Consolidated Financial Statements 2020 1)

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

TELEKOM AUSTRIA AG – Consolidated Statement of Comprehensive Income

in TEUR	Notes	2020	2019
Service revenues		3,804,527	3,805,476
Equipment revenues		659,358	663,855
Other operating income		85,525	95,836
Total revenues (incl. other operating income)	(5)	**4,549,409**	**4,565,166**
Cost of service		-1,311,915	-1,302,516
Cost of equipment		-652,416	-653,812
Selling, general & administrative expenses		-997,375	-1,029,679
Other expenses		-10,912	-18,535
Total cost and expenses	(6)	**-2,972,619**	**-3,004,542**
Earnings before interest, tax, depreciation and amortization - EBITDA		**1,576,790**	**1,560,624**
Depreciation and amortization	(15) (16)	-774,335	-785,427
Depreciation of right-of-use assets	(30)	-163,515	-160,379
Operating income - EBIT		**638,940**	**614,818**
Interest income		3,777	5,350
Interest expense		-103,909	-102,935
Interest on employee benefits and restructuring and other financial items, net		2,474	-35,847
Foreign currency exchange differences, net		-18,871	535
Equity interest in net income of associated companies	(18)	-11,560	-316
Financial result	(7)	**-128,088**	**-133,213**
Earnings before income tax - EBT		**510,851**	**481,605**
Income tax	(29)	-122,027	-154,164
Net result		**388,824**	**327,442**
Attributable to:			
Equity holders of the parent		388,421	326,963
Non-controlling interests	(34)	403	479
Basic and diluted earnings per share attributable to equity holders of the parent in euro	(8)	**0.58**	0.49
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	-82,536	17,173
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)	7	13
Realized result on debt instruments at fair value, net of tax	(7)	16	13
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	-9,490	-12,549
Total other comprehensive income (loss)		**-87,622**	**9,030**
Total comprehensive income (loss)		**301,202**	**336,472**
Attributable to:			
Equity holders of the parent		300,799	335,995
Non-controlling interests	(34)	403	477

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.

TELEKOM AUSTRIA AG – Consolidated Statement of Financial Position

in TEUR	Notes	December 31, 2020	December 31, 2019
Current assets			
Cash and cash equivalents	(9)	210,879	140,293
Short-term investments	(19)	164,821	0
Accounts receivable: Subscribers, distributors and other, net	(10)	782,628	873,048
Receivables due from related parties	(11)	495	920
Inventories, net	(12)	90,761	109,318
Income tax receivable	(29)	915	485
Other current assets, net	(13)	152,401	148,549
Contract assets	(14)	106,845	124,205
		1,509,745	1,396,819
Assets held for sale	(18)	0	33,476
Total current assets		1,509,745	1,430,295
Non-current assets			
Property, plant and equipment, net	(15)	2,753,145	2,840,257
Right-of-use assets, net	(30)	853,078	941,957
Intangibles, net	(16)	1,678,023	1,784,224
Goodwill	(17)	1,284,010	1,278,845
Long-term investments	(19)	12,425	14,317
Deferred income tax assets	(29)	96,487	168,940
Other non-current assets, net	(20)	25,062	27,181
Total non-current assets		6,702,229	7,055,722
TOTAL ASSETS		8,211,974	8,486,017
Current liabilities			
Short-term debt	(21)	-749,061	-123,000
Lease liabilities short-term	(30)	-154,374	-152,621
Accounts payable	(22)	-685,774	-909,461
Accrued liabilities and current provisions	(23)	-246,408	-239,406
Income tax payable	(29)	-23,992	-38,751
Payables due to related parties	(11)	-181	-608
Contract liabilities	(24)	-188,658	-173,954
Total current liabilities		-2,048,448	-1,637,802
Non-current liabilities			
Long-term debt	(25)	-1,793,703	-2,539,575
Lease liabilities long-term	(30)	-700,559	-788,222
Deferred income tax liabilities	(29)	-4,074	-6,653
Other non-current liabilities	(26)	-53,901	-65,730
Asset retirement obligation and restructuring	(23)	-586,018	-581,987
Employee benefits	(27)	-231,513	-220,130
Total non-current liabilities		-3,369,769	-4,202,297
Stockholders' equity			
Capital stock		-1,449,275	-1,449,275
Treasury shares		7,803	7,803
Additional paid-in capital		-1,100,148	-1,100,148
Retained earnings		-1,026,869	-791,187
Other comprehensive income (loss) items		776,877	689,254
Equity attributable to equity holders of the parent	(28)	-2,791,611	-2,643,552
Non-controlling interests		-2,146	-2,367
Total stockholders' equity		-2,793,757	-2,645,919
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		-8,211,974	-8,486,017

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2020	2019
Earnings before income tax - EBT		**510,851**	**481,605**
Depreciation	(15)	517,666	511,606
Amortization of intangible assets	(16)	256,669	273,821
Depreciation of right-of-use assets	(30)	163,515	160,379
Equity interest in net income of associated companies	(18)	11,560	316
Result on sale/measurement of investments	(7)	-793	-2,035
Result on sale of property, plant and equipment	(5) (6)	4,702	-1,579
Net period cost of labor obligations and restructuring	(7) (23) (27)	97,821	103,313
Foreign currency exchange differences, net	(7)	18,871	-535
Interest income	(7)	-3,777	-5,350
Interest expense	(7)	97,116	129,667
Other adjustments	(32)	-3,793	-7,481
Non-cash and other reconciliation items		**1,159,556**	**1,162,122**
Accounts receivable: Subscribers, distributors and other, net	(10)	54,445	-38,761
Prepaid expenses	(13)	-3,495	4,500
Due from related parties	(11)	425	462
Inventories	(12)	14,844	22,569
Other assets	(13) (20)	2,276	-14,067
Contract assets	(14)	17,153	17,050
Accounts payable and accrued liabilities	(22) (23)	-113,253	-12,633
Due to related parties	(11)	-426	80
Contract liabilities	(24)	15,332	13,798
Working capital changes		**-12,698**	**-7,003**
Employee benefits and restructuring paid	(23) (27)	-115,259	-113,948
Interest received	(7)	3,814	5,391
Income taxes paid	(29)	-65,206	-70,142
Net cash flow from operating activities		**1,481,059**	**1,458,026**
Capital expenditures paid	(32)	-742,530	-873,872
Proceeds from sale of plant, property and equipment	(15)	17,761	14,271
Purchase of investments	(19)	-302,446	-1,791
Proceeds from sale of investments	(19)	137,757	977
Acquisition of businesses, net of cash acquired	(34)	-4,992	-1,018
Sale of shares of associated companies	(18) (34)	19,543	127
Net cash flow from investing activities		**-874,906**	**-861,306**
Interest paid	(7)	-100,615	-108,303
Change in short-term debt	(21) (32)	-119,812	121,158
Repayments of short-term debt	(21) (32)	0	-240,000
Dividends paid	(28)	-153,364	-140,063
Acquisition of non-controlling interest	(34)	0	-110
Deferred consideration paid for business combinations	(34)	0	-3,503
Lease principal paid	(30)	-153,802	-149,482
Net cash flow from financing activities		**-527,593**	**-520,304**
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	-7,975	246
Net change in cash and cash equivalents		**70,585**	**76,662**
Cash and cash equivalents beginning of period	(9)	140,293	63,631
Cash and cash equivalents end of period	(9)	210,879	140,293

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.

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

in TEUR	Common stock Par value	Treasury shares at cost	Additional paid-in capital	Retained earnings
At January 1, 2019	1,449,275	-7,803	1,100,148	603,632
Net result	0	0	0	326,963
Other comprehensive income (loss)	0	0	0	0
Total comprehensive income	0	0	0	326,963
Distribution of dividends	0	0	0	-139,458
Acquisition of non-controlling interests	0	0	0	50
At December 31, 2019	1,449,275	-7,803	1,100,148	791,187
Net result	0	0	0	388,421
Other comprehensive income (loss)	0	0	0	0
Total comprehensive income	0	0	0	388,421
Distribution of dividends	0	0	0	-152,740
Acquisition of non-controlling interests	0	0	0	0
At December 31, 2020	1,449,275	-7,803	1,100,148	1,026,869

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.
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
-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
0	0	0	0	388,421	403	388,824
-9,490	23	4,380	-82,536	-87,622	0	-87,622
-9,490	23	4,380	-82,536	300,799	403	301,202
0	0	0	0	-152,740	-624	-153,364
0	0	0	0	0	0	0
-53,374	-18	-10,949	-712,535	2,791,611	2,146	2,793,757

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment Reporting

2020 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,602,651	507,229	422,509	402,599
Intersegmental revenues	19,456	6,580	5,553	2
Total revenues (incl. other operating income)	**2,622,107**	**513,808**	**428,063**	**402,601**
Segment expenses	-1,685,431	-321,401	-284,710	-229,763
EBITDA	**936,676**	**192,407**	**143,352**	**172,838**
Depreciation and amortization	-523,000	-117,772	-100,277	-63,508
Operating income - EBIT	**413,677**	**74,635**	**43,075**	**109,330**
Interest income	1,814	11	994	273
Interest expense	-26,134	-2,852	-6,327	-7,106
Other financial result	-5,919	9,278	-5,350	-11,058
Equity interest in net income of associated companies	0	0	0	0
Earnings before income tax - EBT	**383,438**	**81,072**	**32,392**	**91,439**
Income taxes	-112,811	7,997	-6,531	-15,557
Net result	**270,627**	**89,069**	**25,861**	**75,882**
EBITDA margin	35.7%	37.4%	33.5%	42.9%
Capital expenditures - intangible	134,435	10,697	8,584	7,678
Capital expenditures - tangible	321,990	46,500	41,029	19,111
Total capital expenditures	**456,425**	**57,197**	**49,613**	**26,789**
Addition to right-of-use assets	50,396	31,570	7,592	16,855
Assets by segment	5,470,276	1,017,038	649,117	359,660
Property, plant and equipment	1,924,925	221,778	235,246	137,770
Right-of-use assets, net	480,662	128,003	52,934	29,163
Goodwill	708,212	242,691	125,653	10,713
Brand names and patents	158,351	4,899	0	0
Licenses and other rights	870,650	16,191	38,809	44,651
Other intangible assets	207,798	37,195	48,049	14,649
Liabilities by segment	-2,768,065	-230,276	-416,398	-131,387

