

Занды мекен-жай: 010000, Нұр-Сұлтан қаласы, Д. Қонаев көшесі 8, Б - блогы.  
Пошталық мекен-жай: 010000, Нұр-Сұлтан қаласы, Д. Қонаев көшесі 8, Б - блогы.  
Тел.: 8(7172) 90-77-01

Юр. адрес: 010000, г. Нур-Султан, Д. Кунаева 8, блок Б  
Почтовый адрес: 010000, г. Нур-Султан, Д. Кунаева 8, блок Б  
Тел.: 8(7172) 90-77-01

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## АО «Казахстанская фондовая биржа»

Настоящим АО «АстанаГаз КМГ» (далее – Общество) сообщает, что 08 ноября 2019 года Fitch Ratings присвоило Обществу долгосрочный рейтинг дефолта эмитента на уровне «ВВ» и долгосрочный рейтинг по национальной шкале «А (kaz)». Прогноз по рейтингам – «Позитивный».

Текст сообщения от Fitch Ratings прилагаем.

**Заместитель генерального директора  
по экономике и финансам**



**Ж. Искаков**

Исполнитель: Т. Ерболатов  
Тел.: +7 (7172) 90 77 11  
E-mail: [t.yerbolatov@kmg.kz](mailto:t.yerbolatov@kmg.kz)

08 Nov 2019 | Rating Changed Outlook to Positive

## Fitch Revises Outlook on Astana Gas KMG to Positive; Affirms at 'BB'

Fitch Ratings-London-08 November 2019:

Fitch Ratings has revised the Outlook on JSC Astana Gas KMG's (AG) Long-Term Issuer Default Rating (IDR) to Positive from Stable and affirmed the IDR at 'BB' and National Long-Term Rating at 'A(kaz)'.

### RATING RATIONALE

Under Fitch's Government Related Entities (GRE) Criteria, we classify AG as an entity with strong linkage to its ultimate sponsor, the Republic of Kazakhstan (BBB/Stable), based on state funding, policy support, and indirect full state ownership and control via Sovereign Wealth Fund Samruk-Kazyna JSC (Samruk, BBB/Stable, 50%) and JSC National Management Holding Baiterek (Baiterek, BBB/Stable, 50%).

Conversely, we perceive that the state's incentive to support AG in case of a default is limited by the greenfield nature of the pipeline project and its funding, which is mostly from local sources.

There is a three-notch differential between the company's rating and that of the sovereign, based on Fitch's combined assessment of the strength of linkage to the government and its incentive to support AG.

The revision of the Outlook largely reflects reduced completion risk as the project has entered the final stages of construction and commissioning on time and on budget. Transition to operating phase is expected in 1H20.

### KEY RATING DRIVERS

Status, Ownership and Control - Strong:

On 5 March 2018, the president of Kazakhstan presented the AG project in his "five social initiatives" speech and it later became a government decree, with close state control over its execution.



We view Kazakhstan as the company's ultimate parent. It indirectly owns 100% of AG via Samruk and Baiterek. Both holding companies have special status, are granted quasi-fiscal functions and manage strategic state assets. Government officials monitor and control the project's progress via monthly reports to the minister of energy and to two technical and a financial special working groups.

The government provided Samruk with special crisis funds, which are an important source of capital injections. These funds were initially channelled in 2009-2010 from the state budget to Samruk as an emergency liquidity buffer in the aftermath of the global financial crisis. The government granted Samruk an option to reuse the funds, but only for strategic projects, such as AG. Once commissioned, the gas pipeline will become a strategic national asset, which entails restrictions on security and privatisation. Disposal of such assets requires a government decree.

#### Support Track Record and Expectations - Very Strong:

AG has received significant cash support from the government to build the pipeline. Kazakhstan provided a capital injection via Samruk and Baiterek of KZT80.3 billion, which constitutes 30% of the total project cost. State-related creditors provided the remaining 70%. In 2018, Kazakhstan's State Pension Fund purchased KZT85 billion bonds maturing in 2033 and guaranteed equally by Samruk and Baiterek. Eurasian Development Bank (EDB, BBB+/Stable, 66% owned by Russia and 33% by Kazakhstan) provided a final KZT102 billion via the purchase of another bond issue in 1H19. In turn, EBD received a KZT51 billion earmarked loan from Development Bank of Kazakhstan (DBK, BBB-/Stable; 100% owned by Baiterek) to purchase 50% of the bonds. Thus, EDB effectively acts as a pass through agent by channeling part interest payments from AG bonds to service DBK's loan.

In addition to financial support, the state adopted favourable legislation, which introduced a cost-based gas transportation tariff framework. This uniform nationwide tariff will be increased once the project is commissioned. This confirms a stable record of state support and we expect AG to continue to receive tangible financial support from the government or its agents.

#### Socio-Political Implications - Weak:

We do not expect any socio-political implications in case of a default. As the project is still in the greenfield phase, a default would not affect provision of any public services, but rather delay gasification of the capital city Nur-Sultan (formerly Astana) while current suppliers would cover energy needs.

