

Consolidated Financial Statements 2016

Telekom Austria Aktiengesellschaft

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The Consolidated Financial Statements and the Group Management Report are a translation from the original German versions, which are solely valid.

TELEKOM AUSTRIA AG – Consolidated Statements of Comprehensive Income

in TEUR	Notes	2016	2015 restated
Service Revenues (incl. other operating income)		3,761,113	3,734,282
Equipment revenues		450,349	391,033
Total revenues (incl. other operating income)	(5)	4,211,463	4,125,315
Cost of service		-1,346,550	-1,312,593
Cost of equipment		-521,873	-463,663
Selling, general & administrative expenses		-986,117	-976,782
Other expenses		-2,672	-3,533
Total cost and expenses	(6)	-2,857,211	-2,756,571
Earnings before interest, tax, depreciation and amortisation – EBITDA		1,354,251	1,368,744
Depreciation and amortisation	(14)(15)	-865,271	-797,082
Impairment	(15)	-2,319	0
Operating income – EBIT		486,661	571,662
Interest income		13,841	26,911
Interest expense		-142,514	-162,611
Interest on employee benefits and restructuring and other financial items, net		-9,739	-17,343
Foreign currency exchange differences, net		10,013	-2,257
Equity interest in net income of associated companies		1,427	240
Financial result	(7)	-126,972	-155,060
Earnings before income tax – EBT		359,690	416,602
Income tax	(28)	53,515	-23,829
Net result		413,205	392,774
Attributable to:			
Equity holders of the parent		387,518	367,286
Non-controlling interests	(33)	374	175
Hybrid capital owners	(27)	25,313	25,313
Basic and diluted earnings per share attributable to equity holders of the parent	(8)	0.58	0.55
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(4)(27)	-7,678	-136,056
Realised result on hedging activities, net of tax	(32)	4,380	4,380
Unrealised result on securities available-for-sale, net of tax	(9)(18)	106	-335
Realised result on securities available-for-sale, net of tax	(7)	59	-2
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax		-6,564	5,201
Total other comprehensive income (loss)		-9,697	-126,812
Total comprehensive income (loss)		403,508	265,962
Attributable to:			
Equity holders of the parent		377,821	240,474
Non-controlling interests	(33)	374	175
Hybrid capital owners	(27)	25,313	25,313

See accompanying Notes to the Consolidated Financial Statements. For the adjustment of the comparison period 2015, see Note (4).
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statements of Financial Position

	Notes	31 December 2016	31 December 2015 restated	1 January 2015 restated
ASSETS				
Current assets				
Cash and cash equivalents		457,460	909,176	1,018,065
Short-term investments	(9)	6,733	2,367	14,433
Accounts receivable: Subscribers, distributors and other, net	(10)	636,474	624,635	600,068
Receivables due from related parties	(11)	925	878	1,255
Inventories, net	(12)	82,463	78,905	91,696
Income tax receivable	(28)	12,818	4,448	27,373
Assets held for sale	(14)	0	0	413
Other current assets, net	(13)	241,994	232,726	245,556
Total current assets		1,438,866	1,853,135	1,998,859
Non-current assets				
Property, plant and equipment, net	(14)	2,550,754	2,409,435	2,294,544
Intangibles, net	(15)	2,321,394	2,507,855	2,570,106
Goodwill	(16)	1,241,823	1,229,712	1,189,481
Investments in associated companies	(17)	40,820	40,428	38,253
Long-term investments	(18)	8,383	8,226	7,400
Deferred income tax assets	(28)	286,431	206,719	170,895
Other non-current assets, net	(19)	54,723	49,012	46,859
Total non-current assets		6,504,328	6,451,387	6,317,538
TOTAL ASSETS		7,943,194	8,304,522	8,316,397
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Short-term debt and current portion of long-term debt	(20)	-500,065	-810,440	-247,354
Accounts payable	(21)	-852,619	-905,155	-748,506
Accrued liabilities and current provisions	(22)	-299,022	-335,473	-337,297
Income tax payable	(28)	-26,474	-38,885	-33,448
Payables due to related parties	(11)	-6,418	-1,829	-7,058
Deferred revenues	(23)	-163,218	-161,518	-163,877
Total current liabilities		-1,847,816	-2,253,301	-1,537,539
Non-current liabilities				
Long-term debt	(24)	-2,303,496	-2,584,122	-3,384,984
Deferred income tax liabilities	(28)	-63,073	-71,427	-90,804
Deferred revenues and other non-current liabilities	(25)	-20,000	-22,804	-16,595
Asset retirement obligation and restructuring	(22)	-731,833	-750,298	-867,518
Employee benefits	(26)	-206,251	-196,550	-200,916
Total non-current liabilities		-3,324,652	-3,625,200	-4,560,818
Stockholders' equity				
Capital stock		-1,449,275	-1,449,275	-1,449,275
Treasury shares		7,803	7,803	7,803
Additional paid-in capital		-1,100,148	-1,100,148	-1,100,148
Hybrid capital		-591,186	-591,186	-591,186
Retained earnings		-306,338	47,978	382,059
Other comprehensive income (loss) items		670,409	660,712	533,900
Equity attributable to equity holders of the parent	(27)	-2,768,734	-2,424,115	-2,216,846
Non-controlling interests		-1,993	-1,907	-1,195
Total stockholders' equity		-2,770,727	-2,426,022	-2,218,041
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		-7,943,194	-8,304,522	-8,316,397

