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CREDIT OPINION
14 February 2024

Update

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RATINGS

JSC National Company QazaqGaz

Domicile	Kazakhstan
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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JSC National Company QazaqGaz

Update following classification as a GRI

Summary

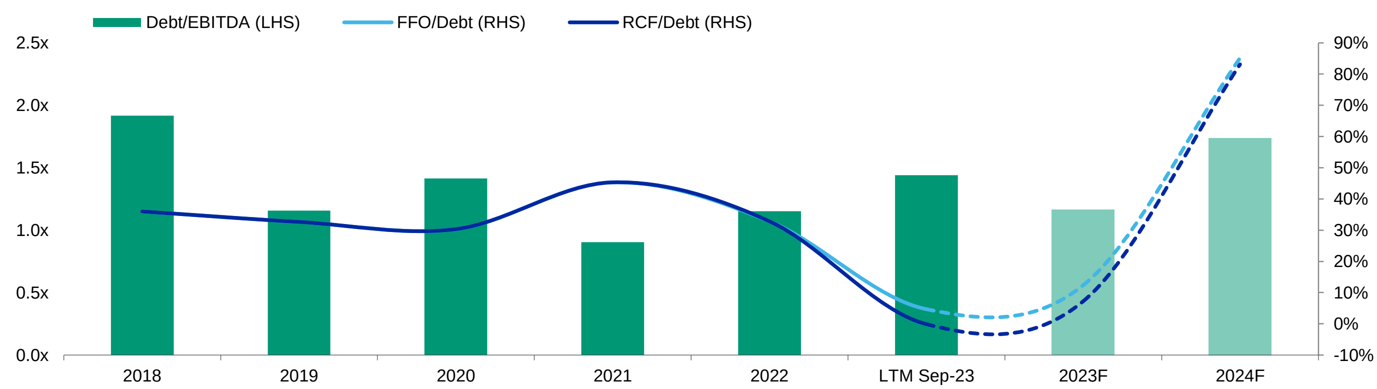
JSC National Company QazaqGaz's Baa2 rating is derived from the application of our Government-Related Issuers rating methodology given the company's strategic importance to the Government of Kazakhstan (Baa2 positive), which exerts a very high level of control over the company's strategy and governance through its principal shareholder Sovereign Wealth Fund Samruk-Kazyna JSC (Samruk-Kazyna, Baa2 positive). The rating factors in QazaqGaz's Baseline Credit Assessment (BCA) of ba3; the Baa2 local currency rating of the Government of Kazakhstan; a moderate default dependence between the company and the government; and a high probability of extraordinary government support in the event of financial distress.

QazaqGaz's BCA reflects (1) the company's status as a national gas company that manages the state's interest in Kazakhstan's gas industry; (2) its dominant market position with ownership of infrastructure, sound fundamentals, and lack of competition; (3) its strong supply base and the high credit quality of its contractors; (4) the government's supportive regulation with the ongoing gas market reform aimed at turning the company's domestic gas operations profitable by 2026; (5) the high demand potential from its traditional key end markets including Kazakhstan and China (A1 negative) and significant upside opportunities from new transit volumes to Uzbekistan (Ba3 stable); and (6) its sound liquidity supported by substantial cash reserves.

At the same, QazaqGaz's BCA takes into account the significant drop in earnings and cash flow from the company's core operations, driven by (1) its dependence on state-regulated tariffs and prices for its sizeable and actively expanding domestic operations, which remain heavily loss-making; (2) a major decline in high-margin exports and transit transportation; and (3) a spike in cost of purchased gas and evolving dependence on expensive imports to balance limited domestic gas supply. As a result, QazaqGaz has become increasingly reliant on structurally subordinated contribution from its JVs. In particular, the postponed dividends from its largest JV impaired QazaqGaz's credit metrics in 2023, although with a likely consequent rebound in 2024. The evolution of its credit profile in the next 12-18 months will also remain subject to the actual expansion of the domestic gas sales and import volumes, the dynamics in export gas prices, and the government's ability and willingness to proceed with its socially sensitive market reform.

Additional risks stem from the company's ambitious development programme. However, the exact size, timing and framework of potential investments are yet to be defined, while most of the large-scale projects QazaqGaz plans to implement with partners or support from Samruk-Kazyna and the government. Moreover, there remain uncertainties related to its business transformation and the ultimate impact it may have on operating and financial policies and profile in the long term. The ongoing geopolitical risks, with the intense pressure from international sanctions on Russia also continue to pose some risk of secondary sanctions on the company given its close relationship with Gazprom PJSC, although not such risk has materialised to date.

Exhibit 1
Credit metrics will be strong in 2023-24



All figures are calculated using our estimates and standard adjustments.
Source: Moody's Investors Service

Credit strengths

» Status as Kazakhstan's national gas operator that manages the state's strategic interest in the gas industry.

