A1 Group

Combined Annual Report 2019

We are unleashing the full

Potential of digitalization

for society, economy and the environment.

Key figures of the A1 Telekom Austria Group

	2019 IFRS 16	2018 IFRS 16 based	Change in %
Customer indicators (in '000) [1]			
RGUs [2]	6,143.4	6,202.8	-1.0
of which broadband RGUs	2,542.2	2,560.1	-0.7
of which TV RGUs	1,676.9	1,646.9	1.8
Mobile communication customers	21,296.4	21,028.6	1.3
Key financial data (in EUR mn)			
Total revenues	4,565.2	4,435.4	2.9
EBITDA [3]	1,560.6	1,548.9	0.8
EBITDA margin (in %)	34.2	34.9	–
EBITDA excl. restructuring	1,644.7	1,571.0	4.7
EBITDA excl. restructuring margin (in %)	36.0	35.4	–
Operating income	614.8	446.0	37.9
Net result	327.4	243.7	34.4
Free cash flow [4]	340.6	384.2	-11.3
Free cash flow excl. frequencies paid	415.8	384.2	8.2
Net cash flow from operating activities	1,458.0	1,390.6	4.8
Capital expenditures [5]	879.8	771.0	14.1
Net debt (excl. leases)	2,522.3	2,718 .4	-7.2
Equity	2,645.9	2,449.6	8.0
Equity ratio (in %)	31.2	29.1	–
Net debt (excl. leases) / EBITDA after leases	1.8×	2.0×	–
Net debt (incl. leases) / EBITDA	2.2×	2.4×	–
Net gearing ratio	1.31	1.52	–
Return on invested capital – ROIC [6] (in %)	9.9	6.9	–
Return on equity – ROE [7] (in %)	12.9	9.2	–
Key share figures (in EUR)			
Earnings per share	0.49	0.36	35.6
Free cash flow per share	0.51	0.58	-11.3
Market capitalization as of December 31 (in EUR bn)	4.8	4.4	9.6
Share price as of December 31	7.28	6.64	9.6
Share price high	7.54	8.42	-10.5
Share price low	5.90	6.11	-3.4
Dividend per dividend-bearing share	0.23 [8]	0.21	9.5
Employee indicators			
Full-time equivalent, as of December 31	18,344	18,705	-1,9
Share of female employees (in %)	39	40	–
Share of female managers (in %)	35	35	–
Environmental indicators/Sustainability indicators			
Total energy consumption (in MWh)	839,567	805,850	4
Energy efficiency indicator (in MWh/terabyte)	0.17	0.18	-8
Direct (scope 1) CO_2 emissions (in tonnes) [9] [10]	22,758	23,833	-5
Indirect (scope 2) CO_2 emissions market-based (in tonnes) [10] [11]	193,222	177,221	9
Share of renewable energy in electricity (in %)	50	51	–
Recycling rate (in %)	62	69	–
Media literacy trainings			
Free media literacy trainings	2,217	1,984	14
Participation in free media literacy trainings	35,326	30,084	17

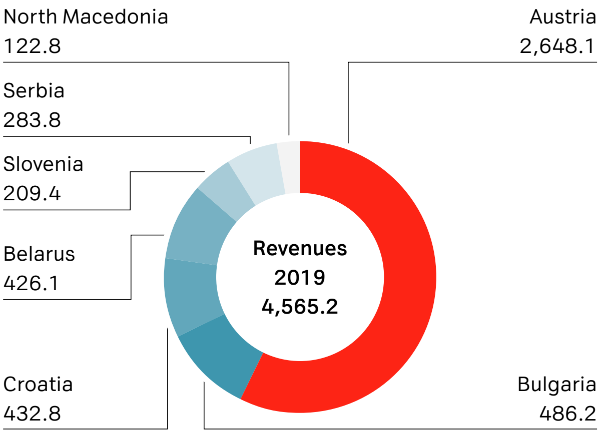
All financial figures are in accordance with IFRS 15. Figures for 2019 are in accordance with IFRS 16, figures for 2018 are based on IFRS 16 with sufficient accuracy ('IFRS 16 based'). Key figures were impacted by brand value amortization in the years 2018 (EUR 197.9 mn) and 2019 (EUR 23.7 mn).

1) In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid. The subscriber numbers of the comparison period have been adapted. 2) 'Revenue generating units' 3) EBITDA is defined as the net result excluding financial result, income tax, depreciation and amortisation and, if applicable, impairment losses or reversal of impairments. 4) Defined as cash flow generated from operating activities plus proceeds from sale of plant, property and equipment minus capital expenditures paid and interest paid. 5) Additions to property, plant and equipment and intangibles, excluding asset retirement obligations and additions to rights-of-use assets according to IFRS 16. 6) Total return on invested capital, calculated by net operating profit after income tax current period (NOPAT) divided by the average capital invested. 7) Ratio of net result to the average equity employed; serves as an indicator which measures the yield on equity. 8) Proposal to the Annual General Meeting. On April 21, 2020 the A1 Telekom Austria Group announced the postponement of its General Annual Meeting to September 24. 9) Direct emissions from combustion of fossil fuels without cooling agents. CO_2 in CO_2 equivalents excluding compensation. 10) 2019 sources for the conversion factors were reviewed and if necessary replaced with more accurate and / or actual ones. In the course of this the conversion factors have been updated. In order to ensure comparability, values from the prior year have been adjusted. 2018 therefore represents an estimation due to changed sources of the emission factors. 11) Indirect emissions from electric energy and district heating. CO_2 in CO_2 equivalents excluding compensation.

A1 Telekom Austria Group

Total revenues by segment

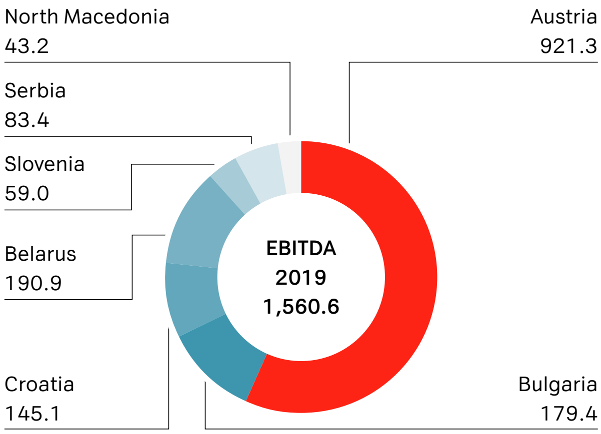
in EUR mn / in 2019



Corporate & Other, eliminations: -44.1

EBITDA by segment

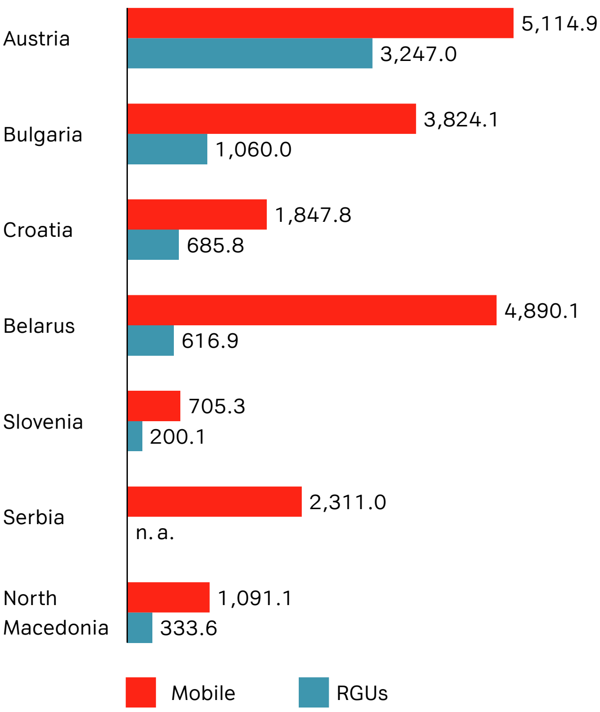
in EUR mn / in 2019



Corporate & Other, eliminations: -61.8

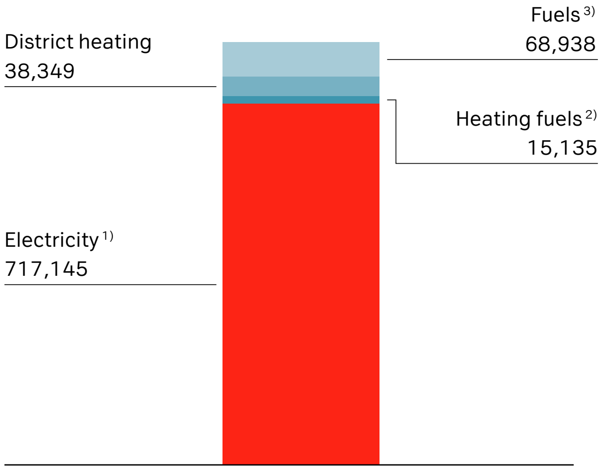
Mobile communication customers and RGUs by segment

in '000 / as of December 31, 2019



Total energy consumption by sources

in MWh / in 2019



Total energy consumption
839,567

1) Purchased and in-house production as well as diesel for generators
2) Includes oil and gas
3) Includes diesel, petrol, CNG, LPG and natural gas without diesel for generators

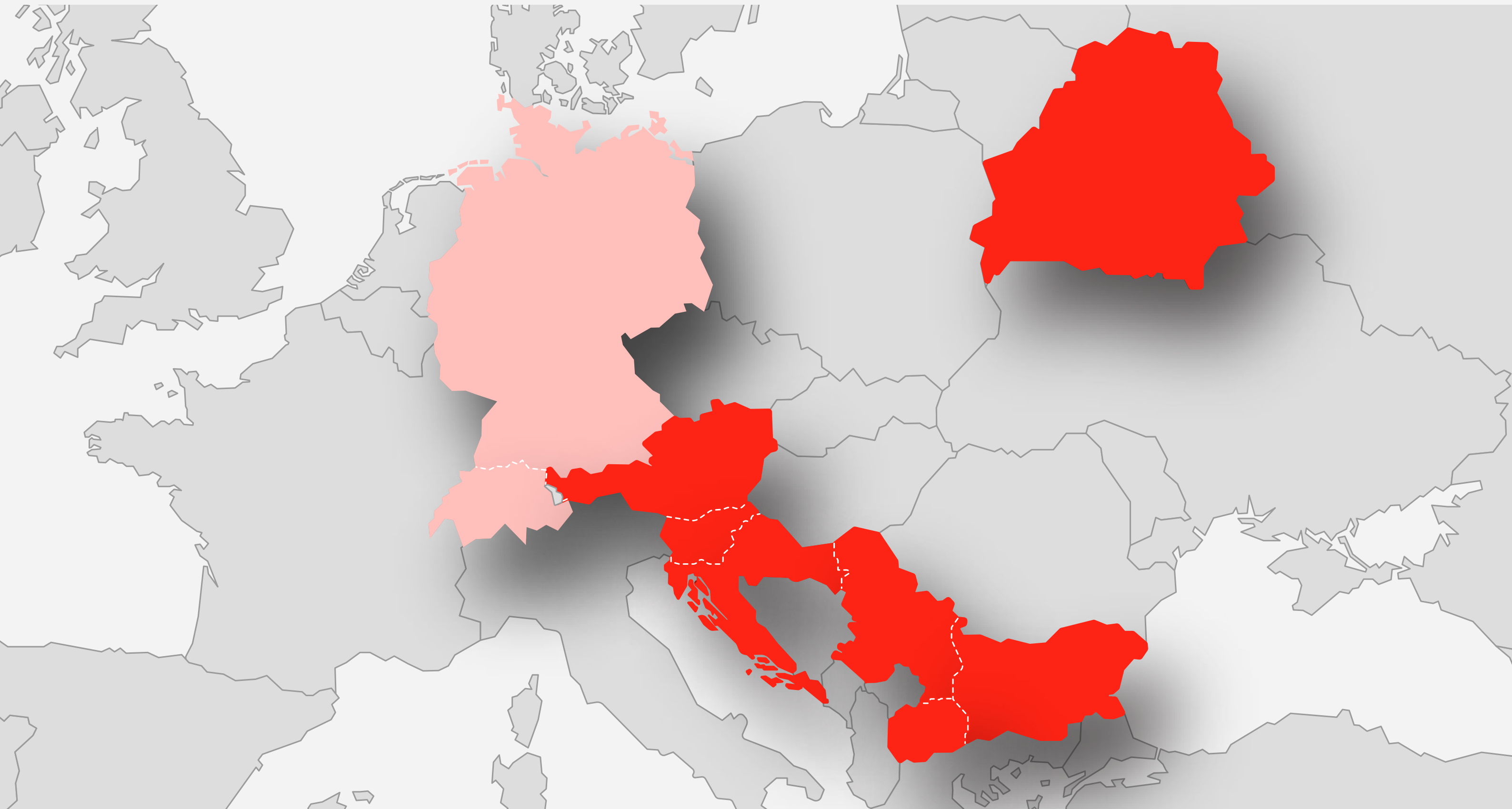
A1 Telekom Austria Group overview

As a leading telecommunications provider in the CEE region, the A1 Telekom Austria Group provides its approximately 25 million customers in its seven core markets with products and services in areas including voice telephony, broadband Internet, mobile and home entertainment as well as smart home, data and IT solutions, wholesale, payment solutions and digital services. In the Group's six convergent markets, customers also benefit from tailormade product combinations comprising fixed-line and mobile services. The group company A1 Digital advises companies in the core markets of A1 Telekom Austria Group as well as in Germany and Switzerland in questions of digital transformation with a focus on industry-specific applications in the field of Internet of Things (IoT), cloud-based products for the modern workplace as well as security solutions.

	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia
Mobile communication subscribers (in '000)	5,114.9	3,824.1	1,847.8	4,890.1	705.3	2,311.0	1,091.1
Market share mobile (in %)	37.0	39.3	36.4	41.8	28.2	25.2	49.7
Mobile market position	#1	#1	#2	#2	#2	#3	#1
RGUs (in '000)	3,247.0	1,060.0	685.8	616.9	200.1	–	333.6
Market share fixed-line broadband (in %)	54.8	23.3	25.1	7.1	13.3	–	26.2
Convergent since	2007	2011	2011	2016	2015	–	2014

Product portfolio for retail customers

Products	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia
Mobile	✓	✓	✓	✓	✓	✓	✓
Fixed-line	✓	✓	✓	✓	✓		✓
Convergent products	✓	✓	✓	✓	✓		✓
Internet	✓	✓	✓	✓	✓	✓	✓
TV (IPTV, Sat, DVB-T)	✓	✓	✓	✓	✓		✓
OTT TV	✓	✓	✓	✓	✓		✓
OTT Music	✓	✓	✓	✓	✓	✓	
Smart Home	✓	✓	✓		✓	✓	✓



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Unleashing the potential of digitalization

Growth and prosperity in accordance with more sustainable ways of working and living

Alejandro Plater
COO

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CEO

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CFO

The company's commitment and expertise to the systematic execution of its corporate strategy are what made it possible for the A1 Telekom Austria Group to achieve convincing results in the year under review.

Successful continuation of growth path

The Group successfully fulfilled its aim of generating revenue and EBITDA growth across all seven core markets in 2019. It generated solid growth in revenues of 2.9 %. It also posted significant growth in EBITDA (excluding restructuring charges) of 4.7 % as a result of focusing on operational efficiency. Strong growth in results was also reflected in free cash flow (excluding frequencies paid), which went up by a considerable 8.2 % year-on-year to EUR 415.8 mn.

The number of customers in the mobile contract segment rose significantly by 4.4 % to 17.0 million in 2019. In the fixed-line business, revenue generating units (RGUs) excluding voice showed a slight increase by 0.3 % to 4.2 million.

At the end of the 2019 stock market year, the Telekom Austria share price was EUR 7.28 (+9.6 % year-on-year), having clearly outperformed the sector (Stoxx Telecom: +0.1 %).

The Austrian benchmark index, the ATX, rose by 16.1 % in 2019. The Management Board intends to propose to the 2020 Annual General Meeting a dividend of EUR 0.23 per share for the 2019 financial year. For the 2020 financial year, the Management is expecting revenue growth of 1–2 % and capital expenditures (excl. frequencies and acquisitions) of around EUR 770 mn.

Empowering digital life

The growth in results confirms the strategic orientation of the A1 Telekom Austria Group. To adapt to the dynamically evolving market environment, the management has sharpened the corporate strategy at the start of 2020 (see "Vision and strategy"). At the heart of this lies the ambition to pursue the Group-wide shared common purpose of "Empowering digital life" even more actively with additional focused objectives and initiatives in order to provide its customers with even greater added value.

After all, the Group has far more to offer than just connectivity and bandwidth. It presents itself to customers and society as the ideal, reliable partner for digital transformation – from concept through to implementation.

In the era of digitalization, numerous aspects have also become considerably more important. One such aspect is the challenging market environment in the – compared with the US and Asia, for example – highly regulated and fragmented European telecommunications industry, in which OTT providers without their own infrastructure have additionally increased competitive pressure. Others include the dynamic technological evolution in the business sector, rapidly changing customer expectations and user habits, and the speed of transformation of socio-economic conditions – not to mention the classification of environmental and climate protection as an indispensable premise for economic development.

To respond to these market aspects and maintain its leading position in the CEE region, the A1 Telekom Austria Group has established three strategy enablers within its corporate strategy: "People & Culture", "Environmental, Social & Corporate Governance" and "Data 2 Impact" (see "Vision and strategy"). These enablers provide a focal framework to follow in implementing the fundamental corporate objectives of revenue growth and excellence in execution.

The focus areas are evolving firstly in the direction of establishing platforms in order to fully exploit economies of scale and the market potential of digital services through strong, synergetic partnerships. Secondly, they aim at optimal data use – while upholding the highest standards of data protection and information security (see "Data protection and information security") – in order to develop and implement tailored customer services.

Additional focal points of the A1 Telekom Austria Group's "own" digital transformation include systematic identification and leveraging of potential for continuous improvement and radical simplification of processes.

Group-wide common understanding of identity

Strategic orientations like these reinforce the future viability of the business model and are represented Group-wide by the energetic A1 brand identity – tailored to local market requirements. This brand identity fosters the perception of the Group as the ideal, convergent, full-service digitalization partner and as a strong international company.

It was in the spirit of this underlying "one company" sense of identity that the North Macedonian subsidiary of the A1 Telekom Austria Group replaced its local brand Vip with A1 in September 2019. Shortly before this, the Belarusian subsidiary finalized its rebranding under the A1 brand. Subsequently, the subsidiary in Serbia will complete the A1 brand family.

Under the A1 brand, the Group also presents itself – internally and externally – as an attractive employer in the CEE region. On the one hand, employees are expected to take personal initiative to develop themselves at A1 and to make an active, self-motivated and autonomous contribution to achieving corporate and individual goals in the interests of the customers. On the other, the A1 Telekom Austria Group enables compatibility with personal requirements and offers flexible working models in terms of time and place in cross-functional, agile and diverse teams.

Growth in accordance with the environment and society

Based on a motivational corporate culture, the Group also actively assumes responsibility for people, the society and the environment by setting well-defined objectives (see "Sustainability"). Within the context of its strategy enabler "Environmental, social & corporate governance" (ESG), the A1 Telekom Austria Group seeks to establish more efficient, resource-conserving and therefore more sustainable ways of living and working. It regards initiatives in this area as long-term value drivers that produce not only ecological and social benefits, but economic advantages as well. For example, improving energy efficiency lowers the environmental footprint and reduces costs all at the same time.

Alongside an explicit commitment to combating climate change and championing equal opportunities and diversity, the A1 Telekom Austria Group's ESG objectives also focus on fostering digital skills, especially those of the young generation. After all, expertise in this area combined with equal, comprehensive and high-quality access to digital media, services and business models is the only way to unleash the full potential of digitalization for society, the economy and the environment.

5G and fiber: an alliance for the future

The A1 Telekom Austria Group's high-performance broadband infrastructure provides a reliable basis for all of the above – in the fixed-line or fiber network as well as in the mobile network. To preserve and enhance their future readiness, the Group invested EUR 797.7 mn in 2019 in capital expenditures (excluding frequencies) for increasingly intelligent and powerful networks that deliver a convincing customer experience.

The A1 Telekom Austria Group once again entered a new dimension in this regard in January 2020 with the launch of the A1 5G network in Austria. After having acquired the best 3.5 GHz spectrum at auction in March 2019, 350 5G mobile sites are – as of January 2020 – building on this basis to create by far the biggest 5G network in the country. In combination with the most extensive fiber network in Austria, which already spans over 54,000 kilometers, the company is integrating the very best technologies in its "A1 5Giganet".

5G enables vastly higher bandwidths of up to 1 Gbps at present and up to 10 Gbps in the future. At the same time, 5G also delivers extremely low response times (latency periods) in the region of one millisecond, making real-time communications solutions a reality. Additionally, the maximum number of networked devices increases to one million per square kilometer, which – combined with the higher energy efficiency of 5G – underlines its importance for the Internet of Things (IoT).

Responsibility in challenging times

The A1 Telekom Austria Group laid a solid foundation for further growth with the measures it implemented in the reporting year. The rapid spread of the coronavirus that commenced in the first quarter of 2020 is now presenting economies and societies worldwide with unprecedented challenges and at the same time underlines the importance of telecommunications. Precisely in times such as these, system-critical infrastructure like that of the A1 Telekom Austria Group is of paramount importance. Even under increased strain, its high-performance, future-proof mobile and fixed-line infrastructure safeguards digital communication and interaction for government institutions, companies and their employees as well as in the private sphere.

The Group is thereby actively assuming responsibility for the digital foundation of the economy and society. Our employees make a decisive contribution to this. We would like to express our thanks for this and count on their commitment in the future as well.

Reasons to Invest

CEE growth combined with a reliable Austrian business and benefits from market opportunities of digitalization

- **Unique foundation for long-term growth:** Multi-year expertise as leading provider in Austria and strong footprint in growth market CEE
- **Monetization of the constantly rising demand** for data and bandwidth
- **Differentiation through best-in-class customer service** and well-recognized network quality
- **Profiting from market-relevant and efficiently invested content** as well as from enriching core portfolio by valuable add-on products
- **Strong business customer segment:** Broad product portfolio, a unique combination of connectivity and industry-specific solutions as well as IoT, cloud and cybersecurity services
- **Leveraging the potential of data analysis** while strictly following a digital trust approach

From continuous efficiency improvements to digital transformation

- **Strong track record of operational efficiency initiatives** leading to long-term EBITDA margin expansion and Free Cash Flow growth in a sustainable way
- **Digital first** – Ongoing simplification and automation safeguard a lean and efficient organizational structure allowing for increased flexibility and faster rollout cycles
- **Environmental, Social and Corporate Governance (ESG)** as long-term value drivers with a strong focus on the efficient use of resources

Conservative finance strategy secures long-term stability and liquidity

- **Mid-term ambition level** of 1.5 x net debt (excl. leases) / EBITDA after leases
- **Reliable balance sheet;** undrawn credit facilities secure liquidity
- **M&A activities** with priority on bolt-on acquisitions in the existing footprint and expansion of the portfolio in the field of digital services
- **Dividend** per share of EUR 0.23 (proposal to the AGM 2020 for the financial year 2019)

Common purpose: Empowering digital life.

The A1 Telekom Austria Group has sharpened its corporate strategy to underpin its leading role in Austria and CEE as the digitalization partner.

The A1 Telekom Austria Group has far more to offer than "traditional" telecommunications services. This is also reflected in its common purpose of "Empowering digital life". It provides much more than infrastructure, connectivity, and bandwidth. The Group presents itself as a driver and reliable partner with the expertise to create and foster digital business models and solutions from initial concept through to operation. It serves as a recognized and trusted gateway to digitalization for its employees, customers, partners, and society.

Over the past years the A1 Telekom Austria Group significantly improved its operational performance. The main achievements included revenue and EBITDA growth in all markets, an improved financial profile, and the Group-wide rollout of its A1 brand. In parallel, some significant external factors have changed, such as the rise of OTT players.

Consequently, the A1 Telekom Austria Group has evolved its corporate strategy, while the essence remains the same.

While the A1 Telekom Austria Group continues to focus on further strenghening its core business, it also aims at additional growth opportunities through platform business. This aims at unleashing the market potential from digital services via strong partnerships (see “Scale platform business”) and leveraging data to the fullest potential.

Additionally, after the successful A1 brand rollout, the focus is now on “Continuous improvement”, “Digital transformation” and “Radical simplification” to ensure a future-proof operating model.

Corporate strategy

With a view to its growth strategy, the Group does not only rely on its leading role in the CEE region. As part of América Móvil, it can also count on the strength of one of the biggest telecommunications providers in the world. This offers synergies in areas such as purchasing and shared platforms (see “A1 Telekom Austria Group: Part of América Móvil”).

In pursuing its common purpose of “Empowering digital life”, the A1 Telekom Austria Group applies a corporate strategy based on two pillars: revenue growth and excellence in execution - supported by three strategy enablers.

Revenue growth

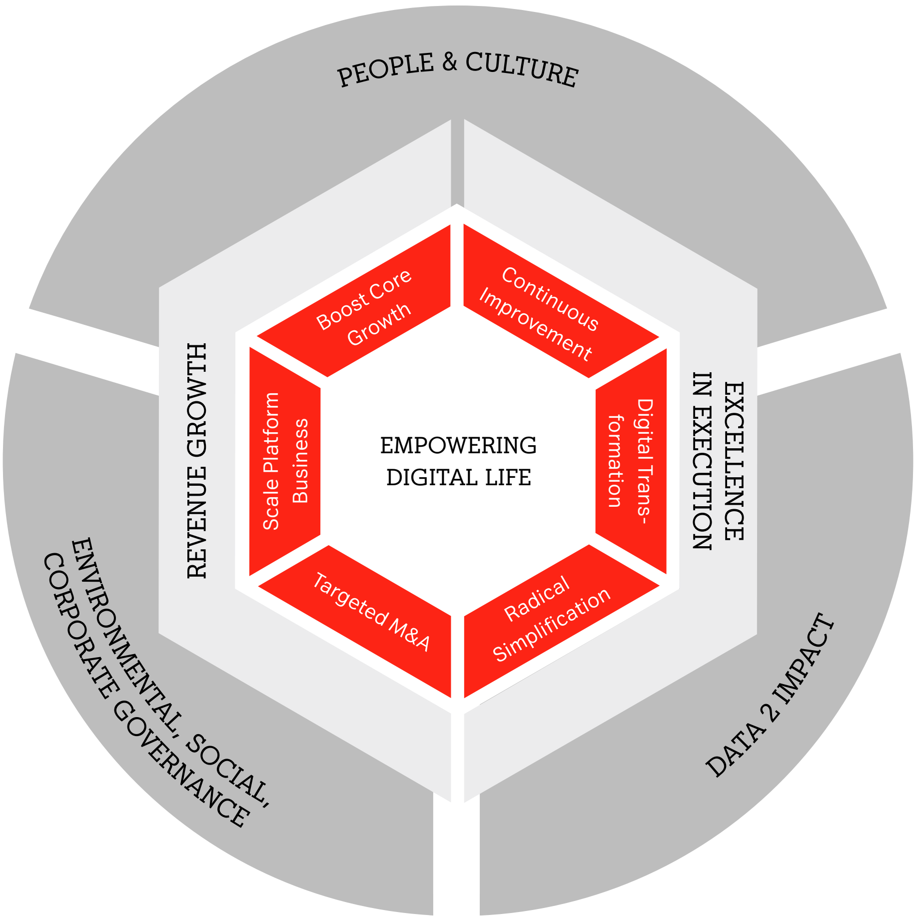
In striving for revenue growth, the corporate strategy is focused on three core elements: boost core growth, scale platform business, and targeted M&A.

Boost core growth

The A1 Telekom Austria Group aims to boost core growth through sweating its assets and increasing products per customer as well as data-driven marketing and sales. A key feature to reach that goal is the excellent infrastructure that sets the Group apart and represents a competitive advantage. A key goal is to connect households that have already been covered technically as customers. Convergence is another central link in ensuring an excellent customer experience. The Group already offers convergent services in six of its seven core markets. At the same time, it is focusing on targeted cross- and upselling to boost its core business, for example by attracting customers for higher bandwidths. Marketing automation helps to communicate with customers at the right time via the right channel with the right content such as targeted product offers to drive significant uplift in customer experience and business value.

The A1 Telekom Austria Group is convinced that a superior end-to-end customer experience is the foundation for successfully pursuing its corporate strategy. Its offer aimed at precisely this purpose ranges from attractive tariffs and product bundles to content, entertainment, and smart home solutions through to state-of-the-art ICT, cloud, security, IoT, and productivity solutions.

Corporate strategy



Scale platform business

The A1 Telekom Austria Group serves as a platform for digital services such as TV, cloud, security, and ICT solutions as well as in the field of the Internet of Things (IoT). In this context, the focus is on driving Industry 4.0 business and developing a platform for digital services. This allows shorter product launch cycles and increased synergies. The Group offers a gateway for the products of its partners, which reduces time and costs of product development and improves quality control at the same time. It aims to be the preferred, first point of contact and key partner for the digital transformation of companies. The A1 Telekom Austria Group's connectivity and hard-to-replicate local assets such as strong customer relationships and sales channels form the basis of its platform business.

Solutions tailored to the respective market allow the Group to augment the customer experience and promote customer loyalty. The content offering is also playing an ever more important role. Therefore, it selectively invests in content rights and in-house production but it also serves as a platform for third-party products.

Convincing examples of scaling platform business and the power of partnering are the use of an IoT platform, which provided a telematics solution for RailCargo (see "Technology and Innovation"), and the development of the TV platform "A1 Xplore TV".

Targeted M&A

Alongside measures for achieving organic growth, the A1 Telekom Austria Group will continue to expand its sphere of activity with targeted, value-accretive M&A activities in line with its conservative finance strategy. The focus remains on in-market consolidation in existing markets, pursuing its convergence strategy, and subsequently expanding into new geographical areas in CEE. Additionally, the Group is also expanding its portfolio and exploiting new growth areas in the field of digital services. The Group does not simply rely on M&A for inorganic growth, it also actively pursues partnering to expand its product portfolio (see "Scale platform business").

Excellence in execution

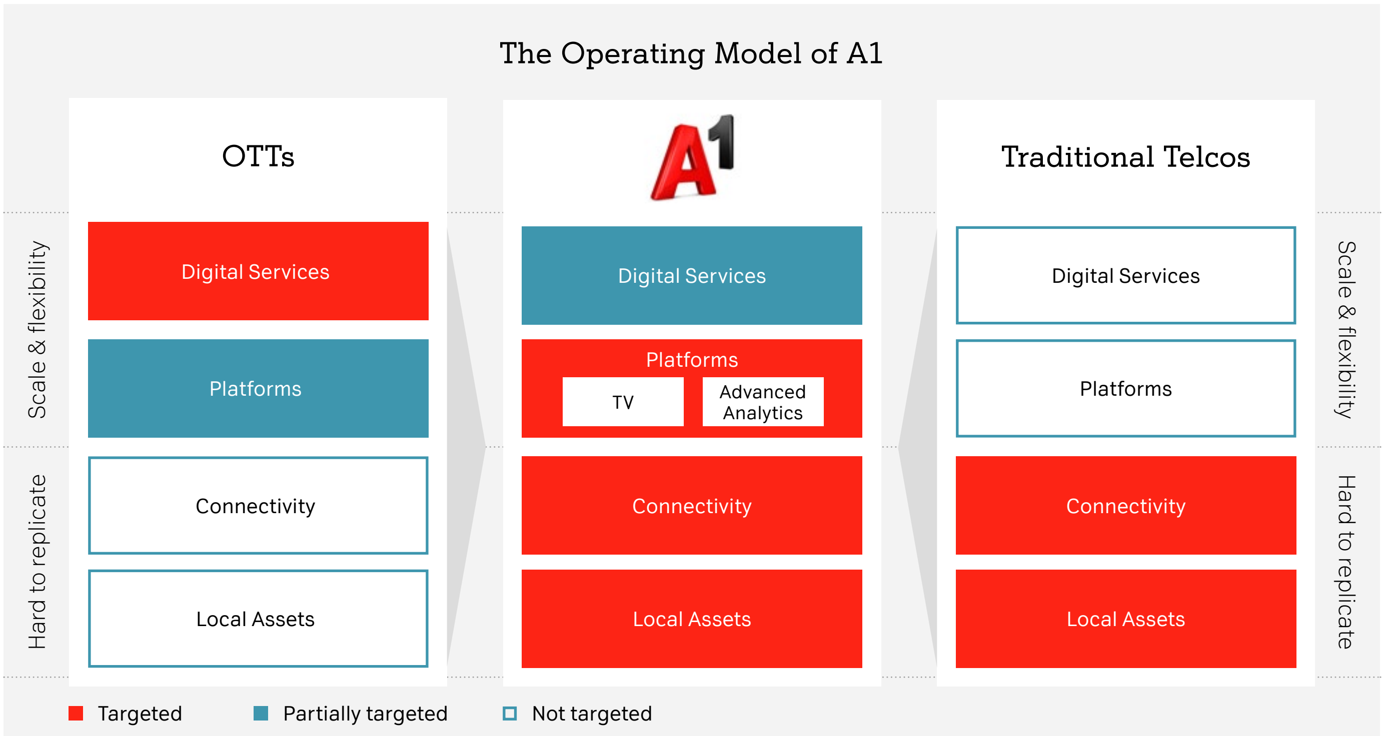
Operational excellence in the execution of the corporate strategy is at the heart of the Group's transformation into a digital service-provider. The Group has committed itself to greater efficiency, flexibility, security, and sustainability. The central tenets of this are continuous improvement, digital transformation, and radical simplification.

Continuous improvement

All structures, processes, and investment decisions are continuously evaluated, scrutinized and improved – with the aim of optimizing efficiency and reducing complexity. This includes challenging external expenses and partnering in areas where it makes sense in order to become more efficient every single day. The development of new skills also plays a key role in a constantly changing environment.

Digital transformation

Digital transformation is a central prerequisite for the future success of the A1 Telekom Austria Group and thus a key strategic issue. Therefore, the Group's Digital Transformation Center of Excellence (CoE) drives digitalization both internally and externally in order to foster a mindset shift within the organization and successfully shape business trends. Customer Value Management enabled by data, enhancing digital channels, and digitalizing the customer experience are focus topics.



Radical simplification

Across all markets, the goal of the A1 Telekom Austria Group is to simplify and robotize standardized processes. The optimization of internal processes is driven by simplifying, harmonizing, and automating processes using smart systems (e. g. chatbots, robotics solutions). Big Data, analytics, and artificial intelligence are building the foundation for the Group-wide use of smart automation solutions by implementing a central data architecture and infrastructure. Implementing the new platform operating model and excelling in partnering are important targets to foster excellence in execution.

Strategy enablers

People & Culture	Environmental, Social & Corporate Governance	Data 2 Impact

Strategy enablers

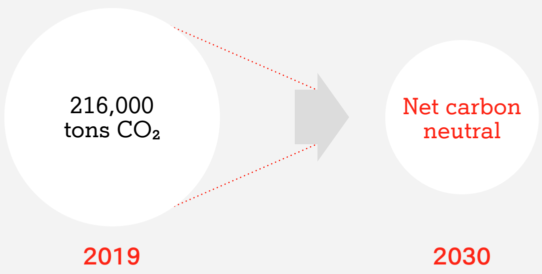
The A1 Telekom Austria Group is facing intense market dynamics, changing customer behavior, and rapid technological evolution. In order to ensure successful execution of the corporate strategy in this environment, the Group implemented three strategy enablers: “People & Culture”, “Environmental, Social & Corporate Governance” and “Data 2 Impact”.

People & Culture

Within the next few years, people, corporate culture, and leadership will become more important compared to structural factors such as organization and processes. Leadership will transform from manager decisions to team decisions, where employees take over more responsibilities. In this new eco-system, an evolved culture is needed, moving away from a waterfall hierarchy towards agile setups.

Sustainability goals

Environment



CO_2 emissions by 2030
- Reach net carbon neutrality by decreasing the own carbon footprint and gradually switching to energy from renewable sources.

Energy efficiency by 2030
- Increase energy efficiency by 80 % compared with 2019.

Circular economy by 2030
- To promote the circular economy at the company: recycling around 50,000 old devices a year.

Society

Digital education by 2023
- To address 100,000 people – especially children and young people – as part of the focus on digital education. To give people the confidence and skills to actively shape digital worlds.

Governance

Diversity by 2023
- To increase the proportion of women in management positions to 40 % and to raise and maintain the proportion of women at the company at 40 %.

Compliance
- To maintain a best-practice and externally certified compliance management system to safeguard the A1 Telekom Austria Group’s integrity and trustworthiness.

Environmental, Social & Corporate Governance

The A1 Telekom Austria Group actively assumes its ecological and social responsibility by promoting more efficient, resource-friendly, and thus more sustainable ways of working and living. Environmental, Social & Corporate Governance (ESG) are seen as long-term value drivers that also entail economic benefits – for instance via reduced energy consumption, lowering both environmental impact and costs.

The A1 Telekom Austria Group aligns its activities in order to support the United Nations' Sustainable Development Goals (SDGs; see "Sustainable Development Goals"), which were issued in 2015. The Group's sustainability strategy is derived from the materiality analysis last updated in 2019 (see "Materiality analysis") and seeks to leverage the potential of digitalization for the climate, people, and society while minimizing its own ecological footprint.

In this context, the A1 Telekom Austria Group has set itself ambitious ESG targets (see box "Sustainability goals") based on three pillars. A strong commitment in the fight against climate change and creating a positive impact in the field of digital education are the first two pillars of the Group's environmental and social self-perception. A clear focus on supporting women and gender equality throughout the Group and in leadership positions as well as a strong corporate compliance culture are the third pillar of the Group's ESG strategy.

Data 2 Impact

Enabling seamless offline/online customer interaction is of key importance, and for this it is crucial to understand and satisfy customer needs. This also means simplifying and automating processes and activities as well as unleashing the full potential of data to become a data-driven company. In this context, fulfilling the regulatory requirements of data integrity and transparency is not only a necessity but also an opportunity. The A1 Telekom Austria Group is able to leverage data potential while strictly following data privacy regulations (GDPR).
It also supports its business customers to be fully compliant with data protection legislation. At the same time, Big Data and advanced analytics enable real-time decision-making and a better understanding of customer behavior as well as providing unique insights and spawning new use cases.

Finance strategy and cash use policy

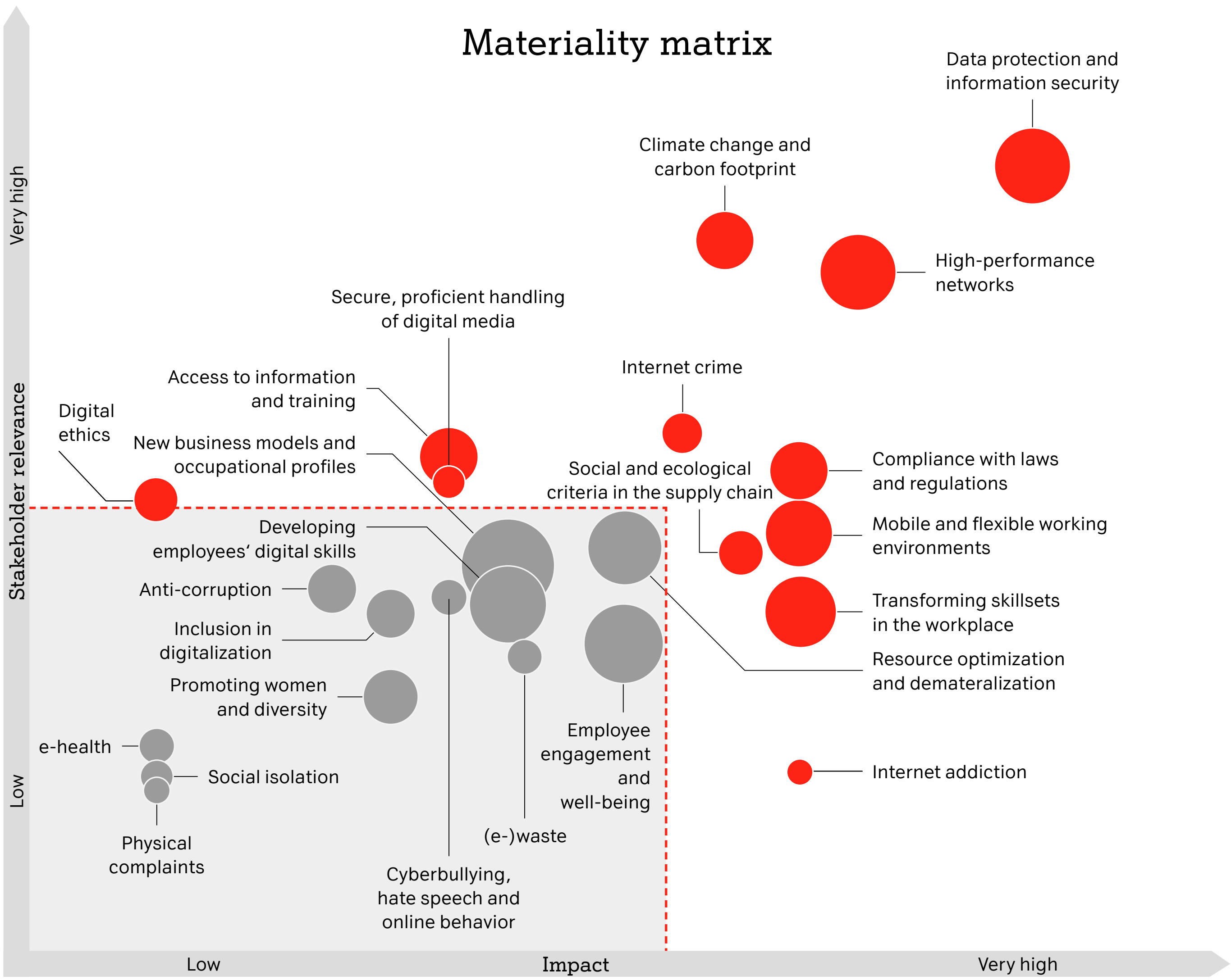
The A1 Telekom Austria Group pursues a conservative finance strategy with a solid investment grade rating of Baa2 from Moody's and BBB from Standard & Poor's at its core. This orientation ensures a solid balance sheet structure with moderate leverage. It is underpinned by the mid-term ambition level of 1.5x net debt (excl. leases) / EBITDA after leases to ensure the financial flexibility for investments in pursuit of growth opportunities. The dividend policy aims for a sustainable dividend distribution with the potential to grow in line with the operational and financial performance of the Group. For the financial year 2019, the Management Board intends to propose a dividend of EUR 0.23 per share to the Annual General Meeting on September 24, 2020. ▪

Materiality analysis

A materiality analysis was conducted with the help of various interest groups to identify central sustainability topics and material impacts. The materiality analysis takes place on a regular basis (every two to three years).

In order to identify the relevant topics, topic research with respect to potential impacts and risks in terms of environmental, social, and employee matters was undertaken. The topics from the 2017 materiality analysis were also considered and an industry analysis was performed. These topics were analyzed in multiple rounds of internal consultation and subsequently condensed into 24 relevant topics that were assessed by internal and external stakeholders in an online survey. The stakeholders invited by the A1 Telekom Austria Group to participate in the online survey included customers, suppliers, media, politicians and special interest groups, representatives of the research, education and business communities, associations and NGOs, and employees.

To evaluate the impacts, a workshop was conducted with selected internal and external experts. In order to assess business relevance, the online survey was sent to the management of the A1 Telekom Austria Group. All in all, more than 900 stakeholders and managers of the A1 Telekom Austria Group participated in the 2019 materiality analysis.



Point size represents business relevance for the A1 Telekom Austria Group.

A topic's importance is based on its impact on the environment, society and the economy as well as how relevant it is to A1 Telekom Austria Group's stakeholders. Thus, the topics most important to A1 Telekom Austria Group are those that have the biggest impact and those that are most relevant to the stakeholders. As an additional dimension, the topics were assessed with regard to their business relevance for the A1 Telekom Austria Group. This allows a perspective that takes into account the topics' sustainability context and their economical significance for the company.

Value Chain

The value chain of the A1 Telekom Austria Group shows an overview of input factors, the value generation and its output and outcomes. The resources needed for this are presented as input factors and the subsequent results are shown as output and outcomes. The topics identified along the value chain were factored into the materiality analysis.

Input factors

- Financial resources
- Human capital
- Infrastructure components
- Natural resources
- Intellectual capital

A1 Telekom Austria Group

Vision & common purpose

Empowering digital life

Corporate strategy

Revenue growth

- Boost core growth
- Scale platform business
- Targeted M&A

Excellence in execution

- Continuous improvements
- Digital transformation
- Radical simplification

Customer Centricity

Strategy enablers

- People & Culture
- ESG
  - Environmental Governance
  - Social Governance
  - Corporate Governance
- Data 2 Impact

Generating value in all aspects of digital transformation – from concept to implementation

Output & outcomes

- Connectivity & future-proof infrastructure
- Innovation
- A company of integrity
- Digital services
- Skills development
- Financial flexibility
- Customer-centric products & services
- Digital education
- Energy efficient network infrastructure

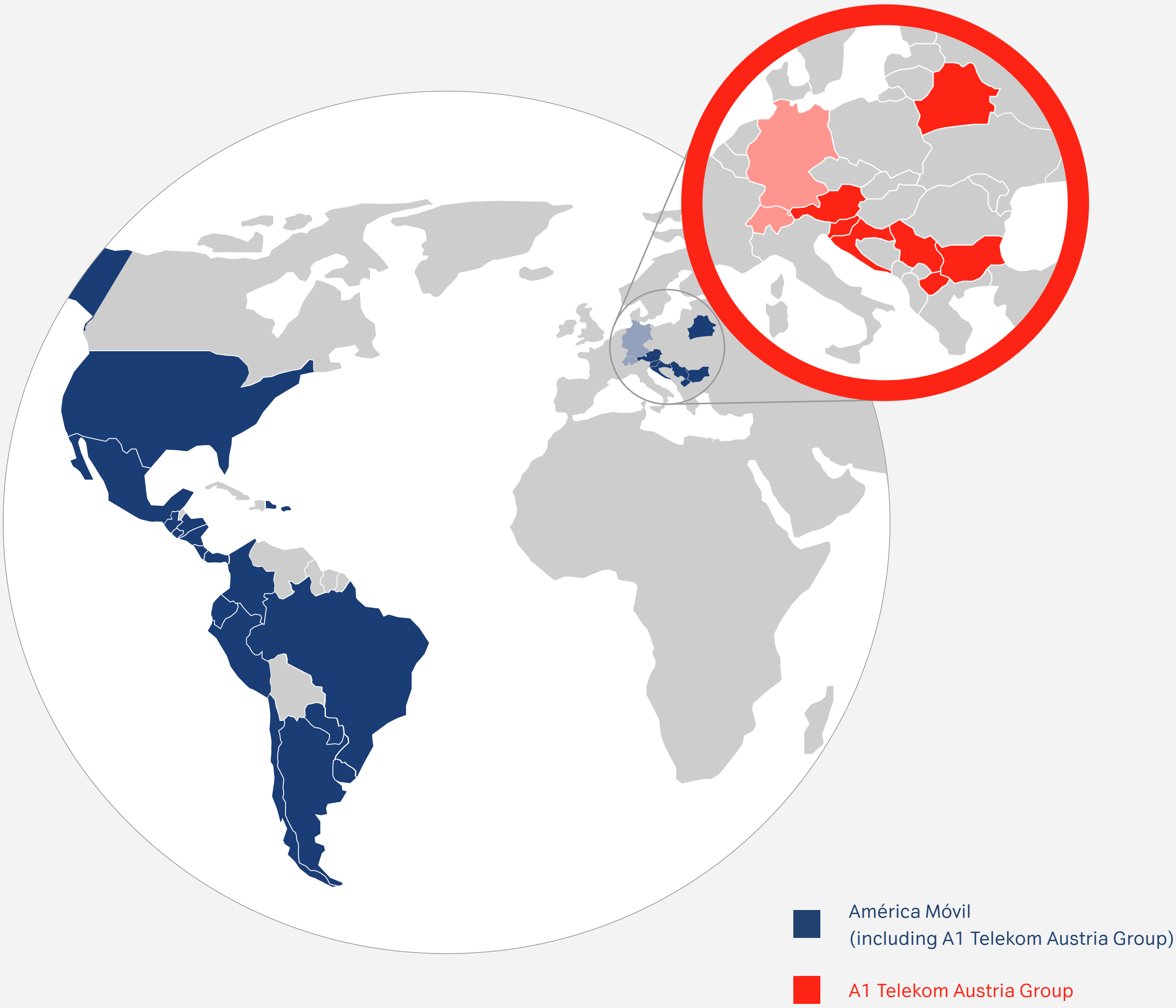
Sustainable Development Goals

“Agenda 2030 for Sustainable Development” was adopted at the United Nations summit in September 2015. All 193 member states of the United Nations have undertaken to work to implement Agenda 2030 and its 17 Sustainable Development Goals (SDGs) at a regional, national, and international level by 2030. The A1 Telekom Austria Group supports the achievement of the SDGs through a wide range of activities.

3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages.	The A1 Telekom Austria Group helps to promote health and well-being through digital solutions for e-health. A company health management system and high occupational safety standards serve to support employees’ health.
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	The A1 Telekom Austria Group encourages lifelong learning and the development of digital skills through the Group-wide education initiative A1 Internet for All. Media literacy is taught in free training sessions.
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all.	The A1 Telekom Austria Group encourages the purchase of electricity from renewable sources and the realization of in-house projects in this area with the aim of reducing its ecological footprint and preventing or lowering CO_2 emissions.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	The A1 Telekom Austria Group offers its employees attractive, fair, and flexible working models and promotes their health. It is helping to decouple economic growth from resource consumption by driving digitalization.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	The A1 Telekom Austria Group is continuously pressing ahead with digitalization, with a particular focus on the roll-out of new technologies like 5G and secure, high-performance infrastructure. Funding for start-ups helps to support and promote innovation.
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable.	The A1 Telekom Austria Group is continually expanding its range of sustainable services for customers in areas including the Internet of Things (IoT) and smart home.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	The A1 Telekom Austria Group contributes to sustainable production by promoting the circular economy and engaging in systematic lifecycle management. Recycling and reuse initiatives like the mobile phone recycling program help to encourage sustainable consumption.
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	The A1 Telekom Austria Group contributes to climate protection with measures to improve energy efficiency, products and services for lowering CO_2 emissions, and additional initiatives like the carbon-neutral network.

A1 Telekom Austria Group: Part of América Móvil

The A1 Telekom Austria Group has around 25 million mobile and fixed-line customers in seven core markets in Central and Eastern Europe and is a converged operator in six of these markets already. With América Móvil as its majority shareholder, the Group forms part of a world-leading multinational telecommunications group. América Móvil has 278 million mobile customers and 84 million fixed-line RGUs as well as subsidiaries in 25 countries in North, Central and South America and Europe. As part of América Móvil, the A1 Telekom Austria Group also benefits from economies of scale and the strength of a global corporation, giving it advantages and synergies in areas including product development, technology and procurement.



2019	Total revenues (in EUR bn)	EBITDA (in EUR bn)	Market potential [1] (in million)	Mobile communications customers (in million)	Revenue-generating units (RGUs) (in million)
A1 Telekom Austria Group	4.6	1.6	41	21.3	6.1
América Móvil	46.7	14.6	938	278.0	84.0

1) Population in footprint

Exchange rate EUR / MXN (Mexican Peso, period average): 21.55

Future-proof technologies and innovation.

With innovative technologies and future-proof infrastructure, the A1 Telekom Austria Group presents itself as an ideal partner for digital transformation.

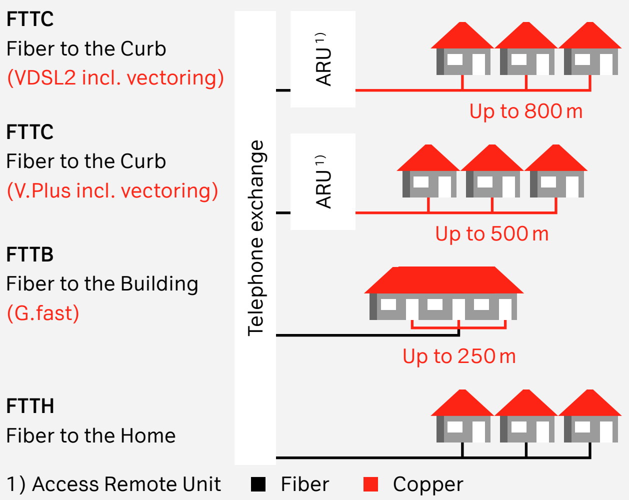
The age of digital transformation is characterized by steadily increasing demand for bandwidth and data. In more and more areas of professional and private life, connectivity with innovative, digital products and services plays a major role. The high-performance and future-proof infrastructure of the A1 Telekom Austria Group provides a reliable basis for this. Accordingly, it was continuously expanded once again in 2019. Convergence, i.e. the intelligent combination of mobile and fixed-line network infrastructure, enables efficient and regionally extended coverage with increasingly large bandwidths. That is why the A1 Telekom Austria Group is already present as a convergent provider in six out of seven core markets in its operational footprint (Austria, Bulgaria, Croatia, Belarus, Slovenia and North Macedonia). In order to account for the requirements of mobile communication technologies such as 5G and new services based on them, the roll-out of fiber to mobile base stations is being driven forward. 5G, the Internet of Things (IoT) and cloud-based services for the B2B market also require high computing capacities. As a result, data centers are increasingly gaining in importance as the third pillar of the A1 Telekom Austria Group's infrastructure strategy.

Capital expenditures (CAPEX) excluding frequencies made by the A1 Telekom Austria Group amounted to EUR 797.7 mn in the financial year 2019, whereby broadband expansion was one of the focus areas.

Fixed-line broadband expansion

In Austria, the fixed-line broadband expansion was continuously driven forward by the accelerated fiber roll-out in the form of FTTC (fiber to the curb), FTTB (fiber to the building) and FTTH (fiber to the home). Fiber is getting ever closer to the customer, and newly developed areas are being connected via fiber. In addition, the capacity of existing copper lines is being increased. In 2019, the fiber infrastructure of A1 in Austria was expanded by about 7,000 kilometers to a total of about 54,000 kilometers, and 92 % of all Austrian municipalities have at least one fiber optic access point. In the past year, more than 200,000 households were newly connected to the fiber network.

Fixed-line technologies



Network expansion in mobile communications

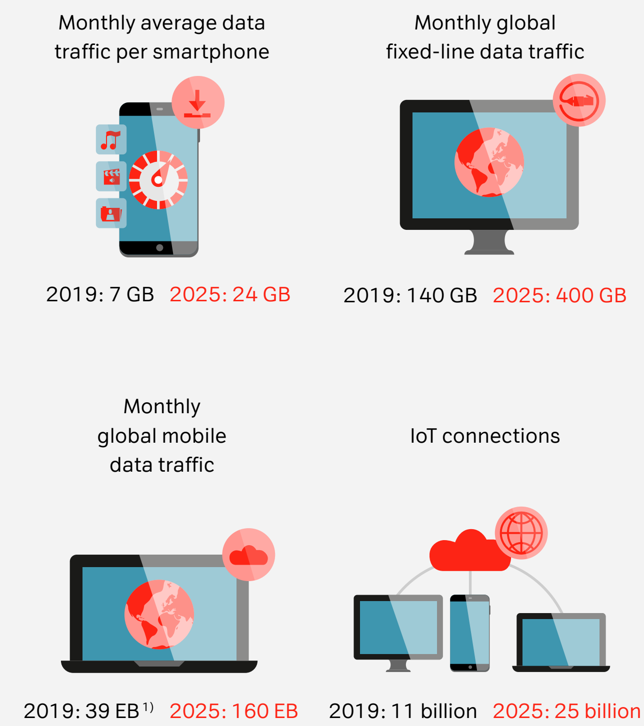
The A1 Telekom Austria Group offers the LTE (long-term evolution) mobile communication standard in Austria, Bulgaria, Croatia, Slovenia, Serbia, and North Macedonia through its own infrastructure. A1 in Belarus has also been offering LTE services to its customers since mid-March 2019. In addition, the roll-out of 4G LTE Advanced Pro further accelerated the expansion in the supply of superfast Internet in Austria, Croatia, Slovenia, Serbia and North Macedonia once again in 2019. To achieve even faster mobile Internet, the A1 Telekom Austria Group is using LTE carrier aggregation with 256 QAM (a modern and high-performance modulation technique) at selected locations in Austria, Croatia and Serbia, enabling data rates of up to 400 Mbps. As part of the roll-out of 4G LTE Advanced Pro, the A1 Telekom Austria Group is also using 4 × 4 MIMO (multiple input multiple output) to increase data transmission speeds on a targeted basis where these capacities are required.

5G: the next generation in mobile communications

Carrier aggregation, complex modulation techniques and even more powerful forms of MIMO (Massive MIMO) play a central role in the new generation of mobile communications, 5G, because they serve as the technological basis for high bandwidths and particularly efficient use of the available frequency bands.

Preparations for 5G were also a key issue in 2019 particularly in Austria. At the frequency auction for the 3.5 GHz range in spring 2019, A1 in Austria managed to acquire between 100 MHz and 140 MHz of bandwidth depending on the region. Besides purchasing these frequencies at auction, A1 has already put an emphasis on the roll-out of mobile base stations with 5G equipment in the year under review. A1 launched its 5G network in January 2020. As of January 2020, A1 customers are able to use the benefits of Austria's biggest 5G network consisting of more than 350 mobile sites.

In the financial year 2020, further frequency auctions will be held in core markets in which the A1 Telekom Austria Group operates. The A1 Telekom Austria Group will continue to press ahead with its 5G roll-out. In general, comprehensive 5G coverage is expected to take four to five years to achieve, similar to the LTE roll-out.

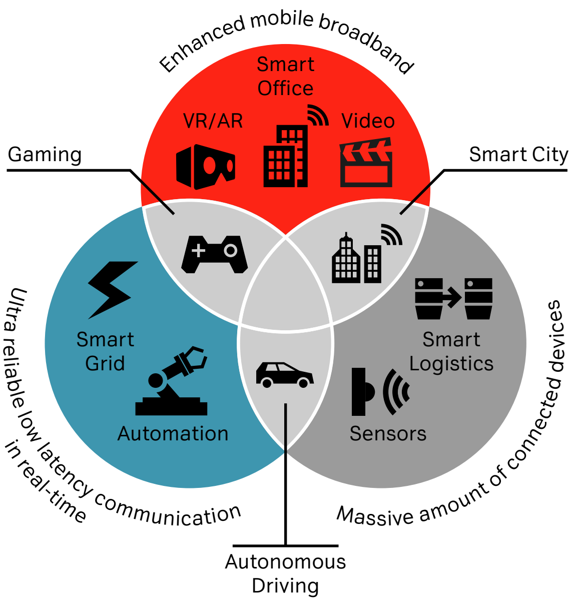


1) One exabyte is equivalent to one quintillion (10^{18}) bytes or one billion gigabytes.
Source: Ericsson Mobility Report (2019)

The A1 Telekom Austria Group enhanced its experience with 5G on various occasions in the financial year 2019. It successfully supplied a gaming convention with 5G in Bulgaria and Croatia respectively in the second half of 2019. In Austria, A1 set up and demonstrated the 5G NSA (non-standalone) New Radio at the European Forum Alpbach 2019 where a very-high-resolution 8K video was streamed via an A1 5G test network (see "5G for retail customers"). The 5G Playground Carinthia was opened in October 2019, which provided a wider public with access to a 5G test field. Intensive work on further use cases is ongoing.