See accompanying Notes to the Consolidated Financial Statements. For the adjustment of the comparison period 2015, see Note (4).
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statements of Cash Flows

	Notes	2016	2015 restated
Earnings before income tax – EBT		359,690	416,602
Items not requiring the use of cash and other reconciliation:			
Depreciation	(14)	546,732	502,393
Amortisation of intangibles	(15)	318,538	294,689
Impairment of intangibles	(15)	2,319	0
Equity interest in net income of associated companies	(17)	–1,427	–240
Result on sale of investments	(7)	–3,851	–20
Result on sale of property, plant and equipment	(5)(6)	–2,743	3,061
Net period cost of labour obligations and restructuring	(7)(22)(26)	23,050	17,758
Foreign currency exchange differences, net	(7)	–10,013	2,257
Interest income	(7)	–13,841	–26,911
Interest expense	(7)	144,679	164,910
Other adjustments		–1,927	–3,783
Changes in financial positions:			
Accounts receivable: Subscribers, distributors and other, net	(10)	–12,201	–16,606
Prepaid expenses	(13)	5,536	13,192
Due from related parties	(11)	–46	389
Inventories	(12)	–3,640	11,362
Other assets	(13)(19)	–16,111	–813
Employee benefits and restructuring	(22)(26)	–111,476	–106,064
Accounts payable and accrued liabilities	(21)(22)	2,900	–25,120
Due to related parties	(11)	4,590	–5,369
Deferred revenues	(23)(25)	–517	–5,338
Interest received	(7)	13,841	24,177
Income taxes paid	(28)	–48,550	–32,121
Net cash flow from operating activities		1,195,531	1,228,405
Capital expenditures paid	(31)	–816,463	–731,140
Dividends received from associates	(17)	1,264	715
Proceeds from sale of plant, property and equipment	(14)	18,944	10,727
Purchase of investments	(9)(18)	–7,285	–4,401
Proceeds from sale of investments	(9)(18)	6,017	13,039
Acquisition of businesses, net of cash acquired	(33)	–26,024	–155,740
Sale of businesses, net of cash disposed		0	563
Net cash flow from investing activities		–823,546	–866,237
Long-term debt obtained	(24)	494,248	0
Repayments of long-term debt	(24)	–1,083,305	–247,326
Interest paid	(7)	–166,047	–155,779
Change in short-term debt	(20)	–1,944	5,061
Dividends paid	(27)	–67,242	–67,118
Net cash flow from financing activities		–824,290	–465,163
Adjustment to cash flows due to exchange rate fluctuations, net	(4)	589	–5,895
Net change in cash and cash equivalents		–451,716	–108,890
Cash and cash equivalents beginning of period		909,176	1,018,065
Cash and cash equivalents end of period		457,460	909,176

See accompanying Notes to the Consolidated Financial Statements. For the adjustment of the comparison period 2015, see Note (4).
The use of automated calculation systems may give rise to rounding differences.

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

in TEUR	Common stock Par value	Treasury shares at cost	Additional paid-in capital	Hybrid capital	Retained earnings
At 1 January 2015	1,449,275	-7,803	1,100,148	591,186	-382,059
Net result	0	0	0	0	392,598
Other comprehensive income (loss)	0	0	0	0	0
Total comprehensive income	0	0	0	0	392,598
Distribution of dividends	0	0	0	0	-58,517
Change in reporting entities	0	0	0	0	0
At 31 December 2015	1,449,275	-7,803	1,100,148	591,186	-47,978
Net result	0	0	0	0	412,830
Other comprehensive income (loss)	0	0	0	0	0
Total comprehensive income	0	0	0	0	412,830
Distribution of dividends	0	0	0	0	-58,515
At 31 December 2016	1,449,275	-7,803	1,100,148	591,186	306,338

See accompanying Notes to the Consolidated Financial Statements. For the adjustment of the comparison period 2015, see Note (4).

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

The tax benefit resulting from the accrued interest attributable to hybrid capital holders is included in the distribution of dividends (see Note (27)).

