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Telekom Austria AG

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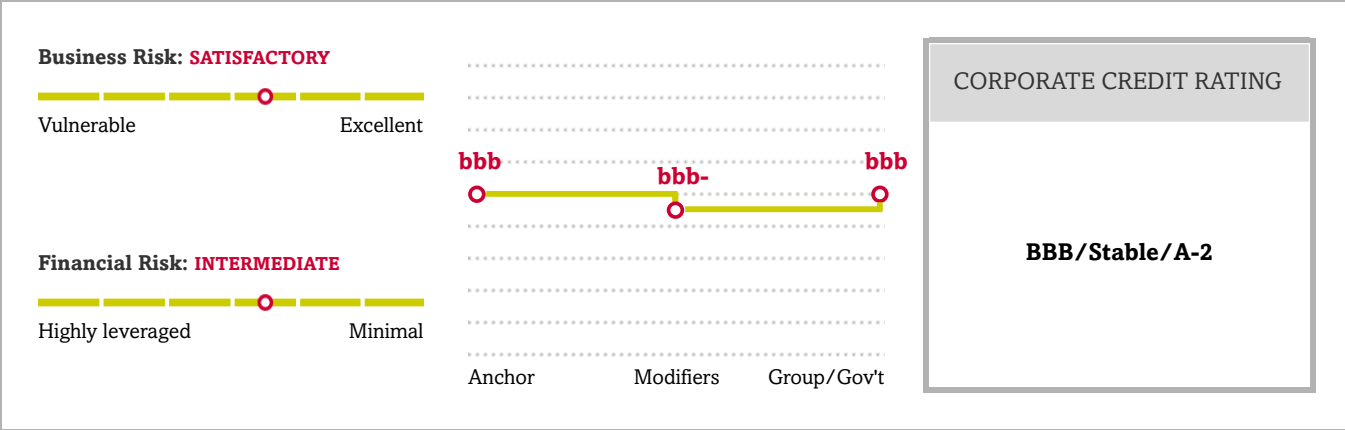
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Telekom Austria AG



Rationale

Business Risk: Satisfactory	Financial Risk: Intermediate
<ul style="list-style-type: none"> • Leading fixed-line and mobile telecommunications operator in Austria. • Almost full domestic coverage with fourth-generation mobile and investments in higher fixed-line broadband speeds. • Key player in several Central and Eastern European mobile markets, complemented by an expanding fixed-line offering. • Continued competitive pressure for mobile business domestically and in several international markets. • Partly inflexible cost structure in Austria. • Exposure to very high country risk in Belarus. 	<ul style="list-style-type: none"> • S&P Global Ratings-adjusted debt to EBITDA of less than 3x and funds from operations (FFO) to debt of at least 30% in our forecast. • Declared appetite for mergers and acquisitions (M&A) and lack of explicit leverage targets. • Constrained free operating cash flow (FOCF), due to significant network investments and restructuring costs. • Exposure of EBITDA and cash flows from Belarus to exchange rate risk.

Outlook: Stable

The stable outlook on Telekom Austria reflects our view that the company will continue to pursue M&A opportunities and that potential transactions may weaken its credit metrics relative to our forecast. We expect Telekom Austria will report modest revenue growth of about 1% over the next two years, and that its adjusted EBITDA margins will stabilize in 2017 at levels similar to 2015, as successful ongoing cost management in Austria and stabilization in Telekom Austria's international markets offsets the adverse EBITDA impact from the phase-out of retail roaming. On this basis, we think that, after accounting for potential additional debt incurred for acquisitions, Telekom Austria will maintain adjusted debt to EBITDA of less than 3.25x and FFO to debt of more than 25% on a sustainable basis.

Upside scenario

We could raise the rating if Telekom Austria were to adopt a financial policy that targets adjusted debt to EBITDA of sustainably less than 2.75x and FFO to debt of more than 30% at all times, including in case of acquisitions. Additionally, we could raise the rating if we see further stabilization of operating trends in Austria and across its foreign subsidiaries, along with stable or increasing adjusted EBITDA margins, supporting FOCF to debt comfortably between 10%-15%.

We could also raise the rating on Telekom Austria if we viewed its strategic importance to its majority shareholder, America Movil S.A.B. de C.V. (AMX), as strengthening. This could happen if we were to witness more implicit support from AMX, for example, if AMX were to guarantee Telekom Austria's debt or AMX were to refinance Telekom Austria debt at the parent level.

