

PPF Telecom Group B.V.

The affirmation of PPF Telecom Group B.V.'s (PPF TG) ratings followed the announcement by PPF Group, PPF TG's owners, of the sale of a controlling stake in PPF TG to Emirates Telecommunications Group (e&) and the transfer of the company's existing Czech assets outside of PPF TG. Fitch Ratings expects that, following the completion of the transaction, PPF TG will adopt a capital structure and financial policy that reflect its changed operating profile, while enabling it to maintain its existing rating.

The ratings are currently supported by PPF TG's strong portfolio of telecoms assets and retained financial flexibility. Strong free cash flow (FCF) generation, coupled with flexible dividend payments, provide room to manage leverage within investment-grade thresholds.

Key Rating Drivers

Partnership with e&: e& will acquire 50% plus one share in PPF TG's assets in Bulgaria, Hungary, Serbia and Slovakia for EUR2.15 billion. PPF Group stands to receive additional earn-out payments of up to EUR350 million within three years after the closing if PPF TG exceeds certain financial targets, and will pay a claw-back of up to EUR75 million if these financial targets are not achieved. PPF Group has a put option for its remaining stake in PPF TG that may be exercised five years after closing, and e& would have a reciprocal call option.

PPF Group and e& believe the transaction will set the foundation for a partnership to build a major telecommunications business in central and eastern Europe. The transaction is expected to close in early 2024 and is subject to regulatory approval and completion of a number of closing conditions, such as a consummation of the corporate reorganisation or formation of the new capital structure within the transaction perimeter.

Change in Operating Profile: PPF TG's existing assets in the Czech Republic, which include O2 Czech Republic a.s. (O2 CZ) and telecommunications infrastructure provider CETIN a.s., are not part of the transaction and will be transferred outside of PPF TG. PPF Group will retain its 100% indirect share in O2 CZ and its indirect share in CETIN. The transfer of Czech assets will weaken PPF TG's operating profile, which will become mainly mobile-based. The Czech assets span both mobile and fixed networks, and add to asset and geographic diversification in the current rating.

More-Conservative Financial Structure: We expect the weaker operating profile of PPF TG on the completion of the transaction to be offset by a more conservative financial policy and capital structure. Both PPF Group and e& have indicated that they will manage net debt up to 2x EBITDA, which is commensurate with the 'BBB-' rating, given its weakened business profile after the transaction. This is lower than the company's current sensitivities of 2.8x-3.3x.

Manageable Leverage: Excluding the impact of the transaction, we expect the company to comfortably manage leverage in line with the company's net debt-to-EBITDA target of 2.8x-3.2x (excluding IFRS16). This is supported by PPF TG's ability and willingness to make dividend payments flexible, and our base case estimates of pre-dividend FCF margin, excluding spectrum costs, ranging between 7%-10% over the next four years.

Risk from FX Mismatch: About 90% of PPF TG's total debt, as well as 25% of its EBITDA, is euro-denominated, creating a foreign-exchange (FX) mismatch with leverage. However, the stability or appreciation of the Czech koruna versus the euro over the past five years reduces the real impact of the mismatch, since 49% of PPF TG's total EBITDA is koruna-denominated.

Slovakia's functional currency is the euro, while the Bulgarian and Serbian currencies are either pegged to the euro or kept stable against it by the local central banks. We view the above-average volatility of the Hungarian currency as a risk factor to only leverage at present.

Ratings

PPF Telecom Group B.V.

Long-Term IDR	BBB-
Senior unsecured debt - Long-Term Rating	BBB-

Outlooks

Long-Term Foreign-Currency IDR	Stable
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[Click here for the full list of ratings](#)

2035 Climate Vulnerability Signa: 17

Applicable Criteria

[Corporate Rating Criteria \(October 2022\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)

[Climate Vulnerability in Corporate Ratings Criteria \(July 2023\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts \(September 2023\)](#)

[European Telecoms Outlook 2024 \(November 2023\)](#)

[European Corporates Outlook 2024 \(December 2023\)](#)

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EBITDA Margin to Improve Gradually: Our rating case projections assume its EBITDA margin will reach a low point in the financial year ended December 2023 (FY23), driven by inflationary pressure across all geographies and higher personnel and energy costs. We assume that the EBITDA margin will subsequently increase to slightly above 42% in FY26, from about 41% in FY23, driven by a gradual easing of the impact of inflation, increasing average revenue per user and network modernisation. We expect energy costs to grow further in the coming years, but at a significantly slower pace than over the last two years, as consumption increases will offset the expected energy price declines.