Consolidated Financial Statements 2016

Remeasurement of defined benefit plans	Available-for-sale reserve	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
-35,973	-50	-37,227	-460,649	2,216,846	1,195	2,218,041
0	0	0	0	392,598	175	392,774
5,201	-337	4,380	-136,056	-126,812	0	-126,812
0						
5,201	-337	4,380	-136,056	265,786	175	265,961
0	0	0	0	-58,517	-163	-58,680
0	0	0	0	0	700	700
-30,772	-387	-32,848	-596,705	2,424,115	1,907	2,426,022
0	0	0	0	412,830	374	413,205
-6,564	166	4,380	-7,678	-9,697	0	-9,697
-6,564	166	4,380	-7,678	403,133	374	403,508
0	0	0	0	-58,515	-288	-58,803
-37,336	-221	-28,468	-604,384	2,768,734	1,993	2,770,727

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment Reporting

2016 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,550,880	407,630	390,333	320,964
Intersegmental revenues	24,600	4,413	8,017	8
Total revenues (incl. other operating income)	2,575,480	412,044	398,350	320,972
Segment expenses	-1,677,964	-286,468	-310,092	-169,443
EBITDA	897,516	125,576	88,257	151,529
Depreciation and amortisation	-493,100	-110,154	-78,842	-63,726
Impairment	-2,319	0	0	0
Operating income – EBIT	402,097	15,422	9,416	87,803
Interest income	2,058	2,813	3,608	1,548
Interest expense	-19,340	-947	-10,249	-3,121
Other financial result	-7,198	-298	2,991	2,561
Equity interest in net income of associated companies	1,763	0	0	0
Earnings before income tax – EBT	379,380	16,990	5,766	88,791
Income taxes	-47,654	-1,381	-1,486	-14,271
Net result	331,726	15,609	4,280	74,520
EBITDA margin	34.8%	30.5%	22.2%	47.2%
Capital expenditures – intangible	68,910	20,448	9,139	7,849
Capital expenditures – tangible	391,346	52,580	67,200	65,826
Total capital expenditures	460,256	73,028	76,339	73,675
Assets by segment	4,940,034	952,644	611,695	441,438
Property, plant and equipment	1,629,594	251,685	210,492	214,927
Goodwill	708,211	242,691	102,203	11,018
Brand names and patents	158,351	244,903	25,301	76,184
Licenses and rights of use	1,025,520	43,858	59,336	32,266
Other intangible assets	198,824	80,559	44,043	23,322
Investments in associated companies	4,329	0	0	0
Liabilities by segment	-2,490,637	-174,188	-416,041	-101,702
2015 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,557,972	373,339	359,678	332,212
Intersegmental revenues	24,174	2,447	7,209	35
Total revenues (incl. other operating income)	2,582,146	375,786	366,887	332,247
Segment expenses	-1,700,930	-242,625	-288,299	-168,579
EBITDA	881,217	133,160	78,588	163,669
Depreciation and amortisation	-466,300	-91,104	-69,954	-77,044
Operating income – EBIT	414,917	42,056	8,634	86,625
Interest income	2,366	2,212	5,151	13,011
Interest expense	-14,840	-509	-9,213	-2,009
Other financial result	-15,035	-7	563	-1,025
Equity interest in net income of associated companies	376	0	0	0
Earnings before income tax – EBT	387,783	43,752	5,134	96,603
Income taxes	-67,833	-4,344	-244	-14,936
Net result	319,950	39,408	4,890	81,667
EBITDA margin	34.1%	35.4%	21.4%	49.3%
Capital expenditures – intangible	96,659	24,044	27,082	10,463
Capital expenditures – tangible	360,126	50,303	45,337	55,636
Total capital expenditures	456,785	74,348	72,419	66,099
Assets by segment	4,957,413	993,004	592,030	402,242
Property, plant and equipment	1,518,113	269,824	201,983	175,429
Goodwill	708,211	242,691	100,745	0
Brand names and patents	158,849	246,225	25,857	73,665
Licenses and rights of use	1,097,392	44,871	66,225	35,843
Other intangible assets	239,507	98,045	43,432	37,237
Investments in associated companies	3,487	0	0	0
Liabilities by segment	-2,580,743	-230,026	-411,835	-78,002

The EBITDA margin is calculated by dividing EBITDA by total revenues (including other operating income).

Additions to assets do not include additions related to ARO, see Notes (14) and (15).

