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OeBB-Infrastruktur AG

Primary Credit Analyst:

Stefan Keitel, Frankfurt + 49 693 399 9254; stefan.keitel@spglobal.com

Secondary Contact:

Thomas F Fischinger, Frankfurt + 49 693 399 9243; thomas.fischinger@spglobal.com

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OeBB-Infrastruktur AG

Major Rating Factors

Issuer Credit Rating

AA+/Stable/A-1+

Strengths:	Weaknesses:
<ul style="list-style-type: none">• Almost certain likelihood of extraordinary support from its sole owner, the Austrian federal government.• Government guarantees on outstanding bonds.• Stable legal framework supports OEGB-Infrastruktur AG's integral link to and the entity critical role for the Austrian government because of its responsibility for national rail network.	<ul style="list-style-type: none">• The company's very large debt requires the owner to provide a financing framework.• Highly dependent on federal government subsidies, amounting to roughly 60% of operating revenue.

Outlook

The stable outlook on OeBB-Infrastruktur mirrors the outlook for its sole owner, the Austrian federal government. The assessment is supported by the highly predictable legal support framework, the irrevocable guarantees on most of the company's capital market debt, and the current funding framework with Austria's Federal Financing Agency (ÖBFA). We therefore expect our ratings and outlook on OeBB-Infrastruktur will move in line with those on Austria (AA+/Stable/A-1+).

Downside scenario

We could lower the ratings on OeBB-Infrastruktur if we took a similar action on the sovereign. We would also consider lowering the ratings if changes to OeBB-Infrastruktur's ownership structure resulted in a weakening of the entity's role for and link to the Austrian federal government. Politically triggered changes to the legal or funding framework that reduce the likelihood of extraordinary support from the sovereign would also lead us to consider a downgrade. However, we currently view this scenario as unlikely.

Upside scenario

We would consider a positive rating action on the entity, if we saw a strengthening of Austria's creditworthiness, and our view of the likelihood of extraordinary support from sovereign remained unchanged.

Rationale

In accordance with our criteria for government-related entities (GREs), our view that there is an almost certain likelihood OeBB-Infrastruktur will receive extraordinary government support from the Austrian government is based on our assessment of OeBB-Infrastruktur's:

- Critical role for the government as the owner, constructor, and operator of most of the Austrian rail network; and
- Integral link with the government, owing to the state's indirect full ownership of OeBB-Infrastruktur, which subjects the company to tight legal, planning, and operational controls, as well as providing a strong support framework. The company enacts the government's railway investment plan, as agreed with the government.

In our view, there is no doubt regarding the Austrian government's continuous willingness and propensity to support OeBB-Infrastruktur, as one of its key GREs, in practically all circumstances. Furthermore, we consider that the government has sufficient financial resources to support OeBB-Infrastruktur. We do not see any transition risk in our assessment of an almost certain likelihood of support.

Given the nature of OeBB-Infrastruktur revenue composition, which is mainly supported by government subsidies (just above 60% of total revenue), the company was able to withstand the COVID-19 pandemic with relatively moderate negative effects. OeBB-Infrastruktur was able to launch a significant savings program during the pandemic, including reductions of personnel and material costs, which were supported by federal measures like short-time work and ultimately allowed OeBB-Infrastruktur to post positive earnings before taxes. We also note that the integral link with the government was supported during the pandemic by the fact that OeBB-Infrastruktur was part of government funding support to transport companies during the crisis.

OeBB-Infrastruktur was created by the federal railway act (Bundesbahngesetz) as a stockholding company and is incorporated in the Austrian Corporate Register. The law states that it must be fully owned by OeBB-Holding AG--which in turn must be fully owned by Austria--and clearly defines the government's role in OeBB-Infrastruktur's operations. Changes in this setup would require a change in law. We therefore believe that privatization of the company is not likely.

In 2017 the funding concept for OeBB-Infrastruktur was changed due to the integration of its total debt into general government debt according to the accounting standards of EuroStat. Up until 2017 OeBB-Infrastruktur directly issued debt, which carried a guarantee from the Austrian government. Since then financial needs of the company are directly financed through Austria's Federal Financing Agency (ÖBFA). The legal foundations for the provision of funds are outlined in the annual federal financing law and the law governing multiannual charges to the federal budget, which takes into account the rail infrastructure investment plan. In addition to long-term financing, ÖBFA also provides short-term liquidity access to OeBB-Infrastruktur.

The outstanding guaranteed debt was not affected by the changed financing approach. The remaining debt is still guaranteed directly, unconditionally, and irrevocably by Austria. At the end of 2020, about 54% of OeBB-Infrastruktur's €21 billion of financial debt benefited from a sovereign guarantee from Austria. The company owes €3.8 billion of unguaranteed debt to the European Investment Bank. Practically all debt is at fixed rates and issued in euro, limiting

interest rate risks and foreign exchange rate risks for the company.

The ministries of climate action and finance have to approve OeBB-Infrastruktur's annually extended rolling-six-year investment master plan, which is currently approved in its 2021-2026 version. The plan must adhere to the government's national transportation policy plan. Furthermore, OeBB-Infrastruktur is required to submit an annual rationalization and cost-savings plan to the government. The annually updated master plan has shifted in focus more and more to address sustainability and climate change, with a direct emphasis on electrification of transportation.

