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INVESTORS SERVICE

CREDIT OPINION
27 April 2022

Update

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RATINGS

CETIN Group N.V.

Domicile	Netherlands
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CETIN Group N.V.

Update following outlook change to negative

Summary

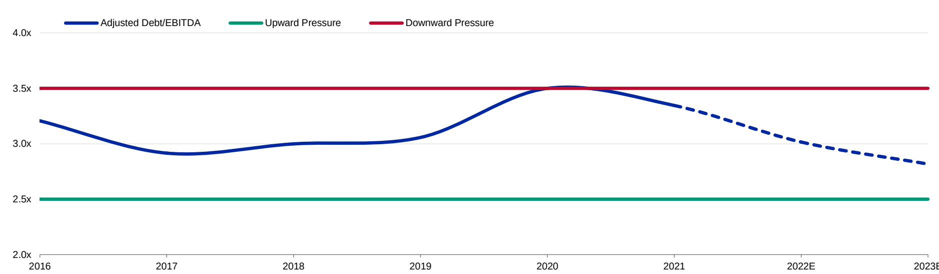
CETIN Group N.V. (CETIN Group) is 70% owned by PPF Telecom Group B.V. (PPF Telecom Group, Ba1 negative) and 30% owned by the Government of Singapore Investment Corporation (GIC). The company is the 100% owner of CETIN a.s. (CETIN, Baa2 negative) as well as the group's infrastructure business in Hungary, Bulgaria and Serbia.

The Baa2 rating of CETIN Group reflects a credit profile that is broadly similar to that of its subsidiary CETIN. The rating also reflects the governance considerations associated with the company's financial strategy and risk management linked to its leverage policy and liquidity management, the complexity of its group structure with the presence of different credit pools, due to the fact that PPF Telecom has debt of its own and owns 70% of CETIN Group, which in turn also has debt of its own; and the concentrated ownership.

CETIN Group's leverage peaked at around 3.3x in 2021 and we expect it to decrease to below 3.0x by 2023.

The Baa2 rating of CETIN Group also reflects our expectation that it will achieve gradual organic reduction in leverage because of the strength of the operating cash flow generated by its operating subsidiaries and the group's financial policy of sustaining net reported leverage at or below 3.0x.

Exhibit 1
We expect CETIN Group's gross leverage to decrease below 3.0x in 2023
Evolution of CETIN Group's Moody's-adjusted gross leverage



Data until 2020 (included) refers to CETIN.
Sources: Moody's Financial Metrics™ and Moody´s Investors Service estimate

This report was republished on 28 April 2022 with the removal of a duplicate exhibit.

Credit strengths

- » Leading position in the Czech Republic, Hungary, Bulgaria and Serbia's telecom market, which also provides substantial geographical diversification
- » Solid operating cash flow generated by operating subsidiaries
- » Group's conservative financial policy
- » Adequate liquidity, supported by strong operating cash flow and a €200 million revolving credit facility due in 2026

Credit challenges

- » High leverage for the rating category, although it is expected to decline
- » Complex group structure, with various credit pools, and debt placed at different group entities
- » Structural subordination of debt — CETIN Group does not benefit from upstream guarantees
- » Significant capital spending needs, which constrain free cash flow

Rating outlook

The negative rating outlook reflects the parent/subsidiary relationship between PPF Telecom and CETIN Group, with a maximum of a two-notch differential in the rating between these entities. Following the negative outlook change at PPF Telecom, the subsidiaries also carry this outlook on their ratings.

Factors that could lead to an upgrade

CETIN Group's rating is unlikely to be upgraded unless leverage at PPF Telecom Group decreases substantially and sustainably, thereby alleviating financial pressure on CETIN Group.

The rating could be upgraded if the company delivers on its business plan, such that its Moody's-adjusted debt/EBITDA drops below 2.5x on a sustained basis. This decrease in leverage would likely be contingent on the company maintaining a conservative approach to acquisitions and shareholder remuneration.

Factors that could lead to a downgrade

CETIN Group's rating could be downgraded if leverage at PPF Telecom Group remains at 3.0x or higher on a reported basis, either because of further debt-financed acquisitions or because of weaker-than-expected performance at the operating subsidiaries.

