

"ҚАЗАҚТЕЛЕКОМ"  
АКЦИОНЕРЛІК  
ҚОҒАМЫ



ҚАЗАҚТЕЛЕКОМ  
"KAZAKHTELECOM JOINT STOCK COMPANY"

АКЦИОНЕРНОЕ  
ОБЩЕСТВО  
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### Fitch Ratings following S&P Global Ratings affirmed credit rating of Kazakhtelecom JSC

**The international rating agency Fitch Ratings has affirmed Kazakhtelecom JSC' credit rating at BBB- (Stable outlook). Among key drivers of the rating, analysts name the Group's stable market positions, strong results despite challenges, as well as a significant headroom of financial stability.**

According to Fitch Ratings' analysts, Kazakhtelecom JSC benefits from developed network infrastructure owned by the company, as well strong financial profile. The high rating of creditworthiness of the country's largest telecom operator is underpinned by the company's market-leading position in all telecom segments in Kazakhstan. In 2021, the company's subscriber market share was 93% in fixed voice, 71% in fixed broadband, 59% and 37% in mobile and pay-TV services, respectively, accounting for more than 60% of total telecom market by revenue.

*"The Fitch Ratings release has become the second positive assessment of the company's positions by reputable international entities recently," said **Lyudmila Atamuratova, Chief Financial Officer of Kazakhtelecom JSC.** – I would like to remind you that at the end of November, another international rating agency S&P Global Ratings published its annual report on of Kazakhtelecom JSC' credit rating - according to the agency's analysts' conclusions it remains at BB+ level (with Stable Outlook). Guided by the agency's methodology Fitch Ratings analysts still estimate the company's rating one notch higher than S&P Global Ratings – at investment-grade "BBB- " level (with Stable Outlook). According to the statement Fitch Ratings has confirmed not only the financial stability of our company, emphasizing strong results we achieved despite all the challenges, but also opportunities for its growth in the foreseeable future."*

In November, Kazakhtelecom JSC published positive 9M results of 2022. Fitch Ratings' experts emphasize that the company has delivered good results both in 2021 and over the past 2022 period, despite all the challenges, which, according to the agency, include increased competition on telecom market and political events in the country in January 2022. The group's consolidated revenue increased by 9.8%, while Fitch-defined EBITDA was sustained at above 43% according to the analyst's report. A major part of the growth was driven by the company's mobile subsidiaries – "Kcell" JSC and "Mobile Telecom-Service" Ltd. Fixed broadband revenue grew at medium to high single digits, covering declining fixed voice revenue.

*" Fitch Ratings specialists do not expect a significant increase in the company's leverage, despite the projected rise in capital expenditures," emphasizes **Ms. Atamuratova.** – Thus, the international agency recognizes a significant margin of financial stability of our Group of companies at the current rating level. In my opinion such a positive assessment is directly related to the achieved results of the operator's activities in 2022. If at the end of the first half of the year we recorded a decrease in net profit compared to the same period in 2021 due to unprecedented measures to support all subscribers and our employees, then by the beginning of the fourth quarter of 2022 we increased net profit compared to 9 months of 2021 by 2.4%," she concluded.*

Fitch Ratings also note that Kazakhtelecom JSC has strong market positions similar to such European operators as the Dutch Royal KPN N.V. (KPN; BBB/Stable) and the British BT Group (BT; BBB/Stable), as well as the Turkish operator Turk Telekomunikasyon A.S. (TT; B/Negative), but has significantly smaller scale. At the same time, unlike Turk Telekomunikasyon A.S., Kazakhtelecom is not exposed to high FX risk, since all its debt is local-currency denominated, which is also the reason for a significantly higher credit rating of the Kazakh operator.

Meanwhile the company's rating is limited by the sovereign rating level of the Republic of Kazakhstan (for reference: The Republic of Kazakhstan's rating was affirmed on December 2, 2022 at "BBB" level with "Stable" outlook – which is only one notch higher than the company's rating).

Rating of Kazakhtelecom JSC subsidiary - Kcell JSC, which, according to the agency, benefits from its parent-subsidiary linkage to its parent, Kazakhtelecom JSC, was on the same day also affirmed by Fitch Ratings specialists at the previous level of BB+, the forecast is Stable.

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