

## BT Group plc

BT Group plc's (BT) ratings reflect a solid business profile, with strong market positions across the retail and wholesale subsectors in the UK, and gradually improving visibility over its cash flow trajectory following a capex peak in FY26 (financial year to end-March). Fitch Ratings expects BT to generate materially stronger free cash flow (FCF) from FY28, driven by declining capex, cost-base restructuring and continued improvement in adoption rates on its fibre-to-the-premises (FttP) network. Fitch forecasts cash from operations less capex to trend above 10% of gross debt by FY30.

Rating weaknesses are sustained competitive pressures in the retail and wholesale broadband markets, as alternative network operators continue to expand their fibre infrastructure. Near-term cash flow metrics are also weighed upon by large pension deficit contributions, which limit the pace of deleveraging over the medium term.

### Key Rating Drivers

**FCF Turnaround:** Fitch expects FCF margins to be broadly neutral in FY27, before turning positive in FY28 and reaching mid-single digits by FY30, supported by declining capex, EBITDA growth and lower restructuring costs. BT has made material progress on its multi-year cost-transformation programme, delivering GBP1.5 billion savings by FY26 with EBITDA margins increasing 1.6pp through natural headcount reductions, lower energy use, greater digitalisation and corporate efficiencies.

BT has recently raised the transformation programme's target by GBP0.7 billion to GBP3.7 billion by FY30. Fitch expects this to support EBITDA margin gain to 40% by FY30, from 38% in FY26, with Openreach contributing materially to overall EBITDA expansion through workforce restructuring.

**Strong Incumbent Position:** BT retains its strong position in the UK telecoms market, supported by its ability to deploy convergent products and services. Its mobile and broadband retail market shares were 23% and 31%, respectively, with customer base growth across broadband, postpaid mobile and TV and a FttP take-up rate of 38% in FY26. Its regulated local access division, Openreach, provides strong support to BT's credit profile, with market-leading full-fibre footprint covering 67% of UK premises at FYE26. BT also maintains a high-quality mobile network through its EE brand, with its 5G customer base growing 10% in FY26 to 14.5 million.

**FttP Rollout, Past Capex Peak:** BT passed 23 million premises with FttP at FYE26 and is on track to reach 25 million by end-2026, targeting a further 5 million by FY32. Build efficiencies have lowered the cost to about GBP300 per premise connected, and completing the rollout with the help of government funding, remains critical to mitigating market-share losses and managing the transition from legacy infrastructure. Cash capex peaked at 26% of revenue in FY26 and Fitch expects it to decline to 20% by FY29, supporting an improvement in cash flow generation.

**Pension Contributions:** Contributions to the BT Pension Scheme continue to weigh heavily on BT's FCF generation. Fitch forecasts total pension payments of GBP790 million a year in FY27-FY30, before falling to GBP680 million in FY31, assuming no material revision to the current deficit estimate following the 2026 triennial valuation. A widening deficit following the triennial review would represent a downside risk to Fitch's FCF projections.

**Fixed Network Competition:** BT continued to see line losses of 825,000 at Openreach in FY26, driven by competition from alternative fibre providers (altnets). The competitive landscape varies by region with some altnets, such as City Fibre (wholesale only), Hyperoptic and Community Fibre, have made strong progress. Altnets lag behind Openreach in coverage and take-up, although the regulatory and financial environment remains supportive of altnets that have shown strong progress. Financial constraints and integration challenges have restricted M&A in the sector, but consolidation is likely and could begin to materially change competitive dynamics.

**Consolidation in Mobile:** While the fixed-line market remains competitive, the mobile market has recently consolidated to three operators that should enable more stable and rationale competition with improving average revenue per user, churn and profitability for all mobile network operators. However, mobile virtual network operators (MVNOs) still provide stiff price competition to established mobile network operators (MNOs).

**Limited Revenue Growth:** Fitch forecasts BT's revenue to decline by just under 2% in FY27, reflecting the impact of divestments, decline in revenues from legacy products and competitive pressures in the business and consumer divisions, before stabilising in FY28 and returning to low-single-digit growth from FY29. The recovery will be underpinned by higher average revenue per user from FttP, the closure of the copper network removing the structural drag from declining voice revenue, and more stable competitive dynamics in the mobile segment.

**Greater UK Focus:** BT has carved out its international division and, in June 2026, announced a 50/50 joint venture with Verizon combining their respective international operations, to be completed in 2027, subject to regulatory approvals. This refocus makes strategic sense, given UK market dynamics and the lower operational and financial value of non-core operations. Greater investment and management focus on BT's core market, which accounted for 89% of FY26 revenue, should enable it to compete more effectively in the UK over the long term.

## Criteria Variation

Fitch treats BT's intention to meet the GBP2 billion pension deficit repair plan through an asset-backed facility (ABF; issued to BTPS in 2021), as a pension obligation, rather than financial debt. This treatment constitutes a variation from Fitch's rating criteria and reflects the purpose of the ABF and some significant non-debt-like features, such as the ability to cancel payments if the deficit is eliminated earlier than expected. We see only a remote possibility that BT will not be able to meet a GBP180 million annual ABF payment and trigger a cross default with BT's debt.

## Rating Sensitivities

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

- Fitch-defined EBITDA net leverage consistently above 2.5x
- Deterioration in key operating and financial metrics at BT's main operating subsidiaries and lower-than-expected FCF generation, driven by major EBITDA margin erosion, higher capex, shareholder distributions or pension contributions

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

- Fitch-defined EBITDA net leverage below 2.0x and cash from operations less capex/total debt at 10%-12% (excluding one-off spectrum costs) over the medium term
- Greater visibility and reduced execution risks on the implementation of BT's restructuring and transformation programme and FttP deployment, resulting in improved FCF generation
- An increase in EBITDA, reflecting the reduced impact of legacy products, improved operating performance at core divisions and strengthened competitive position following increased FttP and convergent customer base penetration

## Issuer Profile

BT is the UK's incumbent telecoms operator providing communications solutions and services to consumers, SMEs, corporates, the public sector and to other communications providers.