Downside scenario

Although not expected at this stage, we could consider a downgrade if we were to observe a combination of large debt-funded acquisitions and revenues and EBITDA underperforming our projections materially, for example due to continued or rising competitive pressure in Telekom Austria's domestic or international operations, causing leverage to rise to more than 3.25x and FFO to debt to fall to less than 25% on a prolonged basis.

The ratings on Telekom Austria could also come under pressure if we assessed that Telekom Austria's strategic importance to AMX had weakened, for example, if Telekom Austria appeared likely to be sold over the near term, a scenario which we currently consider unlikely.

Our Base-Case Scenario

Assumptions	Key Metrics			
<ul style="list-style-type: none"> Revenue growth of 0.5%-1.5% in 2016, supported by full-year consolidation of 2015 acquisitions in Central and Eastern Europe (CEE), and 0%-1.5% in 2017 due to slowing service revenue declines in Austria and improving organic revenue trends in certain other markets. S&P Global Ratings-adjusted EBITDA margins declining to about 31% in 2016 from about 32% in 2015, affected by the phase-out of retail roaming charges, before strengthening to 31.5%–33.0% in 2017, thanks to cost savings in Austria. Cash capital expenditures (capex), excluding spectrum, of about €0.75 billion–€0.78 billion in 2016 and €0.75 billion–€0.8 billion in 2017, driven by fixed broadband investments in Austria and fourth-generation mobile roll-out in CEE. In addition, we forecast modest spectrum costs. Dividends of €133 million and hybrid coupon payments of €34 million in 2017. Acquisition spending of €150 million over the next 18 months, plus Telekom Slovenije's exercise of its put option for the remaining 45% stake in Telekom Austria's Macedonian subsidiary by the end of 2017. 				
		2015A	2016F	2017F
	EBITDA margin (%)*	32.3	30.5-32.0	31.5-33.0
	Debt/EBITDA (x)*	2.7	2.6–2.8	2.5–2.7
	FFO/debt (%)*	29.7	30.0-32.0	31.0-35.0
FOCF/debt (%)*	9.6	5.0-7.0	8.0-11.0	
	<p>*As adjusted by S&P Global Ratings. A--Actual. F--Forecast. FFO--Funds from operations. FOCF--Free operating cash flow, defined as cash flow from operations after capex and spectrum costs.</p>			

Company Description

Headquartered in Vienna, Telekom Austria is the leading telecom operator in Austria and a leading mobile operator in Bulgaria, Croatia, Belarus, Slovenia, Serbia, and Macedonia. In four of the six CEE markets the company also provides fixed-line broadband, telephony, and TV services. As of June 30, 2016, the combined group served about 20.5 million mobile subscribers and had a total of 5.6 million fixed broadband, telephony, and TV subscriptions, of which about 3.5 million are in Austria.

Excluding approximately 8% of shares to be sold under a shareholder agreement with the Austrian government, AMX was Telekom Austria's largest shareholder with a 51.9% stake as of August 2016, followed by Österreichische Bundes- und Industriebeteiligungen GmbH, the government's national industry holding company (28.4%).

Business Risk: Satisfactory

A key factor in our assessment of Telekom Austria's business risk is the company's leading position in Austria's wealthy, albeit mature and relatively small, market for fixed and mobile telecom services, which is supported by almost

nationwide coverage with fourth-generation mobile networks, significant spectrum holdings compared with Austrian peers, and recent progress with upgrading to higher fixed-broadband speeds. As of the second quarter of 2016, Telekom Austria reported a mobile subscriber market share of about 40%, a share of 45.5% in the combined retail market for fixed and mobile broadband connections, and a stable 58% share in fixed-line broadband ahead of cable operator UPC Holding B.V. (22.5%).

In our view, in addition to its strong brand, Telekom Austria's position as the leading player in the domestic premium mobile segment is likely to increasingly benefit from its ample spectrum holdings. Since the most recent auction in 2013, the company holds half of the total spectrum in the 800 megahertz (MHz), 900 MHz, and 1,800 MHz bands available in Austria's three-player market, including two-thirds of all 800 MHz frequencies. In fixed line, Telekom Austria benefits from the limited presence of alternative high-speed broadband infrastructures, in our opinion. As estimated from the latest published company data, the cable network of the main fixed broadband competitor UPC currently covers less than 37% of Austrian households, which is much lower than cable network coverage in other European markets, for example in Germany and the Netherlands. Outside the UPC footprint, Telekom Austria mainly competes with mobile broadband products, in addition to some competition based on regulated wholesale access to its own network. In these areas, we think the company's competitive position could be enhanced by its ongoing fixed network upgrade program, which aims to expand coverage with download speeds of up to 30 megabytes per second (Mbps) to at least 70% of homes by 2018, up from 40% at the end of 2015. However, within its service area, UPC offers higher headline speeds of up to 250 Mbps, leaving Telekom Austria at a speed disadvantage, in our view, despite the recent launch of its hybrid broadband products, which bundle fixed and mobile technologies to increase download speeds to up to 100 Mbps.