In our view, the company continues to have excellent access to both short- and long-term capital market debt. It currently solely relies on the direct financing framework with the sovereign to refinance its upcoming debt maturities of about €1 billion annually. However, the company can also engage in its own issuances, supported by sovereign guarantees, as a funding option. OeBB-Infrastruktur's debt issuance has been eligible for the European Central Bank's public sector purchasing program since March 2015.

Due to OeBB-Infrastruktur's mission, its profitability remains low, at roughly €12 million in annual earnings before taxes. Although revenue will be boosted by increasing government transfers, we believe that expenditure will be burdened by rising depreciation, but not at the same pace. OeBB-Infrastruktur's governing act clearly outlines the framework for government transfers, which OeBB-Infrastruktur receives for operations and maintenance, as well as for network expansion. Consistently more than half of OeBB-Infrastruktur's revenue comes from government transfers for annuities, maintenance contributions, and other transfers. These government transfers under section 42 of the Bundesbahngesetz accounted for 61% of the company's revenue in 2020. In addition, OeBB-Infrastruktur's balance sheet will be boosted by investments in infrastructure accompanied by similarly rising debt. Therefore, the company's balance sheet will be dominated by high debt levels for many decades.

Thanks to government transfers, operating cash flows will remain positive, while cash flows from investment activities will be highly negative due to high investment expenses. Any cash flow mismatch will be financed by ÖBFA, based on the framework agreement. Regarding efforts at the EU level to foster the European railway market (the so-called fourth railway package), OeBB-Infrastruktur is adapting to an increasingly complex regulatory framework and increasing competition between railway operators on its network. We also understand that the structure of OeBB-Holding AG, the parent company of OeBB-Infrastruktur AG, would not be significantly affected if it ensures and maintains independence from the railway operator.

Table 1

OeBB-Infrastruktur AG--Consolidated Balance Sheet*								
--Year ended Dec. 31--								
(Mil. €)	2020	2019	2018	2017	2016	2015	2014	2013
Total assets	26,817	25,297	24,166	23,155	22,654	22,100	21,341	20,133
Noncurrent assets	26,170	24,730	23,638	22,666	21,850	21,376	20,547	19,520
of which tangible assets	24,893	23,576	22,537	21,615	20,785	20,075	19,271	18,246
of which intangible assets	790	634	517	463	464	370	370	368
of which financial assets	384	392	439	438	455	778	741	699
of which other non-current assets	103	128	144	150	146	153	166	207
Current assets	647	567	528	489	804	724	794	613

Table 1

OeBB-Infrastruktur AG--Consolidated Balance Sheet* (cont.)								
--Year ended Dec. 31--								
(Mil. €)	2020	2019	2018	2017	2016	2015	2014	2013
of which receivables	187	202	129	140	152	128	178	152
of which other receivables	304	240	256	217	202	206	243	250
of which cash and equivalents	50	29	18	23	126	226	231	28
of which other current assets	106	95	126	109	324	164	142	183
Equity	1,440	1,420	1,427	1,338	1,269	1,206	1,199	1,174
Liabilities	25,376	23,876	22,739	21,818	21,386	20,894	20,143	18,960
of which financial liabilities	22,787	21,557	20,673	20,221	19,879	19,542	18,874	17,704
of which provisions	407	422	333	334	339	357	409	318
of which payables	739	557	628	471	602	581	529	593
of which other liabilities	1,444	1,340	1,105	791	565	414	331	345

*Unadjusted.

Table 2

OeBB-Infrastruktur AG--Consolidated Income Statement*								
--Year ended Dec. 31--								
(Mil. €)	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	899	1,024	1,049	2,102	2,108	2,044	2,176	2,155
of which revenue from invoicing to Republic of Austria § 42 Bundesbahngesetz (operations)§	0	0	0	1,065	1,110	1,100	1,154	1,151
Internally produced and capitalized assets	325	312	306	294	300	292	287	305
Other revenue§	2,104	2,044	1,949	806	747	715	649	587
of which revenue from invoicing to Republic of Austria § 42 Bundesbahngesetz (infrastructure and operations)§	2,017	1,992	1,877	753	692	635	577	518
Total revenue	3,329	3,380	3,304	3,202	3,155	3,051	3,113	3,047
Operating expenses	2,826	2,805	2,701	2,606	2,528	2,437	2,480	2,441
of which material, consumables and services	439	430	414	412	379	391	423	416
of which personnel expenses	1,228	1,217	1,183	1,126	1,111	1,037	1,075	1,044
of which depreciation	840	811	777	752	726	690	645	616
of which other operating expenses	319	347	327	316	313	320	337	364
EBIT (excluding associated companies)	491	575	603	596	627	614	635	606
Financial result	481	537	558	549	577	602	599	581
of which interest	490	540	566	575	589	600	602	643
Earnings before taxes	10	38	45	47	50	13	34	26
Result of the year	17	33	64	62	57	1	29	30

*Unadjusted. §2018/2019 reclassification of all subsidies to other revenues (IAS 15) including for operations and infrastructure.

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Risk Indicators, April 12, 2021
- Austria Ratings Affirmed At 'AA+/A-1+'; Outlook Stable, March 13, 2021

Ratings Detail (As Of June 25, 2021)*

OeBB-Infrastruktur AG

Issuer Credit Rating	AA+/Stable/A-1+
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Issuer Credit Ratings History

30-Jan-2013	AA+/Stable/A-1+
17-Jan-2012	AA+/Negative/A-1+
07-Dec-2011	AAA/Watch Neg/A-1+

*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.

Additional Contact:

EMEA Sovereign and IPF; SovereignIPF@spglobal.com

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