» Dominant market position with ownership of infrastructure, sound fundamentals, and lack of competition

» Strong performance of gas transmission JVs, backed by unregulated tariffs and limited dependence on the local gas market

» Substantial cash reserves that support liquidity

Credit challenges

» Exposure to volatile oil and gas prices and low regulated tariffs for actively expanding domestic gas sales

» Major drop in operating earnings and cash flow under declining high-margin exports and transit volumes and rising cost of purchased gas

» Reliance on structurally subordinated dividends from JVs

» Ambitious long-term investment programme

» Uncertainties over the long-term impact of the current business transformation

Rating outlook

The stable outlook on QazaqGaz's rating reflects our view that the company's credit profile will remain commensurate with its current rating on a sustainable basis; and there will be no weakening in the likelihood of support from Samruk-Kazyna and the government in the event of financial distress. We expect that, after the significant deterioration in financial performance in 2023, its cash flow coverage metrics will rebound in 2024, taking into account the planned resumption of dividends from its major JV.

Factors that could lead to an upgrade

Upward rating pressure could emerge if we were to upgrade Kazakhstan's sovereign rating and Samruk-Kazyna's rating, provided there is no change to the support and dependence factors, but would, in any case, remain subject to a significant improvement in QazaqGaz's standalone creditworthiness. The company's BCA could be upgraded if it demonstrated sustainable improvement in its core operating and financial performance, reducing reliance on contributions from JVs, while its liquidity remained sound.

Factors that could lead to a downgrade

We could downgrade QazaqGaz's rating if we were to downgrade Kazakhstan's sovereign rating or Samruk-Kazyna's rating, or if we reassess the likelihood of support from Samruk-Kazyna and the government in the event of financial distress to a weaker level. We could also downgrade the rating if QazaqGaz's core operating and financial performance continued to weaken or if the company failed to restore its (funds from operations [FFO] + interest expense)/interest expense to above 3.5x and FFO/debt above 12% (all metrics are Moody's-adjusted), all on a sustained basis. A significant deterioration in liquidity could also result in the rating downgrade.

Key indicators

Exhibit 2
JSC National Company QazaqGaz

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM Sep-23	2023F	2024F
(FFO + Interest Expense) / Interest Expense	6.8x	6.3x	6.5x	7.8x	4.5x	1.5x	2.1x	>7x
FFO / Debt	36.0%	32.6%	30.3%	45.3%	32.8%	4.7%	12.4%	>40%
RCF / Debt	36.0%	32.6%	30.3%	45.3%	32.8%	-0.1%	7.2%	>40%

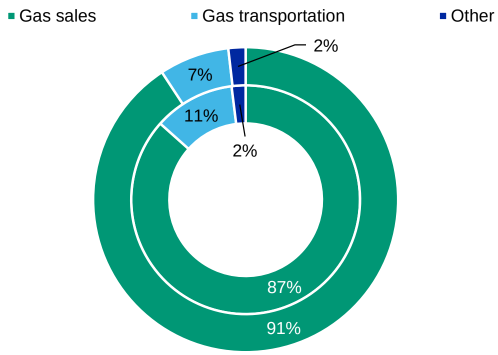
All figures and ratios are calculated using our estimates and standard adjustments. The forecasts (f) or projections (proj.) are our opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Investors Service

Profile

JSC National Company QazaqGaz (QazaqGaz) is Kazakhstan's national company that engages in the sale, transportation, and, to a lesser extent, exploration and production of natural gas in Kazakhstan. QazaqGaz is Kazakhstan's national gas operator and manages the state's strategic interest in the industry. One of the company's key subsidiaries, KTG Aimak, distributes and sells gas domestically. Through its another key subsidiary Intergas Central Asia (ICA, Baa2 stable), QazaqGaz transports transit Russian and Central Asian gas through Kazakhstan and Kazakhstan's gas for export. QazaqGaz's two 50/50 joint ventures (JVs) — the Asian Gas Pipeline (AGP) and the Beineu-Shymkent Gas Pipeline (BSGP) — transport transit and Kazakhstan's gas to China and the southern regions of Kazakhstan.

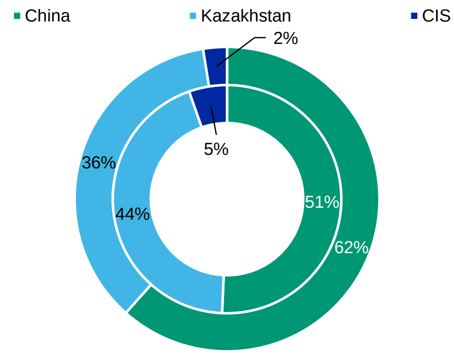
QazaqGaz is 100% owned by the Kazakh government via Samruk-Kazyna. In the 12 months that ended 30 September 2023, the company generated revenue of KZT953.7 billion (2022: KZT952.3 billion) and Moody's-adjusted EBITDA of KZT392.5 billion (2022: KZT527.7 billion). In 2022, QazaqGaz transported 83.7 billion cubic metres (bcm) of gas via its trunk pipelines including its share in JVs, sold 22.5 bcm of gas (of which 18.1 bcm was sold domestically) and produced 0.28 bcm of gas.

Exhibit 3
Revenue breakdown by business segment



Inner circle: 2022 results; outer circle: 1H 2023 results.
Source: QazaqGaz

Exhibit 4
Revenue breakdown by geography



Inner circle: 2022 results; outer circle: 1H 2023 results.
Source: QazaqGaz

Detailed credit considerations

Strategic importance to the state reinforced by QazaqGaz's transformation into Kazakhstan's national gas operator

Under our Government-Related Issuers methodology, QazaqGaz's Baa2 rating incorporates a four-notch uplift to its BCA of ba3. This uplift is driven by (1) the credit quality of the Kazakh government, which owns the company via Samruk-Kazyna; (2) our assessment of a high probability of extraordinary government support in the event of financial distress; and (3) a moderate default dependence between the company and the government.