CETIN Group's rating could also be downgraded if the company's operating performance weakens as a result of pricing pressure, market share losses or reduction in cash flow, or if CETIN Group increases its debt as a result of acquisitions or shareholder distributions, such that its Mood's-adjusted debt/EBITDA increases above 3.5x with no expectation of an improvement.

A weakening of the company's liquidity could also strain the rating.

Key indicators

Exhibit 2
CETIN Group N.V

EUR Millions	Dec-18	Dec-19	Dec-20	Dec-21	2022-proj	2023-proj
Revenue	773	747	714	1,036	1,129	1,169
FFO Margin %	35.7%	40.7%	41.0%	48.2%	50.6%	52.5%
(EBITDA - CAPEX) / Interest Expense	10.9x	10.3x	7.2x	9.7x	8.0x	9.8x
FCF / Debt	4.1%	4.8%	-1.1%	-0.7%	-0.7%	2.1%
Debt / EBITDA	2.8x	3.0x	3.5x	3.3x	3.0x	2.8x

Data until 2020 (included) refers to CETIN.
All figures and ratios are calculated using our estimates and standard adjustments. The forecasts (f) or projections (proj.) are our opinion and do not represent the views of the issuer.
Periods are financial year-end unless indicated
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Profile

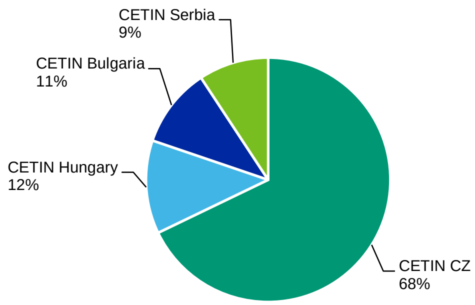
PPF Telecom Group is a European telecommunications conglomerate with shareholdings in CETIN Group N.V. (CETIN Group) and CETIN (70%), O2 Czech (100%), and Yettel, which aggregates three mobile operators in Hungary, Bulgaria and Serbia (all 100% owned except Yettel Hungary, which is only 75% owned). In 2021, PPF Telecom Group generated revenue of €3.3 billion and a Moody's-adjusted EBITDA of €1.5 billion. It is owned by PPF Group, an investment group with diverse business activities encompassing banking and financial services, telecommunications, media, biotechnology, insurance, real estate, mechanical engineering and e-commerce in Europe, Russia, Asia and the US.

CETIN Group is a holding company created as a result of the recent corporate restructuring of PPF Telecom Group. The restructuring included the buy-out of O2's minorities for around €1 billion and the push down of debt from PPF Telecom Group to CETIN Group, including a €546 million term loan due 2024. In addition, PPF Group has contributed a 10.27% equity stake in CETIN into PPF Telecom Group, with no exchange of cash.

On 10 March 2022, PPF Telecom Group announced the completion of 30% stake sale in CETIN Group to GIC, a leading global investment firm based in Singapore, retaining a majority 70% ownership of the telecom infrastructure operator.

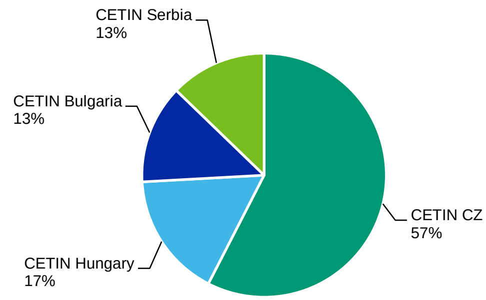
CETIN Group fully owns CETIN and the infrastructure business in Hungary (75% owned), Bulgaria and Serbia. CETIN is headquartered in Prague (the Czech Republic) and is the leading national Czech telecommunications infrastructure provider. The company was incorporated in June 2015 after the spinoff from O2 Czech Republic a.s. In 2021, CETIN generated revenue of CZK18.2 billion and Moody's adjusted EBITDA of CZK9.2 billion. The company operates and manages fixed and mobile infrastructure in the domestic market and transit infrastructure abroad with international points of presence in Germany; Austria; Slovakia; the UK; and Hong Kong, SAR, China.

Exhibit 3
CETIN CZ accounts for the 68% of the total CETIN Group revenue...
Revenue breakdown by geography



Source: Company

Exhibit 4
... but 57% of EBITDA
EBITDA breakdown by geography



Source: Company

Detailed credit considerations

Leadership position in the Czech telecom market

CETIN Czechia is the owner and operator of the largest telecommunications infrastructure portfolio in Czechia, namely the largest fixed access network in the country, comprising both metallic and fibre lines. It divides its business activities into two very different business lines, provision of national network services and international transit services.