Many industrial partners are attaching increasing importance to 5G solutions, including secure campus networks, i. e. a mobile network that can be used exclusively by a specific customer (by means of network slicing). The A1 Telekom Austria Group meets this requirement with edge computing. Here, applications requiring high computational power run as close as possible to the location where the service is provided in decentralized or regional data centers. For one thing, campus networks offer industrial customers the option to have their own data transmitted using pre-5G or NB-IoT (narrow-band IoT) technology without it leaving the company's own network. For another, campus networks offer the possibility of using dedicated resources for internal communication at the company. In the year under review, the first customer projects of this type were successfully implemented, including Vienna Airport as the first pre-5G campus network in Austria. Network slicing enables maximum performance and security here. The on-site virtual edge computing platform with short latency periods provides security for all critical IT and mobile communication applications at the airport.

Examples of 5G applications



Freight cars are becoming smart

In the light of highly optimized, often global transportation chains to the point of just-in-time production in many industries that require timely, needs-based deliveries of goods, telematics is becoming increasingly important in goods transportation.

The Rail Cargo Group, the goods transportation division of ÖBB (Österreichische Bundesbahnen / Austrian Federal Railways), has commissioned A1 Digital to equip around 13,700 freight cars with an intelligent telematics solution by the end of 2020. By the end of 2019, more than 3,000 freight cars had already been equipped with energy-self-sufficient SmartCargo devices. These have a motion sensor for determining their position and a 3D acceleration sensor for shock detection.

The robust devices provide the precise GPS coordinates of the freight cars at predefined intervals throughout their entire journey. Freely definable geofencing makes it possible to monitor when a freight car crosses national borders or leaves a train station, for example. The information obtained through tracking and tracing enables companies to manage maintenance better and more efficiently.

Data centers as the third pillar of infrastructure

State-of-the-art and highly secure data centers will continue to gain in importance in the future. Accordingly, they represent the third pillar of the A1 Telekom Austria Group's infrastructure strategy alongside mobile and fixed-line networks. The following technological developments play a key role here:

- Network function virtualization (NFV) can be performed in IT data centers with increased agility and standard IT hardware.
- Increasing customer demand for cloud-based solutions (e.g. SaaS [1]), PaaS [2]), IaaS [3])) via secure, local data centers.

1) Software as a Service
2) Platform as a Service
3) Infrastructure as a Service

- Edge computing allows applications such as IoT, advanced analytics and 5G to reveal their full performance capability. In 2019, A1 worked on initial prototype solutions relating to this in Austria. In December 2019, Austria's first edge cloud was used for a virtual reality use case in the 5G Playground Carinthia. Further use cases and deployments are planned for 2020.

The A1 Telekom Austria Group began with network function virtualization (NFV) back in 2017 in Belarus and has now successfully carried this out in all the countries in which it operates.

"A1 Start Up Campus" and research cooperation promote innovation

The A1 Telekom Austria Group has various focus areas in research and development. Here, the topic of innovation has been declared a strategic corner pillar. With the "A1 Start Up Campus" initiative, A1 in Austria helps young companies to realize innovations by providing expertise and infrastructure. In addition to free office facilities with state-of-the-art technology, the "A1 Start Up Campus" offers selected founders data center services and cloud space. Furthermore, the young entrepreneurs can call on advice from A1 specialists in all relevant business disciplines such as marketing, sales and controlling. Support for the start-ups in the area of media relations completes the offering of the "A1 Start Up Campus". In order to also anchor the start-up idea within the company as well as promote employee ideas, the A1 Telekom Austria Group has created the "Intrapreneurship" program. Each year, this gives three teams consisting of employees from the A1 Telekom Austria Group the chance to qualify for the program. If they are chosen, the teams can implement their ideas with full pay and an exemption from their line activities.

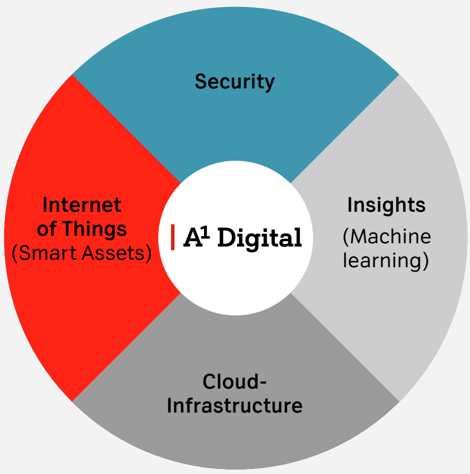
With the "Co-Creation" program, the A1 Telekom Austria Group brings the combination of internal innovative drive and external idea generation to life. The program was launched in spring 2019 with a call to the start-up world to apply to solve special challenges for particular parts of the company. On the topics of "Children and Parents in the Digital World", "New Solutions Based on Big Data", "Cognitive Automation", "Online Marketing Automation" and "Security Services", 240 start-ups registered for a multi-stage selection process. During a three-day innovation camp, employees from several parts of the company worked with ten start-ups to develop solution approaches, of which the best four were then implemented.

Research partnerships with notable scientific and industrial partners and joint projects with national and international institutions are supporting the A1 Telekom Austria Group in the launch of technologies of the future for market- and customer-oriented communications solutions. The A1 Telekom Austria Group is also engaged in projects of automated driving and partnering with innovation laboratories (e. g. "ALPlab" and "DigiTrans"). Furthermore, the A1 Telekom Austria Group has been working on AI-based network planning to support the rollout and management of mobile networks as part of the company's internal project "Superior Analytics of RAN" (SARA). SARA is already being used in operations in Austria, Slovenia, Serbia and North Macedonia and will play a key role in the 5G roll-out. Moreover, the A1 Telekom Austria Group is partnering with the 5G Playground Carinthia, which offers educational and research establishments as well as companies and start-ups the unique opportunity to test products and applications around 5G and subsequently the Internet of Things (IoT) under laboratory conditions, try them out in live operation and develop them to the point of market maturity.

A1 Digital unleashes digital potential for companies

The dynamic digital transformation has fundamental implications for business models and processes in almost all economic sectors. This makes digitalization a central strategic issue with a view to ensuring competitiveness in this environment. A1 Digital supports companies to use the associated potential to their advantage and turn it into business success. The fact that Gartner [4] for the first time positioned A1 Digital in 2019 in the renowned Magic Quadrant for world-wide Managed IoT Connectivity Services confirms this course. A1 Digital scores with on-schedule project execution, high reliability and budget adherence through transparent pricing models.

The geographical focus of A1 Digital – founded at the beginning of 2017 as a company of the A1 Telekom Austria Group – is on Germany, Austria and Switzerland, but also encompasses other markets in which the Group operates in Central and Eastern Europe. The company's product portfolio is highly intertwined due to a holistic approach: A1 Digital offers itself as an expert partner for the implementation of solutions in the areas of the Internet of Things (IoT; "smart assets"), security, machine learning ("insights") and secure cloud platforms (scalable European infrastructure).



4) Gartner, Magic Quadrant for Managed IoT Connectivity Services, Worldwide, Pablo Arriandiaga, Eric Goodness, et al., 12. December 2019.

Excellent network quality awards in 2019

- Chip network test: Winner (Austria)
- futurezone network test: Winner (Austria)
- Smartphone Magazin network test: Winner (Austria)
- Systemics: Best mobile network (Austria)

Excellent service quality awards in 2019

- connect mobile phone shop test: Winner (Austria)
- Top Service Österreich for customer-oriented communications companies: Winner (Austria)
- PC Magazin customer barometer test: Winner (Austria)
- connect broadband hotline test: Winner (Austria)
- Österreichische Gesellschaft für Verbraucherstudien (ÖGVS) mobile phone shop service test: Winner (Austria)
- ÖGVS B2B internet provider: Winner (Austria)
- ÖGVS TV provider with the highest customer satisfaction: Winner (Austria)
- connect service app test: Winner (Austria)
- Smartphone readers' choice as best mobile provider: Winner (Austria)

5G for retail customers – European Forum Alpbach 2019

At the economic discussions as part of the European Forum Alpbach 2019, A1 in Austria for the first time in the German-speaking world streamed a very-high-resolution 8K video via an A1 5G test network and thereby provided an exclusive insight into the future of entertainment.

A Hollywood blockbuster in 8K quality will amount to a data volume of over 100 GB. The rapid development of bandwidth-intensive applications like this and the trend towards real-time applications in particular mean that the fast roll-out of 5G as a dense network is vital.

Customer orientation

The technology and infrastructure of the A1 Telekom Austria Group provides the solid foundation for a wide and innovative portfolio with which the Group meets the needs of its customers in a targeted way.

In order to identify present and future customer requirements and to find out how its products and services are received by the market, the A1 Telekom Austria Group uses a variety of information channels: shops and service lines, social media such as Facebook, Twitter and YouTube as well as customer apps and specially established support communities.

Around 70% of customers in contact via one of the customer interfaces would "definitely recommend" the A1 Telekom Austria Group, while the Group was also able to maintain customer satisfaction at a consistently high level during 2019.

With its Internet portfolio, the A1 Telekom Austria Group offers an attractive solution for every customer requirement. In addition, the traditional fixed-line broadband offering in Austria is being supplemented by a hybrid modem that combines the performance of the DSL fixed-line broadband connection with LTE when necessary. Thus, transmission rates of up to 150 Mbps can be achieved. In this way, more households can be reached with higher bandwidths. Moreover, mobile WiFi routers ("Net Cube") offer absolute flexibility via the mobile network in six of the Group's seven core markets and round off the broadband offering.

The Group is taking account of the dynamically changing lifestyle and usage habits in the age of digitalization with an ongoing expansion of its product portfolio. Innovations such as "A1 Smart Home", "A1 Xplore Music" and "A1 Xplore TV Streaming" are good examples of this. In 2019, the new products "A1 Xplore TV" (for at home and on the move) and "A1 Xplore TV Streaming" (for watching TV on the move) were introduced in Bulgaria and Austria. Subsequently, they will be rolled out across the Group.

"A1 Smart Home" offers the possibility of conveniently connecting electronic devices in the household, optimally adjusting to the lifestyle habits of the customers and increasing security in their homes. The "A1 Smart Home" service is easy to install and links to an app featuring a user-friendly design through its own gateway. Equipped with innovative, self-learning algorithms, the system, which has its servers exclusively in the EU, creates automation scenarios and proposes them to the customer – such as switching off the heating system when a window has been opened. The Smart Home product was successfully established on the market in six countries (Austria, Bulgaria, Croatia, Slovenia, Serbia and North Macedonia) in 2018 and 2019 and has also been further developed.

With programs such as “Connect Plus”, convergent A1 customers in Austria are offered attractive benefits such as additional data allowances, discounts, exclusive products and TV content, as well as discounted smartphones with “My Next” for all A1 mobile customers. Furthermore, loyalty programs such as “A1 Smile” in Austria, “A1 Club” in Bulgaria or “Vip Plus” in Serbia provide further incentives such as offers from third-party suppliers and invitations to exclusive events.

With more than 1.9 million active users every month, the self-care app is an important service channel for many customers. It allows them to inquire about used free units quickly and easily, view invoices, change tariff, manage add-on packages and much more.

The best possible digital customer experience is also at the heart of the A1 Telekom Austria Group’s new shop design. Besides personal assistance and geographical proximity, the innovative concept offers the perfect atmosphere for trying out products, discovering exciting solutions that make digitalization come alive, interactive guidance via touchscreens and the latest design with a feel-good factor. In addition to this, A1 employees are available for a video call via the A1 Live Shop at www.A1.net/liveshop and are thus able to help Austrian customers when the conventional online shop reaches its limits.

Ecological network design

The A1 Telekom Austria Group’s greatest environmental impact results from the power consumed in operating its networks. This accounts for around 80% of its total energy needs. The new mobile telecommunications standard 5G enables even faster data transmission and larger bandwidths. At the same time, an increase in power demand is expected in connection with 5G communication. The A1 Telekom Austria Group has already been focusing on improving its energy efficiency for years in order to decouple rising data volumes from the associated energy consumption. In addition to high service quality, the fact that the subsidiaries of the A1 Telekom Austria Group are using the latest RAN (radio access network) components ensures energy efficiency at the company.

For that reason, old components are being replaced in the course of the ongoing LTE roll-out. Moreover, innovative cooling methods such as hot-spot suction, cold-aisle containment or heat recovery systems yield a reduction in power demand of up to 75 % when compared with conventional cooling systems. The A1 Telekom Austria Group has set itself the long-term target to increase energy efficiency by 80 % (baseline 2019) until 2030. From 2018 to 2019, energy efficiency [2)] was already improved by 8 %. In 2019, the total energy consumption of the A1 Telekom Austria Group amounted to 839,567 MWh, while power demand was 717,145 MWh, of which 50 % was drawn from renewable energy sources.

The A1 Telekom Austria Group follows fundamental ecological principles in lifecycle management with a view to preventing waste, preserving resources and keeping valuable raw materials in circulation for as long as possible (reduce – reuse – recycle). Devices or installations that no longer function are systematically dismantled and their components properly recycled (see “Sustainability”).

Energy from sustainable sources

Efficiency measures alone cannot save the entire amount of electricity needed. That is why the A1 Telekom Austria Group meets power demand that cannot be eliminated as sustainably as possible. For instance, by using power generated from renewable sources such as the sun, water or wind (see “Sustainability”). Since mid-2016, the A1 Telekom Austria Group’s largest photovoltaic farm has been located in Belarus. Covering an area of 41 hectares, it produces around 27 GWh of electricity per year using 85,000 photovoltaic panels. In Austria, Bulgaria, Croatia, Belarus, Slovenia and Serbia, around 100 mobile base stations are operated using solar and wind power or hydrogen fuel cells.

2) Energy efficiency is defined as electricity consumption per terabyte of data transported.

Electromagnetic fields

Despite research results like those of the EU Commission's Scientific Committee on Emerging and Newly Identified Health Risks (SCENIHR), which show no causal relationship between mobile communications and impairments to health, there is constant speculation regarding mobile communications in relation to electromagnetic fields (EMF). In Austria, the international limit value recommendations from the EU, WHO and ICNIRP (International Commission on Non-Ionizing Radiation Protection) are implemented in the current OVE (Österreichischer Verband für Elektrotechnik – Austrian Electrotechnical Association) guideline R 23-1 from 2017, the application of which is mandatory. The A1 Telekom Austria Group adheres to, and even stays well below, all limit values of the ICNIRP/WHO for base stations and mobile devices in daily operations.

German consumer organization Stiftung Warentest published a fact check in September 2019 that comes to the conclusion that, with a high degree of certainty, it is possible to rule out health risks being caused by mobile communications. Statements made by some people opposed to the fifth generation of mobile communications to the effect that 5G poses a greater risk than other generations are inexplicable. After all, 5G uses similar frequencies, which means that results from previous research on mobile communications can also be transferred to 5G. In actual fact, 5G is a new, ultrafast transmission protocol, i.e. a new "language", while the technology used for transmission, specifically radio up to 300 GHz, is among the most well-researched technical applications. The A1 Telekom Austria Group therefore considers the present precautionary measures equally suitable for 5G. ▪

5G fact check

- ✔ 5G is a new transmission protocol; not a new technology.
- ✔ The form and medium of transmission (radio) have already been in use for a long time and are very well-known.
- ✔ Previous results from research on mobile communications can therefore be transferred to 5G.
- ✔ The international limit values for personal protection were re-evaluated and confirmed in 2018.
- ✔ In Austria, these are described in the OVE guideline R 23-1 and include a 50-fold safety margin.
- ✔ International measurement results show that exposure levels will hardly change with 5G.

Data protection and information security.

All companies of the A1 Telekom Austria Group are committed to maintaining high standards of data protection and information security. They take comprehensive and wide-ranging measures to safeguard the security of customer data.

The A1 Telekom Austria Group consistently adheres to current guidelines and legislation, and uses data only when there is a legal basis for doing so and where required in the course of its work. In addition to the statutory requirements in the respective countries, all companies must also adhere to the information security standards created for this purpose and any other country-specific data security guidelines. At A1 in Austria, for example, comprehensive certificates such as ISO 27001, ISAE 3402 and ECO Datacenter 3.0 attest to these high security standards. The Data Privacy department, which reports directly to the Management Board, is in charge of compliance with statutory and internal data protection regulations at A1 in Austria.

The respective companies of the A1 Telekom Austria Group also cooperate on a regular basis with authorities in the interest of continuously improving cyber security. For example, A1 in Austria was involved in the sector risk analysis conducted by Rundfunk- und Telekom-Regulierungsbehörde (RTR), which aims to analyze risks inherent in the telecommunications industry and use the findings as a basis to develop recommendations for network and service operators and public authorities.

A1's CERT (Computer Emergency Response Team) shares relevant security information within the national CERT association ATC (Austrian Trust Circle), security expertise is shared within the A1 Telekom Austria Group itself and at expert conferences.

A1 Telekom Austria Group certifications

Austria
- ISO 27001
- ISAE 3402
- ECO Datencenter 3.0

Bulgaria
- ISO 27001

Croatia
- ISO 27001

Belarus
- ISO 27001
- PCI DSS

Slovenia
- ISO 27001

North Macedonia
- ISO 27001

A1 Digital
- ISO 27001
- ISO 27018

A lot of data is obtained from communicating on a large scale

The European Union's General Data Protection Regulation (EU GDPR) has been in force since May 25, 2018. The A1 Telekom Austria Group places particular emphasis on rigorously implementing legal data protection provisions like this, using international information security standards as a guideline, and consistently adhering to the latest directives and regulations because handling customer data securely and sensitively is a top priority for the Group.

All employees of the A1 Telekom Austria Group are committed to maintaining confidentiality and are well aware of the importance of information and data security – and these behaviors are fostered through internal and external guidelines and training.

There is also a cross-national Group Data Privacy Governance guideline, which gives guidance on how to implement a data privacy management system.

Transparent communication with the financial markets.

The Investor Relations' communications policy again focused on the systematic execution of the corporate strategy and the resulting strong operating results in 2019.

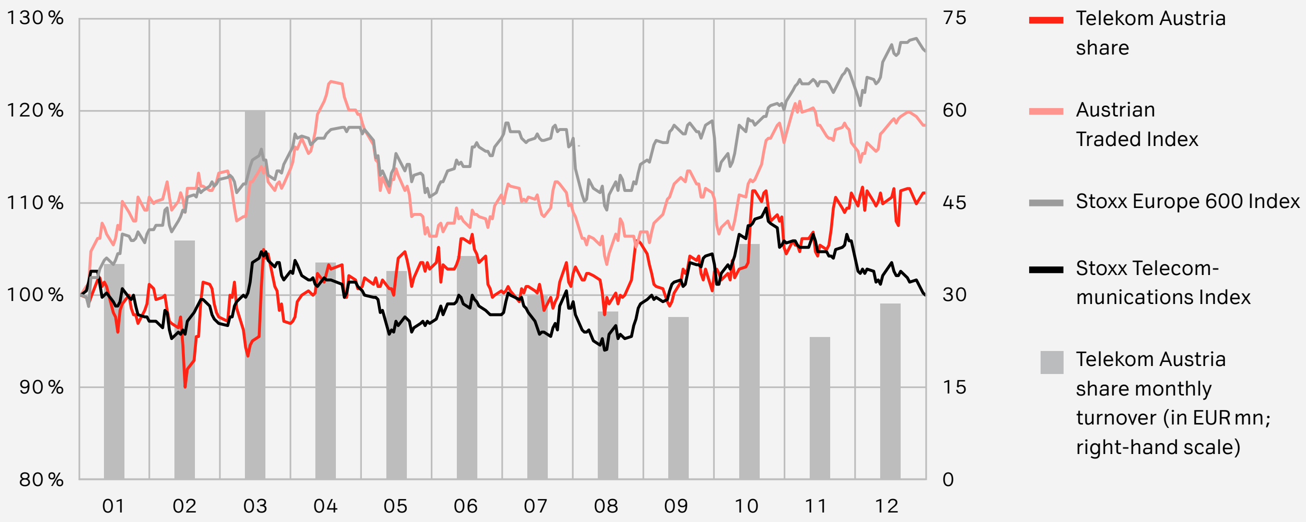
Share price performance and sector comparison

The European stock markets began 2019 with positive performance, which the Telekom Austria stock price and the telecommunications sector in general did not match. Despite solid figures, the Telekom Austria stock price lost ground following the publication of the annual results for 2018 and reached its low for the year of EUR 5.90 on February 14, 2019, before quickly recovering. Having risen consistently, the European stock markets experienced a sharp downturn in mid-April as a result of the political tensions between the US and Iran as well as the intensification of the trade dispute between the US and China, which included Huawei being banned by the US. Meanwhile, the Telekom Austria stock price recovered again and recorded a volatile upward trend until midway through the year.

The Telekom Austria stock price fell sharply in late June, approaching the performance of the sector as a whole. The European stock markets also saw weak performance at this

Development of Telekom Austria share price

indexed from January 1, 2019



Key figures of the Telekom Austria share

	2019	2018
Share price low (in EUR)	5.90	6.11
Share price high (in EUR)	7.54	8.42
Share price as of December 31 (in EUR)	7.28	6.64
Market capitalization as of December 31 (in EUR bn)	4.8	4.4
Average daily stock market turnover (in EUR mn)	1.6	2.0
Number of shares of common stock as of December 31	664,500,000	664,500,000
Number of shares outstanding as of December 31	664,084,841	664,084,841
ATX weighting as of December 31 (in %)	2.0	2.1

time, but they subsequently recovered following the ECB's announcement that it was not ruling out measures to counteract an economic slowdown in the euro zone. A further escalation of the US-China trade dispute and weaker economic indicators then led to falling prices across all stock markets. Performance on the European market improved in September and remained strong until the end of the year. The sector also recovered after the summer but lost ground in the last months of trading, resulting in stable overall year-on-year performance (+0.1 %). The Telekom Austria stock price benefited from the positive market sentiment and the Group's strong quarterly figures to reach its high for the year of EUR 7.54 on October 21, 2019. It largely refrained from the subsequent downturn that affected the sector as a whole, slipping only slightly to close the year up 9.6 % at EUR 7.28. The Austrian benchmark index, the ATX, rose by 16.1 % in 2019.

Shareholder structure

as of December 31, 2019

Shareholders[1]	Ordinary shares	Holdings in %
América Móvil	338,895,000	51.00
ÖBAG (Republic of Austria)[2]	188,876,602	28.42
Free float incl. employee stocks and treasury shares	136,728,398	20.58
Total number of shares	**664,500,000**	**100.00**

1) As filed for the Annual General Meeting held on May 29, 2019.
2) The ÖBIB (Österreichische Bundes- und Industriebeteiligungen GmbH) was transformed into the ÖBAG (Österreichische Beteiligungs AG) on February 20, 2019.

No shareholding notifications were reported in accordance with sections 130 et seq. of the Austrian Stock Exchange Act in financial year 2019.

Dividend

Based on improved operational and financial performance of the Group, a new expected dividend level was agreed by América Móvil and Österreichische Beteiligungs AG (ÖBAG) in 2016. Starting with the 2016 financial year, the new expected dividend entails the payment of EUR 0.20 per share, with this figure to be increased on a sustainable basis in line with the operational and financial development of the Group. In this context, the Management Board plans to propose a dividend of EUR 0.23 per share to the Annual General Meeting 2020 for the financial year 2019.

A1 Telekom Austria Group outstanding bonds

as of December 31, 2019 (issuer: Telekom Finanzmanagement GmbH)

ISIN	Announcement date	Maturity	Volume (in EUR mn)	Coupon
XS0767278301	March 26, 2012	April 4, 2022	750	4.000%
XS0950055359	June 27, 2013	July 4, 2023	300	3.500%
XS0999667263	November 26, 2013	December 3, 2021	750	3.125%
XS1405762805	November 30, 2016	December 7, 2026	750	1.500%

Basic information on the Telekom Austria share

ISIN	AT0000720008
Symbol	TKA
Reuters	TELA.VI
Bloomberg	TKA AV
Listing	Vienna Stock Exchange ATX Prime Market
American depositary receipts (ADR)	1 ADR = 2 ordinary shares

Financial debt and ratings

The A1 Telekom Austria Group makes active use of the international and local debt capital markets in order to ensure that its financing is broadly diversified both regionally and in terms of its investor base.

Since its first bond in 2003, the A1 Telekom Austria Group has issued a total of nine benchmark bonds, including the first hybrid bond in the European telecommunications sector.

External ratings and outlook

	Rating	Outlook
Moody's	Baa1	Stable
S&P	BBB+	Stable

Credit Ratings

Telekom Austria AG is regularly rated by Moody's Investors Service and Standard & Poor's Global Ratings. On July 8, 2019, Moody's confirmed its Baa1 rating. On August 12, 2019, Standard & Poor's raised its rating for Telekom Austria AG from BBB to BBB+ on the back of solid operating results and the sustained reduction in debt, as well as the increasingly robust free operating cash flow.

Spread development

The liquidity of corporate bonds typically declines significantly a certain time after being issued. As credit default swaps (CDS) are not affected by this liquidity reduction, it is standard international practice to use five-year CDS when analyzing spread development.

Telekom Austria AG's five-year CDS spread remained at a low level in the year under review. The risk premium reached its high for the year of 38 points on January 3 before falling slightly in the following months and tracking sideways at around 30 basis points.

The Markit iTraxx Europe Index also climbed at the start of the year, reaching over 90 points before declining to around 60 points. Following a brief rise in May, the Markit iTraxx Europe Index continued its downward trend. As a result, Telekom Austria AG's five-year CDS spread also reached its low for the year of 18 basis points on September 12.

Credit spreads for the market as a whole and for Telekom Austria AG rose temporarily in October before declining again toward the end of the year. Telekom Austria AG's five-year CDS spread closed the year at around 19 basis points, while the Markit iTraxx Europe Index closed at around 44 basis points. ▪

2020 financial calendar

April 28, 2020	Results for the first quarter of 2020
Week of July 13, 2020	Results for the first half 2020
September 14, 2020	Record date
September 24, 2020	Annual General Meeting
Week of September 28, 2020	Dividend ex-date
Week of September 28, 2020	Dividend record date
Week of September 28, 2020	Dividend payment date
Week of October 12, 2020	Results for the first nine months 2020

Status as of April 21, 2020.

New ways of working in the digital age.

The A1 Telekom Austria Group is focused on an agile, results-oriented way of working in the interests of its customers. To this end, it promotes creativity, Group-wide cooperation and a culture of constant learning – especially with regard to digital skills.

As of year-end 2019, the A1 Telekom Austria Group employed more than 18,000 people. It views its diversity in terms of culture and ethnicity as well as age and gender as one of its particular strengths. Its strategy and the corporate culture that is actively put into practice follow the Group's common purpose of "Empowering digital life".

Consistent A1 employer brand throughout the Group

The roll-out of its strong A1 brand to the entire operational footprint underscores the sense of identity of the A1 Telekom Austria Group across regions and cultures ("One company").

Our employer value proposition

Building on this, A1 presents itself as an attractive, international employer brand. Due to the particular value placed on diversity in the corporate culture, the Group, under this brand, appeals not only to the best talents internationally, but also to the widest possible variety of talent.

For this purpose, a new A1 jobs page was launched at jobs.A1.com in 2019. This provides interested parties with information on all companies and job offers within the A1 Telekom Austria Group. The application process uses modern methods such as video recruiting. In addition, this also includes asking about the experiences of applicants with the process, which are then used for its ongoing optimization.

The basic self-conception of the Group and its expectations in respect of current and future employees is expressed in its employer claim #MakeItHappen. It stands for the belief that they all possess the energy, willingness and predisposition for taking responsibility within themselves to develop at the A1 Telekom Austria Group and to make an agile, self-motivated contribution to achieving corporate goals in the interests of the customers. In turn, the company ensures that this can take place while taking into account the need to combine work with personal and family requirements.

The potential of diversity

Teams with a variety of personalities, views and areas of expertise open up alternative approaches to problem-solving and, as has been proven, achieve better results as a consequence.

Based on this belief, the A1 Telekom Austria Group signed the "Diversity Charter" as early as 2014. In doing so, it publicly committed to harnessing and preserving the wealth of cultural traditions and skills in the regions in which it operates. The Group also takes a clear stance on the topic of equality for women: equality of opportunity is a fixed criterion in all of its activities. A variety of programs are intended to improve women's career opportunities and to improve the compatibility of family and career – for both women and men.

For example, A1 in Austria held a "Design Thinking Workshop" on this specific topic where employees could contribute new ideas. A concept developed at the event to open up all internal job vacancies – both with and without managerial responsibility – to part-time applications was implemented in Austria in 2019. In addition, a successful women's network established in Austria by female employees offers a platform for exchanging ideas, sharing expertise and providing support to one another. Regular networking meetings for women ("Women's Network Lunch") allow for focused exchanges and promote mutual support in a professional context. With initiatives like these, the A1 Telekom Austria Group is making it clear that gender, culture and age are not relevant factors, but rather only commitment, personal responsibility and performance.

The A1 Telekom Austria Group has set itself the goal to increase the share of women in leadership positions to 40%, while raising and keeping the overall share of total women above 40%.

Culture & leadership: A1 voices, 360° feedback and leadership ambitions

The Guiding Principles of Team, Trust and Agility form the basis of cooperation and the corporate culture at the A1 Telekom Austria Group. Conscious that the new working environments in the age of digitalization also demand a new setup for Group-wide cooperation and restructured roles, employees and managers are optimally prepared for the digital transformation under the motto #MakeItHappen.

Advancement plan for women

- Promoting reconciliation of work and family
- Equal career advancement and development opportunities
- Zero tolerance of sexual harassment, bullying at the workplace
- Networking support for women within the company

The A1 Telekom Austria Group's Guiding Principles

Team
In working together, we combine our abilities and strengths in order to meet our customers' expectations. It is important for us to communicate openly and transparently and to act as a team. Everyone's opinion matters – and everyone is encouraged to take action.

Trust
Through trust, we create an environment that promotes curiosity, openness, and cooperation. We stand by what we say and we keep our promises. We believe in the knowledge and abilities of all employees. We act with integrity in our dealings with each other, with customers, suppliers, and partners. This helps us to get a little better every single day.

Agility
The digital world is not going to wait for us to be ready for it. So we make decisions and implement them quickly. We learn in our day-to-day work, talking with co-workers and on our internal learning and social collaboration platform. We learn from our mistakes and are constantly striving to take the next step.

Open-space working environment Bulgaria

In order to also renew the leadership culture accordingly and continue to develop it, the A1 Telekom Austria Group launched its Leadership Initiative in 2018. As part of this, the Leadership Ambitions were developed for all managers and implemented in the leading companies in the Group in 2019. An individual determination of position in relation to the ambitions for every manager as well as options for further development is enabled by the 360° Feedback as an important element of the Leadership Initiative.

In addition, the Group-wide employee survey "A1 Voices" was carried out in 2019. The participation rate was 74%. At 76%, the engagement index (employee retention indicator) was above the European benchmark (73%) [1]. The survey inquired about the NPS (Net Promoter Score, or recommendation rate): 73% of the employees recommend the company as an employer. When asked whether the A1 Telekom Austria Group is successfully helping to shape the digital transformation of society, 82% agreed, which was a very positive result.

1) Average of European companies by Mercer | Sirota

Agile collaboration

Agility is a key element of the Guiding Principles, and these – as well as the "One company" Group-wide sense of identity and constant learning – are an important aspect of the corporate culture at the A1 Telekom Austria Group. The employees are encouraged to cooperate across national borders and divisional lines in teams characterized by diversity in an agile and even more self-organized way. Projects are tested in different countries and rolled out across the Group if successful.

For example, the Information Technology unit in Austria was reorganized and set up for completely agile operation in early November 2019. Here, traditional leadership structures were replaced by agile role profiles (agile master, product owner, agile coach, people & resource manager, tribe leader). At the end of 2019, around 54 IT staff were employed in these roles.

A1 in Croatia worked on more than 12 agile projects in 2019. As with other examples of agile collaboration within the Group, it became apparent here that this setup enables teams to employ a more open mindset, better identify the needs of customers and address these in a more targeted way as a result. In the process, experts with different skills rely on cooperation that is as close as possible, keep distances short and keep exchanges of information informal and simple.

The use of flexible and mobile working models has been continuously expanded throughout the Group in recent years. At the headquarters of the A1 Telekom Austria Group in Austria, the conversion to an open-space working environment was finalized in early 2019. In Bulgaria, this progressed far in the year under review and was completed at the beginning of 2020. In North Macedonia, innovative working models and modern office solutions have been established with the "A1 Flexi Time" and "A1 Flexi Place" models.

Group-wide communication is facilitated by channels such as the regularly published formats "A1 Minute" (video compilation of the latest company news) and "A1 Stories" (A1stories.com), the digital employee magazine that is also available externally. On "Workplace", the Group's internal social collaboration platform, "Friday Coffee" takes place at regular intervals. This feature, which focuses on topics concerning corporate strategy, sees experts and the Leadership Team report on current projects or news from the various countries.

After every international meeting of the A1 Telekom Austria Group's Leadership Team with all CEOs, a video report on the event is made available. After all, transparent and prompt communication at this level actively involves the employees and provides guidance on strategic topics at first hand.

Social dialog

Social dialog plays an important role within the A1 Telekom Austria Group. The European Works Council with employee representatives from EU countries meets several times a year. In addition, a regular exchange with the workforce representatives takes place at the Group level and the local level. Employee representatives account for a third of the members of the Supervisory Board of Telekom Austria AG.

Constant learning: fostering curiosity about new things

Digitalization, and innovative communication solutions based on it, create – not least for the employees of the A1 Telekom Austria Group – entirely new opportunities, but also challenges in the design of working and learning environments. Working together independent of time and place as well as communicating and sharing via internal social networks or knowledge platforms offer enormous potential for promoting skills development and improving productivity and the appeal of the working environment overall. Constant learning is a key concept when it comes to recognizing the opportunities that this brings in the light of dynamically changing jobs and environments. Accordingly, the A1 Telekom Austria Group is also increasingly making use of its central digital learning platform. Its new Group-wide eCampus enables all employees to complete training courses flexibly and at any time, removing time and location as factors in the process. "Workplace" facilitates cooperation in international project groups and virtual teams across divisional lines as well as knowledge transfer.

The extensive offering of the Group-wide eCampus shows the extent to which digital learning is promoted and called for in the A1 Telekom Austria Group. This platform includes learning formats and content developed in-house as well as offerings from partners such as O'Reilly, Udemy, Bookboon and LinkedIn Learning. In 2019, 116,631 courses were completed by A1 employees.

In order to provide the employees with guidance on the wide range of this digital offering, the "A1 Learning Topic" has been established. For roughly two months at a time, a topic is prepared specifically for them in order to create a basic understanding of it (e.g. marketing automation, advanced analytics, process automation, agility, 5G, etc.) by means of a mini educational trail. For experts on the topics, more in-depth programs are available in blended learning formats. These Group-wide offerings are complemented and enhanced by local offerings in the individual countries.

In order to meet its future requirements for young skilled personnel, the A1 Telekom Austria Group trains apprentices itself. In 2019, there were 100 apprentices in training at A1 in Austria. E-commerce has been designed as a new apprenticeship and was advertised for the first time at the end of 2019.

An active contribution to sustainability.

The A1 Telekom Austria Group is committed to sustainable progress in the areas of business, the environment and society.

Digitalization harbors vast potential – and not just in terms of economic growth, efficiency enhancement and customer-oriented services. It can also be an instrumental contributing factor to greater equality of opportunity in society, ecological sustainability, and the preservation of resources in the interests of people and the environment. Digital media, for instance, are an important basis for equal access to information, education and knowledge. And not least because digitalization has the potential to mitigate negative environmental impacts and wastage of resources, and thereby support the fight against climate change. With objectives like these – and in keeping with its common purpose of "Empowering digital life" – the A1 Telekom Austria Group has long since gone from being a provider of just infrastructure, connectivity and bandwidth to becoming a holistic pioneer and companion for digital transformation.

Digitalization and climate protection

The main drivers of climate change and global warming are the emissions of greenhouse gases – particularly CO_2 – produced by human activity. In this regard, it is believed that digitalization and the technologies it involves do, on the one hand, have the potential to mitigate negative environmental effects such as CO_2 emissions and the shortage of resources – and thereby have an impact in the fight against climate change. But, on the other hand, the development of ever more powerful infrastructure and the use of digital technologies also have the potential to increase our demand for energy – particularly electricity – and resources. Consequently, resources must be used as efficiently as possible so that an increase in data volume does not result in comparatively more energy demand and CO_2 emissions. Studies on future energy consumption of the ICT industry show a mixed picture, and one must be careful when citing studies that point in one or the other direction in terms of environmental impact. In particular, positive environmental effects, e. g. replacing physical travel with digital communication, must be taken properly into account when assessing the environmental net impact of the ICT industry. Nevertheless, actively assuming corporate responsibility requires the ICT sector to take steps to deliver its services in the most ecofriendly manner possible.

The A1 Telekom Austria Group therefore believes that it has an obligation to make its infrastructure as sustainable as possible. Energy-efficiency-enhancing measures (see “Technology and Innovation”) play a key role in this regard. Another important aspect is for the company to meet its energy requirements as sustainably as possible. It does this, in particular, by using electricity from renewable sources, such as solar, hydro and wind. The Austrian subsidiary operates its entire network on a 100% carbon-neutral basis since back in 2014. The A1 Telekom Austria Group also operates two large photovoltaic farms of its own: one in Belarus, since 2016 that produces more than 27 million kWh per year and one in Austria, since 2013 that produces around 125.000 kWh of electricity per year. At the same time, the Group uses innovative logistics concepts and video conferences and implements digital solutions that enable flexible and mobile forms of work (see “Employees”) in an attempt to reduce the number of kilometers traveled by its vehicle fleet. It also uses sustainable propulsion models such as gas, hybrid and electric vehicles.

With respect to energy efficiency, the A1 Telekom Austria Group has set itself the target to increase energy efficiency by 80% (baseline: 2019) until 2030 [1]. In the year under review, energy efficiency was already increased by 8%. In addition, the A1 Telekom Austria Group has set itself the goal to reach net carbon neutrality by 2030 by reducing its carbon footprint and a gradual switch to renewable energy sources.

Certified environmental management systems

Austria
- EMAS (since 2013)
- ISO 50001 for energy management (since 2008)
- ISO 14001 for environmental management (since 2004)

Bulgaria
- ISO 14001 (since 2018)

Croatia
- ISO 14001 (since 2019)

Slovenia
- EMAS (since 2014)
- ISO 14001 (since 2009)

Serbia
- ISO 14001 (since 2015)

North Macedonia
- ISO 14001 (since 2016)

1) Energy efficiency is defined as electricity consumption per terabyte of data transported (2018: 0,18 MWh/terabyte; 2019: 0,17 MWh/terabyte).

Green telephone exchanges

In September 2019, A1 decided to expand the “energy-efficient telephone exchanges” pilot project, which has been ongoing since 2017, to other locations in Austria. As well as using hotspot suction as an energy-efficient cooling technique, heat pumps are also used to cover the heat requirements of five telephone exchanges. Photovoltaic systems were also implemented in ten exemplary telephone exchanges to achieve further energy-efficiency increases, resulting in a theoretical energy-saving potential of up to 30%.

Life cycle management

One consequence of the digital transformation is the constant use of new technologies and devices as well as components to optimize efficiency and performance. Moreover, the replacement of mobile devices takes place at increasingly faster rates. The A1 Telekom Austria Group makes fundamental ecological principles a top priority with a view to preventing waste, conserving resources and keeping valuable raw materials in circulation for as long as possible. Continuous lifecycle management ensures that resources in circulation can be used for as long as possible—without physical or chemical transformation. The subsidiaries in Austria and Bulgaria also reuse devices that have been returned to them and that are still functional and technologically up to date. In Bulgaria alone, approximately 10,000 devices a month undergo this refurbishment process. When devices or equipment can truly no longer be used, they are dismantled at the respective locations, separated systematically by category of waste (circuit boards, copper, iron, tin, etc.) and properly recycled.

The A1 Telekom Austria Group also contributes to preserving resources by recycling mobile phones – even though the Group itself does not manufacture mobile devices. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some have even been doing this since 2004. Between 70% and 80% of the components of these old devices can be recycled and reused as raw materials by specialist recyclers to which they are passed on. In Austria, for example, 100% of the proceeds from mobile phone recycling go towards climate protection projects. Until 2030, the A1 Telekom Austria Group aims to push a circular economy in the company and to collect yearly around 50,000 old devices for recycling. In 2019 alone, the Group as a whole collected 64,500 devices.

The digitalization of internal work processes is also classed as a top priority when it comes to conserving resources. In Field Service, for example, digital logbooks for drivers, plans and assembly orders are increasingly being used. This saves around 230,000 sheets of paper per year in Austria alone. Besides the digitalization of internal work processes and the use of follow-me printers, internal campaigns raise environmental awareness among employees and get them actively involved in green activities.

Quality, security and ecological value added

Via its housing services, the A1 Telekom Austria Group handles the operation and maintenance of customers' IT equipment. The quality and standards of its data centers guarantee the highest possible level of security. The same is true for hosting services, where the server infrastructure is outsourced to a data center. The outsourcing of infrastructure allows for electricity to be used more efficiently and CO_2 emissions to be reduced to a minimum. Integrated communication solutions such as video conferencing or chats also make communication with customers and partners more efficient and environmentally friendly. Furthermore, A1 operates its network on a 100% carbon-neutral basis in Austria, thereby reducing not just the company's own CO_2 emissions but those of its customers as well. Services such as those provided by the affiliate A1 Digital (see "Technology and Innovation") also help to reduce the ecological footprint.

A1 Internet for All: digital media literacy promotes equal opportunities

Dynamic digital transformation is continuously associated with innovative applications that enrich our experiences of work, life and entertainment. However, it does require users to keep pace through constant learning – and this, not least of all, affects older generations, who have lived without digital products and services for most of their lives and now find themselves in an increasingly digital society. At the same time, digitalization is sustainably changing job markets and working environments, not to mention the skill sets they require - and this has a corresponding impact on education and training requirements, particularly for children and young people.

With this in mind, the A1 Telekom Austria Group wants to offer added value and build bridges beyond its core business. It regards this as part and parcel of its responsibility to actively support people, and particularly older people, as they take their first steps in the digital world. In tandem with this, the Group aims to get children and young people enthusiastic about digitalization and the technologies it involves from as early an age as possible, and equip them with the necessary skill sets. The "A1 Internet for All" initiative was established in Austria back in 2011 with these very objectives, and since then similar projects and initiatives have been rolled out in other countries where the Group operates. By the end of 2019, people had participated more than 218,000 times.

Sparking interest, breaking down barriers, identifying risks

As part of its digital education focus, the A1 Telekom Austria Group has set itself the target to address 100,000 people until 2023, focusing particularly on children and the youth, with offerings to safely navigate and help them to shape actively the digital world. Diverse workshops designed for school classes use a playful approach to emphasize safe and competent use of media as well. There are also one-week courses, e.g. A1 Coding Labs, that teach the basics of programming and computational thinking. The latter involves teaching pupils how to create simple programs or web applications to solve complex problems or tasks. Some of the content of the workshops is also made available to educators as training materials for their classes. The initiative in Austria offers parents information evenings to learn about children's Internet habits and how to protect them from the potential dangers. The evenings also raise awareness on the negative aspects of Internet use such as cyberbullying, hate posts and excessive consumption of digital media, and provide assistance to those affected. Training for seniors focuses on breaking down access barriers and encouraging experimentation. Modular courses, practical examples for everyday digital life and tips on how to use digital media properly help to get older generations online. Security aspects are included in all workshops for all target groups.

The A1 Telekom Austria Group seeks to enable as many people as possible to experience the advantages of digitalization. It goes without saying that this also applies, not least of all, to people with special needs and from marginalized groups in society. Their specific circumstances in life sometimes lead to a lack of the required media literacy or access to technology. To make an active contribution in this regard as well, the A1 Telekom Austria Group is partnering with various social institutions and working with them to offer enhanced introductory training for the target groups in question.

According to the 2019 scientific evaluation by the NPO Institute of Vienna University of Economics and Business, A1 is making a significant contribution towards closing the "digital gap" in Austria.

Digital products for social inclusion and healthcare

New information and communication technologies can, for example, help the blind or the visually impaired integrate into the general education system without having to use braille.

A1 Coding Labs

The one-week A1 Coding Labs give children and young people between the ages of 10 and 15 the opportunity to create their own computer games for the first time using the programming language scratch. They also have the opportunity of taking their first steps towards professional programming using the programming language python. The children are also taught the basics of robotics, and use LEGO bricks to build a number of models, which they then bring to life using programming language. In 2019, the A1 Coding Labs gave over 50 children and young people an insight into the complex and fascinating world of programming.

A1 in Croatia also offers visually impaired people mobile phones with larger displays or simplified menu navigation. In turn, SMS and chat messages benefit deaf people. A1 in Belarus therefore offers a special reduced tariff for people with impaired hearing.

In a society where people are getting older and older, health naturally plays an essential role and e-health solutions are the future of the healthcare system in many areas. In Austria, A1 already enables a "Medical Data Network" and provides infrastructure for large parts of the Austrian e-card system. The "Medical Data Network" connects doctors, hospitals, laboratories and other healthcare institutions with each other. The multimedia hospital bed, also known as the "e-care terminal", adds variety to a hospital stay with several services and assists with nursing staff's work processes. The move to interconnect Austrian pharmacies and the associated roll-out of e-medication helps to ensure patient safety with regard to the taking of medicines, and gives doctors and pharmacists a good overview of prescribed and dispensed medication. ▪

Successful recertification of the compliance management system.

Compliance is firmly embedded in the corporate culture of the A1 Telekom Austria Group. It shapes the behavior and attitudes of all managers and employees and is underpinned by clear, embodied values and measures to promote proper conduct. An extensive external audit in 2019 reconfirmed the effectiveness of the Group's compliance management system.

The regular review of the compliance management system (CMS) in terms of its adequacy and effectiveness seeks to evaluate whether it meets current compliance requirements and where there may still be potential for improvement. The A1 Telekom Austria Group therefore tasked PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft with the first audit of its CMS back in 2012/2013 and commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft to undertake another audit of its CMS in 2018/2019.

In 2019, innovative audit approaches using advanced analytics methods enabled a thorough and thus a highly informative audit of the effectiveness of the compliance management system. Structured SAP data analyses and process flow analyses were used for ascertaining adherence to compliance requirements and discovering irregularities in general. In addition, the CMS effectiveness audit included a Group-wide survey on the integrity culture and over 100 management interviews. There were also sampling checks of the compliance-related controls covered by the internal control system, compliance process flows, the compliance training concept and the compliance communication measures.

For the areas of anti-corruption and integrity, anti-trust law and capital market compliance in the whole A1 Telekom Austria Group, KPMG issued an unqualified audit opinion for the design, implementation and effectiveness of the CMS in accordance with IDW PS 980 (audit standard of the German institute of auditors for compliance) and classified the CMS in the highest maturity level.

KPMG also confirmed that the principles and measures of the A1 Telekom Austria Group's CMS meet the requirements of ISO 19600 (Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), the European anti-trust legislation and the UN Global Compact.

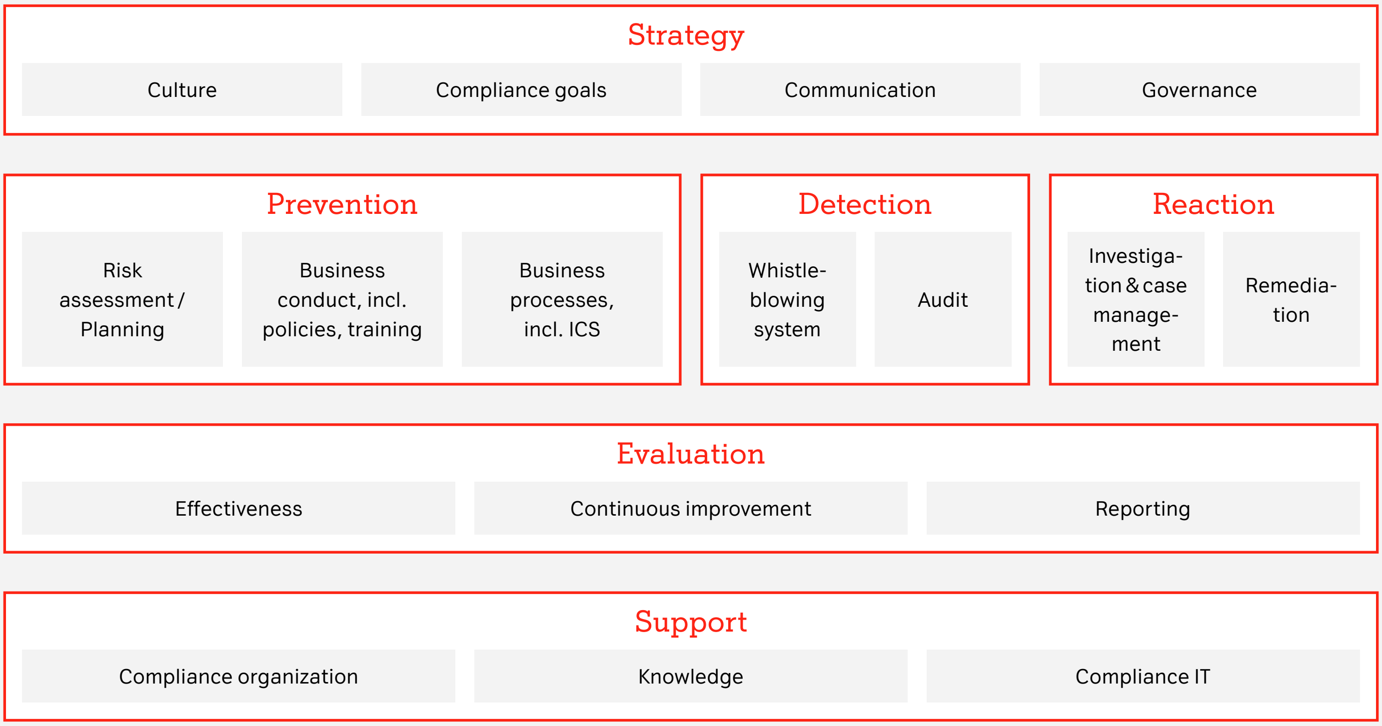
The A1 Telekom Austria Group received the IBN Award 2019 for its innovative approach to the effectiveness audit of its CMS. 2019 was the second year in which this award was presented by the Austrian Federal Bureau of Anti-Corruption as part of the Integrity Officer Network (Integritätsbeauftragten-Netzwerk; IBN) with the purpose of strengthening the notion of integrity in Austria.

For fair, sustainably successful business development: the compliance management system

Vis-à-vis all its stakeholders, the A1 Telekom Austria Group is committed to upholding its own standard of integrity as a key component of its corporate culture. Only honesty, fairness and transparency will safeguard the Group's business success and reputation in the long term.

To avoid potential misconduct, the A1 Telekom Austria Group has defined clear rules for acting with integrity and in an ethically sound manner in all business relationships and has integrated appropriate controls into its business processes. Group Compliance, with support from local compliance managers at the subsidiaries, ensures that the corresponding measures and tools are implemented consistently in all business units.

Compliance Management System



With the aim of permanently preventing and uncovering potential risks within the A1 Telekom Austria Group, employees and external individuals can use the tell.me whistleblower platform – including anonymously if desired – to report information about potential misconduct. In 2019, this compliance tool and other channels received around 20 compliance-related tips, which were followed up with the utmost care and confidentiality.

Where required, the A1 Telekom Austria Group responds immediately with appropriate measures and sanctions. If actual misconduct is found, the potential consequences range from education measures, process improvements and reprimands to dismissals or the termination of business relationships.

Embedding compliance in the corporate culture

Compliance is a central element of the corporate culture because it provides clear rules and guidelines for behavior in everyday business. Decisive factors include the example set by senior management and all managers and the responsibility of all employees for their own actions.

The Code of Conduct is a key tool of the A1 Telekom Austria Group's compliance management system. It is aimed at all employees and managers and helps to promote ethically and legally irreproachable conduct in the many decisions that have to be made every day. With this purpose in mind, it contains advice and rules for dealing fairly with stakeholders, gifts and personal benefits, confidentiality, conflicts of interest, protecting company assets, reporting violations, and communicating the content of the Code of Conduct and the Group's whistleblower principles.

Group-wide guidelines also provide detailed assistance regarding specific topics such as anti-corruption and conflicts of interest, data protection, anti-trust law and capital market compliance.

Training sessions optimized for the target groups are provided on a regular basis to firmly embed the notion of integrity throughout the Group. Group-wide training uses a practical focus and specific case studies to shed light on compliance topics. 4,700 employees and managers participated in classroom compliance training in 2019. In addition, employees and managers completed over 21,300 compliance e-learning courses in 2019. To resolve any open questions, employees of the A1 Telekom Austria Group can also contact the "ask.me" compliance helpdesk, which dealt with around 530 questions altogether in 2019. ▪

Report by the Supervisory Board

Dear shareholders,

The A1 Telekom Austria Group successfully continued its growth trend in the 2019 financial year. During the reporting year, it pressed ahead with the systematic implementation of the convergence strategy, a clear focus on high-value customers, the development of innovative products and services, and a strict cost management policy. Other matters of priority were the digital transformation and the 5G rollout. In that regard, milestones for Austrian infrastructure were set with the launch of Austria's biggest 5G network in January 2020 and the continuation of the fiber rollout for installation of the 5 giga network.

The A1 Telekom Austria Group posted growth in service revenues in all markets in 2019. In addition to a solid business performance in Austria, the Group benefited in particular from a growth contribution from the CEE countries. High demand for mobile WiFi routers was a key driver in the mobile segment. Strong growth in the solutions and connectivity business and attractive TV content packages made a significant contribution to the positive performance in the fixed-line segment.

The number of postpaid customers in the mobile segment went up by 4.4 % in the reporting year. In the fixed-line segment, there was slight growth in the number of revenue generating units (RGUs) excluding voice RGUs of 0.3 % to 4.2 million.

Total revenues rose by 2.9 % in the reporting year. EBITDA excluding restructuring increased by 4.7 %, with growth generated in all segments for the first time; the EBITDA margin excluding restructuring rose from 35.4 % in the previous year to 36.0 % in the reporting year.

Infrastructure expansion continued quickly in the reporting year, with expansion of the broadband network in Austria still a matter of priority. Investments across the Group amounted to EUR 879.8 mn (up 14 % on the previous year). This was influenced by frequency purchases – particularly through the 5G frequency auction (3.5 GHz) in Austria – and an agreement on the use of network capacity for LTE services in Belarus.

The harmonization of the brands within the A1 Telekom Austria Group that was resolved in 2017 continued in 2019 with the successful brand launch in Belarus and North Macedonia, and will be completed in 2020 with the rebranding in Serbia.

There was a change in the Supervisory Board at the Annual General Meeting on May 29, 2019: Bettina Glatz-Kremsner stepped down with effect from May 29, 2019, and Thomas Schmid was elected as a member of the Supervisory Board. Ernst & Young Wirtschaftsprüfungs-GmbH was also reappointed as the auditor at the Annual General Meeting on May 29, 2019.

In the 2019 financial year, the Supervisory Board addressed matters such as the strategic orientation, investment and financing decisions, and business performance in detail at seven meetings of the Supervisory Board – including one strategy meeting and various committee meetings. Following an extensive discussion on strategic opportunities and challenges as well as potential courses of action to optimize business performance, the budget for 2020 was approved in December 2019.

In 2019, the Audit Committee of the Supervisory Board held five meetings to address financial reporting within the scope of preparing its Annual and Quarterly Financial Statements, and also performed its supervisory duties to monitor the effectiveness of the internal control system, the risk management system and internal auditing.

The Remuneration Committee of the Supervisory Board held two meetings at which it addressed the remuneration of the Management Board and the contracts of the Management Board members. The work of the Remuneration Committee focused on evaluating Management Board remuneration and devising the remuneration policy, which will be presented for the first time to the Annual General Meeting in May 2020.

The Supervisory Board of Telekom Austria AG is committed to compliance with the Austrian Corporate Governance Code (ACGC) and to responsible corporate management and control aimed at generating sustainable enterprise value. All ten shareholder representatives have declared their independence within the meaning of Rule 53 of the ACGC.

The Supervisory Board approves the Management Board's proposal for the distribution of profit, namely the distribution of a dividend of EUR 0.23 per eligible share for the 2019 financial year, with the remaining amount being carried forward to new account.

As Chair of the Supervisory Board, I would like to extend my thanks to the management and all employees on behalf of the entire Supervisory Board. Their commitment allowed the A1 Telekom Austria Group to continue on its successful trajectory in the 2019 financial year.

In closing, I wish to express my gratitude to the customers and shareholders of the A1 Telekom Austria Group for the confidence they have placed in us. The Supervisory Board will continue to address in detail and actively press ahead with the long-term strategic orientation and development of the A1 Telekom Austria Group going forward.

Edith Hlawati
Chair of the Supervisory Board
Vienna, February 28, 2020

Consolidated Corporate Governance Report 2019

Commitment of the A1 Telekom Austria Group to the Corporate Governance Code

The shares of Telekom Austria AG have been listed on the Vienna Stock Exchange since November 2000, where the Austrian Corporate Governance Code (ACGC) is generally accepted. The current version of this Code (January 2020) can be viewed at www.corporate-governance.at or www.a1.group.

The Corporate Governance Code pursues the goal of responsible management and control of companies geared towards a sustainable and long-term creation of enterprise value. It aims to ensure a high degree of transparency for all stakeholders and to serve as an important guideline for investors. The Code is based on the provisions of Austrian stock company-, stock exchange- and capital market law, EU recommendations and the OECD Principles of Corporate Governance. The A1 Telekom Austria Group has been committed to voluntary compliance with the ACGC since 2003. The Group complies with all the legal requirements set out by the ACGC in what are referred to as the "L" rules.

To explain the deviations from the ACGC's "C" rules, the A1 Telekom Austria Group has made the following statement regarding Rule 36, Rule 42 and Rule 54 of the ACGC:

- Ad C Rule 36: Given the culture of open discussion within the Supervisory Board, the annual self-assessment of the Supervisory Board as stipulated in Rule 36 of the ACGC is performed every two years. The Supervisory Board in its current form was first constituted in May 2018 and performed the self-assessment in the 2019 financial year.
- Ad C Rule 42: The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and Österreichische Beteiligungs AG (ÖBAG) [1]. The Nomination Committee or the entire Supervisory Board submit nomination proposals to the Annual General Meeting as stipulated by these terms, where required by law.
- Ad C Rule 54: The free float of the company (including treasury shares) is 20.58%. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG.

