FitchRatings

Corporates
Telecommunications
Netherlands

CETIN Group N.V.

Fitch Ratings placed CETIN Group N.V.'s ratings on Rating Watch Negative (RWN) in August 2023 following the announcement by the company's ultimate parent, PPF Group, of its agreement to sell a controlling stake in CETIN Group's parent, PPF Telecom Group B.V. (PPF TG, BBB-/Stable) to Emirates Telecommunication Group Company (e&).

The RWN continues to reflect the low visibility on the final transaction and capital structure of CETIN Group. The RWN would be resolved on completion of the transaction, which we expect in or before 1Q24, or confirmation of the company's transaction structure and financial policies. PPF Group has indicated that it aims to maintain CETIN Group and CETIN's existing ratings, subject to the confirmation of the targeted final capital structure.

The ratings remain supported by a financial profile fairly immune to the inflationary environment, with energy price increases, foreign-exchange (FX) and CPI-related provisions included in master service agreements (MSA). We expect cash flow generation to remain sufficient to cover high capex requirements and increased interest costs, while allowing for some dividend payments, with further deleveraging capacity envisaged.

Key Rating Drivers

Transaction With e&: Under the sale agreement e& will acquire 50% plus one share in PPF TG's assets in Bulgaria, Hungary, Serbia and Slovakia. e& will pay EUR2.15 billion for the stake and additional earn-out payments of up to EUR350 million within three years after the closing if PPF TG exceeds certain financial targets.

This is subject to a claw back of up to EUR75 million if the financial targets are not achieved. PPF TG's existing Czech assets, which include its infrastructure arm CETIN and retail arm O2 CZ, are not included in the transaction and will be transferred out of PPF TG.

Change in Operating Profile: CETIN Group's operating profile following the announced transaction will be based on CETIN's Czech telecoms infrastructure operations. The operating profile will exclude the mobile telecoms tower and network infrastructure of PPF TG's assets in other central and eastern European (CEE) operations. The reduced asset diversification will weaken the operating profile of the group and lead to a reduction in the leverage capacity per rating band.

Uncertainty on Final Transaction Structure: The transaction will lead to a new immediate parent for CETIN Group and, potentially, a new consolidated rating perimeter depending on the structure of the transaction that is yet to be finalised. CETIN Group is rated on a standalone basis subject to a maximum one-notch uplift to the consolidated rating profile of its parent PPF TG. The standalone rating reflects sufficient ringfencing from its parent based on Fitch's *Parent and Subsidiary Linkage Rating Criteria*.

Resolving RWN: Confirmation that a new transaction structure will continue to allow a standalone rating in conjunction with a conservative capital structure and financial policy would result in us resolving the RWN with an affirmation of CETIN Group and CETIN's ratings. A lack of sufficient ringfencing may lead to a new consolidated rating perimeter, with a different operating profile that, if combined with a more aggressive capital structure and financial policy, may lead to a lower rating.

Ratings

CETIN Group N.V.	
Long-Term IDR	BBB
Senior Unsecured Debt – Long-Term Rating	BBB
Watches	
Long-Term Foreign-Currency IDR	Negative
Senior Unsecured Debt – Long-Term Rating	Negative
CETIN Finance B.V.	
Senior Unsecured Debt – Long-Term Rating	BBB
Watch	
Senior Unsecured Debt – Long-Term Rating	Negative
CETIN a.s.	
Long-Term IDR	BBB
Senior Unsecured Debt – Long-Term Rating	BBB
Watches	
Long-Term Foreign-Currency IDR	Negative
Senior Unsecured Debt – Long-Term Rating	Negative

Click here for the full list of ratings

2035 Climate Vulnerability Signal:17

Applicable Criteria

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Sector Navigators: Addendum to the Corporate Rating Criteria (May 2023)

Corporate Rating Criteria (October 2022)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Climate Vulnerability in Corporate Ratings Criteria (July 2023)