Furthermore, we think that Telekom Austria's profitable and cash-generative operations in six CEE mobile markets, where it holds mostly No. 1 or No. 2 positions, help to diversify its revenue base and provide incremental scale. The company's largest international operation (by revenue) is its Bulgarian subsidiary Mobiltel, which reported a 38% mobile subscriber market share and an EBITDA margin of about 33% in the first half of 2016. The second largest is Croatia-based Vipnet (36% mobile market share and 20% EBITDA margin), followed by Belarus-based Velcom (about 43% mobile market share and 48% EBITDA margin). In 2015, Telekom Austria strengthened its ability to make fixed-mobile convergence offers in CEE through acquisitions of smaller fixed-line operators and is now able to offer fixed telephony, broadband, and TV in all markets except Belarus and Serbia.

Nevertheless, competition in Austria's mobile market remains intense, and competitively priced mobile broadband products such as mobile WiFi routers may constrain prices and subscriber growth in fixed broadband, in our opinion. Competition in mobile stems partly from the entry of several mobile virtual network operators (MVNOs) to the market in 2015. Even though the largest MVNO, Hofer Telekom, held a mere 3.5% market share as of the second quarter of 2016, we think the presence of MVNOs will likely limit pricing flexibility and require Telekom Austria to maintain high handset subsidies for an extended period.

Additionally, Telekom Austria's foreign mobile operations continue to face fierce competition, particularly in Bulgaria and Slovenia. In our view, this will contribute to revenue and earnings volatility, which we think is generally higher for the company's international operations than for its domestic business. Market conditions in Austria, and potentially to

some extent in other markets, are likely to be hit by regulatory headwinds in connection with the phasing out of retail roaming charges. We expect these measures will have a moderate adverse effect on EBITDA of up to €45 million in 2016 and up to an additional €25 million in 2017.

Despite recent success in cutting operating expenses, we note that Telekom Austria's domestic cost structure exhibits some rigidity with respect to certain items, particularly staff costs. At the end of 2015, about 50% of employees in the Austrian segment (equivalent to 24% of the workforce of the entire group) were civil servants who cannot be dismissed. Additional costs for early retirement, voluntary termination, or re-transfer of civil servants to the government contributed materially to significant cash payments for restructuring of €100 million-€110 million per year in 2013 to 2015.

Telekom Austria's subsidiary in Belarus remains subject to high country and foreign exchange risks.

Our Base-Case Operating Scenario

- Austria: A modest revenue decline in 2016, improving to about flat in 2017. This is mainly driven by shrinking fixed and mobile service revenues as a result of a decline in the fixed voice segment not being fully offset by growth in broadband and TV, continued fierce competition, and the phase-out of retail mobile roaming charges. We assume service revenue declines will ease from 2017, due to a gradual stabilization in the mobile market and successful up-selling of fixed-line broadband and TV.
- CEE: We expect low-single-digit revenue growth in 2016 as contributions from the recent acquisitions in Croatia, Slovenia, Bulgaria, and Macedonia outweigh a moderate organic revenue decline that is mostly driven by ongoing headwinds in the Bulgarian mobile market and currency devaluation in Belarus. We project revenue growth of up to 1% in 2017, supported by solid performance in Croatia and Slovenia and gradual reversal of the organic decline in the Bulgarian mobile segment.
- Adverse impact on EBITDA in 2016 and 2017 from the phase-out of retail roaming charges, mainly in Austria, leading to a decrease in the adjusted EBITDA margin by about one percentage point in 2016 from about 32% in 2015. In 2017, we expect margins will rebound to about 32%, thanks to continued efficiency gains in Austria and modestly improving EBITDA in several international markets.

