

Ratings Raised On Some Government-Related Entities Of Kazakhstan After Sovereign Upgrade

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- We have raised our ratings on the Republic of Kazakhstan.
- We are therefore raising our ratings on government-related entities Kazakhstan Temir Zholy, JSC Kaztemirtrans, JSC NC KazMunayGas, and KazTransGas, based on our methodology for government-related entities.
- We are affirming our ratings on JSC KazMunaiGas Exploration Production and KazTransOil, while ratings on four other government-related entities remain unchanged.

MOSCOW (Standard & Poor's) Dec. 24, 2010--Standard & Poor's Ratings Services said today it raised its ratings on several Kazakhstan-based government-related entities (GREs) and their subsidiaries following its upgrade of the Republic of Kazakhstan (foreign currency BBB/Stable/A-3, local currency BBB+/Stable/A-2; national scale rating 'kzAAA'). For further details see "Republic of Kazakhstan FC And LC Long-Term Ratings Raised By One Notch To 'BBB' and 'BBB+'; Outlook Remains Stable", published on Dec. 23, 2010 on RatingsDirect.

The rating actions are based on our GRE methodology.

We raised our long-term corporate credit ratings on railway company Kazakhstan Temir Zholy (KTZ) to 'BBB-' from 'BB+', reflecting our expectation of "very high" likelihood of extraordinary government support. Our assessment of KTZ's stand-alone credit quality remains at 'b+'. We also raised our rating on KTZ's 100%-owned subsidiary JSC Kaztemirtrans (KTT) to 'BBB-' because we continue to equalize it with our rating on the parent. We revised the outlook on these entities to stable from positive. At the same time, we raised the Kazakh

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national scale ratings on KTZ and KTT to 'kzAA' from 'kzAA-'.

We also raised our rating on the oil and gas group JSC NC KazMunayGas (KMG) to 'BBB-' from 'BB+', based on our expectation of "extremely high" likelihood of extraordinary government support and our assessment of stand-alone credit quality at 'b'. The national scale rating was raised to 'kzAA' from 'kzAA-'. The outlook remains stable.

Meanwhile we have withdrawn our '4' recovery ratings on KMG, KTT, and KTZ, because Standard & Poor's does not assign recovery ratings to Kazakhstan-based issuers rated 'BBB-' and higher.

Following the action on the parent, we raised our ratings on KMG's 100%-owned gas transportation subsidiary KazTransGas (KTG) to 'BB' from 'BB-'. This rating remains two notches below our rating on the parent. The outlook is stable.

We affirmed our ratings on KMG's subsidiaries, 60%-owned oil company JSC KazMunaiGas Exploration Production (KMGE) and 100%-owned oil pipeline KazTransOil (KTO), at 'BB+', one notch below our rating on the parent, both with a stable outlook. We consider KMGE and KTO to be more strategically important for the group and to have a relatively higher stand-alone credit quality than KTG, hence the difference between the ratings on the subsidiaries. Still, the ratings on the subsidiaries remain below those on the parent because their link with the state is indirect and, in our view, the benefits of potential extraordinary state support may not fully filter through to them given KMG's relatively weak stand-alone credit quality and high debt.

We have left unchanged our ratings and outlook on the postal operator Kazpost (JSC) (BB/Stable/--, national scale rating 'kzA+'), on Kazakh Agrarian Credit Corp. (BB/Stable/B, 'kzA+'), on Kazakhtelecom (JSC) (BB/Stable/--; 'kzA'), and on Kazakhstan Electricity Grid Operating Co. (JSC) (KEGOC; BB+/Stable/--).

We continue to assess the likelihood of extraordinary state support as "very high" for KEGOC, "high" for Kazpost and Kazakh Agrarian Credit Corp., and "moderately high" for Kazakhtelecom. We assess the stand-alone credit quality for KEGOC, Kazpost, and Kazakh Agrarian Credit Corp. at 'b' and for Kazakhtelecom at 'bb-'. Under our GRE methodology, the upgrade of the sovereign rating does not trigger any automatic rating actions on these four entities, as our assessments of their stand-alone credit quality or likelihood of extraordinary state support remain unchanged.

KTZ, KEGOC, KMG, Kazpost, and Kazakhtelecom are effectively 100%-owned by the government of Kazakhstan through the holding company Samruk-Kazyna. We analyze these entities based on our methodology for GREs rather than for parent-subsidiary links, because we believe these entities will benefit from a certain degree of extraordinary state support, and we currently view Samruk-Kazyna as effectively an extension of the government.

RELATED CRITERIA AND RESEARCH

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All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Republic of Kazakhstan FC And LC Long-Term Ratings Raised By One Notch To 'BBB' and 'BBB+'; Outlook Remains Stable", published on Dec. 23, 2010
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

RATINGS LIST

Upgraded

	To	From
Kazakhstan Temir Zholy		
JSC Kaztemirtrans		
Issuer credit rating	BBB-/Stable/--	BB+/Positive/--
Kazakhstan national scale	kzAA	kzAA-
JSC NC KazMunayGas		
Issuer credit rating	BBB-/Stable/--	BB+/Stable/--
Kazakhstan national scale	kzAA	kzAA-
KazTransGas		
Issuer credit rating	BB/Stable/--	BB-/Stable/--

Ratings Withdrawn

	To	From
Kazakhstan Temir Zholy		
JSC Kaztemirtrans		
JSC NC KazMunayGas		
Recovery rating	NR	4

Ratings Affirmed

JSC KazMunaiGas Exploration Production		
KazTransOil		
Issuer credit rating		BB+/Stable/--

Ratings Unchanged

Kazpost (JSC)		
Issuer credit rating		BB/Stable/--
Kazakhstan national scale		kzA+
Kazakh Agrarian Credit Corp.		
Issuer credit rating		BB/Stable/B;
Kazakhstan national scale		kzA+
Kazakhtelecom (JSC)		
Issuer credit rating		BB/Stable/--;
Kazakhstan national scale		kzA

Ratings Raised On Some Government-Related Entities Of Kazakhstan After Sovereign Upgrade

Kazakhstan Electricity Grid Operating Co. (JSC)

Issuer credit rating

BB+/Stable/--

N.B. This list does not include all ratings affected.

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