In accordance with Rule 62 of the ACGC, the A1 Telekom Austria Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The last evaluation was performed by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. in the first half of 2017. This evaluation found that the Consolidated Corporate Governance Report of Telekom Austria AG for the 2016 financial year ended December 31, 2016 satisfies the legal provisions of section 243b UGB and section 267a UGB in addition to the requirements of the ACGC and the statements made therein. The Consolidated Corporate Governance Report of Telekom Austria AG for the 2019 financial year will be evaluated by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H in the first half of 2020.

Composition of executive bodies of the company and executive body remuneration

The Management Board

The members of the Management Board of Telekom Austria AG as of the end of 2019 were Thomas Arnoldner, Chief Executive Officer (CEO), Alejandro Plater, Chief Operating Officer (COO), and Siegfried Mayrhofer, Chief Financial Officer (CFO).

Thomas Arnoldner
Chief Executive Officer (CEO):

Thomas Arnoldner became the Chief Executive Officer of the A1 Telekom Austria Group on September 1, 2018. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Thomas Arnoldner was born in 1977. He studied business administration at the Vienna University of Economics and Business and at the Stockholm School of Economics. Thomas Arnoldner's professional career began at Alcatel Austria in 2003. After holding various positions within the company, he was made the CEO of Alcatel-Lucent Austria AG in 2013. From 2015 to 2016, he was part of the integration team for Nokia's acquisition of Alcatel-Lucent and developed the combined company's European market strategy. From 2016 to 2017, he was in charge of Nokia's European growth strategy in its Smart City, National Broadband Program, and Public Safety areas and responsible for the country strategies of its key growth markets. He was the Managing Director of T-Systems Austria GesmbH from 2017 to 2018.

1) On 20 February 2019, ÖBIB (Österreichische Bundes- und Industriebeteiligungen GmbH) was converted to ÖBAG (Österreichische Beteiligungs AG).

Thomas Arnoldner holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), Vip mobile (Serbia), A1 Makedonija (North Macedonia). Thomas Arnoldner is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Thomas Arnoldner does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

Alejandro Plater

Chief Operating Officer (COO):

Alejandro Plater was appointed as the Chief Operating Officer (COO) of the A1 Telekom Austria Group on March 6, 2015. In the period from August 1, 2015, to August 31, 2018, Alejandro Plater was also the Chief Executive Officer (CEO) in addition to being the COO. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Alejandro Plater, born in 1967, has had a long international career in the telecommunications industry. He started at Ericsson in 1997 as Sales Director for Argentina and shortly thereafter took on the responsibility of Head of Business Development. In 2004, he moved to the group's global headquarters in Stockholm, Sweden, to take up the position of Sales Director for the Latin America region. Two years later, Plater was appointed Sales Director for Mexico and, in the following year, he was appointed Vice President and Key Account Manager. Alejandro Plater studied Business Administration at the University of Buenos Aires and has completed several post-graduate management studies at Columbia University and the Wharton School in the USA and at the London Business School in the UK.

Alejandro Plater holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), Vip mobile (Serbia), A1 Makedonija (North Macedonia). Alejandro Plater is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Alejandro Plater does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

Siegfried Mayrhofer

Chief Financial Officer (CFO):

Member of the Management Board since June 1, 2014. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Siegfried Mayrhofer, born in 1967, studied Industrial and Mechanical Engineering at the Graz University of Technology.

He began his professional career in 1994 at Voest Alpine Eisenbahnsysteme in the international division for the acquisition of investments. From 1998 to 2000, he served as a consultant to Constantia Corporate Finance for mergers and acquisitions in various industries.

Siegfried Mayrhofer joined Telekom Austria AG in March 2000. After holding various management positions (including Head of Corporate Planning and Group Controlling, Fixed-Line Controlling, Fixed-Line Accounting), he became CFO of Telekom Austria TA AG in July 2009. Siegfried Mayrhofer was the Chief Financial Officer of A1 Telekom Austria AG from July 8, 2010, to May 31, 2015.

Siegfried Mayrhofer holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), Vip mobile (Serbia), A1 Makedonija (North Macedonia). Siegfried Mayrhofer is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Siegfried Mayrhofer does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

Report on Management Board remuneration

The total expense for the base salary (incl. remuneration in kind) of the members of the Management Board in 2019 amounted to EUR 1.624 mn (2018: EUR 1.224 mn), while the variable remuneration (STI) amounted to EUR 1.661 mn (2018: EUR 1.370 mn); the main reason for the increase compared with 2018 is that Thomas Arnoldner has only been a member of the Management Board since September 1, 2018. Payments for multi-year share-based remuneration (LTI) for active members of the Management Board amounted to EUR 0.781 mn in the 2019 reporting year (2018: EUR 0.534 mn).

Details and elements of Management Board remuneration:

The Remuneration Committee of the Supervisory Board is responsible for structuring Management Board remuneration.

The remuneration of the members of the company's Management Board is linked to the strategy and the long-term development of the company. The remuneration elements are designed to support the strategic objectives and hence promote the basis for the company's sustainable long-term development.

The Management Board remuneration includes fixed (non-performance-based) and performance-based variable remuneration elements. The fixed remuneration of the individual Management Board members is composed of base salary, remuneration in kind and pension contributions. The performance-based variable remuneration is composed of variable annual remuneration (short-term incentive, STI) and the long-term incentive program (LTI). The majority of the target remuneration of the Management Board members consists of performance-based variable remuneration elements for which measurable performance criteria are defined in advance; the performance of the Management Board is evaluated on the basis of these financial and non-financial targets derived from the company's strategy.

The variable annual remuneration (STI) is limited to a maximum of 150 % of the base salary. The targets for STI for the reporting year consist of 85 % financial figures – revenue (weighting: 42 %) and operating free cash flow (weighting: 43 %) – and 15 % strategic objectives. The Remuneration Committee decides on the degree of target achievement on the basis of the Consolidated Financial Statements and the implementation of strategy. The STI becomes payable after the result for the financial year in question has been resolved, while an advance in the amount of 60% of the base salary is paid in 14 installments over the current financial year.

Members of the Management Board also participate in the long-term incentive program (LTI). The seventh tranche of the LTI program (LTI 2016) was paid out in 2019, following the end of the three-year performance period and the determination by the Remuneration Committee of the degree of achievement. Detailed information can be found under "Long-Term Incentive Program" and in the Notes to the Consolidated Financial Statements.

In terms of old-age provisions, the Management Board members receive a contribution to their voluntary pension plans, which is paid into a corporate pension fund by the company and amounts to 20% of their respective base salary. In the 2019 reporting year, this amounted to EUR 0.107 mn for Thomas Arnoldner, EUR 0.118 mn for Alejandro Plater and EUR 0.099 mn for Siegfried Mayrhofer. Members will receive an eventual payout from the corporate pension fund only when they are over 55 years of age and are no longer in a contractual relationship with the company.

In terms of remuneration in kind, the members of the Management Board receive a company car and are entitled to casualty insurance providing additional cover in the event of death or invalidity. There is also supplementary health insurance cover for the Management Board members and their dependents (spouse and children under 18). The members of the Management Board are also included in Telekom Austria AG's D&O insurance policy and are entitled to telephone and internet connections at their place of residence.

The amount of the severance payment to be paid in the event of the termination of a Board member's appointment is based on the length of their employment and is capped at one year's total remuneration for Siegfried Mayrhofer. The "Mitarbeiter- und Selbstständigenvorsorgegesetz" (BMSVG – Austrian Corporate Employee and Entrepreneur Pension Law) applies to Thomas Arnoldner and Alejandro Plater.

For the Group companies included in the scope of consolidation, the following applies with regard to the key principles of the remuneration policy: The Chair of the Supervisory Board of the respective subsidiary is responsible for structuring Management Board remuneration. The remuneration structure and the respective targets are based on target criteria and weightings defined for the Group as a whole by the Management Board of Telekom Austria AG. In addition to basic remuneration, performance-based variable annual remuneration has been agreed with the Management Board members of the respective consolidated subsidiaries. This is contingent upon the achievement of defined targets and is limited to an average of 70% of the base salary. The targets for the reporting year consist of 60% financial figures and 40% strategic objectives. The Management Board of Telekom Austria AG decides on the degree of target achievement, and hence the amount of the variable annual remuneration payable after the result for the financial year in question has been resolved, on the basis of the Consolidated Financial Statements, the Annual Financial Statements of the respective company and the implementation of strategy. Members of the Management Board of the key consolidated

Remuneration of the individual members of the Management Board

	Fixed, non-performance-based Remuneration		Performance related variable Remuneration					
Management Board remuneration in EUR '000	Base salary (incl. remuneration in kind)		Variable annual remuneration (STI) [2]		Multi-year share-based remuneration (LTI) [3]		Total remuneration [4]	
	2019	2018	2019	2018	2019	2018	2019	2018
Thomas Arnoldner [1]	552	182	425	107	–	–	977	290
Alejandro Plater	559	559	670	681	450	202	1,679	1,442
Siegfried Mayrhofer	512	482	566	582	331	333	1,410	1,397
Total [4]	**1,624**	**1,224**	**1,661**	**1,370**	**781**	**534**	**4,066**	**3,129**

1) Thomas Arnoldner has been a member of the Management Board since September 1, 2018. This is the main reason for the increase in the remuneration for 2019 compared with 2018.
2) The variable annual remuneration for 2019 and 2018 for Alejandro Plater and Siegfried Mayrhofer also includes remuneration components for 2018 and 2017 respectively. The variable annual remuneration for 2019 for Thomas Arnoldner also includes remuneration components for 2018.
3) The payments of multi-year share-based remuneration (LTI) in 2019 relate to the payment of the LTI 2016 tranche that was issued in 2016, while the payments for 2018 relate to the LTI 2015 tranche that was issued in 2015.
4) Deviations in the totals are due to rounding.

Payments to former members of the Management Board (not shown in table):
Hannes Ametsreiter resigned as CEO as of July 31, 2015 and his employment relationship was terminated at the same date by mutual agreement; the last remuneration paid in 2018 for LTI 2015 amounted to EUR 77 thousand.
Günther Ottendorfer's contract with a term until August 31, 2016 was prematurely terminated as of March 5, 2015. The remuneration paid in 2019 for LTI 2016 amounts to EUR 84 thousand; the remuneration paid in 2018 for LTI 2015 amounted to EUR 185 thousand.
Hans Tschuden's contract with a term until March 31, 2015 was prematurely terminated as of May 31, 2014; the last remuneration paid in 2018 for LTI 2015 amounted to EUR 28 thousand.

subsidiaries participated in the long-term incentive program (LTI) until the LTI 2016 tranche (issued in the 2016 financial year with a term of January 1, 2016, to December 31, 2018).

Long Term Incentive Program (LTI)

The A1 Telekom Austria Group's share-based long-term incentive program (LTI) introduced in the 2010 financial year was continued in 2019, with eligible participants restricted to the Management Board of Telekom Austria Aktiengesellschaft since 2017. LTI 2019 was issued on August 1, 2019 and has a term of three years; assuming 100% target achievement, the members of the Management Board were provisionally allocated the following numbers of notional bonus shares: 53,068 shares for Thomas Arnoldner, 53,068 shares for Alejandro Plater, 49,100 shares for Siegfried Mayrhofer. Any actual cash settlement will occur after the end of the three-year performance period, i.e. not before August 1, 2022, commensurate with the level of achievement of objectives as determined by the Remuneration Committee.

The LTI is based on the performance-based allocation of notional bonus shares. During the program, participants must hold shares in Telekom Austria AG, the number of which is determined by the defined number of notional bonus shares for each entitled beneficiary. Any payment is made in cash, not in shares. The amount of the payment depends on the achievement of key figures defined by the Supervisory Board within a three-year performance period, up to a maximum of 350% of the participant's investment in the case of the maximum target achievement of 175%.

The A1 Telekom Austria Group's long-term incentive program is consistent with the requirements of the Austrian Corporate Governance Code. The relevant target performance indicators are based on the long-term development of the company. The targets and key performance indicators are determined by the Supervisory Board at the beginning of each tranche. Each performance period is three years long. The following targets and key performance indicators were set for the tranches issued in the 2016, 2017, 2018 and 2019 reporting years (LTI 2016, LTI 2017, LTI 2018 and LTI 2019): Return on invested capital (ROIC) (weighting: 50%) and revenue market share (weighting: 50%) of the A1 Telekom Austria Group.

Benefits under the LTI Program in the 2019 reporting year

The seventh LTI tranche (LTI 2016), which had been granted on September 1, 2016, was paid out to the entitled employees of the Group in September 2019 after the end of the three-year performance period and three years after the grant date. The tranche was paid out in line with the target achievement of 99.9% as determined by the Remuneration Committee of the Supervisory Board at the value of 361,740 notional bonus shares in total, measured using the average price of the company's shares for the fourth quarter of 2018 of EUR 6.696, and therefore EUR 2.422 mn (2018: EUR 2.164 mn). Of this figure, 67,209 shares or EUR 0.450 mn was received by Alejandro Plater (2018: EUR 0.202 mn) and 49,451 shares or EUR 0.331 mn by Siegfried Mayrhofer (2018: EUR 0.333 mn). 12,562 shares or EUR 0.084 mn was attributable to the former Management Board member Günther Ottendorfer in the year under review (2018: EUR 0.185 mn).

A detailed description of the long-term incentive program can be found in the Notes to the Consolidated Financial Statements.

As of December 31, 2019, the members of the Management Board hold the following numbers of shares in the company, some of which serve to satisfy LTI program participation requirements:

	Shares	Of which for LTI participation
Thomas Arnoldner	26,534	26,534
Alejandro Plater	36,520	33,638
Siegfried Mayrhofer	24,750	24,750

Since the Market Abuse Regulation became effective on July 3, 2016, directors' dealings are no longer disclosed by the Financial Market Authority (FMA) but by the issuer.

Telekom Austria AG operates in accordance with the legal provisions and reports transactions by Management Board and Supervisory Board members and their related parties involving Telekom Austria shares on the company's website.

Supervisory Board

The Supervisory Board of Telekom Austria AG comprises ten members, elected by the Annual General Meeting. The Central Works Council of A1 Telekom Austria AG delegates four members and one member is delegated by the Staff Council of Telekom Austria AG. Employee co-determination on the Supervisory Board is a legally regulated aspect of the corporate governance system in Austria.

There was a change in the Supervisory Board at the Annual General Meeting on May 29, 2019: Bettina Glatz-Kremsner resigned with effect from May 29, 2019, and Thomas Schmid was elected to the Supervisory Board.

In accordance with section 86 (7) AktG, the Supervisory Board must consist of at least 30% women and at least 30% men (gender quota). Based on the declarations by the members of the Supervisory Board on May 6, 2019, in accordance with section 86 (9) AktG, singular fulfillment of the gender quota in the Supervisory Board is required. Consequently, at least three of the ten members of the Supervisory Board elected by the Annual General Meeting or Supervisory Board mandates must be women. As of the end of 2019, three of the ten members of the Supervisory Board elected by the Annual General Meeting are women.

The "Arbeitsverfassungsgesetz" (Austrian Labor Constitutional Act) imposes special regulations for the fulfillment of the gender ratio among employee representatives, namely that the gender ratio does not apply to employee representatives if there is no group works council.

Supervisory Board members

Name (year of birth)	Profession
Edith Hlawati, Chairperson (1957)	Senior Partner at CHSH Cerha Hempel Spiegelfeld Hlawati Rechtsanwälte GmbH
Carlos García Moreno Elizondo, Deputy Chairperson (1957)	CFO América Móvil, S.A.B. de C.V. (Mexico)
Alejandro Cantú Jiménez (1972)	General Counsel América Móvil, S.A.B. de C.V. (Mexico)
Karin Exner-Wöhrer (1971)	CEO Salzburger Aluminium AG
Bettina Glatz-Kremsner (1962)	CEO Casinos Austria Aktiengesellschaft
Peter Hagen (1959)	Business Consultant
Carlos M. Jarque (1954)	Executive Director of International Affairs, Government Relations and Corporate Affairs, América Móvil, S.A.B. de C.V. (Mexico)
Peter F. Kollmann (1962)	CFO Verbund AG
Daniela Lecuona Torras (1982)	Head of Investor Relations, América Móvil, S.A.B. de C.V. (Mexiko)
Thomas Schmid (1975)	CEO Österreichische Beteiligungs AG
Oscar Von Hauske Solís (1957)	CEO Telmex Internacional (Mexico), Chief Fixed-Line Operations Officer América Móvil, S.A.B. de C.V. (Mexico)

Members of the Supervisory Board delegated by the Staff Council	
Walter Hotz (1959)	Chairperson of the Staff Committee Vienna, Lower Austria and Burgenland of A1 Telekom Austria AG Chairperson of the European Works Council of A1 Telekom Austria Group
Gottfried Kehrer (1962)	Member of the Central Works Council of A1 Telekom Austria AG
Werner Luksch (1967)	Chairperson of the Central Works Council of A1 Telekom Austria AG Member of the European Works Council of A1 Telekom Austria Group
Renate Richter (1972)	Member of the Central Works Council of A1 Telekom Austria AG
Alexander Sollak (1978)	Chairperson of the Staff Council Committee of Telekom Austria AG Secretary-General of the European Works Council of A1 Telekom Austria Group

1) Term of office ends at the Annual General Meeting dealing with the 2019 financial year (provisionally May 2020).
2) Term of office ends at the Annual General Meeting dealing with the 2020 financial year (provisionally May 2021).
3) Term of office ends at the Annual General Meeting dealing with the 2021 financial year (provisionally May 2022).
4) Term of office ends at the Annual General Meeting dealing with the 2022 financial year (provisionally May 2023).
5) Term of office ends at the Annual General Meeting dealing with the 2023 financial year (provisionally May 2024).

Independence of the Supervisory Board

The guidelines set out by the Supervisory Board in 2006 to determine the independence of its members were adjusted in 2009 to comply with the modified provisions of the Austrian Corporate Governance Code and are consistent with Annex 1 of the current version of the Code. According to these provisions, the members of the Supervisory Board are deemed to be independent if they have no business or personal relations with the company or its Management Board that could result in a material conflict of interest and thus influence the members' behavior.

The free float of the company (including treasury shares) is 20.58 %. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG.

Report on Supervisory Board remuneration

The remuneration of the members of the Supervisory Board for the 2018 financial year was resolved at the Annual General Meeting on May 29, 2019. The remuneration for the Chair of the Supervisory Board was set at EUR 40,000, at EUR 30,000

Other Supervisory Board mandates and similar functions at other listed companies (as per the ACGC)	First appointed	End of current term of office on Supervisory Board of Telekom Austria AG or date of departure	Independence as per Rule 53 of the ACGC
Österreichische Post Aktiengesellschaft (Chairperson)	30.05.2018 Chairperson; 28.06.2001–29.05.2013 Member of the Supervisory Board	2023 [4]	yes
Royal KPN N.V. (Netherlands)	14.08.2014	2023 [4]	yes
	14.08.2014	2020 [1]	yes
	27.05.2015	2020 [1]	yes
EVN AG (Chairperson); Flughafen Wien Aktiengesellschaft (Chairperson)	30.05.2018	29.05.2019	yes
voestalpine AG (until 03.07.2019)	25.05.2016	2021 [2]	yes
	14.08.2014	2022 [3]	yes
	20.09.2017	2021 [2]	yes
	30.05.2018	2022 [3]	yes
Verbund AG (Chairperson), OMV AG (Deputy Chairperson)	29.05.2019	2024 [5]	yes
	23.10.2012	2023 [4]	yes

	Re-delegated on 06.05 2011		
	27.10.2010		
	03.08.2007 to 20.10.2010, Re-delegated on 11.01.2011		
	12.10.2018		
	03.11.2010		

for the Deputy Chair, and at EUR 20,000 for other members of the Supervisory Board elected by the Annual General Meeting; these figures are therefore unchanged as against the previous year. Members of a committee are paid EUR 10,000 each and the Chair of the committee receives EUR 12,000. Remuneration for committee members is limited to one committee mandate. This stipulates that committee members are each entitled to only one remuneration, even if they sit on more than one committee. Until further notice, attendance fees per member of the Supervisory Board amount to EUR 400 per meeting.

Remuneration for the Supervisory Board for 2018 was paid in July 2019, following the approval of the actions of the Supervisory Board members by the Annual General Meeting. Total remuneration, including attendance fees, of EUR 0.369 mn was paid to members of the Supervisory Board in the 2019 financial year (2018: EUR 0.357 mn). In addition, the members of the Supervisory Board are reimbursed for expenses incurred for travel and accommodation in connection with Supervisory Board meetings.

The members of the Supervisory Board are included in the D&O insurance policy taken out and paid for by Telekom Austria AG.

In the year under review, no member of the Supervisory Board attended fewer than 50 % of the Supervisory Board meetings.

Remuneration of Supervisory Board members

Name	Supervisory Board remuneration awarded for 2018 and paid in 2019 (in EUR)	2019 attendance fees (in EUR)
Edith Hlawati [4)]	30,773	3,600
Wolfgang Ruttenstorfer [3)]	21,370	–
Carlos José García Moreno Elizondo	42,000	4,800
Oscar Von Hauske Solis	32,000	5,600
Thomas Schmid [1)]	–	2,800
Bettina Glatz-Kremsner [2)]	17,753	1,200
Karin Exner-Wöhrer	20,000	2,800
Carlos M. Jarque	30,000	4,800
Alejandro Cantú Jiménez	30,000	2,000
Stefan Pinter [3)]	8,219	–
Hans-Peter Hagen	30,000	4,800
Peter Kollmann	30,000	4,800
Reinhard Kraxner [3)]	8,219	–
Daniela Lecuona Torras	11,836	2,800
Renate Richter	–	2,800
Werner Luksch	–	2,400
Alexander Sollak	–	4,400
Gottfried Kehrer	–	2,800
Walter Hotz	–	4,000

1) Attendance fee for the period May 29, 2019 to December 31, 2019. Supervisory Board remuneration and attendance fees are paid to ÖBAG.
2) Supervisory Board remuneration for the period May 30, 2018 to December 31, 2018 and attendance fee for the period January 1, 2019 to May 29, 2019
3) Supervisory Board remuneration for the period January 1, 2018 to May 30, 2018
4) Supervisory Board remuneration for the period May 30, 2018 to December 31, 2018 and attendance fee for 2019

Information concerning the working methods of the Management Board and the Supervisory Board

The A1 Telekom Austria Group complies with established principles to ensure sustainable, value-enhancing corporate development and is committed to the principles of transparency and a policy of open communication. The group-wide areas of competence and responsibility are clearly regulated by the Articles of Association of Telekom Austria AG and the relevant statutory provisions. In addition, the duties, responsibilities and working methods are also described in greater detail in the Rules of Procedure for the Management Board and the Supervisory Board.

The Management Board defines the strategic focus of the Group in consultation with the Supervisory Board and provides the latter with regular reports on the implementation of the strategy as well as on the company's current situation, including its risk situation. Furthermore, the Supervisory Board is authorized to demand reports from the Management Board at any time on matters concerning the A1 Telekom Austria Group.

The Supervisory Board has set up three committees, which provide effective support by carrying out preparatory work on selected tasks and issues on behalf of the Supervisory Board:

- In 2019, the **Remuneration Committee** consisted of Edith Hlawati (Chair), Carlos García Moreno Elizondo (Deputy Chairman) and Oscar Von Hauske Solís. This committee is responsible for regulating relationships between the company and the members of the Management Board, including granting approval for additional occupation. Resolutions concerning the appointment of Management Board members (or revocation thereof) and granting share-based remuneration elements are resolved by the Supervisory Board as a whole. The Remuneration Committee held two meetings in 2019.

- In line with the statutory provisions, at five committee meetings the **Audit Committee** dealt primarily with the audit of and preparation for the adoption of the Annual Financial Statements, the audit of the Consolidated Financial Statements, the proposal for the distribution of profit, the Management Report, the Group Management Report, and the consolidated Corporate Governance Report and the consolidated non-financial report. High priority was also given to monitoring the accounting process, the effectiveness of the internal control system, the internal audit system, and the risk management system. Furthermore, the Audit Committee prepared the appointment of the auditor and verified the independence of the auditor of the Annual and Consolidated Financial Statements, particularly with regard to the performance of additional services. As of the end of 2019, the Audit Committee consisted of Carlos García Moreno Elizondo, as its Chairman and financial expert (in accordance with section 92 (4a) AktG), Thomas Schmid (since July 24, 2019; previously Bettina Glatz-Kremsner until May 29, 2019), Oscar Von Hauske Solís, Carlos M. Jarque, Peter Hagen and Peter Kollmann in addition to Walter Hotz, Werner Luksch and Alexander Sollak as the employee representatives.

- The **Staff and Nomination Committee** submits proposals to the Supervisory Board for appointments to positions on the Management Board and Supervisory Board [2] that have become vacant, and also deals with questions of succession planning. Its members are Oscar Von Hauske Solís (Chairman), Edith Hlawati, Carlos García Moreno Elizondo, Carlos M. Jarque, Alejandro Cantú Jiménez and Peter Kollmann in addition to Walter Hotz, Werner Luksch and Alexander Sollak. The Staff and Nomination Committee did not hold any meetings in the 2019 financial year.

In the 2019 financial year, the Supervisory Board addressed the strategic orientation of the A1 Telekom Austria Group and its business performance in detail at seven meetings of the Supervisory Board and seven committee meetings. The main activities of the Supervisory Board in 2019 are compiled in the Supervisory Board's report to the Annual General Meeting.

To guarantee uniform management of the Group, members of the Management Board of Telekom Austria AG hold Supervisory Board mandates at the following material subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), Vip Mobile (Serbia) and A1 Makedonija (North Macedonia); they are also members of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus).

In 2019, the Supervisory Board approved contracts in connection with communication services between A1 and members of the Supervisory Board and their companies, as well as contracts relating to energy supply and a sales partnership with Verbund AG; all these contracts and the sales partnership are based on market standards.

Diversity within the A1 Telekom Austria Group (diversity concept)

Equal opportunity and diversity are important criteria at the A1 Telekom Austria Group. Diverse teams with a variety of personalities, views and areas of expertise open up alternative approaches to problem-solving and, as has been proven, achieve better results as a consequence. The A1 Telekom Austria Group sees this as a significant opportunity. Supporting women is one of the core elements of promoting diversity.

Accordingly, the A1 Telekom Austria Group has set itself the goal of increasing the proportion of women in management positions to 40% by 2023 and maintaining the proportion of women at the company at above 40%.

Other goals of the diversity concept for 2018-2023 include:

- Establishment of flexible working opportunities
- Creation of a general framework to promote continuous learning

Appointments to the Management Board and Supervisory Board of the A1 Telekom Austria Group:

When selecting and appointing members of the company's Management Board, the Supervisory Board places emphasis on the skills and expertise necessary to manage a telecommunications company. Decisions are also based on other criteria such as educational background and career history, age, gender, and general personality traits.

The shareholder representatives on the Supervisory Board and the members of the company's Management Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG. [3]

2) See also information on C Rule 42
3) See also information on C Rule 42

Measures to support women

Women account for three of the ten shareholder representatives and one of the five employee representatives on the Telekom Austria AG Supervisory Board. There is no female representation on the Management Board of Telekom Austria AG.

At the subsidiaries of the A1 Telekom Austria Group, six management positions (out of a total of 14) and eight Supervisory Board positions are held by women. The proportion of female managers in 2019 was 35 %.

The advancement plan for women that was concluded for Austria in 2018 defines targets and measures for increased equality of opportunity. These are aimed at increasing professional development opportunities for women – including in management positions – and helping them to improve their work-life balance. The following measures were implemented in 2019:

In Austria, a successful women's network offers a platform for female employees to exchange ideas, share expertise, and provide mutual support. In addition, eight networking meetings for women ("Women's Network Lunches") were held in order to allow for a focused dialog and promote mutual support in a professional context. To assist parents in resuming their career after parental leave, in 2019 the A1 Telekom Austria Group began offering two-day seminars in Austria to help returning employees to achieve a healthy balance between their job and their family. Business@Breakfast is another new format introduced in 2019 with the aim of allowing employees on parental leave in Austria to keep up-to-date while they are absent. Orientation and return to work discussions are also offered continuously, both during and after parental leave. These deliver important feedback for ensuring that the respective employees make a successful return to the workplace.

In addition, the company promotes a good work-life balance throughout the Group by means of flexible working environment and working time models and sabbaticals. There are a range of facilities on offer to families, which vary from country to country, including childcare initiatives, paternity leave, and a baby month.

"Directors and Officers" (D&O) insurance

The A1 Telekom Austria Group has taken out a directors and officers (D&O) insurance policy with an insurance sum of EUR 60 mn for the members of the Group's Management Board, executives and the members of the Supervisory Board. It also pays the associated costs.

Changes after the reporting date

No reportable events have occurred since December 31, 2019.

Vienna, January 30, 2020
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft

Group Management Report

General economic environment

Economic momentum in the euro zone weakened in 2019, while the CEE region as a whole continued to enjoy solid growth. In a forecast published in November of the year under review, the European Commission estimated that economic growth in the European Union would amount to 1.4 % in both 2019 and 2020. Austria saw a tangible year-on-year slowdown in economic growth in the 2019 year under review. In the CEE countries that are relevant for the A1 Telekom Group, Bulgaria, Croatia, Serbia, and North Macedonia continued to report solid growth rates, while momentum in Belarus and Slovenia slowed significantly.

At its interest rate meeting in early September 2019, the ECB adopted a package of measures aimed at loosening monetary policy. This included cutting the deposit rate from –0.4 % to –0.5 % and resuming its bond purchase program. While the ECB kept its key interest rate unchanged at 0.00 % during the year under review, the US Federal Reserve lowered its key interest rate from 2.25–2.50 % to 1.50–1.75 % in three stages in June, September, and October 2019.

Development of real GDP in the markets of A1 Telekom Austria Group (in %) [1)]

	2018	2019e	2020e
Austria	2.4	1.5	1.4
Bulgaria	3.1	3.6	3.0
Croatia	2.6	2.9	2.6
Belarus	3.0	1.5	0.3
Slovenia	4.1	2.6	2.7
Serbia	4.4	3.2	3.8
North Macedonia	2.7	3.2	3.2

Sources: IMF for Belarus; European Commission for all other countries

Industry trends and competition

In the year under review, the relevant markets for A1 Telekom Austria Group were again characterized by a competitive environment in both the fixed-line and mobile communications markets. One example of this can be seen in the no-frills segment in Austria, where there was sustained pressure on prices due to the aggressive pricing policy of mobile virtual network operators (MVNOs). Furthermore, regulatory provisions continued to have an adverse effect on revenues and earnings. In particular, earnings for the year under review were impacted by the EU regulation on international calls, which came into force on May 15, 2019 and requires a reduction in surcharges for international calls.

A1 Telekom Austria Group is countering this challenging environment by systematically implementing its convergence strategy and adopting a clear focus on high-value customers, innovative products and services, as well as through strict cost management. The harmonization of the brands within A1 Telekom Austria Group that was resolved in 2017 continued in 2019 with the successful brand launch in Belarus and North Macedonia, and will be completed in 2020 with the rebranding in Serbia.

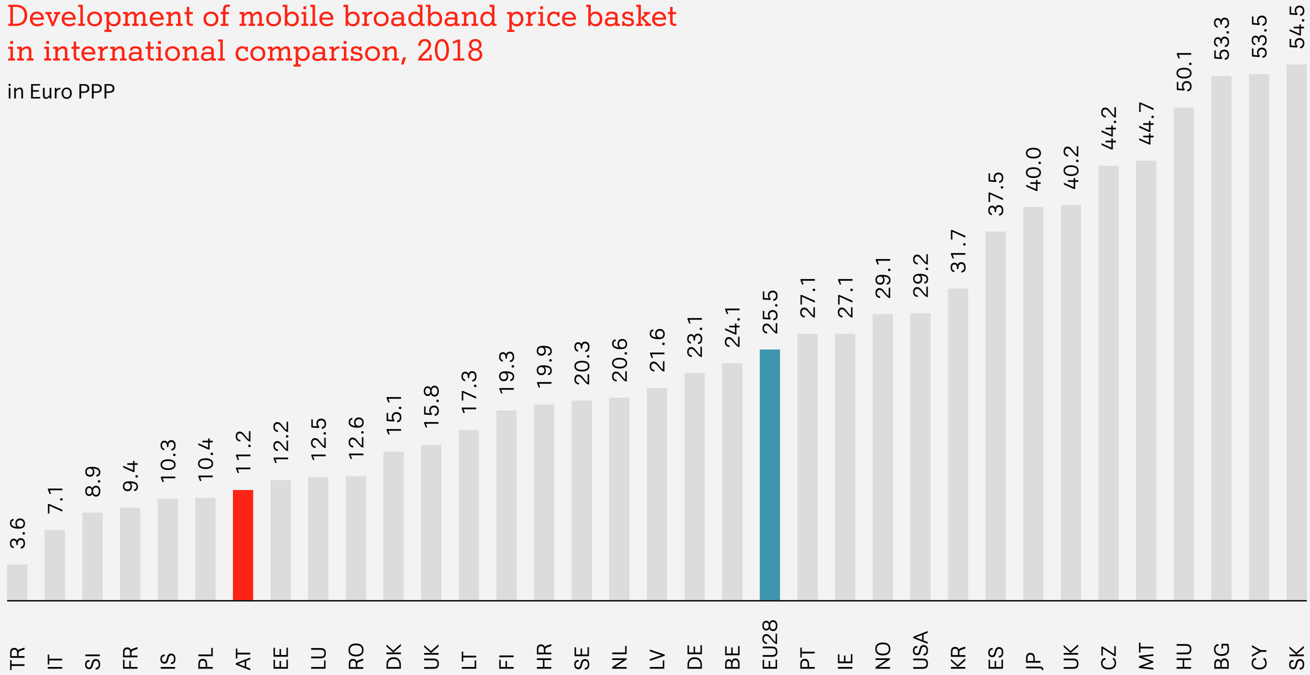
In Austria, A1 Telekom Austria Group offers a comprehensive and convergent product portfolio comprising both fixed-line and mobile communications solutions. The latest market report issued by the regulatory authority, which tracked the most recent market data in Austria up to the end of the second quarter of 2019, describes the following average trends across all operators: [2)]

- The number of SIM cards (incl. M2M) increased by 11.0 % year-on-year, from 15.7 million in the second quarter of 2018 to 17.4 million in the second quarter of 2019. As previously, this trend was driven in particular by smartphone users, which saw growth of 6.6 % to more than 5.8 million, while the number of mobile broadband connections also rose by 1.9 %. Total mobile retail revenues increased by 1.9 % in the same period.
- The chart below shows the 2018 price basket for 5 GB of data, 100 minutes of free calls and 140 SMS messages in mobile broadband for selected industrialized nations in euro, adjusted for purchasing power. These data show that mobile broadband prices in Austria, adjusted for purchasing power, are among the lowest in Europe and significantly below the EU average. [3)]

1) Sources: European Union, Austria, Bulgaria, Croatia, Slovenia, Serbia, and North Macedonia: European Commission https://ec.europa.eu/info/sites/info/files/economy-finance/ip115_en_0.pdf, page 197; Belarus: IMF https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019, page 151
2) https://www.rtr.at/de/inf/internet-monitor-q22019-daten
3) https://www.rtr.at/de/inf/StudieTKWirtschaft2019/20190628_Die_ökonomische_Bedeutung_der_Telekommunikationswirtschaft_in_Österreich_Studie_Endbericht.pdf

Development of mobile broadband price basket in international comparison, 2018

in Euro PPP



Note: Price basket for 5 GB data volume, 100 free minutes and 140 SMS; PPP (purchasing power parity)
Source: RTR

- In the second quarter of 2019, the broadband market had 10.5 million mobile and fixed-line broadband connections. This represented an increase of 3.9% on the previous year and was driven by smartphone tariffs and mobile broadband, whereas the fixed-line market remained stable.
- Rapid growth in the data volume in mobile telecommunications as a whole, which consists of pure mobile broadband as well as smartphone users according to the definition of the regulatory authority, also continued in the second quarter of 2019 with a year-on-year increase of 33.5%. The data volume transferred via fixed-line broadband also rose by 22.6%, with a ratio of mobile to fixed-line data of around 1:2. The average monthly data volume per user saw a clear growth trend in the same period, amounting to 122.9 GB for fixed-line broadband (Q2 2018: 99.9 GB) and 67.9 GB for mobile data tariffs (Q2 2018: 51.0 GB).
- While NGA (next generation access) coverage in Austria has increased steadily over recent years and is now in excess of 80%, only around 40% of customers were using products with a speed of more than 30 Mbit/s at the end of 2018, although there was a clear trend towards higher bandwidths (2017: 30%). [4)]

According to Statistics Austria, the proportion of Austrian households with broadband connections was 89% in 2019 (2018: 88%), while the figure for companies was 98% (2018: 99%). [5)]

In Bulgaria, the trend seen in recent years continued, with the Internet penetration rate across all households increasing to 75.1% in 2019 compared to 72.1% in the previous year. While fixed-line penetration remained stable at 57.8% (2018: 57.9%), mobile penetration continued to rise significantly to 64.0% (2018: 58.8%). [6)]

4) Broadband strategy 2030, https://www.bmvit.gv.at/themen/telekommunikation/breitband/strategie.html; pages 9 and 12
5) https://www.statistik.at/web_de/statistiken/energie_umwelt_innovation_mobilitaet/informationsgesellschaft/index.html
6) https://www.nsi.bg/sites/default/files/files/pressreleases/ICT_hh2019_en_LDOBNRL.pdf

The number of broadband connections in Croatia increased by 3.1 % year-on-year to 4.8 million in the third quarter of 2019 on the back of both mobile and fixed-line broadband. There was particularly strong growth in fiber connections (+30.8 %) and mobile Wi-Fi routers (+29.6 %). [7)]

The ICT market in Belarus has developed strongly in recent years, leading to a steady rise in the number of Internet customers, while the number of mobile network users also returned to growth of 1.8 % in 2018 after having stagnated in the previous years. At the end of 2018, the proportion of households with Internet access was 79.1 % (2017: 74.4 %). [8)]

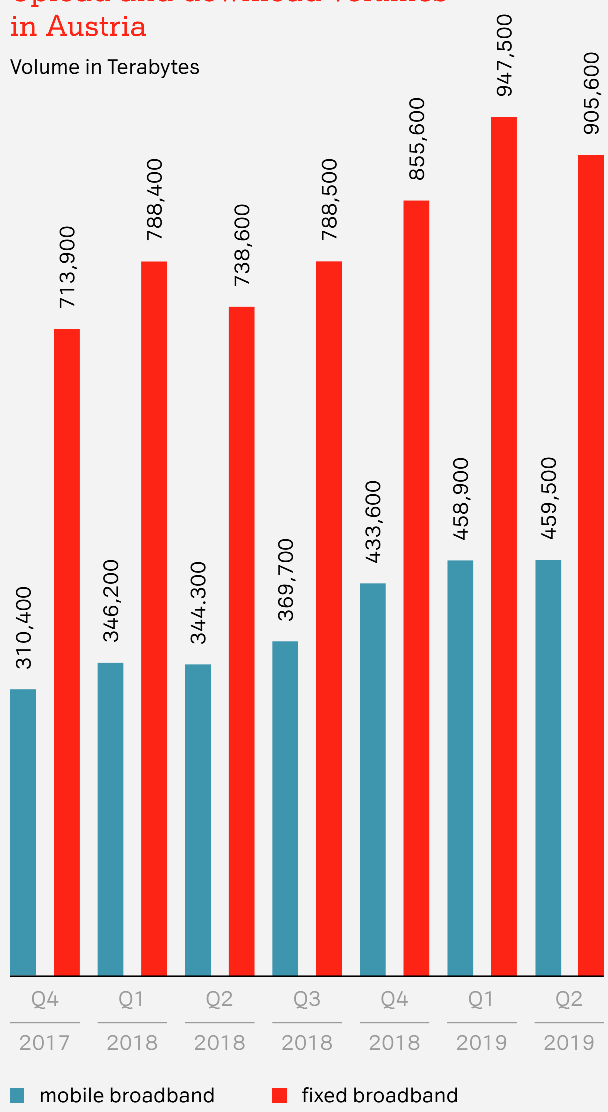
In Slovenia, the Internet penetration rate increased from 86.7 % in the previous year to 89.0 % in the year under review. While the number of mobile broadband connections (including smartphone tariffs) rose by a further 2.0 % year-on-year, the number of fixed-line broadband connections declined by 1.8 %. [9)]

In Serbia, the increase in the number of Internet connections continued, with 80.1 % of households having Internet access in 2019 (2018: 72.9 %). 93.7 % of all Serbian households now also own mobile telephones (2018: 93.0 %) and 73.1 % have a computer (2018: 72.1 %). [10)]

According to the Statistical Office of North Macedonia, 81.8 % of all households in the country had Internet access in the first quarter of 2019 (Q1 2018: 79.3 %). 85.7 % of them (2018: 88.8 %) had a fixed-line Internet connection, while 70.5 % (2018: 70.9 %) used a mobile broadband connection. [11)]

Upload and download volumes in Austria

Volume in Terabytes



Source: RTR

7) https://www.hakom.hr/UserDocsImages/2019/e_trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q32019.eng.pdf
8) https://www.belstat.gov.by/upload/iblock/253/253015f399a1a53b42fa0807acdfe158.pdf, pages 63 and 81; Note: Figures for Belarus are available for 2018 only.
9) https://pxweb.stat.si/SiStatDb/pxweb/en/20_Ekonomsko/20_Ekonomsko__23_29_informacijska_druzba__10_IKT_gospodinjstva__04_29740_dostop_internet/2974001S.px/; A1 Telekom Austria Group calculations
10) https://data.stat.gov.rs/Home/Result/270105?languageCode=en-US; https://data.stat.gov.rs/Home/Result/270101?languageCode=en-US
11) http://www.stat.gov.mk/pdf/2019/8.1.19.32.pdf

Regulation

A1 Telekom Austria Group is subject to different regulatory regimes in its markets. In Austria, it is classified as a provider with substantial market power and is therefore subject to the corresponding regulatory measures. These include extensive network access and price regulations. The international subsidiaries of A1 Telekom Austria Group are also subject to far-reaching regulatory provisions in their respective national markets. Decisions on regulation are made not only at a national level, but increasingly also at a European level in order to create harmonized conditions within the EU. For example, this applies in the case of the roaming and net neutrality regulations of the European Commission [12] or the harmonization of mobile and fixed-line termination rates as a result of the EECC (European Electronic Communications Code), which apply equally to all EU member states.

Fixed-line

The Austrian regulatory authority completed the fifth and most recent round of the statutory market review process in mid-2018 [13]. Following this, A1 Telekom Austria AG continues to be regulated on the key wholesale markets for central and local access in particular.

However, these regulatory decisions fundamentally allowed A1 Telekom Austria AG to also roll out vectoring technology in unbundled connection areas in order to offer broadband connections with higher bandwidths. Virtual unbundling (vULL, VULA) has now also been confirmed as a complete replacement for the physical unbundling of customer lines by the regulatory authority and through its practical adoption on the market. This has quickly established itself as the new, central form of access for alternative operators and will largely replace physical unbundling over the next two to three years. The relevant regulation in the fixed-line network now has only an extremely limited impact at retail level.

The process regarding fixed-line termination rates has been suspended to date, as the regulations set out in the new European legal framework (EECC) involve the definition of a low fixed-line termination rate to apply uniformly throughout Europe from the start of 2021. An absolute cap for this new termination rate will be defined by the European Commission in mid-2020 in a dedicated legal act. This will lead to a further reduction in fixed-line termination rates.

Mobile communications markets

The mobile communications markets of A1 Telekom Austria Group are subject to various regulatory systems. As EU member states, Austria, Bulgaria, Croatia, and Slovenia are subject to the regulations of the EU and the European Economic Area (EEA). These primarily relate to roaming charges and termination rates between individual market players. The regulatory environment in Belarus, Serbia, and North Macedonia are at different stages of development. There are general signs of gradual harmonization with EU statutory provisions in these countries as well. For example, roaming charges were reduced effective July 1, 2019 following the introduction of a regional retail roaming agreement for the Western Balkans and are expected to be eliminated altogether by July 1, 2021. In terms of A1 Telekom Austria Group, this affects Serbia and North Macedonia.

The European Union regulation on net neutrality and roaming has been in force since 2016. This requires Internet access service providers to treat all data traffic equally regardless of transmitter, receiver, application, or device. In addition to Internet access services, specialized services can also be offered subject to certain limitations. However, the regulation

Glide paths for mobile termination rates

	Jan. 16	Jul.16	Jan. 17	Jul.17	Jan. 18
Austria (EUR)	0.008049	0.008049	0.008049	0.008049	0.008049
Bulgaria (BGN)	0.019	0.019	0.014	0.014	0.014
Croatia (HRK)	0.063 [1]	0.063 [1]	0.063 [1]	0.047 [1]	0.047 [1]
Belarus (BYN)	MTS: 0.025/0.0125 BeST: 0.018/0.009 [2]	MTS: 0.025/0.0125 BeST: 0.018/0.009 [2]	MTS: 0.025/0.0125 BeST: 0.018/0.009 [2]	MTS: 0.025/0.0125 BeST: 0.018/0.009 [2]	MTS: 0.025/0.0125 BeST: 0.018/0.009 [2]
Slovenia (EUR)	0.0114	0.0114	0.0114	0.0114	0.0114 [3]
Serbia (RSD)	3.43	2.75	2.07	2.07	1.43
North Macedonia (MKD)	0.90	0.90	0.63	0.63	0.63

1) National MTRs stated. International MTRs differ
2) Figures for Belarus: prime time/downtime. MTS: Mobile TeleSystems; BeST: Belarus Telecommunications Network
3) In Slovenia, a reduction of the MTR to EUR 0.00882 is expected from March 2020

12) Regulation (EU) 2015/2120 of the European Parliament and of the Council of 25 November 2015 establishing measures concerning open Internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services and Regulation (EU) No. 531/2012 on roaming on public mobile communications networks within the Union
13) With the exception of termination markets

on net neutrality contains few details regarding implementation, which has resulted in different interpretations in practice. A1 Telekom Austria AG has currently lodged objections with the Austrian Federal Administrative Court concerning two decisions on net neutrality reached by the Austrian regulatory authority. The proceedings are not yet complete.

The contents of the roaming regulation have already been fully implemented at all A1 Telekom Austria Group companies that operate in EU member states and have had a sustained negative impact on roaming revenues.

The process regarding the market review of mobile termination rates has been suspended to date, as the regulations set out in the new European legal framework (EECC) involve the definition of a low mobile termination rate to apply uniformly throughout Europe from the start of 2021. An absolute cap for this new termination rate will be defined by the European Commission in mid-2020 in a dedicated legal act. This will lead to a further significant reduction in mobile termination rates, which will have a long-term negative impact on mobile termination revenues.

The EECC (European Electronic Communications Code), the new European legal framework for electronic communication, was issued in its final form in December 2018 and must be transposed into national law by the individual member states by the end of 2020. This will involve legal and regulatory risks as well as financial risks in the future. In particular, the reduction in surcharges for international calls to a maximum of EUR 0.19 per minute and for SMS to a maximum of EUR 0.06 per text message since May 15, 2019 has had a negative effect on revenues throughout the entire telecommunications industry.

In addition, a frequency allocation for the 700-MHz, 1500-MHz and 2100-MHz frequency bands in Austria is scheduled for 2020 in the form of a multi-band auction. The public consultation on the bidding documents was completed by the regulatory authority in the fourth quarter of 2019 and the tender documents were published in December 2019. The auction itself will probably start in April 2020.

Information on financial reporting

A1 Telekom Austria Group reports on seven business segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia, and North Macedonia. "Corporate & other, eliminations" comprises mainly holding companies, the Group financing company as well as A1 Digital, whose business activities are focused on the core markets of A1 Telekom Austria Group as well as Germany and Switzerland.

A1 Telekom Austria Group applied IFRS 16 for the first time at January 1, 2019, using the modified retrospective approach in accordance with the transition guidance. Accordingly, the comparative figures for 2018 in the consolidated financial statements have not been restated, i. e. they are published in accordance with IAS 17 (and the applicable interpretations). The effects of the first-time application of IFRS 16 are presented in the notes to the consolidated financial statements in Note (3) "Basis of Presentation".

In the following presentation, IFRS 16 is applied to the comparative figures for 2018 with reasonable accuracy ("IFRS 16 based"). Note (1) "Business Segments" of the notes to the consolidated financial statements also contains comparative figures "like reported 2018" and a reconciliation to "IFRS 16 based".

EU roaming glide path

Retail (in EUR)	July 2014	April 30, 2016	June 15, 2017
Data (per MB)	0.20	domestic tariff + 0.05 [1)]	domestic tariff
Voice calls made (per minute)	0.19	domestic tariff + 0.05 [1)]	domestic tariff
Voice calls received (per minute)	0.05	weighted average MTR [1)]	0
SMS (per SMS)	0.06	domestic tariff + 0.02 [1)]	domestic tariff

Wholesale (in EUR)	July 2014	April 30, 2016	June 15, 2017	January 1, 2018	January 1, 2019	January 1, 2020
Data (per MB)	0.05	0.05	0.0077	0.006	0.0045	0.0035
Voice (per minute)	0.05	0.05	0.032	0.032	0.032	0.032
SMS (per SMS)	0.02	0.02	0.01	0.01	0.01	0.01

1) The total of the domestic retail price and any surcharge applied to regulated roaming calls made, regulated roaming SMS messages sent, or regulated data roaming services must not exceed EUR 0.19 per minute, EUR 0.06 per SMS message, and EUR 0.20 per megabyte used. Any surcharge applied for calls received must not exceed the weighted average of mobile termination rates across the Union

Alternative performance measures (APM) are used to describe operational performance. The performance indicator EBITDA is reported in order to present the operational development of individual business units transparently. EBITDA is defined as the net result excluding financial result, income tax, depreciation, and amortization and, if applicable, impairment losses and reversals thereof.

The use of automated calculation systems may give rise to rounding differences.

Revenue and earnings development

Key financials in EUR million	2019	2018	Change in %
Total revenues	4,565.2	4,435.4	2.9
Service revenues	3,805.5	3,680.8	3.4
Equipment revenues	663.9	662.6	0.2
Other operating income	95.8	91.9	4.2
EBITDA	1,560.6	1,548.9	0.8
% of total revenues	34.2 %	34.9 %	–
EBITDA excl. restructuring [1)]	1,644.7	1,571.0	4.7
% of total revenues	36.0 %	35.4 %	–
EBIT	614.8	446.0	37.9
% of total revenues	13.5 %	10.1 %	–
Net result	327.4	243.7	34.4
% of total revenues	7.2 %	5.5 %	–

Wireless indicators	2019	2018	Change in %
Wireless subscribers (thousands)	21,296.4	21,028.6	1.3
thereof postpaid	16,962.8	16,244.8	4.4
thereof prepaid	4,333.6	4,783.8	-9.4
MoU (per Ø subscriber)	361.9	347.9	4.0
ARPU (in EUR)	8.2	8.0	1.9
Mobile churn (%)	1.7 %	1.7 %	–

Wireline indicators	2019	2018	Change in %
RGUs (thousands)	6,143.4	6,202.8	-1.0

1) Please find further details on restructuring in the Note (23) of the consolidated financial statements.

Revenue and earnings development

In the financial year 2019, A1 Telekom Austria Group witnessed service revenue growth across all markets. High demand for mobile Wi-Fi routers was a driving force amongst retail customers in the mobile segment, while the strong solutions and connectivity business and attractive TV content offerings contributed largely to the positive development in the fixed-line segment.

In mobile communications, the number of subscribers of A1 Telekom Austria Group increased by 1.3% to 21.3 million in the year under review. The number of contract customers rose in almost all markets following a strong demand for mobile Wi-Fi routers. Contract subscriber numbers in Bulgaria were impacted by the removal of inactive SIM cards in 2019. Without this effect, the contract base remained stable in Bulgaria. Prepaid customer numbers continued to decline as most markets see an ongoing shift from prepaid to contract offers. In the Austrian market, the regulation for registering SIM cards has been in effect since January 1, 2019. Existing customers could register until September 1, 2019. This led to lower gross additions and subscriber numbers in the prepaid segment as well as a partial shift to contract offers. The number of A1 Digital M2M customers continued to rise in the year under review.

The number of revenue-generating units (RGUs) in the Group's fixed-line business declined by 1.0% year-on-year. The decline in RGUs in Austria, which was driven primarily by voice and to some extent also by low bandwidth broadband RGUs, was partly offset by increases in CEE markets due to TV and broadband RGUs. In North Macedonia, Wi-Fi routers that were previously reported as fixed-line RGUs, were reported in the mobile contract segment as of Q2 2019 due to a new product logic.

Back in financial year 2017, A1 Telekom Austria Group decided to harmonize its brands within the Group and roll out the "A1" brand gradually in all markets. The rebranding triggered an amortization of local brand names, amounting to approximately EUR 350 mn at the end of the year 2016. The respective companies have amortized their brand names until the phase-out of the old brands. In 2019, the rebranding was effectively carried out in two additional markets, bringing Belarus's and North Macedonia's businesses under the common "A1" umbrella and completing the amortization of all brand names. The brand amortization in 2019 amounted to EUR 23.7 mn. In 2020, the remaining market in Serbia, which has not capitalized any brand name, will be rebranded from Vip mobile to the common "A1" brand.

The following factors should be considered in the analysis of A1 Telekom Austria Group's operating results:

- Total one-off effects of positive EUR 8.2 mn in revenues and positive EUR 13.3 mn in EBITDA in 2019 after positive EUR 5.0 mn in revenues and positive EUR 9.4 mn in EBITDA in 2018, with the following main effects:
    - In Croatia, there was a positive one-off effect of EUR 6.5 mn in Q3 2019 after a positive one-off effect of EUR 3.9 mn in Q3 2018, both in cost of services. These one-off effects stemmed from reimbursements of frequency fee overpayments in connection with frequency fee cuts.
    - In Austria, a positive one-off effect of EUR 8.2 mn in revenues and EBITDA in 2019, stemming from a real estate sale in other operating income.
- Total positive FX effects amounted to EUR 12.8 mn in total revenues and EUR 5.6 mn in EBITDA in 2019, stemming mostly from Belarus.
- The EU regulation on international calls, which came into force on May 15, 2019, had a negative impact on results of roughly EUR 11 mn.
- Restructuring charges in Austria amounted to EUR 84.1 mn in 2019 compared to EUR 22.1 mn in 2018.

Key Figures of A1 Telekom Austria Group

In the financial year 2019, A1 Telekom Austria Group recorded an increase in total revenues of 2.9%. Adjusted for the one-off and FX effects described above, total revenues rose by 2.6% year-on-year. The total revenue growth in 2019 was driven primarily by CEE markets, especially Bulgaria, Belarus, and Serbia, with Austria being flat. Service revenues increased by 3.4% with growth in all markets. At the Group level, both fixed-line and mobile service revenues increased.

The Group's total costs and expenses increased by 4.1% compared to the previous year, driven by higher restructuring costs of EUR 84.1 mn in Austria in 2019 (2018: EUR 22.1 mn). Excluding restructuring charges, total costs and expenses increased by 2.0%. Cost of services increased following higher content costs related to the growth of ICT business in Austria, and increased content costs for TV rights in Croatia and Bulgaria. Interconnection and network maintenance costs also rose. These increases were partly offset by lower frequency fees in Croatia. An increase in cost of equipment came mainly as a consequence of reduced marketing support from handset suppliers in the Austrian segment and a more expensive handset portfolio in Bulgaria. Sales area costs were higher while lower advertising costs were driven by fewer rebranding activities in the Group compared to the previous year.

Key Figures of A1 Telekom Austria Group

(in EUR million)

Revenues	2019	2018	Change in %
Austria	2,648.1	2,637.5	0.4
Bulgaria	486.2	445.1	9.2
Croatia	432.8	429.9	0.7
Belarus	426.1	390.9	9.0
Slovenia	209.4	208.2	0.6
Serbia	283.8	258.7	9.7
North Macedonia	122.8	119.0	3.2
Corporate & other, eliminations	-44.1	-53.9	n. a.
Total revenues	**4,565.2**	**4,435.4**	**2.9**

EBITDA	2019	2018	Change in %
Austria	921.3	975.3	-5.5
excl. restructuring	1,005.4	997.4	0.8
Bulgaria	179.4	159.5	12.5
Croatia	145.1	132.8	9.3
Belarus	190.9	177.7	7.4
Slovenia	59.0	54.1	9.2
Serbia	83.4	70.2	18.8
North Macedonia	43.2	40.6	6.3
Corporate & other, eliminations	-61.8	-61.3	-0.8
Total EBITDA	**1,560.6**	**1,548.9**	**0.8**
excl. restructuring	1,644.7	1,571.0	4.7

EBIT	2019	2018	Change in %
Austria	415.8	474.5	-12.4
Bulgaria	66.9	-106.8	n. a.
Croatia	41.1	12.9	218.2
Belarus	100.7	90.3	11.4
Slovenia	14.7	12.2	20.2
Serbia	27.7	14.9	86.0
North Macedonia	12.2	10.2	19.7
Corporate & other, eliminations	-64.2	-62.3	-3.0
Total EBIT	**614.8**	**446.0**	**37.9**

Costs and expenses	2019	2018	Change in %
Cost of service	-1,302.5	-1,279.9	-1.8
Cost of equipment	-653.8	-627.9	-4.1
Selling, general & administrative expenses	-1,029.7	-964.7	-6.7
Other expenses	-18.5	-13.9	-33.1
Total costs and expenses	**-3,004.5**	**-2,886.5**	**-4.1**
thereof employee costs	-913.4	-850.6	-7.4
thereof restructuring charges	-84.1	-22.1	-280.5
Impairment charges	0.0	0.0	n. a.
Depreciation and amortization	-785.4	-956.5	17.9

Other key figures	2019	2018	Change in %
Net result	327.4	243.7	34.4
Net cash flow from operating activities	1,458.0	1,390.6	4.8
Capital expenditures [1)]	879.8	771.0	14.1
Net debt (incl. leases)	3,463.1	3,720.8	-6.9

1) Additions to property, plant and equipment and intangibles, excluding asset retirement obligations and additions to rights-of-use assets according to IFRS 16.

EBITDA excl. restructuring rose by 4.7% in the year under review (reported: 0.8%). Adjusted for one-offs and FX effects, it rose by 4.1%, experiencing growth in all segments. In total, the EBITDA margin excl. restructuring increased from 35.4% in the previous year to 36.0% in the year under review.

Depreciation and amortization (incl. rights of use) amounted to EUR 945.8mn, which is a 14.2% decline in comparison to the previous year. This was due to the brand amortization, which corresponded to a significantly lower amount of EUR 23.7mn in 2019 (2018: EUR 197.9mn). As a result, operating income rose by 37.9% to EUR 614.8mn compared to the previous year.

A1 Telekom Austria Group recorded a financial result of EUR -133.2mn, a decrease of 28.7% compared to the previous year. This is largely due to the result of a tax audit in Bulgaria, which had a negative impact of EUR 22.0mn in interest expenses (for details, see Note (7) and (29)).