The moderate level of default dependence factors in the extent of diversification of Kazakhstan's economy with a large export oriented commodity sector and fairly moderate contribution from gas exports and transportation, while only around 40% of QazaqGaz's revenue is generated domestically.

The high probability of extraordinary state support is based on the company's strategic importance to Samruk-Kazyna, and therefore, the Kazakh government and the track record of state support to the parent and its strategic subsidiaries. The government, through Samruk-Kazyna, also exerts strong influence over QazaqGaz's strategy and operations, including asset composition and allocation, management and appointment of board of directors, investments, financial policies and risk management.

In particular, on 9 November 2021, the 100% stake in QazaqGaz was transferred to Samruk-Kazyna from KazMunayGas NC JSC (KMG, Baa2 positive), which is 97% owned by the Kazakh government (via Samruk-Kazyna, the Ministry of Finance, and the National Bank of Kazakhstan), for 1 tenge, following which the company received the status of a national company. QazaqGaz's transfer to Samruk-Kazyna's direct ownership was part of the government's strategy to develop the company as a national operator that manages the state's interest in Kazakhstan's gas industry, thus reinforcing its strategic importance.

While there are no immediate changes to its operations, QazaqGaz's new strategy is based on a comprehensive plan for the development of the gas industry in Kazakhstan and envisages its evolution into an integrated gas company specialising in gas exploration, production, processing, and downstream operations, along with its traditional exports, transportation, and distribution activity, leading to a gradual transformation in its business profile over 2032. However, we do not expect any major changes to its assets, operations and financial policies at least in the next three to five years because of the long-term nature of its large development projects, which QazaqGaz also intends to implement mostly via JVs with domestic and international partners. Any significant deviations from the company's current financial policies, strategy, pool of core assets, operations, operating and financial performance, and credit metrics under the ongoing business transformation would be assessed separately.

We expect the potential privatisation of QazaqGaz planned by 2025 to be prudently managed and to not impair the risk and credit profile of the company, and the level of state support embedded into the current rating.

Dominant market position with ownership of infrastructure and sound fundamentals

QazaqGaz is a vertically integrated national operator in gas production, transportation and supply with (1) exclusive rights to operate the country's gas pipeline infrastructure and to be part to all international gas transmission agreements; (2) a monopoly in the domestic market gas distribution and gasification; (3) mandate to purchase all marketable gas (including associated petroleum gas) from independent domestic producers (except from production sharing agreements [PSAs]) at a regulated price; and (4) pre-emptive rights for exploration and production at the country's gas and gas condensate fields.

QazaqGaz's extensive pipeline network allows the transportation of gas from the gas-producing regions of Central Asia and Russia as well as Kazakhstan's domestic oil and gas fields (such as Tengiz, Karachaganak and Kashagan) to foreign and the domestic markets. In particular, ICA's main trunk pipeline, Central Asia-Centre with a throughput capacity of 44 bcm per year, is the sole route for the transportation of natural gas between Uzbekistan, Turkmenistan and Russia and, operating in a reverse mode, can also transport Russian gas to Kazakhstan's domestic market and China.

In addition, QazaqGaz's two 50/50 JVs with its partner China National Petroleum Corporation (CNPC, A1 negative) — the AGP and the BSGP – also help to diversify export routes, reduce the dependence on Russia, expand the transit potential and secure the independence of the southern regions of Kazakhstan from Uzbek gas. The AGP, which has a throughput capacity of 55 bcm per year, extends from Turkmenistan through Uzbekistan and Kazakhstan to China. The AGP is complemented by the 1,477-km BSGP, which has a throughput capacity of 15 bcm per year, and links the existing gas pipeline systems in the southern and western regions of Kazakhstan. The BSGP allows to transport gas from Kazakhstan's giant fields, Tengiz and Karachaganak, to China and the southern regions of Kazakhstan.

Favourable geographic location, coupled with the extensive infrastructure and the lack of competition, with no alternative gas routes of comparable size, secures gas volumes for QazaqGaz's pipeline system in the foreseeable future. QazaqGaz also benefits from the growing demand for gas and the sizeable end markets (China, Kazakhstan, Russia [and ultimately Europe], and Central Asian countries), while the quality of gas supply available to the company is also underpinned by the large gas reserves in the neighbouring countries and the sustainable domestic gas production levels with significant untapped potential for future development.