## Financial Summary

| (GBPm)                                  | 2024     | 2025     | 2026     | 2027F    | 2028F    | 2029F    |
|-----------------------------------------|----------|----------|----------|----------|----------|----------|
| Gross revenue                           | 20,835.0 | 20,370.0 | 19,646.0 | 19,312.7 | 19,307.4 | 19,401.0 |
| EBITDA margin (%)                       | 35.1     | 36.5     | 38.1     | 39.0     | 39.4     | 39.9     |
| FCF after acquisitions and divestitures | -1,336.0 | -683.0   | -546.0   | 42.7     | 431.8    | 622.5    |
| EBITDA net leverage (x)                 | 1.9      | 2.0      | 2.1      | 2.1      | 2.0      | 1.9      |
| (CFO-capex)/debt (%)                    | -2.7     | 1.0      | 1.0      | 5.1      | 7.5      | 8.8      |

Note: Forecast periods include BT's international division.

Source: Fitch Ratings, Fitch Solutions.

## Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

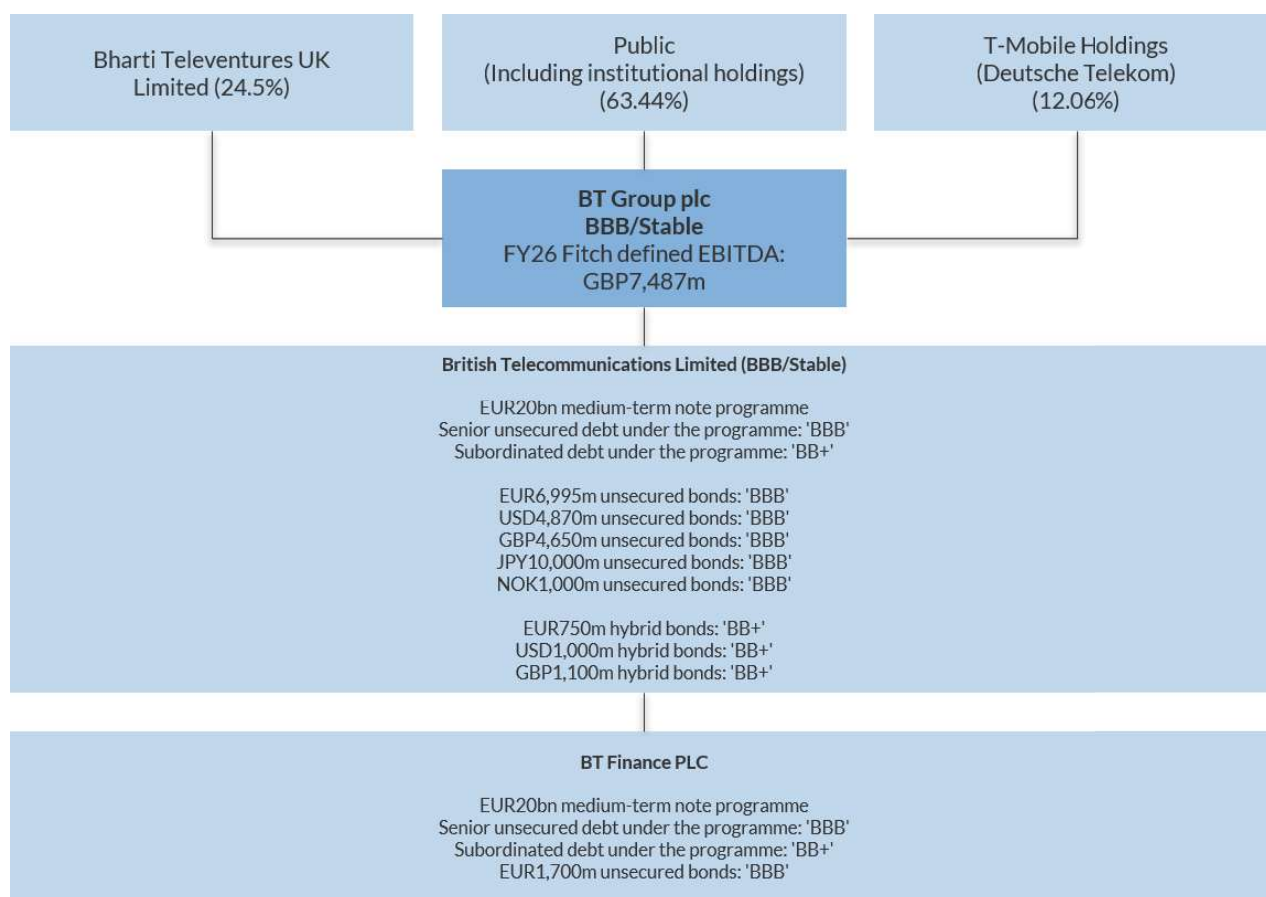
- Business and financial profile factors (assessment, relative importance): management ('bbb', lower), sector characteristics ('bbb', lower), market and competitive positioning ('bbb', higher), diversification and asset quality ('bbb-', moderate), company operational characteristics ('a', moderate), profitability ('a-', lower), financial structure ('bbb', higher), and financial flexibility ('a-', lower).

- The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year FY26, 40% for the forecast year FY27 and 40% for the forecast year FY28.
- The governance assessment of 'good' has no impact.
- The operating environment assessment of 'aa-' has no impact.
- The SCP is 'bbb'.

To derive the Long-Term IDR:

- Fitch made no adjustments to the SCP, resulting in an IDR of 'BBB'.

### Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, BT, as of June 2026

## Ratings Navigator

## Telecommunications

|         | Business Profile |                        |                                    |                                   |                                     | Financial Profile |                     |                       | Standalone Credit Profile | Foreign Currency LT Issuer Default Rating |
|---------|------------------|------------------------|------------------------------------|-----------------------------------|-------------------------------------|-------------------|---------------------|-----------------------|---------------------------|-------------------------------------------|
|         | Management       | Sector Characteristics | Market and Competitive Positioning | Diversification and Asset Quality | Company Operational Characteristics | Profitability     | Financial Structure | Financial Flexibility |                           |                                           |
| aaa     |                  |                        |                                    |                                   |                                     |                   |                     |                       | aaa                       | AAA                                       |
| aa+     |                  |                        |                                    |                                   |                                     |                   |                     |                       | aa+                       | AA+                                       |
| aa      |                  |                        |                                    |                                   |                                     |                   |                     |                       | aa                        | AA                                        |
| aa-     |                  |                        |                                    |                                   |                                     |                   |                     |                       | aa-                       | AA-                                       |
| a+      |                  |                        |                                    |                                   |                                     |                   |                     |                       | a+                        | A+                                        |
| a       |                  |                        |                                    |                                   |                                     |                   |                     |                       | a                         | A                                         |
| a-      |                  |                        |                                    |                                   |                                     |                   |                     |                       | a-                        | A-                                        |
| bbb+    |                  |                        |                                    |                                   |                                     |                   |                     |                       | bbb+                      | BBB+                                      |
| bbb     |                  |                        |                                    |                                   |                                     |                   |                     |                       | bbb                       | BBB Sta                                   |
| bbb-    |                  |                        |                                    |                                   |                                     |                   |                     |                       | bbb-                      | BBB-                                      |
| bb+     |                  |                        |                                    |                                   |                                     |                   |                     |                       | bb+                       | BB+                                       |
| bb      |                  |                        |                                    |                                   |                                     |                   |                     |                       | bb                        | BB                                        |
| bb-     |                  |                        |                                    |                                   |                                     |                   |                     |                       | bb-                       | BB-                                       |
| b+      |                  |                        |                                    |                                   |                                     |                   |                     |                       | b+                        | B+                                        |
| b       |                  |                        |                                    |                                   |                                     |                   |                     |                       | b                         | B                                         |
| b-      |                  |                        |                                    |                                   |                                     |                   |                     |                       | b-                        | B-                                        |
| ccc+    |                  |                        |                                    |                                   |                                     |                   |                     |                       | ccc+                      | CCC+                                      |
| ccc     |                  |                        |                                    |                                   |                                     |                   |                     |                       | ccc                       | CCC                                       |
| ccc-    |                  |                        |                                    |                                   |                                     |                   |                     |                       | ccc-                      | CCC-                                      |
| cc      |                  |                        |                                    |                                   |                                     |                   |                     |                       | cc                        | CC                                        |
| c       |                  |                        |                                    |                                   |                                     |                   |                     |                       | c                         | C                                         |
| d or rd |                  |                        |                                    |                                   |                                     |                   |                     |                       | d or rd                   | D or RD                                   |

## Factor Outlook

■ Stable 
 ◆ Evolving 
 ▲ Positive 
 ▼ Negative 
 ■ Lower 
 ■ Moderate 
 ■ Higher

## Relative Importance

## Additional Adjustments to the Standalone Credit Profile

|                                  | Assessment  | Impact     |
|----------------------------------|-------------|------------|
| Weakest link considerations      | Not applied | 0          |
| Additional sector considerations | Not applied | 0          |
| B+ to CC considerations          | Not applied | 0          |
| Governance                       | Good        | 0          |
| Operating environment            | aa-         | 0          |
| Other risk elements              | Not applied | 0          |
| Calibration                      | Not applied | 0          |
| <b>Standalone Credit Profile</b> |             | <b>bbb</b> |
| Parent subsidiary linkage        | Not applied | —          |
| Government related entities      | Not applied | —          |
| Other criteria considerations    | Not applied | 0          |
| Country Ceiling considerations   | Not applied | 0          |

## Management

| Factor / Subfactor | Score / Outlook / Importance | Description |
|--------------------|------------------------------|-------------|
|--------------------|------------------------------|-------------|

|                     |                      |                                                                                                                                              |
|---------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Management          | bbb / stable / lower |                                                                                                                                              |
| Risk tolerance      | bbb / moderate       | Management committed to conservative risk profile. Only modest/short-term deviations from strategy allowed.                                  |
| Management strategy | bbb / moderate       | Good track record of implementing coherent and stable strategy.                                                                              |
| Management quality  | bbb / moderate       | Experienced management or proven track record. Management composition is broadly stable. No evidence of material risk management weaknesses. |

### Sector Characteristics

| Factor / Subfactor     | Score / Outlook / Importance | Description                 |
|------------------------|------------------------------|-----------------------------|
| Sector characteristics | bbb / stable / lower         |                             |
| Regulatory risk        | bbb / moderate               | Moderate.                   |
| Barriers to entry      | bbb / moderate               | Moderate barriers to entry. |

### Market and Competitive Positioning

| Factor / Subfactor                 | Score / Outlook / Importance | Description                                                          |
|------------------------------------|------------------------------|----------------------------------------------------------------------|
| Market and competitive positioning | bbb / stable / higher        |                                                                      |
| Market positioning                 | a / moderate                 | Very strong and sustainable market share in primary markets (> 30%). |
| Scale - EBITDA                     | a / moderate                 | >\$5 billion                                                         |
| Competitive intensity              | bb / moderate                | Primary markets characterized by moderate competitive intensity.     |