Tax expenses amounted to EUR 154.2mn in the year under review, compared to EUR 98.8mn recorded in the previous year. The increase in income taxes resulted from an appreciation of investments, and from the abovementioned tax case in Bulgaria. Overall, A1 Telekom Austria Group reported a net result of EUR 327.4mn in 2019, an increase of 34.4% compared to the previous year.

Company key figures

	2019	2018	Change in %
Earnings per share (in EUR)	0.49	0.36	35.6
Dividend per share (in EUR)	0.23 [1]	0.21	9.5
Free cash flow per share (in EUR)	0.51	0.58	-11.3
ROE [2]	12.9%	9.2%	–
ROIC [3]	9.9%	6.9%	–

1) Intended proposal to the 2020 Annual General Meeting
2) Ratio of net result to average equity employed; serves as an indicator to measure the yield on equity
3) Total return on invested capital, calculated as net operating profit after income tax current period (NOPAT) divided by the average capital invested

Net assets and financial position

As of December 31, 2019, the balance sheet total increased by 0.9% compared to January 1, 2019, mainly owing to the increase in current assets as well as in property, plant and equipment. Current assets rose driven by higher cash and cash equivalents as well as higher receivables, partly offset by lower inventories and contract assets. Non-current assets declined slightly since the increase in the property, plant and equipment attributable to the fiber rollout and higher LTE investments in Austria were outweighed by the lower right-of-use assets and reduced deferred tax assets.

While current liabilities declined due to bank loan repayments, non-current liabilities remained stable. Lower lease liabilities were offset by the new obligation from an agreement with the local monopoly provider for LTE services in Belarus, beCloud, on the usage of exclusive network capacity. The equity ratio as of December 31, 2019 amounted to 31.2% compared to 29.1% as of January 1, 2019. The increase in shareholders' equity was driven by the net income of the financial year 2019.

Net assets and financial position

Balance sheet structure (in EUR million)	Dec 31, 2019	As % of the balance sheet total	Jan 1, 2019	As % of the balance sheet total
Current assets	1,430.3	16.9	1,316.0	15.6
Property, plant and equipment	2,840.3	33.5	2,716.1	32.3
Goodwill	1,278.8	15.1	1,277.9	15.2
Intangible assets	1,784.2	21.0	1,782.7	21.2
Other assets	1,152.4	13.6	1,317.8	15.7
Total assets	**8,486.0**	**100.0**	**8,410.5**	**100.0**
Current liabilities	1,637.8	19.3	1,747.8	20.8
Long-term debt	2,539.6	29.9	2,536.4	30.2
Lease liabilities long-term	788.2	9.3	859.4	10.2
Employee benefit obligation	220.1	2.6	203.7	2.4
Non-current provisions	582.0	6.9	576.0	6.8
Other long-term liabilities	72.4	0.9	37.7	0.4
Stockholders' equity	2,645.9	31.2	2,449.6	29.1
Liabilities and stockholders' equity	**8,486.0**	**100.0**	**8,410.5**	**100.0**

Net debt

in EUR million	Dec 31, 2019	Jan 1, 2019	Change in %
Long-term debt	2,539.6	2,536.4	0.1
Lease liability long-term	788.2	859.4	-8.3
Short-term debt	123.0	245.0	-49.8
Lease liability short-term	152.6	143.6	6.3
Cash and cash equivalents	-140.3	-63.6	-120.5
Net Debt (incl. leases)	**3,463.1**	3,720.8	**- 6.9**
Net debt (incl. leases) / EBITDA	**2.2 ×**	2.4 ×	**–**

in EUR million	Dec 31, 2019	Dec 31, 2018	Change in %
Net debt (excl. leases)	2,522.3	2,718.4	-7.2
Net debt (excl. leases) / EBITDA after leases	1.8 ×	2.0 ×	–

Net debt

Net debt (incl. leases) decreased by 6.9 %, mostly due to lower short-term debt following the repayment of a bank loan and an increase in cash and cash equivalents in the reporting period. The net debt (incl. leases) to EBITDA ratio decreased for this reason and due to improved operating result from 2.4 × as of January 1, 2019 to 2.2 × as of December 31, 2019.

Cash flow

Cash flow from operating activities increased in the financial year 2019 due to improved operating performance as well as lower working capital needs. In the year under review, "working capital and other financial positions" in the amount of EUR -176.0 mn (2018: EUR -190.8 mn) were mainly driven by payments for restructuring, a decreases in accounts payable, as well as income tax payments resulting from the abovementioned tax audit in Bulgaria.

Free cash flow declined from EUR 384.2 mn as of December 31, 2018 to EUR 340.6 mn as of December 31, 2019 due to higher capital expenditures paid in the year under review, which were mainly driven by acquired frequencies in Austria and Belarus.

The net cash flow from financing activities rose from EUR -763.3 mn in 2018 to EUR -520.3 mn in the reporting period. The prior year was above all characterized by the redemption of the EUR 600 mn hybrid bond on February 1, 2018. In 2019, in addition to the leasing, dividend and interest payments, the repayment of a bank loan led to a cash outflow.

Cash flow

in EUR million	2019	2018	Change in %
Cash flow from operating activities	1,458.0	1,390.6	4.8
Capital expenditures paid	-873.9	-771.5	-13.3
Proceeds from sale of plant, property and equipment	14.3	7.5	89.8
Interest paid	-108.3	-98.4	-10.1
Lease principal paid	-149.5	-144.1	-3.7
Free cash flow	**340.6**	384.2	**-11.3**

Capital expenditures

In the year 2019, capital expenditures increased by 14.1 % year-on-year to EUR 879.8 mn. Excluding the frequency spectrum, capital expenditures increased from EUR 770.0 mn to EUR 797.7 mn, above all driven by an agreement with the local monopoly provider for LTE services in Belarus, beCloud, on the usage of exclusive network capacity. This led to capital expenditures of EUR 51.9 mn in Q4 2019.

Tangible capital expenditures decreased slightly by 0.7 % to EUR 605.9 mn, mainly due to the Austria segment. While fibre rollout in Austria led to higher investments in the reporting year, 2018 was impacted by investments in a data center.

Lower investments in Austria were offset by higher mobile network investments in Bulgaria. Intangible capital expenditures increased by 70.4% to EUR 273.9 mn, which is attributable to acquired frequencies in Austria (3.5 GHz; EUR 64.4 mn), Belarus (2.1 GHz; EUR 9.7 mn) and Croatia (2.1 GHz; EUR 7.2 mn) as well as the abovementioned agreement with beCloud in Belarus.

Segment analysis

Segment Austria

In Austria, all mobile network operators are now able to offer convergent products. Following their rebranding in May 2019, Magenta is marketing new mobile tariffs, including 5G-ready unlimited data propositions in the premium voice segment, as well as convergent offers and fixed-line promotions. At the end of September 2019, Drei launched technology-agnostic internet tariffs for mobile Wi-Fi routers, hybrid modems as well as fixed-line accesses, with a shift to higher speeds. In the premium segment, unlimited data volumes and higher speeds dominated propositions as part of newly launched 5G-ready tariffs and as the Christmas promotion for smartphones and mobile Wi-Fi routers. A1 continued to follow its multi-brand strategy and aimed for high granularity in market segmentation. A1 offered its first premium 5G-ready tariff with increased speed for mobile Wi-Fi routers and held promotions during the summer and the Christmas holiday with unlimited mobile tariffs. In the low value and youth segments, competition remained intense in the year under review, also fostered by the entrance of a new MVNO player and promotional activities, which A1 countered by means of targeted offers. Following regulation requirements for SIM card registration imposed by authorities in 2019, A1 Austria managed to register a vast majority of its active prepaid SIM cards.

In the retail fixed-line business, all operators focused on retaining and upselling customers as acquiring new customers had become increasingly challenging. In October 2019, A1 started with a new fixed-line broadband promotion in order to attract new customers and to reduce churn. The promotion offered various benefits to new customers, as well as to existing customers who extend their contracts and upgrade to higher bandwidth products. The promotion campaign was successful and resulted in significantly better net-adds.

The Internet@home market, representing fixed-line broadband, hybrid modems, and mobile Wi-Fi routers, continued to grow steadily in 2019 as well, showing particularly strong demand for mobile WiFi routers. The rising demand for higher bandwidth products and TV options contributed to upselling of these services within the existing customer base.

The total number of mobile contract subscribers saw an increase in 2019, driven by strong demand for mobile Wi-Fi routers and, to a lesser extent, an increase in the high value customer base. The decline in the prepaid segment was caused by the abovementioned SIM card registration regulation. The total number of fixed-lined revenue generating units (RGUs) declined in the year under review as losses in voice and low bandwidth broadband subscribers could not be outweighed by the rising demand for higher bandwidth products and TV options.

Results were also supported by price adjustments. In February 2019, prices for new customers in the high-value mobile and the youth segment were increased by 2 Euro and 1 Euro, respectively. The activation fee and the annual service fee were also raised. As of April 1, 2019, an indexation of 2.0% has been effective for existing customers in both the mobile high-value (including mobile Wi-Fi routers) and parts of the fixed-line business. In November 2019, prices for existing fixed-line voice customers were increased.

Total revenues increased slightly by 0.4% year-on-year including a positive one-off effect of EUR 8.2 mn in other operating income resulting from a real estate sale. Excluding the positive one-off effect, total revenues remained flat, as higher service revenues outweighed the decline in equipment revenues. The latter declined due to lower quantities and slightly higher subsidies per handset. Fixed-line service revenues grew at 1.5% on the back of higher solutions and connectivity revenues due to strong demand for ICT solutions as well as complementary connectivity, which outweighed lower retail fixed-line service revenues. The latter decreased by 1.9% as losses in voice and a decline in the number of low bandwidth broadband subscribers could not be offset by the rising demand for higher bandwidth products and TV options as well as the abovementioned indexation measure. ARPL increased further by 2.4% due to successful up-selling activities and price indexation.

Mobile business saw a slight service revenue increase of 0.3% year-on-year, driven by strong demand for mobile Wi-Fi routers and increased revenues from the high-value segment, which also benefitted from the price increase and indexation measures mentioned above. The EU international call regulation, which has been in place since May 15, 2019, negatively impacted the mobile segment. Visitor and national roaming revenues were higher due to higher data volumes, while interconnection revenues experienced a decline due to lower volume and pricing for SMS. ARPU rose since increases due to mobile Wi-Fi routers and high-value customers more than outweighed revenue losses due to the abovementioned EU regulation.

Costs and expenses in the Austria segment increased by 3.9 % year-on-year, driven by higher restructuring costs of EUR 84.1 mn in 2019 compared to EUR 22.1 mn in 2018. Excluding restructuring costs, total costs and expenses remained flat since higher cost of equipment due to less marketing support and more ICT customer projects, as well as higher cost of services, were offset by lower workforce costs. Cost of services came in higher due to increased costs for ICT projects, while higher structural costs for IT process automation allowed an FTE reduction and led to lower workforce costs.

EBITDA excluding restructuring charges and one-off effects remained flat (reported: –5.5 %) as higher service revenues and cost savings were able to offset the lower equipment margin. The latter decreased due to higher subsidies and lower ICT equipment margins as well as less marketing support from handset sellers in the year under review. Depreciation and amortization expenses increased by 1.0 % in the period under review compared to the same period last year. As a result, total operating income decreased by 12.4 % year-on-year.

Key performance indicators Austria

Key financials in EUR million	2019	2018	Change in %
Total revenues	2,648.1	2,637.5	0.4
Service revenues	2,320.3	2,297.6	1.0
thereof mobile service revenues	926.1	923.6	0.3
thereof fixed-line service revenues	1,394.2	1,373.9	1.5
Equipment revenues	268.6	286.1	-6.1
Other operating income	59.2	53.8	10.1
EBITDA	921.3	975.3	-5.5
% of total revenues	34.8 %	37.0 %	–
EBITDA excl. restructuring	1,005.4	997.4	0.8
% of total revenues	38.0%	37.8%	–
EBIT	415.8	474.5	-12.4
% of total revenues	15.7 %	18.0 %	–

Wireless indicators	2019	2018	Change in %
Wireless subscribers (thousands)	5,114.9	5,363.7	-4.6
thereof postpaid	3,895.5	3,825.1	1.8
thereof prepaid	1,219.3	1,538.6	-20.7
MoU (per Ø subscriber)	281.6	269.9	4.3
ARPU (in EUR)	14.7	14.5	1.4
Mobile churn (%)	1.6 %	1.6 %	–

Wireline indicators	2019	2018	Change in %
RGUs (thousands)	3,247.0	3,327.7	-2.4

Key performance indicators International operations

Key financials in EUR million	2019	2018	Change in %
Total revenues	1,957.5	1,846.6	6.0
Service revenues	1,525.4	1,430.4	6.6
thereof mobile service revenues	1,161.8	1,095.7	6.0
thereof fixed-line service revenues	363.7	334.7	8.7
Equipment revenues	395.2	376.7	4.9
Other operating income	36.9	39.5	-6.6
EBITDA	701.1	632.8	10.8
% of total revenues	35.8%	34.3%	–
EBIT	264.0	31.9	n.m.
% of total revenues	13.5%	1.7%	–

Wireless indicators	2019	2018	Change in %
Wireless subscribers (thousands)	14,669.4	14,618.5	0.3
thereof postpaid	11,555.1	11,373.3	1.6
thereof prepaid	3,114.3	3,245.2	-4.0

Wireline indicators	2019	2018	Change in %
RGUs (thousands)	2,896.4	2,875.1	0.7

International operations

International operations contributed strongly to Group revenue and Group EBITDA growth. Total revenues increased by 6.0% in 2019, driven by service revenue growth in all markets, with Belarus, Bulgaria, and Serbia being the main contributors. EBITDA increased by 10.8%, driven particularly by Bulgaria, Belarus, and Serbia.

Segment Bulgaria

In 2019, the Bulgarian market showed positive trends, both in the fixed-line and in the mobile segment. Strong growth in the fixed-line business segment was attributable to the increased sale of customized corporate solutions, while successful up and cross selling to residential customers also contributed to the growth. Exclusive TV content featuring sport channels made a significant contribution to ARPL trends and the positive revenue generating unit (RGU) development. Total fixed-line RGUs increased as the strong trends in TV and broadband were able to offset the decline in fixed-line voice services. The mobile segment was characterized by market stabilization and improved trends among both business and residential customers. The total number of mobile contract subscribers however declined, mainly as a result of cleaning up inactive SIM cards in the year under review. Successful upselling in post-paid and pre-paid segments contributed to the positive ARPU development.

Total revenues increased by 9.2% year-on-year with growing fixed-line and mobile trends as well as equipment revenues. While mobile service revenues increased on the back of up-selling activities and market stabilization, fixed-line service revenues rose due to strong demand for TV content and customized corporate solutions. Equipment revenues grew owing to higher quantities sold.

Costs and expenses increased, driven primarily by higher cost of equipment as a result of upselling activities and increased smart handset sales in the mobile segment as well as, although to a lesser extent, due to higher sales in the fixed-line segment. Increased content costs, in line with the higher number of TV RGUs, together with higher workforce and IT maintenance costs, were additional key factors for increases in costs.

Strong growth in service revenuesmore than outweighed higher costs and expenses, resulting in 12.5% EBITDA growth year-on-year. Depreciation and amortization declined by 57.8% as the rebranding in 2018 led to brand amortization costs of EUR 144.0 mn. As a result, operating income increased in the year under review and amounted to EUR 66.9 mn (2018: EUR -106.8 mn).

Segment Croatia

In 2019, the market in Croatia was shaped by highly discounted offers for convergence solutions, as well as intense competition in the mobile segment. In April 2019, A1 Croatia launched an unlimited data offer on the market to attract new customers and increase satisfaction within the existing customer base. In May 2019, Hrvatski Telekom introduced an unlimited mobile proposition in the premium segment. Fixed-line business was driven by strong demand for exclusive TV options featuring content such as UEFA Champions League, the most important factor in the proposition. In May 2019, Tele2 announced the sale of its Croatian business to United

Group, a SEE-based telecom services provider. The regulatory approval for the acquisition is still pending and is expected in February 2020.

On the regulatory side, in 2019 the Croatia segment benefited from reduced frequency usage fees and the reimbursement of the excess frequency usage fees of EUR 6.5 mn (2018: EUR 3.9 mn) in connection with previously announced frequency fee cuts by the government.

The number of mobile subscribers increased in the year under review, owing to an increased contract customer base and solid growth of mobile Wi-Fi routers. The total number of fixed-line revenue generating units (RGUs) increased, driven by strong demand for TV solutions.

Total revenues increased by 0.7 % year-on-year. Solid service revenue growth of 2.3 %, driven by the increase in both the mobile and the fixed-line segments, was partially offset by lower equipment revenues. Mobile service revenues grew despite the EU international call regulation. The increase was due to continued strong demand for mobile Wi-Fi routers, up-selling activities and higher visitor roaming revenues triggered by higher data traffic during the peak tourist season. Fixed-line service revenues rose due to TV RGU growth as well as a price increase in September 2019. In addition, solutions and connectivity revenues also increased. Equipment revenues declined, as a result of lower quantities sold and a shift towards a cheaper handset mix.

On the cost side, Croatia saw a decrease, mainly due the aforementioned one-off effect of EUR 6.5 mn (2018: EUR 3.9 mn) related to the frequency fee reimbursement and frequency fee cuts. Advertising and equipment costs also declined after being impacted by rebranding activities in 2018. Content costs increased as a result of investment in UEFA Champions League rights and the increase in the TV subscriber base.

Increased revenues coupled with the reduction in total costs led to EBITDA growth of 9.3 % year-on-year, while EBITDA excluding one-off effects increased by 7.5 % compared to the previous year. Depreciation and amortization expenses declined from EUR 119.9 mn in 2018 to EUR 104.0 mn in 2019, primarily as a result of brand amortization expenses of EUR 19.7 mn in the comparison period. Operating income therefore increased from EUR 12.9 mn to EUR 41.1 mn.

Segment Belarus

Economic activity in Belarus slowed down in 2019, with GDP expected to have grown by 1.5 % (IMF estimate; 2018: 3.0 %). The Belarusian ruble appreciated against the euro by 2.8 % in the year under review (period average). The government continued to pursue policies to stabilize inflation that came in at 4.7 % in December 2019.

In April 2019, the launch of the “A1” brand started with the temporary incorporation into the “A1 Velcom” brand. The transition to the single brand “A1” was subsequently completed successfully in August 2019.

In March 2019, A1 entered into an agreement with beCloud regarding LTE capacity and officially launched its LTE services in Minsk and other relevant cities, allowing the company to remain competitive despite lacking its own LTE license. The agreement was further amended in December 2019 and now allows A1 Belarus the exclusive use of network capacity enabling nationwide LTE coverage.

The mobile market remained highly competitive in 2019, with telecom operators focusing more on retaining and upselling existing customers. A1 Belarus concluded its redesign of service plans in the second quarter of 2019, especially with the improvement of youth and business propositions. The redesigned mobile portfolio includes more data-centric propositions and optional data add-ons for voice-only prepaid propositions. It aims to attract prepaid customers to contract offers. Additionally, A1 started with a voluntary migration of some grandfathered service plans to current tariffs plans with higher monthly fees.

The subscriber base increased slightly year-on-year following the redesign of the service plan portfolio and Christmas promotion campaign. The number of fixed-line RGUs declined in 2019, due mainly to line losses in low-value cable TV and low-bandwidth broadband.

As of July 2019, an inflation-linked price increase for mobile customers of 4.3 % was implemented while fixed-line tariffs for existing customers were increased by 6.0 % in June 2019.

Total revenues increased by 9.0 %, driven by strong growth in service revenues. Excluding FX effects and minor positive one-off effects in the reporting and in the comparison period, total revenues rose by 6.9 %. Mobile service revenues increased, following charging of unlimited data options since February 2019, structural portfolio improvement as well as the abovementioned price increase, which also led to a higher ARPU. Fixed-line service revenues grew on the back of retail fixed-line price increases as well as higher solutions and connectivity revenues.

Total costs and expenses rose primarily as a result of the higher cost of services which was driven mainly by higher interconnection and network engineering costs. The former increased due to more traffic to competitors’ networks after the launch of unlimited voice tariffs. Administrative expenses rose due to selected wage increases and higher bad debt expenses, whereas the increase in roaming expenses came as a result of higher traffic on the beCloud’s network.

Increased service revenues more than offset higher costs and expenses, which led to EBITDA growth of 7.4 %. Excluding FX effects and minor one-offs, EBITDA grew by 6.4 %. Lower brand amortization expenses of EUR 23.0 mn in the year under review (2018: 31.3 mn) were outweighed by higher amortization for technical equipment and licenses, which led overall to higher depreciation and amortization expenses. Nevertheless, operating income increased by 11.4 %.

Other segments

In Slovenia, competition in the mobile market remained intense with attractive offers including high data allowances. In order to prevent churn, A1 Slovenia launched the "Member get Member" campaign in September 2019, offering discounts to customers who bring friends or family members as new customers. In the fixed-line business, TV content remained an important driver. In April 2019, A1 introduced attractive combine-and-save offers for convergent customers, which contributed to a higher number of revenue generating units (RGUs). Total revenues increased by 0.6 % compared to the previous year. Service revenues grew by 1.0 %, as the increase in fixed-line service revenues more than outweighed the decline in mobile service revenues. Costs and expenses declined, due to lower workforce costs and a wholesale agreement entered into in Q4 2018. This led to a shift in bitstream costs, included in cost of services in the comparison period, to D&A for rights of use in the reporting period, in accordance with the IFRS 16 accounting standard. Also supported by a higher equipment margin, this enabled EBITDA growth of 9.2 %. Despite the increase of depreciation and amortization, operating profit grew by 20.2 % year-on-year.

The mobile market in Serbia was shaped by the strong demand for unlimited voice and SMS tariffs with flat data allowances, while the popularity of mobile Wi-Fi routers remained strong throughout the year. Total revenues increased by 9.7 %, attributable to higher mobile service revenues as a result of the growing contract subscriber base, which led to increased monthly fees, as well as to higher equipment revenues due to higher quantities sold. Interconnection revenues increased as a result of unlimited voice tariffs introduced by competitors and consequently higher traffic. Workforce costs grew due to the higher number of FTEs and higher bonuses. Altogether, EBITDA grew by 18.8 % while almost unchanged depreciation and amortization expenses compared to the previous year led to 86.0 % higher operating income.

With the introduction of a regional retail roaming agreement for the Western Balkan countries, roaming rates have been cut as of July 1, 2019, which negatively impacted revenues in Serbia and North Macedonia to a limited extent. Roaming rates are expected to be abolished entirely by July 1, 2021.

In North Macedonia, all market participants focused on customer retention and up-selling activities throughout the year. The fixed-line provider Telekabel launched a mobile SIM-only proposition in Q1 2019. Wi-Fi routers, which were previously reported under fixed-line RGUs, have been reported in mobile postpaid starting with Q2 2019 due to a new product logic. In September 2019, the "A1" brand was also introduced in North Macedonia. Total revenue growth of 3.2 % was driven by higher mobile services revenues resulting from the positive development of mobile Wi-Fi routers. Lower administrative expenses were offset by higher cost of services as well as higher selling and marketing expenses, which were impacted by the rebranding. As higher service revenues outweighed higher total costs and expenses, EBITDA grew by 6.3 %. Together with stable depreciation and amortization, this led tooperating profit growth of 19.7 %.

Detailed figures

Information on alternative performance measures

The Consolidated Financial Statements are prepared in accordance with applicable accounting standards. Additionally, alternative performance measures are used to describe operational performance. Therefore, please also refer to the financial information presented in the Consolidated Financial Statements as well as the following tables.

Revenues

in EUR million	2019	2018	Change in %
Austria	2,648.1	2,637.5	0.4
Bulgaria	486.2	445.1	9.2
Croatia	432.8	429.9	0.7
Belarus	426.1	390.9	9.0
Slovenia	209.4	208.2	0.6
Serbia	283.8	258.7	9.7
North Macedonia	122.8	119.0	3.2
Corporate & other, eliminations	-44.1	-53.9	18.2
Total revenues	**4,565.2**	**4,435.4**	**2.9**

Service revenues

in EUR million	2019	2018	Change in %
Austria	2,320.3	2,297.6	1.0
Bulgaria	378.5	348.1	8.7
Croatia	368.4	360.0	2.3
Belarus	320.3	286.9	11.6
Slovenia	157.8	156.3	1.0
Serbia	204.4	184.8	10.6
North Macedonia	98.9	97.0	2.0
Corporate & other, eliminations	-43.1	-49.8	13.3
Total service revenues	**3,805.5**	**3,680.8**	**3.4**

Mobile service revenues

in EUR million	2019	2018	Change in %
Austria	926.1	923.6	0.3
Bulgaria	260.6	245.8	6.0
Croatia	240.2	235.0	2.2
Belarus	272.5	247.0	10.3
Slovenia	120.0	121.0	-0.8
Serbia	196.2	178.1	10.2
North Macedonia [1)]	74.9	71.3	5.1
Corporate & other, eliminations	-15.2	-18.2	16.4
Total mobile service revenues	**2,075.3**	**2,003.6**	**3.6**

1) In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

Fixed-line service revenues

in EUR million	2019	2018	Change in %
Austria	1,394.2	1,373.9	1.5
Bulgaria	117.9	102.3	15.2
Croatia	128.2	125.0	2.5
Belarus	47.8	39.9	19.9
Slovenia	37.8	35.3	7.2
Serbia	8.2	6.7	23.3
North Macedonia [1)]	24.0	25.8	-6.7
Corporate & other, eliminations	-27.9	-31.6	11.6
Total fixed line service revenues	**1,730.2**	**1,677.2**	**3.2**

1) In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

Other operating income

in EUR million	2019	2018	Change in %
Austria	59.2	53.8	10.1
Bulgaria	8.3	7.6	9.2
Croatia	6.1	6.0	1.6
Belarus	14.8	18.1	-18.1
Slovenia	3.4	5.7	-40.6
Serbia	3.3	3.0	12.0
North Macedonia	1.5	1.4	7.4
Corporate & other, eliminations	-0.8	-3.7	77.3
Total other operating income	**95.8**	**91.9**	**4.2**

EBITDA

in EUR million	2019	2018	Change in %
Austria	921.3	975.3	-5.5
excl. restructuring	1,005.4	997.4	0.8
Bulgaria	179.4	159.5	12.5
Croatia	145.1	132.8	9.3
Belarus	190.9	177.7	7.4
Slovenia	59.0	54.1	9.2
Serbia	83.4	70.2	18.8
North Macedonia	43.2	40.6	6.3
Corporate & other, eliminations	-61.8	-61.3	-0.8
Total EBITDA	**1,560.6**	**1,548.9**	**0.8**
excl. restructuring	**1,644.7**	**1,571.0**	**4.7**

EBITDA after leases

in EUR million	2019	2018	Change in %
Austria	841.1	903.5	-6.9
Bulgaria	152.8	135.5	12.7
Croatia	129.6	117.1	10.7
Belarus	175.7	165.6	6.1
Slovenia	41.6	40.1	3.7
Serbia	67.3	55.3	21.7
North Macedonia	36.7	35.3	4.0
Corporate & other, eliminations	-62.1	-61.5	-0.9
Total EBITDA after leases	**1,382.8**	**1,390.9**	**-0.6**

Depreciation and amortization

in EUR million	2019	2018	Change in %
Austria	505.5	500.7	1.0
Bulgaria	112.5	266.3	-57.8
Croatia	104.0	119.9	-13.2
Belarus	90.3	87.4	3.3
Slovenia	44.4	41.9	6.0
Serbia	55.7	55.3	0.7
North Macedonia	31.0	30.5	1.9
Corporate & other, eliminations	2.3	0.9	149.4
Total D&A	**945.8**	**1,102.9**	**-14.2**

EBIT

in EUR million	2019	2018	Change in %
Austria	415.8	474.5	-12.4
Bulgaria	66.9	-106.8	n.a.
Croatia	41.1	12.9	218.2
Belarus	100.7	90.3	11.4
Slovenia	14.7	12.2	20.2
Serbia	27.7	14.9	86.0
North Macedonia	12.2	10.2	19.7
Corporate & other, eliminations	-64.2	-62.3	-3.0
Total EBIT	**614.8**	446.0	**37.9**

Capital expenditures

in EUR million	2019	2018	Change in %
Austria	526.9	469.3	12.3
Bulgaria	78.5	86.5	-9.2
Croatia	86.6	87.8	-1.3
Belarus	105.1	49.7	111.5
Slovenia	24.5	27.5	-10.7
Serbia	35.8	34.1	4.9
North Macedonia	19.1	19.2	-0.5
Corporate & other, eliminations	3.3	-3.1	n. m.
Total capital expenditures	**879.8**	771.0	**14.1**

Capital expenditures: tangible

in EUR million	2019	2018	Change in %
Austria	380.3	389.5	-2.4
Bulgaria	63.2	52.4	20.6
Croatia	64.2	70.7	-9.2
Belarus	32.3	36.7	-12.0
Slovenia	19.3	17.9	7.8
Serbia	28.3	25.3	11.8
North Macedonia	16.7	17.0	-1.8
Corporate & other, eliminations	1.7	0.8	113.4
Total capital expenditures, tangible	**605.9**	610.2	**-0.7**

Capital expenditures: intangible

in EUR million	2019	2018	Change in %
Austria	146.6	79.9	83.5
Bulgaria	15.4	34.1	-55.0
Croatia	22.5	17.1	31.5
Belarus	72.8	13.0	n. m.
Slovenia	5.2	9.5	-45.4
Serbia	7.5	8.8	-15.2
North Macedonia	2.4	2.2	9.8
Corporate & other, eliminations	1.5	-3.9	n. m.
Total capital expenditures, intangible	**273.9**	160.7	**70.4**

Mobile subscribers

in thousands	2019	2018	Change in %
Austria	5,114.9	5,363.7	-4.6
thereof postpaid	3,895.5	3,825.1	1.8
Bulgaria	3,824.1	3,934.3	-2.8
thereof postpaid	3,406.4	3,505.2	-2.8
Croatia	1,847.8	1,833.3	0.8
thereof postpaid	1,111.4	1,043.9	6.5
Belarus	4,890.1	4,873.0	0.3
thereof postpaid	4,117.4	4,041.1	1.9
Slovenia	705.3	697.1	1.2
thereof postpaid	626.3	611.7	2.4
Serbia	2,311.0	2,195.2	5.3
thereof postpaid	1,574.3	1,481.8	6.2
North Macedonia 1)	1,091.1	1,085.6	0.5
thereof postpaid	719.3	689.6	4.3
Total wireless subscribers	**21,296.4**	**21,028.6**	**1.3**
thereof postpaid	**16,962.8**	**16,244.8**	**4.4**

1) In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The subscriber numbers of the comparison period have been adapted.

RGUs

in thousands	2019	2018	Change in %
Austria	3,247.0	3,327.7	-2.4
thereof broadband	1,411.3	1,434.8	-1.6
thereof TV	323.9	313.0	3.5
Bulgaria	1,060.0	1,029.0	3.0
thereof broadband	464.3	448.3	3.6
thereof TV	530.5	507.5	4.5
Croatia	685.8	681.8	0.6
thereof broadband	252.2	254.0	-0.7
thereof TV	235.1	229.3	2.5
Belarus	616.9	657.3	-6.1
thereof broadband	228.0	246.7	-7.6
thereof TV	386.3	408.1	-5.3
Slovenia	200.1	182.1	9.9
thereof broadband	82.2	73.7	11.5
thereof TV	69.0	60.2	14.6
North Macedonia 1)	333.6	324.9	2.7
thereof broadband	104.2	102.5	1.6
thereof TV	132.2	128.8	2.6
Total RGUs	**6,143.4**	**6,202.8**	**-1.0**
thereof broadband	**2,542.2**	**2,560.1**	**-0.7**
thereof TV	**1,676.9**	**1,646.9**	**1.8**

1) In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The subscriber numbers of the comparison period have been adapted.

Mobile churn

in %	2019	2018
Austria	1.6 %	1.6 %
Bulgaria	1.8 %	1.6 %
Croatia	2.5 %	2.3 %
Belarus	1.4 %	1.5 %
Slovenia	1.2 %	1.4 %
Serbia	3.0 %	3.2 %
North Macedonia	1.7 %	1.8 %

Mobile market share

	2019	2018
in %	2019	2018
Austria	37.0 %	37.8 %
Bulgaria	39.3 %	39.4 %
Croatia	36.4 %	36.5 %
Belarus	41.8 %	42.0 %
Slovenia	28.2 %	28.1 %
Serbia	25.2 %	23.8 %
North Macedonia	49.7 %	49.6 %

EBITDA per segment

adjusted for FX, one-off effects and restructuring charges

in EUR million	2019	2018	Change in %
Austria	997.2	997.4	0.0
Bulgaria	179.4	157.8	13.7
Croatia	138.6	128.9	7.5
Belarus	185.7	174.5	6.4
Slovenia	60.0	54.1	11.0
Serbia	83.6	70.2	19.0
North Macedonia	43.2	40.1	7.6
Corporate & other, eliminations	-61.8	-61.5	-0.5.
Total adjusted EBITDA	**1,625.8**	1,561.6	**4.1**

Group EBITDA

adjusted for FX, one-off effects and restructuring charges

in EUR million	2019	2018	Change in %
EBITDA	**1,560.6**	1,548.9	**0.8**
FX translation effect	-5.6	–	–
One-off effects	-13.3	-9.4	–
Restructuring charges	84.1	22.1	–
EBITDA – excl. FX, one off effects and restructuring charges	**1,625.8**	1,561.6	**4.1**

Austria EBITDA

adjusted for one-off effects and restructuring charges

in EUR million	2019	2018	Change in %
EBITDA	**921.3**	975.3	**-5.5**
One-off effects	-8.2	0.0	–
Restructuring charges	84.1	22.1	–
EBITDA excl. one-off effects and restructuring charges	**997.2**	997.4	**0.0**

Group EBITDA

after leases – adjusted for FX, one-off effects and restructuring charges

in EUR million	2019	2018	Change in %
EBITDA after leases	**1,382.8**	1,390.9	**-0.6**
FX translation effect	-5.1	–	–
One-off effects	-13.3	-9.4	–
Restructuring charges	84.1	22.1	–
EBITDA after leases – excl. FX, one-off effects and restructuring charges	**1,448.4**	1,403.6	**3.2**

ARPU

in EUR	2019	2018	Change in %
Austria	14.7	14.5	1.4
Bulgaria	5.6	5.2	9.3
Croatia	10.8	10.8	0.2
Belarus	4.7	4.2	10.3
Slovenia	14.3	14.5	-1.3
Serbia	7.2	6.8	6.2
North Macedonia	5.7	5.4	4.6
Group ARPU	**8.2**	8.0	**1.9**

ARPL

in EUR	2019	2018	Change in %
Austria	31.3	30.7	1.9
Bulgaria	13.3	12.5	6.1
Croatia	30.8	30.3	1.8
Belarus	6.1	5.6	7.8
Slovenia	35.2	35.7	-1.6
Serbia	n. a.	n. a.	n. a.
North Macedonia	10.8	11.0	-1.9

ARPL-relevant revenues (in EUR million)	2019	2018	Change in %
Austria	753.2	767.8	-1.9
Bulgaria	85.5	79.8	7.1
Croatia	109.3	107.1	2.0
Belarus	30.1	25.8	16.8
Slovenia	32.9	30.7	7.2
Serbia	n. a.	n. a.	n. a.
North Macedonia	19.7	19.3	2.5

Access lines (in thousands)	2019	2018	Change in %
Austria	1,967.0	2,048.3	-4.0
Bulgaria	543.4	536.0	1.4
Croatia	288.8	296.9	-2.7
Belarus	389.0	451.8	-13.9
Slovenia	82.3	73.8	11.5
Serbia	n. a.	n. a.	n. a.
North Macedonia	153.9	149.5	2.9

Belarus: Key Financials in EUR and BYN

in EUR million	2019	2018	Change in %
Total revenues	426.1	390.9	9.0
Total costs and expenses	-235.2	-213.2	-10.3
EBITDA	190.9	177.7	7.4

in BYN million	2019	2018	Change in %
Total revenues	997.0	940.3	6.0
Total costs and expenses	-550.2	-512.8	-7.3
EBITDA	446.8	427.5	4.5

Consolidated non-financial statement

Please refer to the separate consolidated non-financial report in accordance with Section 267a (6) UGB.

Disclosure in accordance with Section 243a of the Austrian Business Enterprise Code (UGB)

Shareholder structure and capital disclosures

At the end of 2019, a total of 51.00% or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands ("América Móvil B.V."; formerly Carso Telecom B.V.), a wholly-owned subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil"). The Republic of Austria held 28.42% via Österreichische Beteiligungs AG ("ÖBAG") [14)], while the remaining 20.58% of the shares were in free float. 0.1% or 0.4 million shares of the latter were held by the company itself. Employee shares that are held in a collective custody account also form part of the free float. The associated voting rights are exercised by a custodian (notary). The total number of no-par value shares remains at 664,500,000.

	2019	2018	Change in %
Treasury shares	415,159	415,159	0.0

Further details on treasury shares can be found in Note (28) of the consolidated financial statements.

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2019 financial year or up until the date at which this report was prepared.

The following information concerning the shareholders' agreement is based solely on publicly available information. [15)] The company does not have any additional information. The shareholders' agreement between ÖBAG, América Móvil, and América Móvil B.V., came into force on June 27, 2014. Under the terms of the shareholders' agreement, the parties have undertaken to jointly pursue a long-term policy with regard to the management of Telekom Austria Aktiengesellschaft by exercising their voting rights on a concerted basis. The shareholders' agreement also contains provisions on the joint exercise of voting rights in the committees of the company for the election of Supervisory Board and Management Board members and restrictions on the sale of shares. The Supervisory Board of the company consists of ten shareholder representatives, of which eight members are nominated by América Móvil B.V. and two by ÖBAG. ÖBAG has the right to nominate the Chairman of the Supervisory Board. América Móvil B.V. has the right to nominate the Deputy Chairman. The Management Board of the company consists of three members. Two members are nominated by América Móvil B.V., while one member of the Management Board, namely the Chief Executive Officer (CEO), is nominated by ÖBAG. The Extraordinary General Meeting on August 14, 2014 also amended the Articles of Association to state that, as long as the Republic of Austria directly or indirectly holds at least 25% plus one share of the share capital of the company, resolutions on capital increases and the issue of instruments containing a conversion right or a conversion obligation for shares of the company and amendments to the provisions of the Articles of Association relating to capital increases and such instruments shall require a majority of at least three quarters of the share capital represented at the vote on the respective resolution.

ÖBAG and América Móvil B.V. have agreed that at least 24% of the shares of the company should be held in free float while the shareholders' agreement is in place. This minimum free float requirement is based on ÖBAG's maximum equity interest of 25% plus one share. If ÖBAG holds an equity interest in the company of more than 25% plus one share, the minimum free float requirement is reduced accordingly so that América Móvil can retain an equity interest in the company of 51%. If the number of shares in free float falls below the minimum while the shareholders' agreement is in place, (i) América Móvil B.V. undertakes to sell shares within the next 24 months and (ii) América Móvil undertakes to ensure that neither it nor its subsidiaries purchase any additional shares until the minimum free float requirement is restored.

As long as ÖBAG holds 25% plus one share or more of the share capital of Telekom Austria Aktiengesellschaft, ÖBAG shall have the following rights of codetermination in accordance with the voting rights agreement: the right to veto capital increases of Telekom Austria Aktiengesellschaft and its subsidiaries, the issue of certain convertible instruments, the appointment of the auditor of the financial statements, the conclusion of related party transactions, the relocation of the registered office of the company and material business functions, including research and development, the disposal of the company's core business, and changes to the name of Telekom Austria Aktiengesellschaft and the brands of Telekom Austria Aktiengesellschaft, among other things. ÖBAG shall also be granted the blocking minority rights accruing by law to a minority shareholder with an equity interest of 25% plus one share. ÖBAG's veto rights in connection with capital increases and the issue of certain convertible instruments are also set out in the Articles of Association of the company. If ÖBAG's equity interest falls below 20% but remains above 10%, ÖBAG shall retain certain veto rights. The voting rights agreement shall expire automatically if the equity interest held by one of the parties falls below 10%.

14) On February 20, 2019, ÖBIB (Österreichische Bundes- und Industriebeteiligungen GmbH) was converted to ÖBAG (Österreichische Beteiligungs AG)
15) Information on the takeover offer (May 9, 2014): https://www.a1.group/de/ir/12474
Information on the capital increase as at November 7, 2014: https://www.a1.group/de/ir/14887

Members of the Supervisory Board of Telekom Austria Aktiengesellschaft

Name (year of birth)	Date of first appointed	End of current term of office / leaving date
Alejandro Cantú Jiménez (1972)	14.08.2014	2020 1)
Karin Exner-Wöhrer (1971)	27.05.2015	2020 1)
Carlos García Moreno Elizondo, Deputy Chairperson (1957)	14.08.2014	2023 4)
Bettina Glatz-Kremsner (1962)	30.05.2018	29.05.2019
Peter Hagen (1959)	25.05.2016	2021 2)
Edith Hlawati (1957), Chairperson	28.06.2001 to 29.05.2013, re-delegated on 30.05.2018	2023 4)
Carlos M. Jarque (1954)	14.08.2014	2022 3)
Peter F. Kollmann (1962)	20.09.2017	2021 2)
Daniela Lecuona Torras (1982)	30.05.2018	2022 3)
Thomas Schmid (1975)	29.05.2019	2024 5)
Oscar Von Hauske Solís (1957)	23.10.2012	2023 4)

Members of the Supervisory Board delegated by the Staff Council	
Walter Hotz (1959)	Re-delegated on 06.05.2011
Werner Luksch (1967)	03.08.2007 to 20.10.2010, re-delegated on 11.01.2011
Renate Richter (1972)	12.10.2018
Alexander Sollak (1978)	03.11.2010
Gottfried Kehrer (1962)	27.10.2010

1) The term of office expires at the end of the Annual General Meeting for the 2019 financial year (provisionally May 2020)
2) The term of office expires at the end of the Annual General Meeting for the 2020 financial year (provisionally May 2021)
3) The term of office expires at the end of the Annual General Meeting for the 2021 financial year (provisionally May 2022)
4) The term of office expires at the end of the Annual General Meeting for the 2022 financial year (provisionally May 2023)
5) The term of office expires at the end of the Annual General Meeting for the 2023 financial year (provisionally May 2024)

Changes to the Management Board and the Supervisory Board

At the Annual General Meeting on May 29, 2019, Thomas Schmid was elected as a member of the Supervisory Board, and the Supervisory Board mandates of Peter Hagen and Alejandro Cantú Jiménez were extended. Bettina Glatz-Kremsner stepped down from the Supervisory Board with effect from the end of the Annual General Meeting on May 29, 2019.

The contracts of Thomas Arnoldner (CEO), Alejandro Plater (COO), and Siegfried Mayrhofer (CFO) of Telekom Austria Aktiengesellschaft run until August 31, 2021, with an extension option for an additional two years to August 31, 2023.

Cash use policy

A1 Telekom Austria Group pursues a conservative financial strategy centered on a solid investment grade rating of Baa2 from Moody's and BBB from Standard & Poor's. This orientation ensures a solid balance sheet structure with moderate leverage (net debt to EBITDA) as well as financial flexibility for investments and unrestricted access to debt capital markets. In the 2019 year under review, the rating of the A1 Telekom Austria Group was confirmed by Moody's (Baa1; outlook: "stable") and raised by Standard and Poor's from BBB to BBB+ with a "stable" outlook.

Based on improved operational and financial performance of the Group, a new expected dividend level was agreed by América Móvil and Österreichische Beteiligungs AG (ÖBAG) in 2016. Starting with the 2016 financial year, the new expected dividend entails the payment of EUR 0.20 per share, with this figure to be increased on a sustainable basis in line with the operational and financial development of the Group.

In this context, the Management Board plans to propose a dividend of EUR 0.23 per share to the Annual General Meeting 2020 for the financial year 2019.

Risk and opportunity management

Principles and methods

As one of the leading telecommunications companies in Austria as well as Central and Eastern Europe, A1 Telekom Austria Group is exposed to a wide range of risks and changes in market circumstances. A1 Telekom Austria Group's risk management system analyses risk areas systematically, assesses the potential impact, improves existing risk avoidance and risk elimination measures, and reports on the status and developments in the Supervisory Board. In the process, A1 Telekom Austria Group relies on close cooperation between Group officers and the local risk officers. The risk management system is composed of five risk categories: (1) Risk at macro-economic, competitive and strategic level, (2) Non-financial risks, (3) Financial risks, (4) Technical risks and (5) Operational risks.

Enterprise risk management at A1 Telekom Austria Group begins with the strategic discussions with the Supervisory Board of the A1 Telekom Austria Group. With regard to this, the risks of business activities and their relevance for the A1 Telekom Austria Group are presented by the Management Board and mitigating activities as well as planning assumptions are presented and discussed (strategic orientation for the coming business plan period, the setting of priorities, and action plan for the realization of opportunities).

The business plan then describes the expectations and business success (and the necessary costs and investments) and in the process the assumed risk regarding established top-down targets is evaluated.

One key element of risk management is development of effective measures for risk perception and reduction. These are continuously updated via monthly performance calls (MPC) and leadership team meetings (LTM) involving the extended Management Board and through the analysis of critical deviations and the initiation of measures by the responsible officers as well as in other ways. The overall risk situation for each risk category is derived from the sum of the individual risks. In addition to the fixed-line and mobile communications market in Austria, A1 Telekom Austria Group holds leading positions in six other telecommunications markets abroad. This ensures diversification in terms of both sectors and geographical regions. The risks in the respective markets vary, which is why risk management (and particularly counteracting risks) is the responsibility of the local operational units. Risk management is controlled by the holding company. In addition to the regular operating meetings (MPC) and strategic meetings (LTM), a multi-year plan is also prepared. This close integration of business planning and risk management ensures appropriate risk control.

A1 Telekom Austria Group's risk management is monitored by the Audit Committee of the Supervisory Board. The most important risk categories and individual risks that could materially influence the net assets, financial position, and results of operations of A1 Telekom Austria Group are discussed below.

Risks

1. Risks at macroeconomic, competitive, and strategic level

Macroeconomic risks arise as a result of development of the economic situation in the markets of A1 Telekom Austria Group and causal effects (e. g. rising inflation has an effect on exchange rates), while economic policy conflicts (e. g. punitive tariffs and suspension of deliveries) can have direct or indirect consequences for the business model of A1 Telekom Austria Group. While macroeconomic developments can be forecast and evaluated, trade policy decisions are difficult to predict; however, they can be mitigated in the medium term by ensuring a diverse supplier landscape and adopting a multi-vendor strategy.

High competitive intensity in A1 Telekom Austria Group's markets is leading to price reductions in both mobile communications and data traffic. The growing consolidation in some of our markets has yet to lead to a relaxation in this situation. There is a risk that traffic volume growth will be insufficient to compensate for these price declines. This development is offset by the annual increase in demand for our services, which also constitutes a potential opportunity for growth. Changes in consumer behavior are also an important aspect of risk management as well as strategic pricing and product design.

Open Access Network (OAN) providers are leading to increased competition when it comes to the provision of infrastructure. Innovative over-the-top players (OTTs) are also offering comparable services without owning a network.

New growth areas
The telecommunications sector is facing the challenge of being able to offer new services and products at increasingly faster rates. Cloud services, over-the-top services, and machine-to-machine communication are just a few examples of new business areas the growth potential of which A1 Telekom Austria Group is seeking to leverage. In addition, the growing importance of digitalization is taken into account with A1 Digital International GmbH. However, shorter innovation cycles are also associated with innovation risks. Within the América Móvil Group, A1 Telekom Austria Group is involved in the discussion on innovations. The biggest challenges lie in scaling our services as well asdifferences in the levels of maturity and demand in our markets.

Regulatory risks
Telecommunications services offered by a provider with significant market power are subject to extensive network access and price regulations. In Austria, A1 Telekom Austria Group is classified as this kind of provider in several submarkets. Regulation at the wholesale level restricts operational flexibility with regard to products. There is also an obligation to provide access to infrastructure and fixed-line services to alternative providers. The foreign subsidiaries are also subject to regulatory frameworks. Additional regulatory decisions, such as further reductions in mobile and fixed-line termination rates as a result of the new EU legal framework (European Electronic Communications Code) and the reduction in surcharges for international calls within the EU that came into force on May 15, 2019, will negatively affect A1 Telekom Austria Group's earnings development.

The planned definition of low fixed-line and mobile termination rates to apply uniformly throughout Europe from the start of 2021, as described in the "Regulation" section, will have a long-term negative impact on fixed-line and mobile termination revenues. This will involve legal and regulatory risks as well as financial risks in the future.

Net neutrality

Although the Body of European Regulators (BEREC) has issued guiding principles on net neutrality in order to specify how the net neutrality regulation should be applied in more detail, the topic of net neutrality is still open to interpretation and legal uncertainty, meaning that harmonized, uniform implementation within the EU is not guaranteed. As such, the extent of the regulation's effects cannot be predicted in full and may vary between member states. In turn, this gives rise to legal and regulatory uncertainty as well as financial uncertainty.

Budget and business plan risks

The final business plan includes an evaluation of the planning assumptions (and the impact of the external environment).

2. Non-financial risks

In 2019, environmental, social, and governance-related (ESG) risks were included in the Enterprise Risk Management (ERM) as an additional category in order to meet the legal requirements of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG). We are addressing relevant topics arising from the materiality analysis (environment, data security, and digitalization) as well as measures in connection with our corporate social responsibility in terms of risk potential and prevention.

Digitalization

While increasing digitalization generates a lot of convenience and efficiency in private life and business, the growing benefits from digital platforms, services, and the associated intensive use of handsets, tablets, and laptops also presents challenges. Along with increased usage, cybercrime (from cyberbullying to fraud) is also on the rise. Social impacts like isolation and health effects are areas in which A1 Telekom Austria Group, alongside other telecommunications companies, has an external effect due to the services it provides. While the A1 Telekom Austria Group addresses the public with regard to information and training on the correct handling of new media (physical training, online information, folders and flyers), the state and society are also called upon to ensure a consistently healthy approach to digitization.

Electromagnetic fields (EMF) and health risks

Electromagnetic fields are another risk related to the service provision. The A1 Group is fully compliant in its business activities with regard to compliance with standards on the terminal and transmitter side. Irrespective of this, informing the public and ensuring a scientific discourse is one of the priorities of the teams in the countries of A1 Telekom Austria Group. Measurements from neutral institutions (e. g. universities) allow an objective view on the environment.

Environmental risks

Climate change can give rise to risks for A1 Telekom Austria Group's network infrastructure (ranging from rising average temperatures and high rainfall levels through to flooding, mudslides, etc.). A1 Telekom Austria Group is actively committed to climate protection and continuously observes developments in this area in order to ensure that it can initiate measures to protect its infrastructure facilities as necessary. The impact of this risk category on the Group's finances and the customer experience has been limited in recent years.

3. Financial risks

A1 Telekom Austria Group is exposed to liquidity, credit, foreign currency exchange rate, transfer, and interest rate risks (see Note (33)). Tax risks were also included in the risk assessment for the first time in 2019 and given a more pronounced focus with regard to the measures taken.

There were no significant *exchange rate, transfer, or interest rate risks* in 2019, as positive exchange rate development in riskier markets such as Belarus and the current interest rate level, and the conditions offered as a result, are beneficial in terms of the development of A1 Telekom Austria Group. On the *tax risk* side, additional steps are taken to avoid possible tax risks (inadequate interpretation due to unclear regulations, lack of tax payments, and excessive tax payments). Group Accounting and Taxes is also involved to a greater extent, and tax calculations and tax returns in all business areas are verified by external experts.

4. Technical risks

Technology resilience (network)

The infrastructural and system landscape that has grown and evolved over the years represents a permanent challenge for the technical departments. Networks have been and continue to be subject to a high degree of standardization and virtualization. Network functions are running less and less on proprietary infrastructure and are being performed by software instead. Disruptions and outages are prevented in particular through virtualization and the exchange of legacy infrastructure.

IT transformation

It is also difficult and expensive to modernize and reduce complexity in the area of BSS (business support systems) and OSS (operations support systems). This is mitigated by an overlaid integration of platforms that reduce the pressure to modernize somewhat, while still being open to new services and partners.

Operating risks

Maintaining availability and a high level of reliability of the services and products offered is a key element of operational risk management, as different threats such as natural disasters, major technical disruptions, third-party construction work, hidden faults, or criminal activities can all impair their quality. Long-term planning takes technological developments into account. The redundancy of critical components ensures failure safety, while efficient organizational structures for operations and security serve to safeguard high quality standards. Furthermore, a separate Group guideline ensures uniform methods for the recognition and management of the most important risks. The ongoing identification and assessment of risks flows into the decision-making as to whether measures are taken to minimize the risk or whether the potential risk is borne by A1 Telekom Austria Group. Whenever a major disruption occurs, causes are clarified and it is determined how a recurrence can be avoided. A central approach to insurance against physical damage also helps to minimize the financial effects.

Cyber risks and data security

A1 Telekom Austria Group places great emphasis on the implementation of cyber security standards. These are covered by a series of internal guidelines and procedures that are controlled, implemented, and monitored for effectiveness in critical situations by means of defined responsibilities. Prevention of possible risks is the primary focus in critical and important network elements as well as business and operational support systems (BSS & OSS). A1 Telekom Austria Group applies international IT standards for security techniques (ISO 27001) as a basis and has defined uniform and state-of-the-art security information standards and security information policies.

Essential elements in managing cyber risks include continuous assessments and software updates to the infrastructure to be protected, as well as employee training. The A1 Telekom Austria Security Committee is made up of highly qualified security experts from all countries in which A1 Telekom Austria Group operates. It regularly exchanges information about the latest local, regional, and global cyber risks and cyber-attacks. This working group also discusses and coordinates cross-country protection measures in critical situations.

5. Operational risks

Compliance risks

The annual compliance risk assessment process – which is an essential element of A1 Telekom Austria Group's compliance management system – identifies relevant compliance risks on the basis of structured management interviews and workshops and defines risk-minimizing measures. A1 Telekom Austria Group focuses on prevention by means of training and the uncompromising application of internal and external guidelines, such as capital market compliance and a focus on compliance at management level (tone at the top). The compliance management system (CMS) is also regularly reviewed both internally and externally. The successfully completed extended audit of the CMS in 2019 also reduces the identified risk in the relevant areas of corruption, antitrust, data security, and capital market.

Data protection risks are a relevant subset of compliance risks. The products and services of A1 Telekom Austria Group are subject to data protection and data security risks, particularly with regard to unauthorized access to customer, partner, or employee data. Violations of the EU General Data Protection Regulation (GDPR), which has been in force since May 25, 2018, may result in considerable legal and financial risks. To minimize potential risk, the EU General Data Protection Regulation has been implemented in interdisciplinary projects within A1 Telekom Austria Group since early 2016. Technical and organizational measures have also been implemented on the basis of risk assessments. All A1 Telekom Austria Group companies undertake to comply with the most stringent data protection and data security standards. In 2019, there was a particular focus on data privacy during the compliance risk assessment in order to examine the implementation of the GDPR.

Legal risks

A1 Telekom Austria Group and its subsidiaries are party to a number of legal proceedings both in and out of court with public authorities, competitors, and other parties. Dialog with the stakeholders involved and an ongoing exchange of information on controversial issues that could pose a threat to the company enable the Group to identify problems at an early stage and develop measures to counteract them in a targeted manner as necessary.

Monitoring of legal risks assesses potential cash outflows from legal proceedings; this position is updated quarterly and is based on the ongoing assessment of the success of the proceedings.

Risks of slow or no digital transformation

A1 Telekom Austria Group counters personnel-related risks in various ways. For example, young talent is recruited as part of the "1A Career" program, which focuses on graduates, students, and apprentices and ensures diversity within the company. The risk of losing key employees is counteracted by means of forward-looking skill management, succession planning, and Group-wide talent management. The in-house eCampus development platform supports employees in developing their skills and abilities and serves as a platform for the Group-wide transfer of expertise. A central e-learning platform provides training at any time and any place throughout the Group. In addition to business plan-oriented cost planning, human resources planning includes measures aimed at encouraging employee mobility.

The management of personnel risks expanded its focus to include the challenge of developing digital competencies in all departments. These digital competencies are a key pillar of any future-oriented company and allow the optimization of human resources by means of a digital redesign of sales, service, and monitoring processes. These developments are also essential in order for a company to succeed in new markets and with digitalized business models. This process is being initiated via the integration of start-ups, broad-based development measures, and the digital development of key employees of A1 Telekom Austria Group and will be further expanded in the coming years.

In 1996, civil servants of the Republic of Austria were allocated to Telekom Austria Aktiengesellschaft until their retirement in accordance with the Austrian Postal Services Structure Act (Poststrukturgesetz). Transfers within and outside A1 Telekom Austria Group are limited. Civil servants are employed in accordance with public law. The framework associated with their employment status is based on provisions under public law, particularly the Austrian Public Sector Employment Act of 1979 (Beamten-Dienstrechtsgesetz 1979).

Civil servants cannot be laid off, meaning that their employment contract cannot be unilaterally terminated if the need for their employment no longer exists. In the event of a breach of duty, performance deficiencies, or a permanent incapacity to work, formal and complex administrative procedures are necessary. Due to their salary structure, civil servants normally move to the next remuneration level every two years.

Around 42 % of employees in the Austria segment have civil servant status. To address the structure of employee costs, the Austria segment has not only developed several social plans and models in cooperation with employee representatives, but has also established models that enable employees with civil servant status to transfer to government ministries. Civil servants are also encouraged to take part in internal mobility initiatives within the context of integrated skill management.

Public image

Public image risks arise in the normal course of business (along the customer lifecycle) and in connection with social discourse and thematization via opinion leaders. A standard procedure in this area is not enough. The absolute prerequisites for preventing negative effects are uncompromisingly professional communication and corresponding expertise, combined with uniform standards with regard to digital communication channels.

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for the financial reporting process as required by law. The ICS is intended to provide reasonable assurance regarding the reliability, completeness, and accuracy of external financial reporting in compliance with international and national accounting standards. Regular internal reporting to Management and the review of the ICS by the Internal Audit department also ensure that weaknesses are identified promptly or at an early stage and communicated and eliminated accordingly. The most important content and principles apply to all A1 Telekom Austria Group subsidiaries. The effectiveness of this system is reviewed, analyzed, and assessed at regular intervals. At the end of each year, the Group's management carries out an assessment of the ICS for relevant companies with the involvement of the respective business units. Based on the findings of this assessment and the defined criteria, Management has determined that the internal control system regarding financial reporting was effective as at December 31, 2019.

The U.S. Sarbanes-Oxley Act (SOX) was required to be implemented due to the listing of the ultimate parent, América Móvil, on the New York Stock Exchange (NYSE). The internal control system was adjusted and amended to reflect this standard in the 2015 financial year.