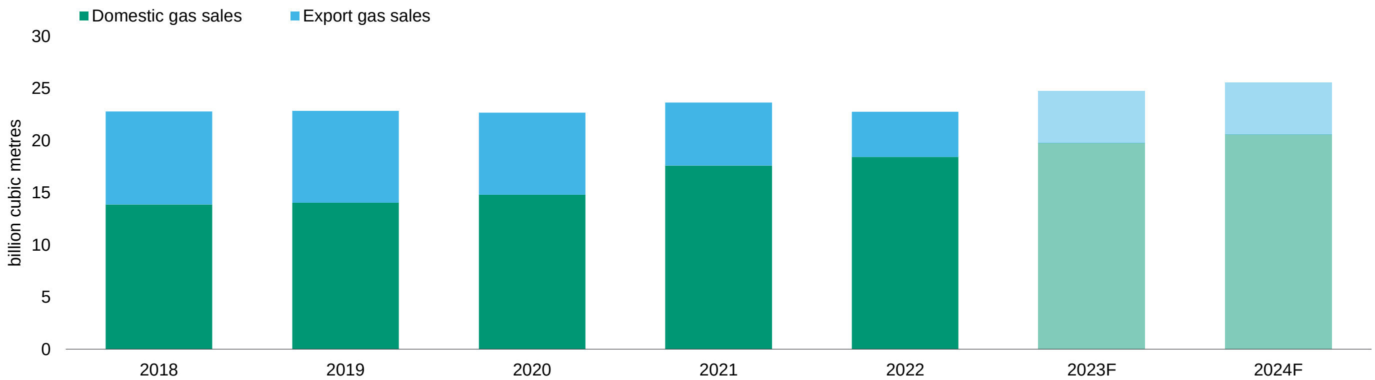
In 2022, QazaqGaz's own gas production was 0.28 bcm, or only around 1.0% of Kazakhstan's overall domestic gas production. Under the transformation in the national gas operator, QazaqGaz intends to increase its gas reserves through geological exploration, develop the fields with high gas production potential and invest in gas processing projects. However, we do not expect a significant increase in its gas production in the medium term because of the very early stage of its upstream development programme with most of the important existing projects to be implemented via JVs and the current lack of new large gas projects in Kazakhstan.

Decline in high-margin exports and transit operations and rising cost of gas, while loss-making domestic sales continue to grow

QazaqGaz has historically generated most of its EBITDA from export sales of gas produced mainly by the Tengiz, Kashagan and Karachaganak projects in Kazakhstan, as well as from export and transit gas transportation, while its domestic gas sales remain loss-making.

In 2021-22, gas exports generated 50% of QazaqGaz's revenue (2020: 61%) and the bulk of its operating EBITDA (excluding JVs). QazaqGaz purchases gas from independent domestic producers at relatively low prices and exports it at a significantly higher price primarily to China under a long-term contract with PetroChina International Company Limited (PetroChina), a subsidiary of CNPC, which was renewed in October 2023 until 2026. However, export operations have been declining largely because of surging consumption in Kazakhstan, prompting the redistribution of volumes in favour of the domestic market amid the country's limited own gas production. Thus, by 2022, QazaqGaz stopped its gas sales to other countries, while its exports to China reduced to 4.3 bcm in 2022 (5.7 bcm in 2021 and 7.0 bcm in 2020). The company aims to maintain its gas export volumes at around 5 bcm-6 bcm in 2023-24, balancing any potential deficit in gas supply with more expensive imports from Russia under the respective contract with Gazprom PJSC. The profitability of QazaqGaz's export operations in 2023-24 has also been strained by the temporarily step-up in gas purchase price from Karachaganak, which has become the main resource base for sales to China, while all the remaining gas volumes were shifted to the domestic market.

Exhibit 5
Domestic sales volume has increased at the expense of more profitable export operations



Source: QazaqGaz

To preserve its still very profitable exports at the minimal levels remains important for QazaqGaz as it continues to subsidise the company's actively developing but heavily loss-making domestic gas distribution business. The latter has high growth potential because only 59% of the country's population had access to natural gas as of year-end 2022 (57% in 2021) and the government targets to reach the total level of gasification of 65% by 2030. In 2022, the company's sales in the local market increased to 18.4 bcm from 16 bcm in 2020, accounting for around 36% of QazaqGaz consolidated revenue (22% in 2020), and will continue to grow towards 20 bcm by 2024, per the company's forecasts.

Taking into account the evolving deficit of domestic gas supplies, which resulted in lower volumes and rising costs of its most profitable gas exports, the government embarked on a major gas market reform in December 2022 to allow QazaqGaz to accommodate the growth in domestic consumption, which requires substantial investments in the country's gas industry, while also encouraging independent domestic producers to sell their gas. The reform is intended to turn the company's domestic gas operations profitable by 2026, reducing its reliance on income from exports, and to boost gas production in the country. In particular, the key initiatives already included (1) a new favourable pricing formula for the purchase of gas from new upstream projects; (2) the introduction of new gas consumer categories, large commercial users and miners, for which gas prices were increased by 40%-50% starting July 2023; and (3) the approved tariff adjustments for the rest of the consumers for 2023-26 including a 12.2% increase in 2023 and 9.1% -20% in 2024. Although the government considers additional adjustments to QazaqGaz's domestic sale tariffs, the exact impact of the ongoing reform is yet to be demonstrated, particularly given the potential social risks, which may prevent or delay its implementation.

Despite upward revision of transit tariffs by 21%, transportation services of QazaqGaz's key subsidiary ICA, which accounted for around 5% of the company's total consolidated revenue in 2022 (around 11% in 2021) have also remained under pressure in 2022-23 largely driven by (1) the drop in high-margin transit of Central Asian gas amid the ongoing Russia-Ukraine military conflict with vast international sanctions imposed on Russia; and (2) reducing volumes of attractive export gas transportation in favour of domestic consumption. However, the decline in ICA's transportation volumes will be partly offset by the recently launched reverse transit of Russian gas to Uzbekistan with volumes to reach up to 6.5 bcm per year in 2024. Moreover, the significant upside opportunities may also come from a new long-term contract with Gazprom for additional transit volumes to Uzbekistan starting October 2025, which the government plans to sign in 2024.