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
Liabilities by segment	-3,109,539	-293,290	-512,615	-198,930

Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
202,095	281,483	120,788	10,055	0	4,549,409
2,946	4,692	1,121	10,905	-51,256	0
205,041	**286,175**	**121,910**	**20,960**	**-51,256**	**4,549,409**
-146,344	-198,541	-79,401	-76,887	49,859	-2,972,619
58,697	**87,634**	**42,509**	**-55,927**	**-1,397**	**1,576,790**
-44,289	-54,743	-28,956	-4,603	-703	-937,850
14,408	**32,892**	**13,553**	**-60,530**	**-2,100**	**638,940**
225	234	200	28,493	-28,467	3,777
-1,404	-2,914	-1,360	-84,396	28,584	-103,909
14	17	-267	316,174	-319,286	-16,397
0	0	0	-11,560	0	-11,560
13,242	**30,229**	**12,126**	**188,181**	**-321,269**	**510,851**
-2,262	31	-1,591	8,331	365	-122,027
10,980	**30,260**	**10,535**	**196,513**	**-320,903**	**388,824**
28.6%	30.6%	34.9%	n.a.	n.a.	34.7%
2,773	2,670	2,465	3,343	0	172,645
14,906	24,240	10,271	744	0	478,790
17,678	**26,909**	**12,736**	**4,087**	**0**	**651,435**
23,770	12,280	1,415	17	0	143,896
508,402	420,685	217,060	7,893,302	-8,323,567	8,211,974
64,245	90,872	74,446	2,248	1,615	2,753,145
70,881	63,802	26,790	842	0	853,078
150,723	0	29,963	16,055	0	1,284,010
1,415	4,139	0	2,525	0	171,329
60,161	100,370	19,694	243	-3,297	1,147,472
19,423	17,494	7,903	6,568	142	359,222
-134,407	-118,175	-61,744	-3,329,308	1,771,541	-5,418,217
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	8,151	0	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
-138,064	-155,158	-82,843	-3,510,198	2,160,537	-5,840,098

A1 Telekom Austria Group has aligned its management structure and the resulting segment reporting on geographical markets and based on this reports 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).

The accounting policies of the segments are the same as those of A1 Telekom Austria Group. 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 result 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, other intangible assets and right-of-use assets (see Notes (15), (16) and (30)). 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 right-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"), 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,		Average exchange rates for the year	
	2020	2019	2020	2019
Bosnian Convertible Mark (BAM)	1.9558	1.9558	1.9558	1.9558
Great Britain Pound (GBP)	0.8990	0.8508	0.8893	0.8771
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian Kuna (HRK)	7.5369	7.4395	7.5331	7.4181
Macedonian Denar (MKD)	61.6940	61.4856	61.6741	61.5056
Polish Zloty (PLN)	4.5597	4.2568	4.4438	4.2968
Romanian Leu (RON)	4.8683	4.7830	4.8382	4.7468
Swiss Franc (CHF)	1.0802	1.0854	1.0704	1.1122
Serbian Dinar (RSD)	117.5802	117.5928	117.5779	117.8463
Czech Koruna (CZK)	1.0802	25.4080	1.0704	25.6685
Turkish Lira (TRY)	9.1131	6.6843	8.0414	6.3664
Hungarian Forint (HUF)	363.8900	330.5300	351.1377	325.3942
US Dollar (USD)	1.2271	1.1234	1.1414	1.1189
Belarusian Ruble (BYN)	3.1680	2.3524	2.7873	2.3392

Accounting

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2020 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, 2020 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

With the exception of the amendment to IFRS 16, the following amendments to existing and new IFRS are effective as of January 1, 2020.

IFRS 3	Amendments: Definition of a Business
IAS 1 and 8	Amendments: Definition of Material
Framework	Amendments: References to the Conceptual Framework
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform (Phase 1)
IFRS 16	Amendments: COVID-19-Related Rent Concessions

The amendments to IFRS 16 are effective as of June 1, 2020 and were applied retrospectively as of January 1, 2020.

The initial application of the standards (IAS, IFRS) mentioned above had an insignificant impact on the Consolidated Financial Statements since the amendments were only partially applicable. For the application of IFRS 16, see Impact of COVID-19.

Impact of COVID-19

The outbreak of the COVID-19 pandemic in the first quarter of 2020 and the resulting restrictions in public life triggered a global economic crisis that varied greatly depending on the sector of the economy. After a recovery during summer, a second wave of infection led to further economic disruption in the fourth quarter of 2020. In particular during the lockdown periods, the telecommunications industry provided essential communication services. Thus, A1 Telekom Austria Group's business was impacted to a relatively lower extent. Its stable networks enabled A1 Telekom Austria Group to deal with the increase in data and voice traffic without noteworthy shortfalls.

The Management Board of A1 Telekom Austria Group continually monitors health and economic developments with the assistance of an emergency task force in order to be able to quickly respond to changing conditions.

Revenues, Total Cost and Expenses, Capital Expenditures

Due to travel restrictions imposed by the governments, roaming traffic and thus roaming revenues decreased significantly. Total service revenues remained stable, as the decrease in roaming revenues was compensated by strong demand for higher fixed-line bandwidths and for mobile WiFi routers, both driven by increased home office and distance learning. Although in 2020 equipment revenues almost reached last year's level, the quantity of equipment sold declined, partially impacted by closed shops during lockdown (see Note (5)).

A1 Telekom Austria Group was able to reduce total cost and expenses by prudent spending policies (see Note (6)). Selling and marketing expenses declined due to fewer promotional campaigns during the COVID-19 pandemic. Roaming expense was also reduced due to travel restrictions. Furthermore, travel and training expense declined.

The described negative roaming impact on earnings before interest, tax, depreciation and amortization (EBITDA) amounts to approximately 4%.

In 2020, capital expenditures were reduced due to lower investments in network infrastructure and in information and communication technology ("ICT") customer projects as well as due to the Group-wide optimization of the internal project portfolio (see Note (1) and table "Reconciliation of capital expenditures paid to capital expenditures" in Note (32)).

Bad Debt

Since the beginning of the economic crisis, A1 Telekom Austria Group has been monitoring customer payment behavior more closely. In 2020, no significant changes were yet observed. It is assumed that liquidity in enterprises and the population was also maintained by government support in all countries. However, forecasts related to economic development and expected insolvencies show a negative trend. Due to this adverse outlook, A1 Telekom Austria Group estimates higher expected credit losses and thus increased its general loss allowance for accounts receivable not yet due from subscribers and from installment sales. The effect of this increase in the loss allowance was recognized in bad debt expense in the line item "Selling, general and administrative expenses" (see Notes (6) and (33)).

Relief and Support Measures

In the reporting period, A1 Telekom Austria Group recognized government assistance in the amount of TEUR 1,100 in employee expenses. These government assistances related mainly to exemptions of certain social security contributions in Slovenia and to refunds for specified employees who were unable to work from home in Austria (see Note (6)). For the investment grant recognized in property, plant and equipment, which was introduced in Austria to stimulate the economy, see Note (15).

Impairment Test

Even though COVID-19 caused an economic downturn, the telecommunications industry is expected to be quite resilient as many countries intend to focus their investments on digitalization due to the lockdown experiences. The analysis of internal sources indicates that the economic performance expected, net future cash flows and business models are expected to be stable due to the crises-proof demand for reliable connectivity. Due to temporary restrictions of international travel, short-term planning is based on reduced roaming revenues and expenses. In the medium term, the ongoing digitalization is expected to lead to an upturn. Effects of external sources such as market capitalization and market yields are reflected in the weighted average costs of capital (WACCs), which are disclosed in Note (17). Taking into account the effects described, the values in use of the cash-generating units continue to exceed their carrying amounts, and therefore no impairment was recognized in 2020.

COVID-19-Related Rent Concessions

Based on the amendment to IFRS 16 "COVID-19-Related Rent Concessions", lessees are exempted from assessing whether a COVID-19-related rent concession is a lease modification. Reductions in lease payments (such as forgiveness of payments) are reported as negative variable lease payments in the statement of comprehensive income in the period in which the event occurs and the lease liability is reduced correspondingly. Deferred lease payments only affect the timing of the individual payments. A1 Telekom Austria Group applied the practical expedient to all rent concessions meeting the requirements. The amount recognized in the statement of comprehensive income is disclosed in Note (30).

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 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments: Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	January 1, 2021
IFRS 4	Amendments: Insurance Contracts – deferral of IFRS 9	January 1, 2021	January 1, 2021
IAS 37	Amendments: Onerous Contracts - Cost to Fulfilling a Contract	January 1, 2022	not endorsed
IFRS 3	Amendments: Reference to the Conceptual Framework	January 1, 2022	not endorsed
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements 2018-2020	January 1, 2022	not endorsed
IAS 16	Amendments: Proceeds before Intended Use	January 1, 2022	not endorsed
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	January 1, 2023	not endorsed
IFRS 17	Insurance Contracts	January 1, 2023	not endorsed

* 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, such as text and multimedia messaging, m-commerce, information and entertainment services (for example mobile television, streaming of music, etc.).