Outlook

A1 Telekom Austria Group outlook for 2020

In 2019, A1 Telekom Austria Group achieved substantial growth in its revenues and its EBITDA adjusted for one-off and FX effects as well as restructuring charges, with the CEE segments making a particularly strong contribution to this growth. In the mobile communications business, this was achieved by means of a clear focus on high-value customers and continuing growth in mobile broadband solutions. The fixed-line business profited from the increasing significance of TV content, demand for higher bandwidths, and fast-growing solutions and connectivity business.

For the full year 2020, most of the market dynamics described above are expected to continue. The development in Austria will still be dominated by convergent offers and intense competition in the mobile market. In the mobile markets in the CEE countries, the competitive environment is expected to remain largely similar to 2019 and demand for fixed-line services is also expected to remain a positive driver across all markets. As in the financial year 2019, TV content will be an important element here, as will solutions and connectivity.

In this business environment, the Management of A1 Telekom Austria Group remains committed to its growth strategy. The focus here is on growth in the core business, lifting earnings and efficiency potential from platform solutions, and selective non-organic growth by way of acquisitions. As in previous years, results are expected to receive support from ongoing measures to continuously increase operating efficiency.

For 2020, the Management of A1 Telekom Austria Group expects to achieve growth in total revenues of approximately 1-2% and another increase in the EBITDA margin.

The development in Belarus could be negatively affected by the devaluation of the Belarusian Ruble in 2020. The Management of A1 Telekom Austria Group expects the currency to depreciate by around 5% (period average) against the Euro in 2020, although it should be noted that the predictability of the Belarusian Ruble is generally limited.

The harmonization of the local brands under the "A1" brand will be completed in 2020 with the market launch in Serbia, thus allowing for a uniform market presence of A1 Telekom Austria Group in its footprint.

A1 Telekom Austria Group will remain committed to the fiber rollout in Austria and the further development of its mobile infrastructure, especially with regards to the preparation and rollout of 5G, in 2020. In January 2020, A1 Austria started operating its 5G network and it will keep pressing ahead with the rollout in 2020 and the following years. Capital expenditures before spectrum investments and acquisitions are expected to total approximately EUR 770 mn in 2020.

In Austria, a frequency allocation for the 700 MHz, 1500 MHz and 2100 MHz bands is coming up in the form of a multi-band auction. The bidding documents were published in December 2019, while the auction itself is expected to begin in April 2020.

Based on the improved operational and financial performance of the Group, a new expected dividend level was agreed upon by América Móvil and Österreichische Beteiligungs AG (ÖBAG) in 2016. Starting with the financial year 2016, this dividend expectation entails the payment of EUR 0.20 per share to be maintained or increased on a sustainable basis in line with the operational and financial developments of the Group.

In this context, the Management Board plans to propose a dividend of EUR 0.23 per share to the Annual General Meeting 2020 for the financial year 2019.

In order to ensure its financial flexibility, A1 Telekom Austria Group remains committed to maintaining a solid investment grade rating of Baa2 from Moody's and BBB from Standard & Poor's (currently Baa1 from Moody's and BBB+ from Standard & Poor's).

Vienna, January 30, 2020
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft

Consolidated financial statements 2019 [1]

1) The Consolidated Financial Statements and the Group Management Report are a translation from the original German versions, which are the decisive versions in all cases.

TELEKOM AUSTRIA AG – Consolidated Statement of Comprehensive Income

in TEUR	Notes	2019	2018
Service revenues (incl. other operating income)		3,901,311	3,772,765
Equipment revenues		663,855	662,635
Total revenues (incl. other operating income)	(5)	**4,565,166**	**4,435,401**
Cost of service		-1,302,516	-1,395,625
Cost of equipment		-653,812	-627,941
Selling, general & administrative expenses		-1,029,679	-1,007,027
Other expenses		-18,535	-13,930
Total cost and expenses	(6)	**-3,004,542**	**-3,044,524**
Earnings before interest, tax, depreciation and amortization - EBITDA		**1,560,624**	**1,390,877**
Depreciation and amortization	(15) (16)	-785,427	-956,518
Depreciation of right-of-use assets	(30)	-160,379	0
Operating income – EBIT		**614,818**	**434,360**
Interest income		5,350	5,382
Interest expense		-102,935	-86,866
Interest on employee benefits and restructuring and other financial items, net		-35,847	-14,754
Foreign currency exchange differences, net		535	5,145
Equity interest in net income of associated companies		-316	-768
Financial result	(7)	**-133,213**	**-91,861**
Earnings before income tax - EBT		**481,605**	**342,499**
Income tax	(29)	-154,164	-98,793
Net result		**327,442**	**243,706**
Attributable to:			
Equity holders of the parent		326,963	241,079
Non-controlling interests	(34)	479	408
Hybrid capital owners	(28)	0	2,219
Basic and diluted earnings per share attributable to equity holders of the parent in euro	(8)	**0.49**	**0.36**
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	17,173	-10,340
Realized result on hedging activities, net of tax	(33)	4,380	4,380
Unrealized result on debt instruments at fair value, net of tax	(19)	13	-7
Realized result on debt instruments at fair value, net of tax	(7)	13	30
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	-12,549	-2,180
Total other comprehensive income (loss)		**9,030**	**-8,119**
Total comprehensive income (loss)		**336,472**	**235,587**
Attributable to:			
Equity holders of the parent		335,995	232,960
Non-controlling interests	(34)	477	408
Hybrid capital owners	(28)	0	2,219

See accompanying Notes to the Consolidated Financial Statements.
For impairment losses of accounts receivable: subscribers, distributors and other, see Note (6).
The use of automated calculation systems may give rise to rounding differences.
As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

TELEKOM AUSTRIA AG – Consolidated Statement of Financial Position

in TEUR	Notes	December 31, 2019	January 1, 2019	December 31, 2018
Current assets				
Cash and cash equivalents	(9)	140,293	63,631	63,631
Accounts receivable: Subscribers, distributors and other, net	(10)	873,048	830,375	830,375
Receivables due from related parties	(11)	920	1,382	1,382
Inventories, net	(12)	109,318	131,171	131,171
Income tax receivable	(29)	485	2,609	2,609
Other current assets, net	(13)	148,549	145,749	153,140
Contract assets	(14)	124,205	141,114	141,114
		1,396,819	1,316,032	1,323,422
Assets held for sale	(18)	33,476	0	0
Total current assets		1,430,295	1,316,032	1,323,422
Non-current assets				
Property, plant and equipment, net	(15)	2,840,257	2,716,084	2,716,084
Right-of-use assets, net	(30)	941,957	1,010,719	0
Intangibles, net	(16)	1,784,224	1,782,681	1,782,681
Goodwill	(17)	1,278,845	1,277,910	1,277,910
Investments in associated companies	(18)	0	33,188	33,188
Long-term investments	(19)	14,317	11,475	11,475
Deferred income tax assets	(29)	168,940	245,513	245,513
Other non-current assets, net	(20)	27,181	16,887	17,809
Total non-current assets		7,055,722	7,094,457	6,084,660
TOTAL ASSETS		8,486,017	8,410,489	7,408,082
Current liabilities				
Short-term debt	(21)	-123,000	-245,000	-245,257
Lease liability short-term	(30)	-152,621	-143,635	0
Accounts payable	(22)	-909,461	-937,898	-937,898
Accrued liabilities and current provisions	(23)	-239,406	-233,523	-233,738
Income tax payable	(29)	-38,751	-27,078	-27,078
Payables due to related parties	(11)	-608	-528	-528
Contract liabilities	(24)	-173,954	-160,160	-160,160
Total current liabilities		-1,637,802	-1,747,822	-1,604,659
Non-current liabilities				
Long-term debt	(25)	-2,539,575	-2,536,417	-2,536,792
Lease liability long-term	(30)	-788,222	-859,391	0
Deferred income tax liabilities	(29)	-6,653	-15,050	-14,992
Other non-current liabilities	(26)	-65,730	-22,580	-22,580
Asset retirement obligation and restructuring	(23)	-581,987	-575,956	-575,956
Employee benefits	(27)	-220,130	-203,654	-203,654
Total non-current liabilities		-4,202,297	-4,213,047	-3,353,974
Stockholders' equity				
Capital stock		-1,449,275	-1,449,275	-1,449,275
Treasury shares		7,803	7,803	7,803
Additional paid-in capital		-1,100,148	-1,100,148	-1,100,148
Retained earnings		-791,187	-603,632	-603,461
Other comprehensive income (loss) items		689,254	698,286	698,286
Equity attributable to equity holders of the parent	(28)	-2,643,552	-2,446,965	-2,446,794
Non-controlling interests		-2,367	-2,655	-2,655
Total stockholders' equity		-2,645,919	-2,449,620	-2,449,449
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		-8,486,017	-8,410,489	-7,408,082

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.
As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2019	2018
Earnings before income tax - EBT		481,605	342,499
Non-cash and other reconciliation items:			
Depreciation	(15)	511,606	500,146
Amortization of intangible assets	(16)	273,821	456,371
Depreciation of right-of-use assets	(30)	160,379	0
Equity interest in net income of associated companies	(18)	316	768
Result on sale/measurement of investments	(7)	-2,035	147
Result on sale of property, plant and equipment	(5) (6)	-1,579	4,871
Net period cost of labor obligations and restructuring	(7) (23) (27)	93,601	39,350
Foreign currency exchange differences, net	(7)	-535	-5,145
Interest income	(7)	-5,350	-5,382
Interest expense	(7)	129,667	94,635
Other adjustments	(32)	-7,481	-4,860
Changes in financial positions:			
Accounts receivable: Subscribers, distributors and other, net	(10)	-38,761	-121,615
Prepaid expenses	(13)	4,500	6,352
Due from related parties	(11)	462	-438
Inventories	(12)	22,569	-29,096
Other assets	(13) (20)	-14,067	-3,869
Contract assets	(14)	17,050	4,836
Employee benefits and restructuring	(23) (27)	-102,531	-101,288
Accounts payable and accrued liabilities	(22) (23)	-14,339	113,841
Due to related parties	(11)	80	-26
Contract liabilities	(24)	13,798	-1,484
Interest received and income taxes paid:			
Interest received	(7)	5,391	5,423
Income taxes paid	(29)	-70,142	-63,699
Net cash flow from operating activities		**1,458,026**	**1,232,337**
Capital expenditures paid	(32)	-873,872	-771,459
Dividends received from associates	(18)	0	771
Proceeds from sale of plant, property and equipment	(15)	14,271	7,520
Purchase of investments	(19)	-1,791	-231
Proceeds from sale of investments	(19)	977	1,921
Acquisition of businesses, net of cash acquired	(34)	-1,018	-3,727
Sale of shares of associated companies	(18) (34)	127	127
Net cash flow from investing activities		**-861,306**	**-765,078**
Interest paid	(7)	-108,303	-84,243
Change in short-term debt	(21) (32)	121,158	7,877
Repayments of short-term debt	(21) (32)	-240,000	0
Dividends paid	(28)	-140,063	-167,341
Issuance of short-term debt		0	240,000
Redemption of hybrid bond	(28)	0	-600,000
Acquisition of non-controlling interest	(34)	-110	-105
Deferred consideration paid for business combinations	(34)	-3,503	-1,200
Lease principal paid	(30)	-149,482	0
Net cash flow from financing activities		**-520,304**	**-605,012**
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	246	-1,006
Net change in cash and cash equivalents		**76,662**	**-138,759**
Cash and cash equivalents beginning of period	(9)	63,631	202,390
Cash and cash equivalents end of period	(9)	140,293	63,631

See accompanying Notes to the Consolidated Financial Statements. The use of automated calculation systems may give rise to rounding differences.
As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

TELEKOM AUSTRIA AG – Consolidated Statement of Changes in Stockholders' Equity

in TEUR	Common stock Par value	Treasury shares at cost	Additional paid-in capital	Hybrid capital	Retained earnings
At January 1, 2018	1,449,275	-7,803	1,100,148	591,186	534,828
Net result	0	0	0	0	243,298
Other comprehensive income (loss)	0	0	0	0	0
Total comprehensive income	0	0	0	0	243,298
Distribution of dividends	0	0	0	0	-165,827
Redemption of hybrid capital	0	0	0	-591,186	-8,814
Addition from acquisitions	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	-24
At December 31, 2018	1,449,275	-7,803	1,100,148	0	603,461
Impact of change in accounting policy	0	0	0	0	171
At January 1, 2019	1,449,275	-7,803	1,100,148	0	603,632
Net result	0	0	0	0	326,963
Other comprehensive income (loss)	0	0	0	0	0
Total comprehensive income	0	0	0	0	326,963
Distribution of dividends	0	0	0	0	-139,458
Acquisition of non-controlling interests	0	0	0	0	50
At December 31, 2019	1,449,275	-7,803	1,100,148	0	791,187

For changes in accounting policies, see Note (3).
See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.
The tax benefit resulting from the accrued interest attributable to hybrid capital holders in 2018 is included in the distribution of dividends (see Note (28)).
At December 31, 2019, TEUR 2,373 of the translation reserve relate to the investment in Telecom Liechtenstein, recognized as asset held for sale (see Note (18)).

Remeasurement of defined benefit plans	Measurement of debt instruments	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
-29,155	-90	-24,088	-636,837	2,977,462	2,748	2,980,210
0	0	0	0	243,298	408	243,706
-2,180	22	4,380	-10,337	-8,115	-3	-8,119
-2,180	22	4,380	-10,337	235,183	404	235,587
0	0	0	0	-165,827	-774	-166,602
0	0	0	0	-600,000	0	-600,000
0	0	0	0	0	355	355
0	0	0	0	-24	-78	-102
-31,335	-68	-19,709	-647,175	2,446,794	2,655	2,449,449
0	0	0	0	171	0	171
-31,335	-68	-19,709	-647,175	2,446,965	2,655	2,449,620
0	0	0	0	326,963	479	327,442
-12,549	27	4,380	17,175	9,032	-2	9,030
-12,549	27	4,380	17,175	335,995	477	336,472
0	0	0	0	-139,458	-605	-140,063
0	0	0	0	50	-160	-110
-43,884	-42	-15,329	-630,000	2,643,552	2,367	2,645,919

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment Reporting

2019 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,624,025	476,970	424,082	426,111
Intersegmental revenues	24,088	9,254	8,750	24
Total revenues (incl. other operating income)	**2,648,113**	**486,223**	**432,832**	**426,135**
Segment expenses	-1,726,803	-306,829	-287,723	-235,189
EBITDA	**921,310**	**179,395**	**145,109**	**190,946**
Depreciation and amortization	-505,494	-112,503	-104,032	-90,289
Operating income – EBIT	**415,816**	**66,891**	**41,077**	**100,657**
Interest income	1,739	1	2,244	255
Interest expense	-26,197	-3,419	-6,696	-5,614
Other financial result	-10,566	-23,095	-1,813	2,118
Equity interest in net income of associated companies	127	0	0	0
Earnings before income tax - EBT	**380,918**	**40,379**	**34,813**	**97,415**
Income taxes	-107,428	-16,641	-10,477	-16,114
Net result	**273,490**	**23,738**	**24,336**	**81,301**
EBITDA margin	34.8%	36.9%	33.5%	44.8%
Capital expenditures - intangible	146,588	15,362	22,470	72,842
Capital expenditures - tangible	380,277	63,176	64,161	32,264
Total capital expenditures	**526,865**	**78,539**	**86,631**	**105,106**
Addition to right-of-use assets	47,638	26,647	8,506	22,631
Assets by segment	5,550,511	991,710	722,194	504,643
Property, plant and equipment	1,891,151	237,154	259,866	199,334
Right-of-use assets, net	533,053	133,413	62,112	42,228
Goodwill	708,212	242,691	127,298	14,405
Brand names and patents	158,351	6,235	0	0
Licenses and other rights	879,138	27,672	48,805	75,737
Other intangible assets	200,978	45,069	57,689	24,028
Investments in associated companies	0	0	0	0
Liabilities by segment	-3,109,539	-293,290	-512,615	-198,930

2018 (in TEUR) IFRS 16 based	Austria	Bulgaria	Croatia	Belarus
External revenues	2.609.124	434.235	421.739	390.443
Intersegmental revenues	28.352	10.874	8.169	468
Total revenues (incl. other operating income)	2,637,476	445,109	429,909	390,911
Segment expenses	-1,662,209	-285,581	-297,100	-213,179
EBITDA	975,268	159,527	132,809	177,731
Depreciation and amortization	-500,733	-266,295	-119,900	-87,400
Operating income – EBIT	474,534	-106,767	12,908	90,331
Interest income	1,555	1	2,407	253
Interest expense	-25,668	-1,378	-9,374	-3,437
Other financial result	-5,979	-5,692	4,546	-1,636
Equity interest in net income of associated companies	127	0	0	0
Earnings before income tax - EBT	444,569	-113,837	10,488	85,512
Income taxes	-111,780	16,077	-2,431	-15,564
Net result	332,789	-97,760	8,057	69,947
EBITDA margin	37.0%	35.8%	30.9%	45.5%
Capital expenditures - intangible	79,876	34,139	17,087	13,040
Capital expenditures - tangible	389,473	52,364	70,699	36,655
Total capital expenditures	469,349	86,502	87,786	49,695
Assets by segment	5,537,081	909,586	739,256	419,941
Property, plant and equipment	1,790,177	228,982	260,687	189,847
Right-of-use assets, net	572,502	138,070	71,701	38,886
Goodwill	708,212	242,691	127,762	13,703
Brand names and patents	158,351	7,571	0	21,833
Licenses and other rights	884,604	42,487	51,450	19,894
Other intangible assets	182,927	47,495	62,015	24,034
Investments in associated companies	0	0	0	0
Liabilities by segment	-3,041,801	-286,231	-520,034	-143,250

"IFRS 16 based" means that comparative figures 2018 are presented based on IFRS 16 with sufficient accuracy (see Note (3)).

Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
205,851	277,351	121,358	9,419	0	4,565,166
3,541	6,451	1,414	9,670	-63,192	0
209,392	**283,803**	**122,772**	**19,089**	**-63,192**	**4,565,166**
-150,354	-200,354	-79,579	-77,316	59,604	-3,004,542
59,038	**83,449**	**43,193**	**-58,227**	**-3,588**	**1,560,624**
-44,377	-55,722	-31,041	-3,775	1,428	-945,806
14,660	**27,727**	**12,151**	**-62,002**	**-2,160**	**614,818**
456	239	282	30,535	-30,401	5,350
-1,709	-3,583	-2,094	-84,168	30,545	-102,935
-61	619	22	524,414	-526,950	-35,312
0	0	0	-443	0	-316
13,347	**25,002**	**10,362**	**408,336**	**-528,966**	**481,605**
-819	-360	-1,361	-1,369	405	-154,164
12,528	**24,642**	**9,001**	**406,967**	**-528,561**	**327,442**
28.2%	29.4%	35.2%	n.a.	n.a.	34.2%
5,215	7,451	2,431	1,545	0	273,906
19,323	28,315	16,680	1,714	0	605,910
24,538	**35,767**	**19,111**	**3,259**	**0**	**879,816**
12,283	9,057	5,385	676	0	132,824
501,134	427,184	228,113	8,014,810	-8,454,282	8,486,017
74,217	90,224	80,703	4,094	3,514	2,840,257
70,524	67,584	31,774	1,269	0	941,957
148,024	0	30,065	131,581	-123,430	1,278,845
746	4,446	0	2,056	0	171,834
64,735	114,470	22,109	0	-4,545	1,228,121
19,722	21,927	10,709	4,006	142	384,269
0	0	0	0	0	0
-138,064	-155,158	-82,843	-3,510,198	2,160,537	-5,840,098

Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
203,579	251,948	117,429	6,904	0	4,435,401
4,593	6,799	1,547	5,604	-66,405	0
208,172	258,746	118,976	12,507	-66,405	4,435,401
-154,114	-188,507	-78,362	-68,017	60,581	-2,886,487
54,059	70,240	40,614	-55,510	-5,824	1,548,914
-41,863	-55,333	-30,459	-1,791	850	-1,102,924
12,196	14,907	10,155	-57,300	-4,974	445,990
519	128	294	33,535	-33,310	5,382
-1,760	-3,717	-2,191	-84,293	33,321	-98,496
-141	243	46	379,991	-380,987	-9,609
0	0	0	-895	0	-768
10,814	11,561	8,305	271,037	-385,950	342,499
-1,252	-166	-1,048	16,225	1,147	-98,793
9,562	11,395	7,256	287,262	-384,803	243,706
26.0%	27.1%	34.1%	n.a.	n.a.	34.9%
9,544	8,787	2,214	2,368	-6,309	160,747
17,932	25,318	16,989	4,192	-3,389	610,232
27,476	34,105	19,203	6,560	-9,698	770,979
512,222	436,882	233,357	7,688,635	-8,066,470	8,410,489
69,829	84,185	82,328	4,638	5,412	2,716,084
82,471	73,091	33,165	834	0	1,010,719
147,632	0	30,060	131,281	-123,430	1,277,910
910	4,536	722	1,981	0	195,904
68,730	127,927	24,298	0	-7,239	1,212,150
21,760	19,713	13,010	3,531	142	374,627
0	0	0	33,188	0	33,188
-146,331	-190,655	-97,111	-3,473,059	1,937,604	-5,960,869

2018 (in TEUR) as reported	Austria	Bulgaria	Croatia	Belarus
External revenues	2,609,124	434,235	421,739	390,443
Intersegmental revenues	28,352	10,874	8,169	468
Total revenues (incl. other operating income)	**2,637,476**	**445,109**	**429,909**	**390,911**
Segment expenses	-1,734,009	-309,590	-312,771	-225,356
EBITDA	**903,467**	**135,518**	**117,138**	**165,555**
Depreciation and amortization	-431,751	-243,149	-106,488	-76,179
Operating income - EBIT	**471,716**	**-107,631**	**10,650**	**89,375**
Interest income	1,555	1	2,407	253
Interest expense	-22,850	-515	-7,115	-2,481
Other financial result	-5,979	-5,692	4,546	-1,636
Equity interest in net income of associated companies	127	0	0	0
Earnings before income tax - EBT	**444,569**	**-113,837**	**10,488**	**85,512**
Income taxes	-111,780	16,077	-2,431	-15,564
Net result	**332,789**	**-97,760**	**8,057**	**69,947**
EBITDA margin	34.3%	30.4%	27.2%	42.4%
Capital expenditures - intangible	79,876	34,139	17,087	13,040
Capital expenditures - tangible	389,473	52,364	70,699	36,655
Total capital expenditures	**469,349**	**86,502**	**87,786**	**49,695**
Assets by segment	4,964,738	771,614	668,601	381,064
Property, plant and equipment	1,790,177	228,982	260,687	189,847
Goodwill	708,212	242,691	127,762	13,703
Brand names and patents	158,351	7,571	0	21,833
Licenses and other rights	884,604	42,487	51,450	19,894
Other intangible assets	182,927	47,495	62,015	24,034
Investments in associated companies	0	0	0	0
Liabilities by segment	-2,469,630	-148,259	-449,379	-104,374

Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
203,579	251,948	117,429	6,904	0	4,435,401
4,593	6,799	1,547	5,604	-66,405	0
208,172	258,746	118,976	12,507	-66,405	4,435,401
-168,047	-203,449	-83,683	-68,200	60,581	-3,044,524
40,125	55,298	35,293	-55,693	-5,824	1,390,877
-29,210	-42,933	-26,048	-1,608	850	-956,518
10,915	12,365	9,244	-57,301	-4,974	434,360
519	128	294	33,535	-33,310	5,382
-479	-1,175	-1,280	-84,292	33,321	-86,866
-141	243	46	379,991	-380,987	-9,609
0	0	0	-895	0	-768
10,814	11,561	8,305	271,037	-385,950	342,499
-1,252	-166	-1,048	16,225	1,147	-98,793
9,562	11,395	7,256	287,262	-384,803	243,706
19.3%	21.4%	29.7%	n.a.	n.a.	31.4%
9,544	8,787	2,214	2,368	-6,309	160,747
17,932	25,318	16,989	4,192	-3,389	610,232
27,476	34,105	19,203	6,560	-9,698	770,979
435,317	365,219	200,199	7,687,801	-8,066,470	7,408,082
69,829	84,185	82,328	4,638	5,412	2,716,084
147,632	0	30,060	131,281	-123,430	1,277,910
910	4,536	722	1,981	0	195,904
68,730	127,927	24,298	0	-7,239	1,212,150
21,760	19,713	13,010	3,531	142	374,627
0	0	0	33,188	0	33,188
-69,426	-118,992	-63,953	-3,472,225	1,937,604	-4,958,633

A1 Telekom Austria Group has aligned its management structure and the resulting segment reporting on geographical markets and reports separately based on its seven operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia.

The Management Board of A1 Telekom Austria Group, which regularly meets in Management Board meetings, acts as the chief operating decision maker. Members of the Management Board are the Group CEO, the Group COO and the Group CFO (see Note (36)). The Management Board focuses on revenue, EBITDA and capital expenditures (CAPEX).

Starting 2019, revenue and EBITDA are managed based on figures reported according to IFRS 16 and IFRS 15, while in 2018 revenue and EBITDA were managed without application of IFRS 16 and IFRS 15.

To ensure the comparability of the reporting periods, the figures for the comparative segment reporting for 2018 were adjusted as follows in 2019: IFRS 15, which had already been applied to the Consolidated Statement of Comprehensive Income in 2018, is now also applied to segment reporting 2018. Furthermore, comparative figures 2018 are presented based on IFRS 16 with sufficient accuracy ("IFRS 16 based"), thus the lease expense recognized in 2018 in operating income was reclassified to depreciation and interest expense, respectively. The following table provides a reconciliation of operating segment comparative figures 2018 "IFRS 16 based" to those reported in 2018:

2018 (in TEUR)	IFRS 16 based	Adjustments	As reported 2018
External revenues	4,435,401	0	4,435,401
Total revenues (incl. other operating income)	**4,435,401**	**0**	**4,435,401**
Segment expenses	-2,886,487	-158,037	-3,044,524
EBITDA	**1,548,914**	**-158,037**	**1,390,877**
Depreciation and amortization	-1,102,924	146,406	-956,518
Operating income - EBIT	**445,990**	**-11,631**	**434,360**
Interest income	5,382	0	5,382
Interest expense	-98,496	11,631	-86,866
Other financial result	-9,609	0	-9,609
Equity interest in net income of associated companies	-768	0	-768
Earnings before income tax - EBT	**342,499**	**0**	**342,499**
Income taxes	-98,793	0	-98,793
Net result	**243,706**	**0**	**243,706**
Assets by segment	8,410,489	-1,002,407	7,408,082
Liabilities by segment	-5,960,869	1,002,236	-4,958,633

The accounting policies of the segments are the same as those of A1 Telekom Austria Group (for changes due to the application of IFRS 16, see Note (3)). Intercompany lease transactions are not recognized as right-of-use assets and lease liabilities according to IFRS 16, but recognized as expense and revenue and eliminated such as other intercompany transactions. The segments offer the services and products disclosed in Note (5), for brand names, see Note (16).

Segment revenues, segment expenses and segment results include deliveries and services between operating segments. Such deliveries and services are accounted for at transfer prices that are constantly monitored and documented to ensure that pricing is at arm's length. These intersegmental transactions are eliminated in consolidation. The column Corporate & Other comprises mainly holding companies, the group financing company as well as A1 Digital, which focuses its business activities on the CEE region and Germany and which will be further expanded internationally.

Other financial income reported in the column Corporate & Other relates mostly to dividend income as well as to reversals of impairment and impairments of investments in fully consolidated subsidiaries that have no impact on the Consolidated Financial Statements and are therefore consolidated in the Eliminations column. The column Corporate & Other is reported in addition to the column Eliminations for reasons of clarity.

The Eliminations column contains intersegment consolidation entries and the reconciliation of segment assets and liabilities to consolidated total assets and liabilities.

None of the segments records revenues from transactions with a single external customer amounting to at least 10% or more of A1 Telekom Austria Group's revenues.

Depreciation and amortization relate to property, plant and equipment, right-of-use assets and other intangible assets (see Notes (15), (30) and (16)).The item other financial result in the segment reporting includes interest on employee benefits and restructuring, the other financial result as well as foreign exchange differences (see Note (7)).

EBITDA is defined as net income excluding income taxes, financial result, depreciation and amortization as well as, if applicable, impairment charges and reversal of impairment charges. The EBITDA margin is calculated by dividing EBITDA by total revenues (including other operating income).

Capital expenditures include additions to intangible and tangible assets including interest capitalized (see Notes (7), (15) and (16)), but do neither include additions related to asset retirement obligations nor additions to rights-of-use assets according to IFRS 16 (see Notes (23) and (30)).

(2) The Company

Telekom Austria Aktiengesellschaft (Telekom Austria AG) is headquartered in Austria at Lassallestrasse 9, 1020 Vienna and is a registered stock corporation within the meaning of the Austrian Stock Corporation Act. Telekom Austria AG and its subsidiaries (A1 Telekom Austria Group) provide the services and products listed in revenues (Note (5)) in Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia.

The ultimate parent company of A1 Telekom Austria Group is América Móvil, S.A.B. de C.V. (América Móvil), which is located in Mexico. The Federal Republic of Austria, through Österreichische Beteiligungs AG ("ÖBAG", previously Österreichische Bundes- und Industriebeteiligungen GmbH "ÖBIB"), is the second significant shareholder of A1 Telekom Austria Group. América Móvil's and ÖBAG's stakes in A1 Telekom Austria Group are disclosed in Note (28).

In addition to the related party transactions disclosed in Note (11), the Federal Republic of Austria regulates certain activities of A1 Telekom Austria Group in Austria via the Rundfunk und Telekom Regulierungs-GmbH (RTR). In addition, the government holds the taxing authority for the Austrian operations of A1 Telekom Austria Group and imposes taxes such as corporate income tax and value-added taxes.

(3) Basis of Presentation

Functional currency

The Consolidated Financial Statements of A1 Telekom Austria Group are prepared in euro. Unless indicated otherwise, all amounts are reported in thousand euro (TEUR). The use of automated calculation systems may give rise to rounding differences.

Financial statements of subsidiaries where the functional currency is a currency other than the euro are translated using the functional currency principle. For these entities, assets and liabilities are translated using the year-end exchange rates, while revenues and expenses are translated using the average exchange rates prevailing during the year. The resulting foreign currency translation is recognized in other comprehensive income (OCI) and until the disposal of the respective subsidiary presented in the translation reserve in stockholders' equity.

Gains and losses that arise from exchange rate fluctuations between the recognition of the transaction and payment date or translation at year-end are recognized in the financial result.

The following table provides the exchange rates for the currencies in which A1 Telekom Austria Group mainly conducts its transactions:

	Exchange rates at December 31, 2019	2018	Average exchange rates for the year 2019	2018
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian Kuna (HRK)	7.4395	7.4125	7.4181	7.4184
Czech Koruna (CZK)	25.4080	25.7240	25.6685	25.6444
Hungarian Forint (HUF)	330.5300	320.9800	325.3942	318.8321
Serbian Dinar (RSD)	117.5928	118.1946	117.8463	118.2737
Swiss Franc (CHF)	1.0854	1.1269	1.1122	1.1551
Romanian Leu (RON)	4.7830	4.6635	4.7468	4.6542
Turkish Lira (TRY)	6.6843	6.0588	6.3664	5.6996
Macedonian Denar (MKD)	61.4856	61.4950	61.5056	61.5121
Belarusian Ruble (BYN)	2.3524	2.4734	2.3392	2.4055
US Dollar (USD)	1.1234	1.1450	1.1189	1.1817
Great Britain Pound (GBP)	0.8508	0.8945	0.8771	0.8846
Bosnian Convertible Mark (BAM)	1.9558	1.9558	1.9558	1.9558
Polish Zloty (PLN)	4.2568	4.3014	4.2968	4.2605

Accounting

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2019 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2019 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

Significant accounting policies

The general accounting policies are presented in the respective Notes to the Statement of Comprehensive Income and the Statement of Financial Position.

Changes in accounting policies

The following amendments to existing and new IFRS are effective as of January 1, 2019.

IFRS 16	Leases
IFRIC 23	Uncertainty over Tax Treatments
IFRS 9	Amendments: Prepayment Features with Negative Compensation
Several IFRSs	Annual Improvements 2015 – 2017
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures
IAS 19	Amendments: Plan Amendment, Curtailment or Settlement

The initial application of the standards (IAS, IFRS) mentioned above had, apart from IFRS 16, an insignificant impact on the Consolidated Financial Statements since the amendments were in only partially applicable.

Impact of IFRS 16

As of January 1, 2019, A1 Telekom Austria Group initially applied IFRS 16 “Leases”, which replaces the former leasing standard IAS 17 as well as its respective interpretations. Under IFRS 16, lessors continue to classify into operating lease and finance lease as previously under IAS 17, while lessees are required to recognize assets and liabilities for leases based on the right-of-use approach. The new standard affects A1 Telekom Austria Group as a lessee in particular in relation to leases of telecommunication sites for fixed-line and mobile telephony as well as leases of buildings.

For the initial application of IFRS 16, A1 Telekom Austria Group elected the modified retrospective approach in accordance with the transition guidance. Accordingly, the information presented for 2018 was not restated and it is presented, as previously reported under IAS 17 and related interpretations. Regarding the exception of segment reporting 2018 where figures are presented based on IFRS 16 with sufficient accuracy, see “Operating Segments”.

For almost all contracts previously classified as operating leasing, A1 Telekom Austria Group, as a lessee, recognized right-of-use assets based on the future payment obligations discounted at the incremental borrowing rate plus existing prepayments and other direct costs. For the application of practical expedients for leases of low-value assets and short-term leases, see Note (30). The incremental borrowing rate reflects the risk-free interest rate based on the underlying contract term adjusted for country and entity risks.

At the initial recognition, for each segment incremental borrowing rates according to IFRS 16.C10 were applied to portfolios with identical lease terms:

	Term from 1 to 20 years	
Segment Austria	0.05%	2.87%
Segment Bulgaria	1.79%	4.61%
Segment Croatia	3.06%	5.89%
Segment Belarus	7.11%	9.93%
Segment Slovenia	1.43%	4.26%
Segment Serbia	3.75%	6.57%
Segment North Macedonia	3.75%	6.57%

In accordance with IFRS 16.C3, A1 Telekom Austria Group elected to apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application.

The following table provides the impact of the initial application of IFRS 16 on the Condensed Consolidated Statement of Financial Position at January 1, 2019:

	January 1, 2019	Adjustments	December 31, 2018
Other current assets, net	145,749	-7,390	153,140
Other	1,170,283	0	1,170,283
Total current assets	**1,316,032**	**-7,390**	**1,323,422**
Right-of-use assets, net	1,010,719	1,010,719	0
Other non-current assets, net	16,887	-922	17,809
Other	6,066,851	0	6,066,851
Total non-current assets	**7,094,457**	**1,009,798**	**6,084,660**
TOTAL ASSETS	**8,410,489**	**1,002,407**	**7,408,082**
Short-term debt	-245,000	256	-245,257
Lease liability short-term	-143,635	-143,635	0
Accrued liabilities and current provisions	-233,523	216	-233,738
Other	-1,125,664	0	-1,125,664
Total current liabilities	**-1,747,822**	**-143,163**	**-1,604,659**
Long-term debt	-2,536,417	375	-2,536,792
Lease liability long-term	-859,391	-859,391	0
Deferred income tax liabilities	-15,050	-57	-14,992
Other	-802,190	0	-802,190
Total non-current liabilities	**-4,213,047**	**-859,073**	**-3,353,974**
Retained earnings	-603,632	-171	-603,461
Other	-1,845,988	0	-1,845,988
Total stockholders' equity	**-2,449,620**	**-171**	**-2,449,449**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**-8,410,489**	**-1,002,407**	**-7,408,082**

The difference in other current and non-current assets relates to advances paid for lease contracts that were reclassified to right-of-use assets (see "Prepaid expenses" in Notes (13) and (20)). Finance leases according to IAS 17 were presented within short- and long-term debt in 2018 and were reclassified to lease liabilities as of January 1, 2019 (see Note (30)). The difference in accrued liabilities and current provisions relates to the reversal of provisions for onerous lease contracts, as in the course of the transition to IFRS 16 the related right-of-use assets were assigned to cash-generating units for which there is no impairment requirement (see Note (23)). The effect in stockholders' equity relates to the reversal of provisions, net of deferred tax, described above. The increase in total assets and total liabilities reduced the equity ratio from 33% to 29%.

In the statement of comprehensive income there is a shift from rental and lease expenses, which had been reported in EBITDA in 2018, to depreciation and interest expense, which are not included in EBITDA. For the depreciation of right-of-use assets, see the Consolidated Statement of Comprehensive Income. Interest expense on lease liabilities is disclosed in Note (7).

In the statement of cash flows, payments for operating leasing contracts were included in the cash flow from operating activities in 2018. From 2019 onwards, these payments are mainly reported in the cash flow from financing activities, divided into lease principal paid and interest paid. Prepayments and payments of other direct costs incurred until the leased asset is available for use are reported in capital expenditures paid in the cash flow from investing activities (see Note (32)).

The following table presents the reconciliation of non-cancellable operating lease obligations according to IAS 17 at December 31, 2018 to the lease liability according to IFRS 16 at January 1, 2019:

in TEUR	
Minimum lease payments under non-cancellable operating leases at December 31, 2018 (IAS 17)	373,846
less effect from discounting at the incremental borrowing rate as of January 1, 2019	-32,618
less recognition exemptions	
for short-term leases	-840
for leases of low-value assets	-682
plus contracts with options to extend or terminate a lease	662,688
Lease liabilities due to the initial application of IFRS 16 as of January 1, 2019	**1,002,394**
Finance lease liabilities at December 31, 2018	632
Lease liabilities at January 1, 2019	**1,003,026**

Contracts with options to extend or terminate a lease mainly relate to lease contracts of telecommunication sites for fixed-line and mobile telephony. In accordance with IAS 17, these were only included with the minimum lease payments from non-cancellable operating leases. However, according to IFRS 16 payments from extension options of lease contracts, the exercise of which is reasonably certain, as well as payments from cancellable lease contracts with an indefinite term until the exercise of the termination options is reasonably certain, are also included in the calculation of the lease liability.

The following standards and interpretations were issued by the IASB, but were not effective at the reporting date. A1 Telekom Austria Group has not early adopted these standards and interpretations and will apply them as of their effective date.

		Effective*	Effective**
IFRS 3	Amendments: Definition of a Business	January 1, 2020	not endorsed
IAS 1 and 8	Amendments: Definition of Material	January 1, 2020	January 1, 2020
Framework	Amendments: References to the Conceptual Framework	January 1, 2020	January 1, 2020
IFRS 17	Amendments: Application of IFRS 9 with IFRS 4 Insurance Contracts	January 1, 2021	not endorsed
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform	January 1, 2020	January 1, 2020

* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB).
** This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with EU endorsement).

A1 Telekom Austria Group is evaluating the impact of these standards and interpretations on the Consolidated Financial Statements.

(4) Use of Estimates and Judgements

The preparation of the Consolidated Financial Statements requires the Management Board to make estimates and assumptions in the course of applying A1 Telekom Austria Group's accounting policies that affect assets and liabilities recognized and contingent liabilities reported at the end of any given period, and revenues and expenses for that reported period. Actual results may differ from these estimates.

Additionally, at the reporting date, the Management Board has to make key assumptions and judgements concerning the future and has to identify other key sources of estimation uncertainty that are subject to the risk of a material change in the carrying amounts of assets and liabilities in the next financial year. For all sensitivity analyses, the remaining parameters of the original calculation remain unchanged, thus no possible correlation effects are taken into account.

a) Revenues: Changes in the allocation of the transaction prices of multi-element arrangements for goods and services as well as changes in the expected average contractual term may lead to a shift in timing of revenue recognized (see Note (5)).

b) Employee benefit plans: The measurement of pension plans as well as severance and service awards is based on a method that uses various parameters, such as the expected discount rate, salary and pension increases, mortality rate and rate of employee turnover. Changes in these parameters could result in higher or lower expenses (see Note (27)).

c) Impairments: The impairment test for goodwill, other intangible assets, right-of-use assets and property, plant and equipment is generally based upon discounted estimated future net cash flows from the continuing use and ultimate disposal of the assets. Changes in the discount rates used, in the development of revenues, in cost drivers as well as in capital expenditures could lead to impairments or, to the extent permitted, to reversals of impairments (see Note (17)). For more information on the carrying amounts of goodwill, other intangible assets, right-of-use assets and property, plant and equipment, see Notes (17), (16), (30) and (15).

d) The estimated useful lives of property, plant and equipment and intangible assets subject to depreciation and amortization represent the estimated periods during which the assets will be in use. With respect to changes in depreciation and amortization resulting from changes in the useful lives, see Notes (15) and (16).

e) Income tax: In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets can be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences will become deductible. If A1 Telekom Austria Group does not generate sufficient taxable income, deferred tax assets cannot be realized and therefore will not be recognized (see Note (29)).

f) Restructuring (includes provisions for onerous contracts according to IAS 37 as well as provisions for social plans according to IAS 19): The provision is based on various parameters such as discount rate, salary increase and the probability of the acceptance of termination offers. Changes in these parameters could result in higher or lower expenses (see Note (23)).

g) Loss allowances for financial assets and contract assets are based on the estimated probability of default. Deviation of actual customer behavior may result in higher or lower expenses (see Note (33)).

h) Asset retirement obligation: The calculation of the provision is based on parameters such as estimated decommissioning costs, estimated term until dismantling, discount rate and inflation rate. Changes in these parameters may result in higher or lower provisions (see Note (23)).

i) Leases: IFRS 16 requires estimates that affect the measurement of right-of-use assets as well as lease liabilities. These include mainly the effects on the term of the leases from any options to extend or to terminate a lease contract and the incremental borrowing rate applied to discount the future payment obligations (see Note (30)).

(5) Revenues

Operating revenues include all revenues resulting from the ordinary operations of A1 Telekom Austria Group. Operating revenues are stated net of value-added tax and any other taxes and fees, collected from the customer on behalf of tax and other relevant authorities.

A1 Telekom Austria Group generates revenues from the sale of end-user terminal equipment as well as fixed-line services and mobile communication services to individuals, commercial and non-commercial organizations and other national and foreign carriers. Furthermore, A1 Telekom Austria Group offers innovative digital products, cloud and IoT services as well as mobile payment services.

Fixed-line services include access fees, domestic and long distance services including Internet services, fixed-to-mobile calls, international traffic, voice value-added services, interconnection, call center services, data and ICT solutions, television services, IPTV and smart home services.

Mobile communications services comprise digital mobile communications services including value-added services, text and multimedia messaging, m-commerce, information and entertainment services (such as mobile television, streaming of music, etc.).

The following table shows the disaggregated revenues per product line and segment:

2019 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	926,142	260,566	240,225	272,466	119,971	196,215	74,906	-15,202	2,075,288
Fixed-line service revenues	1,394,176	117,890	128,187	47,801	37,809	8,224	24,031	-27,929	1,730,188
Service revenues	**2,320,317**	**378,455**	**368,412**	**320,267**	**157,780**	**204,439**	**98,937**	**-43,131**	**3,805,476**
Mobile equipment revenues	231,625	94,394	56,680	89,374	47,414	76,034	21,778	433	617,732
Fixed-line equipment revenues	36,969	5,053	1,647	1,672	794	0	561	-573	46,123
Equipment revenues	**268,593**	**99,447**	**58,327**	**91,046**	**48,208**	**76,034**	**22,339**	**-140**	**663,855**
Other operating income	**59,202**	**8,321**	**6,094**	**14,822**	**3,404**	**3,330**	**1,495**	**-833**	**95,836**
Total revenues (incl. OOI)	**2,648,113**	**486,223**	**432,832**	**426,135**	**209,392**	**283,803**	**122,772**	**-44,103**	**4,565,166**

2018 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	923,627	245,793	234,990	247,018	120,977	178,096	71,257	-18,176	2,003,582
Fixed-line service revenues	1,373,930	102,324	125,011	39,858	35,281	6,670	25,760	-31,595	1,677,239
Service revenues	2,297,556	348,117	360,001	286,876	156,258	184,766	97,018	-49,771	3,680,820
Mobile equipment revenues	250,260	85,909	61,639	85,654	45,889	71,007	20,145	7	620,510
Fixed-line equipment revenues	35,869	3,459	2,273	274	293	0	421	-464	42,125
Equipment revenues	286,129	89,368	63,912	85,929	46,182	71,007	20,565	-457	662,635
Other operating income	53,791	7,623	5,996	18,107	5,732	2,973	1,393	-3,670	91,945
Total revenues (incl. OOI)	2,637,476	445,109	429,909	390,911	208,172	258,746	118,976	-53,898	4,435,401

*Other includes: Corporate & Other and Eliminations

The following table shows revenues from customer contracts and from other sources:

in TEUR	2019	2018
Service revenues	3,781,711	3,652,699
Equipment revenues	661,361	662,635
Total customer contract revenues	4,443,071	4,315,334
Other service revenues	23,765	28,121
Other equipment revenues	2,494	0
Other operating income	95,836	91,945
Total revenues from other sources	122,095	120,066
Total revenues (incl. other operating income)	4,565,166	4,435,401

Other service revenues include essentially income from the rental of private automatic branch exchange equipment ("PABX"), set-top boxes, routers, servers, equipment for fixed-line customers as well as telecommunication circuits (see Note (30)).

Other equipment revenues include mostly revenues from finance lease (see Note (30)).

Other operating income comprises mainly collection fees, penalties, revenues from the sale of solar energy, rental income and gain on disposal of tangible assets. Furthermore, income from impaired receivables is included (see Note (33)). In 2019 and 2018, other operating income includes a tax exempted research bonus amounting to TEUR 1,026 and TEUR 1,466, respectively.

Accounting principles

Service revenues are recognized upon providing the service and are generally billed on a monthly basis. Certain SIM card services, access fees, monthly base fees, maintenance contracts, services and leased line revenues for business customers are to some extent billed in advance. These fees and revenues are deferred in contract liabilities (see Note (24)) and recognized as income over the period the service is provided or at the time the service is provided.

In accordance with contract terms, equipment revenues are recognized upon delivery and acceptance by the customers. For sales that are neither part of multiple-element arrangements nor installment sales, customers pay at the time of sale. For sales that are part of multiple-element arrangements, customers pay the amount recognized in contract assets as part of the monthly fees invoiced over the term of the contract. In case of installment sales, customers pay equal installments over the term of the contract.

Receivables and revenues from installment sales are not discounted if the period between the provision of goods and services and the payment is less than one year or if the discounting effect is insignificant. The materiality of the discounting effect of receivables with remaining terms of more than one year is considered on an individual contract level. In 2019 and 2018, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 4,919 and TEUR 1,667, respectively, is recognized in equipment revenues.

When equipment is sold through dealers, these distributors are considered agents, i.e. the revenue is recognized once the mobile devices are sold to end customers. At the same time, dealer subsidies are treated as a reduction in revenue.

Certain arrangements require A1 Telekom Austria Group to supply multiple deliverables. For mobile communication, these multiple-element arrangements typically include the sale of a handset, the activation fee, the service contract and, in Austria, the yearly SIM card fee. For fixed-line, these arrangements typically include Internet and fixed-line services including installation, a yearly Internet service fee in Austria and optional TV and mobile communication services.

If the requirements of IFRS 15 are met, A1 Telekom Austria Group generally determines that such arrangements are divided into separate "units of account" based on a determination of a separable benefit for the end customer for each deliverable on a standalone basis, thus constituting separate performance obligations.

Transaction prices are allocated to the individual performance obligations by reference to the relative stand-alone selling prices of the underlying products and services. The stand-alone selling prices of products are based on the market prices of alternative providers whereas the stand-alone selling prices of services are available separately, as services are also offered on a stand-alone basis, i.e. without hardware.

Customer loyalty programs, which lead to claims for the acquisition of new mobile handsets or accessories on the basis of sales made and which are settled with customers in the form of bonus points, are included in the calculation of multiple deliverables as well. Revenue is reduced at the time of the granting of the award credits, while revenue is recognized once the bonus points are redeemed or the awards expire. The stand-alone selling prices of bonus points are determined based on the stand-alone selling prices of the future services, adjusted for the probability of usage.

For the majority of the contracts, A1 Telekom Austria Group applies the practical expedient according to IFRS 15 to pool similar contracts into portfolios, based on contract characteristics and duration. Only a small number of more complex contracts with major clients is calculated on individual contract basis.

A1 Telekom Austria Group recognizes revenue from connection and roaming services to its customers based upon calling minutes or data volume used as income at the time that the service is provided, as long as connection and roaming services are not covered by contractually agreed fee schedules.

Revenues due from other national and foreign carriers for incoming calls from outside A1 Telekom Austria Group's network (interconnection) and roaming revenues are recognized in the period the call occurs or the data volume is used.

For certain contracts for mobile value-added services and partly for (digital) services, such as cloud software, A1 Telekom Austria Group acts as an agent and thus records its revenues on a net basis, i.e. deducting supplier costs.

Cash discounts and discounts granted retrospectively are accounted for as a reduction in revenue when granted. The discounts are calculated on an individual customer basis depending on the service revenue generated.

Discounts (standardized multiple-element subsidies) are generally included in the multiple-element calculation leading, in the case of pure service contracts, to an equal reduction of revenue over the term of the contract. In multiple-element contracts, discounts are usually allocated to separate performance obligations according to the method of relative stand-alone prices, whereby a part of the revenue for equipment is reduced at a certain point in time and the other part of the revenue from services is reduced over a period of time.

Due to the volumes they purchase, certain customers are granted also discounts on hardware and sometimes on services during the term of the service contract in addition to standardized multiple-element subsidies. These are included in the multiple-element calculation as well ("discounts granted for hardware").

There are neither substantial warranties exceeding legal warranty obligations nor significant obligations for returns.

At December 31, 2019 and 2018, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 830,005 and TEUR 835,557, respectively, and will be realized over a contract term of twelve to 33 months as a general rule. For performance obligations recognized at the amount to which A1 Telekom Austria Group has a right to invoice, the transaction price of unfulfilled performance obligations and timing of revenue recognition are not disclosed. These disclosures refer to transactions within the scope of IFRS 15 only, thus they do not include those parts of the transaction price relating to performance obligations that are not within the scope of this standard, such as leasing.

(6) Cost and Expenses

The following table shows cost and expenses according to type:

in TEUR	2019	2018
Cost of equipment	653,812	627,941
Employee expenses, including benefits and taxes	913,394	850,581
Other operating expenses	1,437,337	1,566,001
Total cost and expenses	**3,004,542**	**3,044,524**

The cost of equipment corresponds to material expense. Employee expenses, including social benefits and taxes, comprise all benefits to employees excluding own work capitalized, which is reported on a net basis.

in TEUR	2019	2018
Own work capitalized	71,564	63,870

Own work capitalized represents the work performed for own purposes consisting mainly of employee costs and direct overheads capitalized primarily as part of property, plant and equipment. For the capitalization of internally developed software, see Note (16).

Impairment losses of accounts receivable: subscribers, distributors and other, classified at amortized cost, are reported in the line item bad debts in selling, general and administrative expenses and amount to (see Note (33)):

in TEUR	2019	2018
Impairment losses	48,357	44,341

The line item depreciation and amortization in the Statement of Comprehensive Income is broken down as follows:

in TEUR	2019	2018
Cost of service	774,839	630,306
Cost of equipment	16,503	24,134
Selling, general & administrative expenses	154,464	302,078
Depreciation and amortization	**945,806**	**956,518**

The increase in the cost of service is due to the depreciation of right-of-use assets (see Notes (3) and (30)). The decrease in amortization in selling, general & administrative expenses is mainly due to the amortization of the local brands following of the roll-out of the A1 brand, as the brand "Mobiltel" was already fully amortized in the previous year (see Note (16)).

At the Annual General Meeting, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (EY) was appointed as group auditor for Telekom Austria AG. Expenses related to the group auditor amount to:

in TEUR	2019	2018
Audit fees	1,057	1,121
Other reviews	25	26
Other services	101	110
Fees EY	**1,183**	**1,257**

In 2019 and 2018, other reviews relate to expenses incurred for the certification of the internal control system according to ISAE3402-1 requested by customers.

(7) Financial Result

in TEUR	2019	2018
Interest income on financial assets at amortized cost	5,152	5,306
Interest income on investments at fair value through profit or loss	57	65
Interest income on investments at fair value through other comprehensive income	7	10
Interest income on finance lease	134	0
Interest income	5,350	5,382

in TEUR	2019	2018
Interest expense on financial liabilities at amortized cost	85,243	85,683
Interest expense on lease liabilities	17,494	0
Interest capitalized	-3,177	-3,369
Interest expense on asset retirement obligations	3,317	4,465
Interest expense on deferred consideration	57	88
Interest expense	102,935	86,866

Interest is recognized using the effective interest method. Interest income on financial assets at amortized cost is primarily due to issued bonds and the release of the hedging reserve (see Notes (25) and (33)). For interest expense on lease liabilities and on asset retirement obligations, see Notes (30) and (23). For interest expense on deferred consideration, see Notes (22) and (26).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is an asset that requires a substantial period of time to be prepared for its intended use. In the years reported, interest capitalized on internally developed software as well as on qualifying assets of property, plant and equipment (see Notes (15) and (16)) was based on an interest rate of 2.9% while the interest capitalized for licenses was based on an interest rate of 3.125%, which is derived from a specific financing facility.

in TEUR	2019	2018
Interest expense on employee benefit obligations	8,098	3,316
Interest expense on restructuring provisions	3,304	3,861
Fees for unused credit lines	2,409	2,375
Dividends received	-252	-339
Loss on disposal of debt instruments at fair value through other comprehensive income	18	39
Result from other investments	-240	0
Interest on taxes	24,324	5,394
Income from measurement of instruments at fair value through profit or loss	-1,835	-326
Loss from measurement of instruments at fair value through profit or loss	22	434
Interest on employee benefits and restructuring and other financial items, net	35,847	14,754

Restructuring provisions contain onerous contracts in accordance with IAS 37 as well as provisions for social plans in accordance with IAS 19.

For information on the interest rate for restructuring provisions and employee benefit obligations, see Notes (23) and (27).

In the years reported, interest on taxes mainly relates to a tax audit in Bulgaria (see Note (29)).

The amounts previously recognized in other comprehensive income and subsequently recognized in profit or loss are disclosed in the Consolidated Statement of Comprehensive Income.

in TEUR	2019	2018
Foreign exchange gains	8,141	14,452
Foreign exchange losses	-7,606	-9,307
Foreign exchange differences	**535**	5,145

(8) Earnings per Share

Basic and diluted earnings per share are calculated by dividing the net income or loss by the weighted average number of common shares outstanding for the year:

	2019	2018
Net result attributable to owners of the parent in TEUR	326,963	241,079
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	**0.49**	0.36

For the number of shares, see Note (28).

According to IAS 33.12, the after-tax dividend on the hybrid capital is deducted from the net result attributable to owners of the parent in 2018, since the hybrid capital represented equity but did not constitute net result attributable to owners of the parent (see Note (28)).

Due to the Supervisory Board's decision to settle all share-based compensation plans in cash, no related dilutive effect occurred as of December 31, 2019 and 2018.

(9) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in banks and financial investments with remaining maturities of up to three months from the date of acquisition. The financial resource fund in the Consolidated Statement of Cash Flows is equal to cash and cash equivalents reported in the Consolidated Statement of Financial Position.

A1 Telekom Austria Group invests its cash with various institutions with sound credit ratings, thus the result of the calculation of expected credit losses for cash and cash equivalents was immaterial and was not recognized (see also "credit risk" in Notes (33)).

(10) Accounts Receivable: Subscribers, Distributors and Other, Net

in TEUR, at December 31	2019	2018
Accounts receivable, gross	1,127,497	1,071,578
Loss allowance	-254,448	-241,204
Accounts receivable, net	**873,048**	830,375
Thereof remaining term of more than one year	62,175	52,797

At December 31, 2019 and 2018, accounts receivable: subscribers, distributors and other with remaining term of more than one year relate to installment sales of mobile handsets and tablets in all segments.

The development of the loss allowance for accounts receivable: subscribers, distributors and other as well as their age structure is disclosed in "credit risk" in Note (33).

(11) Related Party Transactions

The shareholders América Móvil and ÖBAG are considered related parties due to their stake in Telekom Austria AG allowing them to control and to exercise significant influence, respectively. Through América Móvil, A1 Telekom Austria Group is also related to its subsidiaries.

Through ÖBAG, A1 Telekom Austria Group is related to the Republic of Austria and its subsidiaries (mainly ÖBB Group, ASFINAG Group, OMV Group and Post Group as well as Rundfunk und Telekom Regulierungs-GmbH (RTR) and Verbund), all of which qualify as related parties.

Business transactions with related parties are provided or purchased at standard market rates. All transactions with related parties are continually monitored and documented to ensure that pricing is at arm's length. With the exception of fully consolidated subsidiaries, whose transactions are eliminated in consolidation, there is no financing with related parties.

The revenues from and expenses charged to related parties are the following:

in TEUR	2019	2018
Revenues (incl. other operating income)	103,693	103,517
Expenses	82,843	77,041

In the years reported, revenues generated with Austrian related parties comprise the full service portfolio of A1 Telekom Austria Group, while services received from Austrian related parties include mainly energy, postage fees, transportation, commissions and fees to RTR. The increase in expenses is mainly due to higher selling and energy costs. In the years reported, revenues and expenses with the América Móvil Group relate mainly to interconnection and roaming.

A1 Telekom Austria Group is obligated to provide communication services for low-income households and other entitled individuals at reduced tariffs for which it is compensated by the Republic of Austria on a contractual basis. The contract with the Republic of Austria entered into in July 2016 specifies the reimbursement of euro 10.00 per customer per month for customers having a valid official notice. The total reimbursement recorded as revenue in the service period was TEUR 11,445 and TEUR 12,260 in 2019 and 2018, respectively.

See Note (23) regarding the transfer of civil servants, who cannot be laid off, to the federal government and the related expenses, provisions and liabilities.

The revenues from and expenses charged to associated companies are set forth in the following table:

in TEUR	2019	2018
Revenues (incl. other operating income)	881	1,690
Expenses	195	569

In 2019, Telecom Liechtenstein only up to August 31, 2019 (see Note (18)).

The revenues relate mainly to technical and roaming services as well as, in 2018, the provision of mobile data services and network services while the expenses relate mainly to interconnection and roaming.

At December 31, 2019, accounts receivable due from related parties and accounts payable due to related parties, as recognized in the Consolidated Statement of Financial Position, relate primarily to subsidiaries of América Móvil. At December 31, 2018, they also related to Telecom Liechtenstein (see Note (18)). These receivables and payables relate to operating business activities.

The following table shows the compensation of key management personnel as well as the expenses for pensions and severance for other employees. Key management personnel is defined as the members of the management boards and the managing directors of all significant operating companies of A1 Telekom Austria Group registered in the Company Register as well as the members of the Management Board of Telekom Austria AG.

in TEUR	2019	2018
Short-term employee benefits	8,574	7,644
Pensions	554	383
Other long-term benefits	150	50
Termination benefits	109	98
Share-based payments	1,003	759
Compensation of key management	**10,391**	8,933
Expenses for pensions and severance for other employees	24,229	21,803
Expenses for pensions and severance for Management Board	392	291

For members of the Management Board of Telekom Austria AG, see Note (36).