Consolidated Financial Statements 2016

Slovenia	Serbia	Macedonia	Corporate & Other	Eliminations	Consolidated
210,997	214,140	117,997	2,596	-4,075	4,211,463
3,121	7,008	1,431	22	-48,619	0
214,118	221,148	119,428	2,618	-52,695	4,211,463
-161,331	-182,322	-93,285	-26,538	50,232	-2,857,211
52,787	38,826	26,143	-23,920	-2,463	1,354,251
-32,704	-46,607	-55,672	0	15,535	-865,271
0	0	0	0	0	-2,319
20,082	-7,781	-29,529	-23,920	13,072	486,661
2,344	512	293	37,899	-37,235	13,841
-1,157	-1,770	-1,586	-141,529	37,185	-142,514
-79	-1,184	-66	258,049	-254,502	274
0	0	0	-336	0	1,427
21,191	-10,224	-30,888	130,163	-241,479	359,690
-949	28	807	122,080	-3,660	53,515
20,242	-10,196	-30,081	252,243	-245,139	413,205
24.7%	17.6%	21.9%	n.a.	n.a.	32.2%
6,597	6,636	4,471	0	-387	123,663
20,160	19,231	30,934	0	-6,853	640,424
26,757	25,867	35,405	0	-7,241	764,086
421,962	360,648	214,335	7,707,348	-7,706,908	7,943,194
65,766	77,444	86,187	0	14,659	2,550,754
147,632	0	30,068	123,465	-123,465	1,241,823
1,971	2,980	7,311	0	0	517,001
62,416	149,337	33,961	0	0	1,406,694
20,756	14,851	15,373	0	-28	397,699
0	0	0	36,491	0	40,820
-64,716	-115,982	-92,249	-3,598,284	1,881,331	-5,172,468
Slovenia	Serbia	Macedonia	Corporate & Other	Eliminations	Consolidated
220,551	204,800	78,248	169	-1,653	4,125,315
3,088	5,868	2,830	25	-45,676	0
223,639	210,667	81,078	194	-47,329	4,125,315
-142,747	-167,177	-64,255	-26,205	44,245	-2,756,571
80,892	43,491	16,823	-26,011	-3,084	1,368,744
-24,210	-51,097	-17,431	0	58	-797,082
56,682	-7,607	-609	-26,011	-3,025	571,662
2,007	206	186	35,955	-34,184	26,911
-1,792	-1,643	-672	-166,052	34,120	-162,611
-35	293	-400	460,004	-463,956	-19,599
0	0	0	-136	0	240
56,862	-8,750	-1,495	303,759	-467,045	416,602
-8,822	-653	52	72,959	-8	-23,829
48,040	-9,403	-1,443	376,717	-467,054	392,774
36.2%	20.6%	20.7%	n.a.	n.a.	33.2%
4,168	48,213	1,364	0	0	211,993
13,714	29,444	20,218	0	-2,305	572,473
17,882	77,657	21,582	0	-2,305	784,467
440,351	367,607	225,732	8,168,825	-7,842,681	8,304,522
61,352	88,312	94,333	0	89	2,409,435
147,632	0	30,433	123,465	-123,465	1,229,712
5,357	4,121	8,986	0	0	523,060
67,395	164,975	38,854	0	0	1,515,555
22,343	12,765	15,912	0	0	469,240
0	0	0	36,941	0	40,428
-103,992	-108,736	-73,794	-4,258,008	1,966,636	-5,878,501

Telekom Austria Group has aligned its management structure and the resulting segment reporting on geographical markets and reports separately based on its seven operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and Macedonia. Until 31 December 2015, Slovenia, Serbia and Macedonia were summarised in the segment Additional Markets which also included the Austrian subsidiary Telekom Austria Group M2M GmbH which is now reported in the segment Austria. The segments were expanded to provide more relevant information. Comparative figures were adjusted accordingly.

The Management Board of 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 and the Group CFO (see Note (35)). The Management Board focuses on revenue and EBITDA.

The accounting policies of the segments are the same as those of Telekom Austria Group (see Note (4)). The segments offer the following services and products (for brand names, see Note (15)):

Austria: voice telephony (mobile and fixed-line telephone services), convergent products, internet access, data and IT solutions, value-added services, wholesale services, IP television, sale of end-user terminal equipment as well as mobile business and payment solutions

Bulgaria: voice telephony (mobile and fixed-line telephone services), convergent products, internet access, data and IT solutions, value-added services, wholesale services, IP and satellite television, sale of end-user terminal equipment as well as mobile business solutions

Croatia: voice telephony (mobile and fixed-line telephone services), convergent products, internet access, value-added services, wholesale services, IP and satellite television, sale of end-user terminal equipment as well as mobile business solutions

Belarus: mobile telephone services, internet access, value-added services, wholesale services, sale of end-user terminal equipment, fixed-line telephone services for selected business customers as well as, since the acquisition of a fixed-line operator in 2016 (see Note (33)), convergent products as well as IP television

Slovenia: voice telephony (mobile and fixed-line telephone services), convergent products, sale of end-user terminal equipment, internet access, value-added services, wholesale services as well as IP television

Serbia: mobile telephone services, internet access, sale of end-user terminal equipment, value-added services as well as wholesale services

Macedonia: voice telephony (mobile and fixed-line telephone services), convergent products, sale of end-user terminal equipment, DVBT, IP television, internet access, value-added services as well as wholesale services

Segment revenues, segment expenses and segment results include deliveries and services between operating segments. Such deliveries and services are accounted for at transfer prices corresponding to competitive market prices charged to unaffiliated customers for similar products. These intersegmental transactions are eliminated in consolidation.

The column Corporate & Other comprises mainly holding companies as well as the group financing company and is reported in addition to the column Eliminations for improved transparency. Other financial income reported in the column Corporate & Other mainly relates to dividend income from fully consolidated subsidiaries which is eliminated in consolidation, thus having no impact on the Consolidated Financial Statements.

The elimination column contains intersegment consolidation entries and the reconciliation of segment assets and liabilities to consolidated total assets and liabilities. Capital expenditures, as well as depreciation and amortisation, relate to property, plant and equipment and other intangible assets.

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

The item other financial result in the segment reporting includes interest on employee benefits and restructuring and other financial items as well as foreign exchange differences.

(2) The Company

Telekom Austria Aktiengesellschaft (Telekom Austria AG) is incorporated as a joint stock corporation under the laws of the Republic of Austria and is located in Austria, Lassallestrasse 9, 1020 Vienna. Telekom Austria AG and its subsidiaries (Telekom Austria Group) provide the services and products listed in the Segment Reporting (see Note (1)) in Austria, Bulgaria, Croatia, Belarus, Slovenia and Macedonia.