Increasing reliance on contribution from JVs amid the major deterioration in own operations

QazaqGaz's EBITDA, operating cash flow and leverage are sensitive to oil prices, because the company's gas export prices follow oil prices with an up to nine-month lag. As a result, the positive effect of the oil prices rebound in 2021-22 started to affect the company's financial results only in the beginning of 2022. The company also benefits from the weak Kazakh tenge, with around 65% of the company's revenue and only 10% of its operating expenses denominated in foreign currency, which also comfortably hedges its US dollar borrowings (around 74% of the total financial debt).

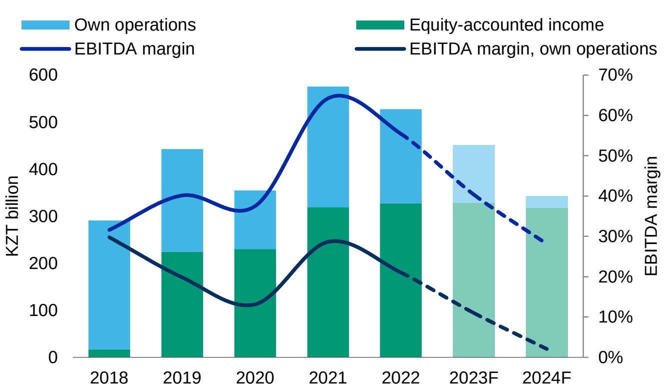
In particular, in 2022, QazaqGaz's earnings and profitability were supported by the substantial increase in gas export prices and the significant depreciation of the tenge, which mitigated the negative effect on the company's results from the decline in gas exports to accommodate the rising share of loss-making domestic gas sales as well as from the drop in Central Asian gas transit volumes. Overall, QazaqGaz's Moody's-adjusted operating EBITDA, which excludes its share in the profit of JVs, improved by 43% to KZT200.2 billion from KZT139.6 billion in 2021 (excluding KZT117 billion of one-off positive adjustment on gas price recalculation according to the arbitration decision).

We expect QazaqGaz to retain its sound revenue growth, backed by higher sales volumes within the country, still-favourable export prices, and the already-approved domestic tariffs increase under the ongoing market reform. However, the major step-up in gas purchases cost amid the persistently subdued exports and transit operations has resulted in a significant deterioration in the company's core earnings and cash flow generation starting 2023. Thus, in the 12 months that ended September 2023, its Moody's-adjusted operating EBITDA dropped to KZT69 billion and its operating FFO (excluding dividends from JVs) to KZT16 billion (KZT119 billion in 2022). Despite some support from new contract for gas transit to Uzbekistan, the company's results may further deteriorate over 2024, subject to actual import volumes required to balance the market.

Nevertheless, QazaqGaz's total earnings remain supported by sound and profitable operations of its two JVs, AGP and BSGP, underpinned by favourable unregulated transportation tariffs and limited dependence on local gas market developments. Both JVs accounted for around 60% of its total Moody's-adjusted EBITDA in 2022 and will likely become almost sole contributors in 2023-24 (82% in the 12 months that ended September 2023). In 2022, QazaqGaz's share in the profit of JVs reached KZT328 billion in 2022 (KZT319 billion in 2021) and in 2023-24, the company expects it to remain or exceed this level, contingent upon potential upward tariff adjustments for AGP that may be agreed with the Chinese partner.

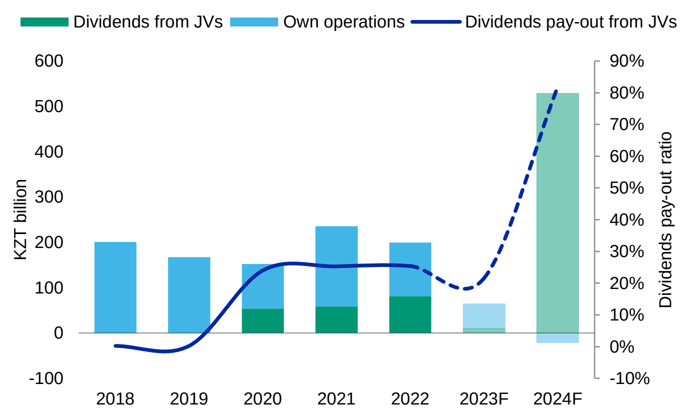
Moreover, QazaqGaz plans a major step-up in AGP's dividend payout following the full repayment of its existing debt in H1 2023 and no significant investments, which should fuel total Moody's-adjusted FFO to well above the historical levels. However, the company decided to postpone dividends, that were supposed to be paid in 2023, due to the ongoing tariff discussions. As a result, QazaqGaz did not receive an important support to its cash flow in 2023, although the company anticipates to receive the payout in full by the end of the first quarter of 2024, along with scheduled dividends, based on 2023 results, to be also paid this year.

Exhibit 6
EBITDA will be supported by stable income from JVs...