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

2020 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	939,963	271,007	233,418	242,301	112,787	205,670	74,975	-9,057	2,071,064
Fixed-line service revenues	1,377,293	131,292	125,609	45,559	42,302	8,440	23,590	-20,621	1,733,463
Service revenues	**2,317,256**	**402,299**	**359,028**	**287,859**	**155,088**	**214,110**	**98,565**	**-29,678**	**3,804,527**
Mobile equipment revenues	218,343	99,761	56,920	87,246	42,789	65,994	21,942	582	593,577
Fixed-line equipment revenues	37,837	7,280	1,872	14,212	3,377	2	840	361	65,781
Equipment revenues	**256,180**	**107,041**	**58,792**	**101,458**	**46,166**	**65,996**	**22,782**	**943**	**659,358**
Other operating income	**48,671**	**4,469**	**10,243**	**13,284**	**3,787**	**6,070**	**563**	**-1,561**	**85,525**
Total revenues (incl. OOI)	**2,622,107**	**513,808**	**428,063**	**402,601**	**205,041**	**286,175**	**121,910**	**-30,296**	**4,549,409**

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

*Other includes: Corporate & Other and Eliminations

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

in TEUR	2020	2019
Service revenues	3,792,454	3,792,663
Equipment revenues	657,454	661,361
Total customer contract revenues	**4,449,908**	**4,454,023**
Other service revenues	12,073	12,813
Other equipment revenues	1,904	2,494
Other operating income	85,525	95,836
Total revenues from other sources	**99,501**	**111,143**
Total revenues (incl. other operating income)	**4,549,409**	**4,565,166**

For the impact of COVID-19 on revenues, see Note (3).

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

Other equipment revenues include mainly 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. The reduction in 2020 is due to income resulting from a real estate sale in Austria in 2019. Furthermore, income from collections of impaired receivables is included (see Note (33)). In 2020, other operating income includes tax exempted research bonuses amounting to TEUR 1,020 (2019: TEUR 1,026).

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 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 assessed on an individual contract level. In 2020 and 2019, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 4,579 and TEUR 4,919, 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 discounts 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, 2020, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 837,187 (2019: TEUR 830,005), 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	2020	2019
Cost of equipment	652,416	653,812
Employee expenses, including benefits and taxes	908,175	913,394
Other operating expenses	1,412,027	1,437,337
Total cost and expenses	2,972,619	3,004,542

For the impact of COVID-19 on cost and expenses, see Note (3).

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	2020	2019
Own work capitalized	61,218	71,564

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 bad debt expense in the line item “Selling, general and administrative expenses” and amount to (see Note (33)):

in TEUR	2020	2019
Impairment losses	59,519	48,357

The increase is due mainly to higher expected credit risk related to COVID-19 (see Note (3)).

The line item "Depreciation and amortization" in the Consolidated Statement of Comprehensive Income is allocated as follows:

in TEUR	2020	2019
Cost of service	796,606	774,839
Cost of equipment	16,058	16,503
Selling, general & administrative expenses	125,187	154,464
Depreciation and amortization	937,850	945,806

The decrease in selling, general and administrative expenses is due to the completion of the harmonization of brand names in 2019 (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	2020	2019
Audit fees	1,047	1,057
Other reviews	44	25
Other services	15	101
Fees EY	1,105	1,183

In 2020 and 2019, 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	2020	2019
Interest income on financial assets at amortized cost	3,585	5,152
Interest income on investments at fair value through profit or loss	27	57
Interest income on investments at fair value through other comprehensive income	4	7
Interest income on finance lease	162	134
Interest income	3,777	5,350

in TEUR	2020	2019
Interest expense on financial liabilities at amortized cost	87,924	85,243
Interest expense on lease liabilities	14,914	17,494
Interest capitalized	-1,200	-3,177
Interest expense on asset retirement obligations	2,239	3,317
Interest expense on deferred consideration	32	57
Interest expense	103,909	102,935

Interest is recognized using the effective interest method. Interest expense on financial liabilities 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 Note (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 2020, 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 3.0% (2019: 2.9%), while until 2019 the interest capitalized for licenses acquired in Austria in 2013 was based on an interest rate of 3.125%, which was derived from a specific financing facility.

in TEUR	2020	2019
Interest expense on employee benefit obligations	3,313	8,098
Interest expense on restructuring provisions	2,119	3,304
Fees for unused credit lines	2,364	2,409
Dividends received	-319	-252
Loss on disposal of debt instruments at fair value through other comprehensive income	22	18
Result from other investments	0	-240
Interest on taxes	-9,157	24,324
Income from measurement of instruments at fair value through profit or loss	-1,386	-1,835
Loss from measurement of instruments at fair value through profit or loss	571	22
Interest on employee benefits and restructuring and other financial items, net	**-2,474**	**35,847**

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)).

in TEUR	2020	2019
Foreign exchange gains	13,910	8,141
Foreign exchange losses	-32,781	-7,606
Foreign exchange differences	**-18,871**	**535**

The increase in foreign exchange losses in 2020 is mainly due to the development of the Belarusian ruble (see Note (3)).

(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:

	2020	2019
Net result attributable to owners of the parent in TEUR	388,421	326,963
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	**0.58**	**0.49**

For the number of shares, 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, 2020 and 2019.

(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 financial institutions with sound credit ratings, therefore the calculation of expected credit losses for cash and cash equivalents resulted in an insignificant amount, which was not recognized (see also "credit risk" in Notes (33)).

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

in TEUR, at December 31	2020	2019
Accounts receivable, gross	1,056,895	1,127,497
Loss allowance	-274,267	-254,448
Accounts receivable, net	**782,628**	873,048
Thereof remaining term of more than one year	58,838	62,175

At December 31, 2020 and 2019, 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 a related party to its subsidiaries. Through ÖBAG, A1 Telekom Austria Group is a related party 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). Members of the Supervisory Board of Telekom Austria AG 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 are no financing activities with related parties.

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

in TEUR	2020	2019
Revenues (incl. other operating income)	101,763	103,693
Expenses	86,168	82,843

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, expenses for cable rights and rights of use, postage fees, transportation, commissions and fees to RTR. The increase in expenses is mainly due to higher energy use and costs as well as to expenses for cable rights and rights of use. In the years reported, revenues and expenses with the América Móvil Group relate mainly to interconnection and roaming as well as, in 2020, to IT service revenues and expenses for a music platform.

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 EUR 10.00 per customer per month for customers having a valid official notice. In 2020, the total reimbursement recorded as revenue in the service period was TEUR 10,177 (2019: TEUR 11,445).

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 the associated company Telecom Liechtenstein up to August 31, 2019 (see Note (18) are set forth in the following table:

in TEUR	2019
Revenues (incl. other operating income)	881
Expenses	195

The revenues relate mainly to technical and roaming services, while the expenses relate mainly to interconnection and roaming.

At December 31, 2020 and 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. 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	2020	2019
Short-term employee benefits	9,392	8,574
Pensions	512	554
Other long-term benefits	50	150
Termination benefits	124	109
Share-based payments	62	1,003
Compensation of key management	**10,140**	**10,391**
Expenses for pensions and severance for other employees	20,107	24,229
Expenses for pensions and severance for Management Board	384	392

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	2020	2019
Write-down/ reversals of write-down of inventories	-445	1,364

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, Net

Other current assets are broken down as follows:

in TEUR, at December 31	2020	2019
Prepaid expenses	52,621	50,242
Other current assets	57,465	55,518
Contract costs	42,315	42,788
Total	**152,401**	**148,549**

Prepaid expenses

in TEUR, at December 31	2020	2019
Advances to employees	15,296	16,846
Concession fees	14,079	16,205
Other	23,246	17,191
Prepaid expenses	**52,621**	**50,242**

Other current assets

in TEUR, at December 31	2020	2019
Finance lease receivables	1,584	1,749
Other financial assets	5,350	5,541
Financial assets	**6,935**	**7,290**
Fiscal authorities	1,820	1,258
Advance payments	3,545	3,004
Government grants	36,865	34,175
Other non-financial assets	13,309	14,065
Non-financial assets	**55,539**	**52,502**
Other current assets, gross	**62,473**	**59,792**
Less loss allowance for financial assets	-2,945	-1,715
Less loss allowance for non-financial assets	-2,063	-2,559
Other current assets	**57,465**	**55,518**

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 mainly attributable to the expansion of the broadband network in Austria (see Note (15)). Other current non-financial assets consist mainly of services not yet billed, claims against the Republic of Austria (see Note (11)), indemnification claims due from insurance companies and receivables due from employees.

Contract costs

Commissions paid to third parties and to employees are deferred if they qualify as customer acquisition costs and are expected to be recoverable. As contract costs are expected to be realized as part of 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	2020	2019
Contract costs, gross	43,315	43,669
Loss allowance contract costs	-1,001	-881
Contract costs, net	**42,315**	**42,788**
Thereof remaining term of more than one year	14,329	20,642

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2020, the amortization of TEUR 35,732 (2019: TEUR 35,047) 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	2020	2019
At January 1	881	917
Foreign currency adjustment	-8	1
Reversed	-860	-801
Charged to expenses	988	764
At December 31	**1,001**	881

(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. At December 31, 2020, contract liabilities from customer loyalty programs and discounts granted for hardware amounting to TEUR 76,041 (2019: TEUR 69,867) are included in the multiple-element calculation and are therefore presented net in 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	2020	2019
At January 1	**127,502**	144,910
Increases	214,149	234,836
Transfers to receivables	-231,633	-252,395
Foreign currency adjustments	-218	151
At December 31	**109,800**	127,502
Loss allowances	-2,955	-3,297
Contract assets, net	**106,845**	124,205
Thereof remaining term of more than one year	46,406	45,648

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, 2019	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**
Additions	266,848	6,615	22,078	119,404	101,572	516,517
Disposals	-232,563	-4,020	-47,259	-1,177	-2,488	-287,507
Transfers	314,984	3,272	6,820	-227,349	-108,939	-11,213
Translation adjustment	-85,042	-9,335	-18,732	-6,909	-979	-120,996
Changes in reporting entities	1,777	0	418	45	0	2,241
At December 31, 2020	**10,848,397**	**921,256**	**412,812**	**215,263**	**104,282**	**12,502,010**
Accumulated depreciation and impairment						
At January 1, 2019	-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**
Additions	-454,445	-19,351	-43,018	0	-852	-517,666
Disposals	216,430	1,832	46,472	0	1,070	265,805
Transfers	139	-69	-69	0	0	1
Translation adjustment	52,038	2,730	12,272	0	263	67,304
Changes in reporting entities	-1,287	0	-310	0	0	-1,597
At December 31, 2020	**-8,680,424**	**-707,677**	**-326,546**	**0**	**-34,218**	**-9,748,865**
Carrying amount at						
December 31, 2020	2,167,973	213,579	86,266	215,263	70,063	2,753,145
December 31, 2019	2,089,095	231,903	107,594	331,249	80,416	2,840,257

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, 2020, the carrying amount of land amounted to TEUR 60,054 (2019: TEUR 60,072).