Next Debt Maturities in 2025: CZK4.9 billion of bonds (EUR205 million) due in December 2023 issued by CETIN a.s. have been repaid through an inter-company loan from CETIN Group, which has drawn its EUR200 million revolving credit facility for this purpose. The next maturities for PPF TG, totaling EUR798 million, fall due in 2025, of which EUR600 million of the bonds are covered by an undrawn EUR600 million backstop facility. The refinancing schedule of the upcoming maturities will depend on the final e& transaction structure.

Financial Summary

(EURm)	2020	2021	2022	2023F	2024F	2025F
Gross revenue	3,159	3,336	3,506	3,774	3,939	4,048
EBITDA margin (%)	41.6	42.9	43.0	41.0	41.4	41.9
EBITDA net leverage (x)	2.8	3.0	2.5	2.6	2.8	2.9
EBITDA interest coverage (x)	21.9	13.3	13.7	9.7	8.6	7.7
CFO-capex/debt (%)	9.9	10.6	7.1	8.2	-0.1	6.2

F – Forecast

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

PPF TG's consolidated operating and financial profiles, prior to its transaction with e&, are comparable with that of its peer group of incumbent European operators such as Royal KPN N.V. (BBB/Stable) and BT Group plc (BBB/Stable). PPF TG's lower rating reflects a financial policy that is likely to sustain higher leverage and reduced ownership of the domestic local-access infrastructure.

PPF TG's geographic diversification benefits are tempered by lower cash flow, the complexity of its group structure, some FX mismatch between leverage and EBITDA, and its three to four competing local-access-network infrastructures for broadband in the Czech Republic against two in most other European markets. Higher-rated peers such as Vodafone Group Plc (BBB/Positive) and Orange S.A. (BBB+/Stable) have greater diversification or scale, or manage leverage at lower levels.

Navigator Peer Comparison

Issuer	Business profile						Financial profile			
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Market Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility
BT Group plc	BBB/Stable	aa	a-	bbb+	bbb	a	bbb	bbb	bbb	a
Deutsche Telekom AG	BBB+/Stable	aa	a-	a-	a	a	bbb	bbb	bbb-	bbb+
Orange S.A.	BBB+/Stable	aa	a-	a-	a	a	bbb	bbb	bbb	a-
PPF Telecom Group B.V.	BBB-/Stable	a+	bbb-	bbb+	bbb	bbb+	bbb	bbb+	bb+	bbb
Royal KPN N.V.	BBB/Stable	aa	a-	bbb+	bbb	a-	bbb	bbb+	bbb	a
Telecom Italia S.p.A.	BB-/RWP	bbb+	bbb+	bbb-	bbb	bbb+	bbb	bb+	bb	bb
Vodafone Group Plc	BBB/Positive	aa-	a-	bbb+	a	a-	bbb	bbb	bbb-	bbb+

Source: Fitch Ratings. Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Business profile						Financial profile		
		Operating Environment	Management and Corporate Governance	Market Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility
BT Group plc	BBB/Stable	+6	+2	+1	0	+3	0	0	0	+3
Deutsche Telekom AG	BBB+/Stable	+5	+1	+1	+2	+2	-1	-1	-2	0
Orange S.A.	BBB+/Stable	+5	+1	+1	+2	+2	-1	-1	-1	+1
PPF Telecom Group B.V.	BBB-/Stable	+5	0	+2	+1	+2	+1	+2	-1	+1
Royal KPN N.V.	BBB/Stable	+6	+2	+1	0	+2	0	+1	0	+3
Telecom Italia S.p.A.	BB-/RWP	+5	+5	+3	+4	+5	+4	+2	+1	+1
Vodafone Group Plc	BBB/Positive	+5	+2	+1	+3	+2	0	0	-1	+1

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR (Red), Within one notch of IDR (Blue), Better positioned than IDR (Light Blue)