Source: Moody's Investors Service

Exhibit 7
...while FFO will benefit from substantially increased inflows of dividends



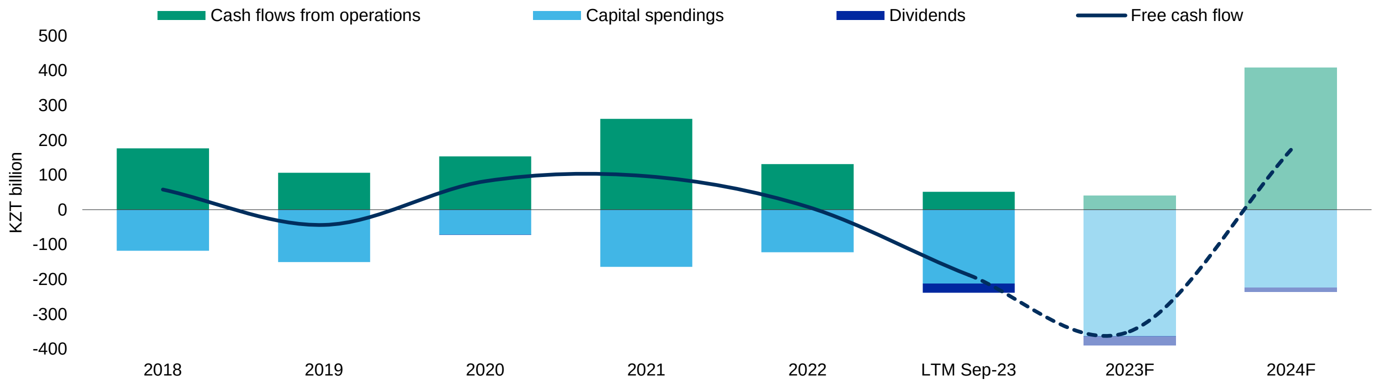
Source: Moody's Investors Service

At the same time, after increasing in 2022 following the recognition as debt of KZT95.8 billion long-term lease liabilities for Saryarka MGP, QazaqGaz's debt will decline in 2023 under the scheduled leasing and debt repayments from its ample cash balance. Despite the spike in its capital spending programme mainly related to large gas pipeline projects of ICA, the company also fully financed it from internal sources (including $406 million loan repayment from BSGP under the debt refinancing completed in September 2022).

In 2024, QazaqGaz's investment plan will moderate from the peak in 2023. In particular, the company plans to embark on the modernisation of ICA's Central Asia-Centre trunk pipeline to ensure the expected step-up in the transit of Russian gas to Uzbekistan by year-end 2025 and also considers a number of new large development projects mostly in the midstream segment, but their exact scale, timing and funding framework are yet to be defined and the active investment phase is likely to commence only in 2025.

In addition, although in 2023, QazaqGaz paid its first dividends since 2012, the amount remained fairly moderate at KZT27 billion and we continue to assume no material payouts in the medium term.

Exhibit 8
FCF will be stained by increased capital investments



Source: Moody's Investors Service

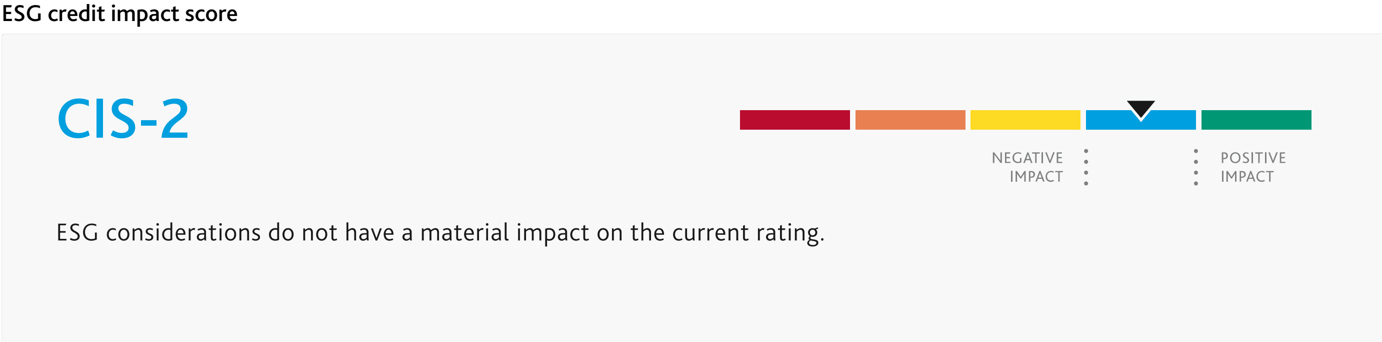
Overall, while QazaqGaz's debt/EBITDA will stay comfortably below 2.0x in 2023-24 (1.2x in 2022 and 1.4x in the 12 months that ended 30 September 2023), its FFO/debt dropped to 4.7% and FFO interest coverage – to 1.5x in the 12 months that ended 30 September 2023 (32.8% and 4.5x in 2022, respectively) and will likely stay weak as of the year-end 2023 (all metrics are Moody's-adjusted).

Although substantial dividend payouts from AGP, that QazaqGaz forecasts to receive during the year, will boost a major rebound in its cash flow coverage metrics in 2024, the company's reliance on structurally subordinated contributions from JVs, over which it does not have full control, drives increasing risks to predictability and sustainability of its cash flow generation. In addition, the evolution of its credit profile in 2024-25 will remain subject to the actual expansion pace of the domestic gas consumption and import volumes necessary to accommodate this growth, volatility in export gas prices, and the government's ability and willingness to proceed with its socially sensitive market reform.