CETIN has passed over 4.5 million homes with fixed infrastructure, and connected around 1.2 million. In the mobile segment, the company's current 2G and 4G long-term evolution coverage extends to 99.96% and 98.1% of the Czech population, respectively.

This strong position is underpinned by the fact that CETIN provides mobile voice and data services to O2 and T-Mobile through the shared network; it has a partnership with O2 in all downstream retail markets; T-Mobile's fixed broadband services mostly represent a resale of CETIN's xDSL and voice; and CETIN delivers a backbone transport network to numerous alternative network operators and retail service providers, including T-Mobile and Vodafone. CETIN's two key customers, O2 and T-Mobile, are the market leaders in mobile, with an estimated 36% market share each as of September 2021.

Exhibit 5
Mobile and fixed-line services represented around 68% of CETIN Group's 2021 revenue
2021 revenue breakdown by segment

Source: Company data

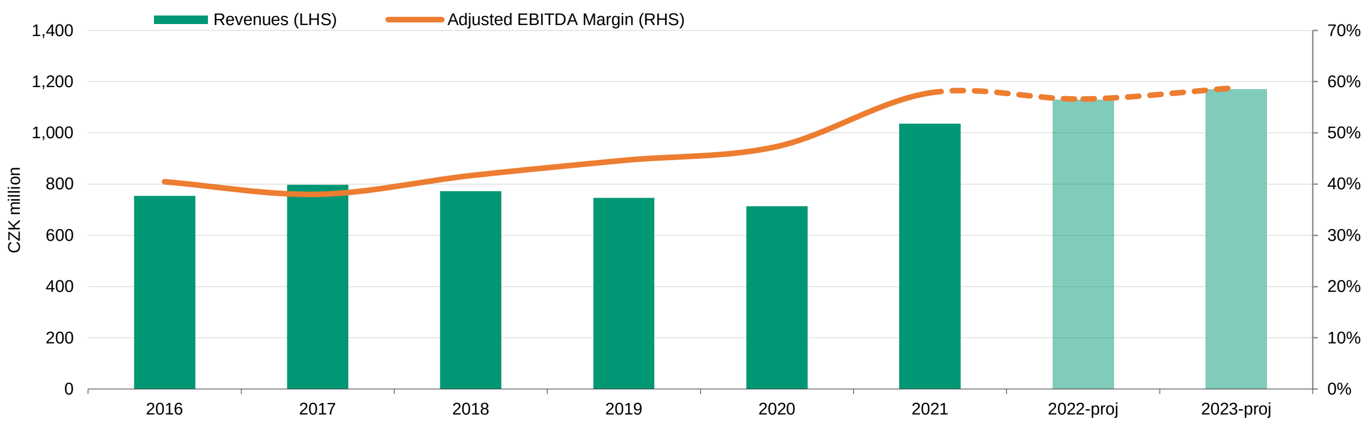
CETIN Hungary, CETIN Bulgaria and CETIN Serbia are the owners and operators of mobile telecommunications infrastructure in their respective countries. They provide mobile network services on a wholesale basis predominantly for Yettel Hungary, Yettel Bulgaria and Yettel Serbia.

We forecast higher revenues and margins following consolidation of Hungary, Bulgaria and Serbia

We expect that CETIN Group's consolidated revenue will increase by around 7% in 2022, driven by growth in all countries (Czechia, Hungary, Bulgaria and Serbia), supported by the modernisation of the network and new commercial partnerships with key operators in the market. Its Moody's adjusted EBITDA margin is likely to increase to around 60 % in the next two years.

Exhibit 6

Moodys-adjusted EBITDA margin to grow to around 60% in the next two years
Evolution of revenue and Moody´s-adjusted EBITDA margin



Source: Moody's Financial Metrics™ and Moody's Investors Service estimates

CETIN Groups's revenue, excluding international transit, grew by 43% as a result of the consolidation of Hungary, Bulgaria and Serbia. In 2021, Czechia accounted for 68% of the total revenue of the group, followed by Hungary (12%), Bulgaria (11%) and Serbia (9%). In terms of EBITDA, the major part of it is secured by long term take or pay contracts for mobile, fixed and data centre services.

