FitchRatings

Corporates
Telecommunications
Netherlands

e& PPF Telecom Group B.V.

Ratings

Long-Term IDR	BBB
Senior Unsecured Debt – Long-Term Rating	BBB
Outlook	
Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

ESG and Climate

Highest ESG Relevance Scores	
Environmental	3
Social	3
Governance	3
2035 Climate Vulnerability Signal: 15	

Fitch Ratings' upgrade of e& PPF Telecom Group B.V.'s (e& PPF TG) Long-Term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB' from 'BBB-' in October 2024 follows completion of the company's reorganisation with 50% + 1 share in e& PPF TG – including its assets in Bulgaria, Hungary, Serbia and Slovakia – sold to Emirates Telecommunication Group Company (e&). The upgrade reflects a one-notch uplift to e& PPF TG's 'bbb-' Standalone Credit Profile (SCP), as we assess that e&, which has a stronger credit profile than e& PPF TG, has sufficient legal incentives to support e& PPF TG.

e& PPF TG's 'bbb-' SCP reflects our view that post-completion, the company's operating profile has weakened, as the Czech assets have been transferred out of the company. This is offset by a more conservative financial policy, consistent with its existing SCP. We also expect e& PPF TG to retain discretion to manage its capital structure through dividend flexibility.

Key Rating Drivers

Strong Market Position, Mainly Mobile: After completion of the transaction and transfer of the Czech assets, e& PPF TG's operating profile mainly comprises mobile network operations in Hungary, Bulgaria, Serbia and Slovakia. e& PPF TG has strong and sustainable positions in these markets, mostly occupying number one or two market positions. The assets are in three-operator mobile markets that should support rational competitive dynamics and potential service revenue growth through data monetisation, price increases, effective churn management and pre- to post-paid migration.

e& PPF TG's lack of fixed network ownership may create disadvantages compared with a converged network operator, but we view the risks as manageable through partnerships and mobile network infrastructure-sharing. Its current fixed market shares in each country are in the low single digits and we expect these to improve, but remain relatively low over the coming years.

Change in Operating Profile: e& PPF TG's assets in the Czech Republic, which include O2 Czech Republic a.s. (O2 CZ) and telecommunications infrastructure provider CETIN a.s., were not part of the transaction and have been transferred out of e& PPF TG. PPF Group will retain its 100% indirect share in O2 CZ and its indirect share in CETIN. The transfer of the Czech assets has weakened e& PPF TG's operating profile, which has become mainly mobile-based. The Czech assets span both mobile and fixed networks, and added to asset and geographic diversification in the pre-transaction structure.

More Conservative Financial Structure: We expect e& PPF TG's weaker operating profile post transaction closing, to be offset by a more conservative financial policy and capital structure. e& PPF TG announced that it will manage net debt at 2x of company-defined EBITDA, which is commensurate with a 'bbb-' SCP, given the weaker business profile after the transaction. The latter is also reflected in tightened rating thresholds.

Leverage Target to be Prioritised: Our base case assumes e& PPF TG will prioritise its leverage target over dividends to keep leverage at the upper end of the target rating band, which results in minimal rating headroom. The rating could come under pressure if e& PPF TG does not reduce dividend payments, if needed, to keep this leverage band.

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (June 2024)

Corporate Recovery Ratings and Instrument Ratings Criteria (August 2024)

Corporate Rating Criteria (November 2023)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Related Research

Global Corporates Macro and Sector Forecasts (September 2023)

European Telecoms Outlook 2024 (November 2023)

European Corporates Outlook 2024 (December 2023)

European Telecom Incumbents — Relative Credit Analysis (February 2024)

Analysts

Rafal Kaminski
+48 22 103 3040
rafal.kaminski@fitchratings.com

Adrien Berby
+33 1 44 29 91 71
adrien.berby@fitchratings.com

One-Notch Rating Uplift: Fitch rates e& PPF TG using a bottom-up + 1 approach under its *Parent Subsidiary Linkage (PSL) Rating Criteria*. The uplift reflects our view of medium legal ties, while we deem both operational and strategic incentives for e& to support e& PPF TG to be low under the ‘stronger parent’ path. To win approval from EU authorities, e& agreed to a prohibition on e& providing financing to e& PPF TG’s activities in the EU, subject to certain exceptions. However, we believe a carve-out allowing e& to provide “emergency funding” is consistent with the one-notch uplift suggested under the PSL.