Peer comparison

Table 1

Telekom Austria AG--Peer Comparison					
Industry Sector: Telecom					
	Telekom Austria AG	Koninklijke KPN N.V.	TDC A/S	Telecom Italia SpA	Deutsche Telekom AG
Rating as of Aug. 17, 2016	BBB/Stable/A-2	BBB-/Stable/A-3	BBB-/Stable/A-3	BB+/Stable/B	BBB+/Stable/A-2
--Fiscal year ended Dec. 31, 2015--					
(Mil. €)					
Revenues	4,027	7,006	3,266	20,005	69,228
EBITDA	1,301	2,485	1,359	7,721	22,415
Funds from operations (FFO)	1,058	2,006	1,074	5,592	18,281

Table 1

Telekom Austria AG--Peer Comparison (cont.)					
Net income from cont. oper.	393	503	(308)	(683)	3,254
Cash flow from operations	1,057	2,107	1,105	5,413	15,862
Capital expenditures	716	1,304	603	5,426	14,396
Free operating cash flow	342	803	502	(13)	1,466
Discretionary cash flow	292	304	287	(217)	210
Cash and short-term investments	912	1,446	49	5,399	9,774
Debt	3,566	8,606	4,614	29,811	76,448
Equity	2,126	4,964	2,356	22,568	38,155
Adjusted ratios					
EBITDA margin (%)	32.3	35.5	41.6	38.6	32.4
Return on capital (%)	8.5	6.5	7.4	7.1	8.0
EBITDA interest coverage (x)	6.3	4.2	7.3	3.9	5.4
FFO cash int. cov. (X)	6.8	5.4	6.2	1.5	6.1
Debt/EBITDA (x)	2.7	3.5	3.4	3.9	3.4
FFO/debt (%)	29.7	23.3	23.3	18.8	23.9
Cash flow from operations/debt (%)	29.7	24.5	24.0	18.2	20.7
Free operating cash flow/debt (%)	9.6	9.3	10.9	(0.0)	1.9
Discretionary cash flow/debt (%)	8.2	3.5	6.2	(0.7)	0.3

Financial Risk: Intermediate

Telekom Austria's financial risk primarily reflects our view of meaningful M&A event risk and that FOCF will be constrained by significant network investments in the near to medium term. We think that Telekom Austria remains determined to pursue acquisitions to consolidate its operations within the current footprint and, prospectively, to expand opportunistically into new markets. Although the company's financial policy defines a 'BBB' rating target, it sets no quantitative caps on leverage. In our view, this implies a potential risk of incremental debt to fund M&A activity. As a result, we think the debt-to-EBITDA ratio could rise to or moderately exceed 3x in the event of large acquisitions. This is higher than the 2.4x–2.8x range we forecast over the next three years without such deals. We note, however, that the company's main shareholders supported a €1 billion capital increase in the past to strengthen the balance sheet and create leeway for investments and M&A.

At the same time, we expect that FOCF will remain burdened by high cash outflows for restructuring and substantial capex (excluding spectrum) of 18%-20% of sales in the next two years, impeding an improvement of adjusted FOCF to debt to comfortably above 10% during this period.

Telekom Austria faces marked foreign exchange exposure originating from its international mobile operations in Belarus. Nevertheless, we note that the company is proactively taking measures to limit the impact of exchange rate

risk, in particular by increasing the share of costs denominated in local currency, including by starting its own solar power production in Belarus from 2016. Bulgaria's currency is pegged to the euro, and the currencies of Croatia and Macedonia follow a managed float regime with respect to the euro.

Our Base-Case Cash Flow And Capital Structure Scenario

- Substantial capex (excluding spectrum) of 18%-20% of sales.
- Significant cash outflows for restructuring of about €100 million in 2016, declining somewhat from 2017.
- Dividend payments in line with the revised dividend guidance of €0.20 per share in 2017.
- €150 million for bolt-on acquisitions over the next 18 months, plus payments for the remaining minority stake in Macedonian subsidiary one.vip in 2017.

