

**"ҚАЗАҚТЕЛЕКОМ"  
АКЦИОНЕРЛІК  
ҚОҒАМЫ**



**ҚАЗАҚТЕЛЕКОМ**  
"KAZAKHTELECOM JOINT STOCK COMPANY"

**АКЦИОНЕРНОЕ  
ОБЩЕСТВО  
"КАЗАХТЕЛЕКОМ"**

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## PRESS RELEASE

### Fitch Ratings positively assessed the near-term prospects for Kazakhtelecom JSC

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International rating agency Fitch Ratings has affirmed Kazakhtelecom JSC credit rating at BBB- (Outlook 'Stable'). Analysts of this reputable international organization attribute the high investment level of the credit rating of Kazakhstan's largest telecom operator to the company's dominant market positions in all segments of the country's telecom market, healthy free cash flow, moderate leverage and improved profitability of the business.

As a reminder, in the summer of 2020, Fitch Ratings upgraded Kazakhtelecom's credit rating from 'BB+' to investment 'BBB-' level. In its annual report, the agency noted that the traditional telecommunications operator of Kazakhstan has promptly grown from a predominantly fixed-line to a diversified telecom services provider in the country with leading positions in broadband, pay-TV and in mobile through acquisition of control over the second- and the third-largest mobile operators in 2018 and 2019, respectively.

*"Kazakhtelecom's high ratings are driven by robust FCF – free cash flow, as well as a moderate level of leverage and improved profitability of the company. Kazakhtelecom's credit profile is underpinned by its leading positions in all telecom segments of the Kazakh market: in 2020, the company's subscriber market share was 93% in fixed voice, 74% in fixed broadband, 61% in mobile and 33% in pay-TV services, accounting for more than 65% of the total telecom market by revenue,"* **the report of Fitch Ratings analysts** says.

According to the agency's experts, Kazakhtelecom's consolidated revenue increased by 23% in 2020, which was partly due to a change in the scope of operations after the acquisition of a controlling stake in the Tele2/Altel JV in June 2019. At the same time, the rise in revenue was driven by efficient performance of mobile subsidiaries and increased demand in Kazakhstan for telecom services during the pandemic. The agency expects a significant increase in revenue of Kazakhtelecom JSC in the current year. At the same time,

according to Fitch Ratings, weak domestic financial market of Kazakhstan resulting in limited funding options leads to tighter leverage thresholds for the company. Nevertheless, the largest telecom operator, through transformation of its business and constant improvement of the quality of services provided, successfully copes with strict requirements. Moreover, the company is able to finance projects independently, resorting to loans selectively, on favorable for the company terms.

Commenting on the report published by the rating agency, **Kazakhtelecom JSC Chief Financial Officer Askhat Uzbekov** noted that Kazakhtelecom's EBITDA has improved significantly over the past two years: according to Fitch Ratings' methodology, EBITDA margin increased to 43% in 2020 from 36% in 2018. *"Fitch expects Kazakhtelecom's funds from operations (FFO) net leverage to decline to 0.8x in 2021 (1.2x at the end of 2020), supported by proceeds from the sale of a minority stake in one of its mobile subsidiaries Kcell JSC and healthy free cash flow (4% of revenue in 2021). Further deleveraging is likely given forecast robust operating cash flow,"* Askhat Uzbekov emphasized.

The rating agency experts also forecast that Kazakhtelecom's cash capex will remain fairly high at 21%-26% of revenue in 2021-2023. The telecom operator plans to invest the funds in the deployment of an integrated mobile network by its subsidiaries, along with upgrade and continued fiber network roll-out. All of this should significantly expand the company's capabilities in providing Kazakhstanis with access to modern telecom services, even in remote areas of the country, improve quality and range of services provided not only to the people, but also to business. The company is certain that after the development of new market niches, Kazakhtelecom has embarked on a path of sustainable development and has become one of the most attractive investment objects not only in the country, but also in the region. Fitch Ratings, for its part, notes that Kazakhtelecom has broadly similar strong market positions in the fixed-line and broadband segments compared with Rostelecom PJSC, as well as stronger mobile positions than that of Russian mobile operators Mobile TeleSystems and Tattetelecom PJSC.

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