

**"ҚАЗАҚТЕЛЕКОМ"
АКЦИОНЕРЛІК
ҚОҒАМЫ**



ҚАЗАҚТЕЛЕКОМ
"KAZAKHTELECOM JOINT STOCK COMPANY"

**АКЦИОНЕРНОЕ
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PRESS RELEASE¹

S&P Global Ratings: further revenue growth and strengthening credit metrics of Kazakhtelecom JSC

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Nur-Sultan city

International rating agency S&P Global Ratings has published a report on Kazakhtelecom JSC credit rating at 'BB+', Outlook Stable. The report says that agency expects further revenue growth for the largest telecom operator in Kazakhstan in 2021-2022.

In the agency's analysts' opinion, Kazakhtelecom's key strengths are: dominant position in the telecommunications market of Kazakhstan and an extensive network infrastructure, with more than 82,000 kilometers of back-bone network and more than 13,000 base stations. According to S&P Kazakhtelecom benefits from strong profitability, with EBITDA margins at nearly 50%, moderate leverage and sound free operating cash flow (FOCF) generation.

As for the forecasts, in the S&P Global Ratings' view, Kazakhtelecom exhibits strong revenue growth potential thanks to its converged portfolio of services and favorable demographics, with strong population growth and GDP recovery in 2021-2022. The analysts expect continued growth of the company's fixed broadband business, spurred by remote working and overall digitization trends. The agency attributes continued Kazakhtelecom's revenue growth in the mobile segment, to the largest LTE coverage in Kazakhstan (more than 80% of the population) thanks to investments over the years. Kazakhtelecom's improving credit quality is also influenced by ongoing synergies from the consolidation of two mobile networks and the continued growth of the company's fixed broadband business.

In experts' opinion the disposal of a stake in Kcell is neutral for Kazakhtelecom rating. The analysts have mentioned that Kazakhtelecom will remain in full control of Kcell. They expect most of the proceeds to be used for capex, which could improve the operating performance over time.

S&P Global Ratings has also compared Kazakhtelecom to its peers with comparable ratings Rostelecom PJSC, Mobile TeleSystems PJSC, VEON Ltd., Megafon PJSC. Despite larger business scale of the Russian telecom operators Kazakhtelecom is doing better than its peers in many of the profitability and leverage metrics listed below. The table shows that the company's EBITDA margin, debt/ EBITDA, FFO/ debt, Cash flow from operations/ debt, FOCF/ debt compare well with other telecom companies.

¹ Note: the press-release contains excerpts and tables from S&P Global Ratings report (permission confirmed by the source beforehand)

Peer Comparison

Table 1

Kazakhtelecom JSC--Peer Comparison*					
Industry sector: Diversified telecom					
	Kazakhtelecom JSC	Rostelecom PJSC	Mobile TeleSystems PJSC	VEON Ltd.	MegaFon PJSC
Ratings as of July 23, 2021	BB+/Stable/--	BB+/Stable/--	BBB-/Stable/--	BB+/Stable/--	BB+/Stable/--
--Fiscal year ended Dec. 31, 2020--					
Adjusted ratios					
EBITDA margin (%)	48.8	35.0	45.8	43.2	44.5
Return on capital (%)	15.1	12.1	23.6	14.9	12.8
EBITDA interest coverage (x)	4.5	5.3	5.0	4.9	3.6
FFO cash interest coverage (x)	4.3	5.0	4.6	4.5	3.6
Debt/EBITDA (x)	1.7	2.5	2.3	2.5	2.8
FFO/debt (%)	39.7	31.6	31.0	27.3	25.2
Cash flow from operations/debt (%)	37.6	29.5	31.4	27.6	24.8
FOCF/debt (%)	13.8	0.8	11.7	7.2	12.1
DCF/debt (%)	11.0	(3.1)	(6.7)	3.2	12.0

*All figures adjusted by S&P Global Ratings. Source: S&P Global Ratings.

Kazakhtelecom maintains its '**BB+**', **Outlook Stable** credit rating, which was assigned to the company on October 30, 2017 after having been upgraded from 'BB', Outlook Positive. Meanwhile the agency expects Kazakhtelecom's credit metrics to strengthen in 2021 on the back of continued growth in its mobile and fixed divisions.

For reference:

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. In June 2020, the international rating agency Fitch Ratings upgraded Kazakhtelecom JSC's Long-Term Issuer Default Rating (IDR) to 'BBB-/ Stable' from 'BB+/ Positive'.

Public Relations
Kazakhtelecom JSC