### Diversification and Asset Quality

| Factor / Subfactor                     | Score / Outlook / Importance | Description                                            |
|----------------------------------------|------------------------------|--------------------------------------------------------|
| Diversification and asset quality      | bbb- / stable / moderate     |                                                        |
| Geographic diversification             | bb / moderate                | Limited geographic diversification.                    |
| Product and/or service diversification | a / moderate                 | Operates several service platforms in primary markets. |

### Company Operational Characteristics

| Factor / Subfactor                  | Score / Outlook / Importance | Description                                                                                          |
|-------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------|
| Company operational characteristics | a / stable / moderate        |                                                                                                      |
| Network and service quality         | a / moderate                 | Market leading network in terms of coverage and technology deployment, with good quality of service. |
| Network ownership                   | a / moderate                 | Owns almost all of its infrastructure.                                                               |

### Profitability

| Factor / Subfactor      | Score / Outlook / Importance | Description                                                           |
|-------------------------|------------------------------|-----------------------------------------------------------------------|
| Profitability           | a- / stable / lower          |                                                                       |
| Volatility of cash flow | bbb / moderate               | Volatility and visibility of cash flow in line with industry average. |
| EBITDA margin (%)       | a+ / moderate                | 35.0                                                                  |

### Financial Structure

| Factor / Subfactor      | Score / Outlook / Importance | Description |
|-------------------------|------------------------------|-------------|
| Financial structure     | bbb / stable / higher        |             |
| EBITDA leverage (x)     | bbb+ / moderate              | 2.8         |
| EBITDA net leverage (x) | a- / moderate                | 1.6         |

|                      |           |     |
|----------------------|-----------|-----|
| (CFO-capex)/debt (%) | b / lower | 2.5 |
|----------------------|-----------|-----|

### Financial Flexibility

| Factor / Subfactor           | Score / Outlook / Importance | Description                                                                                                                                                                                                                                                                                                        |
|------------------------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial flexibility        | a- / stable / lower          |                                                                                                                                                                                                                                                                                                                    |
| Financial access             | a / moderate                 | Unequivocal access through the cycle to: Local financial markets with FMD of 'a' and above, or International financial markets with (primarily) FMD of 'a' and above. If the issuer is an infrequent/ untested issuer, the issuer must be very likely to be able to freely access these markets through the cycle. |
| Liquidity                    | a / moderate                 | No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.                                                                                                                                                   |
| EBITDA interest coverage (x) | bbb+ / moderate              | 7.5                                                                                                                                                                                                                                                                                                                |
| FX exposure                  | bbb / moderate               | Some FX exposure on profitability and/or debt/cash flow match. Efficient hedging in place.                                                                                                                                                                                                                         |

### Governance

| Factor / Subfactor                              | Score / Outlook / Importance | Description                                                                                                                                                                                  |
|-------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance                                      | Good / — / —                 |                                                                                                                                                                                              |
| Ownership and decision-making concentration     | Good / moderate              | No concentration in ownership and/or decision-making. Presence of effective checks and balances. Key person risk is immaterial. Decision-making is defensible from a governance perspective. |
| Group structure transparency and contagion risk | Good / moderate              | Transparent group structure. No contagion risks.                                                                                                                                             |
| Information quality/transparency                | Good / moderate              | Timely and good provision of financial and operational information, facilitating the analysis of the credit profile.                                                                         |

### Fitch's Key Rating-Case Assumptions

- Revenue to decline by 1.7% in FY27, broadly flat revenue in FY28, before growing in the low single digits to FY30
- Fitch-defined EBITDA margin at 39% in FY27, before improving to 40% by FY30
- Cash pension and asset-backed fund contributions, included within funds from operations, totalling GBP790 million for FY27-FY30 and GBP680 million in FY31
- Negative specific-item cash flow effects of GBP250 million a year in FY27-FY29, declining to GBP200 million a year in FY30-FY31
- Capex at 23% of revenue in FY27, before reducing to 17% in FY30
- Dividend payments of about GBP830 million in FY27, before rising 3% a year to FY30
- Forward sales of copper and handset factoring included in debt

### Liquidity and Debt Structure

At FYE26, BT reported unrestricted cash and equivalents of GBP1.7 billion and access to an undrawn revolving credit facility of GBP2.1 billion maturing in January 2031 (with an option to extend by one year). These are sufficient to cover financial debt maturities of about GBP3.7 billion over the next three years. The company has good access to debt markets and strong relationships with banks.

## Liquidity and Debt Maturities

## Liquidity Analysis

| (GBPm)                                              | 2027F        | 2028F         | 2029F         |
|-----------------------------------------------------|--------------|---------------|---------------|
| <b>Available liquidity</b>                          |              |               |               |
| Beginning cash balance                              | 1,712        | 2,122         | 1,541         |
| Rating case FCF after acquisitions and divestitures | 43           | 432           | 623           |
| New debt issued in 1QFY27                           | 739          | —             | —             |
| <b>Total available liquidity (A)</b>                | <b>2,494</b> | <b>2,554</b>  | <b>2,163</b>  |
| <b>Liquidity uses</b>                               |              |               |               |
| Debt maturities                                     | -372         | -1,013        | -2,290        |
| <b>Total liquidity uses (B)</b>                     | <b>-372</b>  | <b>-1,013</b> | <b>-2,290</b> |
| <b>Liquidity calculation</b>                        |              |               |               |
| Ending cash balance (A+B)                           | 2,122        | 1,541         | -127          |
| Revolver availability                               | 2,100        | 2,100         | 2,100         |
| <b>Ending liquidity</b>                             | <b>4,222</b> | <b>3,641</b>  | <b>1,973</b>  |
| Liquidity score (x)                                 | 10.4         | 4.6           | 1.9           |

Forecast periods include BT's international division.

Non-sterling debt converted at prevailing exchange rate at issuance.