ESG considerations

JSC National Company QazaqGaz's ESG credit impact score is CIS-2

Exhibit 9
ESG credit impact score



Source: Moody's Investors Service

JSC National Company QazaqGaz (QazaqGaz)'s **CIS-2** indicates that ESG considerations do not have a material impact on the current rating, because of the uplift provided by its continued strategic importance to Sovereign Wealth Fund Samruk-Kazyna JSC and the Government of Kazakhstan.

Exhibit 10
ESG issuer profile scores

Source: Moody's Investors Service

Environmental
QazaqGaz's **E-3** reflects its primary business of gas pipeline transportation and distribution which exposes the company to carbon transition risks via its reliance on the heavily exposed exploration and production sector, although the risks are mitigated by the importance of gas as a transition fuel and reliance of the company's end markets on gas as an energy source. In addition, QazaqGaz, in common with the broader gas transmission sector, is also exposed to waste and pollution risks that stems from the inherent risk of gas leakages, physical climate risks related to potential for damage of its gas pipelines, as well as natural capital risks from its indirect exposure to upstream operations and potential implication of pipelines construction on natural systems. Although no immediate effect on the company's operations and financial performance, we expect these risks to remain a challenge for the company and the sector as a whole, for the foreseeable future.

Social
QazaqGaz's **S-4** is driven by demographic & societal trends. Taking into account the company's material domestic gas distribution business, the risks primarily stem from the public concerns over affordability issues leading to pressure on regulators to limit tariff increases. There are also general expectations of consumer preference trending away from fossil fuel consumption, coinciding with a gradual tightening of policies and regulations for the fossil fuel industry, including gas transportation pipelines, although this risk remains fairly remote in case of the company. QazaqGaz's exposure to responsible production reflects the operational risk to public safety, while the physically intensive nature of the gas operations can also create health and safety risks to workers. In addition, given QazagGaz's retail gas sales operations, the company is exposed to customer relations risks, mitigated by the heavily regulated nature of this business, with all key decisions taken directly at the level of the government.

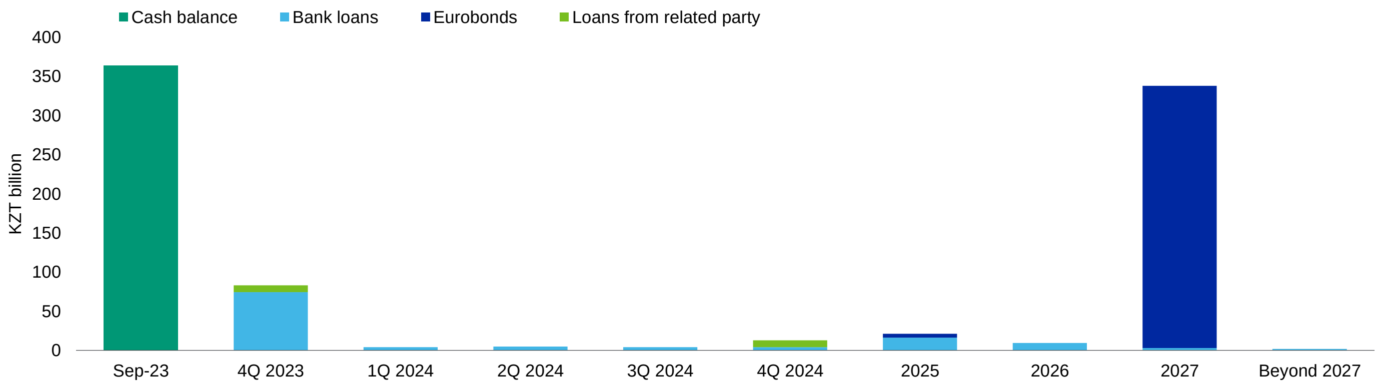
Governance
QazaqGaz's **G-3** reflects its concentrated ownership structure, whereby the company is fully owned by the government (via Sovereign Wealth Fund Samruk-Kazyna JSC), which is also the regulator of the industry. This weakens the strength of the company's board with a potential for external influence by Samruk-Kazyna and the government, which could materially change QazaqGaz's pool of core assets, strategy, and financial and dividend policies. The management is also under the ultimate control of the state with a number of changes in the team taken place in the past. This potential influence offsets the company's strategic importance to the state and its historically balanced financial policy.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis
AAs of 30 September 2023, QazaqGaz's liquidity comprised cash and cash equivalents of KZT364 billion and KZT67 billion of notes issued by Samruk-Kazyna, which will comfortably cover the company's short-term debt maturities of KZT96 billion and capital spending over the next 12 months. QazaqGaz may also fund part of its investment programme with equity injections from Samruk-Kazyna and new debt, although the exact decision has not yet been taken.

We expect QazaqGaz to remain in compliance with its covenants over the next 12-18 months.

