

Telekom Austria AG

Telekom Austria AG's (TKA) ratings reflect its leading position in its domestic telecoms market, which drives over 50% of total EBITDA, and a portfolio of international assets in central and eastern Europe (CEE) that provide some geographical diversification. TKA has one of the lowest leverage profiles in the European telecoms sector, supported by a conservative financial policy. Like many of its peers in Europe, the scale of free cash flow (FCF) is likely to remain constrained in the short-to-medium term as the group invests in its fibre and 5G network infrastructure.

The Positive Outlook reflects the possibility of a upgrade of the rating of its parent America Movil S.A.B. de C.V. (AMX; A-/Positive), which owns 58% of TKA. We assess TKA's strategic links to AMX as moderate, based on Fitch's Parent and Subsidiary Linkage (PSL) Rating Criteria, which enable the group's rating to benefit from a one-notch uplift in the event that AMX is rated at a higher level. TKA's current rating is based on its Standalone Credit Profile (SCP), which is in line with AMX's 'A-'.

Key Rating Drivers

Solid Domestic Market Position: TKA holds a mobile subscriber market share of around 38% and a leading position in its domestic fixed-line market. It is one of three main mobile network operators and one of two principal local access network infrastructure providers in Austria, operating in a rational market structure. TKA operates across the retail, business, wholesale and PayTV segments, which enable the group to provide convergent products and services that help drive economies of scale.

Geographic Diversification: TKA's CEE operations are in Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia. Most of the group's international markets have two or three operators and have already undergone some consolidation. 5G spectrum allocations have been completed in all markets, except Serbia and Belarus (revenue contribution of 7% and 9% respectively in 1H23), reducing the threat of potential new entrants.

Belarus Risks: Most of the markets are euro-denominated or pegged/linked to the euro, and do not lead to meaningful foreign exchange (FX) exposure for TKA. TKA is exposed to political, economic and FX risks from its exposure to Belarus, which contributes about 12% to group EBITDA. So far, the group has been able to repatriate dividends from the country.

Low Leverage, Conservative Financial Policy: TKA has a publicly committed financial policy to target leverage below 1.4x (company-defined net debt/EBITDA after leases). Leverage close to this level falls comfortably within the thresholds of TKA's 'A-' rating. It has scope to deleverage further while growing dividends if desired. A record of leverage being managed significantly lower, in combination with improving free cash flow (FCF), could drive a higher SCP.

Fitch's base-case forecasts indicate that TKA's net debt/EBITDA after leases will decline to below 0.4x at end-2023, where it is likely to remain over the next three years, barring higher-than-anticipated shareholder remuneration or investments.

Tower Spin-Off: TKA has divested its tower assets. We view mobile towers as non-core and believe that the divestment does not weaken its operating profile. Following the transaction, TKA received proceeds of EUR1 billion which it has used to reduce debt by the same amount, leading to a strong decline in EBITDA net leverage to 0.4x.

Moderate Strategic Links to Parent: TKA is currently rated on a standalone basis as its SCP is the same as the Issuer Default Rating (IDR) of AMX at 'A-'. However, based on Fitch's PSL criteria, TKA's rating would benefit from a one-notch uplift due to our assessment of strategic operational incentives of the parent to support TKA, if AMX's ratings are upgraded. This is reflected in the Positive Outlook for TKA's rating.

Ratings

Long-Term IDR	A-
Short-Term IDR	F1
Senior Unsecured Debt - Long-Term Rating	

Outlook

Long-Term Foreign-Currency IDR	Positive
--------------------------------	----------

[Click here for the full list of ratings](#)

2035 Climate Vulnerability Signal: 17

Applicable Criteria

- [Corporate Rating Criteria \(October 2022\)](#)
- [Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)
- [Parent and Subsidiary Linkage Rating Criteria \(June 2023\)](#)
- [Government-Related Entities Rating Criteria \(September 2020\)](#)

Related Research

- [Global Economic Outlook \(December 2023\)](#)
- [European Telecoms Outlook 2024 \(November 2023\)](#)

Analysts

Adrien Berby
+49 69 768076 136
adrien.berby@fitchratings.com

Barkha Shah
+44 20 3530 1385
barkha.shah@fitchratings.com

We view the strategic incentives for AMX to support TKA as ‘medium’. This reflects that TKA represents around 15% of consolidated EBITDA for AMX and is a source of hard-currency cash flows for AMX.

