Fitch Ratings

26 JUN 2026

Fitch Affirms Telekom Austria at 'A-'; Outlook Stable

Fitch Ratings - Paris - 26 Jun 2026: Fitch Ratings has affirmed Telekom Austria AG's (TKA) Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook. Fitch has also affirmed Telekom Finanzmanagement GmbH's senior unsecured debt rating at 'A-' and TKA's Short-Term IDR at 'F1'.

TKA's rating has links to America Movil S.A.B. de C.V. (AMX; A-/Stable), its 61% owner. TKA is rated in line with its Standalone Credit Profile (SCP), reflecting that both parent and subsidiary IDRs are the same.

TKA's SCP is strongly positioned at 'a-' given its strong business and financial profiles. The company has a leading position in its domestic telecom market, which contributes about 48% of total EBITDA, and a diverse portfolio of international assets in Central and Eastern Europe (CEE), which support growth. Its financial structure is supported by one of the lowest leverage profiles among European telecom operators, underpinned by a conservative financial approach.

Key Rating Drivers

Solid Domestic Market Position: TKA holds a leading position in the Austrian market, with strong market shares in mobile and fixed. It is one of three major mobile network operators and one of two principal local access network infrastructure providers in Austria. TKA's operations cover retail, business, wholesale, and pay TV segments, allowing it to offer convergent products and services that support economies of scale.

The company is also increasing its focus on information and communications technology services in the B2B segment, particularly for small and medium-sized enterprises. Fitch expects this to support domestic growth in the coming years. Digital sovereignty trends could also benefit TKA as the incumbent operator, supporting additional government contracts, especially in cloud services and security solutions.

Austrian Competition Remains High: Fitch expects competitive pressure in TKA's home market to continue. In the mobile segment, more than 30 mobile virtual network operators, representing about 18% of the market, offer attractive tariffs and use aggressive marketing to win new customers. However, TKA's high-value mobile positioning limits this pressure, because such competition is stronger in lower-value segments.

In fixed line, the rollout of fibre by alternative infrastructure providers could increase competition in the wholesale market. This is partly offset by slow fibre migration and Austria's prevalent use of fixed wireless access, where TKA can compete effectively through its mobile broadband offerings.

Low Leverage, Conservative Financial Policy: TKA has publicly committed to a conservative financial policy to maintain its current 'A-' rating. Its leverage remains comfortably within Fitch's threshold for a 'A-' rating while retaining organic deleveraging capacity of about 0.1x a year. We forecast TKA's EBITDA net leverage will decline to 0.0x at end-2026, from 0.2x at end-2025. Assuming dividend growth remains stable, it will turn negative in 2027-2029 as the company progressively reduces debt. Combined with a sustainable dividend policy, this provides significant headroom for potential M&A if an opportunity arises.

Geographic Diversification: TKA operates in six CEE markets — Bulgaria, Croatia, Belarus, Serbia, Slovenia and North Macedonia — where it is the leading or second-largest operator, except in Serbia and Slovenia, where it is third. Most of these international markets have undergone some consolidation, with two or three operators, except for Slovenia, where competition remains high among four mobile operators. International operations drive growth (+8.8% in 2025) and mitigate pressure in TKA's home market (-2.2% in 2025). We expect this to continue as most of these markets are less mature and offer higher growth potential.

Sector Average Profitability: TKA's profitability is in line with the average for European telecom peers, with Fitch-defined EBITDA margin expected to remain at about 30%-31% in 2026-2029, supporting positive cash flow generation. TKA's FCF margin after dividends is likely to remain in the low single digits in 2026-2029, reflecting high capex from fibre roll-out and 5G deployment, as well as rising dividends.

Belarus Risks Mitigated: TKA is exposed to political, economic and FX risks in Belarus, which contributes about 11% to the group's EBITDA. Dividend restrictions remain in place for foreign investors from the EU, but TKA has created the necessary conditions to receive dividends again from the country. The corresponding dividend resolution is expected to be adopted in the near term, with dividend payments expected in 2026.

Limited FX Risk: Most of TKA's markets are euro-denominated or pegged/linked to the euro, minimising its FX exposure. The only exceptions are Belarus and Serbia, although the Serbian dinar has remained stable against the euro in recent years.

Parent and Subsidiary Linkage Assessment: TKA is rated on a standalone basis, as its SCP is aligned with AMX's IDR. Fitch assesses the strategic incentives for AMX to support TKA as 'Medium' under the Parent and Subsidiary Linkage Criteria, given TKA's contribution of about 13% to AMX's consolidated operating revenues and its provision of hard-currency cash flows. However, Fitch considers legal and operational incentives to be 'Low', reflecting the absence of legal guarantees or cross-defaults issued by the parent and limited operational synergies, primarily related to procurement and industry-specific knowledge sharing.