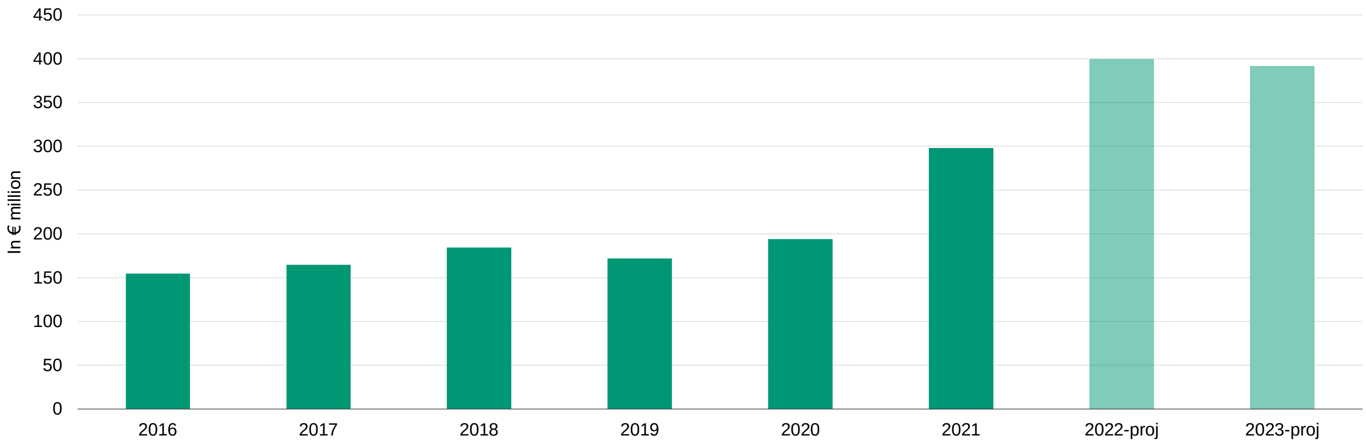
Higher capital spending to support future growth

Infrastructure development and specific customer projects drive CETIN Group's capital investment planning. The group aims to gradually upgrade its 5G network in Czechia and Hungary; and its fixed network through the investment in fibre-to-the-home (FTTH) roll-out in Czechia, and replacing the xDLS technology with fibre.

CETIN Group is implementing a major capital spending plan that will provide a strong base for long-term growth. The updated plan entails capital investments of around €800 million in the next two years, predominantly driven by infrastructure development.

Exhibit 7

We expect capex to increase to around €400 million in 2022 and 2023
Moody's-adjusted capital spending



Source: Moody's Financial Metrics™ and Moody's Investors Service estimates

CETIN Czechia continues to develop its mobile infrastructure as part of its long-term agreement with O2, T-Mobile and Vodafone. In its modernisation process, the company has upgraded xDSL via fiber to the curb (FFTc), provided Next Generation Access (those with 50+ Megabytes per second (Mbps)) for 85 % of connections in 2021, with a focus on building FTTH. In 2021, 68% of the total lines reached 100 or more Mbps, compared to 64% in 2020.

CETIN's leverage will reduce slowly as capital spending and dividend payouts slow down the pace of deleveraging

Following the corporate restructuring, both the bank debt at PPF Telecom Group and the December 2021 notes issued by CETIN were refinanced at the CETIN Group level, while keeping group leverage within the financial limits stated in the CETIN Group's financial strategy, namely reported net leverage of 3.0x (excluding IFRS 16). We expect CETIN Group's Moody's-adjusted leverage to decrease to around 3.0x in 2025.

In terms of use of free cash flow, CETIN Group's priority will be capital spending investments, and adjustments shall be made to its distribution policy of 100% of leveraged free cash flow to mitigate any potential weakness in performance.

We have factored into the rating our high confidence in management's ability to deliver financial objectives on the basis of the company's reliable and predictable revenue, based on existing contracts with O2 and T-Mobile. Operating costs are predictable, implying high certainty with respect to future EBITDA margins.