Low Legal/Operational Incentives: We view the legal and operational incentives for AMX to support TKA as ‘low’. This reflects a lack of legal guarantees or cross defaults issued by the parent and operational synergies that are predominantly derived from procurement and industry-specific knowledge sharing.

Minimal Impact from State Ownership: AMX acts in concert with Österreichische Beteiligungs AG (OBAG, a state fund), which owns 28% of TKA. Both parties have a shareholder agreement, which we believe does not detract from AMX’s strategic incentives to support TKA. The state’s ownership of TKA through OBAG does not warrant rating support based on its independent relationship with OBAG, which leads to a low support score under our Government-Related Entities (GRE) Criteria.

Financial Summary

(EURm)	2020	2021	2022	2023F ^a	2024F	2025F
Gross revenue	4,549	4,748	5,005	5,175	5,285	5,381
EBITDA margin (%)	32.4	34.0	34.6	31.4	31.4	31.4
EBITDA net leverage (x)	1.6	1.3	1.0	0.4	0.4	0.4
FCF margin (%)	7.1	6.5	7.9	–	–	–
CFO-capex/debt (%)	18.2	18.2	31.1	35.0	30.7	35.4

F – Forecast

^a Pro forma, i.e. full-year impact of the towers’ spin-off.

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

TKA’s rating is anchored around its domestic operations that drive over 50% of total EBITDA from a structurally stable and rational market. Its CEE operations are broadly neutral to the rating with benefits of geographic diversification being offset by more volatile cash flows from markets like Belarus and markets with a higher mix of mobile revenues (Serbia, Slovenia and Belarus) that account for about 20% of total EBITDA.

TKA is rated on a par with its European incumbent telecoms peer group such as Royal KPN N.V. (BBB/Stable). TKA’s higher ‘a-’ SCP versus KPN’s ‘BBB’ IDR reflects its more conservative leverage profile and financial policy. Competitor PPF Telecom Group B.V. (BBB-/Stable), which also operates in CEE markets, manages leverage at a higher level but also has lower leverage capacity due to the partial sale of its network infrastructure to minority investors, which weakens the operating profile.

TKA has slightly lower debt capacity than larger diversified Western European telecom operators such as Deutsche Telekom AG (BBB+/Stable), Orange S.A. (BBB+/Stable), and Vodafone Group Plc (BBB/Positive) because of significantly smaller FCF scale.

The debt capacity of TKA is also lower compared with larger global peers such as Verizon Communications Inc. (A-/Stable), America Movil (parent) and Comcast Holdings Corporation (A-/Stable) with 10x-30x of TKA’s EBITDA and higher FCF margins.

Navigator Peer Comparison

Issuer	Business profile										Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Market Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility			
Deutsche Telekom AG	BBB+/Stable	aa	a-	a-	a	a	bbb	bbb	bbb-	bbb+			
Orange S.A.	BBB-/Stable	aa	a-	a-	a	a	bbb	bbb	bbb	bbb			
PPF Telecom Group B.V.	BBB-/Stable	a+	bbb-	bbb+	bbb	bbb+	bbb	bbb+	bbb+	bbb			
Royal KPN N.V.	BBB/Stable	aa	a-	bbb+	bbb	a-	bbb	bbb+	bbb	bbb			
Telefonica SA	BBB/Stable	a+	a-	a-	a	a	bbb	bbb-	bbb-	bbb+			
Telekom Austria AG	A-/Positive	aa-	a-	bbb+	bbb+	a-	bbb	bbb	a	a			
Vodafone Group Plc	BBB/Positive	aa-	a-	bbb+	a	a-	bbb	bbb	bbb-	bbb+			

Source: Fitch Ratings.

Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Business profile										Financial profile		
		Operating Environment	Management and Corporate Governance	Market Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility				
Deutsche Telekom AG	BBB+/Stable	+5	+1	+1	+2	+2	-1	-1	-2	0				
Orange S.A.	BBB+/Stable	+5	+1	+1	+2	+2	-1	-1	-1	+1				
PPF Telecom Group B.V.	BBB/Stable	+5	0	+2	+1	+2	+1	+2	-1	+1				
Royal KPN N.V.	BBB/Stable	+6	+2	+1	0	+2	0	+1	0	+3				
Telefonica SA	BBB/Stable	+4	+2	+2	+3	+3	0	-1	-1	+1				
Telekom Austria AG	A-/Positive	+3	0	-1	-1	0	-2	-2	+1	+1				
Vodafone Group Plc	BBB/Positive	+5	+2	+1	+3	+2	0	0	-1	+1				

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR (Red), Within one notch of IDR (Blue), Better positioned than IDR (Light Blue)

Rating Sensitivities

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

- An upgrade in the IDR of AMX
- The SCP could be revised higher if Fitch-defined EBITDA net leverage is managed below 0.8x and if growth in FCF leads to FCF margins in mid-single digits, both on a sustained basis

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

- A downgrade of AMX by more than two notches assuming no change in Fitch’s assessment of PSL ties
- The SCP could be revised lower if Fitch-defined EBITDA net leverage exceeds 1.5x on a sustained basis; on a material deterioration in its domestic market position, FCF generation or the operating environment of CEE operations; or a change in its financial policy that targets leverage above the thresholds that are consistent with the rating

Factors that Could, Individually or Collectively, Lead to a Revision of Outlook to Stable

- A revision in the Outlook of AMX to Stable
- A one-notch downgrade of AMX

Liquidity and Debt Structure

Robust Liquidity: At end-September 2023, TKA had EUR152 million of cash and cash equivalents and a EUR1 billion undrawn revolving credit facility (RCF) maturing in 2026. Combined with good access to capital markets, this provides sufficient cover for near-term cash requirements. In addition, TKA has access to EUR415 million of revolving bilateral credit lines under which EUR320 million was available at end-September 2023. The repayment of EUR300 million bond due in July 2023 was partly covered via cash and revolving bilateral credit lines.

A strong liquidity profile is a key driver to TKA’s financial flexibility and, in turn, its ‘F1’ Short-Term IDR. Essential to this is preclusion of external funding, except for already committed facilities, over the next 24 months.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

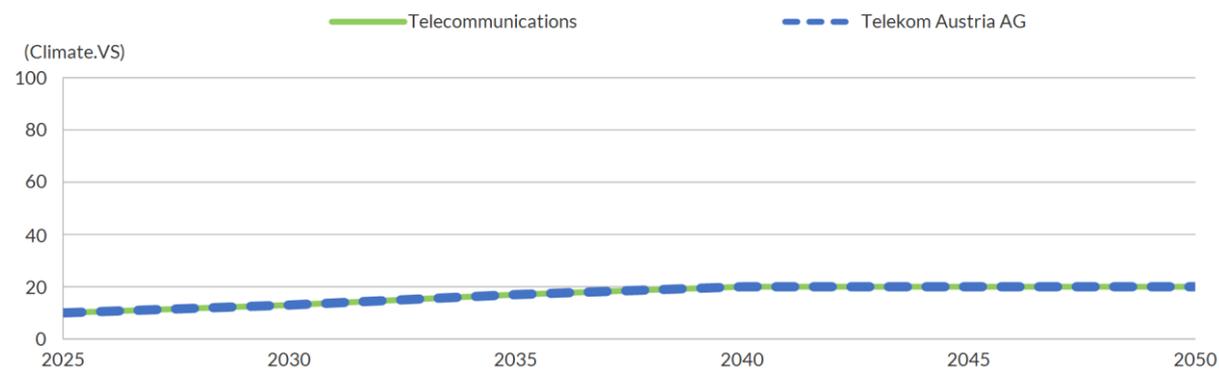
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#).