Financial summary

Table 2

Telekom Austria AG--Financial Summary

Industry Sector: Telecom					
(Mil. €)	--Fiscal year ended Dec. 31--				
	2015	2014	2013	2012	2011
Revenues	4,027	4,018	4,184	4,330	4,455
EBITDA	1,301	1,213	1,217	1,399	1,467
Funds from operations (FFO)	1,058	980	998	1,176	1,241
Net income from continuing operations	393	(186)	52	104	(252)
Cash flow from operations	1,057	914	1,079	1,065	1,231
Capital expenditures	716	747	1,777	726	737
Free operating cash flow	342	167	(699)	338	494
Discretionary cash flow	292	128	(721)	170	162
Cash and short-term investments	912	1,032	211	686	626
Debt	3,566	3,477	4,521	3,651	3,740
Equity	2,126	1,918	1,159	813	876
Adjusted ratios					
EBITDA margin (%)	32.3	30.2	29.1	32.3	32.9
Return on capital (%)	8.5	5.9	6.5	9.2	8.0
EBITDA interest coverage (x)	6.3	5.9	6.6	7.1	7.8
FFO cash int. cov. (x)	6.8	6.2	5.2	8.3	12.7
Debt/EBITDA (x)	2.7	2.9	3.7	2.6	2.5
FFO/debt (%)	29.7	28.2	22.1	32.2	33.2
Cash flow from operations/debt (%)	29.7	26.3	23.9	29.2	32.9
Free operating cash flow/debt (%)	9.6	4.8	(15.5)	9.3	13.2
Discretionary cash flow/debt (%)	8.2	3.7	(15.9)	4.7	4.3

Liquidity: Strong

We assess Telekom Austria's liquidity as strong, based on our expectation that the ratio of liquidity sources to uses will be approximately 1.5x in the 12 months from July 1, 2016. In addition, we assess Telekom Austria's financial risk management as prudent, and we think that the company has well-established, solid relationships with its banks.

Principal Liquidity Sources	Principal Liquidity Uses
<p>As of July 1, 2016, we estimate that the principal liquidity sources over the ensuing 12 months include:</p> <ul style="list-style-type: none"> • Cash and liquid investments of about €139 million. • Availability of €1 billion under a committed revolving credit facility due 2019. • Sizable FFO of about €1.0 billion–€1.2 billion, after cash outflows for restructuring of about €90 million–€100 million. 	<p>For the same time period, we estimate that principal liquidity uses include:</p> <ul style="list-style-type: none"> • Debt maturities of about €597 million, including a €500 million bond due in January 2017. • Capex (including spectrum payments) of €750 million–€800 million. • Dividends of €133 million and €34 million in coupon payments on hybrid debt.

Debt maturities

As of July 1, 2016 (excluding finance leases)

- 2016: €53 mil.
- 2017: €547 mil.
- 2018: €205 mil.
- 2019: €47 mil.
- 2021: €750 mil.
- 2022: €750 mil.
- 2023: €300 mil.

Other Credit Considerations

The rating is constrained by our view that Telekom Austria's financial policy may not sufficiently limit the build-up of additional debt in the event of material M&A, creating a risk that leverage may deviate meaningfully from our base-case forecast.

Group Influence

The 'BBB' rating benefits from our view of Telekom Austria's strategic importance to AMX, primarily because we believe Telekom Austria is unlikely to be sold over the medium term. We understand that AMX intends to use Telekom Austria as a vehicle for expansion in Europe, particularly in CEE. Therefore, we anticipate that Telekom Austria will be important to the group's long-term strategy and that AMX is likely to support it if it should fall into

financial difficulty.

Government Influence

We continue to regard Telekom Austria as a government-related entity. Our 'BBB' rating on Telekom Austria, which includes group support, is not enhanced further for potential government support. This is because we see a low likelihood of timely and sufficient extraordinary support for Telekom Austria from its 28.4% shareholder, the Republic of Austria (AA+/Stable/A-1+), in the event of financial distress.

Ratings Score Snapshot

Corporate Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Intermediate
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-1 notch)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb-

- **Group credit profile:** a-
- **Entity status within group:** Moderately strategic (+1 notch from SACP)
- **Related government rating:** AA+
- **Likelihood of government support:** Low (no impact)

Reconciliation

We assess Telekom Austria's hybrid bonds, which it reports as equity in its accounts, as having intermediate equity content. As a result, we allocate 50% of the bond's principal amount to debt and 50% to equity. In addition, we treat 50% of the related payments on these securities as a fixed-interest charge and 50% as equivalent to a common dividend.

At year-end 2015, Telekom Austria reported a provision of €720 million related to various restructuring measures. This figure reflects the net present value of social plans for employees, the estimated future personnel expenses of redundant civil servants until their retirement, and salary expenses for civil servants transferred to the government. The provision incurs interest, but we don't treat it as debt. Rather, we add newly recorded provisions back to reported EBITDA (€0.4 million in 2015) and, at the same, reduce EBITDA by the associated restructuring-related cash outflows (€102 million in 2015).