Rating Sensitivities

The following sensitivities are based on PPF TG's current operating and financial profiles prior to the e& transaction. These will be updated on the closing of the transaction.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Sustained growth in FCF, leading to improved FCF margins and organic deleveraging capacity
- Fitch-defined net debt falling below 2.8x EBITDA on a sustained basis

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A material and sustained decline in EBITDA or FCF driven by competitive or technology-driven pressure in core businesses
- A change in the financial policy that results in reduced financial flexibility, higher long-term leverage targets, or contractual debt obligations to other parts of PPF Group. A substantial increase in PPF Group's dependency on PPF TG's dividends could put pressure on the ratings
- Fitch-defined net debt trending above 3.3x EBITDA on a sustained basis

Liquidity and Debt Structure

Comfortable Liquidity: PPF TG had cash and cash equivalents of EUR413 million at end-1H23 and an undrawn committed revolving facility of EUR200 million at CETIN Group that matures in 2026. However, the revolving credit facility was used in December 2023 to repay the CZK4.9 billion (about EUR196 million) of senior unsecured bonds at CETIN a.s. The next maturities fall due in 2025 and are well covered by a combination of its cash position and internal cash flow generation. PPF TG also had a EUR250 million committed facility at end-1H23 related to the acquisition of Nej.cz, which was utilised in December 2023 as the transaction had been completed.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

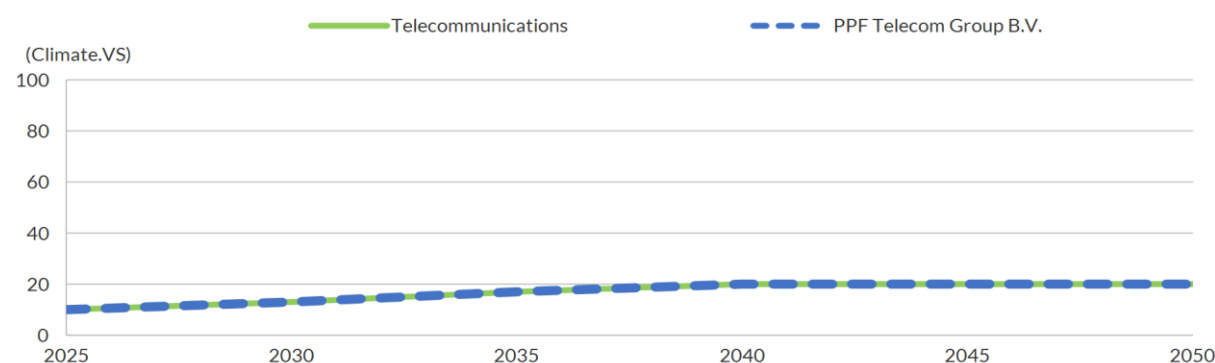
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#).

The FY22 revenue-weighted Climate.VS for PPF TG for 2035 is 17 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the telecommunications sector, see [Technology, Media and Telecommunications - Long-Term Climate Vulnerability Signals](#).

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2023F	2024F	2025F
Available liquidity			
Beginning cash balance	488	250	-236
Rating case FCF after acquisitions and divestitures	-230	-486	-183
Debt issued since last balance sheet	600	–	–
Total available liquidity (A)	858	-236	-420
Liquidity uses			
Debt maturities	-809	–	-798
RCF to be drawn	200	–	–
Total liquidity uses (B)	-609	–	-798
Liquidity calculation			
Ending cash balance (A+B)	250	-236	-1,218
Revolver availability	–	–	–
Ending liquidity	250	-236	-1,218
Liquidity score (x)	0.3	Not meaningful	-0.5

F – Forecast.

Source: Fitch Ratings, Fitch Solutions, PPF Telecom Group B.V.