Source: Fitch Ratings, Fitch Solutions, BT Group plc

## Scheduled Debt Maturities

| (GBPm)       | 31-Mar-26     |
|--------------|---------------|
| 2027         | 372           |
| 2028         | 1,013         |
| 2029         | 2,290         |
| 2030         | 2,093         |
| 2031         | 2,001         |
| Thereafter   | 9,846         |
| <b>Total</b> | <b>17,615</b> |

Note: Bonds, based on publicly available information and maturities as of 31 March 2026. Hybrid bonds are shown based on their first call option date.

Source: Fitch Ratings, Fitch Solutions, BT Group plc

## Financial Data

## BT Group plc

| (GBPm)                                                                | 2024   | 2025   | 2026   | 2027F  | 2028F  | 2029F  |
|-----------------------------------------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Summary income statement</b>                                       |        |        |        |        |        |        |
| Gross revenue                                                         | 20,835 | 20,370 | 19,646 | 19,313 | 19,307 | 19,401 |
| Revenue growth (%)                                                    | 0.8    | -2.2   | -3.6   | -1.7   | -0.0   | 0.5    |
| EBITDA before income from associates                                  | 7,314  | 7,430  | 7,487  | 7,541  | 7,603  | 7,742  |
| EBITDA margin (%)                                                     | 35.1   | 36.5   | 38.1   | 39.0   | 39.4   | 39.9   |
| EBITDA after associates and minorities                                | 7,334  | 7,434  | 7,502  | 7,556  | 7,618  | 7,757  |
| EBIT                                                                  | 3,067  | 3,141  | 3,222  | 2,636  | 2,699  | 2,814  |
| EBIT margin (%)                                                       | 14.7   | 15.4   | 16.4   | 13.6   | 14.0   | 14.5   |
| Gross interest expense                                                | -872   | -902   | -830   | -901   | -935   | -1,035 |
| Pretax income including associate income/loss                         | 1,186  | 1,334  | 1,436  | 1,427  | 1,549  | 1,571  |
| <b>Summary balance sheet</b>                                          |        |        |        |        |        |        |
| Readily available cash and equivalents                                | 2,683  | 2,799  | 1,712  | 1,412  | 1,667  | 2,117  |
| Debt                                                                  | 16,819 | 17,404 | 17,226 | 17,170 | 17,170 | 17,170 |
| Net debt                                                              | 14,136 | 14,605 | 15,514 | 15,758 | 15,502 | 15,053 |
| <b>Summary cash flow statement</b>                                    |        |        |        |        |        |        |
| EBITDA                                                                | 7,314  | 7,430  | 7,487  | 7,541  | 7,603  | 7,742  |
| Cash interest paid                                                    | -731   | -821   | -895   | -901   | -935   | -1,035 |
| Cash tax                                                              | -59    | 35     | -58    | -100   | -100   | -200   |
| Dividends received less dividends paid to minorities (inflow/outflow) | 20     | 4      | 15     | 15     | 15     | 15     |
| Other items before FFO                                                | -1,247 | -1,328 | -1,215 | -1,040 | -1,040 | -1,040 |
| FFO                                                                   | 5,437  | 5,452  | 5,430  | 5,566  | 5,586  | 5,532  |
| FFO margin (%)                                                        | 26.1   | 26.8   | 27.6   | 28.8   | 28.9   | 28.5   |
| Change in working capital                                             | -917   | -347   | -86    | -197   | -193   | -194   |
| CFO (Fitch-defined)                                                   | 4,520  | 5,105  | 5,344  | 5,369  | 5,393  | 5,338  |
| Total non-operating/nonrecurring cash flow                            | —      | —      | —      | —      | —      | —      |
| Capex                                                                 | -4,969 | -4,937 | -5,169 | —      | —      | —      |
| Capital intensity (capex/revenue) (%)                                 | 23.8   | 24.2   | 26.3   | —      | —      | —      |
| Common dividends                                                      | -759   | -788   | -807   | —      | —      | —      |
| FCF                                                                   | -1,208 | -620   | -632   | —      | —      | —      |
| FCF margin (%)                                                        | -5.8   | -3.0   | -3.2   | —      | —      | —      |
| Net acquisitions and divestitures                                     | -128   | -63    | 86     | —      | —      | —      |
| Other investing and financing cash flow items                         | 824    | 193    | 1,265  | —      | —      | —      |
| Net debt proceeds                                                     | 565    | 457    | -507   | -157   | —      | —      |
| Net equity proceeds                                                   | -76    | -73    | -30    | -40    | -40    | -40    |
| Total change in cash                                                  | -25    | -142   | 142    | -300   | 256    | 450    |
| <b>Calculations for forecast publication</b>                          |        |        |        |        |        |        |
| Capex, dividends, acquisitions and other items before FCF             | -5,856 | -5,788 | -5,890 | -5,327 | -4,961 | -4,715 |
| FCF after acquisitions and divestitures                               | -1,336 | -683   | -546   | 43     | 432    | 623    |
| FCF margin after net acquisitions (%)                                 | -6.4   | -3.4   | -2.8   | 0.2    | 2.2    | 3.2    |

**Gross leverage ratios (x)**

|                      |      |     |     |     |     |     |
|----------------------|------|-----|-----|-----|-----|-----|
| EBITDA leverage      | 2.3  | 2.3 | 2.3 | 2.3 | 2.3 | 2.2 |
| (CFO-capex)/debt (%) | -2.7 | 1.0 | 1.0 | 5.1 | 7.5 | 8.8 |

**Net leverage ratios (x)**

|                          |      |     |     |     |     |      |
|--------------------------|------|-----|-----|-----|-----|------|
| EBITDA net leverage      | 1.9  | 2.0 | 2.1 | 2.1 | 2.0 | 1.9  |
| (CFO-capex)/net debt (%) | -3.2 | 1.2 | 1.1 | 5.5 | 8.3 | 10.0 |

**Coverage ratios (x)**

|                          |      |     |     |     |     |     |
|--------------------------|------|-----|-----|-----|-----|-----|
| EBITDA interest coverage | 10.0 | 9.1 | 8.4 | 8.4 | 8.1 | 7.5 |
|--------------------------|------|-----|-----|-----|-----|-----|

Forecast periods include BT's International division.

