ПРОДОВОЛЬСТВЕННАЯ КОНТРАКТНАЯ КОРПОРАЦИЯ
АЗЫҚ-ТҮЛІК КЕЛІСІМ ШАРТ КОРПОРАЦИЯСЫ
FOOD CONTRACT CORPORATION

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на № ________ от ________

АО «Казахстанская фондовая биржа»

АО «НК «Продкорпорация» (далее – Корпорация) сообщает о подтверждении (обновлении) рейтинговым агенством Moody's Investors Service Ltd корпоративного рейтинга и рейтинга по облигациям Корпорации НИН KZ2C0Y07E152, соответствующих уровню Ba3 согласно выданному кредитному заключению от 06 июля 2016 года.

Приложение на 9 листах.

Заместитель
Председателя Правления **Кашкимбаев С.Б.**

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CREDIT OPINION
6 July 2016

Update

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RATINGS

National Company Food Contract Corp JSC

Domicile	Kazakhstan
Long Term Rating	Ba3
Type	LT Corporate Family Ratings - 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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National Company Food Contract Corp JSC

Annual Update

Summary Rating Rationale

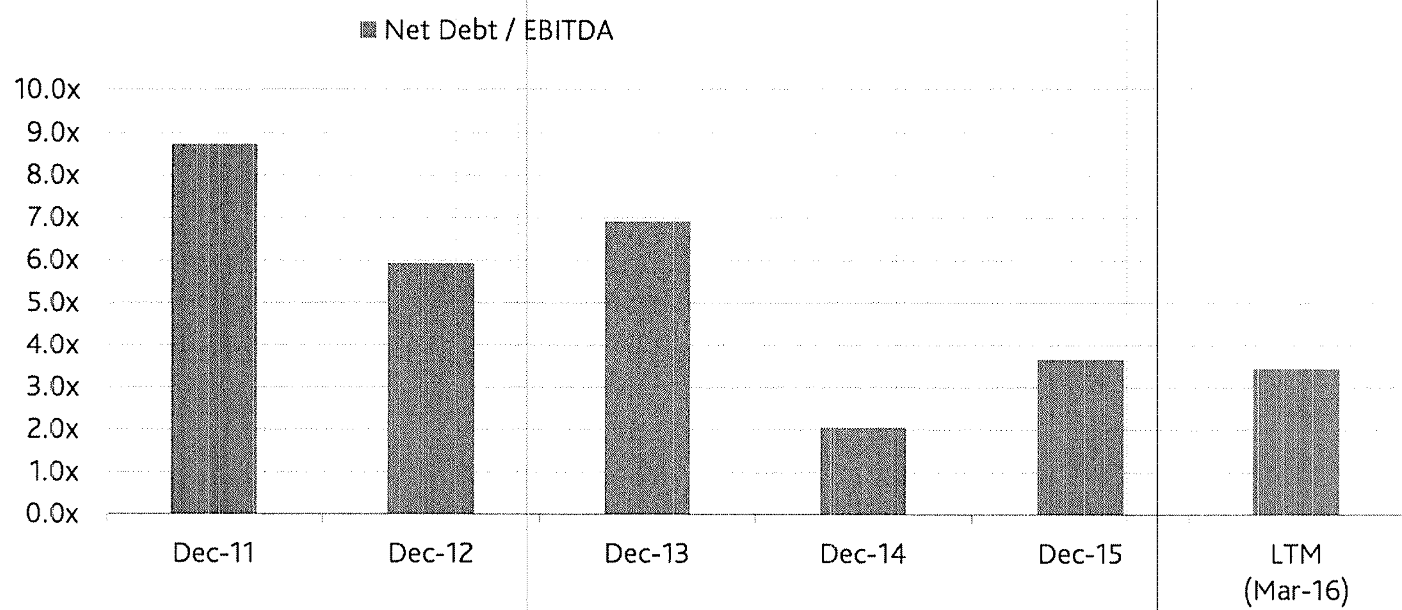
National Company Food Contract Corp JSC's (FCC's) Ba3 corporate family rating (CFR) is determined in accordance with our rating methodology for GRIs (Government-Related Issuers: Methodology Update, published in July 2010), which comprises the following inputs (1) a baseline credit assessment (BCA) of b3, which is a measure of the company's underlying fundamental credit strength, excluding any extraordinary government support; (2) the Baa3 local-currency rating of the government of Kazakhstan; (3) high default dependence between the GRI and the government; and (4) the probability of strong support from the government.