Expenses for pensions and severance consist of statutory and voluntary severance expenses, contributions to pension plans and other pension payments.

(12) Inventories

Inventories consist of merchandise sold in the shops of A1 Telekom Austria Group or by distributors and are measured at the lower of cost or net realizable value, with cost being determined on the basis of weighted average cost less allowance based on the turnover rate of the last twelve months. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expense.

The net amount related to impairment loss and reversal of impairment of inventory that is recognized in cost of equipment consists of:

in TEUR	2019	2018
Write-down/ reversals of write-down of inventories	1,364	-513

Impairment loss: negative values; reversal of impairment: positive values

The reversal of write-down of inventories in 2019 is due to lease and demonstration equipment that had been impaired by 100% in 2018.

(13) Other Current Assets

Other current assets are broken down as follows:

in TEUR, at December 31	2019	2018
Prepaid expenses	50,242	62,017
Other current assets	55,518	50,928
Contract costs	42,788	40,195
Total	**148,549**	153,140

Prepaid expenses

in TEUR, at December 31	2019	2018
Advances to employees	16,846	16,169
Rent	912	9,910
Concession fees	16,205	18,517
Other	16,280	17,421
Prepaid expenses	**50,242**	62,017

Prepaid expenses for lease contracts recognized in the amount of TEUR 7,390 at December 31, 2018, were reclassified to right-of-use assets at January 1, 2019 according to IFRS 16 (see Note (3)).

Other current assets

in TEUR, at December 31	2019	2018
Finance lease receivables	1,749	0
Other financial assets	5,541	7,495
Financial assets	**7,290**	**7,495**
Fiscal authorities	1,258	3,064
Advance payments	3,004	2,859
Government grants	34,175	30,962
Other non-financial assets	14,065	9,837
Non-financial assets	**52,502**	**46,721**
Other current assets, gross	**59,792**	**54,216**
Less loss allowance for financial assets	-1,715	-724
Less loss allowance for non-financial assets	-2,559	-2,564
Other current assets	**55,518**	**50,928**

For finance lease receivables as well as the loss allowance recognized that is included in the loss allowance for financial assets, see Note (30).

The government grants are due to the expansion of the broadband network in Austria. Other current non-financial assets consist mainly of services not yet billed, claims against the Republic of Austria (see Note (11)), indemnification payments due from insurance companies and receivables due from employees.

Contract costs

Commissions paid to third parties and to employees are recognized as deferrals if they are costs of obtaining a customer contract and are expected to be recoverable. As contract costs are expected to be realized in A1 Telekom Austria Group's normal operating cycle, they are classified as current. A1 Telekom Austria Group applies the practical expedient not to capitalize incremental costs of obtaining a contract with an amortization period of one year or less.

in TEUR, at December 31	2019	2018
Contract costs, gross	43,669	41,111
Allowance contract costs	-881	-917
Contract costs, net	**42,788**	**40,195**
Thereof remaining term of more than one year	20,642	14,652

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2019 and 2018, the amortization of TEUR 35,047 and TEUR 36,869, respectively, was recognized in selling expenses.

Impairment losses are recognized in selling expenses if the related customer receivable or contract asset has to be impaired according to IFRS 9. The following table shows the development of the loss allowance for contract costs:

in TEUR	2019	2018
At January 1	917	931
Foreign currency adjustment	1	2
Reversed	-801	-808
Charged to expenses	764	792
At December 31	**881**	**917**

(14) Contract Assets

A1 Telekom Austria Group recognizes contract assets for contractual rights to consideration for goods transferred or services performed. Contract assets include mainly deferrals for relevant multiple-element arrangements for mobile communication services and for performance obligations for fixed-line services as well as deferrals for customer loyalty programs, discounts granted for hardware and installation fees (see Note (5)).

As contract assets are expected to be realized as part of A1 Telekom Austria Group's normal operating cycle, they are classified as current. Contract assets are reclassified to receivables when the right to the consideration becomes unconditional. Contract liabilities for customer loyalty programs and discounts granted for hardware amounting to TEUR 69,867 and TEUR 65,800 are included in the multiple-element calculation at December 31, 2019 and 2018, respectively, and are thus netted with contract assets.

The following table shows the development of gross contract assets as well as a reconciliation with net contract assets and its portion with a remaining term of more than one year:

in TEUR	2019	2018
At January 1	**144,910**	148,983
Increases	234,836	218,896
Transfers to receivables	-252,395	-223,293
Foreign currency adjustments	151	324
At December 31	**127,502**	144,910
Loss allowance	-3,297	-3,796
Contract assets, net	**124,205**	141,114
Thereof remaining term of more than one year	45,648	50,248

The development of the loss allowance regarding contract assets is disclosed in "Credit risk" in Note (33).

(15) Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes certain costs that are capitalized during the installation and expansion of the assets, for example material, payroll, direct overhead and interest costs as well as the present value of estimated decommissioning and restoration obligations (see Note (23)). Value-added tax (VAT), which is charged by suppliers and refunded by the tax authorities, is not included in cost.

Maintenance and repairs are expensed as incurred, while replacements and improvements are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and any resulting gain or loss is recognized in other operating expenses or other operating income.

in TEUR	Telephonic plant in operation and equipment	Land and buildings & leasehold improvements	Other assets	Construction in progress and advances	Inventories for operation of the plant	Total
Cost						
At January 1, 2018	10,282,795	882,392	460,926	244,799	127,099	11,998,011
Additions	181,302	32,024	34,676	251,932	115,244	615,179
Disposals	-398,563	-10,444	-39,330	-992	-6,805	-456,134
Transfers	293,446	26,067	10,775	-210,296	-122,540	-2,548
Translation adjustment	-686	-624	-2,061	-1,142	264	-4,248
Changes in reporting entities	5,647	391	114	61	85	6,297
At December 31, 2018	10,363,942	929,806	465,100	284,361	113,348	12,156,558
Additions	222,791	11,066	35,954	256,837	125,632	652,280
Disposals	-379,762	-8,068	-34,370	-1,272	-5,233	-428,705
Transfers	364,191	-9,681	-20,927	-210,110	-118,694	4,779
Translation adjustment	10,900	1,601	3,691	1,433	63	17,687
Changes in reporting entities	331	0	39	0	0	370
At December 31, 2019	10,582,394	924,723	449,487	331,249	115,116	12,402,968
Accumulated depreciation and impairment						
At January 1, 2018	-8,307,823	-662,338	-351,223	0	-48,708	-9,370,092
Additions	-439,612	-22,186	-45,854	0	7,505	-500,146
Disposals	384,043	6,994	38,450	0	4,941	434,428
Transfers	-4,211	-14	3,409	0	0	-816
Translation adjustment	-2,086	-234	803	0	-114	-1,631
Changes in reporting entities	-2,170	-47	0	0	0	-2,217
At December 31, 2018	-8,371,858	-677,825	-354,414	0	-36,377	-9,440,474
Additions	-443,165	-20,695	-46,646	0	-1,100	-511,606
Disposals	357,847	5,639	33,595	0	2,748	399,830
Transfers	-30,169	269	27,533	0	0	-2,368
Translation adjustment	-5,827	-209	-1,936	0	29	-7,944
Changes in reporting entities	-127	0	-24	0	0	-151
At December 31, 2019	-8,493,299	-692,820	-341,893	0	-34,699	-9,562,712
Carrying amount at						
December 31, 2019	2,089,095	231,903	107,594	331,249	80,416	2,840,257
December 31, 2018	1,992,084	251,981	110,686	284,361	76,971	2,716,084

Other assets include mainly office and business equipment as well as motor vehicles.

Depreciation on property, plant and equipment is calculated using the straight-line method. If an event or circumstance indicates that the assets may be impaired, they are tested for impairment (see impairment test in Note (16)). Leasehold improvements are amortized using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter. The useful lives are:

	Years
Telephonic plant in operation and equipment	3-20
Buildings and leasehold improvements	3-50
Other assets	2-10

Inventories for the operation of the plant (network) are used primarily for A1 Telekom Austria Group's network expansion. In accordance with IAS 16.8, they are reported in property, plant and equipment as A1 Telekom Austria Group expects to use these items during more than one period.

As of December 31, 2019 and 2018, the carrying amount of land amounted to TEUR 60,072 and TEUR 59,791, respectively.

Government grants for assets totaling TEUR 37,379 and TEUR 33,603 were deducted from acquisition cost in 2019 and 2018, respectively, and relate essentially to the expansion of the broadband network in Austria.

At December 31, 2019 and 2018, contractual commitments for the acquisition of property, plant and equipment amount to TEUR 179,439 and TEUR 145,836, respectively.

Sensitivity analysis
The estimated useful lives of property, plant and equipment represent the periods in which the assets are estimated to be used by A1 Telekom Austria Group. A change in the useful lives by one year would lead to the following changes in depreciation:

in TEUR	2019	2018
Decrease due to extension by one year	95,628	100,432
Increase due to reduction by one year	154,171	193,976

As some telephonic equipment reached the end of its useful life in 2019, the effect from the increase in depreciation is substantially lower than in 2018.

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Advances/ construction in progress	Total
Cost						
At January 1, 2018	2,158,307	607,192	1,338,995	1,081,033	69,968	5,255,494
Additions	7,883	8,671	55,715	3,286	85,191	160,747
Disposals	-15,030	-14,562	-100,155	0	-181	-129,927
Transfers	18,474	-17,428	71,551	240	-70,291	2,548
Translation adjustment	-1,131	-2,504	-1,256	-9,911	-189	-14,991
Changes in reporting entities	0	287	132	685	0	1,105
At December 31, 2018	**2,168,505**	**581,656**	**1,364,982**	**1,075,333**	**84,499**	**5,274,976**
Additions	138,535	1,140	51,563	939	81,728	273,906
Disposals	-33,467	-15,094	-270,770	-13,710	-107	-333,148
Transfers	780	87	61,619	0	-67,266	-4,779
Translation adjustment	3,639	3,561	3,215	11,159	315	21,888
Changes in reporting entities	0	0	1	489	0	491
At December 31, 2019	**2,277,992**	**571,350**	**1,210,612**	**1,074,210**	**99,169**	**5,233,332**
Accumulated amortization and impairment						
At January 1, 2018	-847,317	-216,521	-1,119,860	-995,918	0	-3,179,616
Additions	-119,692	-199,669	-122,238	-14,773	0	-456,371
Disposals	14,981	14,562	100,004	0	0	129,547
Transfers	-5,431	14,790	-8,543	0	0	816
Translation adjustment	1,104	1,086	975	10,165	0	13,330
At December 31, 2018	-956,355	-385,752	-1,149,662	-1,000,526	0	-3,492,295
Additions	-125,550	-26,647	-105,620	-16,004	0	-273,821
Disposals	32,795	15,094	270,430	13,695	0	332,015
Transfers	905	0	1,463	0	0	2,368
Translation adjustment	-1,667	-2,209	-2,565	-10,932	0	-17,373
Changes in reporting entities	0	0	-1	0	0	-1
At December 31, 2019	**-1,049,871**	**-399,515**	**-985,954**	**-1,013,767**	**0**	**-3,449,108**
Carrying amount at						
December 31, 2019	1,228,121	171,834	224,657	60,443	99,169	1,784,224
December 31, 2018	1,212,150	195,904	215,321	74,807	84,499	1,782,681

Licenses not yet put into operation are included in licenses and rights of use.

Intangible assets with finite useful lives are recognized at acquisition cost and amortized over their respective useful lives. If there is an indication of impairment, intangible assets are tested for impairment (see impairment test). Amortization using the straight-line method is based on the following useful lives:

	Years
Mobile communications and fixed net licenses	5-20
Other rights	2-30
Patents	5-7
Software	2-10
Subscriber base	5-15

Other rights with useful lives of more than 20 years relate to indefeasible rights to fiber optic cable or wavelengths that are used over a fixed period of time. These rights are amortized over the term of the contract.

A1 Telekom Austria Group holds mobile telecommunication licenses (GSM, UMTS and LTE) provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and North Macedonia. Licenses are recorded at cost and amortized on a straight-line basis. In 2019 and 2018, the total cost incurred for the major license agreements, which will expire between 2020 and 2035, amounted to TEUR 2,079,453 and TEUR 1,967,152, respectively.

In 2019, A1 Telekom Austria Group acquired a 3.5 GHz band spectrum in Austria for TEUR 64,398, which will be used for the new 5G network. Furthermore, a band spectrum was acquired in Belarus for TEUR 9,668 (2.1 GHz band) and in Croatia for TEUR 7,229 (2.1 GHz band).

In the fourth quarter of 2019, A1 acquired from the Belarusian infrastructure company beCloud the exclusive use of the 10 GHz band in the 4G network in Belarus for a period of five years including the related infrastructure services. The right capitalized in the amount of TEUR 51,948 corresponds to the net present value of the future payments for the next five years (see Note (26)).

The following table shows expected amortization expense related to intangible assets with a finite useful life for each of the following periods:

in TEUR	
2020	260,804
2021	227,218
2022	189,275
2023	159,052
2024	118,763
Thereafter	668,706

Sensitivity analysis
The estimated useful lives for amortizable intangible assets represent the periods in which the assets are estimated to be used. A change in the useful lives by one year would lead to the following changes in amortization:

in TEUR	2019	2018
Decrease due to extension by one year	49,688	105,386
Increase due to reduction by one year	72,955	122,349

As software partly reached the end of its useful life in 2019 and the brand velcom was fully amortized, the effect of the increase in amortization is significantly lower than in 2018. The full amortization of some local brands in 2018 would have resulted in a significant decrease of amortization in 2018 if the useful life had been extended by one year.

The following table shows the changes in the carrying amounts of brand names by segment:

in TEUR	Austria	Bulgaria	Croatia	Belarus	North Macedonia	Corporate & Other	Total
At January 1, 2018	158,351	144,007	19,431	54,673	3,609	1,907	381,978
Amortization	0	-144,007	-19,680	-31,377	-2,886	0	-197,950
Translation adjustment	0	0	249	-1,751	-1	73	-1,429
Changes in reporting entities	0	0	0	287	0	0	287
At December 31, 2018	**158,351**	**0**	**0**	**21,833**	**722**	**1,981**	**182,886**
Amortization	0	0	0	-23,085	-722	0	-23,807
Translation adjustment	0	0	0	1,253	0	76	1,328
Changes in reporting entities	0	0	0	0	0	0	0
At December 31, 2019	**158,351**	**0**	**0**	**0**	**0**	**2,056**	**160,407**

Regarding the changes in business combinations, see Note (34).

Brand names are classified as intangible assets with an indefinite useful life based on an analysis of product life cycles, contractual and legal control of the asset and other pertinent factors. In the course of business combinations, brand names are recognized at fair value based on the "relief of royalty" method.

If a brand name is intended for discontinuation in the foreseeable future, its carrying amount is amortized over its remaining estimated useful life. In September 2017, harmonization of the brands in the entire A1 Telekom Austria Group was decided. Depending on the respective markets and by the third quarter of 2019 at the latest, the Austrian brand "A1" was rolled out to all segments where brand names had been capitalized and the local brands were therefore amortized accordingly in the relevant business segments (see amortization in the table on changes in the carrying values of brand names by segment).

The following table shows the recognized brand names:

in TEUR, at December 31	2019	2018
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	**158,351**	**158,351**
velcom	0	21,833
Total Belarus	**0**	**21,833**
one	0	722
Total North Macedonia	**0**	**722**
Exoscale	2,056	1,981
Total Corporate & Other	**2,056**	**1,981**
Total brand names	**160,407**	**182,886**
Thereof with indefinite useful lives	160,407	160,331
Thereof with definite useful lives	0	22,554

Certain direct and indirect development costs associated with internally developed software are capitalized once the project has reached the application development stage. Development costs are generally amortized using the straight-line method over a period that does not exceed four years from the time when the asset is essentially ready for use. Development costs requiring capitalization include direct costs of materials and purchased services as well as payroll costs. Costs incurred during the preliminary project stage, maintenance and training costs as well as research and development costs (with the exception of the above-mentioned capitalizable development costs) are expensed immediately in the year they arise.

The following table shows internally developed software included in the line item "Software":

in TEUR, at December 31	2019	2018
Cost of production	69,439	125,093
Accumulated amortization	-48,895	-105,069
Carrying amount	20,544	20,025
Additions	2,479	2,595

In 2019 and 2018, transfers include reclassifications of advances/construction in progress to tangible and intangible assets.

At December 31, 2019 and 2018, contractual commitments for the acquisition of intangible assets amounted to TEUR 35,446 and TEUR 27,278, respectively.

In 2018, the estimated useful lives of certain software programs in the segments Austria and Bulgaria were reduced due to fast technological progress, which led to an increase in amortization of TEUR 8,255.

Impairment test

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if facts or changes in circumstances indicate that the carrying amount of an asset could be above its fair value. The impairment test is performed for all property, plant and equipment, right-of-use assets and intangible assets, regardless of whether they are intended for sale or not. In accordance with IAS 36, an impairment loss is recognized when an asset's carrying amount exceeds the higher of its fair value less costs to sell or its value in use. Fair value is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is based on the discounted cash flows expected to arise from the continued use of the asset and from its disposal at the end of its useful life. Impairment charges are recorded separately in the Consolidated Statement of Comprehensive Income. If there is any indication that the impairment recognized in prior periods no longer exists, A1 Telekom Austria Group considers the need to reverse all or a portion of the impairment charge.

Brand names classified as intangible assets with indefinite useful lives have to be tested for impairment in accordance with IAS 36, as described in Note (17). If an event or circumstance indicates that an asset may be impaired, impairment tests are carried out. Since brand names do not generate cash inflows that are largely independent of those from other assets, the value in use can be determined only for the asset's cash-generating unit, where an impairment loss is recognized, if applicable.

(17) Goodwill

Goodwill is recognized in the course of business combinations and is measured as the difference between the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest in the acquired company less the fair value of the identifiable assets acquired and the liabilities assumed.

The following table illustrates the changes in the carrying amounts of goodwill allocated to the individual cash-generating units that are expected to benefit from the synergies of the business combination:

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	North Macedonia	A1 Digital	Total
At January 1, 2018	708,211	242,691	126,041	14,146	147,632	30,060	7,560	1,276,342
Translation adjustment	0	0	1,721	-616	0	0	290	1,396
Acquisitions	0	0	0	173	0	0	0	173
At December 31, 2018	708,212	242,691	127,762	13,703	147,632	30,060	7,851	1,277,910
Translation adjustment	0	0	-464	702	0	5	300	543
Acquisitions	0	0	0	0	392	0	0	392
At December 31, 2019	708,212	242,691	127,298	14,405	148,024	30,065	8,151	1,278,845

For details of acquisitions, see Note (34).

The acquisition cost of goodwill as well as cumulative impairment charges and amortization amounted to:

in TEUR, at December 31	2019	2018
Segment Austria	712,232	712,232
Segment Bulgaria	642,691	642,691
Segment Croatia	132,386	132,868
Segment Belarus	460,194	437,684
Segment Slovenia	175,948	175,556
Segment North Macedonia	35,176	35,171
A1 Digital	8,151	7,851
Total cost	2,166,777	2,144,052

in TEUR, at December 31	2019	2018
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,088	5,106
Segment Belarus	445,789	423,981
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,111	5,111
Accumulated impairment	887,932	866,141

Impairment test

Goodwill and other intangible assets with indefinite useful lives and other intangible assets that are not yet available for use are not amortized, but are tested for impairment in accordance with IAS 36 at least once a year in the fourth quarter, irrespective of whether there is any indication of impairment, by comparing their carrying amounts with their recoverable amounts. If an event or circumstance indicates that an asset may be impaired, impairment tests are also carried out.

For the purpose of impairment testing, assets are summarized in cash-generating units, which are the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, starting from the acquisition date. Each unit or group of units to which goodwill is allocated shall: (a) represent the lowest level within the entity at which goodwill is monitored for internal management purposes; and (b) not be larger than an operating segment. Cash-generating units to which goodwill has been allocated shall be tested for impairment annually by comparing the carrying amount of the unit, including its assigned goodwill, with the recoverable amount of the cash-generating unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

A1 Telekom Austria Group performs these impairment tests by calculating the value in use based on capital-market-oriented valuation methodology. The weighted average cost of capital (WACC) applied corresponds to the weighted average interest on equity and debt. Value in use is determined by estimating the future net cash flows of the cash-generating unit based on the business plans with a detailed planning period of five years. Significant assumptions to determine the value in use comprise the development of revenues, cost drivers, working capital changes, capital expenditure, growth rate and discount rate.

Assumptions in terms of revenue development are based on historical performance, industry forecasts, and external market data such as the development of gross domestic product (GDP), inflation rates, currency rates, population and other parameters.

Cost drivers and capital expenditure are based on past experience and internal expectations.

Growth rates applied to the perpetual annuity consider general growth rates and company-specific revenue growth rates of prior periods and those used in detailed planning, respectively.

The discount rate for each cash-generating unit is determined separately based on market data and taking into account specific risks associated with the cash-generating unit. The cost of equity is derived from the expected return on investment by the investors. The cost of debt as well as beta factors and capital structure are derived from the peer group based on publicly available market data. The beta factor used on the reporting date is the average of the 2-year beta of the last twelve months.

The value in use was calculated without the application of IFRS 16: The depreciation of the right-of-use assets and the interest expense on lease liabilities for 2019 were reclassified to cost and expenses and largely correspond to the cash outflow. Lease liabilities were not included in net debt. The carrying amount of the cash-generating unit does not contain effects from the application of IFRS 16.

The following parameters were used to calculate the value in use:

	Growth rates perpetual annuity		Pre-tax interest rate	
	2019	2018	2019	2018
Segment Austria	0.9%	1.5%	5.8%	7.2%
Segment Bulgaria	3.4%	3.0%	6.9%	8.4%
Segment Croatia	1.8%	2.5%	8.5%	10.7%
Segment Belarus	5.5%	8.5%	14.8%	18.4%
Segment Slovenia	1.1%	1.3%	6.8%	8.6%
Segment North Macedonia	2.6%	1.4%	8.8%	11.0%
A1 Digital	0.9%	1.5%	5.8%	7.0%

Pre-tax interest rates are based on a risk-free borrowing rate, adjusted for market, country and industry-specific risks. A standard discount rate is used for all planning periods.

At December 31, 2019 and 2018, the value in use in the segment Austria amounts to TEUR 7,142,387 and TEUR 6,877,996, respectively, in the segment Bulgaria TEUR 1,889,969 and TEUR 1,294,350, respectively, in the segment Croatia TEUR 381,918 and TEUR 374,186, respectively, in the segment Belarus TEUR 1,148,286 and TEUR 1,001,662, respectively, in the segment Slovenia TEUR 444,838 and TEUR 379,349, respectively, in the segment North Macedonia TEUR 297,661 and TEUR 224,553, respectively, and in the cash-generating unit A1 Digital the value in use amounts to TEUR 219,206 and TEUR 86,997, respectively.

The calculated value in use is compared with the carrying amount of the cash-generating units (including goodwill). Impairment charges are recognized in profit or loss if the carrying amount of the cash-generating units exceeds the value in use. The impairment loss shall first be allocated to the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit, provided that the recoverable amount is less than the carrying amount of the cash-generating unit. These reductions in the carrying amounts represent impairment losses on individual assets.

If the value in use of the cash-generating unit exceeds its carrying amount, the cash-generating unit and the goodwill allocated to that cash-generating unit shall be regarded as not impaired. Rather, A1 Telekom Austria Group examines if impairment losses recognized in the past (with the exception of goodwill) must be reversed again.

Sensitivity analysis

The use of the following pre-tax interest rates would lead to the carrying amount equaling the value in use at December 31, 2019 and 2018:

Pre-tax interest rates	2019	2018
Segment Austria	11.8%	14.0%
Segment Bulgaria	14.5%	14.4%
Segment Croatia	10.9%	13.0%
Segment Belarus	38.4%	38.1%
Segment Slovenia	8.1%	8.9%
Segment North Macedonia	14.2%	15.6%
A1 Digital	11.8%	14.0%

In the segment Austria, the sensitivity analysis was carried out for A1 Telekom Austria AG only.

The following table lists the changes in revenues, cost drivers, and capital expenditure that would lead to the carrying amounts equaling the value in use at December 31, 2019 and 2018 with respect to the key markets:

2019	Revenues	Costs	Capital expenditures
Segment Austria	-10.1%	16.8%	49.1%
Segment Bulgaria	-12.3%	22.2%	58.5%
Segment Croatia	-3.5%	5.7%	16.2%
Segment Belarus	-22.5%	54.3%	126.9%
Segment Slovenia	-3.3%	5.1%	20.7%
Segment North Macedonia	-10.5%	19.2%	58.1%
A1 Digital	-12.9%	15.9%	242.8%
2018	**Revenues**	**Costs**	**Capital expenditures**
Segment Austria	-10.8%	18.3%	51.3%
Segment Bulgaria	-10.4%	18.0%	48.2%
Segment Croatia	-3.4%	5.5%	15.8%
Segment Belarus	-21.4%	50.1%	99.9%
Segment Slovenia	-0.9%	1.3%	5.6%
Segment North Macedonia	-7.7%	13.3%	43.9%
A1 Digital	-7.2%	8.8%	67.6%

In the segment Austria, the sensitivity analysis was carried out for A1 Telekom Austria AG only.

(18) Investments in Associates/Assets held for sale

At December 31, 2018, investments in associates accounted for using the equity method relate to Telecom Liechtenstein AG only. The capital share as well as the allocation to the segments are disclosed in Note (34).

The following table shows the development of investments in associates:

in TEUR	2019	2018
At January 1	**33,188**	33,971
Dividends received	0	-771
Recognized income	-443	-895
Translation adjustment	731	882
Reclassification to assets held for sale	-33,476	0
At December 31	**0**	33,188

Dividends received are reported in the net cash flow from investing activities.

On August 27, 2019, A1 Telekom Austria Group exercised its ordinary termination option contained in the syndicate agreement with Telecom Liechtenstein AG. On this date, the investment in the associate was accounted for according to the equity method for the last time and reclassified to assets held for sale.

On July 18, 2017, A1 Telekom Austria Group sold its 25.3% stake in media.at. In 2019 and 2018, further payments of TEUR 127 were made and recognized in the line item “Equity interest in net income of associated companies” in the segment Austria.

The following table shows the difference between the investment in associates and their proportionate equity as well as the translation reserve resulting from the foreign exchange translation of the proportionate equity:

in TEUR, at December 31	2019	2018
Proportionate equity	15,294	14,963
Goodwill	10,882	10,882
Purchase price allocation	7,300	7,343
Reclassification asset held for sale	-33,476	0
Investments in associates	**0**	**33,188**
Translation reserve	2,373	1,642

(19) Investments

in TEUR, at December 31	2019	2018
Equity instruments at fair value through profit or loss - mandatory	6,791	3,705
Debt instruments at fair value through other comprehensive income - mandatory	2,556	2,826
Debt instruments at fair value through profit or loss - mandatory	1,699	1,614
Investments at amortized cost	3,271	3,330
Investments	**14,317**	**11,475**

For the classification of financial instruments, see also Note (33).

All equity instruments held are classified as “at fair value through profit or loss”. “Equity instruments at fair value through profit or loss – mandatory” comprise both quoted and unquoted equity instruments.

“Debt instruments at fair value through other comprehensive income – mandatory” include quoted bonds with investment grade ratings, thus the result of the calculation of expected credit losses is immaterial and was not recognized. Interest income is recognized in profit or loss and calculated the same way as interest income on financial assets at amortized cost, i.e. the premium is recognized in profit or loss over the remaining term according to the effective interest method (see Note (7)). The remaining changes in fair value are recognized in other comprehensive income (OCI), net of income tax.

“Debt instruments at fair value through profit or loss – mandatory” include other long-term financial investments that do not meet the solely payment of principal and interest (“SPPI”) criterion and serve partially as coverage for the provision for pensions in Austria.

Financial assets at amortized cost include fixed-term deposits and serve mainly as cash reserve for the subsidiary paybox Bank AG according to the requirements of the Capital Requirements Regulation, the “Internal Liquidity Adequacy Assessment Process” and contractual obligations to the licensor VISA.

(20) Other Non-current Assets

in TEUR, at December 31	2019	2018
Finance lease receivables	2,941	0
Other financial assets	17,363	9,191
Financial assets	**20,305**	**9,191**
Other non-financial assets	**9,129**	**8,618**
Other non-current assets, gross	**29,433**	**17,809**
Less loss allowance for financial assets	-2,252	0
Other non-current assets	**27,181**	**17,809**

For finance lease receivables as well as the loss allowance recognized that is included in the loss allowance for financial assets, see Note (30). Other financial assets (including loss allowance) relate mainly to deferred receivables from a distributor and to receivables from frequency fees in Croatia, which had been reduced after payment.

Other non-financial assets include essentially prepayments for maintenance agreements and license fees and, at December 31, 2018, advances of TEUR 922 paid for lease contracts, which were reclassified to right-of-use assets according to IFRS 16 at January 1, 2019 (see Note (3)).

(21) Short-term Debt and Current Portion of Long-term Debt

in TEUR, at December 31	2019	2018
Short-term debt	0	245,000
Current portion of lease obligations	0	256
Multi-currency notes program	123,000	0
Short-term debt	**123,000**	**245,257**

For further information regarding the current portion of lease obligations as well as of long-term financial debt, see Notes (25) and (30). For the multi-currency notes program and further funding sources, see Note (33).

(22) Accounts Payable

Accounts payable consist of the following items:

in TEUR, at December 31	2019	2018
Fiscal authorities	66,131	58,077
Social security	10,572	11,244
Employees	41,390	38,765
Long-term incentive program	843	2,627
Employees - transferred to government	144	303
Government	151	153
Other non-financial liabilities	4,912	5,435
Current non-financial liabilities	**124,144**	**116,604**
Suppliers	706,955	757,524
Deferred consideration from business combinations	0	1,271
Accrued interest	41,289	29,990
Cash deposits received	10,483	10,635
Other current financial liabilities	26,591	21,874
Current financial liabilities	**785,318**	**821,294**
Accounts payable	**909,461**	**937,898**

Liabilities due to fiscal authorities include mostly value-added taxes and payroll taxes. Liabilities regarding social security relate to statutory contributions to the social security system. Liabilities due to employees relate mainly to salaries payable (including overtime and travel allowances), unused vacation days as well as liabilities for one-time termination benefits and service awards. For information on the long-term incentive program, see Note (31). The liabilities regarding employees - transferred to government include compensation for reductions in salaries, lump sum payments for any shortfall in pension payments, as well as one-off payments to civil servants of A1 Telekom Austria Group (see Note (23)).

At December 31, 2019 and 2018, accounts payable - trade amounting to TEUR 5,628 and TEUR 11,199, respectively, have a maturity of more than twelve months. At December 31, 2018, the deferred consideration from business combinations relates to the acquisition of Metronet in Croatia in the year 2017. For the redemption in 2019, see the table “Payments of deferred consideration from business combinations” in Note (32). Accrued interest includes interest on bonds (see Note (25)). In 2019, it also includes interest related to a tax audit in Bulgaria (see Note (29)). In 2019 and 2018, other current financial liabilities include mainly customer deposits related to vouchers for shopping and parking.

(23) Accrued Liabilities and Current Provisions, Asset Retirement Obligation and Restructuring

in TEUR	Restructuring	Employees	Asset retirement obligation	Legal	Other	Total
At January 1, 2019	433,782	105,538	238,948	7,535	23,675	809,479
Additions	90,475	33,733	4,769	5,908	12,551	147,436
Changes in estimate	16,332	0	19,949	0	0	36,281
Used	-91,335	-37,932	-2,992	-301	-4,548	-137,108
Released	-32,446	-13,663	-3,521	-2,627	-4,845	-57,103
Accretion expense	3,304	4,444	3,317	0	0	11,065
Reclassifications*	-90	11,058	0	0	-11	10,957
Translation adjustment	0	35	336	-8	23	386
At December 31, 2019	**420,022**	**103,212**	**260,807**	**10,506**	**26,847**	**821,393**
Thereof long-term						
December 31, 2019	321,180	0	260,807	0	0	581,987
December 31, 2018	337,008	0	238,948	0	0	575,956

* Reclassifications to current liabilities and short-term portion of employee benefit obligations.
The cumulative effect of the initial application of IFRS 16 amounting to TEUR 216 was recognized in the opening balance at January 1, 2019 in accordance with the modified retrospective approach (see Note (3) – Impact of IFRS 16 at January 1, 2019).

In measuring provisions, the Management Board must assess if there are obligations to third parties that will probably lead to a cash outflow for A1 Telekom Austria Group and that can be estimated reliably. Provisions are recognized in the amount of the probable utilization.

Even though the provision is not expected to be paid in the following financial year, provisions are reported under short-term provisions, with the exception of the asset retirement obligation and the provision for restructuring, since A1 Telekom Austria Group has no influence on the timing of the utilization.

Restructuring

In 2008, a comprehensive restructuring program was initiated in the segment Austria. The provision for restructuring includes future compensation of employees who will no longer provide services for A1 Telekom Austria Group but who cannot be laid off due to their status as civil servants. These employment contracts are onerous contracts under IAS 37, as the unavoidable cost related to the contractual obligation exceeds the future economic benefit. The restructuring program also includes social plans for employees whose employment will be terminated in a socially responsible way. In 2009 and every year from 2011 to 2019, new social plans were initiated that provide for early retirement, special severance packages and golden handshake options. Due to their nature as termination benefits, these social plans are accounted for according to IAS 19. At December 31, 2019 and 2018, the corresponding liability amounts to TEUR 410,361 and TEUR 420,987 and includes 1,886 and 1,863 employees, respectively.

Provisions for restructuring are recorded at their present value. In 2019 and 2018, the rates of compensation increase used to measure the provisions are the same as those used for employee benefit obligations (see Note (27)). The following table provides the discount rates used, which are determined based on the Mercer Yield Curve Approach taking into account the respective maturities:

	2019	2018
Employees permanently leaving the service process	0.75%	1.50%
Social plans	0.50%	0.75%
Civil servants transferred to the government	0.75%	1.50%

Changes in the provision are recognized in employee expense and reported in the line item “Selling, general and administrative expenses”, while the accretion expense is reported in the financial result in the line item “Interest expense on restructuring provision” (see Note (7)). The provision was reversed, mainly because a number of employees returned to regular operations or opted for plans such as golden handshakes, special severance packages and early retirement to an extent not foreseeable at the time of measurement in the previous year.

Based on the general agreement for the transfer of personnel, which was entered into with the Austrian government in 2013, civil servants transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, A1 Telekom Austria Group bears the salary expense. In case of a permanent transfer, A1 Telekom Austria Group must compensate the government for any excess expense arising due to differing professional classifications of workplaces. Furthermore, compensation payments (or one-off payments) must be made to civil servants up to the age of 62. At December 31, 2019 and 2018, the provision for the transfer of civil servants to the government amounts to TEUR 9,661 and TEUR 12,796 and comprises 128 and 159 employees, respectively. For information on additional reported liabilities for employees transferred to the government, see Note (22).

Duration

The weighted average duration of the restructuring obligations is as follows in years:

	2019	2018
Employees permanently leaving the service process	6.5	7.2
Social plans	3.3	3.4
Civil servants transferred to the government	5.8	6.3

Sensitivity analysis

A change of one percentage point in the applied discount rate or in the rate of compensation would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2019		
Change in discount rate	-14,103	15,031
Change in rate of compensation	11,845	-11,335

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2018		
Change in discount rate	-16,001	14,563
Change in rate of compensation	13,830	-13,151

Employees

The provisions for employees contain mainly bonuses and the short-term portion of employee benefit obligations for severance, service awards and pensions (see also Note (27)).

In its judgement of November 11, 2014, the European Court of Justice (ECJ) ruled that the Austrian law determining the reference date for salary increments for Austrian civil servants (this date determines the length of service and thus the date for advancing to the next salary level) conflicted with European Union law. In its judgement of May 8, 2019, the European Court of Justice (ECJ) once again ruled that the adapted Austrian law determining the reference date for salary increments for civil servants was still in conflict with European Union law. On July 8, 2019, a further change in the Austrian law was published in the Austrian Federal Law Gazette (N. 58/2019). A1 Telekom Austria Group recognized a provision of TEUR 36,026 and TEUR 45,734 at December 31, 2019 and 2018, respectively, for impending back payments of salaries to the civil servants assigned to it.

Asset retirement obligation

Liabilities for asset retirement obligations are measured at their net present value in accordance with IAS 37, the increase in the liability that reflects the passage of time is recognized in profit or loss (see Note (7)). The effects of changes in the measurement from existing provisions are accounted for in accordance with IFRIC 1. Changes in the measurement of these liabilities resulting from changes in the estimated timing or amount of the outflow of resources or changes in the parameters shall be added to or deducted from the cost of the assets in the current period. The amount deducted from the asset shall not exceed its carrying amount. Any excess amount is reported in profit or loss. If the adjustment results in an addition to the asset, the company must review whether there is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset shall be tested for impairment and any impairment losses shall be recorded.

A1 Telekom Austria Group records obligations for the retirement and decommissioning of wooden masts treated with tar or salt, base stations, payphones as well as land and buildings including rented premises.

For the assessment of obligations in connection with the retirement of wooden masts treated with tar or salt that are in operation, A1 Telekom Austria Group uses the expected settlement dates and future expected cash flows.

A1 Telekom Austria Group operates base stations on land, rooftops and on other premises under various types of rental contracts. In estimating the fair value of the retirement obligation for its base stations, A1 Telekom Austria Group has made a number of assumptions such as the time of retirement or an early cancellation as well as the percentage of base stations that will be retired early, the development of technology and the cost of remediating the sites.

Additionally, A1 Telekom Austria Group records obligations in connection with the disposal of hazardous substances as well as the decontamination of land when decommissioning a building. Obligations to return the premises to their original condition upon expiration of the lease contracts are reported for buildings and office premises that A1 Telekom Austria Group has rented as part of lease agreements.

The following table provides the parameters used for the measurement of the obligation:

	2019	2018
Discount rate	0.5%–8.5%	1.5%–12.0%
Inflation rate	1.5%–4.5%	2.0%–5.5%

The discount rate applied to the calculation reflects current market expectations with regard to interest effects as well as specific risks of the obligation. The discount rate in the non-eurozone is based on the interest rate of German federal bonds with a maturity of 30 years, adapted for each country with the Damodaran-rate-based default spread. For those countries whose currencies are not tied to the euro, the respective inflation differential according to the OECD is taken into account as well. In the eurozone, the discount rate is based on government bonds with matching maturities, as the specific risks were taken into account in the estimated cash flows.

The inflation rates applied to the calculation reflect the general development in the individual countries.

In essence, the change in the specified parameters as well as the change in the estimated outflow of resources resulted in a change in the provision with no impact on income due to an adjustment in the book value of the related item of property, plant and equipment (see change in estimates in the table of provisions). In 2019 and 2018, TEUR 4,334 and TEUR 2,413 were recognized in other operating income as the related tangible assets are already fully depreciated.

Sensitivity analysis
A change of one percentage point in the discount rate or in the inflation rate would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR at December 31	1 percentage point increase	1 percentage point decrease
2019		
Change in discount rate	–28,059	30,141
Change in inflation rate	29,561	–28,146
in TEUR at December 31		
2018		
Change in discount rate	–24,272	26,089
Change in inflation rate	26,279	–24,073

Legal
Provisions relate mainly to expenses for legal advice and litigation.

Other provisions
Other provisions relate mainly to taxes (excluding income taxes), guarantees, rents and penalties. For the adjustment of the opening balance at January 1, 2019 due to the initial application of IFRS 16 amounting to TEUR 216, see Note (3).

(24) Contract Liabilities

A contract liability is recognized where a customer has paid an amount of consideration prior to goods or services being transferred by A1 Telekom Austria Group.Contract liabilities include prepaid fees, prepaid vouchers, fees for leased lines and site sharing, and discounts granted as well as one-time fees, activation fees and installation fees.

The following table shows the development of contract liabilities:

in TEUR	2019	2018
At January 1	**160,160**	161,595
Increases due to payments received	1,057,419	980,378
Revenues recognized in the current period from:		0
Amounts included in the contract liability at beginning of the period	-137,129	-143,168
Increases due to payments received in current period	-906,494	-838,720
Foreign currency adjustments	-2	76
At December 31	**173,954**	160,160
Thereof remaining term of more than one year	19,820	19,490

At December 31, 2019 and 2018, contract liabilities with a remaining term of more than one year relate mainly to deferred rental income from base stations and data circuits as well as one-time fees, activation fees, and installation fees.

(25) Long-term Debt

The terms and conditions of long-term debt and its current portion are summarized in the following table:

		At December 31, 2019				At December 31, 2018			
Currency	Maturity	Nominal interest rate		Face value	Carrying amount	Nominal interest rate		Face value	Carrying amount
Bonds									
TEUR	2021	fixed	3.125%	750,000	747,995	fixed	3.125%	750,000	746,954
TEUR	2022	fixed	4.000%	750,000	747,387	fixed	4.000%	750,000	746,232
TEUR	2023	fixed	3.500%	300,000	299,109	fixed	3.500%	300,000	298,855
TEUR	2026	fixed	1.500%	750,000	745,084	fixed	1.500%	750,000	744,375
Total bonds				**2,550,000**	**2,539,575**			2,550,000	2,536,417
Leases (Note (30))				**0**	**0**			632	632
Financial debt				**2,550,000**	**2,539,575**			2,550,632	2,537,048
Current portion of long-term debt				0	0			-256	-256
Long-term debt				**2,550,000**	**2,539,575**			2,550,375	2,536,792

For the reclassification of finance leases according to IAS 17, see Note (3) – Impact of IFRS 16 at January 1, 2019

Bonds

Bonds are recognized at the actual amount received. Discount and issue costs are amortized over the related term using the effective interest rate method.

On April 2, 2012, A1 Telekom Austria Group issued a bond with a face value of TEUR 750,000, discount and the issue costs of TEUR 11,575, a maturity of ten years and a coupon of 4.0%.

On July 4, 2013, A1 Telekom Austria Group issued a bond with a face value of TEUR 300,000, discount and issue costs of TEUR 2,574, a maturity of ten years and a coupon of 3.5%.

On December 3, 2013, A1 Telekom Austria Group issued a bond with a face value of TEUR 750,000, discount and issue costs of TEUR 8,336, a maturity of eight years and a coupon of 3.125%.

On December 7, 2016, A1 Telekom Austria Group issued a bond with a face value of TEUR 500,000, a maturity of ten years and a coupon of 1.5%. On July 14, 2017, a tap issuance with a volume of TEUR 250,000 was settled. In August 2017, the outstanding bond and the tap were consolidated and have the same terms in all respects. Discount and issue costs amount to TEUR 6,990.

(26) Other Non-current Liabilities

in TEUR, at December 31	2019	2018
Cash deposits received	754	756
Deferred consideration from business combinations	1,179	3,329
Sundry other non-current financial liabilities	60,558	13,516
Other non-current financial liabilities	**62,491**	17,600
Long-term incentive program	1,225	854
Sundry other non-current non-financial liabilities	2,015	4,125
Other non-current non-financial liabilities	**3,239**	4,979
Other non-current liabilities	65,730	22,580

At December 31, 2019 and 2018, the deferred consideration from business combinations relates to the acquisition of Akenes in 2017 (see Note (34)). For the redemption in 2019, see the table "Payments of deferred consideration from business combinations" in Note (32). Sundry other financial liabilities essentially include liabilities from the acquisition of rights and licenses (see Note (16)).

See Note (31) regarding the long-term incentive program. Other non-financial liabilities include liabilities for pension contributions.

(27) Employee Benefits

A1 Telekom Austria Group records employee benefit obligations under defined contribution and defined benefit plans.

In the case of defined contribution plans, A1 Telekom Austria Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Other than payment contributions, which are recognized in employee expenses in the respective functional area in the respective period, there are no further payment obligations.

All other obligations are unfunded defined benefit plans and are calculated using the projected unit credit method in accordance with IAS 19.

in TEUR, at December 31	2019	2018
Service awards	59,414	62,394
Severance	155,366	136,069
Pensions	5,181	5,153
Other	169	39
Long-term employee benefit obligations	**220,130**	203,654

According to IAS 19.133, A1 Telekom Austria Group chooses to distinguish between current and non-current liabilities arising from employee benefit obligations (see also Note (23)).

For severance and pensions, A1 Telekom Austria Group recognizes remeasurement gains and losses in other comprehensive income (OCI), whereas remeasurement gains and losses for service awards are immediately recognized in profit or loss. The remeasurement of defined benefit plans relates to actuarial gains and losses only, as A1 Telekom Austria Group holds no plan assets. Accrued interest on employee benefit obligations is reported in the financial result, while service cost is reported in employee expenses in the respective functional area.

Actuarial assumptions

The key actuarial assumptions used to measure the obligations for service awards, severance and pensions are as follows:

	2019	2018
Discount rate service awards	0.75%	1.25%
Discount rate severance	1.25%	2.00%
Discount rate pensions	1.00%	1.75%
Rate of compensation increase – civil servants	4.40%	4.40%
Rate of compensation increase – other employees	3.00%	3.00%
Rate of compensation increase – civil servants released from work	3.50%	3.50%
Rate of increase of pensions	1.60%	1.60%
Employee turnover rate*	0.0%–1.38%	0.0%–1.51%

* Depending on years of service.

As in the prior year, the determination of the discount rate is based on the Mercer Yield Curve Approach, taking into account the respective maturities.

Life expectancy in Austria is based on "AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler". The obligations related to the international subsidiaries were measured on the same actuarial basis due to their insignificant proportion.

Duration

The weighted average duration of the obligations is as follows in years:

	2019	2018
Service awards	5.2	5.6
Severance	14.1	14.5
Pensions	10.1	11.2

Service awards

Civil servants and certain employees (in the following "employees") are eligible to receive service awards. In accordance with the legal regulations, eligible employees receive a cash bonus of two months' salary after 25 years of service and four months' salary after 40 years of service. Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on specific legal regulations are also eligible to receive the service award of four monthly salaries. The obligation is accrued over the period of service, taking into account the employee turnover rate of employees who leave service early. The main risk that A1 Telekom Austria Group is exposed to is the risk of development of salary increases and changes of interest rates.

The following table provides the components and a reconciliation of the changes in the obligation for service awards:

in TEUR	2019	2018
At January 1	**69,811**	**68,456**
Service cost	2,012	2,024
Interest cost	836	661
Actuarial gain/loss based on experience adjustments	–1,046	–318
Actuarial gain/loss from changes in demographic assumptions	–6	5,927
Actuarial gain/loss from changes in financial assumptions	1,677	–1,096
Recognized in profit or loss	**3,472**	**7,199**
Benefits paid	–7,191	–5,843
Obligation at December 31	**66,092**	**69,811**
Less short-term portion	–6,678	–7,418
Non-current obligation	**59,414**	**62,394**

Of the non-current defined benefit obligation for service awards, less than 1% relates to foreign subsidiaries as of December 31, 2019 and 2018, respectively.

Severance

Defined contribution plans

Employees who started work for A1 Telekom Austria Group in Austria on or after January 1, 2003 are covered by a defined contribution plan. A1 Telekom Austria Group paid TEUR 2,548 and TEUR 2,367 (1.53% of the salary or wage) into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG) in 2019 and 2018, respectively.

Defined benefit plans

Severance benefit obligations for employees hired before January 1, 2003, excluding civil servants, are covered by defined benefit plans. Upon termination by A1 Telekom Austria Group or retirement, eligible employees receive severance payments. Depending on their time in service, their severance is equal to a multiple of their monthly basic compensation plus variable elements such as overtime or bonuses, with a maximum of twelve monthly salaries. In case of death, the heirs of eligible employees receive 50% of the severance benefits. The primary risks to A1 Telekom Austria Group are salary increases and changes of interest rates.

The following table shows the components and a reconciliation of the changes in the obligation for severance:

in TEUR	2019	2018
At January 1	138,054	130,555
Service cost	4,503	4,517
Interest cost	2,719	2,577
Recognized in profit or loss	7,222	7,094
Actuarial gain/loss based on experience adjustments	680	1,830
Actuarial gain/loss from changes in demographic assumptions	133	547
Actuarial gain/loss from changes in financial assumptions	15,490	0
Recognized in other comprehensive income	16,303	2,378
Benefits paid	-2,813	-1,974
Foreign currency adjustments	4	1
Other	-2,809	-1,972
Obligation at December 31	158,770	138,054
Less short-term portion	-3,405	-1,986
Non-current obligation	155,366	136,069

At December 31, 2019 and 2018, approximately 4% and 3%, respectively, of the non-current defined benefit obligation for severance relate to foreign subsidiaries.

Pensions

Defined contribution pension plans

In Austria, pension benefits are generally provided by the social security system for employees, and by the government for civil servants. The contributions of 12.55% that A1 Telekom Austria Group made in 2019 and 2018 to the social security system and the government in Austria, amount to TEUR 61,895 and TEUR 62,547, respectively. Contributions of the foreign subsidiaries into the respective systems range between 7% and 29% and amount to TEUR 24,619 and TEUR 22,836 in 2019 and 2018, respectively.

Additionally, A1 Telekom Austria Group offers a defined contribution plan for employees of some of its Austrian subsidiaries. A1 Telekom Austria Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. The annual expenses for this plan amounted to TEUR 13,063 and TEUR 11,997 in 2019 and 2018, respectively.

Defined benefit pension plans

A1 Telekom Austria Group provides defined benefits for certain former employees in Austria. All eligible employees are retired and were employed prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. A1 Telekom Austria Group is exposed primarily to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits. Furthermore, at December 31, 2019 and 2018, approximately 10% and 7%, respectively, of the obligation for pensions relate to the employees of the company Akenes in Lausanne, which was acquired in 2017.

The following table shows the components and a reconciliation of the changes in the obligation for pensions:

in TEUR	2019	2018
At January 1	**5,624**	**5,562**
Service cost	48	150
Interest cost	91	78
Recognized in profit or loss	**140**	**228**
Actuarial gain/loss based on experience adjustments	-104	226
Actuarial gain/loss from changes in demographic assumptions		287
Actuarial gain/loss from changes in financial assumptions	334	-118
Recognized in other comprehensive income	**230**	**394**
Benefits paid	-428	-571
Foreign currency adjustments	18	11
Other	**-410**	**-560**
Obligation at December 31	**5,583**	**5,624**
Less short-term portion	-402	-471
Non-current obligation	**5,181**	**5,153**

Sensitivity analysis

The following table summarizes the short and long-term obligations recorded:

in TEUR, at December 31	2019	2018
Service awards	66,092	69,811
Severance	158,770	138,054
Pensions	5,583	5,624

A change in the discount rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2019		
Service awards	1,747	-1,677
Severance	11,571	-10,590
Pensions	313	-283
in TEUR, at December 31		
2018		
Service awards	1,950	-1,867
Severance	10,336	-9,442
Pensions	288	-262

A change in the rate of compensation of one percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	1 percentage point decrease	1 percentage point increase
2019		
Service awards	-3,176	3,371
Severance	-20,148	23,519
Pensions	-447	516

in TEUR, at December 31		
2018		
Service awards	-3,553	3,790
Severance	-18,068	21,200
Pensions	-465	541

A change in the employee turnover rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2019		
Service awards	14	-1,711
Severance	5,014	-5,968

in TEUR, at December 31		
2018		
Service awards	17	-1,915
Severance	4,557	-5,225

No employee turnover rate is applied to the calculation of the obligation for pensions as a majority of the eligible employees have already retired. The calculation of a 0.5% decrease is limited to a maximum of 0.0% of the employee turnover rate.

(28) Stockholders' Equity

Capital management

The capital structure of A1 Telekom Austria Group consists of liabilities and equity attributable to the equity holders of the parent company, which is disclosed in the Consolidated Statement of Changes in Stockholders' Equity and comprises common stock, treasury shares, additional paid-in capital, retained earnings, remeasurement of defined benefit plans, measurement of debt instruments, hedging reserve as well as translation reserve.

A1 Telekom Austria Group manages its capital structure to safeguard its solid capital base in order to maintain investor, creditor and market confidence as well as to provide sustainable support to the future operational development of A1 Telekom Austria Group.

At Group level, maintaining a solid investment grade rating is the number one priority. This will allow the financial flexibility required for strategically important projects. A transparent dividend policy ensures the balance between shareholder remuneration and the utilization of cash to redeem outstanding debt.

Share capital

As of December 31, 2019 and 2018, the common stock of Telekom Austria AG amounted to TEUR 1,449,275, and is divided into 664.5 million bearer shares. As of December 31, 2019 and 2018, América Móvil indirectly holds a stake of 51.00% through its 100% subsidiary América Móvil B.V., Netherlands, while ÖBAG holds a stake of 28.42% and free floated shares including treasury shares amount to 20.58%. The shares have no par value.

According to the Austrian Banking Act and the Capital Requirements Regulation, a regulation for banks by the European Union, the subsidiary paybox Bank AG must fulfil regulatory minimum equity requirements regarding bank-related risks, notably credit risk and operational risks as well as liquidity coverage requirements. On December 31, 2019 and 2018, these requirements were fulfilled.

The number of authorized, issued and outstanding shares and treasury shares is presented below:

At December 31	2019	2018
Shares authorized	664,500,000	664,500,000
Shares issued	664,500,000	664,500,000
Treasury shares	-415,159	-415,159
Shares outstanding	664,084,841	664,084,841

The shares issued are fully paid.

Dividend payments

The following dividends were resolved by the shareholders at the Annual General Meeting and distributed by Telekom Austria AG (regarding the coupon payment for the hybrid bond made in February 2018, see "Hybrid capital"):

	2019	2018
Date of Annual General Meeting	May 29, 2019	May 30, 2018
Dividend per share in euro	0.21	0.20
Total dividend paid in TEUR	139,458	132,817
Date of payment	June 7, 2019	June 8, 2018

The net income of Telekom Austria AG according to Austrian GAAP amounts to:

in TEUR	2019	2018
Net income	438,342	381,546
Allocation to reserves reported in retained earnings	-215,148	-350,523
Profit carried forward from prior year	104,248	212,683
Unappropriated retained earnings	327,442	243,706

The unappropriated retained earnings of Telekom Austria AG according to Austrian GAAP are not subject to a dividend limitation as the restrictions of Section 235 UGB do not apply. The Management Board plans to propose to the shareholders at the Annual General Meeting to distribute a dividend of euro 0.23 per share from unappropriated retained earnings.

Treasury shares

At the Annual General Meeting of Telekom Austria AG held on May 29, 2013, the Management Board was empowered to:

(a) use these treasury shares to settle obligations under the share-based compensation plans disclosed in Note (31) and/or to transfer them for or without a consideration to employees, leading managers and members of the Management Board/management of Telekom Austria AG and of its affiliated companies;

(b) use them as consideration for acquisitions, or

(c) sell treasury shares at any time via the stock exchange or by public offer.

Treasury shares held as of December 31	2019	2018
Number of treasury shares	415,159	415,159
Average price per share in euro	18.80	18.80
Deduction in equity in TEUR	7,803	7,803

Additional paid-in capital

The additional paid-in capital results from the incorporation of A1 Telekom Austria Group as well as the subsequent capital increase and reorganization measures. Furthermore, effects related to employee participation plans and the retirement of treasury shares are reported in additional paid-in capital.

Hybrid capital

On February 1, 2018, the hybrid bond, issued on January 24, 2013, with a volume of TEUR 600,000 was repaid according to Section 5 (3) of the terms and conditions of the bond. The hybrid bond was a subordinated bond with indefinite maturity which, based on its conditions, was classified as stockholders' equity according to IFRS. Accordingly, related discount and issue cost in the amount of TEUR 11,752 were recorded net of a tax benefit of TEUR 2,938 in stockholders' equity. Therefore, stockholders' equity was increased by TEUR 591,186 in 2013.

Coupon payment of TEUR 33,750 made in February 2018 was recognized as distribution of dividends in stockholders' equity.

In the local financial statements, coupons to be paid are recognized in profit or loss according to Austrian GAAP. While the tax benefit resulting from the accrued interest is recognized in profit or loss according to local GAAP, it is recognized in stockholders' equity as "distribution of dividend" in the Consolidated Financial Statements according to IAS 12. In 2018, the net result attributable to hybrid capital holders is presented in the Consolidated Statement of Comprehensive Income in the allocation of the net result and equals interest recognized in profit or loss according to local GAAP amounting to TEUR 2,959, net of the related tax benefit of TEUR 740 recognized in stockholders' equity.

Other comprehensive income (loss) items (OCI)

The other comprehensive income (loss) contains the remeasurement of severance and pension obligations (see Note (27)), measurement of debt instruments at fair value through other comprehensive income (see Note (19)), the hedging reserve (see Note (33)) as well as the translation reserve (see Note (3)). Their development is presented in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Stockholders' Equity. The foreign currency translation adjustment relates mainly to the consolidation of A1 in Belarus and Vip mobile in the Republic of Serbia.

(29) Income Taxes

Income taxes are calculated for each taxable entity based on the expected actual income tax rate applicable. For the purpose of calculating deferred tax assets and liabilities, A1 Telekom Austria Group uses the tax rates that have been enacted or substantively enacted at the reporting date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period the tax rate is effectively enacted. The distribution of dividends by Telekom Austria AG has no effect on the tax rate. Investment tax credits are recognized as a reduction in income taxes in the period in which these credits are granted.

In accordance with IFRIC 23, Management regularly reviews certain tax issues for uncertainties regarding the treatment under effective tax regulations by the relevant tax authorities. Correspondingly, income tax liabilities were recognized for taxable periods not yet assessed based on all information available including interpretations of tax law and experience.

Income tax attributable to income before income taxes consists of the following (negative values indicate an income tax benefit):

in TEUR	2019	2018
Current income tax	84,004	54,974
Deferred income tax	70,160	43,818
Income tax	**154,164**	98,793

The table below provides information about the allocation of total income tax in the Consolidated Financial Statements:

in TEUR	2019	2018
Continuing operations	154,164	98,793
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	9	9
Income tax on remeasurement of defined benefit obligations*	-3,986	-597
Tax benefit relating to hybrid capital**	0	-740
Effect of initial application of IFRS 16, IFRS 15 and IFRS 9***	57	11,108
Total income tax	**151,704**	110,024

* Recognized in other comprehensive income (OCI).
** See Note (28).
*** For IFRS 16, see Note (3), for IFRS 15 and IFRS 9, see Note (3) to the Consolidated Financial Statements 2018.

The following table shows the major reconciling items between the reported income taxes and the amount of income taxes that would have resulted by applying the Austrian statutory income tax rate of 25% to pre-tax income:

in TEUR	2019	2018
Income tax expense at statutory rate	120,401	85,625
Foreign tax rate differential	-23,863	5,442
Non-tax-deductible expenses	11,944	10,400
Tax incentives and tax-exempted income	-7,189	-5,077
Tax-free income (loss) from investments	-61	141
Tax benefit/expense previous years	14,357	-5,315
Changes in deferred tax assets not recognized	1,531	12,062
Impairments (reversals of impairments) of investments in subsidiaries	37,743	-3,250
Other	-699	-1,234
Income tax	154,164	98,793
Effective income tax rate	32.01%	28.84%

In 2019 and 2018, non-deductible expenses consist mainly of non-deductible withholding taxes on dividends as well as various non-deductible expenses in the individual countries. In 2019, the tax effect of interest on taxes is also included, as these are not deductible for tax purposes (see Note (7)).

