495 956 9980
behruz.ismailov@fitchratings.com

Appendix A

Figure 1

JSC Partnership Fund — Financial Summary**(GELm)****2011****Income statement**

Revenue	5.9
General and administrative expense	-2.0
Other operating expense	-0.2
Total operating expense	-2.2
Operating profit/(loss)	3.7
Non-operating income/(expense)	0.3
Interest expense	0.0
Net income/(loss)	4.0

ROA (%)	1.0
ROE (%)	1.0

Balance sheet

Cash and cash equivalents	2.5
Receivables and tax assets	0.9
Prepayments for non-current assets	2.9
Assets held for sale	167.2
PPE	0.2
Investments	236.0
Total assets	409.8

Payables	18.0
Other provisions	1.1
Deferred tax liabilities	3.2
Borrowings	0.7
Total liabilities	23.0

Retained earnings	4.0
Equity	382.7
Total liabilities and equity	409.8

Source: JSC Partnership Fund

Related Criteria[Tax-Supported Rating Criteria \(August 2012\)](#)[Ratings of non-US Public Sector Entities \(March 2013\)](#)

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2013 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.