

"ҚАЗАҚТЕЛЕКОМ"
АКЦИОНЕРЛІК
ҚОҒАМЫ



ҚАЗАҚТЕЛЕКОМ
"KAZAKHTELECOM JOINT STOCK COMPANY"

АКЦИОНЕРНОЕ
ОБЩЕСТВО
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PRESS RELEASE

Fitch Ratings, following S&P Global Ratings, confirmed the high credit rating of Kazakhtelecom JSC

December 6, 2023

Astana

The international rating agency Fitch Ratings confirmed the credit rating of Kazakhtelecom JSC at the level of 'BBB-' with a 'Stable' outlook, paying special attention to the stable market positions of the company group, as well as a significant margin of financial strength. Previously, the largest telecom operator in Kazakhstan retained its position in the rating of another authoritative international structure, S&P Global Ratings.

According to Fitch Ratings analysts, Kazakhtelecom's high credit rating is underpinned by its leading positions across all telecom segments in Kazakhstan. By the company's assessment, its subscriber market share was 93% in fixed voice, 64% in fixed broadband, 58% in mobile and 34% in pay-tv services in 2022. According to Fitch Ratings, all this together exceeds 60% of the total telecommunications market in terms of revenue, and allows the company not only to effectively carry out its current activities, but also to invest significant funds in its development.

Fitch Ratings also reflects Kazakhtelecom's consistently strong FCF generation with pre-dividend FCF margin in high single digits, coupled with a stable competitive position and a favorable regulatory environment. Let us recall that in November of this year, experts from another international rating agency, S&P Global Ratings, came to similar conclusions, maintaining the credit rating of Kazakhtelecom JSC at the 'BB'+ level with a 'Stable' outlook. There, in particular, they note that the significant generation of operating cash allows Kazakhtelecom to reduce the need for external debt financing and maintain the debt burden at a level acceptable for the current rating.

*"For us, it is extremely important that two reputable international agencies independently confirmed our high credit rating, says **Kuanyszbek Yessekeyev, CEO of Kazakhtelecom JSC**. Thus, we received another independent confirmation of the elaboration of our investment plans, including a large-scale project to build a 5G network, in terms of the company's ability to generate the necessary cash flows for their implementation. High ratings from S&P Global Ratings and Fitch Ratings confirm our financial readiness to implement this and other large-scale projects."*

In addition, Fitch Ratings analysts note that the company has strong market positions similar to those of its European peers, such as the Dutch telecommunications company Royal KPN N.V. (BBB/Stable) and the British operator BT Group plc (BBB/Stable), as well as the Turkish fully integrated telecom operator Turk Telekomunikasyon A.S. (B/Stable). However, unlike Turk Telekomunikasyon, Kazakhtelecom is not exposed to high currency risks, since all its debt is in local currency, and it operates in more stable economic conditions than its Turkish counterpart, whose rating is limited by the country ceiling, as noted by the rating compilers.

Fitch Ratings analysts forecast further growth in Kazakhtelecom's revenue by approximately 8.2% in 2023 and 9.9% in 2024, followed by a gradual slowdown in growth to 7.7% in 2026. At the same time, Fitch believes that the volume of capital investment will decline: in 2023, according to the agency, it will reach a peak value of 58% (including payments for 5G frequencies), with a further decline.

“In the company’s financial strategy, we pay great attention to issues of financial stability, because we understand that without this long-term sustainable development is impossible. Therefore, it is very important for us that despite the increase in capital expenditures in connection with the implementation of large strategic projects, Fitch Ratings analysts consider the temporary increase in the level of debt burden to be comfortable for the current level of our company’s credit rating, which is reflected in its confirmation at the investment level ‘BBB-’,” noted **Lyudmila Atamuratova, CFO of Kazakhtelecom JSC.**

In addition, Fitch Ratings confirmed the credit rating of Kcell JSC, a subsidiary of Kazakhtelecom JSC, at the level of ‘BB+’ with a stable outlook. According to Fitch Ratings, significant investments by Kcell JSC in the modernization of the existing network along with the deployment of a new 5G network (this company, in a consortium with another subsidiary of Kazakhtelecom, Mobile Telecom-Service LLP, is implementing a project to build the first 5G network in country) should improve the market position of the mobile operator that is part of the Kazakhtelecom JSC Group.

“Indeed, this year we have entered a serious investment cycle, taking into account the implementation of a large-scale project for the introduction and development of 5G in the country, as noted in the report of Fitch experts,” noted **Askhat Uzbekov, CEO, Chairman of the Board of Kcell JSC.** *At the same time, thanks to conservative policies and improved operating performance, cost optimization and increased efficiency, in general, we manage to maintain a significant margin of financial strength and a comfortable level of liquidity. In general, in the first half of this year, we collectively invested almost KZT 110 billion to ensure that our clients in all segments receive only high-quality telecommunications and digital services,”* he added.

**Department of Communications
Kazakhtelecom JSC**