Exhibit 11
Substantial cash balance underpins sound liquidity



Contractual repayment amounts with no IFRS discounting applied.
Source: QazaqGaz

Methodology and scorecard

We apply our Natural Gas Pipelines rating methodology to determine QazaqGaz's BCA. This results in a Ba2 scorecard-indicated outcome based on historical results. Under the forward view, the scorecard-indicated outcome restores to A1 supported by the recovery in credit metrics following the expected resumption of dividend payouts from AGP. However, the BCA factors in QazaqGaz's reliance on structurally subordinated contributions from JVs amid weak financial results from its own operations.

Exhibit 12

Rating factors

JSC National Company QazaqGaz

Natural Gas Pipelines Industry Scorecard [1][2]	Current LTM 9/30/2023		Moody's 12-18 Month Forward View As of February 2024 [3]	
Factor 1 : Market Position (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Demand Growth	Baa	Baa	Baa	Baa
b) Competition	Aaa	Aaa	Aaa	Aaa
c) Volume Risk & Throughput Trend	A	A	A	A
Factor 2 : Quality of Supply Source (10%)				
a) Supply Source	A	A	A	A
Factor 3 : Contract Quality (30%)				
a) Firm Revenues	Aa	Aa	Aa	Aa
b) Contract Life	B	B	B	B
c) Shipper Quality / Recontracting Risk	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (45%)				
a) (FFO + Interest) / Interest	1.5x	Caa	>7x	Aaa
b) FFO / Debt	4.7%	Caa	>40%	Aaa
c) (FFO - Dividends) / Debt	-0.1%	Caa	>40%	Aaa
Rating:				
a) Scorecard-Indicated Outcome		Ba2		A1
b) Actual BCA Assigned				ba3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	ba3			
b) Government Local Currency Rating	Baa2			
c) Default Dependence	Moderate			
d) Support	High			
e) Actual Rating Assigned	Baa2			

[1] All ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations
[2] As of 30 June 2023 (LTM).
[3] This represents our forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 13

Category	Moody's Rating
JSC NATIONAL COMPANY QAZAQGAZ	
Outlook	Stable
Issuer Rating	Baa2
Bkd Senior Unsecured	Baa2
PARENT: SOVEREIGN WEALTH FUND SAMRUK-KAZYNA JSC	
Outlook	Positive
Issuer Rating	Baa2
NSR LT Issuer Rating	Aaa.kz
INTERGAS CENTRAL ASIA	
Outlook	Stable

Issuer Rating	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 14

Moody's-adjusted debt breakdown

JSC NC QazaqGaz

(in USD million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Sep-23
As Reported Total Debt	**1,436**	**1,322**	**1,192**	**1,197**	**1,314**	**1,183**
Leases	40	0	0	0	0	0
Non-Standard Adjustments	(11)	15	0	0	0	0
Moody's Adjusted Total Debt	**1,466**	**1,338**	**1,192**	**1,197**	**1,314**	**1,183**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 15

Moody's-adjusted EBITDA breakdown

JSC NC QazaqGaz

(in USD million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Sep-23
As Reported EBITDA	**814**	**1,194**	**884**	**1,365**	**1,161**	**944**
Unusual Items - Income Statement	47	(2)	0	0	0	41
Leases	7	0	0	0	0	0
Interest Expense - Discounting	(22)	(36)	(25)	(16)	(15)	(15)
Moody's Adjusted EBITDA	**846**	**1,157**	**859**	**1,350**	**1,146**	**970**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 16

Peer comparison

	JSC National Company QazaqGaz Baa2 Stable			Transportadora Associada de Gas S.A. Ba1 Stable			eustream, a.s. Ba1 Negative			Gulfstream Natural Gas System L.L.C. Baa2 Stable		
(in USD million)	FYE Dec-21	FYE Dec-22	LTM Sep-23	FYE Dec-21	FYE Dec-22	LTM Jun-23	FYE Jul-21	FYE Jul-22	FYE Jul-23	FYE Dec-21	FYE Dec-22	LTM Jun-23
Revenue	2,101	2,068	2,088	1,313	1,635	1,737	743	639	239	282	286	301
EBITDA	1,350	1,146	859	1,090	1,407	1,536	652	577	178	247	258	271
Total Debt	1,197	1,314	1,183	4,136	3,732	3,619	1,264	1,087	1,155	1,144	1,145	1,145
Cash & Cash Equivalents	910	1,312	896	79	130	120	47	159	206	20	21	26
EBITDA margin %	64.2%	55.4%	41.2%	83.0%	86.1%	88.4%	87.7%	90.4%	74.7%	87.9%	90.2%	90.1%
EBITDA / Interest Expense	16.5x	9.3x	6.8x	4.0x	3.2x	3.2x	17.9x	18.1x	5.3x	4.1x	4.2x	4.3x
EBIT / Assets	18.4%	14.8%	8.9%	12.9%	17.0%	19.6%	8.8%	8.1%	0.3%	13.3%	13.9%	14.7%
Debt / EBITDA	0.9x	1.2x	1.4x	3.9x	2.7x	2.2x	2.0x	2.1x	6.2x	4.6x	4.4x	4.2x
FFO / Debt	45.3%	32.8%	4.7%	20.3%	27.4%	31.1%	40.0%	31.0%	11.8%	17.0%	16.9%	19.3%
RCF / Net Debt	189.1%	21274.3%	-0.4%	10.9%	20.2%	23.3%	0.8%	13.8%	14.3%	1.2%	1.4%	2.5%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE