

**Global Credit Research - 21 Jan 2009**

Moscow, January 21, 2009 -- Moody's Investors Service has today placed on review for possible downgrade JSC National Company Kazakhstan Temir Zholy's ("KTZ") A3 issuer rating and the A3 rating of the senior unsecured eurobonds, amounting to USD800 million, issued by Kazakhstan Temir Zholy Finance B.V., a special purpose financial company, and guaranteed by KTZ and its operating subsidiaries.

The review reflects risks of a worsening economic and financial environment for KTZ going forward, which may affect the operations of the company and impact its ability to fund its current capital expenditures program. At the same time though Moody's notes KTZ's strategic importance for the economy of the Republic of Kazakhstan, the government support and default dependence assumptions embodied in the rating under Moody's rating methodology for Government Related Issuers (GRIs) might need to be reassessed to take into account the developments in the financial markets and the increasing reliance of key domestic businesses on the government financial support. In particular, Moody's comments that its support assessment for the company is likely to remain high, however, it notes that the assessment of default dependence between the company and the government may increase, resulting in a smaller uplift from an intrinsic creditworthiness of the company reflected in a BCA to a final rating.

In accordance with Moody's rating methodology for GRIs, the A3 rating of KTZ reflects the Baa1 local currency rating of the Kazakhstan government and the combination, which is now reassessed by Moody's, of the following inputs:

- Baseline credit assessment ("BCA") of 11 (on a scale of 1 to 21, where 1 represents the lowest risk and 11 corresponds to the Ba1 category)
- Moderate dependence assessment
- High support

Moody's review will mainly focus on i) 2009 tariff decisions for KTZ and the company's ability to adjust its long-term investment programme and financing policy in line with tariff decisions and changing market conditions, and ii) forms, timeliness and certainty of the government support available for the company in case of need.

The previous rating action on KTZ was implemented on 12 June 2006, when Moody's upgraded the company and its eurobonds to A3 following actions on the Kazakhstan sovereign rating and country ceiling.

The principal methodology used in rating KTZ is "The Application of Joint Default Analysis to Government Related Issuers", published in April 2005, which can be found at moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

KTZ is the 100% state-controlled vertically integrated rail group operating the national rail network of the Republic of Kazakhstan. The sole shareholder of KTZ is the state represented by JSC National Welfare Fund SamrukKazyna. KTZ is the monopoly provider of rail infrastructure services and has the leading position in the railway market in Kazakhstan. The company has more than 135 thousand employees. Its reported 2007 consolidated revenues amounted to KZT423.6 billion.

Paris  
Eric de Bodard  
Managing Director  
Corporate Finance Group  
Moody's France S.A.  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Moscow  
Ekaterina Botvinova  
Vice President - Senior Analyst  
Corporate Finance Group  
Moody's Eastern Europe LLC  
Telephone: +7 495 228 6060  
Facsimile: +7 495 228 6091

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