Tax incentives and tax-exempted income relate mainly to investment and other tax incentives in the individual countries. Furthermore, they include the tax-free income on the fictitious amortization of tax goodwill related to the Austrian tax group. Amortization of tax goodwill according to Section 9 (7) KStG is treated as a temporary difference on investments in subsidiaries for tax purposes. According to IAS 12.39, no deferred tax liabilities are recorded in that case. In 2019 and 2018, there are no taxable differences in this respect.

In 2019, the tax expense for prior periods essentially relates to a tax audit in Bulgaria. In 2018, A1 Bulgaria received the tax assessments for a tax audit covering the years 2010 to 2012, which did not accept brand name and customer base to be tax deductible and imposed related interest on taxes (see Note (7)). An appeal was filed against these tax assessments as the Supreme Court decided in favor of A1 Bulgaria regarding the amortization of customer base for the years 2007 to 2009. However, in April 2019, the Supreme Court decided for the year 2010 that the amortization of customer base was not tax deductible either. Following the decision for the year 2010, tax and interest related to the customer base for the years 2011 and 2012, which are not finally assessed, were additionally accrued, while tax and interest related to the brand name were already provided for in 2018. In 2018, the tax benefit for prior periods results mainly from the finalization of the tax audit in Bulgaria covering the years 2008 to 2009.

The tax effect of impairments (reversals of impairments) of investments relates to taxable write-downs and reversals of write-downs of investments in affiliated companies in Austria.

In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. Furthermore, deferred taxes are recognized for current-year tax losses and tax loss carry-forwards as well as certain impairment losses on investments for which recognition for tax purposes is deferred over a specified period.

In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of sufficient future taxable income during the periods in which these temporary differences become deductible. These are based on business plans with a detailed planning period of five years. The Management Board considers the scheduled release of deferred tax liabilities and projected future taxable income when making this assessment.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are set out below:

in TEUR, at December 31	Deferred tax assets 2019	2018	Deferred tax liabilities 2019	2018
Loss carry-forwards	168,642	223,073	0	0
Impairments of investments	10,712	39,074	0	0
Property, plant and equipment	3,591	5,387	−42,940	−37,305
Right-of-use assets, net	0	0	−157,733	0
Other intangible assets	37	98	−77,493	−85,244
Accounts receivable: Subscribers, distributors and other	8,513	8,058	−538	−122
Contract cost	0	0	−7,522	−6,979
Lease liabilities	158,950	0	0	0
Provisions, long-term	50,085	48,001	0	0
Employee benefit obligations	30,820	27,224	0	0
Accrued liabilities and accounts payable	19,175	10,308	−8	−66
Other	3,132	2,991	−5,135	−3,979
Total	**453,657**	364,214	**−291,370**	−133,695
Set off	−284,717	−118,702	284,717	118,702
Deferred tax assets/liabilities	**168,940**	245,513	**−6,653**	−14,992
Net deferred tax assets/liabilities	**162,287**	230,519		

In Austria, A1 Telekom Austria Group established a tax group according to Section 9 of the Austrian Corporate Tax Act (KStG), with Telekom Austria AG as the head of the tax group. The head of the tax group and its members have agreed on tax compensation. Positive taxable results are subject to a tax rate of 23%. Negative taxable results are not reimbursed but netted with future positive results of the tax group members. Deferred tax assets and liabilities for the members of the tax group (currently all significant Austrian subsidiaries) are reported on a net basis since the tax group is treated as one taxable entity.

The deferred tax assets on loss carry-forwards relate almost exclusively to the Austrian tax group. In Austria, the annual usage of loss carry-forwards, which can be carried forward indefinitely, is generally limited to 75% of the respective taxable income.

Impairments of investments relate to impairments of investments in subsidiaries for which the recognition of the expense is deferred over seven years according to Austrian tax law and for which deferred tax is recognized (according to the respective guidance in "Effects of tax write-downs according to Section 12 (3) No 2 of the Austrian Corporate Tax Act on the accounting of income taxes according to IAS 12 in consolidated or single IFRS financial statements" issued by the Austrian Financial Reporting and Auditing Committee).

Deferred tax liabilities on property, plant and equipment are mostly due to differences in the carrying value of retirement obligations for assets (see Note (23)) as well as to increases in carrying values in Belarus from 2011 to 2014 due to hyperinflation accounting according to IAS 29, which may not be recognized for tax purposes.

Right-of-use assets and lease liabilities according to IFRS 16 may not be recognized for tax purposes in some countries, resulting in deferred tax assets or liabilities.

Deferred tax liabilities on other intangible assets are mainly due to the recognition of assets according to IFRS 3 in the course of business combinations.

Contract costs may not be recognized for tax purposes in some countries, resulting in deferred tax liabilities.

Deferred tax assets on long-term provisions relate mostly to the provision for the asset retirement obligation, which may only be partly recognized for tax purposes, as well as to differences in the IFRS and tax value of the restructuring provision in Austria (see Note (23)).

Deferred tax assets on employee benefit obligations result from the difference between the amount recognized in accordance with Section 14 of the Austrian Income Tax Act (EStG) and the amount of the projected unit credit method in accordance with IAS 19 (see Note (27)).

The following deferred tax assets were not recognized as the realization in the near future is not probable according to tax planning.

in TEUR, at December 31	2019	2018
Net operating loss carry-forwards	381,991	356,587
Temporary differences related to impairments of investments in consolidated subsidiaries	26,571	54,428
Deferred tax assets not recognized	**408,562**	411,015

The deferred tax assets not recognized relate essentially to Austrian investment companies and are due to tax impairments of investments in subsidiaries. As these investment companies do not generate operative results, it is expected that there will not be any future taxable income and thus a realization in the detailed planning period and thereafter is unlikely, even though the loss carry-forwards can be carried forward indefinitely.

At December 31, 2019 and 2018, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 64,463 and TEUR 59,902, respectively, since it is unlikely that these temporary differences will be reversed in the foreseeable future.

(30) Leases

Lessee

According to IFRS 16, a lessee recognizes a right-of-use asset and a lease liability upon lease commencement.

A1 Telekom Austria Group essentially leases telecommunication sites for fixed-line and mobile telephony as well as other infrastructure and buildings. The lease term is generally equal to the non-cancellable term of the contract. In addition, options to extend or terminate a contract are taken into account. For cancellable contracts with an indefinite term, A1 Telekom Austria Group determined a contract term of seven years which takes into account the planning period, technology, business strategy as well as probabilities. The period of seven years is also applied to options to extend lease contracts. For certain leases related to fixed infrastructure in Austria, 15 years was determined as the appropriate lease term.

The following table provides a roll-forward of the right-of-use assets ("RoU") recognized, broken down into the respective asset classes:

in TEUR	RoU Land & buildings	RoU Telecom-munication sites	RoU Other facilities	RoU Leased lines	Total
Cost					
At January 1, 2019	375,053	516,339	17,836	101,491	1,010,719
Additions	23,895	63,471	11,312	34,145	132,824
Disposals	-10,122	-31,601	-2,002	-5,815	-49,540
Translation adjustment	376	1,619	3	78	2,077
At December 31, 2019	**389,202**	**549,829**	**27,150**	**129,899**	**1,096,079**
Accumulated amortization and impairment					
At January 1, 2019	0	0	0	0	0
Additions	-48,728	-83,032	-8,236	-20,383	-160,379
Disposals	3,216	2,165	718	91	6,190
Translation adjustment	14	51	0	2	67
At December 31, 2019	**-45,497**	**-80,817**	**-7,518**	**-20,290**	**-154,122**
Carrying amount at					
December 31, 2019	343,705	469,012	19,632	109,609	941,957
January 1, 2019	375,053	516,339	17,836	101,491	1,010,719

Apart from new contracts, additions to right-of-use assets contain modifications and renewals of contracts as well as index adjustments.

Total cash outflow for leases is disclosed in the following table (for the development of lease liabilities, see Note (32)).

in TEUR	2019
Lease principal paid	149,482
Lease interest paid	16,643
Prepaid right-of-use assets	4,741
Leases operating expense	10,379
Total cash outflow for leases	**181,244**

The following table provides a maturity analysis of lease liabilities:

in TEUR	
2020	162,695
2021	152,982
2022	143,865
2023	135,431
2024	124,165
Thereafter	294,075
Total minimum lease payments	**1,013,213**
Less amount representing interest	-72,369
Present value of lease payments	**940,844**
thereof short-term portion	152,621
thereof long-term portion	788,222

A1 Telekom Austria Group elected to apply the recognition exemptions for low-value assets and short-term leases for certain lease assets that are insignificant for its business operations. The recognition exemptions were not applied to base stations, technical sites and facilities as well as buildings and vehicles. Non-lease components in contracts such as electricity, maintenance, etc. are excluded from the right-of-use calculation. The following table discloses the expenses recognized for:

in TEUR	2019
Short-term leases	2,615
Leases of low-value assets	84
Variable lease payments	7,680

For lease contracts containing options to extend or terminate a lease, A1 Telekom Austria Group assesses at lease commencement date whether it is reasonably certain to exercise the options. A1 Telekom Austria Group reassesses whether it is reasonably certain to exercise the option to extend or terminate the lease if there is a significant event or significant changes in circumstances within its control. Generally, options to extend or terminate a lease exercisable within a period of seven years are considered exercised respectively not terminated for all substantial contracts for A1 Telekom Austria Group's business activity and thus included in the calculation of the right-of-use asset and the lease liability at commencement date respectively at initial adoption of IFRS 16 at January 1, 2019. Apart from this there are no substantial options in A1 Telekom Austria Group's other lease contracts.

Sensitivity analysis

A change in the estimate of the lease term of cancellable lease contracts with indefinite terms (seven respectively 15 years) by one year would lead to the following changes in the lease liability (negative values indicate a reduction in liability):

in TEUR	1 year increase	1 year decrease
December 31, 2019	68,916	-77,483
January 1, 2019	66,011	-76,181

For the calculation at December 31, 2019, possible additions and disposals were not taken into account.

As set forth in Note (3), leases were accounted for according to IAS 17 until 2018. Lease agreements in which A1 Telekom Austria Group assumes substantially all the risks and rewards of ownership as a lessee were classified as finance leases; otherwise, they were classified as operating leases. In 2018, the rental and leasing expenses recognized in the Statement of Comprehensive Income amounted to TEUR 165,580.

Assets under finance leases according to IAS 17 related to motor vehicles. Discounted future minimum lease payments were recognized in current and non-current financial liabilities and amounted to TEUR 632. At initial application of IFRS 16 at January 1, 2019 the practical expedient according to IFRS 16.C3 was elected.

Lessor

Lessors shall classify each lease as an operating lease or a finance lease.

Operating Leasing

If substantially all the risks and rewards incidental to ownership are attributable to A1 Telekom Austria Group as a lessor, the leased asset is recognized by A1 Telekom Austria Group. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. At December 31, 2019, the carrying value of assets held exclusively under finance lease amounts to TEUR 19,719. Furthermore, lease revenues are generated by renting out parts of buildings and telecommunication sites, e.g. mobile sites. These items of property, plant and equipment are not reported separately (see Note (15)).

Payments under operating leases are recognized as revenue on a straight-line basis over the terms of the contracts and, at December 31, 2019 and 2018, amount to:

in TEUR at December 31	2019	2018
2019	n.a.	12,642
2020	22,336	6,765
2021	16,990	4,027
2022	17,192	3,446
2023	12,621	2,819
2024	7,272	n.a.
Thereafter	14,962	4,255
Total minimum lease payments	91,372	33,953

In 2018, only minimum lease payments from non-cancellable operating leases were included.

Finance Lease

Since 2019, A1 Telekom Austria Group leases out private automatic branch exchange equipment (PABX) under finance lease. The following table sets forth a maturity analysis of the lease payments as well as the recognized loss allowances on finance lease receivables (see Notes (13) and (20)):

in TEUR	Finance lease
2020	1,749
2021	1,374
2022	984
2023	734
2024	100
Thereafter	34
Total minimum lease payments	**4,975**
Less amount representing interest	–285
Present value of finance lease receivables	**4,690**
thereof short-term portion	1,749
thereof long-term portion	2,941
Loss allowances	90

Finance lease revenues are reported in equipment revenues (see Note (5)). Interest income on finance lease, which is recognized in the financial result, is disclosed in Note (7).

(31) Share-based Compensation

Long-term incentive (LTI) program

A1 Telekom Austria Group introduced a long-term incentive program (LTI) in 2010. In accordance with IFRS 2, share-based payments are measured at fair value at the grant date and at every balance sheet date. The expense is recognized over the vesting period. Due to the Supervisory Board's decision to settle bonus shares granted in the course of the long-term incentive program in cash (subsequently called fictitious bonus shares), the share-based payments are recorded as a liability.

Participants of this program are required to invest an amount depending on the annual gross basic salaries and the management level of the entitled employee in Telekom Austria shares and to hold these shares until the end of the holding period (at least three years). For each tranche, the number of fictitious bonus shares granted is calculated based on the average Telekom Austria stock price for a defined period. The performance period for meeting the performance targets was determined to be three years. The target values for these key indicators were determined by the Supervisory Board. At the vesting date (at the earliest three years after the grant date), fictitious bonus shares will be allocated to the participants and will be settled in cash. If the targets are fully met, fictitious bonus shares equal to the double personal investment will be allocated to the participants. If the targets are exceeded, proportionally additional fictitious bonus shares will be allocated up to a maximum of 350% of the shares on a pro rata basis. This maximum amount of fictitious bonus shares is allocated if the targets are overachieved by 175% or more. In case of a significant underperformance, no bonus shares will be allocated.

On September 1, 2016, the seventh tranche (LTI 2016) was granted. Return on invested capital (ROIC) and the market revenue share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators. The actual performance and the bonus shares allocated are summarized in the subsequent table, settlement was effected in cash.

On June 1, 2017, the eight tranche (LTI 2017) was granted. Return on invested capital (ROIC) and the market revenue share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators. The LTI 2017 was granted only to the members of the Management Board of Telekom Austria AG in 2017, Alejandro Plater and Siegfried Mayrhofer.

On September 1, 2018, the ninth tranche (LTI 2018) and on August 1, 2019, the tenth trance (LTI 2019) was granted. Return on invested capital (ROIC) and the market revenue share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators. The LTI 2019 and 2018 was granted only to the members of the Management Board of Telekom Austria AG, Thomas Arnoldner, Alejandro Plater and Siegfried Mayrhofer.

The following table summarizes the significant terms and conditions for the tranche settled this year and for each tranche not yet settled:

	LTI 2019	LTI 2018	LTI 2017	LTI 2016
Start of the program	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Grant date	August 1, 2019	September 1, 2018	June 1, 2017	September 1, 2016
End of vesting period	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Vesting date	August 1, 2022	September 1, 2021	June 1, 2020	September 1, 2019
Personal investment at grant date	77,618	58,719	54,271	204,334
Personal investment at reporting date*	77,618	58,719	54,271	180,870
Expected performance**	137.50%	133.20%	109.30%	99.90%
Expected bonus shares***	213,450	156,427	118,635	0
Maximum bonus shares***	271,663	205,517	189,947	0
Fair value of program in TEUR	1,462	1,108	835	0
Allocated bonus shares	0	0	0	361,740
Average stock price at end of vesting period in euro	0	0	0	6.70
Share-based compensation in TEUR	0	0	0	2,422

* For LTI 2016, personal investment at the end of the vesting period.
** For LTI 2016, actual performance at the end of the vesting period.
*** Taking into account the allocation of fictitious bonus shares equal to the double personal investment.

As of the reporting date, a liability measured at fair value for the portion of the expected future expense of the LTI program that has already vested, has been recognized. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for share price analysis, taking into account expected dividends. The liability is recognized over the vesting period (see Notes (22) and (26)). The following personnel expense is recognized in the Consolidated Statement of Comprehensive Income (negative values indicate income):

in TEUR	2019	2018
Personnel expense LTI	1,003	609

(32) Cash Flow Statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2019 and 2018 result from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2019 and 2018 and recognized in the financial result (see Note (7)) had already been settled in cash as of December 31 and are reported in cash flow from operating activities. Dividends paid in 2019 and 2018 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2019 and 2018, cash and cash equivalents acquired in the course of business combinations amounted to TEUR 182 and TEUR 485, respectively (see Note (34)).

The following table provides a reconciliation of capital expenditures paid to total capital expenditures:

in TEUR	2019	2018
Capital expenditures paid	**873,872**	771,459
Reconciliation of additions in accounts payable	13,898	22,218
Reconciliation of government grants	-3,214	-22,698
Reconciliation of right-of-use assets paid	-4,741	0
Total capital expenditures	**879,816**	770,979

For the definition of capital expenditures, see Note (1). At December 31, 2019 and 2018, TEUR 180,831 and TEUR 171,885, respectively, of the additions to intangible assets and property, plant and equipment in the current year have not yet been paid (see Notes (15) and (16)).

In accordance with IAS 7.43, the reconciliation of additions to accounts payable includes the adjustment of capital expenditures of the current period not yet paid as well as capital expenditures of prior periods paid in the current period. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures as well as grants of prior periods paid in the current period (see Notes (13) and (15)). The reconciliation of right-of-use assets paid contains prepayments and other direct costs, which are paid before the commencement date of the lease and are reported in the cash flow from investing activities.

The following tables show the development of the total liabilities from financing activities (see Notes (21), (25) and (30)):

			Non-cash changes				
	2019	Cash flow	Foreign exchange differences	Accretion expense	Lease*	IFRS 16 effect**	2018
Debt	2,662,575	-118,842	0	0	0	-632	2,782,049
Lease liability	940,844	-166,125	1,339	17,494	85,109	1,003,026	0
Deferred consideration from business combinations	1,179	-3,503	25	57	0	0	4,600
Total liabilities from financing activities	**3,604,598**	**-288,470**	**1,364**	**17,551**	**85,109**	**1,002,394**	**2,786,648**

			Non-cash changes				
	2018	Cash flow	Foreign exchange differences	Accretion expense	Lease*	IFRS 16 effect**	2017
Debt	2,782,049	247,877	-2	0	0	0	2,534,173
Deferred consideration from business combinations	4,600	-1,200	161	88	0	0	5,551
Total liabilities from financing activities	2,786,648	246,677	159	88	0	0	2,539,725

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts

** Effect from the initial adoption, see Note (3)

The following table discloses the payments of deferred consideration from businesses combinations (see Notes (22), (26) and (34)):

in TEUR	2019	2018
Deferred consideration paid for Akenes	-2,232	0
Deferred consideration paid for Metronet	-1,271	-1,200
Deferred consideration paid for business combinations	**-3,503**	-1,200

(33) Financial Instruments

Classification of financial instruments

Financial assets and financial liabilities are classified at initial recognition.

Financial assets and financial liabilities are recognized when A1 Telekom Austria Group becomes a party to a financial instrument. A1 Telekom Austria Group uses the settlement date for recording regular purchases and sales of financial assets. Derivative financial instruments are recognized at the trade date and derecognized when settled. Financial assets and financial liabilities are initially recognized at the fair value of the consideration given or received. Transaction costs are included in the initial measurement, except for financial instruments, which are recognized at their fair value through profit or loss.

In order for a financial asset to be classified and measured at amortized cost or at fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The business models of A1 Telekom Austria Group are "hold to collect" and "hold to collect and sell", respectively, and no derivative financial instruments are held. The contractual cash flows of non-derivative financial instruments consist mainly of principal and interest.

Financial assets include in particular cash and cash equivalents, accounts receivable: subscribers, distributors and other, net as well as other receivables and receivables due from related parties, which are measured at the lower of cost or net realizable value. Furthermore, financial instruments are included that are measured at fair value (see Note (19)).

Financial liabilities include, in particular, accounts payable trade, issued bonds, other financial liabilities and payables due to related parties and are recognized initially in the amount corresponding to the financial inflow. Differences between the amount received and the amount to be repaid are recognized over the term of the liability in the financial result (amortized cost) using the effective interest rate method. For financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial liability is derecognized.

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position only when A1 Telekom Austria Group has a contractual right to offset the recognized amounts and intends to settle on a net basis.

Fair value of financial instruments

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy is to be applied. Level 1 contains financial assets and liabilities based on quoted prices in active markets for identical assets or liabilities. Level 2 contains financial assets and liabilities based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 contains financial assets and liabilities based on inputs that are unobservable. When determining the fair value, the credit risk is taken into account as well.

The following tables show the classification as well as the carrying amounts and fair values of financial assets and financial liabilities (debt) including information on their hierarchy level. In case the carrying amount is a reasonable approximation of the fair value, these are not disclosed:

in TEUR, at December 31	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Cash and cash equivalents	140,293	n.a.*	63,631	n.a.*
Accounts receivable: Subscribers, distributors and other	873,048	n.a.*	830,375	n.a.*
Receivables due from related parties	920	n.a.*	1,382	n.a.*
Other current financial assets	5,575	n.a.*	6,771	n.a.*
Other non-current financial assets	18,053	n.a.*	9,191	n.a.*
Investments at amortized cost	3,271	n.a.*	3,330	n.a.*
Financial assets at amortized cost	1,041,160	n.a.*	914,680	n.a.*
Equity instruments at fair value through profit or loss - mandatory	6,791	6,791	3,705	3,705
Debt instruments at fair value through other comprehensive income - mandatory	2,556	2,556	2,826	2,826
Debt instruments at fair value through profit or loss - mandatory	1,699	1,699	1,614	1,614
Financial assets at fair value	11,046	11,046	8,145	8,145

* Not applicable as the practical expedient of IFRS 7.29 (a) was applied.

The fair value hierarchy of financial investments measured at fair value reflects the market proximity of the inputs in such fair value measurements:

in TEUR	Level 1	Level 2	Level 3	Total
At December 31, 2019				
Financial assets measured at fair value	9,862	1,184	0	11,046
At December 31, 2018				
Financial assets measured at fair value	7,136	1,009	0	8,145

in TEUR, at December 31	Carrying amount 2019	Fair value 2019	Carrying amount 2018	Fair value 2018
Liabilities to financial institutions	0	0	245,000	245,051
Bonds	2,539,575	2,748,776	2,536,417	2,743,779
Multi-currency notes program	123,000	123,035	0	0
Accounts payable - trade	706,955	n.a.*	757,524	n.a.*
Accrued interest	41,289	n.a.*	29,990	n.a.*
Payables due to related parties	608	n.a.*	528	n.a.*
Other current financial liabilities	37,074	n.a.*	33,780	n.a.*
Other non-current financial liabilities	62,491	62,437	17,600	17,600
Financial liabilities at amortized cost	**3,510,991**	**n.a.***	3,620,839	n.a.*
Lease liability	**940,844**	**n.a.***	632	632

* Not applicable as the practical expedients of IFRS 7.29 (a) respectively IFRS 7.29 (d) for lease obligations were applied.

The fair values of the quoted bonds (EMTN bonds and Eurobonds) equal the face value multiplied by the price quotations at the reporting date and are thus classified as Level 1 of the fair value hierarchy.

The fair values of the multi-currency notes and bank liabilities are measured at the present values of the cash flows associated with the debt, based on the applicable yield curve and credit spread curve for specific currencies, and are thus classified as Level 2 of the fair value hierarchy.

Financial risk management

Overview

A1 Telekom Austria Group is exposed to various financial risks with respect to its financial assets, liabilities and anticipated transactions, including credit risk, liquidity risk, and the market risk which comprises interest rate and foreign currency exchange rate risk.

The financial risk management is centrally organized. The guideline establishing policies, responsibilities and competences is valid for both the Group Treasury and the financial departments of the subsidiaries. The existing risks are regularly monitored and, if necessary, A1 Telekom Austria Group responds to changes in market conditions. A1 Telekom Austria Group neither holds nor issues derivative financial instruments for trading, hedging or speculative purposes.

At the reporting dates, A1 Telekom Austria Group does not have any significant concentration of business transacted with a particular supplier or creditor or customer which could, if suddenly eliminated, significantly impact operations. Furthermore, A1 Telekom Austria Group does not have any concentration of risk with respect to contractors, other services, franchises or other rights which could, if suddenly eliminated, severely impact operations.

A1 Telekom Austria Group operates in markets in the Central Eastern European (CEE) region. Operations in the CEE region involve uncertainties, including transfer, currency and tax uncertainties that may affect business activities. The accompanying Consolidated Financial Statements reflect the Management Board’s assessment of the impact of the CEE business environment on the operations and the financial position of A1 Telekom Austria Group. The actual development of the future business environment may differ from this assessment.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from accounts receivable trade and investment activities.

Financial investments and cash and cash equivalents

A1 Telekom Austria Group invests its cash with various institutions with appropriate credit standings and its investments are generally of a short-term nature and entered into only with those counterparties holding investment grade ratings. If no such external rating is available, an internal rating based on quantitative ratios is carried out. Therefore, no exposure to any significant credit risk was identified for financial investments and cash and cash equivalents.

The carrying amount of financial assets and cash and cash equivalents represents the maximum credit risk exposure (see Notes (9) and (19)):

in TEUR, at December 31	2019	2018
Investments	14,317	11,475
Cash and cash equivalents	140,293	63,631
Carrying amount	**154,610**	75,106

Accounts receivable: Subscribers, distributors, contract assets and other assets

A1 Telekom Austria Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or group of customers. The default risk of the industry and country in which customers operate, have less of an influence on credit risk.

Within the framework of the applicable legal regulations, each new customer is analyzed individually for creditworthiness. Credit risk or the risk of default in payment by contractual partners is monitored via credit checks, credit limits and verification routines. Due to the large number of customers and the high level of diversification of the portfolios, the default of any single debtor would not entail grave consequences (low concentration risk) in respect of the Consolidated Financial Statements. Within A1 Telekom Austria Group, operative credit risk management functions are performed at the operating company level.

The following table sets forth the maximum exposure to credit risk for accounts receivable: subscribers, distributors and other, net, as well as other financial assets and contract assets which equals the carrying amount (see Notes (10), (13), (20) and (14)):

in TEUR, at December 31	2019	2018
Accounts receivable: Subscribers, distributors and other	873,048	830,375
Financial assets	23,627	15,962
Contract assets	124,205	141,114
Carrying amount	**1,020,880**	987,451

Accounts receivable from related parties are not included as they are immaterial.

As a result of the low concentration of credit risk described above, A1 Telekom Austria Group has no insurance for its accounts receivable. However, based on the credit assessment of retail and wholesale customers, A1 Telekom Austria Group requires bank guarantees and cash deposits (see Notes (22) and (26)).

in TEUR, at December 31	2019	2018
Cash deposits	11,237	11,391
Bank guarantees	3,693	3,796

Impairment losses of contract assets and accounts receivable: subscribers, distributors and other are measured at the expected lifetime credit loss (see Note (6)). A1 Telekom Austria Group uses a provision matrix to calculate expected lifetime credit loss for accounts receivable: subscribers, distributors and other as well as contract assets. The following table sets forth total gross book values at default in payment ("Gross") and the expected average credit loss ("ECL") for accounts receivable: subscribers, distributors and other:

in TEUR, at December 31	Gross 2019	ECL 2019	Gross 2018	ECL 2018
unbilled & billed, not yet due	777,227	15,586	726,114	15,652
Past due 0-30 days	61,317	5,350	54,154	5,112
Past due 31-60 days	19,644	5,958	26,911	5,803
Past due 61-90 days	9,653	4,252	10,403	4,992
More than 90 days	259,656	223,302	253,997	209,643
Total	**1,127,497**	**254,448**	1,071,578	241,204

A1 Telekom Austria Group has grouped accounts receivable according to default patterns based on past experience (accounts receivable: subscribers, installments, distributors, interconnection and roaming) and the loss rates are based on days past due. The loss allowance matrix is based on A1 Telekom Austria's historically observed default rates, which are updated on a yearly basis. Due to the large number of customers and the high degree of diversification of the portfolios, forward-looking information, such as forecasts of changes in unemployment rates or gross domestic product, only have an insignificant effect on the default rates.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and expected credit losses represents a significant estimate. Customers' actual default in the future may differ from these estimates due to changes in the circumstances.

The following table shows the development of the loss allowance for accounts receivable: subscribers, distributors and other, net (see Note (10)):

in TEUR	2019	2018
At January 1	241,204	233,549
Foreign currency adjustment	377	711
Change in reporting entities		27
Reversed	−4,427	−5,327
Charged to expenses	52,784	49,668
Amounts written-off	−34,019	−37,425
Reclassification	−1,471	0
At December 31	**254,448**	241,204

The reclassification relates to deferred receivables (see Note (20)).

The maximum credit risk of accounts receivable: subscribers, distributors and other, net broken down by geographic region and the breakdown of the loss allowance was:

in TEUR, at December 31	2019	2018
Domestic	998,414	961,342
Foreign	129,083	110,236
Allowances	-254,448	-241,204
Accounts receivable: Subscribers, distributors and other	**873,048**	830,375
Thereof		
Specific allowance	4,349	7,360
General allowance	250,100	233,843

If there is objective evidence that A1 Telekom Austria Group will not be able to collect all amounts due according to the original terms, a default in payment is expected and an impairment is recorded (specific allowance). Serious financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered to be indicators that the receivable is impaired. A financial asset is impaired if the collection of contractual cash flows cannot be reasonably expected. In 2019 and 2018, income from impaired receivables that are still in the process of debt collection amounted to TEUR 4,319 and TEUR 6,958, respectively, and was recognized in other operating income (see Note (5)).

Accounts receivable: subscribers, distributors and other from A1 Telekom Austria Group's customer with the highest turnover amount to TEUR 11,815 and TEUR 17,225 at December 31, 2019 and 2018, respectively. Thus, there is no major concentration of credit risk.

The following table shows the development of the loss allowance of contract assets (see Note (14)):

in TEUR	2019	2018
At January 1	**3,796**	3,344
Foreign currency adjustment	3	12
Reversed	−5,580	−5,524
Charged to expenses	5,079	5,964
At December 31	**3,297**	3,796

Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate of the receivables “not yet billed & billed and not yet due”. Upon reclassification to receivables, the impairment of contract assets is derecognized.

Impairment losses on financial assets are based on the expected credit loss for twelve months and are disclosed in Notes (13) and (20). Loss allowances for finance lease receivables are measured at the expected credit loss and are disclosed in Note (30).

Liquidity risk

Liquidity risk is the risk that A1 Telekom Austria Group will not be able to meet its financial obligations as they fall due. A1 Telekom Austria Group’s approach to managing liquidity is to ensure that A1 Telekom Austria Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. A monthly rolling consolidated liquidity planning is drawn up for this purpose and serves as the basis for determining the liquidity requirement. Furthermore, there is a liquidity reserve in the form of committed credit lines.

Funding sources

A1 Telekom Austria Group’s treasury department is responsible for the financial management and makes use of potential synergies in financing the operations of A1 Telekom Austria Group’s subsidiaries. Its primary goal is to assure liquidity in a cost-effective manner by applying the pooling of cash flows and the clearing of A1 Telekom Austria Group’s accounts to enable the management of short-term investments and borrowings at optimal interest rates with minimal administrative effort.

Cash flow from operations is the basis for securing sufficient liquidity of A1 Telekom Austria Group. Principal sources of external funding are bank loans and capital markets. For details of outstanding long-term debt and a description of the different classes of the debt as of the reporting date, see Note (25).

In order to diversify its short-term funding sources, A1 Telekom Austria Group implemented a multi-currency short-term treasury notes program (“multi-currency notes”) with a maximum volume of TEUR 300,000 in 2007. The program was entered into for an indefinite period. For the multi-currency notes issued at December 31, 2019 and 2018, see Note (21).

At December 31, 2019 and 2018, A1 Telekom Austria Group had total credit lines of TEUR 1,165,000 and TEUR 1,015,000, respectively. These credit lines were not utilized. The credit line commitment of TEUR 1,000,000 has a term until July 2024, the remaining credit lines commitments have a maximum term until September 2020.

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. At December 31, 2019 and 2018, no variable interest-rate liabilities existed. Foreign currencies were translated at the rates valid on the reporting date.

in TEUR	Contractual cash flow	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
At December 31, 2019						
Bonds	2,930,625	153,000	45,188	825,188	1,134,750	772,500
Bank debt	0	0	0	0	0	0
Accounts payable - trade	706,955	693,472	7,759	4,704	986	34
Lease obligations	1,013,213	93,187	69,509	152,982	403,461	294,075
Other financial liabilities	111,713	37,118	147	12,270	50,208	11,970
At December 31, 2018						
Bonds	2,882,813	30,000	45,188	75,188	1,948,688	783,750
Bank debt	245,000	245,000	0	0	0	0
Accounts payable - trade	757,524	726,804	19,465	9,861	551	844
Lease obligations	632	122	135	181	195	0
Other financial liabilities	51,380	33,770	0	0	7,829	9,782

Multi-currency notes are included in bonds.

It is not expected that the cash flows of the financial liabilities included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risks

Market risk is the risk of changes in market prices. A1 Telekom Austria Group faces the risk of market price changes in interest rates and foreign exchange rates.

Interest rate risk

Since A1 Telekom Austria Group's long-term and short-term debt has fixed interest rates, there is no cash flow exposure due to fluctuating interest rates and no sensitivity analysis is provided (see Notes (21) and (25)).

The risk of changes in interest rates related to investment activities is also considered low due to the short-term nature of financial assets (see Notes (9) and (19)).

Hedging reserve

The hedging reserve results from the three forward-starting interest rate swap contracts (pre-hedges) entered into in 2011 with a face value of TEUR 100,000 each. The related hedging reserve is released in profit or loss in accordance with the recognition of interest expense on the bond, which was issued on July 4, 2013, as the interest rate risk on that bond was hedged. In 2019 and 2018, the release of the hedging reserve through other comprehensive income resulted in interest expense amounting to TEUR 5,840 and a tax benefit amounting to TEUR 1,460.

Exchange rate risk

At December 31, 2019 and 2018, of all accounts receivable: subscribers, distributors and other, net as well as accounts payable trade, only the following are denominated in a currency other than the functional currency of the reporting entities (for foreign exchange rates, see Note (3)):

in TEUR, at December 31		2019			2018	
denominated in	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors and other	27,429	17,817	12,192	14,051	12,573	9,543
Accounts payable - trade	86,801	18,593	8,963	90,474	23,736	2,970

At December 31, 2019 and 2018, a change of 10% in the exchange rate for the monetary items listed above (see Note (3)) would increase/decrease foreign exchange rate differences as follows:

in TEUR	2019	2018
Croatian Kuna (HRK)	1,739	2,394
Serbian Dinar (CSD)	1,686	2,938
Belarusian Ruble (BYN)	715	736

No sensitivity analysis was performed for other accounts receivable or for accounts payable denominated in foreign currencies, as there is no significant risk.

(34) Companies and Business Combinations

Name and company domicile	Share in capital at December 31, 2019 in %	Method of consolidation*	Share in capital at December 31, 2018 in %	Method of consolidation*
Segment Austria				
A1 Telekom Austria Aktiengesellschaft, Vienna	100.00	FC	100.00	FC
Telekom Austria Personalmanagement GmbH, Vienna	100.00	FC	100.00	FC
A1now TV GmbH, Vienna (2018: Telekom Austria Beteiligungen GmbH)	100.00	FC	100.00	FC
CableRunner GmbH, Vienna	76.00	FC	76.00	FC
CableRunner Austria GmbH & Co. KG, Vienna	76.00	FC	76.00	FC
World-Direct eBusiness solutions Gesellschaft m.b.H., Vienna	100.00	FC	100.00	FC
paybox Bank AG, Vienna	100.00	FC	100.00	FC

Name and company domicile	Share in capital at December 31, 2019 in %	Method of consolidation*	Share in capital at December 31, 2018 in %	Method of consolidation*
paybox Service GmbH, Vienna	100.00	FC	100.00	FC
wedify GmbH, Vienna	100.00	FC	100.00	FC
mk Logistik GmbH, Vienna	100.00	FC	100.00	FC
JetStream Hungary Kft., Budapest	100.00	FC	100.00	FC
JetStream Slovakia s.r.o., Bratislava	100.00	FC	100.00	FC
JetStream RO s.r.l., Bucharest	100.00	FC	100.00	FC
JetStream TR Telekomünikasyon Hizmetleri Ve Ticaret Limited Sirketi, Istanbul	100.00	FC	100.00	FC
JetStream Switzerland GmbH, Zurich	100.00	FC	100.00	FC
JetStream Poland Spolka Z Ograniczona Odpowiedzialnoscia, Warsaw	100.00	FC	100.00	FC
JetStream Germany GmbH, Frankfurt on the Main	100.00	FC	100.00	FC
JetStream Italy S.r.l., Milan	100.00	FC	100.00	FC
TA CZ sítě s.r.o., Prague	100.00	FC	100.00	FC
JetStream BH d.o.o. drustvo za telekomunikacije, Sarajevo	100.00	FC	100.00	FC
JetStream England Limited, London	100.00	FC	100.00	FC
Segment Bulgaria				
A1 Bulgaria EAD, Sofia	100.00	FC	100.00	FC
Cabletel-Prima AD, Nessebar	51.00	FC	51.00	FC
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC
Segment Belarus				
Unitary enterprise A1, Minsk (2018: Unitary enterprise velcom)	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Adelfina Ltd. i.Liqu., Minsk	LIQ	-	100.00	FC
Unitary enterprise Solar Invest, Brahin	100.00	FC	100.00	FC
Vitebskiy oblastnoy technotorgovyi tsentr Garant i.Liqu, Vitebsk	100.00	FC	100.00	FC
A1 Content, Minsk	100.00	FC	100.00	NC
Segment North Macedonia				
A1 Makedonija DOOEL, Skopje-Centar (2018: one.Vip DOOEL)	100.00	FC	100.00	FC
Telemedia DOOEL, Skopje	100.00	FC	100.00	FC
Segment Serbia				
Vip mobile d.o.o., Belgrade	100.00	FC	100.00	FC
Segment Slovenia				
A1 Slovenija d.d., Ljubljana	100.00	FC	100.00	FC
Telekomunikacijski sistem Radvanje Pekre Limuš d.d., Maribor	75.19	FC	50.02	FC
P&ROM, elektronika in telekomunikacije, d.o.o., Vrhnika	100.00	FC	-	-
DOSTOP KOMUNIKACIJE d.o.o., Portorož	100.00	NC	-	-
Corporate & Other				
Telekom Finanzmanagement GmbH, Vienna	100.00	FC	100.00	FC
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Mazedonien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
Kroatien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
SB Telecom Ltd., Limassol	100.00	FC	100.00	FC
A1 Digital International GmbH, Vienna	100.00	FC	100.00	FC
A1 Digital Deutschland GmbH, Munich	100.00	FC	100.00	FC
Akenes S.A., Lausanne	88.83	FC	88.83	FC
Akenes GmbH i.Liqu, Berlin	100.00	NC	100.00	NC
Telecom Liechtenstein AG, Vaduz**	24.90	NC	24.90	EQ

* FC – full consolidation, EQ – equity method, LIQ – liquidation, ME – merged, NC – not consolidated because not material respectively purchase price allocation not finalized yet, SO – sold

** Equity method until August 31, 2019; at December 31, 2019 reported in Corporate & Other as asset held for sale (see Note (18))

All affiliated companies have December 31 as their reporting date.

According to IFRS 3, business combinations are accounted for using the acquisition method at the acquisition date, which is the date when the acquirer obtains control over the acquiree. Goodwill is measured as the difference between the aggregate of the fair value of the consideration transferred as of the acquisition date, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree less the fair value of the identifiable assets acquired and the liabilities assumed. Non-controlling interests are not measured at fair value but at their share of the fair value of identified net assets of the acquiree. In accordance with IFRS 3.45, goodwill may be adjusted for subsequent changes in the estimated purchase price. If the fair value of the assets acquired exceeds the consideration transferred, the gain resulting from bargain purchase is immediately recognized in other operating income in profit or loss. Transaction costs are expensed as incurred. In case of an acquisition achieved in stages, the previously held interest is restated at fair value and any resulting difference is recognized in profit or loss. All transactions with non-controlling interest holders are directly recognized in stockholder's equity. In the course of purchase price allocations, fair values of assets and liabilities acquired are determined based on state-of-the-art discounted cash flow methods. The input factors used are categorized as Level 3 of the fair value hierarchy defined by IFRS 13.

In the first quarter 2019, A1 Telekom Austria Group acquired a further non-controlling interest of 25.16% in "Telekomunikacijski sistem Radvanje Pekre Limuš d.d" in Slovenia with a carrying value of TEUR 160 for a consideration of TEUR 110. The excess of the purchase price over the carrying value of the non-controlling interest, amounting to TEUR 50, is recorded in retained earnings.

On August 13, 2019, A1 Telekom Austria Group acquired 100% of P&ROM, elektronika in telekomunikacije, d.o.o. ("P&ROM") via its Slovenian subsidiary A1 Slovenija for a total consideration of TEUR 1,200. P&ROM is a provider of Internet and cable TV in Slovenia. Property, plant and equipment, intangible assets and cash and cash equivalents acquired are disclosed in the line item change in reporting entities in Notes (15), (16) and (32). The assets acquired and liabilities assumed are reported in the segment Slovenia, the resulting goodwill is disclosed in Note (17).

Since the effect of the acquired entities on the Consolidated Financial Statements of A1 Telekom Austria Group is not considered significant, no pro-forma information is presented.

On December 19, 2019, A1 Telekom Austria Group acquired 100% of the Internet and cable TV provider DOSTOP KOMUNIKACIJE d.o.o. ("DOSTOP") for a total consideration of TEUR 1,250 via its Slovenian subsidiary A1 Slovenija. At December 31, 2019, no initial consolidation had been performed due to the incomplete purchase price allocation. The effect on the Consolidated Financial Statements is considered to be insignificant. The investment is reported in "equity instruments at fair value through profit or loss" (see Note (19)).

(35) Commitments and Contingent Assets and Liabilities

In the normal course of business, A1 Telekom Austria Group is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to network access. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty. Consequently, the Management Board is unable to ascertain the ultimate aggregate amount of the monetary liability or the impact on the financial position of A1 Telekom Austria Group with respect to these matters at December 31, 2019. These matters could affect the operating results or cash flows of any quarter when resolved in future periods. However, the Management Board believes that, after final settlement, any monetary liability or financial impact on A1 Telekom Austria Group, beyond such provided for at year-end, would not be material to its Consolidated Financial Statements.

In the course of a tax audit in Austria the provision related to the reference date for salary increments of civil servants was not accepted to be tax deductible for the financial year 2015. A1 Telekom Austria Group appealed against the assessment which would result in an additional payment of taxes amounting TEUR 11,600. As the Austrian law regarding the reference date was repealed later on by the European Court of Justice (see also Note (23)), A1 Telekom Austria Group expects with a high probability that the appeal will be successful. Thus no tax liability was recognized.

In Serbia, there is a pending lawsuit regarding copyright infringement. A1 Telekom Austria Group filed a statement of defense in response to the lawsuit. In case the lawsuit is decided in favor of the plaintiff, A1 Telekom Austria Group expects a maximum payment of TEUR 7,200. As A1 Telekom Austria Group expects with a high probability that the case will be dismissed, no provision was recognized.

(36) Remuneration Paid to the Management Board and Supervisory Board

At December 31, 2019 and 2018, the Management Board of Telekom Austria AG consists of three members: Thomas Arnoldner as Chief Executive Officer (CEO) took office on September 1, 2018. Alejandro Plater as Chief Operating Officer (COO) has been a member of the Management Board since March 6, 2015 and Siegfried Mayrhofer as Chief Financial Officer (CFO) since June 1, 2014.

The following table summarizes the remuneration of members of the Management Board and Supervisory Board:

in TEUR	2019	2018
Base salary (incl. remuneration in kind)	1,624	1,224
Variable yearly remuneration (Short Term Incentive - "STI")	1,661	1,370
Multi-year share-based remuneration (Long Term Incentive Program)*	781	534
Total	4,066	3,129
Compensation Supervisory Board	369	357

The increase in 2019 is basically due to the fact that Thomas Arnoldner did not take office until September 1, 2018.
* In 2019 and 2018, the remuneration relates to the payment of the tranche for LTI 2016 and the payment of the tranche LTI 2015, respectively (see Note (31)).

Hannes Ametsreiter resigned from his function as CEO as per July 31, 2015 and his employment relationship was amicably terminated at the same date. Günther Ottendorfer's CTO contract with a term until August 31, 2016 was prematurely terminated as per March 5, 2015. Hans Tschuden's CFO contract with a term until March 31, 2015 was prematurely terminated as per March 31, 2014. The share-based compensation for LTI 2016 amounting to TEUR 84 and paid to Günter Ottendorfer in 2019 as well as the share-based compensation for LTI 2015 of TEUR 290 and paid in 2018 to the three former Management Board members is not included in the table of management remuneration.

(37) Employees

The average number of employees during the years 2019 and 2018 was 18,535 and 18,847, respectively. At December 31, 2019 and 2018, A1 Telekom Austria Group employed 18,344 and 18,705 employees (full-time equivalents), respectively.

(38) Release for Publication

On January 30, 2020, the Management Board of Telekom Austria AG approved the Consolidated Financial Statements for submission to the Supervisory Board. The Supervisory Board will review the Consolidated Financial Statements and report its decision on approval.

Vienna, January 30, 2020

CEO Thomas Arnoldner	COO Alejandro Plater	CFO Siegfried Mayrhofer

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of **Telekom Austria Aktiengesellschaft, Vienna,** and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2019 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

- 1. Valuation of property, plant and equipment and intangible assets, including goodwill
- 2. First-time adoption of "International Financial Reporting Standard 16 – Leases"
- 3. Revenues and related IT systems

1. Valuation of property, plant and equipment and intangible assets, including goodwill

Description

A1 Telekom Austria Group shows significant amounts of goodwill (mEUR 1,278.8), intangible assets (mEUR 1,784.2) and property, plant and equipment (mEUR 2,840.3) in its consolidated financial statements as of December 31, 2019.

Under IFRS, an entity is required to annually test the amount of goodwill and intangible assets with an indefinite life for impairment. For intangible assets with a definite life as well as property, plant and equipment, it is required to assess on each balance sheet date whether impairment indicators exist and if they exist, an impairment test is required for these assets.

A1 Telekom Austria Group's disclosures about goodwill, intangibles assets and property, plant and equipment and related impairment testing are included in Note 4 (Estimations), Note

15 (Property, plant and equipment), Note 16 (Intangibles) and Note 17 (Goodwill) in the consolidated financial statements.

We considered the impairment testing of property, plant and equipment and intangible assets, including goodwill, as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and requires judgment. The impairment tests include assumptions that are affected by future market or economic conditions.

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the design and implementation of the controls over the impairment testing process.

Furthermore, we evaluated the composition of cash generating units (CGU's) and the assets allocated to each CGU.

We compared forecasted revenues and EBITDA margins as well as capital expenditure and changes in working capital for all CGU's with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates.

EY valuation specialists assisted us in performing the audit procedures relating to impairment.

We also evaluated the adequacy of disclosures made regarding impairment testing and related assumptions.

2. First-time adoption of "International Financial Reporting Standard 16 – Leases"

Description

A1 Telekom Austria Group implemented the new standard on leases "International Financial Reporting Standard 16 – Leases" (IFRS 16) as of January 1, 2019 using the modified retrospective approach in accordance with the transitional provisions. A1 Telekom Austria Group recorded right-of-use assets of mEUR 1,010.7 and lease liabilities of mEUR 1,003.0 (thereof short-term mEUR 143.6) as of January 1, 2019.

A1 Telekom Austria Group shows the following amounts of right-of-use assets (mEUR 942.0), short-term lease liabilities (mEUR 152.6) and long-term lease liabilities (mEUR 788.2) in its consolidated financial statements as of December 31, 2019.

A1 Telekom Austria Group's disclosures about leases and the first time application of IFRS 16 are included in Note 3 (Basis of Presentation) and 30 (Leases) in the consolidated financial statements.

We considered the first-time adoption of IFRS 16 as a key audit matter as the related opening balance amounts and their updating throughout the fiscal year are significant and the process for assessing the impact and implementing the standard itself is complex and requires judgment, especially regarding the assessment of possible options to extend or terminate a contract when determining the lease term and the incremental borrowing rate.

How our audit addressed the matter:

Our audit procedures included, among others, the following:

Regarding the initial application of IFRS 16 as of January 1, 2019, we evaluated the A1 Telekom Austria Group's process for assessing the impact and implementing the new standard. As part of these audit procedures, we challenged the key accounting estimates and judgements made under IFRS 16 (mainly assessment of possible options to extend or terminate a contract when determining the lease term, incremental borrowing rate) with the assistance of EY valuation specialists.

Furthermore, we assessed the design and operating effectiveness of the controls implemented by management to ensure the appropriate application of the new lease standard and the related implications on the IT systems with involvement of EY IT specialists.

We performed substantive audit procedures to corroborate the results of the design and implementation assessment of controls over IFRS 16 related processes and IT systems, especially regarding the complete and appropriate recording of the leases in the opening balance as well as their updating throughout the fiscal year.

Finally, we also evaluated the adequacy of disclosures made regarding the initial application of IFRS 16.

3. Revenues and related IT systems

Description

A1 Telekom Austria Group's revenues in 2019 resulted from various revenue streams and IT systems processing millions of records per day.

A1 Telekom Austria Group's disclosures about revenues are included in Note 5 (Revenues) in the consolidated financial statements.

Revenues and related IT systems were important for our audit as there is an industry inherent risk around the accuracy of revenues recorded given the complexity of systems and the large volume of data processed as well as the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

How our audit addressed the matter:
Our audit procedures included, among others, the following:

We assessed the accounting policies relating to revenue recognition (including multiple element contracts as well as customer loyalty programs) and the impact of new business models.

Furthermore, we assessed the design and operating effectiveness of the controls over the revenue processes including the revenue related IT systems (rating, billing and other support systems) and IT general controls with involvement of EY IT specialists.

We performed substantive audit procedures on revenues to corroborate the results of the design and implementation assessment of controls over revenue related processes and IT systems.

Finally, we also evaluated the adequacy of disclosures made regarding revenues.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if

such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon, whereby the consolidated Non-Financial Report as well as the consolidated Corporate Governance Report were provided to us before the date of the auditor's report. The complete annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 29, 2019. We were appointed by the Supervisory Board on October 24, 2019. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Erich Lehner, Certified Public Accountant.

Vienna, January 30, 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner e.h Wirtschaftsprüfer / Certified Public Accountant	ppa Mag. Marion Raninger eh Wirtschaftsprüferin / Certified Public Accountant

Consolidated non-financial report

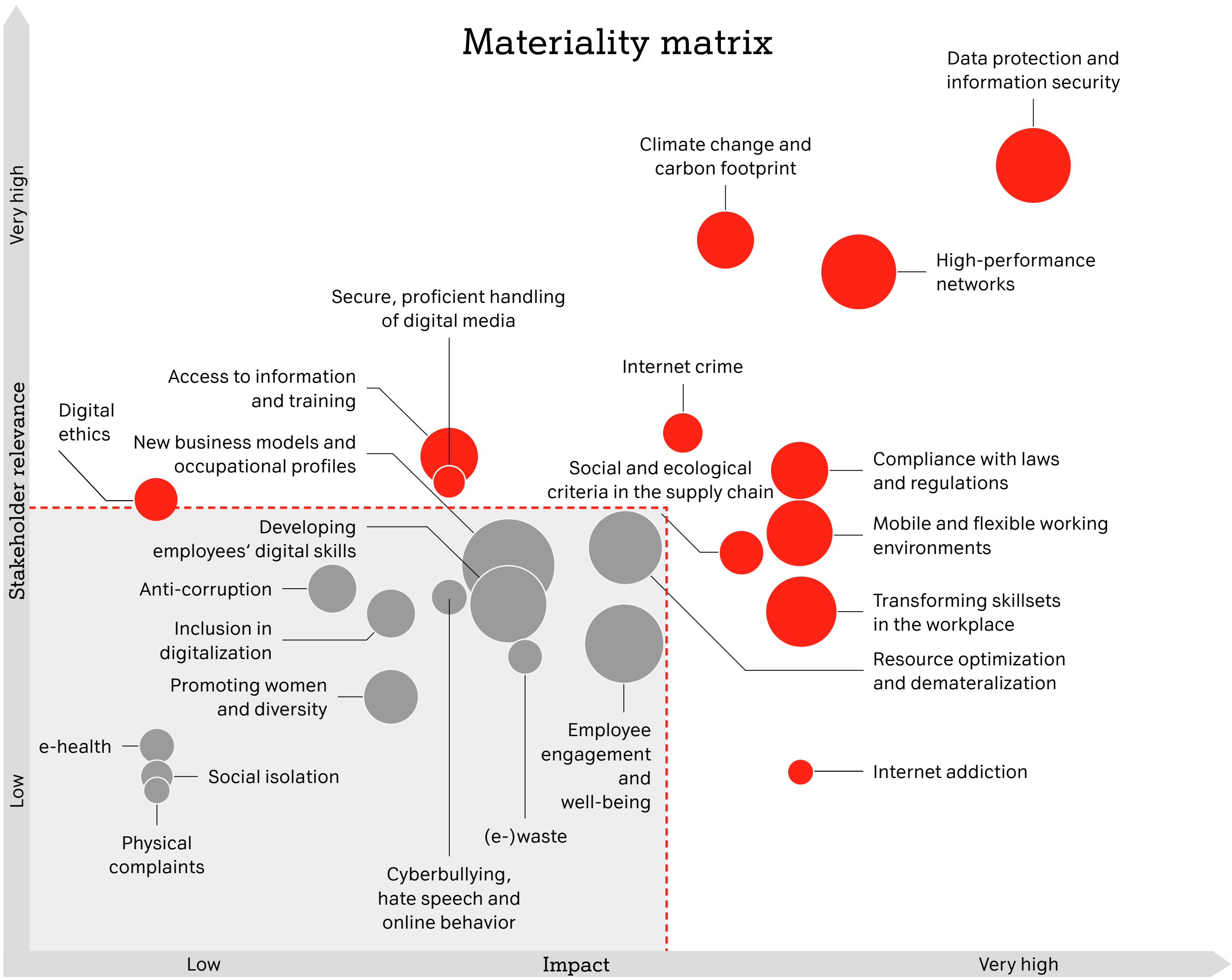
Consolidated non-financial report[1] of Telekom Austria Aktiengesellschaft in accordance with Section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights, and combating corruption and bribery

Telekom Austria AG, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with around 25 million customers in seven countries: Austria, Bulgaria, Croatia, Slovenia, Belarus, North Macedonia (A1), and Serbia (Vip mobile). Via its affiliated company A1 Digital International GmbH (hereinafter referred to as A1 Digital), Telekom Austria AG offers digital solutions in its core markets as well as in Germany and Switzerland. See the 2019 Group Management Report and Consolidated Financial Statements for information on business operations and the scope of consolidation.

Telekom Austria AG and its affiliated companies, hereinafter referred to as the A1 Telekom Austria Group, strive to increase enterprise value in a sustainable manner, while taking into account all relevant economic, ecological and social aspects. This goal is supported by the Group's commitment to the Austrian Corporate Governance Code and the application of all the requirements of the internal control system, the Code of Conduct, and the compliance guidelines as well as integrated sustainability management. Compliance with the principles of the UN Global Compact and respect for human rights ensure the development of sustainably oriented strategies and goals with the involvement of all business units and hierarchies.

A materiality analysis was conducted with the help of various interest groups to identify central sustainability topics and material impacts. The materiality analysis takes place on a regular basis (every two to three years). The topics covered in this report and the focus areas for sustainable development were derived from the results of this materiality analysis.

1) The German text of the signed statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation.



Red points represent the relevant topics for A1 Telekom Austria Group, on which is reported in the course of the non financial report. Points size represents the business relevance for A1 Telekom Austria Group. A topic's importance is based on its impact on the environment, society and the economy as well as how relevant it is to A1 Telekom Austria Group's stakeholders. Thus, the topics most important to A1 Telekom Austria Group are those that have the biggest impact and those that are most relevant to the stakeholders. As an additional dimension, the topics were assessed with regard to their business relevance for A1 Telekom Austria Group. This allows a perspective that takes into account the topics' sustainability context and their economical significance for the company.

1. Information on the topics derived for the A1 Telekom Austria Group from the 2019 materiality analysis

In order to identify the relevant topics, a topic research with respect to potential impacts and risks in terms of environmental, social, and employee matters was undertaken. The topics from the 2017 materiality analysis were also considered and an industry analysis was performed. These topics were analyzed in multiple rounds of internal consultation and subsequently condensed into 24 relevant topics that were assessed by internal and external stakeholders in an online survey. The stakeholders invited by the A1 Telekom Austria Group to participate in the online survey included customers, suppliers, media, politicians and special interest groups, representatives of the research, education and business communities, associations and NGOs, and employees. To evaluate the impacts, a workshop was conducted with selected internal and external experts. In order to assess business relevance, the online survey was sent to the management of the A1 Telekom Austria Group. All in all, more than 900 stakeholders and managers of the A1 Telekom Austria Group participated in the 2019 materiality analysis.

The topics prioritized in advance were allocated to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) areas of social matters, employee matters, environmental matters, respect for human rights, combating corruption and bribery as well as an additional matter, business operations. The two topics with the highest score for each area were considered to be material for the purposes of non-financial reporting. Due to overlap between the respective content, the topics of cybercrime, access to information and education, internet addiction, and safe and skilled interaction with digital media have been combined to form a single topic cluster that is discussed jointly under social matters. On account of their compatibility, the topics of employee digital skills development and the skill shift on the employment market have been combined and are discussed jointly under employee matters. Information on diversity is also reported under employee matters.

2. Material business operation matters

Data protection and information security

Concept

Compliance with high data protection standards is a fundamental requirement for the A1 Telekom Austria Group and serves to safeguard customers' trust in the Group. All A1 Telekom Austria Group companies undertake to comply with stringent data protection standards. They take comprehensive and wide-ranging measures to safeguard the security of customer data.

Key performance indicator

The A1 Telekom Austria Group continuously promotes training and further education regarding security and data protection. More than 22.000 e-learning modules on the topic of data protection were completed throughout the Group in 2019 (2018: 23,800).

Opportunities and risks

The A1 Telekom Austria Group reports on the material risks relating to security and data protection in the risk report in the 2019 Group Management Report. These risks include the unauthorized use of personal data and cyberattacks on IT infrastructure. The Telekom Austria Group sees opportunities in the form of the trust gained among customers and the improvement to its reputation, which can result in a market and competitive advantage.

