

Kazakhstan Temir Zholy, Kaztemirtrans, Kazakhstan Electricity Grid Operating Co. On Watch Neg On Gov. Support Concerns

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-- The cash reserves of national railroad company Kazakhstan Temir Zholy (KTZ) and its subsidiary Kaztemirtrans (KTT) are concentrated within a small number of local banks, the credit quality of which continues to deteriorate.

-- Kazakhstan Electricity Grid Operating Co. (KEGOC) relies extensively on financial support from the Kazakh government.

-- We are placing KTZ, KTT, and KEGOC on CreditWatch with negative implications because of our concerns about their liquidity and the level of support the state provides them.

MOSCOW (Standard & Poor's) June 16, 2009--Standard & Poor's Ratings Services said today that it had taken the following specific rating actions:

-- The 'BB+' long-term corporate credit and 'kzAA-' Kazakhstan national scale ratings on Kazakhstan Temir Zholy (KTZ) were placed on CreditWatch with negative implications.

-- The 'BB+' long-term corporate credit and 'kzAA-' Kazakhstan national scale ratings on JSC Kaztemirtrans (KTT) were placed on CreditWatch with negative implications.

-- The 'BB+' long-term corporate credit rating on Kazakhstan Electricity Grid Operating Co. (JSC) (KEGOC) was placed on CreditWatch with negative implications.

Our placement of KTZ and its subsidiary KTT, the ratings on which are equalized with those on KTZ, on CreditWatch with negative implications reflects our concerns about the high concentration of their large cash reserves in several local banks, notably Halyk Savings Bank of Kazakhstan (B+/Negative/B) and Kazkommertsbank (JSC) (B/Negative/C). In our opinion, the liquidity and asset quality of these banks remain under pressure.

"We believe such concentration might result in restricted flexibility for KTZ and KTT in managing their cash assets," said Standard & Poor's credit analyst Sergei Gorin.

Those assets comprised \$413 million in cash and deposits as of March 31, 2009 (including \$45 million at the level of KTT).

This causes us to believe that KTZ and KTT's liquidity is not as strong as we previously assumed.

KEGOC has a positive track record of receiving strong ongoing and extraordinary financial support from the state, including equity injections to cover liquidity shortfalls, which shows the government's willingness to provide support and justifies our top-down approach to determine the rating, which is two notches below the sovereign long-term local currency rating.

However, KEGOC's stand-alone credit quality is rather weak because of its large investment program and high leverage. The company's future credit quality therefore largely depends on the continuity of strong government

support, while the government is facing the need to support a weakened banking

system. If the government reconsiders its level of support to KEGOC, the ratings on KEGOC might be lowered due to its rather weak stand-alone creditworthiness (we assess KEGOC's stand-alone credit quality at 'B+').

Standard & Poor's plans to review the CreditWatch placement on KTZ, KTT, and KEGOC when we have a greater understanding of the level of financial support the government will provide to the companies and their flexibility in managing their liquidity.

"If we believe their liquidity positions have deteriorated or if there are indications of lower state support, we could lower our estimation of the companies' stand-alone credit profiles and/or lower the corporate credit ratings on the companies," said Mr. Gorin.

RATINGS LIST

CreditWatch Outlook Action

	To	From
Kazakhstan Temir Zholy		
Issuer Credit Rating	BB+/Watch Neg/--	BB+/Stable/--
Kazakhstan National Scale	kzAA-/Watch Neg	kzAA-
JSC Kaztemirtrans		
Issuer Credit Rating	BB+/Watch Neg/--	BB+/Stable/--
Kazakhstan National Scale	kzAA-/Watch Neg	kzAA-
Kazakhstan Electricity Grid Operating Co. (JSC)		
Issuer Credit Rating	BB+/Watch Neg/--	BB+/Stable/--

NB: This list does not include all ratings affected.

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