‘Medium’ Legal Support Incentive: The legal incentive assessment reflects that e& PPF TG would be considered a principal subsidiary under e&’s euro medium-term note (EMTN) programme documentation, as it would contribute more than 10% of EBIT and more than 10% of the gross assets on a fully consolidated basis. This implies e& PPF TG would be subject to cross-default clause under the EMTN documentation.

While the debt issued under the EMTN programme is likely to be long-dated, the definition of the principal subsidiary is related to the contribution to EBIT or assets, which can change if e& acquires other assets or grows more strongly in other regions. Importantly, the EMTN provisions do not indicate the existence of any guarantee. This leads to our assessment of medium legal incentive as opposed to high legal incentive.

Manageable FX Risks: We assume that e& PPF TG’s capital structure will comprise euro-denominated debt. We forecast the share of EBITDA from Hungary to rise to 31% in 2028 in our base case, from 29% in 2024, resulting in FX mismatches as its debt is in euros and cash flows in forint. Cash flows from other markets are not likely to pose significant FX risks, given Slovakia’s functional currency is the euro, while the Bulgarian and Serbian currencies are either officially pegged to the euro or have a long record of stability against the euro. A degree of FX volatility is manageable, while significantly higher-than-expected volatility could impact the rating and leverage capacity.

Financial Summary

(EURm)	2021	2022	2023	2024F	2025F	2026F
Gross revenue	3,336	3,506	3,776	2,118	2,210	2,305
EBITDA margin (%)	42.9	41.3	41.3	38.2	38.8	40.2
EBITDA net leverage (x)	3.0	2.6	2.5	2.2	2.2	2.3
EBITDA interest coverage (x)	13.3	13.1	9.6	6.7	11.4	8.0
CFO-capex/debt (%)	10.6	7.1	11.7	8.4	6.6	12.3

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

After the transaction’s completion, the transfer of the Czech assets out of e& PPF TG has weakened its operating profile, which has become mobile-centric. Despite some geographical diversification, the company will operate in weaker operating environments, with about 85% of EBITDA generated from countries rated ‘BBB’ or below. We expect FX risk to marginally increase as Hungary’s share of EBITDA increases over the next three to four years.

In our view, e& PPF TG’s predominantly mobile-only profile will compare well with Telefonica Deutschland Holding AG (TEF DE, BBB/Stable), which operates in the German market. TEF DE’s rating is supported by larger scale, lower leverage, a strong operating environment and no FX risk. e& PPF TG has a similarly strong market position in the countries it operates in, with the rating tolerating a degree of FX risk as result of this and relatively greater diversification. e& PPF TG also commands higher margins than TEF DE’s rating

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-
e& PPF Telecom Group B.V.	BBB/Stable	a+	bbb-	bbb	bb+	bbb+	bbb	bbb+	bbb-	bbb
Royal KPN N.V.	BBB/Stable	aa	a-	bbb+	bbb	a-	bbb	bbb+	bbb	a
Telecom Italia S.p.A.	BB/Stable	bbb+	bbb	bbb-	bbb	bb+	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 · Moderate · Lower

Issuer		Business profile						Financial profile		
Name	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	+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
e& PPF Telecom Group B.V.	BBB/Stable	+4	-1	0	-2	+1	0	+1	-1	0
Royal KPN N.V.	BBB/Stable	+6	+2	+1	0	+2	0	+1	0	+3
Telecom Italia S.p.A.	BB/Stable	+4	+3	+2	+3	+1	+3	0	-1	0
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; Within one notch of IDR; Better positioned than IDR

Rating Sensitivities

The following rating sensitivities reflect e& PPF TG's SCP, operating and financial profiles post-completion of the transaction.

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

- Fitch-defined net debt falling below 1.8x EBITDA on a sustained basis
- (CFO – capex)/debt sustained above 14%
- Sustained growth in FCF leading to improved FCF margins and organic deleveraging capacity

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

- Fitch-defined net debt trending above 2.3x EBITDA on a sustained basis
- A material and sustained decline in EBITDA or FCF driven by competitive or technology-driven pressure in core businesses
- (CFO – capex)/debt sustained below 12%
- The one notch uplift under our PSL criteria could be removed if we assess that the legal incentive to support moves to Low

Liquidity and Debt Structure

Comfortable Liquidity: We expect e& PPF TG to have cash and cash equivalents of around EUR200 million at end-2024. The liquidity is further supported by a new EUR1.2 billion revolving credit facility (RCF).

We expect the upcoming January 2025 bond maturities to be covered with the available liquidity sources, including new RCF.

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.

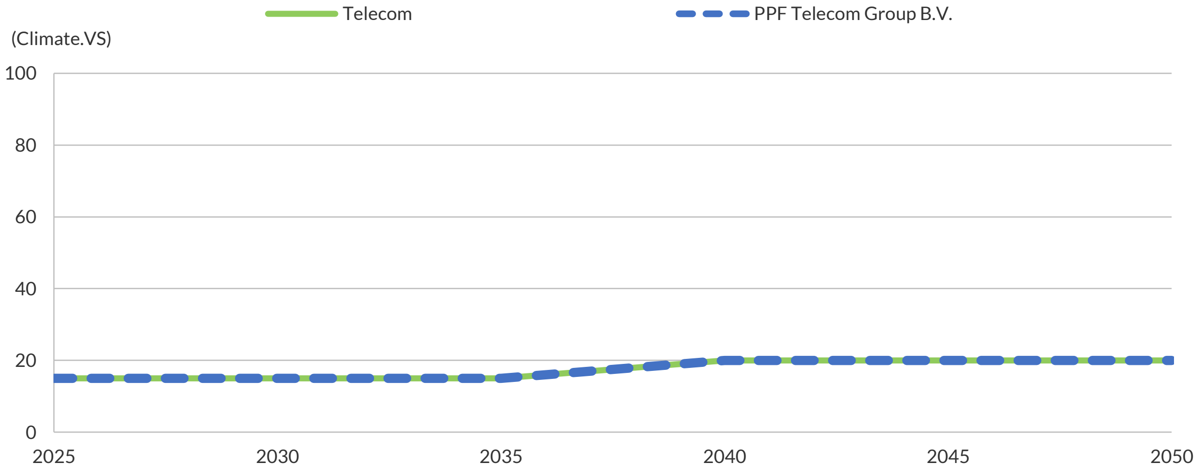
Climate Vulnerability Considerations

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. For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see Climate Vulnerability Signals for Non-Financial Corporate Sectors.

The FY23 revenue-weighted Climate.VS for PPF TG for 2035 is 15 out of 100, suggesting low exposure to climate-related risks in that year.

Climate.VS Evolution

As of Dec 31, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis (pro-forma post transaction)

(EURm)	2024F	2025F	2026F	2027F
Available liquidity				
Beginning cash balance	642	222	-485	-1,153
Rating case FCF after acquisitions and divestitures	-386	-107	-118	-111
Debt issued since last balance sheet	246	—	—	—
Total available liquidity (A)	**502**	**115**	**-603**	**-1,264**
Liquidity uses				
Debt maturities	—	-600	-550	-500
Cash adjustment post-transaction	-280			
Total liquidity uses (B)	**-280**	**-600**	**-550**	**-500**
Liquidity calculation				
Ending cash balance (A+B)	222	-485	-1,153	-1,764
Revolver availability	1,200	1,200	1,200	1,200
Ending liquidity	**1,422**	**715**	**47**	**-564**
Liquidity score (x)	Not meaningful	2.2	1.1	-0.1

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

Scheduled debt maturities (pro-forma post transaction)

(EURm)	31 Dec 23
2024	—
2025	600
2026	550
2027	500
2028	—
Thereafter	246
Total	**1,896**

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

Key Assumptions

Fitch's Key Assumptions within our Rating Case for the Issuer:

- Revenue of around EUR2.1 billion in 2024 on a pro-forma basis, equivalent to 6.0% yoy growth, mainly driven by price increases across the countries of operation. Revenue to increase by about 4% a year in 2025-2028
- Fitch-defined EBITDA margin of around 38% in 2024, gradually increasing to 42% by 2028
- Capex (including spectrum payments) of 18% and 21% of revenue in 2024 and 2025, respectively; declining to 10% by 2028
- Tax rate at 18% of EBITDA throughout the forecast period
- Working capital outflow of -0.5% of revenue throughout the forecast period
- Dividend payments of around EUR300 million in 2024 and gradually increasing to EUR580 million by 2028

Summary of Financial Adjustments

Fitch adjusts Fitch-defined EBITDA and working capital change for amortisation of costs to obtain contracts. This is to align the approach across the portfolio. The adjustment has a negative impact on EBITDA and positive on the working capital change.

Financial Data

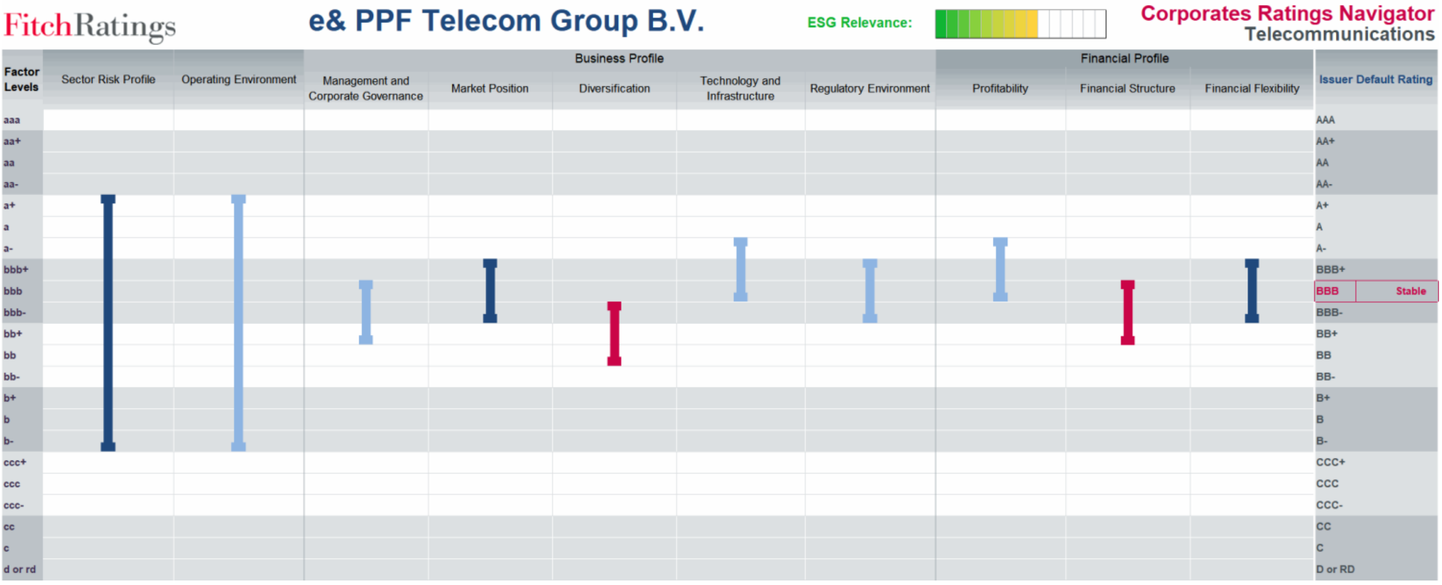
(EURm)	2021	2022	2023	2024F	2025F	2026F
Summary income statement						
Gross revenue	3,336	3,506	3,776	2,118	2,210	2,305
Revenue growth (%)	5.6	5.1	7.7	-43.9	4.4	4.3
EBITDA	1,432	1,448	1,558	809	858	925
EBITDA margin (%)	42.9	41.3	41.3	38.2	38.8	40.2
EBIT	771	835	901	441	473	524
EBIT margin (%)	23.1	23.8	23.9	20.8	21.4	22.8
Gross interest expense	-127	-128	-165	-119	-76	-112
Pretax income including associate income/loss	667	793	703	322	397	413
Summary balance sheet						
Readily available cash and equivalents	628	488	642	222	189	145
Debt	4,516	4,139	4,437	1,980	2,080	2,180
Net debt	3,888	3,651	3,795	1,758	1,891	2,035
Summary cash flow statement						
EBITDA	1,432	1,448	1,558	809	858	925
Cash interest paid	-99	-108	-157	-117	-74	-109
Cash tax	-167	-185	-189	-78	-83	-93
Dividends received less dividends paid to minorities (inflow/outflow)	-118	-33	-58	-31	-18	-54
Other items before FFO	-2	25	21	—	—	—
FFO	1,049	1,155	1,199	584	683	669
FFO margin (%)	31.4	32.9	31.8	27.5	30.8	28.9
Change in working capital	-115	-102	-86	-36	28	-54
CFO (Fitch-defined)	934	1,053	1,113	548	711	615
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-454	-758	-593	—	—	—
Capital intensity (capex/revenue) (%)	13.6	21.6	15.7	—	—	—
Common dividends	-336	-110	-337	—	—	—
FCF	144	185	183	—	—	—
FCF margin (%)	4.3	5.3	4.8	—	—	—
Net acquisitions and divestitures	130	11	-349	—	—	—
Other investing and financing cash flow items	-743	63	27	—	—	—
Net debt proceeds	236	-399	293	-2,511	100	100
Net equity proceeds	71	—	—	—	—	—
Total change in cash	-162	-140	154	-151	-30	-42
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-660	-857	-1,279	-932	-818	-733
FCF after acquisitions and divestitures	274	196	-166	-386	-110	-120
FCF margin after net acquisitions (%)	8.2	5.6	-4.4	-18.2	-5.0	-5.2
Gross leverage ratios (x)						
EBITDA leverage	3.4	2.9	3.0	2.5	2.4	2.4
CFO-capex/debt	10.6	7.1	11.7	8.4	6.6	12.3
Net leverage ratios (x)						
EBITDA net leverage	3.0	2.6	2.5	2.2	2.2	2.3
CFO-capex/net debt	12.4	8.1	13.7	9.5	7.2	13.3
Coverage ratios (x)						
EBITDA interest coverage	13.3	13.1	9.6	6.7	11.4	8.0

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

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



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

FitchRatings

e& PPF Telecom Group B.V.

Corporates Ratings Navigator
Telecommunications

Operating Environment

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

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 failing. Consistent with the average of listed companies in major exchanges.
bb			

Market Position

a-	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
bbb+	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb	Scale - EBITDA	bb	>$500 million
bbb-			
bb+			

Diversification

bbb	Service Platform Diversification	bb	Operates one established service platform in primary markets.
bbb-	Geographic Diversification	bbb	Average geographic diversification.
bb+			
bb			
bb-			

Technology and Infrastructure

a	Ownership of Network	a	Owns 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-			

Regulatory Environment

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

Profitability

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

Financial Structure

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

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	bbb	7.5x
bbb-	FX Exposure	b	Large FX exposure. No significant hedging in place.
bb+			

Credit-Relevant ESG Derivation

e& PPF Telecom Group B.V. has 8 ESG potential rating drivers

- Energy and fuel use in networks and data centers
- Networks exposed to extreme weather events (e.g. hurricanes)
- Data security; service disruptions
- Impact of labor negotiations and employee (dis)satisfaction
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	5	issues	1

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.

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

FitchRatings

e& PPF Telecom Group B.V.

Corporates Ratings Navigator
Telecommunications

Credit-Relevant ESG Derivation

e& PPF Telecom Group B.V. has 8 ESG potential rating drivers

- e& PPF Telecom Group B.V. has exposure to energy productivity risk but this has very low impact on the rating.
- e& PPF Telecom Group B.V. has exposure to extreme weather events but this has very low impact on the rating.
- e& PPF Telecom Group B.V. has exposure to customer accountability risk but this has very low impact on the rating.
- e& PPF Telecom Group B.V. has exposure to labor relations & practices risk but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	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

E Relevance: 5, 4, 3, 2, 1

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

S Relevance: 5, 4, 3, 2, 1

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

G Relevance: 5, 4, 3, 2, 1

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 reflect a negative impact unless indicated with a '+' sign for positive impact.