Scheduled debt maturities

(EURm)	30 Jun 23
2023	809
2024	–
2025	798
2026	1,505
2027	1,000
Thereafter	–
Total	4,112

Source: Fitch Ratings, Fitch Solutions, PPF Telecom Group B.V.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer (prior to e& transaction):

- Revenue of around EUR3.8 billion in 2023, constituting 7.6% yoy growth predominantly driven by price increases throughout the year across the geographies, then growing by 2.7%-4.4% per year in the following three years
- Fitch-defined EBITDA margin of around 41% in 2023, gradually increasing to 42% in the following three years
- Capex (excluding spectrum costs) at 15% to 19% of revenue between 2023 and 2026
- Dividend payments of around EUR340 million in 2023 and gradually increasing to EUR550 million by 2026
- Company-defined net debt/EBITDA, prior to the e& transaction, maintained at the low-to-mid range of the company's target of 2.8x-3.2x

Financial Data

(EURm)	2020	2021	2022	2023F	2024F	2025F
Summary income statement						
Gross revenue	3,159	3,336	3,506	3,774	3,939	4,048
Revenue growth (%)	-0.1	5.6	5.1	7.6	4.4	2.8
EBITDA before income from associates	1,315	1,432	1,508	1,546	1,631	1,695
EBITDA margin (%)	41.6	42.9	43.0	41.0	41.4	41.9
EBIT	681	771	835	862	884	951
EBIT margin (%)	21.6	23.1	23.8	22.9	22.5	23.5
Gross interest expense	-126	-127	-128	-154	-180	-207
Pretax income including associate income/loss	555	667	793	708	705	744
Summary balance sheet						
Readily available cash and equivalents	790	628	488	478	452	454
Debt	4,243	4,516	4,139	4,384	4,872	5,082
Net debt	3,453	3,888	3,651	3,906	4,420	4,628
Summary cash flow statement						
EBITDA	1,315	1,432	1,508	1,546	1,631	1,695
Cash interest paid	-56	-99	-108	-154	-180	-207
Cash tax	-122	-167	-185	-193	-180	-177
Dividends received less dividends paid to minorities (inflow/outflow)	-88	-118	-33	-45	-80	-97
Other items before FFO	-13	-2	25	—	—	—
FFO	1,037	1,049	1,215	1,154	1,192	1,214
FFO margin (%)	32.8	31.4	34.7	30.6	30.3	30.0
Change in working capital	1	-115	-162	-107	-155	-166
CFO (Fitch-defined)	1,038	934	1,053	1,046	1,037	1,048
Total non-operating/non-recurring cash flow	—	—	—	—	—	—
Capex	-620	-454	-758	—	—	—
Capital intensity (capex/revenue) (%)	19.6	13.6	21.6	—	—	—
Common dividends	-600	-336	-110	—	—	—
FCF	-182	144	185	—	—	—
FCF margin (%)	-5.8	4.3	5.3	—	—	—
Net acquisitions and divestitures	12	130	11	—	—	—
Other investing and financing cash flow items	-25	-753	63	-25	-25	-25
Net debt proceeds	193	236	-399	245	488	210
Net equity proceeds	—	71	—	—	—	—
Total change in cash	-2	-162	-140	-13	-23	2
Leverage ratios (x)						
EBITDA leverage	3.5	3.4	2.8	2.9	3.1	3.2
EBITDA net leverage	2.8	3.0	2.5	2.6	2.8	2.9
FFO leverage	3.9	3.9	3.2	3.4	3.6	3.6
FFO net leverage	3.2	3.4	2.8	3.0	3.2	3.3
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-1,208	-660	-857	-1,276	-1,523	-1,232
FCF after acquisitions and divestitures	-170	274	196	-230	-486	-183
FCF margin after net acquisitions (%)	-5.4	8.2	5.6	-6.1	-12.3	-4.5

(EURm)	2020	2021	2022	2023F	2024F	2025F
Coverage ratios (x)						
FFO interest coverage	19.5	11.6	12.2	8.5	7.6	6.9
EBITDA interest coverage	21.9	13.3	13.7	9.7	8.6	7.7
Additional metrics (%)						
CFO-capex/debt	9.9	10.6	7.1	8.2	-0.1	6.2
CFO-capex/net debt	12.1	12.4	8.1	9.2	-0.1	6.8
CFO/capex	167.4	205.7	138.9	152.5	99.4	143.3

CFO – Cash flow from operations

Source: Fitch Ratings, Fitch Solutions, PPF Telecom Group B.V.

