FITCH AFFIRMS GEORGIA'S JSC PARTNERSHIP FUND AT 'BB-'; OUTLOOK STABLE

Fitch Ratings-London/Moscow-28 March 2013: Fitch Ratings has affirmed Georgia's JSC Partnership Fund's (PF) Long-term foreign and local currency rating at 'BB-' and Short-term foreign currency rating at 'B'. The Outlooks on the Long-term ratings are Stable.

KEY RATING DRIVERS
The affirmation reflects the equalisation of PF's ratings with those of Georgia ('BB-'/Stable/'B'). Fitch used its public sector entities methodology and applied a top-down approach in its analysis of PF. Georgia's government ability and intent to support the fund's potential issued or guaranteed debt remains key factor determining rating equalisation with the sovereign.

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

PF's mandate is to shape and develop private equity investments in viable economic projects. The private equity market is currently undeveloped in Georgia, limiting country's growth potential. PF targets profitable projects in several key areas - agriculture, manufacturing, real estate and energy. PF's operational track record is relatively short. The fund launched several investment projects in 2012. As of March 2013, none have been completed in the current year.

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

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.

The debt of PF is low and limited to an open credit line (USD5m) and a loan from its subsidiary (USD50m) - GOGC. PF had taken the loan to make an advance payment for Gardabani Power Plant project in 2012. PF considers 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 own debt.

RATING SENSITIVITIES
A sovereign upgrade would be positive. An upgrade of Georgia, coupled with continued support from the state, would be rating positive, as PF is credit linked to the sovereign.

Weaker links with the state or its downgrade would be negative. A downgrade of the sovereign or changes that would lead to dilution or reassessment of state support could exert downward pressure on the rating.

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Additional information is available on www.fitchratings.com

Applicable criteria, 'Tax-Supported Rating Criteria' dated 14 August 2012 and 'Rating of Public Sector Entities - Outside the United States' dated 4 March 2013 are available at www.fitchratings.com.

Applicable Criteria and Related Research
Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
Rating of Public Sector Entities - Outside the United States
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=701963