We take into consideration the high-margin component of domestic revenue (about 68% as of 2021), which gets highly diluted by substantial transit traffic, with a single-digit margin in percentage terms (about 5% as of 2021). Because the domestic fixed and mobile business generated about 97% of the company's EBITDA as of 2021, we have given particular weight in our analysis to the domestic business' high margin.

CETIN Group's credit quality also reflects the financial policies and higher leverage of PPF Telecom Group

PPF Telecom Group is a European telecommunications conglomerate with shareholdings in CETIN Group and CETIN (70%), O2 (100%), and Yettel, which aggregates three mobile operators in Hungary, Bulgaria and Serbia (all 100% owned except Yettel Hungary, which is only 75% owned).

PPF Telecom Group completed the acquisition of Yettel's (former Telenor) assets in Hungary, Bulgaria, Serbia and Montenegro in July 2018 for €2.8 billion. As of December 2020, PPF Telecom Group completed the separation of the infrastructure segment of its Yettel businesses in Bulgaria, Hungary and Serbia, and the incorporation of these newly created entities into the new CETIN Group, which also includes the infrastructure business in the Czech Republic through CETIN. On 10 March 2022, the company announced the completion of the 30% stake sale in CETIN Group.

PPF Telecom Group has a complex structure, with debt allocated across the holding company and the operating subsidiaries. As of December 2021, 50% of debt was raised at PPF Telecom Group (including four bonds amounting to €2.3 billion), with the balance being allocated to CETIN Group (37%, including CETIN), O2 (11%) and Yettel (2%).

PPF Telecom Group is a holding company that relies entirely and exclusively on the cash flow and dividend upstreamed from its operating companies to support its cash needs, mainly interest cost. Although the contribution from CETIN Group amounted to about 38% of the total cash upstreamed from subsidiaries as of 2021, lenders at PPF Telecom Group benefit from the value of CETIN Group and its subsidiaries.

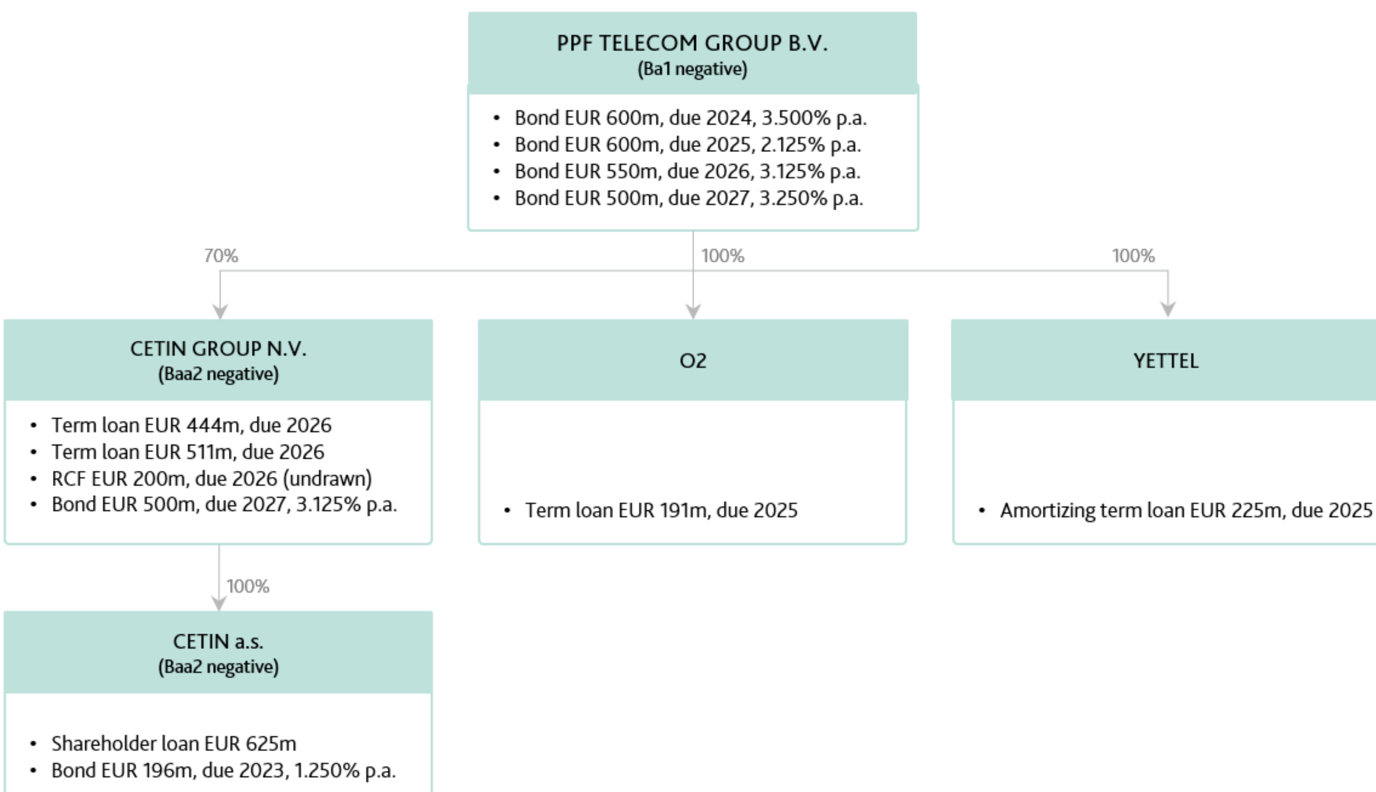
There is a limit to how far the credit quality of CETIN Group can be delinked from that of PPF Telecom Group because the latter owns and controls the former. Therefore, any weakness in the credit quality of PPF Telecom Group could strain CETIN Group's rating — for example, if there are more debt-financed acquisitions or if the performance of any of PPF Telecom Group's aggregated subsidiary businesses deteriorates.