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

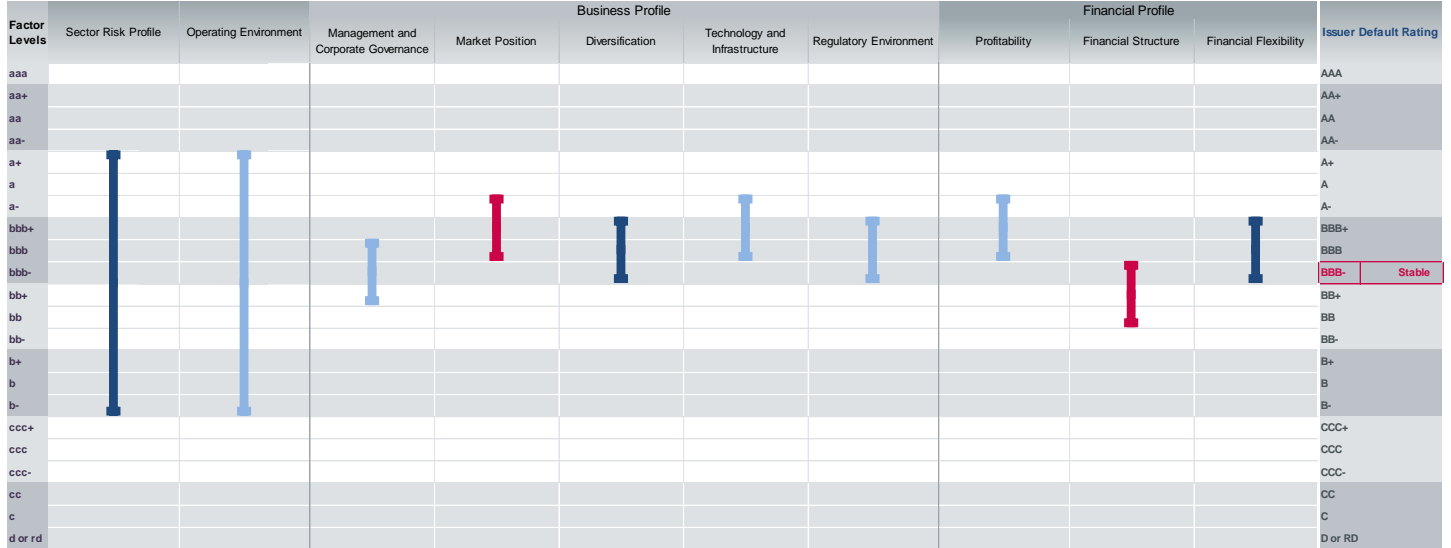
Ratings Navigator

FitchRatings

PPF Telecom Group B.V.

ESG Relevance:

Corporates Ratings Navigator
Telecommunications



Bar Chart Legend:

Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	↑ Positive
Higher Importance	↓ Negative
Average Importance	↕ Evolving
Lower Importance	□ Stable

Operating Environment

aa-	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
a+	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Market Position

a	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
a-	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb+	Scale - EBITDA	bbb	>\$1 billion
bbb			
bbb-			

Technology and Infrastructure

a	Ownership of Network	a	Ow ns almost all of its infrastructure.
a-	Network and Service Quality	bbb	Solid network coverage and capacity, using some up-to-date technology, with average service quality.
bbb+			
bbb			
bbb-			

Profitability

a	Volatility of Cash Flow	bbb	Volatility and visibility of cash flow in line with industry average.
a-	EBITDA Margin	a	35%
bbb+	FFO Margin	a	30%
bbb			
bbb-			

Financial Flexibility

a-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
bbb+	Liquidity	bbb	One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb	EBITDA Interest Coverage	a	10.5x
bbb-	FFO Interest Coverage	a	9.0x
bb+	FX Exposure	bb	FX exposure on profitability and/or debt/cash flow match. Some hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

bbb+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb-	Group Structure	bb	Complex group structure or non-transparent ownership structure. Related-party transactions exist but with reasonable economic rationale.
bb+	Financial Transparency	bbb	Good quality reporting without significant falling. Consistent with the average of listed companies in major exchanges.
bb			

Diversification

a-	Service Platform Diversification	bbb	Operates several service platforms in primary markets but one is dominant.
bbb+	Geographic Diversification	bbb	Average geographic diversification.
bbb			
bbb-			
bb+			