The FY22 EBITDA weighted Climate.VS is 43 out of 100 by 2035, suThe FY22 revenue-weighted Climate.VS for Telekom Austria AG for 2035 is 17, which is in line with telecommunications sector peers. TA derives 100% of its revenues from its telecommunication activities. We consider a score of 17 to be very low and have not incorporated a climate risk in the rating.

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

(EURm)	2023F	2024F	2025F	2026F
Available liquidity				
Beginning cash balance	150	121	163	226
Rating-case FCF after acquisitions and divestitures	93	42	63	18
Other cash inflows post-FCF or not modeled into base-case FCF	1,000			
Total available liquidity (A)	1,243	163	226	244
Liquidity uses				
Debt maturities	-1,122	–	–	-750
Total liquidity uses (B)	-1,122	–	–	-750
Liquidity calculation				
Ending cash balance (A+B)	121	163	226	-506
Revolver availability	1,320	1,120	1,000	–
Ending liquidity	1,441	1,283	1,226	-506
Liquidity score (x)	1.4	Not meaningful	Not meaningful	0.3

F – Forecast.

Source: Fitch Ratings, Fitch Solutions, Telekom Austria AG

Scheduled debt maturities	
(EURm)	31 Dec 22
2023	1,122
2024	–
2025	–
2026	750
2027	–
Thereafter	–
Total	1,872

Source: Fitch Ratings, Fitch Solutions, Telekom Austria AG

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Low single-digit revenue growth between 2023 and 2026
- Fitch-defined EBITDA margin (post towers spin-off) of 31%-32% between 2023 and 2026
- Total cash tax of EUR185 million in 2023, with a broadly static effective tax rate over the next three years
- Capex (excluding spectrum costs) at 18%-20% of revenue between 2023 and 2026
- Dividend payout of EUR213 million and EUR226 million (EUR0.32-0.34 per share) in 2023 and 2024, respectively.

Financial Data

(EURm)	2020	2021	2022	2023F ^a	2024F	2025F
Summary income statement						
Gross revenue	4,549	4,748	5,005	5,175	5,285	5,381
Revenue growth (%)	-0.3	4.4	5.4	3.4	2.1	1.8
EBITDA before income from associates	1,475	1,614	1,730	1,627	1,660	1,688
EBITDA margin (%)	32.4	34.0	34.6	31.4	31.4	31.4
EBIT	624	741	858	901	939	968
EBIT margin (%)	13.7	15.6	17.1	17.4	17.8	18.0
Gross interest expense	-88	-89	-47	-34	-18	-18
Pretax income including associate income/loss	511	653	816	869	923	952
Summary balance sheet						
Readily available cash and equivalents	211	534	150	181	172	185
Debt	2,550	2,604	1,872	872	872	872
Lease-adjusted debt	2,550	2,604	1,872	872	872	872
Net debt	2,339	2,069	1,722	691	699	686
Summary cash flow statement						
EBITDA	1,475	1,614	1,730	1,627	1,660	1,688
Cash interest paid	-86	-84	-59	-34	-18	-18
Cash tax	-65	-106	-137	-185	-187	-208
Dividends received less dividends paid to minorities (inflow/outflow)	-1	-1	-1	-1	-1	-1
Other items before FFO	-107	-98	-107	-100	-100	-100
FFO	1,220	1,331	1,439	1,315	1,362	1,369
FFO margin (%)	26.8	28.0	28.7	25.4	25.8	25.4
Change in working capital	-13	-5	39	-10	-11	-11
CFO (Fitch-defined)	1,207	1,326	1,477	1,304	1,352	1,359
Total non-operating/nonrecurring cash flow	9	1	-	-	-	-
Capex	-743	-853	-896	-	-	-
Capital intensity (capex/revenue) (%)	16.3	18.0	17.9	-	-	-
Common dividends	-153	-166	-186	-	-	-
FCF	321	307	395	-	-	-
FCF margin (%)	7.1	6.5	7.9	-	-	-
Net acquisitions and divestitures	32	4	-12	-	-	-
Other investing and financing cash flow items	-164	-52	-47	938	-50	-50
Net debt proceeds	-110	65	-721	-1,000	-	-
Net equity proceeds	-	-	-0	-	-	-
Total change in cash	79	324	-385	31	-8	13
Leverage ratios (x)						
EBITDA leverage	1.7	1.6	1.1	0.5	0.5	0.5
EBITDA net leverage	1.6	1.3	1.0	0.4	0.4	0.4
FFO leverage	2.0	1.8	1.3	0.6	0.6	0.6
FFO net leverage	1.8	1.5	1.2	0.5	0.5	0.5
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-854	-1,015	-1,094	-1,212	-1,310	-1,296
FCF after acquisitions and divestitures	353	311	383	93	42	63
FCF margin after net acquisitions (%)	7.8	6.5	7.7	1.8	0.8	1.2
Coverage ratios (x)						
FFO interest coverage	15.2	16.7	25.4	39.1	75.2	75.6
EBITDA interest coverage	17.2	19.2	29.5	47.4	90.9	92.5
Additional metrics (%)						
CFO-capex/debt	18.2	18.2	31.1	35.0	30.7	35.4
CFO-capex/net debt	19.9	22.8	33.8	44.2	38.3	45.0
CFO/capex	162.6	155.4	164.9	130.6	124.7	129.4

