Rating Action: Moody's changes outlook to positive on ten Kazakhstani GRIs following outlook change on sovereign

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London, 21 August 2013 -- Moody's Investors Service has today changed to positive from stable the outlook on the Baa3 ratings of seven corporate government-related issuers (GRIs) operating in the oil and gas sector, namely: KazMunayGas NC JSC (KMG) and its subsidiaries Kazmunaigas Exploration & Production (KMG EP), KazMunaiGaz Finance Sub B.V., JSC KazTransOil (KTO), JSC KazTransGas (KTG), Intergas Central Asia (ICA), and Intergas Finance B.V. Moody's has also changed to positive from stable the outlook on the Baa3 rating of the country's railway transportation company JSC National Company Kazakhstan Temir Zholy (KTZ), Kazakhstan Temir Zholy Finance B.V., and on the Ba1 corporate family rating (CFR) and Ba1-PD probability of default rating (PDR) ratings of its fully owned subsidiary JSC Kaztemirtrans (KTT). Concurrently, Moody's affirmed these ratings.

The outlook on the Baa3 ratings of JSC Kazatomprom and Kazakhstan Electricity Grid Operating Company (KEGOC) remained unchanged at stable.

The rating actions follow Moody's revision of the outlook for Kazakhstan's sovereign ratings to positive from stable on 16 August 2013. For more details on the sovereign action, please see Moody's press release at https://www.moodys.com/research/Moodys-changes-outlook-on-Kazakhstans-Baa2-rating-to-positive-from--PR_280158

RATINGS RATIONALE

The action reflects Moody's view that the affected companies have strong linkages with the government and would benefit from the government's strengthening ability to provide support in the event of financial distress. Moody's notes that one of the factors positively affecting the government's rating, namely the favourable GDP growth outlook for Kazakhstan, driven by enhanced hydrocarbons production, is also likely to promote improvements in the affected companies' business profiles.

The rating agency also believes that the government's financial strength, driven by, inter alia, an increase in the National Oil Fund's assets and a reduction of external debt, alleviates the risk of government's interference and potentially excessive demands on the GRIs' financial flexibility.

RATIONALE FOR STABLE OUTLOOK ON Baa3 RATINGS OF JSC KAZATOMPROM AND KEGOC

The outlook on the Baa3 ratings of JSC Kazatomprom remains stable given the low correlation between the company's and the government's ratings. The outlook on the Baa3 rating of Kazakhstan Electricity Grid Operating Company (KEGOC) remains stable primarily due to its relatively low baseline credit assessment (BCA).

WHAT COULD CHANGE THE RATINGS UP/DOWN

Given the high support assumption embedded in the ratings of Kazmunaygas NC and its subsidiaries, as well as KTZ, the ratings and outlook of these issuers are likely to move in line with the sovereign rating, subject to other components of the ratings remaining unchanged (such as BCAs, support and dependence assumptions).

Moody's assumption of strong state support for KTT is based on the rating agency's expectation that the state support would be provided to KTT indirectly, i.e. by the company's parent, KTZ. Nevertheless, given that KTT is an integral part of KTZ, its ratings are likely to follow that of KTZ, provided there are no material changes in KTT's ownership structure and its role within the KTZ group.

A reduction in Moody's assessment of government support for the companies, or a weakening of their BCAs, could trigger downward pressure on their ratings.

PRINCIPAL METHODOLOGIES

The principal methodology used in rating KazMunayGas NC JSC and KazMunaiGaz Finance Sub B.V. was

Global Integrated Oil & Gas Industry published in November 2009. The principal methodology used in rating Kazmunaigas Exploration & Production was Global Independent Exploration and Production Industry published in December 2011. The principal methodology used in rating JSC KazTransOil was Global Midstream Energy published in December 2010. The principal methodology used in rating JSC KazTransGas , Intergas Central Asia, and Intergas Finance B.V. was Natural Gas Pipelines published in November 2012. The principal methodology used in rating Kazakhstan Temir Zholy (KTZ), Kazakhstan Temir Zholy Finance B.V., and Kaztemirtrans, JSC was Global Surface Transportation and Logistics Companies published in April 2013. Other methodologies used include the Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Headquartered in Astana, Kazakhstan, KMG is Kazakhstan's national oil and gas company. KMG is fully owned by the Sovereign Wealth Fund Samruk-Kazyna and is mandated by the state to protect its interests in the oil & gas sector. In 2012, KMG reported revenue of approximately $19.8 billion and EBITDA of $6.6 billion.

KMG EP is 65% owned by KMG. It is Kazakhstan's second-largest oil-producing company, headquartered in Astana. The company operates two major producing assets, Uzenmunaigas and Embamunaigas. In addition, KMG EP holds a 50% stake in both JV Kazgermunai LLP and CITIC Canada Petroleum Limited's main asset, Karazhanbasmunai, as well as a 33% stake in PetroKazakhstan Inc. In 2012, KMG EP reported revenue of approximately $5.3 billion and EBITDA of $2.6 billion.

KTO, a subsidiary of KMG, is a monopoly operator of the state oil and water pipeline infrastructure in Kazakhstan. KTO accounts for transportation of more than 60% of oil produced in Kazakhstan. In 2012, KTO reported revenue of approximately $959 million, and EBITDA of $478 million. Following an IPO held in December 2012, 10% of KTO is in free float at the Kazakhstan Stock Exchange (KASE).

KTG, a 100% subsidiary of KMG, is a holding company mainly engaged in the transportation, sale, exploration and production of natural gas within Kazakhstan. Via its main subsidiary ICA, KTG exports Central Asian gas to OJSC Gazprom (Gazprom, Baa1 stable) and ultimately to Europe and maintains transit of Russian gas via Orenburg-Novopskov pipeline on its Kazakhstan sector. In 2012, KTG reported revenue of approximately $1.75 billion, EBITDA of $455 million and negative free cash flow (FCF) of $231 million.

ICA is the main gas transmission company in Kazakhstan and operates a network of high pressure gas pipelines in the country. ICA is wholly owned by KTG, it is a natural monopoly and has political significance beyond its domestic importance because it fully controls the transit of Central Asian gas to Gazprom and, ultimately, to Europe. In 2012, ICA reported revenue of approximately $656 million and EBITDA of $262 million.

Headquartered in Astana, Kazakhstan, 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 transportation market in Kazakhstan, with 155,131 employees in 2012. In 2012, the group generated revenue of around $5.3 billion, 86% of which was provided by freight transportation services.

Headquartered in Astana, KTT is a 100% owned subsidiary of KTZ, which is, in turn, the 100% state-controlled vertically integrated rail group operating the national rail network of the Republic of Kazakhstan. KTT is the owner and operator of the largest freight railcar fleet in Kazakhstan. KTZ intends to transfer the national freight carrier function to KTT by 2014. As part of the people's IPO initiative, the state, via KTZ, may privatise a 5%-10% stake in KTT in 2014. However, it expects to retain a controlling stake in the company in the longer term. KTT continues to benefit from state support as the company forms an integral part of the KTZ group.

Headquartered in Astana, Kazakhstan, KEGOC is the 100% state-controlled regulated natural monopoly business, which owns and operates the national electricity transmission grid of the Republic of Kazakhstan. KEGOC's 2012 revenues amounted to KZT65.9 billion ($448.4 million).

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