Related Research

Global Corporates Macro and Sector Forecasts (September 2023)

European Telecoms Outlook 2023 (November 2022)

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EBITDA Margin to Recover: We expect the EBITDA margin to gradually recover to above 2021 levels (51.4%), after a drop to around 50.3% in FY23, due to network modernisation and as inflationary pressures (which have driven personnel and energy costs higher in FY22 and FY23) gradually ease. We still expect energy costs to rise, but significantly more slowly than over the last two years, as energy price declines would be offset by consumption increase. The group's nominal EBITDA is protected from energy price increases through MSA provisions, which also include FX and CPI indexation.

Capex to Intensify: Our base case assumes increased capex over the next couple of years, to close to or above EUR400 million a year or 32%-34% of revenue. This is predominantly driven by increased fixed-network investments in the Czech Republic and further mobile network development and modernisation across countries of operations, including 5G investments.

The group plans to pass around 1.3 million homes by fibre in the Czech Republic by end-2030, after passing 271,000 at end-1H23. This is in addition to the existing FTTC/DSL network, which passes 4.2 million households. This is around 83% of all households in the country. The impact on leverage from higher capex is likely to be largely offset by the prudent financial policy, which prioritises target leverage over dividend payments.

Further Decline in Net Leverage: CETIN Group's financial policy has remained stable with expected profit distribution of up to 100% of group-defined free cash flow (FCF), subject to maintaining a maximum 3.0x internally defined net leverage (excluding IFRS16 impact) and capex needs being covered. CETIN Group's leverage policy is comfortably distant from the downgrade threshold of Fitch-defined EBITDA net leverage of 3.7x for its 'bbb' Standalone Credit Profile (SCP). Its leverage was 2.8x at FYE22, below the upgrade threshold of 3.2x, and we expect it to decline further to 2.5x-2.6x in FY24-FY25.

However, an upgrade is constrained by high capex driving cash flow from operations (CFO) less capex at 2.5%-4% of debt, versus the 8% upgrade threshold for its SCP.

CETIN Bond Only Short-Term Maturity: The only short-term debt maturity within the group is around CZK4.9 billion (EUR205 million-equivalent) bonds issued by CETIN due in in December 2023. We expect this bond to be repaid with an inter-company loan from CETIN Group, which will use its undrawn EUR200 million revolving credit facility (RCF) for this purpose. Thereafter, all debt will be held at the CETIN Group level. The RCF is due in 2026 and its repayment or refinancing schedule will depend on the final e& transaction structure.

Financial Summary

(EURm)	2020	2021	2022	2023F	2024F	2025F
Gross revenue	714	1,036	1,108	1,215	1,262	1,302
EBITDA margin (%)	42.0	51.4	50.5	50.3	51.2	52.1
EBITDA net leverage (x)	2.4	3.0	2.8	2.7	2.6	2.5
FCF margin (%)	-2.2	-1.9	-1.1	—	—	—
CFO-capex/debt (%)	9.8	11.3	4.7	2.8	2.8	2.7

F — Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

CETIN's rating is equalised with CETIN Group's. This reflects our assessment of 'open' access and control and no legal ring-fencing based on our parent-subsidiary linkage criteria. As a result, both IDRs are at the level of the consolidated profile of CETIN and CETIN Group. Our assessment is that CETIN's 'bbb+' SCP is stronger than CETIN Group's 'bbb'. Both subsidiary and parent have similarly strong operating profiles, but the subsidiary has much lower leverage.

CETIN Group's SCP (before the transaction with e&) of 'bbb' reflects the business mix of its network infrastructure (such as mobile towers, local access fixed-line network and backhaul networks), leverage profile, financial policy and the structure of the markets in which its infrastructure operates.

Pure mobile tower operators such as Infrastrutture Wireless Italiane S.p.A. and Cellnex Telecom S.A. (both ‘BBB-’/Stable) have looser leverage thresholds than CETIN Group per rating band, reflecting greater stability and visibility in FCF, higher visibility of investment risks for growth projects, a higher share of mobile towers in each geographic market, lower exposure to technological obsolescence risks or greater geographic or cash flow scale.

Integrated telecoms operators such as BT Group plc and Royal KPN N.V. (both ‘BBB’/Stable) have tighter leverage thresholds per rating band than CETIN Group, primarily due to the inclusion of their retail units, which carry higher risks in relation to areas such as sales volume and pricing, technological obsolescence, mobile spectrum costs and market competition. For CETIN Group, these commercial risks are partially shifted to other PPF TG customer-facing operations as a result of its long-term contracts with a high share of fixed fees on a take-or-pay basis.

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
CETIN Group N.V.	BBB/RWN	aa-	bbb	bbb	bbb	bbb+	bbb	a	bbb-	bbb
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-/Negative	bbb+	bbb+	bbb-	bbb	bbb+	bbb	bb+	bb	bb
Telefonica Deutschland Holding AG	BBB/Stable	aa	bbb+	bbb	bb+	bbb	bbb	bb+	a	a

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
CETIN Group N.V.	BBB/RWN	+5	0	0	0	+1	0	+3	-1	0
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-/Negative	+5	+5	+3	+4	+5	+4	+2	+1	+1
Telefonica Deutschland Holding AG	BBB/Stable	+6	+1	0	-2	0	0	-2	+3	+3

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR / Within one notch of IDR / Better positioned than IDR

Rating Sensitivities

CETIN Group and CETIN

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

- The ratings are on RWN, making a positive rating action unlikely. However, visibility of a final transaction-and-capital structure and a financial policy consistent with the existing ratings based on a new operating profile, or the transaction not taking place would result in removal from RWN and a rating affirmation.

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

- A final transaction-and-capital structure and a financial policy that are not commensurate with a 'BBB' rating for the new operating profile could result in the RWN being resolved, with a one-notch downgrade most likely.

Liquidity and Debt Structure

Lower Liquidity Headroom: At end-June 2023, CETIN Group had cash and cash equivalents of EUR58million. Further liquidity is provided by a committed EUR200 million RCF due in 2026. However, the RCF is to be used to repay the upcoming CZK4.9 billion senior unsecured bonds maturity at CETIN due in December 2023.

Other debt maturities include EUR955 million term loans at CETIN Group due in August and November 2026. CETIN Group generates healthy cash flow, supported by good revenue visibility and strong EBITDA margins.

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

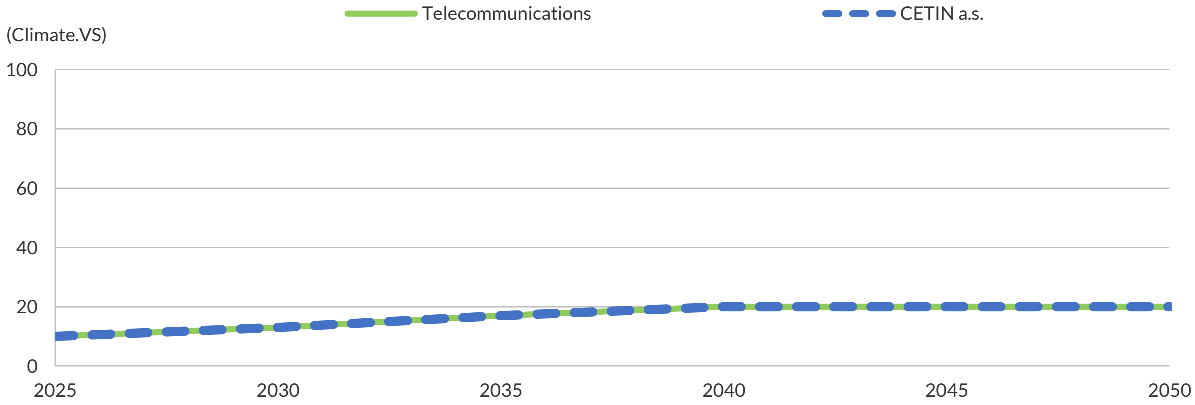
Climate Vulnerability Considerations

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 Vulnerability Signal (Climate.VS) of CETIN Group N.V. and CETIN a.s. 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 TMT sector, see Technology, Media and Telecommunications - Long-Term Climate Vulnerability Scores.

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	82	-120	-120
Rating case FCF after acquisitions and divestitures	—	—	—
Total available liquidity (A)	**82**	**-120**	**-120**
Liquidity uses			
Debt maturities	-202	—	—
Total liquidity uses (B)	**-202**	**—**	**—**
Liquidity calculation			
Ending cash balance (A+B)	-120	-120	-120
Revolver availability	—	—	—
Ending liquidity	**-120**	**-120**	**-120**
Liquidity score (x)	0.4	Not meaningful	Not meaningful

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, CETIN Group N.V.

Scheduled debt maturities	
(EURm)	**31 Dec 22**
2023	202
2024	—
2025	—
2026	955
2027	500
Thereafter	—
Total	**1,657**

Source: Fitch Ratings, Fitch Solutions, CETIN Group N.V.

Key Assumptions

Fitch's Key Assumptions Within its Rating Case for CETIN Group (Before the Transaction with e&)

- Revenue of around EUR1.2 billion in 2023, gradually increasing to EUR1.3 billion by 2026
- Fitch-defined EBITDA margin of 50.6% in 2023, gradually increasing to 53.1% by 2026
- Capex at 32%-34% of revenue in 2023-2026
- Dividend payments of 100% of Fitch-defined pre-dividend FCF

Financial Data

Financial Data

(EUR millions)	2020	2021	2022	2023F	2024F	2025F
Summary income statement						
Gross revenue	714	1,036	1,108	1,215	1,262	1,302
Revenue growth (%)	-4.4	45.1	7.0	9.6	3.9	3.1
EBITDA before income from associates	300	533	559	611	646	679
EBITDA margin (%)	42.0	51.4	50.5	50.3	51.2	52.1
EBITDA after associates and minorities	289	512	554	584	617	640
EBIT	146	282	292	318	342	365
EBIT margin (%)	20.4	27.2	26.4	26.2	27.1	28.0
Gross interest expense	-14	-20	-35	-65	-72	-64
Pretax income including associate income/loss	122	290	273	253	270	301
Summary balance sheet						
Readily available cash and equivalents	124	83	82	78	78	78
Debt	810	1,638	1,659	1,655	1,655	1,655
Lease-adjusted debt	1,060	1,638	1,659	1,655	1,655	1,655
Net debt	686	1,555	1,577	1,577	1,577	1,577
Summary cash flow statement						
EBITDA	300	533	559	611	646	679
Cash interest paid	-12	-16	-17	-65	-72	-64
Cash tax	-19	-51	-61	-54	-58	-62
Dividends received less dividends paid to minorities (inflow/outflow)	-11	-21	-5	-27	-29	-39
Other items before FFO	—	-3	-1	—	—	—
FFO	258	442	477	465	487	514
FFO margin (%)	36.1	42.7	43.1	38.3	38.6	39.5
Change in working capital	-10	-12	-40	-24	-25	-26
CFO (Fitch-defined)	248	430	437	441	462	488
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-169	-245	-359	—	—	—
Capital intensity (capex/revenue) (%)	23.7	23.6	32.4	—	—	—
Common dividends	-95	-205	-90	—	—	—
FCF	-16	-20	-12	—	—	—
FCF margin (%)	-2.2	-1.9	-1.1	—	—	—
Net acquisitions and divestitures	7	4	7	—	—	—
Other investing and financing cash flow items	65	-15	3	—	—	—
Net debt proceeds	—	806	1	-4	—	—
Net equity proceeds	—	-816	—	—	—	—
Total change in cash	56	-41	-1	-4	—	—
Leverage ratios (x)						
EBITDA leverage	2.8	3.2	3.0	2.8	2.7	2.6
EBITDA net leverage	2.4	3.0	2.8	2.7	2.6	2.5
FFO leverage	3.0	3.6	3.4	3.1	3.0	2.9
FFO net leverage	2.5	3.4	3.2	3.0	2.8	2.7
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-257	-446	-442	-441	-462	-488
FCF after acquisitions and divestitures	-9	-16	-5	—	—	—

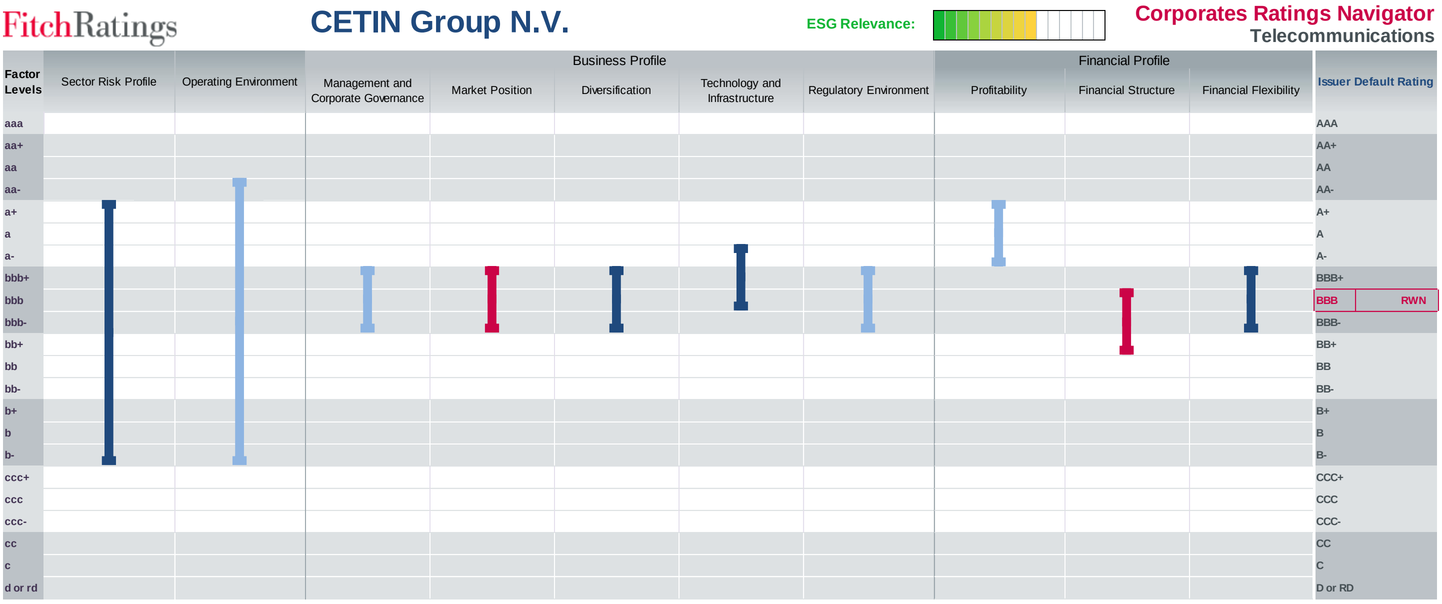
FCF margin after net acquisitions (%)	-1.3	-1.5	-0.5	—	—	—
Coverage ratios (x)						
FFO interest coverage	22.5	28.6	28.9	8.2	7.7	9.1
EBITDA interest coverage	24.1	32.0	32.6	9.0	8.5	10.1
Additional metrics (%)						
CFO-capex/debt	9.8	11.3	4.7	2.8	2.8	2.7
CFO-capex/net debt	11.5	11.9	4.9	2.9	2.9	2.9
CFO/capex	146.7	175.5	121.7	111.7	111.0	110.3

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

CETIN Group N.V.