CFO – Cash flow from operations

^a Pro forma, i.e. full-year impact of the towers' spin-off.

Source: Fitch Ratings, Fitch Solutions, Telekom Austria AG

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

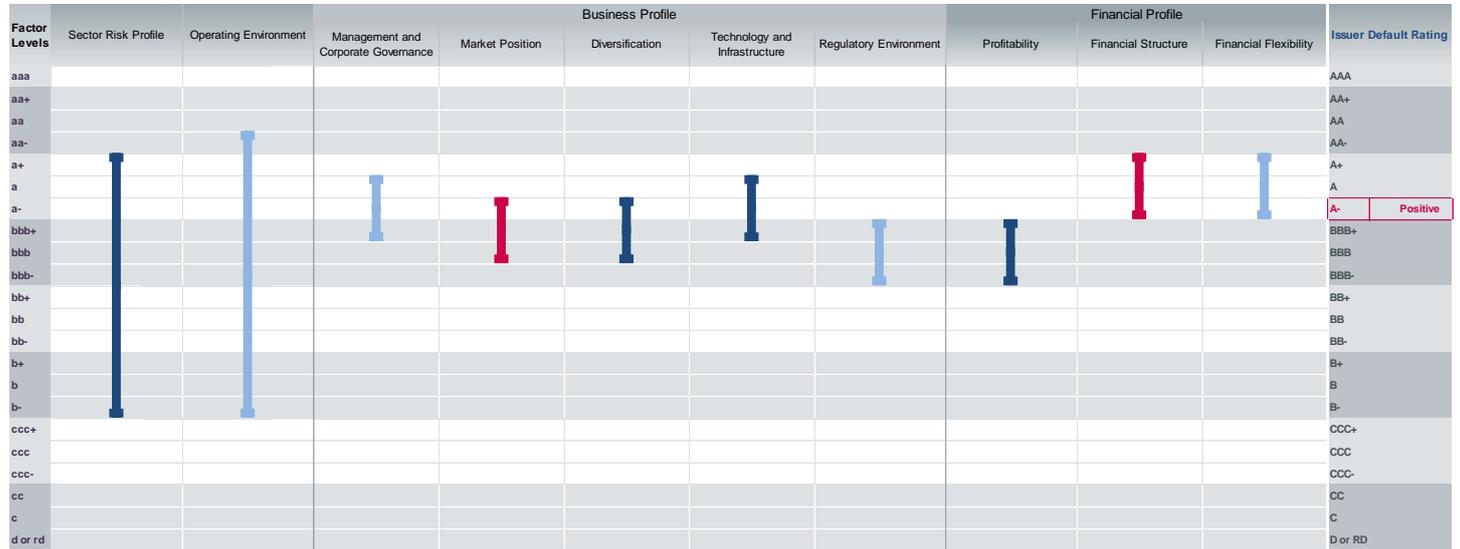
Ratings Navigator

FitchRatings

Telekom Austria AG

ESG Relevance:

Corporates Ratings Navigator
Telecommunications



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	<ul style="list-style-type: none"> ↑ Positive ↓ Negative ↕ Evolving □ Stable
<ul style="list-style-type: none"> ■ Higher Importance ■ Average Importance ■ Lower Importance 	

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Market Position

a	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
a-	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb+	Scale - EBITDA	bbb	>\$1 billion
bbb			
bbb-			

Technology and Infrastructure

a+	Ownership of Network	bbb	Ow ns its most important infrastructure but may lease some.
a	Network and Service Quality	a	Market leading network in terms of coverage and technology deployment, with good quality of service.
a-			
bbb+			
bbb			

Profitability

a-	Volatility of Cash Flow	bbb	Volatility and visibility of cash flow in line with industry average.
bbb+	EBITDA Margin	bbb	30%
bbb	FFO Margin	bbb	24%
bbb-			
bb+			

Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	aa	Very strong liquidity position; no need to use external financing; exception for already committed facilities, in the next 24 months even under a severe stress scenario. Well-covered debt maturity. Diversified sources of funding.
a	EBITDA Interest Coverage	a	10.5x
a-	FFO Interest Coverage	a	9.0x
bbb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Efficient hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Diversification

a	Service Platform Diversification	a	Operates several service platforms in primary markets.
a-	Geographic Diversification	bbb	Average geographic diversification.
bbb+			
bbb			
bbb-			

Regulatory Environment

a-	Regulatory Risk	bbb	Moderate.
bbb+			
bbb			
bbb-			
bb+			

Financial Structure

aa-	EBITDA Leverage	a	1.8x
a+	EBITDA Net Leverage	a	1.6x
a	FFO Leverage	a	2.0x
a-	FFO Net Leverage	a	1.8x
bbb+	(CFO-Capex)/Debt	a	20%

Credit-Relevant ESG Derivation

				Overall ESG
Telekom Austria AG has 6 ESG potential rating drivers				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	6	issues	3	
not a rating driver	3	issues	2	
	5	issues	1	

- Networks exposed to extreme weather events (e.g. hurricanes)
- Impact of labor negotiations and employee (dis)satisfaction
- Social attitudes toward network infrastructure
- Governance is minimally relevant to the rating and is not currently a driver.

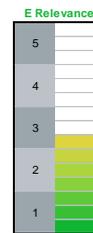
For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

Telekom Austria AG has 6 ESG potential rating drivers				ESG Relevance to Credit Rating	
➔	Telekom Austria AG has exposure to extreme weather events but this has very low impact on the rating.	key driver	0	issues	5
➔	Telekom Austria AG has exposure to labor relations & practices risk but this has very low impact on the rating.	driver	0	issues	4
➔	Telekom Austria AG has exposure to social resistance but this has very low impact on the rating.	potential driver	6	issues	3
➔	Governance is minimally relevant to the rating and is not currently a driver.	not a rating driver	3	issues	2
			5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	2	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



How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

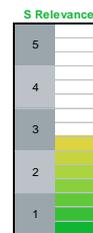
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