The ultimate parent company of 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 Bundes- und Industriebeteiligungen GmbH (ÖBIB), with an interest of 28.42%, is the second significant shareholder of Telekom Austria Group. América Móvil's and ÖBIB's stakes in Telekom Austria Group are disclosed in Note (27).

In addition to the related party transactions described in Note (11), the Federal Republic of Austria regulates certain activities of 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 Telekom Austria Group and imposes taxes such as corporate income tax and value-added taxes.

(3) Basis of Presentation

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

Telekom Austria Group prepared the Consolidated Financial Statements as of 31 December 2016 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 31 December 2016 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).

(4) Significant Accounting Policies

Changed format of the Consolidated Financial Statements

Starting 2016, Telekom Austria Group has aligned its financial reporting structure to its parent company América Móvil. The new presentation provides reliable and more relevant information to understand the entity's financial performance. In accordance with IAS 8, the change in the reporting structure was applied retrospectively, thus prior period comparative figures have been adjusted accordingly.

In prior periods, the Consolidated Statements of Profit or Loss were presented in a separate statement according to the nature of expense method and are now presented in the Consolidated Statements of Comprehensive Income according to the cost of sales method. Material, employee and other expenses are now presented according to their function as cost of service, cost of equipment, selling, general & administrative expenses as well as other expenses (mainly including loss on retirement of equipment, compensations for damages, stocktaking differences and penalties). Depreciation, amortisation and impairment are not allocated to functions but disclosed separately in the Consolidated Statements of Comprehensive Income. Earnings before interest, tax, depreciation and amortisation (EBITDA) is defined as the net result excluding the financial result, income taxes and depreciation and amortisation and, if applicable, impairment losses or reversal of impairments.

Additionally, some line items were reclassified in the course of the harmonisation with América Móvil's financial reporting structure. These changes (besides the change to the cost of sales method) in the Consolidated Statement of Comprehensive Income are presented in the following table:

	2015		2015
in TEUR	As previously reported	Reclassifications	New reporting structure
Total revenues (incl. other operating income – OOI)	4,152,857	–27,542	4,125,315
Total cost and expenses	–2,780,681	24,110	–2,756,571
Earnings before interest, tax, depreciation and amortisation – EBITDA	1,372,175	–3,432	1,368,744
Depreciation and amortisation	–798,179	1,098	–797,082
Operating income – EBIT	573,996	–2,334	571,662
Interest income	22,449	4,461	26,911
Interest expense	–177,990	15,379	–162,611
Interest on employee benefits and restructuring and other financial items, net	164	–17,507	–17,343
Foreign currency exchange differences, net	–2,257	0	–2,257
Equity interest in net income of associated companies	240	0	240
Financial result	–157,394	2,334	–155,060
Earnings before income tax – EBT	416,602	0	416,602
Income tax	–23,829	0	–23,829
Net result	392,774	0	392,774

The shift in revenues (incl. other operating income – OOI) and cost and expenses mainly results from own work capitalised previously reported on a gross basis in the original expenses and the corresponding amount in other operating income – OOI. In the new reporting format, the original expenses are directly offset by the amounts capitalised. Income from penalties and collection fees was reported in other operating expenses and is now presented in total revenues (including other operating income).

Following the reclassification of spare parts, cables and supplies from inventories to property, plant and equipment, the measurement of these materials is not reported in material expense anymore but in depreciation. The increase in interest income is mainly due to the segment Croatia, as penalty interest charged to customers was previously reported in other operating expense.

Total interest expense was reported in one line item and is now split into interest expense on financial liabilities (including interest expense on debt, interest charged by suppliers and the unwinding of asset retirement obligation) and interest on employee benefits and restructuring and other financial items, net. Fees related to the issuance of bank debt and fees for unused credit lines were presented in other operating expenses and are now reported in interest on employee benefits and restructuring and other financial items, net, as these expenses represent financing cost (see Note (7)).

The changes in the Consolidated Statement of Financial Position are presented in the following table:

in TEUR	31 Dec. 2015 As previously reported	Reclassifications	31 Dec. 2015 New reporting structure
Accounts receivable: Subscribers, distributors and other, net	0	624,635	624,635
Accounts receivable – trade, net of allowances	624,635	–624,635	0
Inventories	130,972	–52,067	78,905
Prepaid expenses	115,597	–115,597	0
Other current assets	117,129	115,597	232,726
Total current assets	1,905,203	–52,067	1,853,135
Property, plant and equipment, net	2,357,367	52,067	2,409,435
Total non-current assets	6,399,319	52,068	6,451,387
TOTAL ASSETS	8,304,522	0	8,304,522
Short-term debt and current portion of long-term debt	–903,640	93,200	–810,440
Accounts payable	0	–905,155	–905,155
Accounts payable – trade	–573,650	573,650	0
Other current liabilities	–238,305	238,305	0
Total current liabilities	–2,253,301	0	–2,253,301
Total non-current liabilities	–3,625,200	0	–3,625,200
Retained earnings	78,750	–30,772	47,978
Other comprehensive income (loss) items	0	660,712	660,712
Available-for-sale reserve	387	–387	0
Hedging reserve	32,848	–32,848	0
Translation adjustments	596,706	–596,706	0
Equity attributable to equity holders of the parent	–2,424,115	0	–2,424,115
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	–8,304,522	0	–8,304,522

Accounts receivable – trade, net of allowances was renamed to accounts receivable: subscribers, distributors and other, net.