The b3 BCA is constrained by FCC's (1) very small scale in the international context; (2) volatile revenues, operating profit and cash flows with significant working capital requirements; (3) history of weak and highly volatile credit metrics, in particular gearing, although these are gradually improving; and (4) high dependence on external funding, including that from the state, and substantial share of short-term loans in the debt portfolio.

However, FCC's ratings benefit from the state support it receives on an ongoing basis, mainly in the form of shareholder loans and loans from the Ministry of Agriculture of Kazakhstan. The CFR also factors in (1) the company's long track record of operations in domestic and international grain markets, supported by its status as the state grain trader; and (2) its long-term relationships with grain storage companies in Kazakhstan, grain traders and foreign banks.

Starting in 2016, FCC shifted towards a more profit-oriented business model, which is likely to positively affect the company's financial metrics going forward. However, the company is yet to establish a track record of delivering business change. In addition, the company will retain its functions as the state regulator for the domestic grain market, which might still imply non-commercial operations under the government's instructions.

Exhibit 1



Source: Moody's Investors Service

Credit Strengths

» History of strong government support

» Shift to a more profit-oriented business model, while retaining its status as the state market regulator

» Competitive advantage in domestic and export markets as the state grain trader

Credit Challenges

» Small size

» Inherent volatility of the company's revenues, operating profit, cash flows, and leverage

» Dependence on external funding and in particular that from the government budget

» Reliance on short-term debt financing

Rating Outlook

The outlook on FCC's rating is stable, reflecting our expectation that the banks and the government will remain supportive of the company in meeting its future financial commitments in a timely manner.

Factors that Could Lead to an Upgrade

» Positive pressure may develop if the company demonstrates a consistent track record of improving financial and operating performance under its new business model.

Factors that Could Lead to a Downgrade

» Downward pressure could be exerted on the rating if support from the Kazakh government fails to materialise in a timely manner when needed. In addition, any downgrade of the sovereign rating could have a direct effect on FCC's CFR. Increased gearing (adjusted debt/book capitalisation) to above 70% on a sustained basis could exert negative pressure on the BCA and, in turn, on the rating.

Key Indicators

Exhibit 2

National Company Food Contract Corp JSC

	3/31/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Revenue (USD Billion)	$0.2	$0.2	$0.3	$0.3	$0.5
Total Assets (USD Billion)	$0.4	$0.4	$0.8	$1.0	$1.4
Fixed Assets (USD Billion)	$0.0	$0.0	$0.1	$0.1	$0.1
Debt / Book Capitalization	47.5%	44.0%	52.8%	61.6%	69.5%
Net Debt / EBITDA [2]	3.4x	3.7x	2.1x	6.9x	5.9x
FFO / Debt	12.9%	15.0%	13.8%	-0.4%	3.9%

[1] All quantitative measures, except for Fixed Assets, are based on 'As Adjusted' financial data and incorporate Global Standard Adjustments for Non-Financial Corporations. Fixed Assets are based on "As Reported" financial data for Gross Property, Plant, and Equipment.

[2] Net Debt includes an adjustment for Readily Marketable Inventories (RMI), which is typically between 20%-75% of inventory depending on the business mix of the company (see the published rating methodology for a detailed description of this adjustment).

Source: Moody's Investors Service

Detailed Rating Considerations

STRONG GOVERNMENT SUPPORT EXPECTED TO BE MAINTAINED

As per our GRI rating methodology, FCC's ratings incorporate uplift to the company's standalone credit quality, measured by a BCA of b3. The uplift to the BCA is driven by (1) the credit quality of the state as the company's sole shareholder; (2) our assessment of strong support from its shareholder in the event of financial distress; and (3) the high default dependence between the company and the state. Although the company was listed in the privatisation plan reviewed by the government in December 2015, we understand that the government will retain full control over FCC, preserving the company's status as the sole state regulator of the domestic grain market. As a result, we believe that all the historical assumptions under the GRI model remain valid for FCC.

The high level of default dependence reflects (1) FCC's full state ownership, and its high reliance on the government for operational and financial support; (2) the high concentration of the company's operations in the domestic market; and (3) the sensitivity of FCC's financials to the same sources of risk as the government, as political events might affect the willingness of the government to support the company (or even its willingness to support the continued existence of the company).