In 2020, government grants for assets totaling TEUR 33,030 (2019: TEUR 37,379) were deducted from acquisition cost and relate essentially to the expansion of the broadband network in Austria and to an investment grant of TEUR 418, which was introduced as an incentive for business investments in Austria in 2020 due to the COVID-19 crisis.

At December 31, 2020, contractual commitments for the acquisition of property, plant and equipment amount to TEUR 159,428 (2019: TEUR 179,439).

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	2020	2019
Decrease due to extension by one year	96,560	95,628
Increase due to reduction by one year	163,163	154,171

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Advances/ construction in progress	Total
Cost						
At January 1, 2019	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**
Additions	68,075	893	45,073	79	58,525	172,645
Disposals	-13,052	-589	-89,113	0	-499	-103,254
Transfers	1,465	1,610	52,253	-36	-44,079	11,213
Translation adjustment	-34,555	-16,730	-22,955	-61,690	-2,205	-138,135
Changes in reporting entities	243	459	2	2,450	0	3,154
At December 31, 2020	**2,300,166**	**556,992**	**1,195,872**	**1,015,014**	**110,911**	**5,178,955**
Accumulated amortization and impairment						
At January 1, 2019	-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**
Additions	-131,485	-2,888	-106,517	-15,780	0	-256,669
Disposals	12,728	0	79,119	0	0	91,847
Transfers	0	0	-1	0	0	-1
Translation adjustment	15,933	16,740	19,999	60,326	0	112,999
At December 31, 2020	**-1,152,695**	**-385,663**	**-993,353**	**-969,221**	**0**	**-3,500,932**
Carrying amount at						
December 31, 2020	1,147,472	171,329	202,518	45,792	110,911	1,678,023
December 31, 2019	1,228,121	171,834	224,657	60,443	99,169	1,784,224

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	5-14

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, LTE and 5G) 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. At December 31, 2020, the total cost incurred for the major license agreements, which will expire between 2023 and 2044 (2019: 2020 and 2035), amounted to TEUR 2,126,639 (2019: TEUR 2,079,453).

In 2020, A1 Telekom Austria Group acquired spectrum in Austria for TEUR 65,816 which will be used for the new 5G network. A1 acquired at auction 30 MHz in the new 1.5 GHz band and increased its share in the 2.1 GHz band from 20 MHz to 25 MHz. In addition, a commitment was made to supply 349 highly rural communities. Thus an additional contribution was made to further strengthen rural areas. The new licenses are valid from October 2020 and January 1, 2021, respectively, until December 31, 2044.

In 2019, A1 Telekom Austria Group acquired a 3.5 GHz band spectrum in Austria for TEUR 64,398, which is 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 corresponded 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	
2021	258,330
2022	215,680
2023	183,623
2024	152,818
2025	99,602
Thereafter	607,093

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	2020	2019
Decrease due to extension by one year	47,295	49,688
Increase due to reduction by one year	80,387	72,955

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, 2019	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**
Amortization	0	0	0	0	0	0	0
Translation adjustment	0	0	0	0	0	10	10
Changes in reporting entities	0	0	0	0	0	459	459
At December 31, 2020	**158,351**	**0**	**0**	**0**	**0**	**2,525**	**160,876**

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 until the third quarter of 2019, 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 amounts of brand names by segment).

The following table shows the recognized brand names:

in TEUR, at December 31	2020	2019
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	**158,351**	158,351
Exoscale	2,066	2,056
Invenium	459	0
Total Corporate & Other	**2,525**	2,056
Total brand names	**160,876**	160,407
Thereof with indefinite useful lives	160,876	160,407

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 and interest 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	2020	2019
Cost of production	66,926	69,439
Accumulated amortization	-48,858	-48,895
Carrying amount	18,068	20,544
Additions	3,166	2,479

In 2020 and 2019, transfers include reclassifications of advances/construction in progress to tangible and intangible assets.

At December 31, 2020, contractual commitments for the acquisition of intangible assets amounted to TEUR 51,229 (2019: TEUR 35,446).

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 recoverable amount. 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	Corporate & Other	Total
At January 1, 2019	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**
Translation adjustment	0	0	-1,645	-3,692	0	-102	39	-5,400
Acquisitions	0	0	0	0	2,699	0	7,865	10,564
At December 31, 2020	**708,212**	**242,691**	**125,653**	**10,713**	**150,723**	**29,963**	**16,055**	**1,284,010**

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	2020	2019
Segment Austria	712,232	712,232
Segment Bulgaria	642,691	642,691
Segment Croatia	130,675	132,386
Segment Belarus	341,733	460,194
Segment Slovenia	178,647	175,948
Segment North Macedonia	35,057	35,176
Corporate & Other	16,055	8,151
Total cost	2,057,091	2,166,777

in TEUR, at December 31	2020	2019
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,022	5,088
Segment Belarus	331,021	445,789
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,094	5,111
Accumulated impairment	773,081	887,932

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.

In 2020, the value in use was calculated including the application of IFRS 16, while in 2019 it was calculated excluding the application of IFRS 16: For this purpose, the depreciation of the right-of-use assets and the interest expense on lease liabilities for 2019 were reclassified to cost and expenses, which largely corresponded to the cash outflow. Lease liabilities were not included in net debt in 2019. The carrying amount of the cash-generating unit did not contain effects from the application of IFRS 16 in 2019.

The following parameters, which take into account the impact of COVID-19 (see Note (3)), were used to calculate the value in use:

	Growth rates perpetual annuity		Pre-tax interest rates	
	2020	2019	2020	2019
Segment Austria	0.7%	0.9%	4.6%	5.8%
Segment Bulgaria	2.0%	3.4%	6.7%	6.9%
Segment Croatia	1.5%	1.8%	8.4%	8.5%
Segment Belarus	6.1%	5.5%	17.0%	14.8%
Segment Slovenia	1.5%	1.1%	6.1%	6.8%
Segment North Macedonia	2.2%	2.6%	9.0%	8.8%
Corporate & Other	0.7%	0.9%	4.6%	5.8%

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.

The calculated value in use is compared with the carrying amount of the cash-generating units (including goodwill). 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.

If the value in use is lower than the carrying amount of the cash-generating unit, an impairment charge is recognized in profit or loss. 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.

At both December 31, 2020 and 2019, the values in use of all cash-generating units exceeded the carrying amounts, thus no impairment charges had to be recognized. The sensitivity analysis discloses the effect of changes in significant parameters which would cause the carrying amount to exceed the value in use.

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, 2020 and 2019:

Pre-tax interest rates	2020	2019
Segment Austria	9.8%	11.8%
Segment Bulgaria	15.4%	14.5%
Segment Croatia	11.7%	10.9%
Segment Belarus	30.9%	38.4%
Segment Slovenia	8.7%	8.1%
Segment North Macedonia	12.7%	14.2%
Corporate & Other	9.8%	11.8%

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, 2020 and 2019 with respect to the key markets:

2020	Revenues	Costs	Capital expenditures
Segment Austria	-10.0%	19.0%	49.3%
Segment Bulgaria	-13.7%	29.9%	66.2%
Segment Croatia	-4.5%	8.3%	20.3%
Segment Belarus	-13.3%	35.6%	58.3%
Segment Slovenia	-7.0%	13.8%	45.3%
Segment North Macedonia	-7.9%	16.8%	40.7%
Corporate & Other	-9.4%	11.8%	103.7%
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%
Corporate & Other	-12.9%	15.9%	242.8%

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

(18) Assets Held for Sale/Investments in Associates

On July 21, 2020, the stake of 24.9% in Telecom Liechtenstein was sold for a consideration paid in cash of TEUR 19,543. The resulting loss of TEUR 11,560 was recognized in the line item "Equity interest in net income of associated companies". As the ordinary termination option contained in the syndicate agreement had been exercised, the investment in associates was accounted for according to the equity method for the last time at August 31, 2019 and was reclassified to assets held for sale in the segment Corporate & Other.

The following table shows the difference between the investment in associates and its proportionate equity as well as the translation reserve resulting from the foreign exchange translation of the proportionate equity for the last time of accounting according to the equity method. The reserve was released in profit or loss at the time of the sale and is recognized in the line item “Equity interest in net income of associated companies”:

in TEUR, at December 31	2019
Proportionate equity	15,294
Goodwill	10,882
Purchase price allocation	7,300
Reclassification to assets held for sale	-33,476
Investments in associates	0
Translation reserve	2,373

At January 1, 2019, Telecom Liechtenstein AG was the only investment in associates accounted for using the equity method. The following table provides its development:

in TEUR	2019
At January 1	33,188
Recognized income	-443
Translation adjustment	731
Reclassification to assets held for sale	-33,476
At December 31	0

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

(19) Investments

in TEUR, at December 31	2020	2019
Equity instruments at fair value through profit or loss - mandatory	5,091	6,791
Debt instruments at fair value through other comprehensive income - mandatory	2,550	2,556
Debt instruments at fair value through profit or loss - mandatory	1,534	1,699
Investments at amortized cost	168,071	3,271
Investments	**177,246**	14,317

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, therefore the calculation of expected credit losses resulted in an insignificant amount, which 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 pension obligations in Austria.

Financial assets at amortized cost include fixed-term deposits. The calculation of expected credit losses resulted in an insignificant amount which was not recognized (see also “Credit risk” in Note (33)). At December 31, 2020, TEUR 3,175 (2019: TEUR 3,196) serve 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	2020	2019
Finance lease receivables	2,994	2,941
Other financial assets	16,841	17,363
Financial assets	**19,835**	20,305
Other non-financial assets	**8,901**	9,129
Other non-current assets, gross	**28,735**	29,433
Less loss allowance for financial assets	-3,673	-2,252
Other non-current assets	**25,062**	27,181

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 the reimbursement of frequency fees as a result of the reduction in fees in Croatia.

Other non-financial assets include essentially prepayments for maintenance agreements and license fees.