CETIN Group does not benefit from an upstream guarantee from CETIN so debt at CETIN is potentially in a stronger position due to structural subordination. However, this distinction is balanced against the need to limit the rating gap between the strongest ratings in CETIN Group relative to the PPF Telecom's ratings at Ba1.The current rating construct reflects the expectation of minimal debt at the CETIN level, with CETIN Group weakly positioned at Baa2. If in the future, material debt was pushed down to CETIN, Moody's could consider leaving CETIN rated not more than two notches higher than PPF Telecom, while CETIN Group would likely be positioned one notch lower than CETIN to reflect structural subordination.

Exhibit 8

CETIN Group's credit quality reflects the higher leverage at PPF Telecom Group

PPF Telecom Group's structure as of April 2022



In December 2021, CETIN's €625 million maturing bond was refinanced at the CETIN Group level, which granted a shareholder loan of the same amount to CETIN

Source: Company

The 30% dilution in CETIN Group is credit negative for PPF Telecom Group

On 10 March 2022, the company announced the completion of the 30% stake sale in CETIN Group. We view the ownership dilution as credit negative because although PPF Telecom retains control, there is a dilution in the cash flow derived from the minority ownership. However, this was partially offset by the elimination of 32% minorities in O2.

ESG considerations

In terms of environmental and social risks, CETIN´s exposure is in line with the overall industry. Electromagnetic radiation (for example, from mobile antennas or mobile handsets) has long been claimed to be potentially harmful to the environment and health. While the need for higher mobile data speeds will increase electromagnetic radiation, we do not see it as a significant environmental risk for global telecommunication providers, given the existing regulatory radiation limits and ongoing technological improvements.

In terms of social risks, data security and data privacy issues are prominent in the sector. Telecommunication providers exchange large amounts of data, and a breach could cause legal, regulatory or reputation issues. In addition, a breach could result in increased operational costs to mitigate cyberattacks and reduce exposure to the loss of private data. While telecom operators have low direct business exposure to environmental risks, data security and data privacy issues are prominent in the sector.

In terms of governance, CETIN Group is controlled by PPF Telecom. Although PPF Telecom Group relies entirely and exclusively on the dividend upstreamed from its operating subsidiaries, CETIN Group's dividend payment is subject to operating performance and capital spending, as well as debt repayment. We expect CETIN Group to continue to execute its financial strategy within its stated dividend policy. PPF Telecom group will maintain the current financial ratios at the subsidiaries' level. We note the complexity of the broader group of companies outside PPF Telecom and the fact that the entire group is owned and controlled by one major shareholder. We expect PPF Telecom group to perform within the stated operating and financial strategies, maintaining shareholder remunerations within its dividend payout limits. See our environmental risks heat map and social risks heat map for further information.