The government's strong support is predicated on (1) the significance of agriculture to the Kazakh economy, as well as the sector's contribution to national exports, albeit secondary to the importance of the oil and gas sector; (2) the reputation risk to the state if it failed to support the company in servicing its financial debts in a timely manner; (3) the role played by the company in underpinning national economic growth that favours non-oil-related sectors; and (4) the actual state support that FCC has received to date, in the form of interest- free loans, capital injections and subsidies. However, our assessment of support is lowered by the lack of an explicit guarantee of FCC's financial liabilities by Kazakhstan.

SHIFT TO A PROFIT-ORIENTED BUSINESS MODEL IS LIKELY TO REDUCE VOLATILITY OF OPERATIONS

FCC's historically weak operating and financial profile was mainly driven by the company's mandate to maintain state grain reserves, and to act as a government's arm to regulate domestic grain prices, which often implied operating against the market trends. However, under the market liberalisation commenced in 2016, the company's business model will become more focused on commercial operations, with a sole focus on grain trading while disposing of all non-core agricultural assets.

Following the expiration of the trust management agreement, regarding state grain reserves, between Ministry of Agriculture and the company in the beginning of 2016, the ownership for these reserves are supposed to be transferred to FCC, providing more flexibility in their usage. Nevertheless, under its mandate to ensure the country's food security, FCC will still have to maintain the minimum required level of grain reserves at the year-end, although fluctuations within a year are allowed. Moreover, in 2016, FCC switched from the direct regulation of domestic grain prices in the government's interest to profit-oriented market making, which will allow the company to materially increase the share of commercially driven trade operations, including attractive exports.

Although the above changes may bring some stabilisation of the company's operations, its earnings and cash flows will remain volatile, as grain prices vary owing to imbalances between demand and supply. These imbalances are driven by weather conditions, and are exacerbated by the application of outdated technologies by Kazakh farmers and the undeveloped nature of the grain sector in the country overall. The industry seasonality also translates into significant changes in working capital, which requires substantial investments.

Moreover, in 2015, the Kazakh grain market suffered from increasingly challenging macroeconomic environment in the country and severe competition from Russian grain producers in domestic and export markets, which benefited from materially weaker rouble vs. tenge throughout most of the year. The poor quality of the grain harvest in Kazakhstan in 2015 further harmed Kazakh grain competitiveness in both domestic and export markets, leading to noticeable deterioration in FCC's financial and operating results in 2015. The market started to improve in Q4 2015, following the rapid depreciation of the tenge under the government's decision to adopt a free-float, which made Kazakh grain competitive again. Thus, in Q1 2016, FCC's revenue more than doubled on a year-over-year basis.

VOLATILE FINANCIAL PROFILE WITH RELIANCE ON SHORT-TERM DEBT FINANCING

FCC's dependence on the government's financial support remains fairly high, although we anticipate some gradual reduction as it shifts to a more profit-oriented business model. In particular, the company relies on state funding to provide financing to farmers, which require significant investments.

Although FCC's ratings benefit from ongoing state support, we note that it mainly comes in the form of short-term reduced-interest shareholder loans and interest-free loans from the Ministry of Agriculture of Kazakhstan, and, to a lesser extent, in the form of equity injections. In addition, FCC is reliant on short-term commercial bank loans to fund its high working capital requirements. As a result, the company's balance sheet has historically remained highly indebted with ongoing refinancing pressure. This is partly offset by FCC's very liquid, readily marketable grain inventories.

Under its new business strategy, FCC plans a gradual transition to longer-term financing to improve the maturity profile of its debt portfolio, and to gain more operating flexibility to manage its grain inventory and payment terms with farmers in a more efficient manner.

Considering FCC's business fundamentals, the main risk facing the company is equity not being sufficient to cover its growing balance sheet, and in particular the increase in inventories, loans to farmers and accounts receivable. This risk can be further exacerbated by potential losses on inventories or bad debts. As a result, FCC's credit standing is primarily driven by the capacity of its equity base to represent a sufficient cushion to support its debt.

In 2015, the company's adjusted gearing (measured as adjusted debt/book capitalisation) reduced to 44% (2014: 53% and 2013: 62%) and remained fairly flat in Q1 2016. Despite weak operating results and cash flow generation amid the market downturn, the decrease in gearing was driven by a significant reduction of FCC's adjusted debt to KZT52 billion in 2015 (2014: KZT74 billion and 2013: KZT97 billion), mainly achieved by utilisation of the accumulated cash cushion. Despite some recent improvements, we expect that the company's gearing will remain fairly volatile, owing to the company's business specifics. There are likely to be some fluctuations depending on prevailing grain market conditions in the period, FCC's ability to maintain and further develop export operations, and to successfully shift to a new business model.

