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**Bulletin:****Ratings And Outlook On Telekom Austria AG Unaffected By Its Conditional Bid For Telekom Srbija a.d.****Primary Credit Analyst:**

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FRANKFURT (Standard & Poor's) March 23, 2011--Standard & Poor's Ratings Services said today that its ratings and outlook on Austrian telecommunications operator Telekom Austria AG (BBB/Stable/A-2) are unaffected by its recent announcement of a conditional bid for a 51% stake in incumbent telecommunications operator Telekom Srbija a.d. for up to €950 million. Among other conditions, the offer must obtain Serbian regulatory approval and is subject to negotiations with the Serbian government about certain value-creating conditions that would result in an enterprise value to adjusted EBITDA 2011 multiple of about 4.8x.

A successful bid would make Telekom Austria the dominant fixed-line and mobile operator in Serbia and somewhat broaden its regional scope through Telekom Srbija's mobile and fixed-line operations in Bosnia Herzegovina and Montenegro, in our opinion. Pro forma a debt-financed purchase price of €950 million and refinancing of Telekom Srbija's existing net debt of €0.6 billion at the group level, Telekom Austria's net debt-to-EBITDA ratio (as adjusted by Standard & Poor's) would increase to about 2.8x proportionately from about 2.3x at year-end 2010. This leverage ratio would be at the upper end of what we view as commensurate with the current ratings. Nevertheless, we think Telekom Austria has the ability to gradually reduce its leverage through discretionary cash flow generation.

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