Corporates Ratings Navigator
Telecommunications

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	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+			

Management and Corporate Governance

a-	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	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb-	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

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+			

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

aa-	Volatility of Cash Flow	a	Lower volatility and better visibility of cash flow than industry average.
a+	EBITDA Margin	a	35%
a	FFO Margin	a	30%
a-			
bbb+			

Financial Structure

bbb+	EBITDA Leverage	bbb	2.8x
bbb	EBITDA Net Leverage	bbb	2.6x
bbb-	FFO Leverage	bbb	3.0x
bb+	FFO Net Leverage	bbb	2.8x
bb	(CFO-Capex)/Debt	bb	7.5%

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.

Credit-Relevant ESG Derivation

Overall ESG

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

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

FitchRatings **CETIN Group N.V.** Corporates Ratings Navigator Telecommunications

Credit-Relevant ESG Derivation

CETIN Group N.V. has 8 ESG potential rating drivers

- CETIN Group N.V. has exposure to energy productivity risk but this has very low impact on the rating.
- CETIN Group N.V. has exposure to extreme weather events but this has very low impact on the rating.
- CETIN Group N.V. has exposure to customer accountability risk but this has very low impact on the rating.
- CETIN Group N.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	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	3	Energy and fuel use in networks and data centers	Profitability	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	3	Networks exposed to extreme weather events (e.g. hurricanes)	Profitability	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security; service disruptions	Competitive Position; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Competitive Position; Profitability	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Social attitudes toward network infrastructure	Diversification; Technology and Infrastructure; Profitability	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

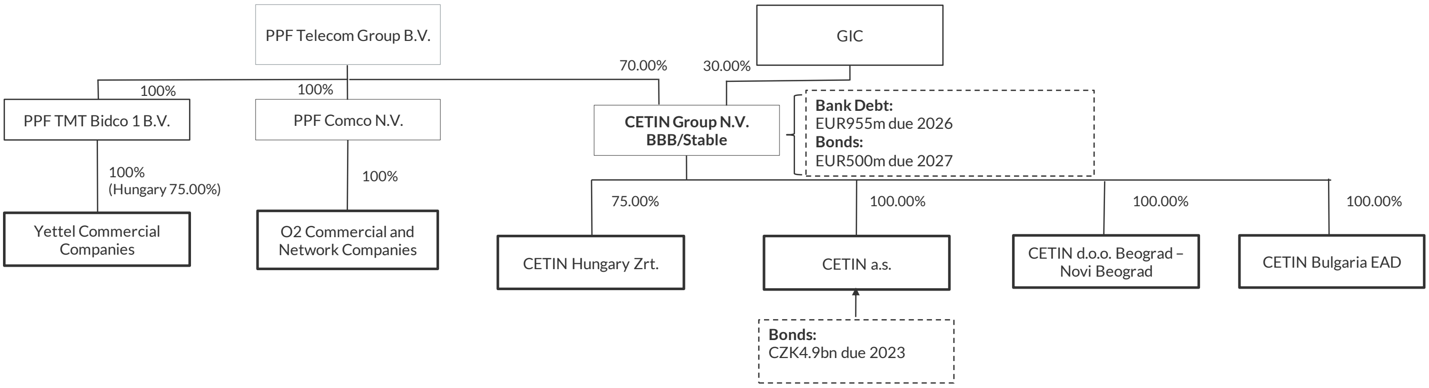
How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues 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 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.