#### Financial Implications of Default - Moderate:

The financial implications of a default are limited due to the mostly non-public and local nature of the funding. However, there could be some repercussions because 40% of funds are provided by EDB, an international financial institution, which has loaned a total USD3.3 billion in 75 projects in Kazakhstan (40% of EDB's total portfolio) mostly in core sectors of the country's economy, i.e. mining, transportation and energy, including gas distribution networks. Thus a default would cause reputational damage, increase the cost of finance to other GREs and decrease availability of funding from other international financial institutions active in Kazakhstan.

#### Standalone Rating Assessment:

Fitch has not assigned a Standalone Credit Profile at this stage because of the lack of information on the EPC contractor and due to availability of only preliminary information on revenue framework, operational risk and financial metrics.

After the pipeline's construction is complete and the project is commissioned, we expect to have sufficient and full information to assess AG's standalone rating. In particular, we will assess final signed rental agreement with the off-taker (Intergas Central Asia, BBB-/Stable, the designated national operator of the main gas pipelines) and the approved nationwide tariff. We will also review AG's updated financial model and its debt metrics that reflect the actual and final set-up in the operating phase.

However, considering the strong features of the project, the credit quality of its off-taker and preliminary information on revenue framework and operating risk, we believe it is likely that AG's standalone rating will be four notches or less lower than Kazakhstan's sovereign rating.

#### PEER GROUP

AG has no direct peers as the project is greenfield, rated under the GRE Criteria. Its closest peer is JSC Samruk-Energy (BB/Stable), which is rated using the same approach and notching, but is fully operational and has a different structure of rating drivers. Most significantly, a default by Samruk-Energy would have greater socio-political and financial implications while it has less ongoing cash support from the state. Another peer is Kazakhstan Electricity Grid Operating Company (KEGOC, BBB-/Stable), which is rated higher mostly due to its stronger standalone profile.

The last relatively close peer is Qatari LNG producer RasGas (AA-/Stable). It is rated much higher than AG, in line with the sovereign, because it has very strong standalone profile at 'A+'. We also deem the socio-political and financial implications of a default of RasGas for the Qatari state to be very significant.



## RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Negative Rating Action:

- A downgrade of Kazakhstan's sovereign rating;
- A reduction in implied support and commitment from the government, as well as importance of the project to Kazakhstan;
- Significant cost and time overruns during construction and commissioning phase not remedied by the government, which will change our assessment of Support Track Record factor;
- Reassessment of Financial Implications of Default to Weak from Moderate in case international financial institutions exit from the project's funding.

Developments That May, Individually or Collectively, Lead to Positive Rating Action:

- An upgrade of Kazakhstan's sovereign rating;
- Completion of construction and commissioning phase largely on time and on budget with smooth transition to operating phase resulting in a standalone rating assessment four notches lower than the sovereign and/or reassessment of the socio-political implications of a default.

## TRANSACTION SUMMARY

AG is a domestic gas pipeline in final stage of construction. It is designed to transport natural gas more than 1,000 kilometres from fields in the Western Kazakhstan to 2.7 million people in the capital and to 170 smaller towns along the pipeline route. The provision of gas will allow many to switch from using coal or fuel oil for their energy needs and will improve air quality. The project cost is KZT267 billion (USD0.73 billion). Construction started in 4Q18 and is expected to finish by end-2019. Designed capacity is 2.2 billion cubic metres a year with option to increase it to 3.7 billion cubic metres with additional compressor stations.

## CREDIT UPDATE

As of November 2019 construction of the linear part of the pipeline is finished. Gas distribution and measuring stations are installed as well. Currently, AG is running tests and preparing facilities for the commissioning, which is expected to be finished by end-2019.

## Public Ratings with Credit Linkage to Other Ratings

Under Fitch's Government Related Entities Criteria, we classify AG as an entity with strong linkage to its ultimate sponsor, the Republic of Kazakhstan. There is a three-notch differential between the company's rating with that of the sovereign, based on Fitch's combined assessment of the strength of linkage to the government and its incentive to support AG.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

JSC Astana Gas KMG; Long Term Issuer Default Rating; Affirmed; BB; RO:Pos  
; National Long Term Rating; Affirmed; A(kaz); RO:Pos

### Contacts:

Primary Rating Analyst

Alexey Kobylanskiy,

Associate Director

+44 20 3530 1786

Fitch Ratings Ltd

30 North Colonnade, Canary Wharf

London E14 5GN

Secondary Rating Analyst

Christiane Kuti,

Director

+44 20 3530 1396

Committee Chairperson

Danilo Quattromani,



Senior Director  
+39 02 879087 275

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email:  
athos.larkou@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

[Government-Related Entities Rating Criteria \(pub. 25 Oct 2018\)](#)

[Rating Criteria for Infrastructure and Project Finance \(pub. 27 Jul 2018\)](#)

### **Additional Disclosures**

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