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.

## Fitch Adjusted Financials

| (GBPm as of 31 Mar 2026)                                             | Notes and formulas | Standardised values | Hybrid equity credit adjustment | Cash adjustment | Lease treatment | Other adjustments | Adjusted values |
|----------------------------------------------------------------------|--------------------|---------------------|---------------------------------|-----------------|-----------------|-------------------|-----------------|
| <b>Income statement summary</b>                                      |                    |                     |                                 |                 |                 |                   |                 |
| Revenue                                                              |                    | 19,654              | —                               | —               | —               | -8                | 19,646          |
| EBITDA                                                               | (a)                | 7,750               | —                               | —               | -743            | 480               | 7,487           |
| Depreciation and amortization                                        |                    | -4,853              | —                               | —               | 610             | -22               | -4,265          |
| EBIT                                                                 |                    | 2,897               | —                               | —               | -133            | 458               | 3,222           |
| <b>Balance sheet summary</b>                                         |                    |                     |                                 |                 |                 |                   |                 |
| Debt                                                                 | (b)                | 19,191              | -1,275                          | —               | —               | -690              | 17,226          |
| Of which other off-balance-sheet debt                                |                    | —                   | —                               | —               | —               | —                 | —               |
| Lease-equivalent debt                                                |                    | —                   | —                               | —               | —               | —                 | —               |
| Lease-adjusted debt                                                  |                    | 19,191              | -1,275                          | —               | —               | -690              | 17,226          |
| Readily available cash and equivalents                               | (c)                | 236                 | —                               | 1,476           | —               | —                 | 1,712           |
| Not readily available cash and equivalents                           |                    | 123                 | —                               | 6               | —               | —                 | 129             |
| <b>Cash flow summary</b>                                             |                    |                     |                                 |                 |                 |                   |                 |
| EBITDA                                                               | (a)                | 7,750               | —                               | —               | -743            | 480               | 7,487           |
| Dividends received from associates less dividends paid to minorities | (d)                | 15                  | —                               | —               | —               | —                 | 15              |
| Interest paid                                                        | (e)                | -1,028              | —                               | —               | 133             | —                 | -895            |
| Interest received                                                    | (f)                | 96                  | —                               | —               | —               | —                 | 96              |
| Preferred dividends paid                                             | (g)                | —                   | —                               | —               | —               | —                 | —               |
| Cash tax paid                                                        |                    | -58                 | —                               | —               | —               | —                 | -58             |
| Other items before FFO                                               |                    | -635                | —                               | —               | —               | -580              | -1,215          |
| FFO                                                                  | (h)                | 6,140               | —                               | —               | -610            | -100              | 5,430           |
| Change in working capital                                            |                    | -27                 | —                               | —               | —               | -59               | -86             |
| CFO                                                                  | (i)                | 6,113               | —                               | —               | -610            | -159              | 5,344           |
| Non-operating/nonrecurring cash flow                                 |                    | —                   | —                               | —               | —               | —                 | —               |
| Capex                                                                | (j)                | -5,169              | —                               | —               | —               | —                 | -5,169          |
| Common dividends paid                                                |                    | -807                | —                               | —               | —               | —                 | -807            |
| FCF                                                                  |                    | 137                 | —                               | —               | -610            | -159              | -632            |
| <b>Gross leverage (x)</b>                                            |                    |                     |                                 |                 |                 |                   |                 |
| EBITDA leverage                                                      | b / (a+d)          | 2.5                 | —                               | —               | —               | —                 | 2.3             |
| (CFO-capex)/debt (%)                                                 | (i+j) / b          | 4.9                 | —                               | —               | —               | —                 | 1.0             |
| <b>Net leverage (x)</b>                                              |                    |                     |                                 |                 |                 |                   |                 |
| EBITDA net leverage                                                  | (b-c) / (a+d)      | 2.4                 | —                               | —               | —               | —                 | 2.1             |
| (CFO-capex)/net debt (%)                                             | (i+j) / (b-c)      | 5.0                 | —                               | —               | —               | —                 | 1.1             |
| <b>Coverage (x)</b>                                                  |                    |                     |                                 |                 |                 |                   |                 |
| EBITDA interest coverage                                             | (a+d) / (-e)       | 7.6                 | —                               | —               | —               | —                 | 8.4             |

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 GBP4184 million.

Source: Fitch Ratings, Fitch Solutions, BT Group plc

## Peer Analysis

BT's weaker FCF, a more competitive UK environment and cash contributions to pension-plan recovery payments mean its downgrade thresholds are slightly tighter than for its peer group of integrated European incumbent telecom operators focused on their domestic markets, such as Royal KPN N.V. (KPN, BBB/Positive). Fitch changed the Outlook on KPN's IDR to Positive from Stable on 30 July 2026.

Higher and comparably rated peers such as Deutsche Telekom AG (A-/Stable), Orange S.A. (BBB+/Stable) and Vodafone Group Plc (BBB/Stable) have greater scale and geographic diversification that can mitigate potential weakness in domestic performance. This diversification also offers options to defend financial metrics in the event of leverage pressure (i.e. through asset sales or minority listings), whereas available measures are more limited at BT.