(21) Short-term Debt

in TEUR, at December 31	2020	2019
Current portion of long-term debt	749,039	0
Short-term debt	22	0
Multi-currency notes program	0	123,000
Short-term debt	**749,061**	**123,000**

For further information regarding long-term financial debt, see Note (25). 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	2020	2019
Fiscal authorities	68,563	66,131
Social security	11,779	10,572
Employees	29,413	41,390
Long-term incentive program	690	843
Employees - transferred to government	41	144
Government	177	151
Other non-financial liabilities	5,426	4,912
Current non-financial liabilities	**116,089**	**124,144**
Suppliers	504,805	714,027
Accrued interest	29,990	41,289
Cash deposits received	11,129	10,483
Other current financial liabilities	23,760	19,519
Current financial liabilities	**569,685**	**785,318**
Accounts payable	**685,774**	**909,461**

Liabilities due to fiscal authorities include mainly 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. The decrease is due to the consumption of vacation in 2020. 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, 2020, accounts payable - trade amounting to TEUR 1,705 (2019: TEUR 5,628) have a maturity of more than twelve months. The reduction in accounts payable due to suppliers is due essentially to the reduction in capital expenditures (see table “reconciliation of capital expenditures paid to capital expenditures” in Note (32)) as well as the reduction in roaming (see Note (5)). 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 2020 and 2019, other current financial liabilities include mainly customer deposits related to vouchers for shopping and parking.

(23) Accrued Liabilities and Provisions, Asset Retirement Obligation and Restructuring

in TEUR	Restructuring	Employees	Asset retirement obligation	Legal	Other	Total
At January 1, 2020	420,022	103,212	260,807	10,506	26,847	821,393
Additions	87,914	40,400	7,279	7,670	4,674	147,937
Changes in estimate	10,680	0	17,386	0	0	28,065
Used	-98,394	-37,046	-2,462	-343	-4,496	-142,741
Released	-18,818	-9,197	-1,189	-163	-5,546	-34,913
Accretion expense	2,119	836	2,239	0	0	5,194
Reclassifications*	0	11,255	0	0	0	11,255
Translation adjustment	0	-424	-3,222	-35	-135	-3,815
Changes in reporting entities	0	38	0	0	12	50
At December 31, 2020	**403,522**	**109,075**	**280,838**	**17,634**	**21,355**	**832,426**
Thereof long-term						
December 31, 2020	305,180	0	280,838	0	0	586,018
December 31, 2019	321,180	0	260,807	0	0	581,987

* Reclassifications to current liabilities and short-term portion of employee benefit obligations.

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 2020, 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, 2020, the corresponding liability amounts to TEUR 395,425 (2019: TEUR 410,361) and includes 1,889 (2019: 1,886) employees.

Provisions for restructuring are recorded at their present value. In 2020 and 2019, 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 presents the discount rates used, which are determined on the basis of the yields of senior, fixed-interest industry bonds in 2020, respectively based on the Mercer Yield Curve Approach in 2019, both taking into account the respective maturities:

	2020	2019
Employees permanently leaving the service process	0.25%	0.75%
Social plans	0.25%	0.50%
Civil servants transferred to the government	0.25%	0.75%

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, 2020, the provision for the transfer of civil servants to the government amounts to TEUR 8,097 (2019: TEUR 9,661) and comprises 113 (2019: 128) employees. 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:

	2020	2019
Employees permanently leaving the service process	6.0	6.5
Social plans	3.2	3.3
Civil servants transferred to the government	5.4	5.8

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
2020		
Change in discount rate	-12,407	13,192
Change in rate of compensation	10,198	-9,810

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

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 29,845 at December 31, 2020 (2019: TEUR 36,026), 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:

	2020	2019
Discount rate	0.0%-11.0%	0.5%-8.5%
Inflation rate	1.5%-5.0%	1.5%-4.5%

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 2020, TEUR 2,416 (2019: TEUR 4,334) 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
2020		
Change in discount rate	-29,839	36,186
Change in inflation rate	35,376	-29,836
in TEUR at December 31		
2019		
Change in discount rate	-28,059	30,141
Change in inflation rate	29,561	-28,146

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.

(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. As contract liabilities are expected to be realized as part of A1 Telekom Austria Group's normal operating cycle, they are classified as current.

The following table shows the development of contract liabilities:

in TEUR	2020	2019
At January 1	**173,954**	160,160
Increases due to payments received	1,124,561	1,057,419
Revenues recognized in the current period from:		
Amounts included in the contract liability at beginning of the period	-142,247	-137,129
Increases due to payments received in current period	-966,835	-906,494
Foreign currency adjustments	-774	-2
At December 31	**188,658**	173,954
Thereof remaining term of more than one year	21,613	19,820

At December 31, 2020 and 2019, 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, 2020				At December 31, 2019			
Currency	Maturity	Nominal interest rate		Face value	Carrying amount	Nominal interest rate		Face value	Carrying amount
Bonds									
TEUR	2021	fixed	3.125%	750,000	749,039	fixed	3.125%	750,000	747,995
TEUR	2022	fixed	4.000%	750,000	748,545	fixed	4.000%	750,000	747,387
TEUR	2023	fixed	3.500%	300,000	299,364	fixed	3.500%	300,000	299,109
TEUR	2026	fixed	1.500%	750,000	745,794	fixed	1.500%	750,000	745,084
Total bonds				**2,550,000**	**2,542,742**			2,550,000	2,539,575
Financial debt				**2,550,000**	**2,542,742**			2,550,000	2,539,575
Current portion of long-term debt				-750,000	-749,039			0	0
Long-term debt				**1,800,000**	**1,793,703**			2,550,000	2,539,575

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	2020	2019
Cash deposits received	754	754
Deferred consideration from business combinations	7,053	1,179
Sundry other non-current financial liabilities	44,775	60,558
Other non-current financial liabilities	**52,582**	62,491
Long-term incentive program	892	1,225
Sundry other non-current non-financial liabilities	427	2,015
Other non-current non-financial liabilities	**1,319**	3,239
Other non-current liabilities	53,901	65,730

At December 31, 2020, the deferred consideration from business combinations relates to the acquisition of Invenium in 2020 and to the acquisition of Akenes in 2017 (2019: Akenes only), see Note (34) and table “Development of total liabilities from financing activities” in Note (32). Sundry other financial liabilities primarily include liabilities from the acquisition of rights and licenses (see Note (16)).

See Note (31) regarding the long-term incentive program. The decrease in other non-financial liabilities is due to the fact that pension contribution liabilities at December 31, 2020 are current.

(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 obligations.

All other obligations are unfunded defined benefit plans and are measured using the projected unit credit method in accordance with IAS 19.

in TEUR, at December 31	2020	2019
Service awards	55,415	59,414
Severance	169,904	155,366
Pensions	5,469	5,181
Other	726	169
Long-term employee benefit obligations	**231,513**	220,130

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:

	2020	2019
Discount rate service awards	0.25%	0.75%
Discount rate severance	0.75%	1.25%
Discount rate pensions	0.50%	1.00%
Rate of compensation increase – civil servants	4.10%	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%-1.31%	0.0%-1.38%

* Depending on years of service.

In 2020, the discount rates were determined on the basis of the yields of senior, fixed-interest industry bonds and a duration corresponding to the expected maturities of the defined benefit obligations. In 2019, the discount rates were determined on the basis of 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:

	2020	2019
Service awards	4.8	5.2
Severance	13.5	14.1
Pensions	11.5	10.1

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 for employees who leave employment prematurely. 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	2020	2019
At January 1	66,092	69,811
Service cost	1,874	2,012
Interest cost	476	836
Actuarial gain/loss from experience adjustments	-365	-1,046
Actuarial gain/loss from changes in demographic assumptions	-11	-6
Actuarial gain/loss from changes in financial assumptions	825	1,677
Recognized in profit or loss	2,798	3,472
Benefits paid	-6,171	-7,191
Obligation at December 31	62,719	66,092
Less short-term portion	-7,304	-6,678
Non-current obligation	55,415	59,414

At December 31, 2020 and 2019, less than 1% of the non-current defined benefit obligation for service awards relate to foreign subsidiaries.

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. In 2020, A1 Telekom Austria Group paid TEUR 2,705 (2019: TEUR 2,548), 1.53% of the salary or wage, into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG).

Defined benefit plans

Severance benefit obligations for employees, whose employment commenced before January 1, 2003, excluding civil servants, are covered by defined benefit plans. Upon termination of employment by A1 Telekom Austria Group or upon retirement, eligible employees receive severance payments. Depending on their time in service, their severance amounts to a multiple of their monthly basic compensation plus variable components such as overtime or bonuses, up to 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	2020	2019
At January 1	158,770	138,054
Service cost	4,405	4,503
Interest cost	1,947	2,719
Recognized in profit or loss	6,351	7,222
Actuarial gain/loss from experience adjustments	694	680
Actuarial gain/loss from changes in demographic assumptions	93	133
Actuarial gain/loss from changes in financial assumptions	11,166	15,490
Recognized in other comprehensive income	11,953	16,303
Benefits paid	-3,438	-2,813
Foreign currency adjustments	0	4
Other	-3,439	-2,809
Obligation at December 31	173,636	158,770
Less short-term portion	-3,732	-3,405
Non-current obligation	169,904	155,366

At December 31, 2020, approximately 4% (2019: 4%) 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% of gross salaries that A1 Telekom Austria Group made in 2020 to the social security system and the government in Austria amount to TEUR 60,173 (2019: TEUR 61,895). In 2020, contributions of the foreign subsidiaries into the respective systems range between 7% and 29% of gross salaries and amount to TEUR 24,542 (2019: TEUR 24,619).

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%. In 2020, the annual expenses for this plan amounted to TEUR 12,060 (2019: TEUR 13,063).