Liquidity analysis

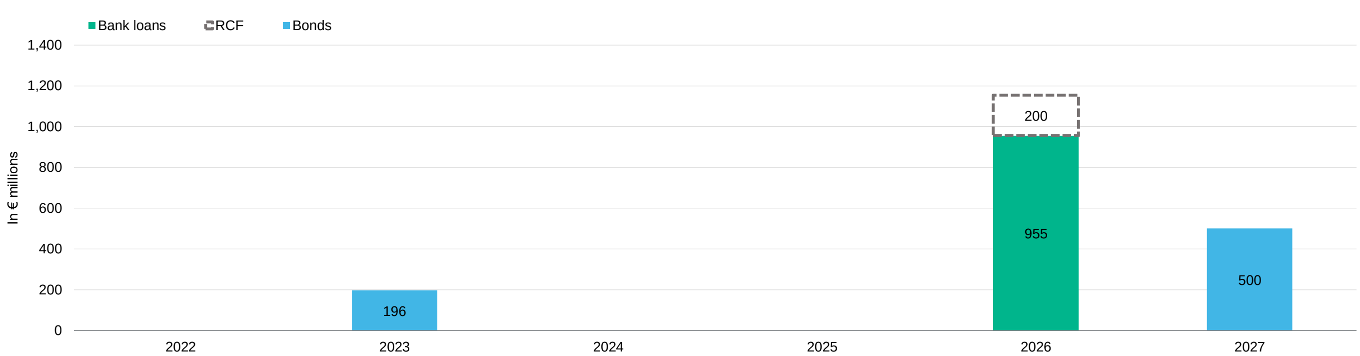
CETIN Group's liquidity is adequate. It is supported by cash and cash equivalents of €83 million as of December 2021, as well as by the company's strong Moody's-adjusted operating cash flow of around €600 million and a fully available revolving credit facility of €200 million due in 2026. CETIN Group's liquidity is sufficient to cover its upcoming debt maturities and other cash demands through the next 12-18 months, including its capital spending needs, which are likely to be at around €400 million in 2022, on a Moody's-adjusted basis.

Upcoming debt maturities include €196 million bond (at CETIN level) due in 2023, a €444 million term loan due in 2026, a €511 million term loan due in 2026 and a €500 million bond due in 2027.

Exhibit 9

Following the group's restructuring, a portion of PPF Telecom Group's and CETIN's debt has been refinanced at CETIN Group level

CETIN Group's debt maturity profile as of April 2022



Source: Company

According to its liquidity policy, CETIN needs to hold a minimum technical cash reserve of €20 million. Additional funds may be used for capital investments, debt reduction and dividend distributions, unless net leverage is above 3.5x.

Methodology and scorecard

The Baa2 rating assigned to CETIN Group is one notch lower than the scorecard-indicated outcome of Baa1.

The difference between the published rating and the scorecard-indicated output reflects the parent/subsidiary relationship between PPF Telecom and CETIN Group, with a maximum of a two-notch differential in the rating between these entities.

Exhibit 10

Rating factors

CETIN Group N.V

Communications Infrastructure Industry Scorecard [1][2]	Current FY 12/31/2021		Moody's 12-18 Month Forward View As of 4/6/2022 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$1.2	Ba	$1.3 - $1.4	Ba
Factor 2 : Business Profile (25%)				
a) Business Model	A	A	A	A
b) Competitive Environment and Business Conditions	A	A	A	A
Factor 3 : Profitability & Efficiency (20%)				
a) FFO Margin	48.2%	Ba	51.6%	Baa
Factor 4 : Leverage & Coverage (30%)				
a) (EBITDA - CAPEX) / Interest Expense	9.7x	Aa	8.9x	Aa
b) FCF / Debt	-0.7%	Caa	1.4%	B
c) Debt / EBITDA	3.3x	Ba	2.9x	Baa
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa1
b) Actual Rating Assigned				Baa2

[1] All ratios are based on "Adjusted" financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2021.
[3] This represents our forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™ and Moody's Investors Service estimates

Ratings

Exhibit 11

Category	Moody's Rating
CETIN GROUP N.V.	
Outlook	Negative
Issuer Rating	Baa2
PARENT: PPF TELECOM GROUP B.V.	
Outlook	Negative
Corporate Family Rating	Ba1
Bkd Senior Secured -Dom Curr	Ba1/LGD4
CETIN A.S.	
Outlook	Negative
Issuer Rating	Baa2
CETIN FINANCE B.V.	
Outlook	Negative
Bkd Senior Unsecured	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 12