Spare parts, cables and supplies were included in inventories and are now reported in property, plant and equipment in accordance with IAS 16.8 as it is expected that these items will be used during more than one period.

Prepaid expenses were reported in a separate line item and are now included in other current assets.

Accrued interest, previously included in short-term debt, is now included in accounts payable. As a consequence, accrued interest is not included in net debt anymore.

Accounts payable – trade and other current liabilities were presented in two separate line items and are now presented in one item: accounts payable.

Available-for-sale reserve, hedging reserve and translation adjustments were presented in three separate line items and are now presented in one item, other comprehensive income (loss), together with the remeasurement of defined benefit plans which was previously included in retained earnings. The development of the remeasurement of defined benefit plans is reflected in the Consolidated Statements of Changes in Stockholders' Equity.

The shifts between operating, investing and financing activities in the Consolidated Statement of Cash Flows are presented in the following table:

in TEUR	2015 As previously reported	Reclassifications	2015 New reporting structure
Depreciation and amortisation	798,179	-1,098	797,082
Inventories	7,163	4,084	11,362
Equity interest in net income of associated companies	475	-715	-240
Accretion expense asset retirement obligation	5,306	-5,306	0
Realised result on hedging activities	5,840	-5,840	0
Interest expense	0	164,910	164,910
Net cash flow from operating activities	1,072,370	156,035	1,228,405
Capital expenditures paid	-726,661	-4,479	-731,140
Dividends received from associates	0	715	715
Proceeds from sale of property, plant and equipment	9,234	1,492	10,727
Net cash flow from investing activities	-863,966	-2,271	-866,237
Change in short-term debt	3,045	2,015	5,061
Interest paid	0	-155,779	-155,779
Net cash flow from financing activities	-311,399	-153,764	-465,163
Adjustment to cash flows due to exchange rate fluctuations, net	-5,895	0	-5,895
Net change in cash and cash equivalents	-108,890	0	-108,890

Following the reclassification of spare parts, cables and supplies from inventories to property, plant and equipment, the measurement effects of these items is not reported in material expense within EBITDA anymore but in depreciation. Furthermore, the purchase of spare parts, cables and supplies is reported in capital expenditures paid and their sale is reported in proceeds from sale of property, plant and equipment while in the previous reporting period these were reported in changes in financial positions in inventories.

Previously interest paid was not reported separately in the Cash Flow Statements. Interest expense was reported in net cash flow from operating activities. Only accretion expense for asset retirement obligation and interest relating to the disposal of the hedging reserve were adjusted as items not requiring the use of cash in the reconciliation of net income to cash generated from operations. In the new structure, total interest paid is reported in net cash flow from financing activities, which leads to a shift between cash flow from operating and financing activities.

Dividends received from associates are now reported in the investing cash flow while they were previously included in the cash flow from operating activities.

In addition to the shift between the cash flows from operating, investing and financing activities, the structure of cash flow from operating activities has been changed. The changes are explained in the following table:

in TEUR	2015 As previously reported	Reclassifications	2015 New reporting structure
Net result	392,774	-392,774	0
Change in deferred taxes	-38,783	38,783	0
Earnings before income tax – EBT	0	416,602	416,602
Bad debt expenses	40,740	-40,740	0
Share-based compensation	955	-955	0
Result on sale of property, plant and equipment	3,051	11	3,061
Net period cost of labour obligations and restructuring	17,938	-180	17,758
Foreign currency exchange differences, net	0	2,257	2,257
Interest income	0	-26,911	-26,911
Other adjustments	-5,232	1,448	-3,783
Accounts receivable: Subscribers, distributors and other, net	-50,981	34,375	-16,606
Prepaid expenses and other assets	27,843	-27,843	0
Prepaid expenses	0	13,192	13,192
Other assets	0	-813	-813
Employee benefits and restructuring	0	-106,064	-106,064
Employee benefit obligation	-11,284	11,284	0
Accounts payable and accrued liabilities	-16,050	-9,071	-25,120
Provisions and accrued liabilities	-108,390	108,390	0
Deferred revenues	0	-5,338	-5,338
Other liabilities and deferred income	7,710	-7,710	0
Interest received	0	24,177	24,177
Income taxes paid	0	-32,121	-32,121
Total	260,292	0	260,292

Income tax paid was previously included in the net result and changes in other assets and liabilities and is now reported in a separate line. Bad debt expense is not adjusted as a non-cash item anymore but is included in the changes in accounts receivable: subscribers, distributors and other, net. Payments for restructuring were reported in the line item provisions and accrued liabilities and are now reported together with employee benefits in the item employee benefits and restructuring.