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, 2020, approximately 20% (2019: 10%) 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	2020	2019
At January 1	5,583	5,624
Service cost	38	48
Interest cost	53	91
Recognized in profit or loss	91	140
Actuarial gain/loss from experience adjustments	271	-104
Actuarial gain/loss from changes in financial assumptions	295	334
Recognized in other comprehensive income	566	230
Benefits paid	-387	-428
Foreign currency adjustments	-3	18
Other	-389	-410
Obligation at December 31	5,851	5,583
Less short-term portion	-382	-402
Non-current obligation	5,469	5,181

Sensitivity analysis

The following table summarizes the short and long-term obligations recorded:

in TEUR, at December 31	2020	2019
Service awards	62,719	66,092
Severance	173,636	158,770
Pensions	5,851	5,583

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
2020		
Service awards	1,532	-1,474
Severance	12,183	-11,182
Pensions	574	-501
in TEUR, at December 31		
2019		
Service awards	1,747	-1,677
Severance	11,571	-10,590
Pensions	313	-283

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
2020		
Service awards	-2,781	2,937
Severance	-21,050	24,413
Pensions	-490	564
in TEUR, at December 31		
2019		
Service awards	-3,176	3,371
Severance	-20,148	23,519
Pensions	-447	516

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
2020		
Service awards	21	-1,485
Severance	5,064	-5,803
Pensions	5	-5
in TEUR, at December 31		
2019		
Service awards	14	-1,711
Severance	5,014	-5,968
Pensions	3	-3

For pensions, the fluctuation is only applied to beneficiaries not yet 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

At December 31, 2020 and 2019, the common stock of Telekom Austria AG amounts to TEUR 1,449,275, and is divided into 664.5 million bearer shares. At December 31, 2020 and 2019, 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 operative risks as well as liquidity coverage requirements. On December 31, 2020 and 2019, these requirements were fulfilled.

The number of authorized, issued and outstanding shares and treasury shares is presented below:

At December 31	2020	2019
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 declared by the shareholders at the Annual General Meeting and distributed by Telekom Austria AG:

	2020	2019
Date of Annual General Meeting	September 24, 2020	May 29, 2019
Dividend per share in euro	0.23	0.21
Total dividend paid in TEUR	152,740	139,458
Date of payment	October 2, 2020	June 7, 2019

The net income of Telekom Austria AG according to Austrian GAAP amounts to:

in TEUR	2020	2019
Net income	-32,072	438,342
Release of reserves reported in retained earnings	246,194	0
Allocation to reserves reported in retained earnings	0	-215,148
Profit carried forward from prior year	174,702	104,248
Unappropriated retained earnings	388,824	327,442

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 EUR 0.25 per share from unappropriated retained earnings. The Management Board and the Supervisory Board will continuously evaluate the further development of the COVID-19 pandemic in terms of its financial and general business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.

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 at December 31	2020	2019
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.

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 possibly existing tax risks 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	2020	2019
Current income tax	50,340	84,004
Deferred income tax	71,687	70,160
Income tax	**122,027**	**154,164**

The table below provides information about the allocation of total income tax in the Consolidated Financial Statements:

in TEUR	2020	2019
Continuing operations	122,027	154,164
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	8	9
Income tax on remeasurement of defined benefit obligations*	-3,035	-3,986
Effect of initial application of IFRS 16**	0	57
Total income tax	**120,460**	**151,704**

* Recognized in other comprehensive income (OCI).
** For IFRS 16, see Note (3) to the Consolidated Financial Statements 2019.

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 earnings before income tax:

in TEUR	2020	2019
Income tax expense at statutory rate	127,713	120,401
Foreign tax rate differential	-30,778	-23,863
Non-tax-deductible expenses	9,944	11,944
Tax incentives and tax-exempted income	-5,944	-7,189
Tax-free income (loss) from investments	-76	-61
Change in tax rate	1,272	0
Tax benefit/expense prior periods	-9,905	14,357
Changes in deferred tax assets not recognized	9,107	1,531
Impairments (reversals of impairments) of investments in subsidiaries	19,825	37,743
Other	868	-699
Income tax	**122,027**	**154,164**
Effective income tax rate	23.89%	32.01%

In 2020 and 2019, 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 expense on taxes is also included, as this is 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. In 2020, the tax effect of interest income on taxes is included, as this is not subject to taxation (see Note (7)). Furthermore, both years reported 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 2020 and 2019, there are no taxable differences in this respect.

The change in tax rate is due to an increase in corporate income tax from 18% to 30% for mobile operators in Belarus for the years 2021 and 2022.

In 2020, the tax benefit for prior periods relates to the tax benefit for the tax audit in Bulgaria, explained below, and to the tax expense for a tax audit of the Austrian tax group covering the years 2010 to 2015. In 2019, the tax expense for prior periods related essentially 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 amortization of brand name and customer base to be tax deductible and also 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 disallowed both amortization of brand name and customer base for tax purposes in 2010. Following the decision for the year 2010, taxes and interest on tax related to the customer base for the years 2011 and 2012, which were not finally assessed, were additionally accrued, which resulted in a tax expense for prior periods in 2019. In February 2020, the Supreme Court decided conclusively for the year 2012 that the amortization of the customer base was tax deductible. In June 2020, the Supreme Court decided for the year 2011 that the amortization of both brand name and customer base was tax deductible. These decisions resulted in a tax benefit for prior periods and in income related to interest on taxes in 2020 as the accrual for tax and interest on tax related to the customer base for the years 2011 and 2012 and to the brand name for the year 2011 was released.

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. 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 2020	2019	Deferred tax liabilities 2020	2019
Loss carry-forwards	105,662	168,642	0	0
Impairments of investments	0	10,712	0	0
Property, plant and equipment	3,273	3,591	-50,042	-42,940
Right-of-use assets	0	0	-144,613	-157,733
Other intangible assets	30	37	-72,205	-77,493
Accounts receivable: Subscribers, distributors and other	9,250	8,513	-565	-538
Contract cost	0	0	-7,412	-7,522
Lease liabilities	147,029	158,950	0	0
Provisions, long-term	52,167	50,085	0	0
Employee benefit obligations	33,459	30,820	0	0
Accrued liabilities and accounts payable	17,813	19,175	-80	-8
Other	3,477	3,132	-4,829	-5,135
Total	**372,160**	453,657	**-279,747**	-291,370
Set off	-275,672	-284,717	275,672	284,717
Deferred tax assets/liabilities	**96,487**	168,940	**-4,074**	-6,653
Net deferred tax assets/liabilities	**92,413**	162,287		

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.

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 amounts of retirement obligations for assets (see Note (23)) as well as to increases in carrying amounts 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	2020	2019
Net operating loss carry-forwards	381,615	381,991
Temporary differences related to impairments of investments in consolidated subsidiaries	2,593	26,571
Deferred tax assets not recognized	384,208	408,562

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 operating results, no future taxable income is expected and thus a realization in the detailed planning period and thereafter is unlikely, although the loss carry-forwards can be carried forward indefinitely.

At December 31, 2020, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 65,236 (2019: TEUR 64,463), 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 Telecommuni-cation 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
Additions	36,011	53,209	8,621	46,055	143,896
Disposals	-15,167	-37,523	-2,738	-14,931	-70,360
Translation adjustment	-3,010	-11,720	-240	-545	-15,515
At December 31, 2020	**407,035**	**553,795**	**32,793**	**160,478**	**1,154,101**
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
Additions	-46,419	-83,205	-8,875	-25,015	-163,515
Disposals	2,576	5,631	2,183	2,172	12,563
Translation adjustment	939	2,977	102	33	4,052
At December 31, 2020	**-88,402**	**-155,414**	**-14,107**	**-43,100**	**-301,023**
Carrying amount at					
December 31, 2020	318,633	398,381	18,686	117,378	853,078
December 31, 2019	343,705	469,012	19,632	109,609	941,957

In addition to 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	2020	2019
Lease principal paid	153,802	149,482
Lease interest paid	15,225	16,643
Prepaid right-of-use assets	8,641	4,741
Leases operating expense	4,642	9,714
Total cash outflow for leases	**182,311**	180,580

In 2020, operating leasing expense was reduced due to COVID-19-Related Rent Concessions by TEUR 732. These relate mainly to shops that were obliged to stay closed during the COVID-19 lockdown as well as to office premises (see Note (3)).

The following table provides a maturity analysis of lease liabilities:

in TEUR at December 31	2020	2019
2020	n.a.*	162,695
2021	165,408	152,982
2022	152,377	143,865
2023	141,125	135,431
2024	127,423	124,165
2025	115,994	n.a.*
Thereafter	199,939	286,030
Total minimum lease payments	**902,266**	1,005,168
Less amount representing interest	–47,333	–64,324
Present value of lease payments	**854,933**	940,844
thereof short-term portion	154,374	152,621
thereof long-term portion	700,559	788,222

*not applicable for the respective reporting period

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	2020	2019
Short-term leases	1,317	1,950
Leases of low-value assets	118	84
Variable lease payments	3,207	7,680

Interest recognized is disclosed in Note (7).

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 A1 Telekom Austria Group has no significant options for other leases in its portfolio. Some lease contracts are subject to restrictions, as the approval of the lessor is needed to sublease the leased asset or to extend an existing lease asset. However, this has no impact on current business operations.

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, 2020, the carrying amount of assets held exclusively under finance lease amounts to TEUR 18,327 (2019: TEUR 19,719). Furthermore, lease revenues are generated by renting out parts of buildings and telecommunication sites, e.g. mobile sites. The share in these leased out items of property, plant and equipment is not reported separately, thus their carrying amount is not included in the amounts disclosed above (see Note (15)).

Payments under operating leases are recognized as revenue on a straight-line basis over the terms of the contracts and amount to:

in TEUR at December 31	2020	2019
2020	n.a.*	22,336
2021	24,139	16,990
2022	17,048	17,192
2023	14,188	12,621
2024	12,377	7,272
2025	5,589	n.a.*
Thereafter	18,134	14,962
Total minimum lease payments	**91,474**	**91,372**

*not applicable for the respective reporting period

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 at December 31	2020	2019
2020	n.a.*	1,749
2021	1,727	1,374
2022	1,408	984
2023	1,003	734
2024	696	100
2025	13	n.a.*
Thereafter	47	34
Total minimum lease payments	**4,894**	**4,975**
Less amount representing interest	-316	-285
Present value of finance lease receivables	**4,578**	**4,690**
thereof short-term portion	1,584	1,749
thereof long-term portion	2,994	2,941
Loss allowances	90	90

*not applicable for the respective reporting period

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.