Implementation / results 2019

The respective companies of the A1 Telekom Austria Group cooperate on a regular basis with authorities in the interest of continuously improving cybersecurity. For example, A1 in Austria was involved in the sector risk analysis conducted by Rundfunk- und Telekom-Regulierungsbehörde (RTR), which aims to analyze risks inherent in the telecommunications industry and use the findings as a basis to develop recommendations for network and service operators and public authorities. A1's CERT (Computer Emergency Response Team) shares any security expertise that is gained within the national CERT association ATC (Austrian Trust Circle), within the A1 Telekom Austria Group itself and at expert conferences.

Business operation matters	Social matters	Employee matters	Environmental matters	Respect for human rights	Combating corruption and bribery
‣ Data protection and information security ‣ High performing Networks	‣ Internet crime + access to information and training + Internet addiction + secure, proficient handling of digital media	‣ Mobile and flexible working environments ‣ Transforming skillsets in the workplace + developing employees' digital skills	‣ Climate change and carbon footprint ‣ Resource optimization and dematerialization	‣ Social and ecological criteria in the supply chain	‣ Anti-corruption

Management systems

Various measures and management systems are adopted in order to mitigate against risks (see 2019 Management Report) and make the best possible use of opportunities. These range from access policies and user access management to standardized and Group-wide policies (e. g., information security policy) and employee training. The management approaches applied include certifications such as ISO 27001 (in Austria, Bulgaria, Croatia, Belarus, Slovenia, and the Republic of North Macedonia), the security information policy, security information standards, and business continuity plans (see also 2019 Group Management Report). These aim to ensure state-of-the-art data protection and a high security standard in order to avoid negative impacts to the greatest possible extent. In response to the broader requirements for companies imposed by the General Data Protection Regulation of the European Union, the position of data protection officer in Austria has been created within the A1 Telekom Austria Group and the processes for projects and products and the risk assessment have been adjusted. The management systems are regularly evaluated. For example, the ISO certifications are evaluated annually. Effectiveness is reviewed and monitored regularly on the basis of predefined key figures, which are not disclosed for competitive reasons. Adjustments are made throughout the year as necessary.

High-performance infrastructure

Concept

The high-performance, future-proof infrastructure of the A1 Telekom Austria Group provides a reliable basis for achieving this. Accordingly, it was continuously expanded once again in 2019. Convergence, i.e., the intelligent combination of mobile and fixed-line, enables efficient and extended regional coverage with increasingly large bandwidths. That is why the A1 Telekom Austria Group is already present as a convergent provider in six out of seven core markets in its operational catchment area (Austria, Bulgaria, Croatia, Belarus, Slovenia, and North Macedonia). In order to account for the requirements of mobile communication technologies such as 5G and new services based on them, the roll-out of fiber to mobile base stations is being driven forward. 5G, the Internet of Things (IoT) and cloud-based services for the B2B market also require high computing capacities. As a result, data centers are increasingly gaining in importance as the third pillar of the A1 Telekom Austria Group's infrastructure strategy.

Key performance indicator

Investment (CAPEX) made by the A1 Telekom Austria Group amounted to around EUR 879.8 million in the fiscal year 2019, with broadband expansion being one of the focus areas.

Opportunities and risks

The A1 Telekom Austria Group reports on the material risks relating to communication infrastructure in the risk report in the 2019 Group Management Report.

With regard to opportunities, the ongoing protection and continuous improvement of the communication infrastructure and supply performance provide a quality advantage as well as an enhanced image and reputation, and thus potentially represent a market and competitive advantage.

Implementation / results 2019

Mobile

The A1 Telekom Austria Group offers the LTE (long-term evolution) mobile communication standard in Austria, Bulgaria, Croatia, Slovenia, Serbia, and North Macedonia through its own infrastructure. A1 in Belarus has likewise been offering LTE services since mid-March 2019. In addition, the roll-out of 4G LTE Advanced Pro further accelerated the expansion in the supply of superfast Internet in Austria, Croatia, Slovenia, Serbia and North Macedonia once again in 2019.

In 2019, preparations for the new generation of mobile communications, 5G, were also a key issue in Austria in particular. At the frequency auction for the 3.5 GHz range in spring 2019, it was possible to acquire between 100 MHz and 140 MHz of bandwidth depending on the region. In addition to purchasing these frequencies at auction, A1 pressed ahead with the roll-out of mobile base stations with 5G equipment in the year under review.

Fixed-line

In Austria, the fixed-line broadband expansion was continuously driven forward by the accelerated fiber roll-out in the form of FTTC (fiber to the curb), FTTB (fiber to the building) and FTTH (fiber to the home). Fiber is getting ever closer to the customer, and newly developed areas are being connected to fiber. In addition, the capacity of existing copper lines is being increased. This is being achieved through a combination of vectoring – a technology for suppressing interfering signals – and transmission technologies such as VDSL2 and G.fast. The target transmission rates are several 100 Mbps for medium line distances.

Management systems

In the area of management systems, the A1 Telekom Austria Group has initiated the development of the future operations support system (future OSS). Systems of this type will in the course of the upcoming years increasingly automatize the operation of networks and bring more flexibility. In addition, the use of established management systems such as ISO 9001 will also continue. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were carried out successfully once again in 2019.

3. Material environmental matters

Climate change and carbon footprint

Concept

The A1 Telekom Austria Group's energy consumption and the resulting CO_2 emissions represent the Group's biggest impact in terms of climate change. Approximately 80 % of the Group's total energy consumption results from the electricity required to operate its network. One of the most important environmental measures is to achieve maximum efficiency in this regard and to reduce the energy demand as far as possible. The A1 Telekom Austria Group therefore pursues an approach of stabilizing or reducing energy demand and improving efficiency while simultaneously reducing CO_2 emissions. It seeks to ensure that its network design is as ecological as possible, depending on the framework conditions. The A1 Telekom Austria Group has summarized its commitment in a Group-wide environmental policy.

Direct and indirect energy (in MWh)

According to the GRI Standard for Sustainability Reports: 302-1, 302-4

2019	Electricity 1)	Fuels for Heating 2)	District heating	Fuels 3)	Total energy consumption
Austria	309,466	14,496	29,006	42,798	395,766
Bulgaria	120,578	124	418	10,528	131,648
Croatia	68,666	61	3,437	5,484	77,649
Belarus	91,966	375	3,768	4,074	100,183
Slovenia	32,253	0	289	1,489	34,031
Serbia	62,739	78	1,430	2,932	67,180
North Macedonia	31,477	0	0	1,633	33,110
A1 Telekom Austria Group	**717,145**	**15,135**	**38,349**	**68,938**	**839,567**
2018					
Austria	300,588	14,281	30,165	45,305	390,339
Bulgaria	116,619	113	325	11,035	128,092
Croatia	65,421	88	3,378	5,768	74,654
Belarus	84,645	0	3,684	4,703	93,033
Slovenia	30,024	0	255	1,479	31,758
Serbia	51,583	82	1,430	2,835	55,930
North Macedonia	30,125	0	0	1,917	32,043
A1 Telekom Austria Group	**679,005**	**14,564**	**39,238**	**73,043**	**805,850**
Change (in %)					
Austria	3 %	2%	-4 %	-6 %	1 %
Bulgaria	3 %	10 %	29 %	-5 %	3 %
Croatia	5 %	-30 %	2 %	-5 %	4 %
Belarus	9 %	n. a.	2 %	-13 %	8 %
Slovenia	7 %	n. a.	13 %	1 %	7 %
Serbia	22 %	-5%	0 %	3 %	20 %
North Macedonia	4 %	n. a.	n. a.	-15 %	3 %
A1 Telekom Austria Group	**6 %**	**4 %**	**-2 %**	**-6 %**	**4 %**

The environmental indicators for fiscal year 2019 were not yet available at the time of preparation. In the table above, the figures include the period from November 1, 2018 to October 31, 2019, which can be considered a representative comparison period for fiscal year 2019. If no data was available for this period, latest available data from the past were applied. As there were no significant changes in demand, no fluctuations are assumed.

Tables are subject to rounding differences. Numbers have been compiled with special diligence, blurring, due to assumptions may occur.

2019 sources for the conversion factors were reviewed and if necessary replaced with more accurate and/or actual ones. In the course of this the conversion factors have been updated. In order to ensure comparability, values from the prior year have been adjusted. 2018 therefor represents an estimation due to changed sources of the conversion factors. Due to an improvement in data quality, the figures for fuels for heating for Croatia have been recalculated.

1) Acquisition and own production, as well as diesel for emergency power generators
2) Oil and gas, not climatically adjusted
3) Diesel, petrol, CNG, LPG and natural gas, excluding diesel for emergency power generators

Key performance indicator

The A1 Telekom Austria Group has set itself the long-term goal to reach net carbon neutrality until 2030 via reducing its carbon footprint and a stepwise switch to renewable energy sources. Until 2020 a target has already been in place which aims at reducing CO_2 emissions by 25 % (based on 2012). Because of acquisitions, the A1 Telekom Austria Group has been unable to make the desired progress toward the latter goal (currently –1.6 % CO_2 emissions). With respect to energy efficiency, the A1 Telekom Austria Group has set itself the long term target to increase energy efficiency by 80 % (baseline 2019) until 2030. In 2019, the energy efficiency indicator (electricity demand per transferred data volume) was 0.17 MWh/terabyte (2018: 0.18).

Electricity demand in Serbia increased by 22 % as a result of the growth in base stations . The particularly cold winter meant that energy used for heating increased by 29 % in Bulgaria and 13 % in Slovenia. Rental cars were increasingly used in Belarus.

Direct and indirect greenhouse gas emissions (in t CO_2 –Equiv.)

According to the GRI Standard for Sustainability Reports: 305-1, 305-2, 305-5

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)		Total (Scope 1+2+Comp.)	
2019		location-based	market-based	location-based	market-based	location-based	market-based
Austria	13,845	80,953	6,737	94,798	20,582	79,680	5,464
Bulgaria	3,650	56,620	57,550	60,269	61,200	60,269	61,200
Croatia	1,369	16,474	33,588	17,843	34,957	17,843	34,957
Belarus	1,647	25,238	25,238	26,885	26,885	26,885	26,885
Slovenia	370	7,758	6,065	8,128	6,435	8,128	6,435
Serbia	959	46,058	46,058	47,017	47,017	47,017	47,017
North Macedonia	919	18,932	17,985	19,851	18,904	19,851	18,904
A1 Telekom Austria Group	**22,758**	**252,034**	**193,222**	**274,792**	**215,981**	**259,674**	**200,863**
2018							
Austria	14,598	78,984	6,710	93,581	21,307	78,297	6,022
Bulgaria	3,922	54,641	55,539	58,562	59,461	58,562	59,461
Croatia	1,451	15,715	32,018	17,166	33,469	17,166	33,469
Belarus	1,589	22,394	22,394	23,983	23,983	23,983	23,983
Slovenia	368	7,220	5,683	7,587	6,051	7,587	6,051
Serbia	988	37,836	37,836	38,824	38,824	38,824	38,824
North Macedonia	918	18,169	17,042	19,087	17,959	19,087	17,959
A1 Telekom Austria Group	**23,833**	**234,958**	**177,221**	**258,791**	**201,054**	**243,506**	**185,769**
Change (in %)							
Austria	-5 %	2 %	0 %	1 %	-3 %	2 %	-9 %
Bulgaria	-7 %	4 %	4 %	3 %	3 %	3 %	3 %
Croatia	-6 %	5 %	5 %	4 %	4 %	4 %	4 %
Belarus	4 %	13 %	13 %	12 %	12 %	12 %	12 %
Slovenia	1 %	7 %	7 %	7 %	6 %	7 %	6 %
Serbia	-3 %	22 %	22 %	21 %	21 %	21 %	21 %
North Macedonia	0 %	4 %	6 %	4 %	5 %	4 %	5 %
A1 Telekom Austria Group	**-5 %**	**7 %**	**9 %**	**6 %**	**7 %**	**7 %**	**8 %**

The environmental indicators for fiscal year 2019 were not yet available at the time of preparation. In the table above, the figures include the period from November 1, 2018 to October 31, 2019, which can be considered a representative comparison period for fiscal year 2019. If no data was available for this period, latest data from the past were applied. As there were no significant changes in demand, no fluctuations are assumed. According to GHG protocol, “location-based scope 2” figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used. According to GHG protocol, “market-based scope 2” figures refer to energy suppliers’ emissions factors, insofar as these are available, or an individual energy product.

Tables are subject to rounding differences.

2019 sources for the emission factors were reviewed and if necessary replaced with more accurate and/or actual ones. In the course of this the emission factors have been updated. In order to ensure comparability, values from the prior year have been adjusted. 2018 therefor represents an estimation due to changed sources of the emission factors.

Energy demand not only represents A1 Telekom Austria Group's most significant environmental impact, but also the most important CO_2 source. In addition to increasing energy efficiency, the use of renewable energies is one of the measures taken to reduce CO_2 emissions. The A1 Telekom Austria Group's scope 1 emissions include CO_2 emissions from the combustion of fossil fuels for heating and mobility. Scope 2 emissions indicate emissions arising from energy consumption and district heating.

Opportunities and risk

Unless otherwise stated, information on the risks and their management can be found in the risk report in the 2019 Group Management Report.

In addition to natural disasters caused partly by climate change (see "High-performance communication infrastructure"), CO_2 emissions due to the energy requirements of the communication infrastructure represent an environmental risk. In terms of opportunities, digital and ICT products can help to lower emissions by increasing the efficiency of processes and either preventing or significantly reducing the consumption of resources, e. g., due to less travel being required.

To reduce the risks, 100 % of electricity is sourced from renewable energy in Austria, solar power is promoted throughout the Group, and various measures are taken to use the required energy as efficiently as possible. These can range from using low-consumption equipment to increasing average temperatures at IT locations in order to reduce the need for cooling.

Implementation / results 2019

The A1 Telekom Austria Group therefore believes that it has an obligation to make its infrastructure as sustainable as possible. Measures to enhance energy efficiency play a key role in this regard. Another important aspect is for the Group to meet its energy requirements as sustainably as possible. It does this in particular by using electricity from renewable sources, such as solar, hydro and wind, which accounted for around 50 % of the A1 Telekom Austria Group's total electricity requirements in 2019. The Austrian subsidiary is a major driving force where this is concerned. It has operated its entire network on a fully carbon-neutral basis since as long ago as 2014. The A1 Telekom Austria Group also operates two large photovoltaic farms of its own: one in Aflenz, Austria (since 2013) that produces more than 125,000 kWh of electricity per year, and one in Belarus (since 2016) that produces around 27 million kWh of electricity per year.

Management systems

Energy management at A1 Telekom Austria Aktiengesellschaft is also certified in accordance with ISO 50001. In 2014, A1 Telekom Austria Aktiengesellschaft became the first carbon-neutral network in Austria to be assessed and validated annually by TÜV SÜD in line with the PAS 2060 international standard. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully obtained for 2019. Effectiveness is reviewed and monitored regularly on the basis of predefined key figures. Adjustments are made throughout the year as necessary.

Dematerialization and resource conservation

Concept

Digitalization also offers huge potential for the environment when it comes to resource conservation. Virtualization can make work processes digital and prevent the use of physical resources. Dematerialization can also increase process efficiency.

One consequence of the digital transformation is the constant use of new technologies and devices/components to optimize efficiency and potential, including the replacement of mobile devices at increasingly faster rates. The A1 Telekom Austria Group makes fundamental ecological principles a top priority with a view to preventing waste, conserving resources, and keeping valuable raw materials in circulation for as long as possible (reduce – reuse – recycle). To this end, the A1 Telekom Austria Group offers a mobile phone recycling program in almost all of its markets. Continuous lifecycle management ensures that resources in circulation can be used for as long as possible without physical or chemical transformation. The subsidiaries in Austria and Bulgaria also reuse devices that have been returned to them and that are still functional and technologically current. When devices or equipment can truly no longer be used, they are dismantled at the respective locations, separated systematically by category of waste (circuit boards, copper, iron, tin, etc.), and properly recycled.

Key performance indicator

The A1 Telekom Austria Group also contributes to conserving resources by recycling mobile phones – even though the Group itself does not manufacture mobile devices. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some have been doing so since as long ago as 2004. Between 70 % and 80 % of the components of these old devices can be recycled and reused as raw materials by specialist recyclers to whom they are passed on. In 2019 alone, the Group as a whole ensured the proper recycling of around 64,500 devices. Until 2030 the A1 Telekom Austria Group aims to push a circular economy in the company and to collect yearly a minimum of 50.000 old devices for recycling.

Opportunities and risks

The A1 Telekom Austria Group sees dematerialization and resource conservation as an opportunity, as the development of innovative solutions could open up new business areas and possibilities for revenue growth. Improving process efficiency means resources such as raw materials can be used more effectively or their use can be prevented altogether.

Implementation / results 2019

The digitalization of internal work processes is classed as a top priority at the A1 Telekom Austria Group when it comes to dematerialization and resource conservation. In field service, for example, digital logbooks for drivers, plans, and assembly orders are increasingly being used. This saves around 230,500 sheets of paper per year in Austria alone. In addition to the digitalization of internal work processes and the use of follow-me printers, internal campaigns raise environmental awareness among employees for programs such as mobile phone recycling and get them actively involved in green activities.

Management systems

The environmental management systems in Austria, Slovenia, Serbia, and North Macedonia are certified in accordance with ISO 14001. Furthermore, EMAS (eco management and audit scheme) requirements are met in Austria and Slovenia.

4. Social matters

Promoting safe and skilled interaction with digital media

With regard to social matters, the A1 Telekom Austria Group fulfills its responsibility to society with a special focus on teaching media literacy and reducing the digital gap in the countries in which it operates. The following significant topics are discussed jointly in the following section: access to information and education, safe and skilled interaction with digital media, cybercrime, internet addiction.

Concept

The dynamic digital transformation is accompanied by the continuous introduction of innovative applications that enrich our working conditions, our lives and our communications. However, this requires users to keep pace through continuous learning - not only the older generation, but also children and young people. Older people in particular have lived without digital products and services for most of their lives and now find themselves in an increasingly digital society.

With this in mind, the A1 Telekom Austria Group seeks to offer added value and build bridges beyond its core business. It regards this as part and parcel of its responsibility to actively support people, and particularly older people, as they take their first steps in the digital world. In tandem with this, the Group aims to get children and young people enthusiastic about digitalization and the technologies it involves from as early an age as possible, and equip them with the necessary skill sets. The "A1 Internet for All" initiative was established in Austria back in 2011 with these very objectives, and similar projects and initiatives have since been rolled out in other countries where the Group operates. The initiative offers free workshops that help people to take their first steps in the digital world and teach them how to protect themselves effectively against potential risks, such as cybercrime.

Key performance indicator

In total, more than 35,000 participants attended workshops in 2019. The "A1 Internet for All" initiative has already had more than 218,000 participations in total since 2011. Until 2023, the A1 Telekom Austria Group has set itself the target in the course of its digital education focus, to address 100,000 people, focusing particularly on children and the youth, with offerings to safely navigate and help them to shape actively the digital world.

Opportunities and risks

The Telekom Austria Group sees promoting interaction with digital media as an opportunity. Safe and skilled interaction with new media is increasingly essential for employability, and therefore also contributes to closing the digital gap. The A1 Telekom Austria Group is not aware of any risks in this area.

Implementation / results 2019

For children and young people in particular, the digital transformation is giving rise to new skills requirements that are decisive for their future employability. This increasingly includes computational thinking, i. e, solving problems by applying the mindset of professional computer scientists. In 2019, the A1 Coding Lab was launched in Austria with the aim of inspiring children and young people to adopt this way of thinking and take an interest in programming at an early age. Using the programming languages Scratch and Python, these

Participations in media literacy trainings: "A1 Internet for All"

	2019	2018	Change (in %)
Austria	29,522	26,923	10
Bulgaria	3,000	2,300	30
Croatia	24	n. a.	n. a.
Belarus	n. a.	20	n. a.
Slovenia	1,340	n. a.	n. a.
Serbia	140	21	567
North Macedonia	1,300	820	59
A1 Telekom Austria Group	**35,326**	30,084	**17**

one-week courses on core topics provide participants with an initial insight into the world of programming as well as a basic understanding of robotics. More than 50 children and young people were introduced to the world of programming in this way in 2019.

In Austria, another A1 Internet for All campus was officially opened in Graz in late 2019. It will focus on training for the older generation in particular.

Management systems

Target attainment is regularly reviewed and the initiative controlled on the basis of predefined key figures, such as the number of participants in media literacy training sessions. In Austria, the initiative is supported and evaluated scientifically by the NPO Center of the Vienna University of Economics. In 2019, the latter reconfirmed that “A1 Internet for All” is making a contribution to closing the digital gap in

5. Employee matters

The materiality analysis established that fair and flexible working conditions within the company are another core element in the area of employee matters. Fair and flexible working means creating a framework that enables flexible work in terms of time and location whilst satisfying all of the statutory conditions.

The A1 Telekom Austria Group had 18,344 employees/full-time equivalents (FTE) at the end of 2019 (2018: 18,705). FTE in the Austria segment was reduced by 4.8% to 7,625 employees as part of the ongoing restructuring measures. 42% of employees in the Austria segment have civil servant status (2018: 45%).

Mobile and flexible working

The A1 Telekom Austria Group is committed to mobile, modern working. Flexible working reflects the various working time models (e.g. flexitime, part-time, mobile working, virtual working, mini-sabbaticals). Among other things, the increased competitiveness resulting from higher employee productivity is seen as an opportunity. Satisfied employees deliver better results and employee satisfaction improves the perception of the A1 Telekom Austria Group as an attractive employer. This also lays the groundwork for ensuring a work-life balance and a healthy working environment. At the same time, however, the growing flexibilization of working life is posing new challenges for employers and employees alike. When working flexibly, there is a great danger that work and leisure time will overlap and blend into each other. To minimize this risk, the Austrian operation has revised its own workshops and is offering employee coaching on this issue, among other things. The Memorandum of Understanding sets out a Group-wide framework for the entire A1 Telekom Austria Group that is defined in greater detail in local (works) agreements. Flexible working is offered to all employees and is agreed with the manager taking into account the nature of the respective activity.

Skill shift on the employment market and employee digital skills development

Digitalization is changing the way in which we work, communicate, and learn. Working together at different times and in different places, as well as communicating and sharing via internal social networks or knowledge platforms, offers enormous potential but also involves risks. The A1 Telekom Austria Group demands and encourages digital learning in order to ensure the continuous development of skills, and hence a rapid response to the changes resulting from digitalization. The central digital learning platform (eCampus) allows all A1 Telekom Austria Group employees to complete training

Employees[1] as of 31 December 2019

	2019	2018	Change (in %)
Austria	7,625	8,010	-4.8
Bulgaria	3,620	3,685	-1.8
Croatia	1,908	1,682	13.4
Belarus	2,412	2,581	-6.6
Slovenia	513	555	-7.5
Serbia	1,127	1,032	9.2
North Macedonia	768	785	-2.2
Holding incl. A1 Digital	372	376	-1.0
A1 Telekom Austria Group	**18,344**	**18,705**	**-1.9**

1) Full-time equivalents

courses flexibly and whenever they wish, removing time and location as factors in the process. In order to specifically promote employees' digital skills, a wide range of digital learning topics and content was offered in 2019. The A1 Telekom Austria Group aims to train all employees on key digitalization topics in two-month learning pathways in order to minimize as much as possible the risk of insufficient skill shifts. For example, all employees can access individual training on focal areas such as marketing automation, advanced analytics, process automation, agility, and 5G, while tailored programs are available for experts. These intensify the existing expertise and provide employees in rapidly changing job profiles with assistance when it comes to upskilling. The eCampus combines in-house learning formats with various offerings from external partners. In 2019, 116,631 courses have been completed.

Diversity

Equal opportunity and diversity are important criteria at the A1 Telekom Austria Group. Diverse teams with a variety of personalities, views and areas of expertise open up alternative approaches to problem-solving and, as has been proven, achieve better results as a consequence. The A1 Telekom Austria Group sees this as a significant opportunity. Supporting women is one of the core elements of promoting diversity.

The advancement plan for women that was concluded for Austria in 2018 defines targets and measures for increased equality of opportunity. These are aimed at increasing professional development opportunities for women and helping them to improve their work-life balance. The following measures were implemented in 2019:

In Austria, a successful women's network offers a platform for female employees to exchange ideas, share expertise, and provide mutual support. In addition, eight networking meetings for women ("Women's Network Lunches") were held in order to allow for a focused dialog and promote mutual support in a professional context. To assist parents in resuming their career after parental leave, in 2019 the A1 Telekom Austria Group began offering two-day seminars in Austria with the aim of helping returning employees to achieve a healthy balance between their job and their family. Business@Breakfast is another new format introduced in 2019 with the aim of allowing employees on parental leave in Austria to keep up-to-date during longer absences. Orientation and return to work discussions are also offered continuously, both during and after parental leave. These deliver important feedback for ensuring that the respective employees make a successful return to the workplace.

The A1 Telekom Austria Group has set itself the goal to increase the share of women in leadership positions to 40 %, while raising and keeping the overall share of total women above 40 %.

6. Human rights

With its admission to the UN Global Compact, the A1 Telekom Austria Group is committed to implementing fundamental requirements in the areas of human rights, work, environment, and combating corruption. This commitment has been acknowledged by being integrated into the Austrian subsidiary's General Terms and Conditions, for example.

Proportion of female employees and proportion of female managers as of 31 December 2019

in %	Proportion of female employees 2019	2018	Proportion of female managers[1)] 2019	2018
Austria	26	26	19	18
Bulgaria	48	49	49	50
Croatia	43	38	37	36
Belarus	54	60	41	42
Slovenia	43	44	45	43
Serbia	60	59	51	50
North Macedonia	47	44	42	43
A1 Telekom Austria Group[2)]	**39**	40	**35**	**35**

1) Managers include all persons with staff responsibility for at least one employee.
2) Including Holding and A1 Digital

7. Compliance and combating corruption

Acting with honesty, fairness, and transparency is an important component of the corporate culture at the A1 Telekom Austria Group. In order to achieve this standard of integrity, the company has a comprehensive compliance management system. The example set by top management and the responsibility of all employees for their own actions are particularly important. With the aim of avoiding potential misconduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner complying with the law and with integrity in all business relationships.

The Group-wide Code of Conduct and the Group-wide compliance guidelines for the areas of anti-corruption and conflicts of interest, data protection, antitrust law, and capital market compliance help to ensure that acting with integrity is a natural part of daily work. Furthermore, the effectiveness of the compliance management system is supported by regular communication measures and training, the “ask.me” helpdesk, internal audits, and the whistleblowing platform “tell.me,” which can be used anonymously if desired. The needs-based further development of the compliance program is ensured by the annual compliance risk assessment, which defines a catalog of risk-focused measures for the coming year. In addition, appropriate controls have been integrated within its business processes.

The design, implementation, and effectiveness of the A1 Telekom Austria Group’s compliance management system were audited in accordance with IDW PS 980 (German audit standard for compliance) by PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2012/2013 and again by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2018/2019 for the areas of anti-corruption and integrity, antitrust law, and capital market compliance, and were issued with an unqualified audit opinion. KPMG also confirmed that the principles and measures of the A1 Telekom Austria Group’s compliance management system meet the requirements of ISO 19600 (Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European anti-trust legislation and the UN Global Compact.

In order to appropriately highlight the importance of compliance across the entire Group and as a significant preventive measure in the compliance management system, the compliance organization prioritized online and classroom training on the issues of integrity, anti-corruption, capital market compliance, antitrust law, and data protection in 2019. Employees were trained in around 4,700 face-to-face compliance training sessions and resolved 530 practical questions in a dialog with the compliance managers. In addition, managers and employees completed more than 21,300 e-learnings on the above topics in 2019.

Vienna, January 30, 2020
The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

Report about the Independent Assurance of the consolidated non-financial Report and the Scopa 3 data 2019

To the Executive Board and Supervisory Board Telekom Austria AG

Vienna

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

We have performed a limited assurance engagement regarding the non-financial reporting 2019 in accordance with the requirements of the § 267a UGB "Nachhaltigkeits- und Diversitätsverbesserungsgesetz (NaDiVeG)" as well as regarding the Scope 3 emissions data (hereafter "assurance engagement") of Telekom Austria AG, Vienna.

The assurance engagement covers:

"Consolidated non-financial Report 2019" as a part of the Combined Annual Report as well as the Scope 3 emissions data published in the Combined Annual Report for the reporting period 2019.

The objective of our assurance engagement regarding the non-financial reporting 2019 as well as regarding the Scope 3 emissions data of Telekom Austria AG were processes and internal systems of capturing, collecting and consolidating of the figures at Group level. **At the site level, only disclosures and data for Austria were the objective of our engagement. For other locations, no assurance of these disclosures and data has been made.**

Responsibilities of the Legal Representatives

Telekom Austria AG's legal representatives are responsible for the proper compilation of the non-financial reporting 2019 in accordance with § 267a UGB [1)] (NaDiVeG) as well as of the Scope 3 emissions data in accordance with GHG Protocol. [2)]

The legal representatives have signed the Letter of Representation, which we have added to our files.

Responsibilities of the Assurance Providers

Based on our assurance procedures deemed necessary, it is our responsibility to assess whether we have noted issues which cause us to believe, that in all material matters the non-financial reporting 2019 is not in accordance with § 267a UGB (NaDiVeG).

Furthermore, based on our assurance procedures deemed necessary, it is our responsibility to assess whether we have noted issues which cause us to believe, that in all material matters the Scope 3 emissions data 2019 are not in accordance with the criteria for calculation and presentation of the Scope 3 emissions data according to GHG Protocol.

Our assurance engagement has been conducted in accordance with the "International Federation of Accountants' ISAE 3000 (Revised)" Standards.

Our professional duties include requirements in relation to our independence as well as planning our assurance engagement based on the materiality considerations in order to allow us to obtain a limited level of assurance.

1) https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189009/NOR40189009.pdf
2) http://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

According to the "General Conditions of Contract for the Public Accounting Professions" our liability is limited. An accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence, the maximum liability towards the client and any third party together is EUR 726,730 in the aggregate.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- Obtain an overview over the industry as well as the operational and organizational structure of the organization;
- Interview a selection of senior managers and executives to understand systems, processes and internal control procedures related to the content of the non-financial reporting assured, which support the data collection;
- Review relevant group level, board and executive documents to assess awareness and priority of issues in the non-financial reporting and to understand how progress is tracked and internal controls are implemented;
- Examine risk management and governance processes related to sustainability and critical evaluation of the disclosure in the non-financial Reporting;
- Perform analytical procedures at group level;
- Review data and processes on a sample basis for Austria to assess whether they have been collected, consolidated and reported appropriately at group level. This included obtaining an opinion whether the data had been reported in an accurate, reliable and complete manner;
- Review the coverage of material issues which have been raised in stakeholder dialogues, in media reports and environmental and social reports of peers;
- Evaluate the company's materiality assessment, including sector specific megatrends;
- Assessment whether the Requirements according to § 267a UGB (NaDiVeG) have been adequately addressed;

The objective of our engagement was neither a financial audit nor a financial audit review of past-oriented financial information. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report and the risk reporting. We merely checked this data was presented in accordance with NaDiVeG. Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement. We did not test data derived from external surveys or prospective information.

We submit this report based on our assurance engagement for which, also regarding third parties, the "General Conditions of Contract for the Public Accounting Professions", are binding.

Conclusion

Based on our assurance procedures we haven't noted any issues that cause us to believe that in all material matters the non-financial reporting 2019 is not in accordance with § 267a UGB (NaDiVeG).

As well as based on our assurance procedures we haven't noted any issues that cause us to believe that in all material matters the scope 3 emissions data 2019 are not in accordance with the criteria for calculation and presentation of the Scope 3 emissions data according to GHG Protocol.

Vienna, 30. January 2020
Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner

Georg Rogl

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of **Telekom Austria Aktiengesellschaft, Vienna.** These financial statements comprise the balance sheet as of December 31, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matter as key audit matter for our audit:

1. Valuation of investments

Description

Telekom Austria Aktiengesellschaft shows significant investments in subsidiaries (mEUR 8,060.1) in its single financial statements as of December 31, 2019 according to Austrian GAAP and recorded reversals of impairments (mEUR 151.0) in the 2019 income statement.

Telekom Austria Aktiengesellschaft's disclosures related to investment in subsidiaries as well as the corresponding reversal of impairments are included in Note 1.2 (Long-term Assets), Note 2.1 (Long-term Assets) as well as Note 3.6 (Income from the Reversal of Impairment Losses on Long-Term Financial Assets).

We considered the valuation of investments as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and requires judgment. The impairment tests include assumptions that are affected by future market and economic conditions.

How our audit addressed the matter:

Our audit procedures included, among others, the following:

We assessed the design and implementation of the controls over the impairment process.

Furthermore, we compared forecasted revenue and profit margins as well as capital expenditure and changes in working capital for all entities with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates.

EY valuation specialists assisted us in performing the audit procedures relating to impairment.

We also evaluated the adequacy of disclosures made regarding impairment.

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion
In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the financial statements.

Statement
Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Other Information

Management is responsible for the other information. The other infor-mation comprises the information included in the annual financial report, but does not include the financial statements, the management report and the auditor's report thereon, whereby the consolidated Non-Financial Report as well as the consolidated Corporate Governance Report were provided to us before the date of the auditor's report. The complete annual financial report is estimated to be provided to us after the date of the auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 29, 2019. We were appointed by the Supervisory Board on October 24, 2019. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Erich Lehner, Certified Public Accountant.

Vienna, January 30, 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner e.h Wirtschaftsprüfer / Certified Public Accountant	ppa Mag. Marion Raninger eh Wirtschaftsprüferin / Certified Public Accountant

GRI Content Index

with reference to the GRI Standards

Information concerning the role of the supervisory board is provided in the Corporate Governance Report, which is part of combined Annual Report of the A1 Telekom Austria Group. Unless indicated otherwise, page numbers refer to the Combined Annual Report 2019 of the A1 Telekom Austria Group.

	Description	Reference / response
GRI 102 General Disclosures 2016		
Organizational profile		
102-1	Name of the organization	see page 4f
102-2	Organization's most important brands, products and services	see page 4f and Group Management Report 2019
102-3	Location of headquarters	see page 177
102-4	Countries in which the organization operates to a significant extent	see page 4f
102-5	Ownership and legal form	see page 4f, 26ff and Group Management Report 2019
102-6	Markets served	A1 Telekom Austria Group offers its products and services to business and private customers from all sectors. see page 4 and Group Management Report 2019
102-7	Scale of the organization	A1 Telekom Austria Group has seven operating companies which are in accordance with the GRI definition of "operation". In some cases the holding company fulfills these criteria and is highlighted accordingly. see page 26ff and Group Management Report 2019
102-9	Supply chain	see page 15 and www.A1.group/en/csr/sustainable-supply-chain-management
102-10	Significant changes to the organization and its supply chain	No significant changes in the reporting period to the organization's size, structure and supply chain in the reporting period. see page 26ff for details on the ownership structure.
102-11	Precautionary Principle or approach	In all its activities, A1 Telekom Austria Group honours the precautionary principle by taking into account potential future developments and findings in its decisions (e. g. scenario analysis in the context of risk management, please see Group Management Report 2019)
102-12	External initiatives	see www.A1.group/en/csr/memberships
102-13	Association memberships	see www.A1.group/en/csr/memberships
Strategy		
102-14	Highest decision-maker's statement on the importance of sustainability and organization's sustainability strategy	see page 6f

Ethics and integrity

102-16	Organization's values and code of conduct	see page 9ff, 29ff, 38f Code of conduct: www.A1.group/en/group/compliance-guidelines

Governance

102-18	Governance structure	Since 2010, A1 Telekom Austria Group has been using a Group-wide, integrated sustainability management system. A Corporate Sustainability Team, as part of Group Communiations and Sustainability, reports directly to the CEO. With the introduction of an internal social media platform, A1 Telekom Austria Group established a digital group-wide knowledge platform and communicates and coordinates its activities through it. There is no separate committee for decision-making on ecologic and social topics. With respect to committees on economic decisions please refer to the Corporate Governance.

Stakeholder engagement

102-40	List of incorporated stakeholder groups	Employees, customers, suppliers, the economy, politicians & special interest groups, media, the scientific, reasearch & education communities see www.A1.group/en/csr/sustainability-strategy
102-41	Collective bargaining agreements	50% of all employees are covered by the provisions of collective bargaining agreements. National requirements are observed at all subsidiaries. see page 29ff
102-42	Basis for identifying and selecting stakeholders	All groups that are impacted by A1 Telekom Austria Group's regular business activity form the basis for stakeholder identification. Stakeholder selection was based on priorisation via internal databases.
102-43	Approach to stakeholder involvement and whether stakeholders have been involved in report preparation	see www.A1.group/en/csr/sustainability-strategy
102-44	Key topics and concerns raised	As a result of antoher materiality analysis in the spring of 2019, the topics of data protection and information security as well as high-performance networks emerged as the most important ones. Both customers and business representatives rank data protection and information security as the most significat one. Employees, on the other hand, regard mobile and flexible working conditions as the most important topic. Overall, stakeholders give topics such as e-health and physical complaints less priority. see page 15

Reporting practice

102-45	Entities included in the consolidated financial statements	see consolidated financial statements 2019
102-46	Defining report content and topic Boundaries	Boundaries for material topics were defined according to an impact assessment inside and/or outside the organization. A1 Telekom Austria Group's ability to influence the topic was considered as well. see A1.group/en/csr/sustainability-strategy
102-47	List of material topics	see page 15
102-48	Restatements of information	No re-phrasing of information from past reports took place.
102-49	Changes in reporting	No changes to the extent and topical boundaries compared to earlier reporting periods.
102-50	Reporting period	Full year 2018 if not stated otherwise. Environmental KPI's were collected for the period 01 November 2018 to 31 October 2019 and can be considered as representative for the full year 2019.
102-51	Date of most recent report	The combined annual report for the 2018 period was published in April 2019.
102-52	Reporting cycle	The combined annual report is published once a year.
102-53	Contact point for questions regarding the report	see page 5
102-54	Report of the "in-accordance"-option	The report was published with reference to the GRI Standards.
102-55	GRI content index	see page 165ff
102-56	External assurance	Due to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) a separate non-financial report is published and audited by an external, independent auditor since 2018.

GRI 103 Management Approach 2016

103-1	Material topics explanation and boundaries	see non financial report 2019
103-2	Components of the management approach	
103-3	Evaulation of the management approach	

GRI 201: Economic Performance 2016

201-1	Direct economic value generated and distributed	Net added value 2019: EUR 902 mn to employees, EUR 874 mn for paid investments, EUR 219 mn to capital providers and EUR 162 mn to public agencies.

GRI 202: Market Presence 2016

202-2	Proportion of senior management hired from the local community	see page 174

GRI 203:Indirect Economic Impacts 2016

203-1	Infrastructure investments and services supported	see page 18ff and Group Management Report 2019
203-2	Significant indirect economic impacts	see page 34ff

GRI 205: Anti-corruption 2016

205–1	Operations assessed for risks related to corruption	In 2019, the holding company as well as the seven operating companies A1 (Austria, Bulgaria, Croatia, Belarus, Slovenia, North Macedonia) and Vip mobile were internally assessed with regards to corruption risks. The companies generated almost 100 % of A1 Telekom Austria Group's overall turnover and all locations of the above mentioned subsidiaries were taken into account. In the course of the risk analysis, the management analysed 18 different corruption scenarios and defined mitigating measures. Taking into consideration the measures that have already been implemented, no significant remaining risks could be identified. see page 38f
205–2	Communication and training about anti-corruption policies and procedures	All employees and business partners are given access to information on compliance as well as corruption prevention (see www.A1.group/en/group/compliance). Almost 100 % of employees, managers and suppliers were actively informed. Approximately 16,200 (approx. 88 %) of employees and managers (including Board members) received training on corruption prevention. The Holding's Supervisory Board and Executive Board as well as all subsidiaries receive corruption prevention information at least once per year, the entire Executive Board receives training annually. see page 38ff, 176

GRI 301: Materials 2016

301–3	Reclaimed products and their packaging materials	see page 34ff, 173

GRI 302: Energy 2016

302–1	Energy consumption within the organization	see page 18ff, 171
302–2	Energy consumption outside of the organization	In 2019, energy consumption outside the organization came in at 105,690 MWh. This includes the power used by mobile phones sold to customers as well as A1 Telekom Austria Group business trips using taxi, train or aeroplanes.
302–3	Energy intensity	see page 18ff, 171
302–4	Reduction of energy consumption	see page 18ff, 34ff, 171
302–5	Reductions in energy requirements of products and services	see page 18ff

GRI 305: Emissions 2016

305–1	Direct (Scope 1) GHG emissions	Biogenic Scope 1 emissions amounted to 939 tons of CO_2; no data is available for Scope 2 and Scope 3 emissions. see page 172
305–2	Energy indirect (Scope 2) GHG emissions	see page 172
305–3	Other indirect (Scope 3) GHG emissions	see page 172
305–4	GHG emissions intensity	see page 172
305–5	Reduction of GHG emissions	see page 172
305–7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	see page 172

GRI 306: Effluents and Waste 2016		
306-2	Waste by type and disposal method	A1 Telekom Austria Group is committed to proper waste disposal and complies with the regulations in the respective countries. see page 172

GRI 401: Employment 2016		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Discounts and other benefits are handled differently at each subsidiary, but are equally available to all employees in the respective country.

GRI 404: Training and Education 2016		
404-2	Programs for upgrading employee skills and transition assistance programs	see page 29ff
404-3	Percentage of employees receiving regular performance and career development reviews	At A1 Telekom Austria Group, a Group-wide performance management standards process make sure that basend on goals the quantifiable performance of employees is given just as much attention as the "how" aspect of their daily work based on A1 Telekom Austria Group's Guiding Principles. Thereby personal development is a major aspect and will be even more in focus in the years to come. Contemporary styles of leadership strongly includes the use of feedback during daily work. A1 Telekom Austria Group encourages employees to appreciate each other using peer-to-peer feedback based on behavioural best practice examples in line with the Guiding Principles. see page 29f

GRI 405:Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	see page 175 see Corporate Governance Report 2019

GRI 418: Customer Privacy 2016		
418-1	Number of substantiated complaints concerning breaches of customer privacy and loss of customer data	see page 25

Sustainability KPIs

Environment

Calculation method – emissions

In its calculation method for direct, indirect and other indirect emissions, A1 Telekom Austria Group follows the internationally recognised definition of the Greenhouse Gas Protocol of the WRI/WBCSD (World Resources Institute and World Business Council for Sustainable Development). Included in the calculation for direct emissions are all greenhouse gases, not just those covered by the Kyoto Protocol. The calculation methods are based on the published data by different database such as the International Energy Agency, ecoinvent etc. (AR4 100-year (IPCC 2007-4th Assessment Report)). Figures given as CO_2 equivalents. Nature of gases and source of emmission factors and of Global Warming Potentials (GWP) reported by energy providers for Scope 2 emissions as well as calculated Scope 3 emissions are unknown.

Calculation method – energy

The calculation method is – as long as self provision is not concerned – based on the invoices of the respective energy providers. For the conversion into kilowatt hours factors of the Environmenta Agency Austria (Umweltbundesamt) database and ecoinvent database have been taken into accoun for further calculations. When data was not available, estimates were made in some cases. Furthermore, term inaccuracies may occur if invoices do not exactly match the reporting period. For the energy share of fuels the heating value was considered. Neither steam nor cooling energy was purchased.

Direct and indirect energy

2019 (in MWh)	Electricity [1]	Heating fuels [2]	District heating	Fuels [3]	Total energy consumption (in MWh)	(in TJ)
Austria	309,466	14,496	29,006	42,798	395,766	1,425
Bulgaria	120,578	124	418	10,528	131,648	474
Croatia	68,666	61	3,437	5,484	77,649	280
Belarus	91,966	375	3,768	4,074	100,183	361
Slovenia	32,253	0	289	1,489	34,031	123
Serbia	62,739	78	1,430	2,932	67,180	242
North Macedonia	31,477	0	0	1,633	33,110	119
A1 Telekom Austria Group	**717,145**	**15,135**	**38,349**	**68,938**	**839,567**	**3,022**
2018 (in MWh)						
Austria	300,588	14,281	30,165	45,305	390,339	1,405
Bulgaria	116,619	113	325	11,035	128,092	461
Croatia	65,421	88	3,378	5,768	74,654	269
Belarus	84,645	0	3,684	4,703	93,033	335
Slovenia	30,024	0	255	1,479	31,758	114
Serbia	51,583	82	1,430	2,835	55,930	201
North Macedonia	30,125	0	0	1,917	32,043	115
A1 Telekom Austria Group	**679,005**	**14,564**	**39,238**	**73,043**	**805,850**	**2,901**
Change (in %)						
Austria	3	2	-4	-6	1	1
Bulgaria	3	10	29	-5	3	3
Croatia	5	-30	2	-5	4	4
Belarus	9	n. m.	2	-13	8	8
Slovenia	7	n. m.	13	1	7	7
Serbia	22	-5	0	3	20	20
North Macedonia	4	n. m.	n. m.	-15	3	3
A1 Telekom Austria Group	**6**	**4**	**-2**	**-6**	**4**	**4**

Table may include rounding differences. 1 Joule = 2.77777778 $\times 10^{-10}$ MWh 1) Purchased and in-house production as well as diesel for emergency generators 2) Includes oil and gas, not climatically adjusted 3) Includes diesel, petrol, CNG, LPG und natural gas without diesel for emergency generators. 2019 sources for the conversion factors were reviewed and if necessary replaced with more accurate and/or actual ones. In the course of this the conversion factors have been updated. In order to ensure comparability, values from the prior year have been adjusted. 2018 therefor represents an estimation due to changed sources of the conversion factors. Due to an improvement in data quality, the figures for fuels for heating for Croatia have been recalculated.

Energy and fuel consumption [1]

A1 Telekom Austria Group (in MWh)	From non-renewable energy	From renewable energy [2]
2019	**24,681**	**3,507**
2018	**24,760**	**3,719**
Change (in %)	**0**	**-6**

1) Oil, diesel, petrol, LPG, CNG and natural gas, including diesel for emergency generators
2) Share of biogenic fuels in diesel and petrol

Environment – relative indicators

A1 Telekom Austria Group	Energy Efficiency Index [1] (in MWh(el) per terabyte)	Share of e-billing (in %)
2019	**0.17**	**76**
2018	**0.18**	**74**
Change (in %)	**-8**	**4**

1) Energy Efficiency Index is defined as A1 Telekom Austria Groups total electrical energy consumption, divided by total transported data volume of fixed and mobile telecommunication networks.

Direct and indirect greenhouse gas emissions (in t CO_2-equivalents)

2019	Direct (Scope 1)	Indirect (Scope 2) location-based	Indirect (Scope 2) market-based	Total (Scope 1+2) location-based	Total (Scope 1+2) market-based	Total (Scope 1+2+Comp.) location-based	Total (Scope 1+2+Comp.) market-based	Other Scope 3
Austria	13,845	80,953	6,737	94,798	20,582	79,680	5,464	23,873
Bulgaria	3,650	56,620	57,550	60,269	61,200	60,269	61,200	24,942
Croatia	1,369	16,474	33,588	17,843	34,957	17,843	34,957	6,886
Belarus	1,647	25,238	25,238	26,885	26,885	26,885	26,885	21,990
Slovenia	370	7,758	6,065	8,128	6,435	8,128	6,435	3,011
Serbia	959	46,058	46,058	47,017	47,017	47,017	47,017	22,896
North Macedonia	919	18,932	17,985	19,851	18,904	19,851	18,904	9,095
A1 Telekom Austria Group	**22,758**	**252,034**	**193,222**	**274,792**	**215,981**	**259,674**	**200,863**	**112,693**
2018								
Austria	14,598	78,984	6,710	93,581	21,307	78,297	6,022	22,640
Bulgaria	3,922	54,641	55,539	58,562	59,461	58,562	59,461	22,486
Croatia	1,451	15,715	32,018	17,166	33,469	17,166	33,469	5,455
Belarus	1,589	22,394	22,394	23,983	23,983	23,983	23,983	21,541
Slovenia	368	7,220	5,683	7,587	6,051	7,587	6,051	2,468
Serbia	988	37,836	37,836	38,824	38,824	38,824	38,824	19,024
North Macedonia	918	18,169	17,042	19,087	17,959	19,087	17,959	8,688
A1 Telekom Austria Group	**23,833**	**234,958**	**177,221**	**258,791**	**201,054**	**243,506**	**185,769**	**102,302**
Change (in %)								
Austria	-5	2	0	1	-3	2	-9	5
Bulgaria	-7	4	4	3	3	3	3	11
Croatia	-6	5	5	4	4	4	4	26
Belarus	4	13	13	12	12	12	12	2
Slovenia	1	7	7	7	6	7	6	22
Serbia	-3	22	22	21	21	21	21	20
North Macedonia	0	4	6	4	5	4	5	5
A1 Telekom Austria Group	**-5**	**7**	**9**	**6**	**7**	**7**	**8**	**10**

Direct Scope 1 includes direct emissions from combustion of fossil fuels; emissions from cooling agents are not considered. Indirect Scope 2 includes indirect emissions from electric energy and district heating. Scope 3 takes into account the following emissions, which are not included in Scope 2: The costs associated with the upstream emissions from heating energy, electricity and fuels (fleet) and business travel (taxi, plane, train) as well as electricity consumption from customers mobile phones. 2019 sources for the conversion factors were reviewed and if necessary replaced with more accurate and/or actual ones. In the course of this the conversion factors have been updated. In order to ensure comparability, values from the prior year have been adjusted. 2018 therefor represents an estimation due to changed sources of the conversion factors. Due to an improvement in data quality, the figures for fuels for heating for Croatia have been recalculated.

Vehicle fleet

A1 Telekom Austria Group	Number of vehicles	Consumption of petrol (in l)	Consumption of diesel (in l)	Consumption of alternative fuels (in l)	Mileage (in thousand km)
2019	5,064	750,262	6,490,484	192,900	104,903
2018	5,129	566,366	6,926,814	202,728	106,176
Change (in %)	-1	32	-6	-5	-1

Air pollutants generated by the vehicle fleet 1)

A1 Telekom Austria Group (in g/km)	NO_x	SO_2	PM_{10}
2019	0.006	0.393	0.003
2018	0.006	0.404	0.003
Change (in %)	-2.0	-2.7	-1.7

1) The air pollutants were aligned to the published data of ecoinvent for the first time in 2012. They include the emissions of the vehicle fleet. Reported emissions represent relevant pollutants of the A1 Telekom Austria Group.

Waste

A1 Telekom Austria Group (in kg)	Recyclable Paper	Recyclable Metal	Recyclable Other[1]	Hazardous waste Electronic waste	Hazardous waste Batteries	Hazardous waste Other[2]	Residual waste	Total
2019	1,100,768	637,534	379,702	605,815	542,831	515,423	1,861,082	5,643,155
2018	1,215,000	958,814	443,102	814,460	700,639	299,494	2,041,064	6,472,573
Change (in %)	-9	-34	-14	-26	-23	72	-9	-13

Quantities were defined according to invoices of waste management companies or if this was not possible according to volumina of waste containers as well as intervals of waste disposal. 1) Other recyclable waste includes plastic, glas and biological waste. 2) Other hazardous waste includes mainly mobile phones and other hazardours materials.

Waste – paper consumption

2019 (in kg)	Printing & copy paper	Other[1]	Total
Austria[2]	43,601	415,356	458,958
Bulgaria	91,028	109,183	200,211
Croatia	10,900	184,918	195,818
Belarus	42,265	32,266	74,531
Slovenia	4,016	60,160	64,176
Serbia[2]	19,713	160,289	180,002
North Macedonia	34,013	65,853	99,866
A1 Telekom Austria Group	**245,536**	**1,028,026**	**1,273,562**
2018 (in kg)			
Austria	74,152	494,037	568,189
Bulgaria	128,507	113,213	241,720
Croatia	11,744	101,289	113,033
Belarus	45,740	3,310	49,050
Slovenia	5,475	79,256	84,731
Serbia	15,000	85,156	100,156
North Macedonia	37,159	70,502	107,661
A1 Telekom Austria Group	**317,777**	**946,764**	**1,264,541**
Change (in %)			
Austria	-41	-16	-19
Bulgaria	-29	-4	-17
Croatia	-7	83	73
Belarus	-8	875	52
Slovenia	-27	-24	-24
Serbia	31	88	80
North Macedonia	-8	-7	-7
A1 Telekom Austria Group	**-23**	**9**	**1**

1) Other includes mainly paper for customer invoices and paper for packaging.
2) In comparison to the previous year – changes in calculation method.

Waste – mobile phone recycling

2019 (in pcs.)	Collected old mobile phones
Austria	13,315
Bulgaria	3,905
Croatia	n. a.
Belarus	44,638
Slovenia	337
Serbia	2,309
North Macedonia	n. a.
A1 Telekom Austria Group	**64,504**
2018 (in pcs.)	
Austria	18,006
Bulgaria	4,005
Croatia	n. a.
Belarus	54,231
Slovenia	309
Serbia	3,835
North Macedonia	n. a.
A1 Telekom Austria Group	**80,386**
Change (in %)	
Austria	-26
Bulgaria	-2
Croatia	n. a.
Belarus	-18
Slovenia	9
Serbia	-40
North Macedonia	n. a.
A1 Telekom Austria Group	**-20**

Water consumption

A1 Telekom Austria Group (in m³)	Total
2019	232,693
2018	249,866
Change (in %)	-7

Water consumption	(in m³)
per FTE	12.7

Relative indicators

2019	Share of renewable energy in electricity[1] (in %)	Recycling quota[2] (in %)	CO_2 intensity[3] (t CO_2e / FTE)	Average paper consumption (kg / FTE)
Austria	99	61	3	6
Bulgaria	17	8	17	25
Croatia	49	72	18	6
Belarus	33	59	11	18
Slovenia	65	86	13	8
Serbia	12	33	42	17
North Macedonia	59	80	25	44
A1 Telekom Austria Group	**50**	**62**	**12**	**13**
2018				
Austria	99	66	3	9
Bulgaria	17	14	16	35
Croatia	49	78	20	7
Belarus	36	68	9	18
Slovenia	65	83	11	10
Serbia	12	37	38	15
North Macedonia	59	83	23	47
A1 Telekom Austria Group	**51**	**69**	**11**	**17**

1) Derived from purchased electricity, values of Austria and Slovenia were calculated,the others measured on basis of the standard national grid factor. 2) Fractions handed over to be recycled (non-hazardous waste, electronic waste and batteries) in relation to total waste. 3) CO_2 intensity includes the CO_2 emissions from Scope 1 and Scope 2 market-based (excluding compensation) divided by the number of employees by end of the year.

Employees

Age structure employees[1]

2019 (in FTE)	below 30	30-50	above 50
Austria	679	3,881	3,065
Bulgaria	973	2,457	190
Croatia	430	1,367	111
Belarus	799	1,484	129
Slovenia	78	406	29
Serbia	163	942	21
North Macedonia	57	651	61
A1 Telekom Austria Group	**3,197**	**11,458**	**3,688**
2018 (in FTE)			
Austria	674	4,222	3,114
Bulgaria	1,119	2,399	167
Croatia	310	1,274	97
Belarus	925	1,550	106
Slovenia	88	441	26
Serbia	151	861	19
North Macedonia	64	678	43
A1 Telekom Austria Group	**3,393**	**11,699**	**3,612**

1) Apprentices not included

Share of local persons in senior management positions[1] [2]

2019 (in %)	
Austria	100
Bulgaria	89
Belarus	57
Cluster Croatia / North Macedonia	75
Cluster Serbia / Slovenia	100
A1 Telekom Austria Group[3]	**84**
2018 (in %)	
Austria	100
Bulgaria	89
Belarus	57
Cluster Croatia / North Macedonia	75
Cluster Serbia / Slovenia	100
A1 Telekom Austria Group	**84**

1) Local includes all those who have citizenship for the country in which they work. A1 leadership team consists of Senior Directors and respective Chef Executive Officers.
2) Persons in senior management positions correspond to local leadership team.
3) Including Holding and A1 Digital.

Composition of the governance body [1] (Age structure)

A1 Telekom Austria Group 2019	
below 30 (in HC)	0
30-50 (in HC)	4
above 50 (in HC)	6
Total (in HC)	**10**
Share women (in %)	**30**

1) Capital representatives in the Supervisory Board

Gender diversity

	Share of female employees (in %)		Share of female managers [1] (in %)	
	2019	2018	2019	2018
Austria	26	26	19	18
Bulgaria	48	49	49	50
Croatia	43	38	37	36
Belarus	54	60	41	42
Slovenia	43	44	45	43
Serbia	60	59	51	50
North Macedonia	47	44	42	43
A1 Telekom Austria Group	**39**	**40**	**35**	**35**

1) Managers includes all persons with staff responsibility for at least one employee.
2) Including Holding and A1 Digital.

Accident statistics

2019	Accidents	Fatal accidents	Days lost to accidents
Austria	122	0	1,820
Bulgaria	7	0	747
Croatia	17	0	298
Belarus	0	0	0
Slovenia	2	0	17
Serbia	0	0	0
North Macedonia	4	0	289
A1 Telekom Austria Group	**152**	**0**	**3,171**
2018			
Austria	147	1	1,816
Bulgaria	10	0	500
Croatia	20	0	399
Belarus	0	0	0
Slovenia	1	0	69
Serbia	8	0	141
North Macedonia	8	0	299
A1 Telekom Austria Group	**194**	**1**	**3,224**

Society

A1 Internet for All

Austria	Courses	Participations	Satisfaction rate of participations (in %)	Supporting employees [1]	Recommendation rate (in %)
2019	**2,052**	**29,522**	**97**	**573**	**98**
2018	**1,892**	**26,923**	**97**	**490**	**98**
Change (in %)	**8**	**10**	**n. m.**	**17**	**n. m.**

1) Employees supporting for the first time in the respective reporting year

Participation in media literacy trainings

	2019	2018	Change (in %)
Austria	29,522	26,923	10
Bulgaria	3,000	2,300	30
Croatia	24	n. a.	n. a.
Belarus	n. a.	20	n. a.
Slovenia	1,340	n. a.	n. a.
Serbia	140	21	567
North Macedonia	1,300	820	59
A1 Telekom Austria Group	**35,326**	**30,084**	**17**

Compliance

Anti-corruption trainings

	Anti-corruption trainings	Share of trained employees (in %)
Austria	9,976	131
Bulgaria	4,223	117
Croatia	2,231	117
Belarus	3,105	129
Slovenia	447	87
Serbia	1,044	93
North Macedonia	1,065	139
A1 Telekom Austria Group [1]	**22.387**	**122**

1) Includes all anti-corruption and face-to-face trainings and anti-corruption e-learning courses (including A1 Digital and Holding).

Forward-looking Statements

Disclaimer for forward-looking statements: This document contains forward-looking statements. These forward-looking statements are usually accompanied by words such as “believe”, “intend”, “anticipate”, “plan”, “expect” and similar expressions. Actual events may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Neither A1 Telekom Austria Group nor any other person accepts any liability for any such forward-looking statements. A1 Telekom Austria Group will not update these forward-looking statements, whether due to changed factual circumstances, changes in assumptions or expectations. This report does not constitute a recommendation or invitation to purchase or sell securities of A1 Telekom Austria Group.

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