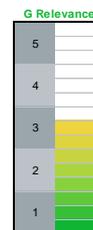
Social (S) Relevance Scores

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



Governance (G) Relevance Scores

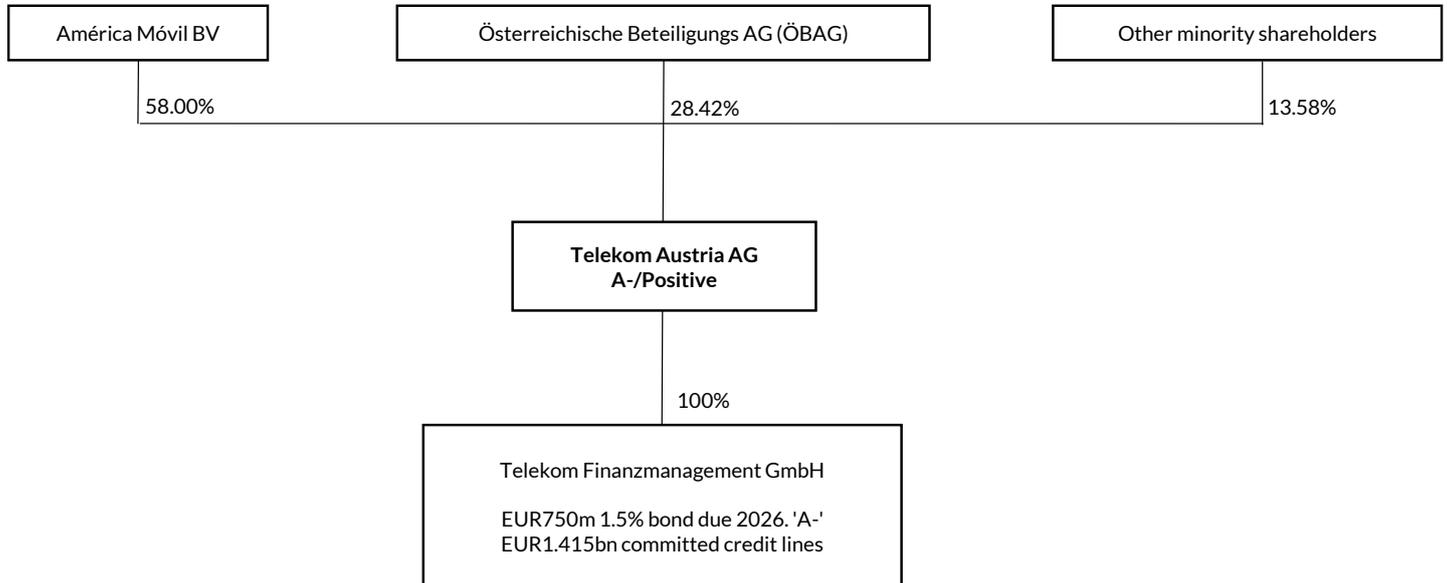
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity,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



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, Telekom Austria AG, as of end-September 2023 post towers' spin-off

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	EBITDA margin (%)	EBITDA net leverage (x)	FCF margin (%)	CFO-capex/debt (%)
Telekom Austria AG	A-	2022	5,005	34.6	1.0	7.9	31.1
		2021	4,748	34.0	1.3	6.5	18.2
		2020	4,549	32.4	1.6	7.1	18.2
Deutsche Telekom AG	BBB+	2022	112,839	29.6	2.9	0.6	3.7
		2021	105,962	28.7	3.2	-6.1	-3.5
		2020	99,542	31.2	2.8	-3.8	-1.0
Orange S.A.	BBB+	2022	43,480	30.1	2.1	-0.7	4.1
		2021	42,522	29.9	2.2	-2.5	2.8
		2020	42,277	30.4	2.1	0.1	4.3
PPF Telecom Group B.V.	BBB-	2022	3,506	43.0	2.5	5.3	7.1
		2021	3,336	42.9	3.0	4.3	10.6
		2020	3,159	41.6	2.8	-5.8	9.9
Royal KPN N.V.	BBB	2022	5,374	44.3	2.3	4.9	14.1
		2021	6,122	37.7	2.3	3.6	12.1
		2020	5,302	43.1	2.3	-3.5	5.6
Telefonica SA	BBB	2022	39,993	24.5	3.0	5.3	3.4
		2021	39,277	26.3	3.0	2.2	3.3
		2020	43,076	28.4	3.5	6.3	6.3
Vodafone Group Plc	BBB	2023	45,706	32.1	2.2	2.4	8.3
		2022	45,580	33.5	2.5	2.5	7.6
		2021	43,809	32.8	2.7	1.4	6.3