The members of the Management Board of Telekom Austria AG (see Note (36)) are the participants of this program. They are required to invest an amount depending on the annual gross basic salaries 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 August 1, 2020, the eleventh tranche (LTI 2020) was granted. Return on invested capital ("ROIC", weighted with 34%), the market revenue share of A1 Telekom Austria Group (weighted with 33%) and sustainable financing (long-term financing in the years 2020 to 2022 under a green bond or sustainable finance certificate, weighted with 33%) were defined as key performance indicators.

On September 1, 2018, the ninth tranche (LTI 2018) and on August 1, 2019, the tenth tranche (LTI 2019) were 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.

On June 1, 2017, the eighth tranche (LTI 2017) was granted. 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. The actual performance and the bonus shares allocated are summarized in the subsequent table; the settlement was effected in cash.

The following table summarizes the significant terms and conditions for the tranche settled this year and for each tranche not yet settled:

	LTI 2020	LTI 2019	LTI 2018	LTI 2017
Start of the program	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Grant date	August 1, 2020	August 1, 2019	September 1, 2018	June 1, 2017
End of vesting period	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Vesting date	August 1, 2023	August 1, 2022	September 1, 2021	June 1, 2020
Personal investment at grant date	75,770	77,618	58,719	54,271
Personal investment at reporting date*	75,770	77,618	58,719	54,271
Expected performance**	99.10%	94.80%	97.10%	71.20%
Expected bonus shares***	150,176	147,164	114,032	0
Maximum bonus shares***	265,195	271,663	205,517	0
Fair value of program in TEUR	879	898	690	0
Allocated bonus shares	0	0	0	77,281
Average stock price at end of vesting period in euro	0	0	0	7.08
Share-based compensation in TEUR	0	0	0	547

* For LTI 2017, personal investment at the end of the vesting period.
** For LTI 2017, 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:

in TEUR	2020	2019
Personnel expense LTI	62	1,003

(32) Cash Flow Statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2020 and 2019 result from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2020 and 2019 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 2020 and 2019 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2020, cash and cash equivalents acquired in the course of business combinations amounted to TEUR 192 (2019: TEUR 182), (see Note (34)).

The following table provides a reconciliation of capital expenditures paid to total capital expenditures:

in TEUR	2020	2019
Capital expenditures paid	**742,530**	873,872
Reconciliation of additions in accounts payable	-79,763	13,898
Reconciliation of government grants	-2,690	-3,214
Reconciliation of right-of-use assets paid	-8,641	-4,741
Total capital expenditures	**651,435**	879,816

For the definition of capital expenditures, see Note (1). At December 31, 2020, TEUR 67,261 (2019: TEUR 180,831) 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 up to the commencement date of the lease and are reported in the cash flow from investing activities.

The following tables show the development of the total liabilities from financing activities (see Notes (21), (25) and (30)):

			Non-cash changes				
in TEUR	December 31, 2020	Cash flow	Foreign exchange differences	Accretion expense	Lease*	Additions	January 1, 2020
Debt	2,542,764	-119,812	0	0	0	1	2,662,575
Lease liabilities	854,933	-169,027	-9,068	14,914	77,270	0	940,844
Deferred consideration from business combinations	7,053	0	5	32	0	5,837	1,179
Total liabilities from financing activities	**3,404,750**	**-288,839**	**-9,063**	**14,946**	**77,270**	**5,838**	**3,604,598**

in TEUR	December 31, 2019						January 1, 2019
Debt	2,662,575	-118,842	0	0	0	0	2,781,417
Lease liabilities	940,844	-166,125	1,339	17,494	85,109	0	1,003,026
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

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts. The effect from the initial adoption of IFRS 16 is included in the opening balance 2019 (see Note (3) to the Consolidated Financial Statements 2019).

In 2020, additions to debt and to deferred consideration from business combinations relate to the acquisition of Invenium (see Note (34)). The following table discloses the payments in 2019 (see Notes (26) and (34)):

in TEUR	2019
Deferred consideration paid for Akenes	-2,232
Deferred consideration paid for Metronet	-1,271
Deferred consideration paid for business combinations	-3,503

(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, investments, 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 and fair value hierarchy 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. Fair values are not disclosed in case the carrying amount is a reasonable approximation of the fair value:

in TEUR, at December 31	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Cash and cash equivalents	210,879	n.a.*	140,293	n.a.*
Accounts receivable: Subscribers, distributors and other	782,628	n.a.*	873,048	n.a.*
Receivables due from related parties	495	n.a.*	920	n.a.*
Other current financial assets	3,990	n.a.*	5,575	n.a.*
Other non-current financial assets	16,161	n.a.*	18,053	n.a.*
Investments at amortized cost	168,071	n.a.*	3,271	n.a.*
Financial assets at amortized cost	**1,182,224**	**n.a.***	1,041,160	n.a.*
Equity instruments at fair value through profit or loss - mandatory	5,091	5,091	6,791	6,791
Debt instruments at fair value through other comprehensive income - mandatory	2,550	2,550	2,556	2,556
Debt instruments at fair value through profit or loss - mandatory	1,534	1,534	1,699	1,699
Financial assets at fair value	**9,175**	**9,175**	11,046	11,046

* 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, 2020				
Financial assets measured at fair value	8,156	1,019	0	9,175
At December 31, 2019				
Financial assets measured at fair value	9,862	1,184	0	11,046

in TEUR, at December 31	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Liabilities to financial institutions	22	22	0	0
Bonds	2,542,742	2,709,357	2,539,575	2,748,776
Multi-currency notes program	0	0	123,000	123,035
Accounts payable - trade	504,805	n.a.*	706,955	n.a.*
Accrued interest	29,990	n.a.*	41,289	n.a.*
Payables due to related parties	181	n.a.*	608	n.a.*
Other current financial liabilities	34,890	n.a.*	37,074	n.a.*
Other non-current financial liabilities	52,582	52,447	62,491	62,437
Financial liabilities at amortized cost	**3,165,212**	**n.a.***	**3,510,991**	**n.a.***
Lease liabilities	**854,933**	**n.a.***	**940,844**	**n.a.***

* 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. The fair values of other non-current financial liabilities are measured at the present value of their cash flows based on current discount rates. Thus, these financial liabilities are 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 did not have any significant concentration of business transacted with a particular supplier or customer or creditor 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 financial institutions with appropriate credit standings and its financial 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 is performed on the basis of quantitative ratios. Therefore, no exposure to a significant credit risk was identified for financial investments and cash and cash equivalents.

The carrying amount of financial investments and cash and cash equivalents represents the maximum credit risk exposure (see Notes (9) and (19)):

in TEUR, at December 31	2020	2019
Financial investments	177,246	14,317
Cash and cash equivalents	210,879	140,293
Carrying amount	388,124	154,610

Accounts receivable: Subscribers, distributors, contract assets and other financial assets

A1 Telekom Austria Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or group of customers. Within the framework of the applicable legal regulations, each new customer is analyzed individually for creditworthiness. Credit risk or the risk of late payment by contractual partners is monitored via credit checks, credit limits and routine controls. Due to the large number of customers and the high level of diversification of the portfolios, the default of any single customer would not have a significant impact (low concentration risk) on the Consolidated Financial Statements. Within A1 Telekom Austria Group, operative credit risk management functions are performed at the operating company level.

The maximum exposure to credit risk for accounts receivable: subscribers, distributors and other, net, as well as financial assets and contract assets equals their carrying amounts (see Notes (10), (13), (20) and (14)):

in TEUR, at December 31	2020	2019
Accounts receivable: Subscribers, distributors and other	782,628	873,048
Financial assets	20,151	23,627
Contract assets	106,845	124,205
Carrying amount	909,625	1,020,880

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	2020	2019
Cash deposits	11,883	11,237
Bank guarantees	2,954	3,693

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 an allowance matrix to determine the lifetime expected credit losses on accounts receivable: subscribers, distributors and other as well as contract assets. The following table shows the total gross carrying amounts ("Gross") and the average expected credit losses ("ECL") for accounts receivable: subscribers, distributors and other measured by using the allowance matrix:

in TEUR, at December 31	Gross 2020	ECL 2020	Gross 2019	ECL 2019
unbilled & billed, not yet due	715,800	21,878	777,227	15,586
Past due 0-30 days	49,005	5,538	61,317	5,350
Past due 31-60 days	16,706	5,430	19,644	5,958
Past due 61-90 days	10,925	4,401	9,653	4,252
More than 90 days	264,460	237,021	259,656	223,302
Total	**1,056,895**	**274,267**	1,127,497	254,448

A1 Telekom Austria Group has grouped accounts receivable according to similar default patterns based on past experience (accounts receivable: subscribers, installment sales, 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 annually. Due to the large number of customers and the high degree of diversification of the portfolios the default risk of individual industries in which customers operate, has less of an influence on credit risk. So far forward-looking information, such as forecasts of changes in unemployment rates or gross domestic product, was not taken into account, as there was no indication that actual credit losses would deviate significantly from historical average. However, in 2020, the forecast of a sharp increase in insolvencies in the following year was taken into account. As a result of this higher expected credit risk due to COVID-19, as described in Note (3), A1 Telekom Austria Group increased the general loss allowance for accounts receivable not yet due from subscribers and from installment sales, which led to additional bad debt expense of TEUR 6,662 (see "charged to expenses" in the following table presenting the development of the loss allowance as well as Note (6)).

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	2020	2019
At January 1	254,448	241,204
Foreign currency adjustment	-4,815	377
Change in reporting entities	84	0
Reversed	-4,566	-4,427
Charged to expenses	64,085	52,784
Amounts written-off	-34,969	-34,019
Reclassification	0	-1,471
At December 31	**274,267**	254,448

The reclassification in 2019 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	2020	2019
Domestic	973,398	998,414
Foreign	83,497	129,083
Loss allowances	-274,267	-254,448
Accounts receivable: Subscribers, distributors and other	**782,628**	873,048
Thereof		
Specific loss allowance	5,015	4,349
General loss allowance	269,252	250,100

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 loss 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 2020, income from collections of impaired receivables subject to enforcement activity amounted to TEUR 2,613 (2019: TEUR 4,319) and was recognized in other operating income (see Note (5)).