For the purpose of calculating surplus cash, we deduct from reported cash our estimate of cash held at the company's operations in what we assess as higher risk countries, particularly Belarus and Macedonia.

On Oct. 1, 2015, Telekom Austria merged its Macedonian subsidiary Vip with ONE, the third-largest mobile network operator in Macedonia and a subsidiary of Telekom Slovenije. Telekom Austria owns 55% of the combined entity, while Telekom Slovenije holds a put option granting it the right to sell its remaining 45% stake to Telekom Austria. We add the value of the put option of €100 million to Telekom Austria's reported debt.

We increase debt at year-end 2015 by a €35 million liability for 800 Mhz spectrum acquired in Serbia in 2015, which was paid in the first quarter of 2016. We also subtract from EBITDA and cash flow from operations a €30 million extraordinary gain related to a settlement with Telekom Slovenije, which we consider nonrecurring.

Other adjustments relate to our standard adjustments for operating leases, unfunded defined-benefit postretirement obligations, asset-retirement obligations, capitalized interest, share-based compensation expense, and capitalized issuance costs reported as a contra-liability in the company's accounts.

Table 3

Reconciliation Of Telekom Austria AG Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

--Fiscal year ended Dec. 31, 2015--

Telekom Austria AG reported amounts

	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	EBITDA	Cash flow from operations	Dividends paid	Capital expenditures
Reported	3,488	2,424	1,372	574	158	1,372	1,072	67	727
S&P Global Ratings adjustments									
Interest expense (reported)	--	--	--	--	--	(158)	--	--	--
Interest income (reported)	--	--	--	--	--	23	--	--	--

Table 3

Reconciliation Of Telekom Austria AG Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)

--Fiscal year ended Dec. 31, 2015--

Telekom Austria AG reported amounts

	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	EBITDA	Cash flow from operations	Dividends paid	Capital expenditures
Current tax expense (reported)	--	--	--	--	--	(63)	--	--	--
Operating leases	199	--	57	11	11	46	46	--	--
Intermediate hybrids reported as equity	300	(300)	--	--	17	(17)	(17)	(17)	--
Postretirement benefit obligations/deferred compensation	177	--	0	0	4	(4)	(2)	--	--
Surplus cash	(877)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	11	(11)	(11)	--	(11)
Share-based compensation expense	--	--	1	--	--	1	--	--	--
Dividends received from equity investments	--	--	1	--	--	1	--	--	--
Asset retirement obligations	131	--	--	--	5	(2)	(1)	--	--
Non-operating income (expense)	--	--	--	23	--	--	--	--	--
Non-controlling Interest/Minority interest	--	2	--	--	--	--	--	--	--
Debt - Unamortised capitalized borrowing costs	16	--	--	--	--	--	--	--	--
Debt - Contingent considerations / Put options on minority stakes	100	--	--	--	--	--	--	--	--
Debt - Spectrum liabilities	35	--	--	--	--	--	--	--	--
EBITDA - Gain/(Loss) on disposals of PP&E	--	--	3	3	--	3	--	--	--
EBITDA - Settlement (litigation/insurance) costs - Slovenia	--	--	(30)	(30)	--	(30)	--	--	--
EBITDA - Business Divestments	--	--	(1)	(1)	--	(1)	--	--	--
EBITDA - Restructuring	--	--	(102)	(102)	--	(102)	--	--	--
OCF - Cash inflow from settlement - Slovenia	--	--	--	--	--	--	(30)	--	--
Total adjustments	82	(298)	(71)	(96)	48	(314)	(15)	(17)	(11)

Table 3

Reconciliation Of Telekom Austria AG Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)
--Fiscal year ended Dec. 31, 2015--
Telekom Austria AG reported amounts

	Debt	Shareholders' equity	EBITDA	Operating income	Interest expense	EBITDA	Cash flow from operations	Dividends paid	Capital expenditures
S&P Global Ratings adjusted amounts									
	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Dividends paid	Capital expenditures
Adjusted	3,570	2,126	1,301	478	206	1,058	1,057	50	716

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
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- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
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Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of August 17, 2016)

Telekom Austria AG

Corporate Credit Rating

BBB/Stable/A-2

Junior Subordinated

BB+

Corporate Credit Ratings History

11-Aug-2014

BBB/Stable/A-2

02-May-2014

BBB-/Watch Pos/A-3

23-Oct-2013

BBB-/Stable/A-3

Related Entities

Telekom Finanzmanagement GmbH

Issuer Credit Rating

BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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