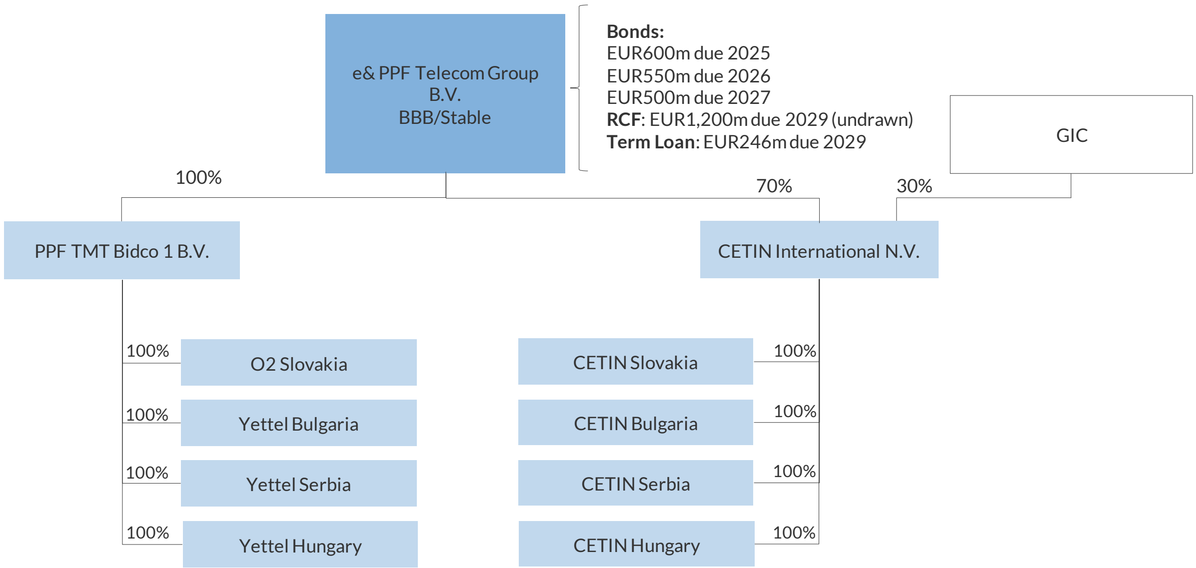
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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, e& PPF Telecom Group B.V. As of December 2024

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA margin (%)	EBITDA net leverage (x)	FCF margin (%)	CFO-capex/debt (%)
e& PPF Telecom Group B.V.	BBB						
	BBB-	2023	3,776	41.3	2.5	4.8	11.7
	BBB-	2022	3,506	41.3	2.6	5.3	7.1
	BBB-	2021	3,336	42.9	3.0	4.3	10.6
Telekom Austria AG	A-						
	A-	2023	5,251	32.8	0.4	2.0	35.1
		2022	5,005	34.6	1.0	7.9	31.1
		2021	4,748	34.0	1.3	6.5	18.2
Vodafone Group Plc	BBB						
	BBB	2024	36,717	30.0	3.0	-1.5	4.7
	BBB	2023	45,706	32.1	2.2	2.4	8.3
	BBB	2022	45,580	33.5	2.5	2.5	7.6
Telefonica SA	BBB						
	BBB	2023	40,652	24.6	3.0	0.8	5.3
	BBB	2022	39,993	24.5	3.1	4.2	2.3
	BBB	2021	39,277	26.3	3.0	2.2	3.3
Telecom Italia S.p.A.	BB						
	BB-	2023	16,296	30.7	4.4	1.2	1.5
	BB-	2022	15,788	30.0	4.4	-9.6	-6.5
	BB+	2021	15,316	34.3	3.6	0.7	2.5
Royal KPN N.V.	BBB						
	BBB	2023	5,439	43.8	2.3	3.5	12.1
	BBB	2022	5,374	44.3	2.3	4.9	14.1
	BBB	2021	6,122	37.7	2.3	3.6	12.1
Nuuday A/S	B						
	B(EXP)	2022	1,967	10.5	1.6	-2.7	-13.6
		2021	1,971	11.8	5.2	6.7	11.0
		2020	1,984	12.4	4.9	1.5	2.4
CETIN Group N.V.	BBB						
	BBB	2023	1,241	52.1	2.7	-0.6	7.4
	BBB	2022	1,108	50.5	2.8	-1.1	4.7
	BBB	2021	1,036	51.4	3.0	-1.9	11.3