For information on the changes in Segment Reporting, see Note (t).

Changes in accounting policies

The following amendments to existing and new IFRS are effective as of 1 January 2016.

IAS 19	Defined Benefit Plans: Employee Contributions
all IFRSs	Annual Improvements 2010 – 2012
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IAS 16, 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16, 41	Agriculture: Bearer Plants
all IFRSs	Annual Improvements 2012 – 2014
IAS 27	Equity Method in Separate Financial Statements
IAS 1	Disclosure Initiative
IFRS 10, 12, IAS 28	Investment Entities – Applying the Consolidation Exception

The initial application of the standards (IAS, IFRS) mentioned above had an insignificant impact on the Consolidated Financial Statements since the amendments were not fully applicable.

The following standards and interpretations were issued by the IASB, but were not effective at the reporting date. Telekom Austria Group has not early adopted these standards and interpretations and is currently evaluating their impact on its Consolidated Financial Statements.

		Effective *	Effective**
IFRS 15	Revenue from Contracts with Customers	1 January 2018	1 January 2018
IFRS 9	Financial Instruments	1 January 2018	1 January 2018
IFRS 16	Leases	1 January 2019	1 January 2019
IAS 7	Statement of Cash Flows – Disclosure Initiative (Amendments to IAS 7)	1 January 2017	not endorsed
IAS 12	Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	not endorsed
IFRS 15	Revenue from Contracts with Customers – Clarifications	1 January 2018	not endorsed
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018	not endorsed
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	not endorsed
		1 January 2018/ 1 January 2017	not endorsed
all IFRSs	Annual Improvements 2014 – 2016		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	not endorsed
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	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).

In May 2014, the IASB issued the new standard IFRS 15 “Revenue from Contracts with Customers”. The new standard for revenue recognition aims at standardising the multitude of regulations previously included in various standards. The amount of revenue recognised and its timing is determined based on a five-step model. The type of transaction or the sector of the entity is not relevant. IFRS 15 contains additional qualitative and quantitative disclosure obligations. These are aimed at enabling users of the financial statements to understand the nature, amount, timing and the uncertainties of revenue and the resulting cash flows arising from contracts with customers. In April 2016, clarifications to IFRS 15 relating to identifying performance obligations, principal versus agent considerations, as well as licensing were issued. The clarifications have not yet been endorsed by the European Union.

Telekom Austria Group initiated a groupwide two-phase project for the implementation of IFRS 15. In phase I, employees were first trained, then deviations in revenue recognition, based on contractual agreements, were identified for individual business transactions and the possibility of establishing portfolios was assessed. Telekom Austria Group intends to apply the new standard at its effective date and plans to use, in accordance with the transition guidance, the modified retrospective approach for the first-time application of IFRS 15. In phase II, the analyses of contracts will be continued with a special focus on the adaption of IT and system processes. A software allowing for IT-based mass data processing in the portfolios has already been procured.

Based on the results of the IFRS 15 analyses in 2016, the following significant effects compared to the previous revenue recognition principles were identified, which might change in the course of further detailed analyses:

- The separation of performance obligations and the resulting allocation of the transaction price determined by IFRS 15 will influence the timing of revenue recognition as well as the allocation to services and to equipment revenues. Even though discounts on multiple-elements arrangements have been generally allocated to the separate performance obligations up to now, the application of IFRS 15 may nonetheless have effects in this regard compared to the current revenue recognition according to IAS 18.
- Furthermore, contract costs recognised as an asset according to IFRS 15 will most probably lead to higher deferrals than deferrals recognised up to now.
- Financing components are considered insignificant on current individual contract level.
- Due to the new regulations of IFRS 15, hardware sales to dealers will presumably not be recognised as revenue anymore as the dealers are considered agents. Thus, revenue will only be recognised once the hardware is sold to end customers.

The effects of the first-time application of IFRS 15 cannot be quantified yet, as the relevant systems that allow for the evaluation of mass data have not been implemented yet.

IFRS 9, issued in July 2014, deals with the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. The application of the improvements of IFRS 9 will have an effect on the classification and measurement of financial assets as well as hedge accounting, but will not affect the classification and measurement of financial liabilities of Telekom Austria Group. The business model of Telekom Austria Group is '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 mainly consist of principal and interest. As for the recognition of impairment for accounts receivable trade, the simplified approach of IFRS 9 is used. Although Management does not expect major measurement changes in financial instruments, the possible impact on the Consolidated Financial Statements from the initial adoption of IFRS 9 cannot currently be estimated.

In January 2016, the IASB issued the new accounting standard IFRS 16 Leases. The fundamental innovations affect especially the lessees' recognition of leases in the financial statements. Generally, all leases have to be recognised based on the "right of use approach". For lessors, the classification of IAS 17 into operating lease and financing lease remains unchanged.