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(EURm)			31 Dec 19	31 Dec 20	31 Dec 21	31 Dec 22
Debt and cash summary						
Current debt	Reported		123	750	1,554	822
Non-current debt	Reported		2,550	1,800	1,050	1,050
Total debt	Calculated	(a)	2,673	2,550	2,604	1,872
Cash and cash equivalents	Reported		140	211	534	150
Net debt	Calculated	(b)	2,533	2,339	2,070	1,722
Income statement summary						
Revenue	Reported		4,565	4,549	4,748	5,005
EBIT	Reported		615	639	753	871
EBIT margin (%)			13.5	14.0	15.9	17.4
<i>Adjustments:</i>						
Depreciation and amortisation	Reported		946	938	952	963
Impairment	Reported		-	-	-	4
Company-defined EBITDA	Reported		1,561	1,577	1,705	1,838
Restructuring costs	Reported		84	85	84	73
One-off effects	Reported		-13	-9	-1	-
Depreciation of right-of-use assets	Reported		-160	-164	-163	-168
Interest expense on lease liabilities	Reported		-18	-15	-12	-13
Fitch-defined EBITDA	Fitch-defined	(c)	1,454	1,474	1,613	1,730
EBITDA margin (%)			31.9	32.4	34.0	34.6
Cash flow summary						
Cash flows from operating activities	Reported		1,458	1,481	1,586	1,718
<i>Adjustments:</i>						
Right-of-use assets depreciation	Reported		-160	-164	-163	-168
Interest paid	Reported		-108	-101	-96	-72
One-off effects	Reported		-13	-9	-1	-
Dividends paid to non-controlling interest	Reported		-1	-1	-1	-1
Cash flow from operations (CFO)	Fitch-defined		1,176	1,207	1,326	1,477
Operating EBITDA	Fitch-defined		1,454	1,474	1,613	1,730
Recurring associate divs received less divs paid to non-controlling interest	Reported	(d)	-1	-1	-1	-1
Cash interest paid (excl lease interest)	Reported	(e)	-91	-86	-84	-60
Cash interest received	Reported	(f)	5	4	6	12
Cash tax	Reported		-70	-65	-107	-137
Restructuring costs	Reported		-84	-85	-84	-73
Preferred dividends & other items before FFO	Calculated		-31	-22	-13	-33
Funds flow from operations (FFO)	Fitch-defined	(g) = (i) - (h)	1,183	1,219	1,331	1,438
Change in working capital	Reported	(h)	-7	-13	-5	39
Cash flow from operations (CFO)	Fitch-defined	(i)	1,176	1,207	1,326	1,477
One-off effects	Reported		13	9	1	-
Non-recurrent cash flow	Calculated		13	9	1	-
Capex net of proceeds from sale of PPE	Calculated	(j)	-874	-743	-853	-896
Common dividends	Reported		-139	-153	-166	-186
Free cash flow (FCF)	Fitch-defined		176	319	307	395
FCF margin (%)			3.9	7.0	6.5	7.9
Ratios						
EBITDA interest coverage	Calculated	((c)+(d) / - (e))	16.1	17.1	19.2	28.8
EBITDA leverage	Calculated	(a) / ((c)+(d))	1.8	1.7	1.6	1.1
EBITDA net leverage	Calculated	(b) / ((c)+(d))	1.7	1.6	1.3	1.0
FFO leverage	Calculated	(a) / ((g)-(e)-(f))	2.1	2.0	1.8	1.3
FFO net leverage	Calculated	(b) / ((g)-(e)-(f))	2.0	1.8	1.5	1.2
CFO-capex/debt (%)	Calculated	((i)+(j)) / (a)	11.3	18.2	18.2	31.1
CFO-capex/net debt (%)	Calculated	((i)+(j)) / (b)	11.9	19.8	22.8	33.8

Source: Fitch Ratings, Fitch Solutions, Telekom Austria AG

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.