Peer comparison

CETIN Group N.V

	CETIN Group N.V. Baa2 Negative			Chorus Limited Baa2 Stable			SES S.A. Baa2 Negative		
(in USD millions)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Jun-20	FYE Jun-21	LTM Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21
Revenue	$836	$835	$1,212	$611	$658	$673	$2,221	$2,141	$2,108
EBITDA	$373	$395	$701	$437	$472	$494	$1,367	$1,278	$1,281
Total Debt	$1,144	$1,371	$2,345	$1,781	$2,047	$2,003	$6,036	$5,795	$5,068
Cash & Cash Equivalents	$75	$145	$97	$0	$37	$59	$1,296	$1,422	$1,241
FFO Margin %	38.5%	41.0%	48.2%	50.7%	56.7%	58.5%	48.2%	45.7%	85.4%
(EBITDA - CapEx) / Interest Expense	8.9x	7.2x	9.7x	0.0x	0.2x	0.93x	4.4x	4.8x	4.93x
FCF / Debt	0.9%	-1.1%	-0.7%	-11.1%	-7.1%	-3.7%	3.8%	10.5%	14.8%
RCF / Debt	18.7%	16.0%	13.6%	14.8%	15.4%	16.4%	11.0%	14.3%	31.7%
Debt / EBITDA	3.0x	3.5x	3.3x	4.0x	4.2x	4.1x	4.4x	4.2x	4.25x

CETIN Group's data until 2020 (included) refers to CETIN a.s.

All figures and ratios are calculated using our estimates and standard adjustments.

Source: Moody´s Financial Metrics™

Exhibit 13

Moody's-adjusted debt reconciliation

CETIN Group N.V.

EUR Millions	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Debt	**812**	**1,018**	**1,171**	**2,003**
Operating leases	155	0	0	0
Pension adjustment	0	0	1	1
Non-Standrad adjustment	-1	-1	0	0
Moody's-Adjusted Debt	**966**	**1,017**	**1,172**	**2,004**

All figures and ratios are calculated using our estimates and standard adjustments

Source: Moody´s Financial Metrics™

Exhibit 14

Moody's-adjusted EBITDA reconciliation

CETIN Group N.V

EUR Millions	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported EBITDA	**293**	**334**	**327**	**638**
Operating leases	31	0	0	0
Unusual	-2	-1	11	-39
Moody's-Adjusted EBITDA	**322**	**333**	**338**	**599**

All figures and ratios are calculated using our estimates and standard adjustments.

Source: Moody´s Financial Metrics™

Exhibit 15

Select historical and projected Moody's-adjusted financial data

CETIN Group N.V.

EUR Millions	2018	2019	2020	2021	2022E	2023E
INCOME STATEMENT						
Revenue	773	747	714	1,036	1,129	1,169
EBITDA	322	333	338	599	671	721
BALANCE SHEET						
Cash & Cash Equivalents	63	66	124	83	27	22
Total Debt	966	1,019	1,172	2,004	2,025	2,031
CASH FLOW						
Capex = Capital Expenditures	184	172	194	298	424	417
Retained Cash Flow	177	189	187	273	411	465
RCF / Debt	18.3%	18.5%	16.0%	13.6%	20.3%	22.9%
Free Cash Flow (FCF)	599	221	-13	-15	-15	43
FCF / Debt	2.4%	0.8%	-1.1%	-0.7%	-0.7%	2.1%
PROFITABILITY						
% Change in Sales (YoY)	-3.1%	-3.4%	-4.4%	45.1%	7.7%	3.6%
EBITDA Margin %	41.7%	44.6%	47.3%	57.8%	59.5%	61.7%
INTEREST COVERAGE						
EBITDA / Interest Expense	16.8x	18.3x	16.9x	19.3x	21.7x	23.3x
(EBITDA - CAPEX) / Interest Expense	7.2x	8.9x	7.2x	9.7x	8.0x	9.8x
LEVERAGE						
Debt / EBITDA	3.0x	3.1x	3.5x	3.3x	3.0x	2.8x

Data until 2020 (included) refers to CETIN.

Source: Moody's Financial Metrics™ and Moody's Investors Service estimates

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