Consolidated Financial Statements 2019

Telekom Austria Aktiengesellschaft

The Consolidated Financial Statements are a translation from the original German version, which is the decisive versions in all cases.
The Consolidated Financial Statements 2019 are audited but not yet approved by the Supervisory Board.

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)):

	2019	Cash flow	Non-cash changes: 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

	2018	Cash flow	Non-cash changes: 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