Liquidity Analysis

We expect that the company will be able to maintain a satisfactory liquidity position over the next 12 months, assuming the collection of KZT30.5 billion in December 2016 under the restructuring of overdue receivables, which now benefit from domestic banks' guarantees.

We note that FCC remains highly reliant on timely state funding, as well as on its ability to roll over short-term working capital facilities with banks. However, the history of regular government support, FCC's critical role in the Kazakh agricultural sector, and the company's long-established relationships with banks, provide some comfort that it will maintain satisfactory liquidity.

We understand that none of FCC's existing debt facilities have financial covenants.

Corporate Profile

Headquartered in Astana, Kazakhstan, JSC National Company Food Contract Corporation (FCC) is fully owned by the state of Kazakhstan through JSC National Holding Company KazAgro. By virtue of its current ownership structure, we consider FCC to be a government-related issuer (GRI).

FCC is the largest grain trader in Kazakhstan. It also acts as a state regulator for the domestic grain market, with the principle mandate to (1) ensure the food security of the country by maintaining sufficient grain reserves; (2) develop exports markets for Kazakh grain; (3) guarantee the stability of the country's grain market, acting as a market maker and, to a lesser extent, via potential market interventions orchestrated by the government in case of market shocks; and (4) support domestic agricultural producers by providing them spring-summer financing for crop sowing in the form of forward purchases of grain.

In the last twelve months ended 31 March 2016, FCC reported revenues of KZT48.4 billion (approximately $196.42 million) and adjusted EBIT of KZT9.2 billion (approximately $37.25 million).

Rating Methodology and Scorecard Factors

We determine FCC's underlying credit quality, reflected in the BCA, by applying our Trading Companies rating methodology published in March 2015. FCC's current BCA of b3 is lower than the grid-indicated outcome of b1 mainly due to (1) its exposure to the Commonwealth of Independent States market environment, which is characterised by a less developed regulatory, political and legal framework; (2) the significant volatility of the company's operations; and (3) the still high reliance on state regulation and support, despite shifting to a more commercially-oriented business model.

Exhibit 3

Rating Factors

National Company Food Contract Corp JSC

Trading Companies Industry Grid [1][2]	Current LTM 3/31/2016		Moody's 12-18 Month Forward View As of 6/15/2016 [3]	
Factor 1: Scale (20%)	Measure	Score	Measure	Score
a) Revenue (USD Billion)	$0.2	Ca	$0.1 - $0.2	Ca
b) Fixed Assets (USD Billion)	$0.0	Ca	$0	Ca
Factor 2: Business Profile (30%)				
a) Business Profile	B	B	B	B
Factor 3: Leverage (20%)				
a) Debt / Book Capitalization	47.5%	Baa	40% - 50%	Baa
b) Net Debt / EBITDA [4]	3.4x	Ba	3.5x - 4x	Ba
c) FFO / Debt	12.9%	Ba	8% - 12%	Ba
Factor 4: Financial Policy (30%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Indicated Rating from Grid		B1		B1
b) Actual Rating Assigned				Ba3
Government-Related Issuer	Factor			
a) Baseline Credit Assessment	b3			
b) Government Local Currency Rating	Baa3			
c) Default Dependence	High			
d) Support	Strong			
e) Final Rating Outcome	Ba3			

[1] All quantitative measures, except for Fixed Assets, are based on 'As Adjusted' financial data and incorporate Global Standard Adjustments for Non-Financial Corporations. Fixed Assets are based on "As Reported" financial data for Gross Property, Plant, and Equipment.

[2] As of 3/31/2016(L); Source: Moody's Financial Metrics™

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

[4] Net Debt includes an adjustment for Readily Marketable Inventories (RMI), which is typically between 20%-75% of inventory depending on the business mix

Source: Moody's Investors Service

Ratings

Exhibit 4

Category	Moody's Rating
NATIONAL COMPANY FOOD CONTRACT CORP JSC	
Outlook	Stable
Corporate Family Rating	Ba3
Senior Unsecured -Dom Curr	Ba3/LGD4

Source: Moody's Investors Service

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