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, CETIN Group N.V. - November 2023

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA margin (%)	EBITDA net leverage (x)	EBITDA interest coverage (x)	CFO-capex/debt (%)
CETIN Group N.V.	BBB						
	BBB	2022	1,108	50.5	2.8	32.6	4.7
	BBB	2021	1,036	51.4	3.0	32.0	11.3
		2020	714	42.0	2.4	24.1	9.8
BT Group plc	BBB						
	BBB	2023	23,521	34.4	1.8	12.4	1.4
	BBB	2022	24,646	32.4	1.7	10.9	-0.9
	BBB	2021	25,086	30.8	1.7	10.5	-1.2
PPF Telecom Group B.V.	BBB-						
	BBB-	2022	3,506	43.0	2.5	13.7	7.1
	BBB-	2021	3,336	42.9	3.0	13.3	10.6
	BBB-	2020	3,159	41.6	2.8	21.9	9.9
Royal KPN N.V.	BBB						
	BBB	2022	5,374	44.3	2.3	10.9	14.1
	BBB	2021	6,122	37.7	2.3	11.1	12.1
	BBB	2020	5,302	43.1	2.3	9.7	5.6
Telefonica Deutschland Holding AG	BBB						
	BBB	2022	8,224	22.8	0.3	66.8	-7.0
	BBB	2021	7,765	22.9	0.2	46.8	29.8
	BBB	2020	7,532	23.1	0.5	35.4	27.7
Infrastrutture Wireless Italiane S.p.A.	BBB-						
	BBB-	2022	853	68.1	5.4	11.0	9.6
	BBB-	2021	785	65.4	6.0	10.5	5.5
	BBB-	2020	663	61.4	6.5	12.8	6.6

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm as of 31 December 2022)	Notes and formulas	Standardised values	Other adjustments	Adjusted values
Income statement summary				
Revenue		1,108	—	1,108
EBITDA	(a)	631	-72	559
Depreciation and amortization		-326	59	-267
EBIT		305	-13	292
Balance sheet summary				
Debt	(b)	2,013	-354	1,659
Of which other off-balance-sheet debt		—	—	—
Lease-equivalent debt		—	—	—
Lease-adjusted debt		2,013	-354	1,659
Readily available cash and equivalents	(c)	82	—	82
Not readily available cash and equivalents		—	—	—
Cash flow summary				
EBITDA	(a)	631	-72	559
Dividends received from associates less dividends paid to minorities	(d)	-5	—	-5
Interest paid	(e)	-29	12	-17
Interest received	(f)	2	—	2
Preferred dividends paid	(g)	—	—	—
Cash tax paid		-61	—	-61
Other items before FFO		-2	1	-1
FFO	(h)	536	-59	477
Change in working capital		-40	—	-40
CFO	(i)	496	-59	437
Non-operating/nonrecurring cash flow		—	—	—
Capex	(j)	-359	—	-359
Common dividends paid		-90	—	-90
FCF		47	-59	-12
Gross leverage (x)				
EBITDA leverage	b / (a+d)	3.2	—	3.0
(CFO-capex)/debt (%)	(i+j) / b	6.8	—	4.7
Net leverage (x)				
EBITDA net leverage	(b-c) / (a+d)	3.1	—	2.8
(CFO-capex)/net debt (%)	(i+j) / (b-c)	7.1	—	4.9
Coverage (x)				
EBITDA interest coverage	(a+d) / (-e)	21.6	—	32.6

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, CETIN Group N.V.

FX Screener

CETIN Group Debt	Total (EUR million)	Total (%)
EUR	1,457	88%
CZK	202	12%
Total	1,659	100%

CETIN Group reported EBITDA (FY22)	Total (EUR million)	Total (%)
CZK (Czechia)	375	60%
BGN (Bulgaria)	96	15%
HUF (Hungary)	84	13%
RSD (Serbia)	78	12%
Total	631	100%

- Some exchange rates have limited volatility: BGN is pegged to EUR, RSD is in a managed band.
- CZK has remained stable to EUR over the years.
- Main perceived risks are from dropping of a peg/managed band and exposure to HUF.

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.

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