Tacit Support from State Ownership: AMX acts in concert with Österreichische Beteiligungs AG (ÖBAG), a state fund that owns 28.4% of TKA. Both parties have a shareholder agreement, which Fitch believes does not detract from AMX's strategic incentives to support TKA. The state's ownership through ÖBAG does not warrant rating support, resulting in a low support score under Fitch's Government-Related Entities Criteria.

Peer Analysis

TKA is rated on par with European incumbent telecoms group Royal KPN N.V. (BBB/Stable). TKA's higher SCP than KPN's IDR reflects its more conservative leverage profile and financial policy. Competitor e& PPF Telecom Group B.V. (BBB/Stable; SCP: bbb-), which also operates in CEE markets, has a weaker operating profile due to its predominantly challenger-centric and mobile-only operating profile, combined with the partial sale of its network infrastructure to minority investors, leads to lower leverage capacity than TKA.

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

TKA's debt capacity is also lower than those of similar rated peers, such as Verizon Communications Inc. (A-/Stable), AMX and Comcast Holdings Corporation (A-/Stable), whose EBITDA are 10x-30x greater than TKA's and whose FCF margins are higher.

Fitch’s Key Rating-Case Assumptions

- Low single-digit revenue growth in 2026-2029, driven by a slow recovery in the Austrian market and normalising international growth

- Fitch-defined EBITDA margin, before restructuring, of around 30.5% in 2026, gradually declining to 30.1% in 2028

- Working-capital outflow of 1% of revenue in 2026, moderating to between 0.2% and 0.5% of revenue in 2027-2029

- Capex (excluding spectrum costs) averaging about 14% of revenue in 2026-2029

- Dividend payouts of EUR293 million in 2026, gradually increasing to EUR372 million in 2029

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 ('bbb', Moderate), financial structure ('a+', 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 2025, 40% for the forecast year 2026 and 40% for the forecast year

2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'a-' has no impact.

The SCP is 'a-'.

To derive the Long-Term IDR:

Application of Fitch's Parent Subsidiary Linkage Rating Criteria results in a standalone approach.

RATING SENSITIVITIES

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

- A downgrade of AMX by more than two notches, assuming no change to Fitch's assessment of parent-subsidiary linkage

The SCP could be revised down if:

- Fitch-defined EBITDA net leverage exceeds 1.5x on a sustained basis

- There is a material deterioration in the company's domestic market position, FCF generation or the operating environment of CEE operations

- There is a change in financial policy that targets leverage above the thresholds consistent with the rating

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

- An upgrade of AMX's IDR, assuming no change to Fitch's assessment of parent-subsidiary linkage

The SCP could be revised up if:

- Fitch-defined EBITDA net leverage is managed at below 0.8x on a sustained basis, supported by explicit financial policy or record

- Profitability improves, with Fitch-defined EBITDA margin reaching about 35%, and FCF margins after dividends rising to mid-single digits

- Greater confidence in the visibility and sustainability of FCF generation, supported by solid domestic market conditions and operations and lower FCF volatility from CEE market operations

Liquidity and Debt Structure

At end-March 2026, TKA had EUR600 million of cash and cash equivalents and access to a EUR1 billion undrawn revolving credit facility (RCF) maturing in December 2030 and a EUR300 million bilateral RCF maturing in March 2028. Combined with good access to capital markets, this provides sufficient cover for near-term cash requirements. Fitch expects TKA's EUR750 million bond maturing in December 2026 to be repaid using a combination of cash on hand and available committed bank facilities.

TKA's strong liquidity profile is a key driver of its financial flexibility and its 'F1' Short-Term IDR, underpinned by the absence of any need for external funding beyond already committed facilities over the next 24 months.

Issuer Profile

TKA, also known as A1 Group, is the incumbent operator in Austria and a leading telecommunications provider in CEE, serving about 30 million customers in Austria, Bulgaria, Croatia, Belarus, Slovenia, North Macedonia and Serbia.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

TKA is rated on a standalone basis, as its IDR is the same as that of AMX. However, if the ratings were different, TKA's rating would be linked to its parent's.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for TKA.

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.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Telekom Austria AG	LT IDR	A-	Affirmed		A-
	ST IDR	F1	Affirmed		F1
Telekom Finanzmanagement GmbH					
• senior unsecured	LT	A-	Affirmed		A-

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		

RATINGS KEY	OUTLOOK	WATCH
EVOLVING	◆	◆
STABLE	■	

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub.18 Jul 2025)

Parent and Subsidiary Linkage Rating Criteria (pub.27 Jun 2025)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Telekom Austria AG	EU Issued, UK Endorsed
Telekom Finanzmanagement GmbH	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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