Regulatory Environment

a-	Regulatory Risk	bbb	Moderate.
bbb+			
bbb			
bbb-			
bb+			

Financial Structure

bbb	EBITDA Leverage	bbb	2.8x
bbb-	EBITDA Net Leverage	bbb	2.6x
bb+	FFO Leverage	bb	4.0x
bb	FFO Net Leverage	bbb	2.8x
bb-	(CFO-Capex)/Debt	bb	7.5%

Credit-Relevant ESG Derivation

	key driver	0	issues	Overall ESG
PPF Telecom Group B.V. has 8 ESG potential rating drivers				
➡	Energy and fuel use in networks and data centers	0	issues	5
➡	Networks exposed to extreme weather events (e.g. hurricanes)	0	issues	4
➡	Data security, service disruptions	8	issues	3
➡	Impact of labor negotiations and employee (dis)satisfaction	1	issues	2
➡	Governance is minimally relevant to the rating and is not currently a driver.	5	issues	1
	not a rating driver			

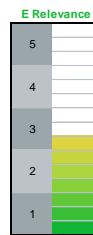
For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

PPF Telecom Group B.V. has 8 ESG potential rating drivers				ESG Relevance to Credit Rating	
➔ PPF Telecom Group B.V. has exposure to energy productivity risk but this has very low impact on the rating.	key driver	0	issues	5	
➔ PPF Telecom Group B.V. has exposure to extreme weather events but this has very low impact on the rating.	driver	0	issues	4	
➔ PPF Telecom Group B.V. has exposure to customer accountability risk but this has very low impact on the rating.	potential driver	8	issues	3	
➔ PPF Telecom Group B.V. has exposure to labor relations & practices risk but this has very low impact on the rating.	not a rating driver	1	issues	2	
➔ Governance is minimally relevant to the rating and is not currently a driver.		5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	3	Energy and fuel use in networks and data centers	Profitability
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management, Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	3	Networks exposed to extreme weather events (e.g. hurricanes)	Profitability

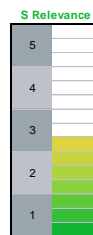


How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance. The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

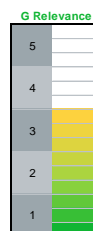
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security, service disruptions	Competitive Position; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Competitive Position; Profitability
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Social attitudes toward network infrastructure	Diversification; Technology and Infrastructure; Profitability



Governance (G) Relevance Scores

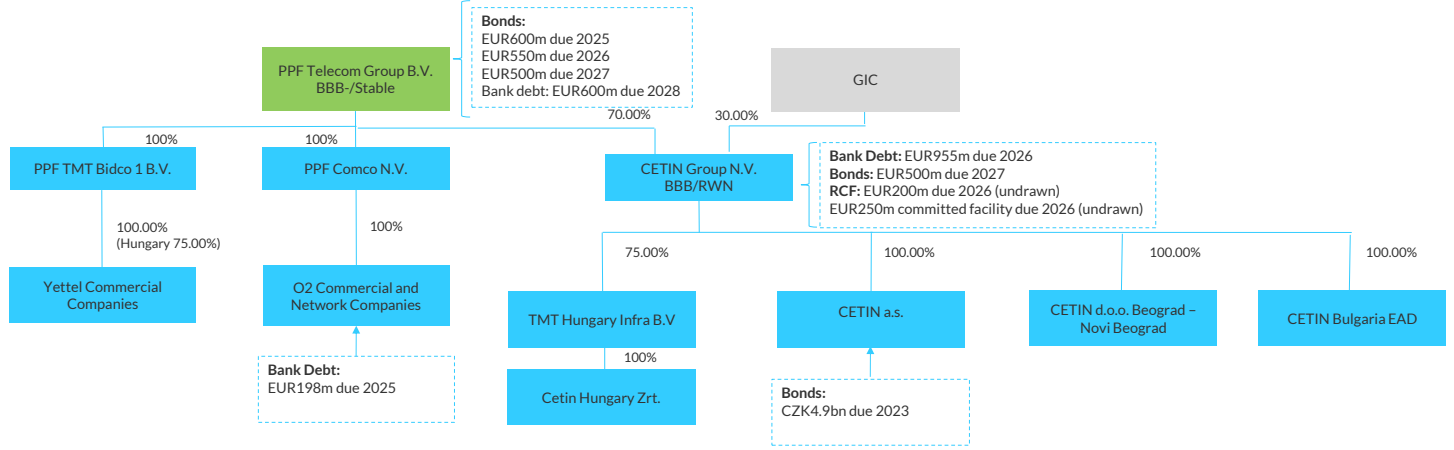
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, PPF Telecom Group B.V. as of September 2023

