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Press Release

Fitch Ratings upgrades Kazakhtelecom from 'BB' Outlook positive to 'BB+' Outlook stable

December 23, 2016, Astana

International Credit Ratings Agency Fitch Ratings (Agency) has upgraded Kazakhtelecom JSC's (Kaztel) Long-term Issuer Default Rating (IDR) from 'BB' Outlook Positive to 'BB+' Outlook Stable, the Agency's web-site says. National long-term rating has been upgraded to 'AA-(kaz)' from 'A+(kaz)', Outlook Stable.

According to the Agency Kaztel's ratings reflect the company's improving credit profile and liquidity index with strong cash flow generation. The ratings' improvement is contributed by a number of strengthening factors and positive changes in the company's activity. Kaztel maintains its leading position in the fixed-line segment. The company estimated its revenue fixed-line telephony market share at a dominant level of 82% at end-2015, and at exceptionally high 72% in the fixed-line broadband segment. The Agency expects Kaztel's broadband revenue growth to continue to compensate for pressures in the traditional voice segment, which is declining due to global trend of fixed-to-mobile substitution.

The company's improving mobile performance follows set up of a joint venture with Tele2 which continues to gain market share. The mobile joint venture increased its subscriber market share to 25% at end-1H16, a significant improvement from 18% jointly held by Tele2 and Kaztel at end-2014. The Agency believes that the entity's share will continue to grow on the back of its wider combined distribution network, superior 4G network coverage and successful market positioning, with Tele2 and Altel brands catering for price sensitive and premium segments respectively.

Kaztel's improving mobile market position as a result of the creation of the joint venture with Tele2 has been anticipated by the Agency's analysts since 2015. The

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analysts expect further financial improvements as the company starts benefiting from larger scale and integration synergies.

According to the Agency Kaztel's leverage is low, helped by deconsolidation of its mobile operations.

The improved ratings are driven by Kazakhtelecom's strong credit profile robust free cash flow generation, supporting liquidity with sufficient cash on hand to service the company's debt obligations.

According to the Agency Kaztel is facing limited FX exposure. The company has successfully managed to mitigate the currency risk by maintaining substantial cash and cash equivalents balance held in foreign currencies and decreasing its USD-linked obligations.

Kazakhtelecom's ratings' upgrade to 'BB+' is a positive news that shows the company's strong credit profile, effective risk management and successful retention of leading position on the Kazakhstan's telecom market.

The company's current rating level is comparable to the biggest Russian telecommunication companies: Credit ratings of "MTS", "Megafon", "Vimpelcom" are rated by Fitch at the same level of "BB+".

In October, 2016 another credit ratings agency S&P Global has also revised Kaztel's Long-term foreign and local currency corporate credit rating Outlook to Positive and affirmed its 'BB' and 'kzA+' ratings.

It should be mentioned that 'BB+' rating is the highest for Kazakhtelecom JSC since the beginning of its relations with Fitch Ratings and SnP Global.

Information

Kazakhtelecom JSC - the largest infocommunications operator in the Republic of Kazakhstan, was established in 1994.

With the company's shares listed on the Kazakhstan Stock Exchange high transparency level is ensured for the investors, partners and other affiliated parties.

Major shareholders include: National welfare fund "Samruk-Kazyna" JSC (51% of common shares) and Sobrio Limited owned by Alexander Klebanov (24,47% of common shares).

Chief Financial Officer



Askhat Uzbekov