At December 31, 2020, accounts receivable: subscribers, distributors and other from A1 Telekom Austria Group's customer with the highest turnover amount to TEUR 13,040 (2019: TEUR 11,815). Thus, there is no major concentration of risk of default respectively credit risk.

The following table shows the development of the loss allowance of contract assets (see Note (14)):

in TEUR	2020	2019
At January 1	**3,297**	3,796
Foreign currency adjustment	-13	3
Reversed	-5,056	-5,580
Charged to expenses	4,727	5,079
At December 31	**2,955**	3,297

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 optimum use of potential synergies in financing the operations of A1 Telekom Austria Group's subsidiaries. Its primary objective is to secure liquidity in a cost-effective manner by pooling the cash flows and clearing group accounts. This ensures the management of short-term investments and loans 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 types of 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 closed on May 25, 2020. At that date, no multi-currency notes had been issued under this program. For commercial papers issued at December 31, 2019, see Note (21). On July 31, 2020, a Euro Commercial Paper Program ("Euro Commercial Papers") with a maximum volume of TEUR 500,000 was concluded. In 2020, no Euro Commercial Papers were issued.

At December 31, 2020, A1 Telekom Austria Group had total credit lines of TEUR 1,115,000 (2019: TEUR 1,165,000), which were not utilized. Credit lines of TEUR 1,000,000 have a term until July 2026 (2019: July 2024), the remaining credit lines have a maximum term until September 2021 (2019: September 2020).

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. At December 31, 2020 and 2019, no variable interest-rate liabilities existed. Foreign currency amounts 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, 2020						
Bonds	2,732,438	30,000	795,188	801,750	344,250	761,250
Bank debt	21	21	0	0	0	0
Accounts payable - trade	505,162	500,455	3,002	1,181	524	0
Lease obligations	902,266	96,721	68,688	152,377	384,543	199,939
Other financial liabilities	97,892	42,589	856	18,981	25,229	10,237
At December 31, 2019						
Bonds	2,930,625	153,000	45,188	825,188	1,134,750	772,500
Accounts payable - trade	714,027	700,544	7,759	4,704	986	34
Lease obligations	1,013,213	93,187	69,509	152,982	403,461	294,075
Other financial liabilities	104,641	30,046	147	12,270	50,208	11,970

Multi-currency notes at December 31, 2019 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 possible 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 the Consolidated Statement of Comprehensive Income 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 2020 and 2019, 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, 2020 and 2019, 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		2020			2019	
denominated in	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors and other	13,678	20,639	11,485	27,429	17,817	12,192
Accounts payable - trade	56,928	11,541	5,806	86,801	18,593	8,963

At December 31, 2020 and 2019, 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	2020	2019
Croatian Kuna (HRK)	1,420	1,739
Serbian Dinar (RSD)	1,015	1,686
Belarusian Ruble (BYN)	422	715

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, 2020 in %	Method of consolidation*	Share in capital at December 31, 2019 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	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
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
Aprimis, Sofia	100.00	FC	-	-
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC

Name and company domicile	Share in capital at December 31, 2020 in %	Method of consolidation*	Share in capital at December 31, 2019 in %	Method of consolidation*
Segment Belarus				
Unitary enterprise A1, Minsk	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Unitary enterprise Solar Invest, Brahin	100.00	FC	100.00	FC
Vitebskiy oblastnoy technotorgovyi tsentr Garant i.Liqu, Vitebsk	-	ME	100.00	FC
A1 Content, Minsk	100.00	FC	100.00	FC
Segment North Macedonia				
A1 Makedonija DOOEL, Skopje	100.00	FC	100.00	FC
Telemedia DOOEL, Skopje	100.00	FC	100.00	FC
A1 TOWERS DOOEL Skopje, Skopje	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	75.19	FC
P&ROM, elektronika in telekomunikacije, d.o.o., Vrhnika	-	ME	100.00	FC
DOSTOP KOMUNIKACIJE d.o.o., Portorož	100.00	FC	100.00	NC
STUDIO PROTEUS, d.o.o., Postojna	100.00	FC	-	-
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
A1 Projektentwicklungs GmbH, Vienna	100.00	FC	-	-
Invenium Data Insights GmbH, Graz	51.00	FC	20.00	NC
Telecom Liechtenstein AG, Vaduz**	-	SO	24.9	NC

* FC – full consolidation, ME – merged, NC – not consolidated because not material respectively purchase price allocation not finalized yet, EQ – equity method, LIQ – liquidation, SO – sold

** Equity method of consolidation until August 31, 2019; at December 31, 2019 reported as held for sale in Corporate & Other (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 net 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 recognized directly in stockholder's equity. No non-controlling interests are recognized for acquisitions where a put option is granted to the remaining minority shareholders for exit, as A1 Group applies the anticipated acquisition method. In the course of the allocation of the consideration transferred, 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.

On July 9, 2020, A1 Telekom Austria Group acquired 100% in STUDIO PROTEUS, d.o.o., Postojna ("Studio Proteus") via its Slovenian subsidiary A1 Slovenija. Studio Proteus, a provider of telecommunication services and cable TV in Slovenia, is reported in the segment Slovenia.

On July 17, 2020, A1 Telekom Austria Group acquired an additional stake of 31% in Invenium Data Insights GmbH, Graz ("Invenium"), which provides movement analyses based on big data, and now holds in total 51% in Invenium. The benefit related to the revaluation of the former stake is reported in the financial result in the line item "Income from measurement of instruments at fair value through profit or loss" (see Note (7)). The agreement also includes a put-option of the minority shareholders for the remaining 49%, exercisable for the first time on September 1, 2023, with a variable price depending on certain performance indicators of the company. The fair value of the put option is part of the total consideration recognized (see Notes (26) and (32)). Due to the put option no non-controlling interests are recognized, as the anticipated acquisition method was applied. The fair values of assets acquired and liabilities assumed are reported in Corporate & Other.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of the entities acquired.

Acquisitions in TEUR	Fair values on acquisition date
Property, plant and equipment	644
Intangible assets	3,153
Accounts receivable: Subscribers, distributors and other	565
Other assets and receivables	222
Cash and cash equivalents	192
Loans and short-term borrowings	-1
Deferred tax liabilities	-600
Accounts payable	-794
Other liabilities	-396
Net assets acquired	**2,986**
Goodwill	10,564
Total purchase consideration	**13,551**
Shares already held	-2,530
Purchase price not yet paid	-5,837
Cash and cash equivalents acquired	-192
Net cash outflow	4,992

Property, plant and equipment and intangible assets acquired are disclosed in the line item "Changes in reporting entities" in the Notes (15) and (16). Brand names acquired as well as the resulting goodwill are disclosed by segment in the Notes (16) and (17).

Since the acquisition dates, the acquired entities have contributed revenues of TEUR 1,030 and a net loss of TEUR 258 to the Consolidated Comprehensive Income. Acquisition-related costs of TEUR 48 are reported in the line item "Selling, general and administrative expenses". 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.

(35) Contingent Assets and Liabilities

In the normal course of business, Telekom Austria AG and its subsidiaries are 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, 2020. These matters could affect the 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 Austrian civil servants was not accepted for tax purposes for the financial year 2015. A1 Telekom Austria Group filed an appeal against the assessment which could result in an additional tax payment of TEUR 11,600. As the Austrian law regarding the reference date was repeatedly repealed later on by the European Court of Justice (see also Note (23)), A1 Telekom Austria Group expects with a high degree of probability that the appeal will be successful. Thus no tax liability was recognized.

In Serbia, three lawsuits regarding copyright infringement are pending. A1 Telekom Austria Group filed statements of defense in response to the lawsuits. In case the lawsuits are decided in favor of the plaintiff, A1 Telekom Austria Group expects a maximum payment of TEUR 11,520. As A1 Telekom Austria Group expects with a high degree of probability that the cases will be dismissed, no provision was recognized.

(36) Remuneration Paid to the Management Board and Supervisory Board

At December 31, 2020 and 2019, 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	2020	2019
Base salary (incl. remuneration in kind)	1,670	1,624
Variable yearly remuneration (Short Term Incentive - "STI")	1,337	1,661
Multi-year share-based remuneration (Long Term Incentive Program)*	547	781
Total	3,554	4,066
Compensation Supervisory Board	371	369

* In 2020, the remuneration relates to the payment of the tranche for LTI 2017 (2019: LTI 2016), see Note (31).
The variable yearly remuneration does not include bonus prepayments for 2020, while in 2019 prepayments for 2019 amounting to TEUR 939 were included.

Günther Ottendorfer's CTO contract with a term until August 31, 2016 was prematurely terminated as per March 5, 2015. The share-based compensation for LTI 2016 amounting to TEUR 84 and paid to Günter Ottendorfer in 2019 is not included in the table of management remuneration.

(37) Employees

The average number of employees during the year 2020 was 18,153 (2019: 18,535). At December 31, 2020, A1 Telekom Austria Group employed 17,949 (2019: 18,344) employees (full-time equivalents).

(38) Subsequent and Other Events

A1 Telekom Austria Group is currently working on the development of alternatives that would allow it to reap more benefits from its passive mobile infrastructure (the so-called "Tower Business") through a targeted management focus on internal efficiencies and higher tenancy ratios of mobile sites.

January 2021 was characterized by lockdown measures in all segments in which A1 Telekom Austria Group operates. It also cannot be precluded that these measures will continue for a longer period of time. As in previous lockdown periods, A1 Telekom Austria Group does not expect a significant impact on operating income (EBIT). For the full year 2021, roaming revenues are expected to recover partly, although it is assumed that travel activity will continue to be strongly reduced compared to the times before the outbreak of the pandemic (see also Impact of COVID-19 in Note (3)).

(39) Release for Publication

On February 8, 2021 , 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, February 8, 2021

CEO Thomas Arnoldner

COO Alejandro Plater

CFO Siegfried Mayrhofer