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA margin (%)	EBITDA net leverage (x)	FCF margin (%)	CFO-capex/debt (%)
PPF Telecom Group B.V.	BBB-						
	BBB-	2022	3,506	43.0	2.5	5.3	7.1
	BBB-	2021	3,336	42.9	3.0	4.3	10.6
Royal KPN N.V.	BBB-	2020	3,159	41.6	2.8	-5.8	9.9
	BBB						
	BBB	2022	5,374	44.3	2.3	4.9	14.1
BT Group plc	BBB	2021	6,122	37.7	2.3	3.6	12.1
	BBB	2020	5,302	43.1	2.3	-3.5	5.6
	BBB						
Telecom Italia S.p.A.	BBB	2023	23,521	34.4	1.8	-3.3	1.4
	BBB	2022	24,646	32.4	1.7	-1.7	-0.9
	BBB	2021	25,086	30.8	1.7	-0.8	-1.2
Vodafone Group Plc	BB-						
	BB-	2022	15,788	30.0	17.7	2.9	4.4
	BB+	2021	15,316	34.3	22.4	3.7	3.6
Deutsche Telekom AG	BB+	2020	15,805	38.5	27.9	4.0	3.4
	BBB						
	BBB	2023	45,706	32.1	2.2	2.4	8.3
Telefonica Deutschland Holding AG	BBB	2022	45,580	33.5	2.5	2.5	7.6
	BBB	2021	43,809	32.8	2.7	1.4	6.3
	BBB+						
Telefonica Deutschland Holding AG	BBB+	2022	112,839	29.6	2.9	0.6	3.7
	BBB+	2021	105,962	28.7	3.2	-6.1	-3.5
	BBB+	2020	99,542	31.2	2.8	-3.8	-1.0
Telefonica Deutschland Holding AG	BBB						
	BBB	2022	8,224	22.8	0.3	-8.1	-7.0
	BBB	2021	7,765	22.9	0.2	-1.8	29.8
Telefonica Deutschland Holding AG	BBB	2020	7,532	23.1	0.5	1.1	27.7

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm, as of 31 December 2022)	Notes and formulas	Standardised values	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue		3,506	–	–	3,506
EBITDA	(a)	1,617	-109	–	1,508
Depreciation and amortisation		-767	94	–	-673
EBIT		850	-15	–	835
Balance sheet summary					
Debt	(b)	4,135	–	4	4,139
Of which other off-balance-sheet debt		–	–	–	–
Readily available cash and equivalents	(c)	488	–	–	488
Not readily available cash and equivalents		–	–	–	–
Cash flow summary					
EBITDA	(a)	1,617	-109	–	1,508
Dividends received from associates less dividends paid to minorities	(d)	-33	–	–	-33
Interest paid	(e)	-122	14	–	-108
Interest received	(f)	8	–	–	8
Preferred dividends paid	(g)	–	–	–	–
Cash tax paid		-185	–	–	-185
Other items before FFO		24	1	–	25
FFO	(h)	1,309	-94	–	1,215
Change in working capital		-162	–	–	-162
CFO	(i)	1,147	-94	–	1,053
Non-operating/non-recurring cash flow		–	–	–	–
Capex	(j)	-758	–	–	-758
Common dividends paid		-110	–	–	-110
FCF		279	-94	–	185
Gross leverage (x)					
EBITDA leverage	b / (a+d)	2.6	–	–	2.8
(CFO-capex)/debt (%)	(i+j) / b	9.4	–	–	7.1
Net leverage (x)					
EBITDA net leverage	(b-c) / (a+d)	2.3	–	–	2.5
(CFO-capex)/net debt (%)	(i+j) / (b-c)	10.7	–	–	8.1
Coverage (x)					
EBITDA interest coverage	(a+d) / (-e)	13.0	–	–	13.7

CFO - Cash flow from operations

Notes: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.

Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.

Debt includes other off-balance-sheet debt.

Source: Fitch Ratings, Fitch Solutions, PPF Telecom Group B.V.

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