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm as of 31 Dec 23)	Standardised values	Other adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue	3,776	—	—	—	3,776
EBITDA	1,757	—	-123	-76	1,558
Depreciation and amortization	-836	—	103	76	-657
EBIT	921	—	-20	—	901
Balance sheet summary					
Debt	4,437	—	—	—	4,437
Of which other off-balance-sheet debt	—	—	—	—	—
Lease-equivalent debt	—	—	—	—	—
Lease-adjusted debt	4,437	—	—	—	4,437
Readily available cash and equivalents	642	—	—	—	642
Not readily available cash and equivalents	—	—	—	—	—
Cash flow summary					
EBITDA	1,757	—	-123	-76	1,558
Dividends received from associates less dividends paid to minorities	-58	—	—	—	-58
Interest paid	-177	—	20	—	-157
Interest received	24	—	—	—	24
Preferred dividends paid	—	—	—	—	—
Cash tax paid	-189	—	—	—	-189
Other items before FFO	21	—	—	—	21
FFO	1,378	—	-103	-76	1,199
Change in working capital	-162	—	—	76	-86
CFO	1,216	—	-103	—	1,113
Non-operating/nonrecurring cash flow	—	—	—	—	—
Capex	-593	—	—	—	-593
Common dividends paid	-337	—	—	—	-337
FCF	286	—	-103	—	183
Gross leverage (x)					
EBITDA leverage	2.6	—	—	—	3.0
(CFO-capex)/debt (%)	14.0	—	—	—	11.7
Net leverage (x)					
EBITDA net leverage	2.2	—	—	—	2.5
(CFO-capex)/net debt (%)	16.4	—	—	—	13.7
Coverage (x)					
EBITDA interest coverage	9.6	—	—	—	9.6

CFO – Cash flow from operations.
Note: 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.
Debt in the standardised values column excludes lease liabilities of EUR509 million.
Source: Fitch Ratings, Fitch Solutions, e& PPF Telecom Group B.V.

Parent Subsidiary Linkage Analysis

Parent	Emirates Telecommunications Group Company PJSC (Etisalat)
Parent LT IDR	—
Subsidiary	e& PPF Telecom Group BV
Subsidiary LT IDR	BBB-
Path	Stronger Parent
Legal incentive	Medium
Strategic incentive	Low
Operational incentive	Low
Notching matrix outcome	Bottom Up+1
Override applied	No
Notching approach	—

LT IDR – Long-Term Issuer Default Rating
Source: Fitch Ratings

Strategic incentives and operational	Both low	One medium, one low	Both medium or one high, one low	One strong, one medium	Both high
With low legal incentive	Standalone	BU+1[a]	BU+2[a]	TD-1[b]	Equalized
With medium legal incentive	BU+1[a]	BU+2[a]	TD-1[b]	Equalized	Equalized
With high legal incentive	Equalized	Equalized	Equalized	Equalized	Equalized

[a] BU rating outcomes are capped at TD-1 where the subsidiary's SCP is more than one notch away from the consolidated profile, but the subsidiary's rating will be equalised where the subsidiary's SCP is one notch below the consolidated profile. [b] TD-1 rating outcomes will be equalized where the subsidiary's SCP is one notch below the consolidated profile. BU – Bottom-up, notched from the lower Standalone Credit Profile (SCP). TD – Top-down, notched from the consolidated profile.
Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.