## Navigator Peer Comparison

| Issuer              |             | Business profile (Score/Relative Importance) |                        |                                    |                                   |                                     |               | Financial profile (Score/Relative Importance) |                       |  |
|---------------------|-------------|----------------------------------------------|------------------------|------------------------------------|-----------------------------------|-------------------------------------|---------------|-----------------------------------------------|-----------------------|--|
| Name                | IDR/Outlook | Management                                   | Sector Characteristics | Market and Competitive Positioning | Diversification and Asset Quality | Company Operational Characteristics | Profitability | Financial Structure                           | Financial Flexibility |  |
| BT Group plc        | BBB/Stable  | bbb                                          | bbb                    | bbb                                | bbb-                              | a                                   | a-            | bbb                                           | a-                    |  |
| Deutsche Telekom AG | A-/Stable   | bbb                                          | bbb                    | a                                  | a                                 | a                                   | a-            | bbb+                                          | bbb+                  |  |
| Orange S.A.         | BBB+/Stable | bbb                                          | bbb                    | a-                                 | a                                 | a                                   | bbb           | bbb-                                          | a-                    |  |
| Royal KPN N.V.      | BBB/Stable  | bbb                                          | bbb                    | bbb+                               | bbb-                              | a                                   | bbb+          | bbb                                           | a                     |  |
| Telefonica SA       | BBB/Stable  | bbb                                          | bbb                    | a-                                 | a                                 | a-                                  | bbb           | bbb-                                          | a-                    |  |
| Vodafone Group Plc  | BBB/Stable  | bbb                                          | bbb                    | bbb                                | a                                 | a-                                  | bbb-          | bbb-                                          | bbb+                  |  |

Relative Importance: ■ Higher ■ Moderate ■ Lower

Source: Fitch Ratings

| Issuer              |             | Business profile (Score/Outlook) |                        |                                    |                                   |                                     | Financial profile (Score/Outlook) |                     |                       |
|---------------------|-------------|----------------------------------|------------------------|------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|---------------------|-----------------------|
| Name                | IDR/Outlook | Management                       | Sector Characteristics | Market and Competitive Positioning | Diversification and Asset Quality | Company Operational Characteristics | Profitability                     | Financial Structure | Financial Flexibility |
| BT Group plc        | BBB/Stable  | bbb                              | bbb                    | bbb                                | bbb-                              | a                                   | a-                                | bbb                 | a-                    |
| Deutsche Telekom AG | A-/Stable   | bbb                              | bbb                    | a                                  | a                                 | a                                   | a-                                | bbb+                | bbb+                  |
| Orange S.A.         | BBB+/Stable | bbb                              | bbb                    | a-                                 | a                                 | a                                   | bbb                               | bbb-                | a-                    |
| Royal KPN N.V.      | BBB/Stable  | bbb                              | bbb                    | bbb+                               | bbb-                              | a                                   | bbb+                              | bbb                 | a                     |
| Telefonica SA       | BBB/Stable  | bbb                              | bbb                    | a-                                 | a                                 | a-                                  | bbb                               | bbb-                | a-                    |
| Vodafone Group Plc  | BBB/Stable  | bbb                              | bbb                    | bbb                                | a                                 | a-                                  | bbb-                              | bbb-                | bbb+                  |

Rating categories: ■ b/c/c ■ bb ■ bbb ■ a ■ aa ▲▼ Factor outlook direction.

Source: Fitch Ratings

### Post-Factor Assessment Analytical Adjustments and Overlays

| Issuer              |             | Factor Assessment Outcome | Analytical Adjustment |              |          | Governance    | Operating Environment | Qualitative Overlay |             |           |
|---------------------|-------------|---------------------------|-----------------------|--------------|----------|---------------|-----------------------|---------------------|-------------|-----------|
| Name                | IDR/Outlook |                           | Additional Sector     | Weakest Link | B+ to CC | Rating impact | Rating impact         | Other Risk Elements | Calibration | Final SCP |
| BT Group plc        | BBB/Stable  | bbb                       | -                     | -            | -        | -             | -                     | -                   | -           | bbb       |
| Deutsche Telekom AG | A-/Stable   | a-                        | -                     | -            | -        | -             | -                     | -                   | -           | a-        |
| Orange S.A.         | BBB+/Stable | bbb+                      | -                     | -            | -        | -             | -                     | -                   | -           | bbb+      |
| Royal KPN N.V.      | BBB/Stable  | bbb                       | -                     | -            | -        | -             | -                     | -                   | -           | bbb       |
| Telefonica SA       | BBB/Stable  | bbb                       | -                     | -            | -        | -             | -                     | -                   | -           | bbb       |
| Vodafone Group Plc  | BBB/Stable  | bbb                       | -                     | -            | -        | -             | -                     | -                   | -           | bbb       |

SCP - Standalone Credit Profile  
Source: Fitch Ratings

## Peer Financial Summary

| Company             | Issuer Default Rating | Financial statement date | Gross revenue (GBPm) | EBITDA (GBPm) | EBITDA margin (%) | EBITDA net leverage (x) | FCF margin (%) |
|---------------------|-----------------------|--------------------------|----------------------|---------------|-------------------|-------------------------|----------------|
| BT Group plc        | BBB                   |                          |                      |               |                   |                         |                |
|                     | BBB                   | 2026 <sup>a</sup>        | 19,646               | 7,487         | 38.1              | 2.1                     | -3.2           |
|                     | BBB                   | 2025                     | 20,370               | 7,430         | 36.5              | 2.0                     | -3.0           |
|                     | BBB                   | 2024                     | 20,835               | 7,314         | 35.1              | 1.9                     | -5.8           |
| Deutsche Telekom AG | A-                    |                          |                      |               |                   |                         |                |
|                     | BBB+                  | 2025                     | 103,978              | 37,286        | 35.9              | 2.2                     | 8.2            |
|                     | BBB+                  | 2024                     | 95,835               | 35,554        | 37.1              | 2.3                     | 8.9            |
|                     | BBB+                  | 2023                     | 96,642               | 32,172        | 33.3              | 2.5                     | 8.8            |
| Orange S.A.         | BBB+                  |                          |                      |               |                   |                         |                |
|                     | BBB+                  | 2025                     | 35,279               | 10,935        | 31.0              | 2.0                     | 1.0            |
|                     | BBB+                  | 2024                     | 33,356               | 10,129        | 30.4              | 2.0                     | 1.7            |
|                     | BBB+                  | 2023                     | 38,189               | 11,384        | 29.8              | 2.2                     | 1.9            |
| Royal KPN N.V.      | BBB                   |                          |                      |               |                   |                         |                |
|                     | BBB                   | 2025                     | 5,062                | 2,303         | 45.5              | 2.4                     | 2.2            |
|                     | BBB                   | 2024                     | 4,642                | 2,077         | 44.7              | 2.4                     | 2.3            |
|                     | BBB                   | 2023                     | 4,707                | 2,094         | 44.5              | 2.3                     | 4.4            |
| Telefonica SA       | BBB                   |                          |                      |               |                   |                         |                |
|                     | BBB                   | 2024                     | 34,226               | 8,582         | 25.1              | 2.8                     | 1.7            |
|                     | BBB                   | 2023                     | 35,178               | 8,654         | 24.6              | 3.0                     | 0.8            |
|                     | BBB                   | 2022                     | 35,347               | 8,673         | 24.5              | 3.1                     | 4.2            |
| Vodafone Group Plc  | BBB                   |                          |                      |               |                   |                         |                |
|                     | BBB                   | 2025                     | 31,299               | 9,137         | 29.2              | 1.9                     | -0.8           |
|                     | BBB                   | 2024                     | 31,408               | 9,426         | 30.0              | 3.0                     | -2.7           |
|                     | BBB                   | 2023                     | 40,164               | 12,887        | 32.1              | 2.2                     | 2.4            |

<sup>a</sup>Includes BT's international division.

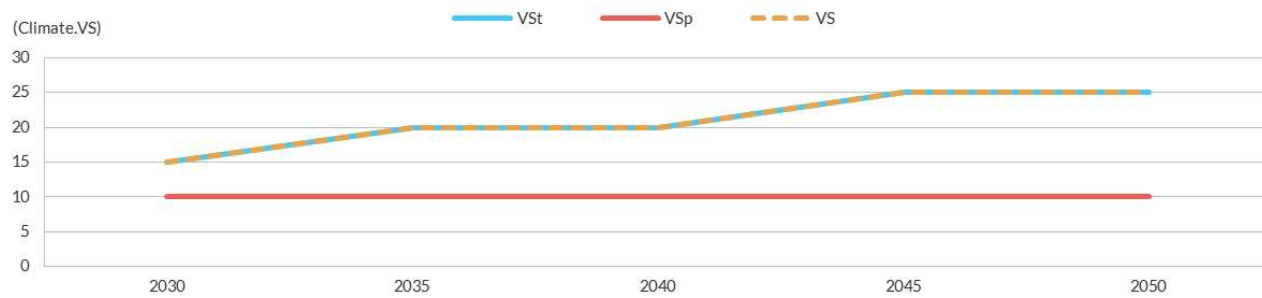
Source: Fitch Ratings, Fitch Solutions.

## Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify credits with higher exposure to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration 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 Fitch's latest [Climate Vulnerability Signals for Non-Financial Corporate Sectors](#) report.

The Climate.VS for 2035 is 20 out of 100. This reflects a VSp of 10 and a VSt of 20.

## Climate Vulnerability Signals



Source: Fitch Ratings

## 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>.



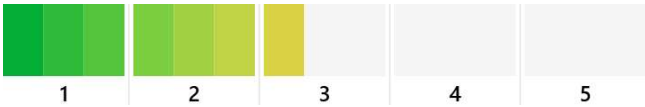
## Environmental Relevance Scores

| General issues                                             | 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 |



## Social Relevance Scores

| General issues                                             | 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                          | Market and Competitive Positioning; Profitability                                     |
| Labor Relations & Practices                                | 3     | Impact of labor negotiations and employee (dis)satisfaction | Market and Competitive Positioning; Profitability                                     |
| Employee Wellbeing                                         | 1     | n.a.                                                        | n.a.                                                                                  |
| Exposure to Social Impacts                                 | 2     | Social attitudes toward network infrastructure              | Diversification and Asset Quality; Company Operational Characteristics; Profitability |



Governance Relevance Scores

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



## ESG Scoring

ESG relevance scores range from '1' to '5' based on a 15-level colour 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 general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). 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 and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.

## Credit-Relevant ESG Scale

|                                                                                     |   |                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | 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 the 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 the 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 the Navigator. |
|  | 2 | Irrelevant to the entity rating but relevant to the sector.                                                                                                                                       |
|  | 1 | Irrelevant to the entity rating and irrelevant to the sector.                                                                                                                                     |

## Ratings

Long-Term IDR

BBB

Short-Term IDR

F2

### 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 | 20 |
| Transition (Climate.VSt)          | 20 |
| Physical (Climate.VSp)            | 10 |

## Applicable Criteria

Corporates Recovery Ratings and Instrument Ratings Criteria (August 2024)  
Corporate Hybrids Treatment and Notching Criteria (April 2025)  
Corporate Rating Criteria (January 2026)  
Sector Navigators – Addendum to the Corporate Rating Criteria (January 2026)

## Related Research

Global Corporates Macro and Sector Forecasts  
European Telecoms Outlook 2026 (January 2026)

## Analysts

Irina Andrievskaia  
+44 20 3530 1715  
[irina.andrievskaia@fitchratings.com](mailto:irina.andrievskaia@fitchratings.com)

Nihil Parekh  
+44 20 3530 2453  
[nihil.parekh@fitchratings.com](mailto:nihil.parekh@fitchratings.com)

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