IFRS 16 will affect net assets, financial position and results of operations of Telekom Austria Group:

- While, up to now, payment obligations for operating leases had to be disclosed in the Notes, the resulting rights and obligations will have to be recognised as rights of use and lease obligations in future. At the initial application, Telekom Austria Group expects a moderate increase of the balance sheet total due to the increase in leasing obligations and a similarly high increase in rights of use recognised as assets.
- In future, depreciation and interest expense will be recognised in the Statement of Comprehensive Income instead of leasing expenses, which will slightly improve EBITDA.

The overall impact will be examined in a groupwide project for the implementation of IFRS 16. Quantitative effects cannot be reliably estimated prior to the completion of the project.

Principles of consolidation

Note (33) shows a list of all subsidiaries included in the Consolidated Financial Statements on 31 December 2016 and 2015.

Subsidiaries are consolidated when Telekom Austria Group may exercise control. Control is defined as the rights to variable returns and the ability to affect those returns through power over an investee.

According to IFRS 3, business combinations are accounted for using the acquisition method at the acquisition date, which is the date when the acquirer obtains control over the acquiree. Goodwill is measured as the difference between the aggregate of the fair value of the consideration transferred as of the acquisition date, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree less the fair value of the identifiable assets acquired and the liabilities assumed. Non-controlling interests are not measured at fair value but at their share of the fair value of identified net assets of the acquiree. In accordance with IFRS 3.45, goodwill may be adjusted for subsequent changes in the estimated purchase price. If the fair value of the assets acquired exceeds the consideration transferred, the resulting gain is recognised 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 recognised in profit or loss. All transactions with non-controlling interest holders are directly recognised in stockholder's equity. In the course of purchase price allocations, fair values of assets and liabilities acquired are determined based on state-of-the-art discounted cash flow methods. The input factors used are categorised as Level 3 of the fair value hierarchy defined by IFRS 13.

Investments in companies in which Telekom Austria Group has significant influence, but no control over the investee, are accounted for using the equity method. Under the equity method, only Telekom Austria Group's investments in, as well as receivables due from and liabilities due to, these equity investees are included in the Consolidated Statements of Financial Position. Telekom Austria Group's share of the investee's earnings is included in the Consolidated Statements of Comprehensive Income. In the Consolidated Statements of Cash Flows, only dividends, loans or cash received from or paid to the investee are included.

All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign currency translation

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. Until the disposal of the respective subsidiary, the foreign currency translation adjustment classified in stockholders' equity is recognised in other comprehensive income (OCI).

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

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

	Exchange rates at 31 December		Average exchange rates for the year	
	2016	2015	2016	2015
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian Kuna (HRK)	7.5597	7.6380	7.5332	7.6144
Czech Koruna (CZK)	27.0210	27.0230	27.0345	27.2791
Hungarian Forint (HUF)	309.8300	315.9800	311.4161	309.9362
Serbian Dinar (CSD)	123.4723	121.6261	123.1089	120.7386
Swiss Franc (CHF)	1.0739	1.0835	1.0901	1.0680
Rumanian Leu (RON)	4.5390	4.5240	4.4903	4.4452
Turkish Lira (TRY)	3.7072	3.1765	3.3419	3.0252
Macedonian Denar (MKD)	61.4791	61.5947	61.5952	61.6102
Belarusian Rouble (BYR/BYN)*	2.0450	20,300.0000	2.2029	17,690.3640
US Dollar (USD)	1.0541	1.0887	1.1070	1.1093
Great Britain Pound (GBP)	0.8562	0.7340	0.8195	0.7259
Bosnian Convertible Mark (BAM)	1.9558	1.9558	1.9558	1.9558
Polish Zloty (PLN)	4.4103	4.2639	4.3630	4.1838

* On 1 July 2016, the Belarusian Rouble was redenominated (redenomination scale 1:10,000). The redenomination has no impact on the consolidated financial statements.

Financial reporting in hyperinflationary economies

From 2011 to 2014, hyperinflation accounting according to IAS 29 was applied to the subsidiary in Belarus. Financial statements of subsidiaries located in hyperinflationary economies were restated before translation to the reporting currency of the Group and before consolidation in order to reflect the same value of money for all items. All non-monetary items measured at cost or amortised cost were restated for the changes in the general price index from the date of transaction to the reporting date. Monetary items were not restated. All items of stockholders' equity were restated for the changes in the general price index since their addition until the end of the reporting period. The items of comprehensive income were restated for the change in the general price index from the date of initial recognition to the reporting date. All amounts expressed in the measuring unit at 31 December 2014 were treated as the basis for the carrying amounts in 2015.

Revenue recognition

Operating revenues include all revenue resulting from the ordinary operations of 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.

Telekom Austria Group generates revenues from fixed-line services and mobile communication services to individuals, commercial and non-commercial organisations and other national and foreign carriers.

Fixed-line services include access fees, domestic and long distance services including internet, fixed-to-mobile calls, international traffic, voice value-added services, interconnection, call centre services, data and ICT solutions, television services and public payphone services.

Mobile communications services comprise digital mobile communications services including value-added services, text and multimedia messaging, m-commerce and information services.

Certain arrangements that Telekom Austria Group enters into provide for the delivery of multiple deliverables by Telekom Austria Group. For the mobile communication services, these multiple-element arrangements typically include the sale of a handset, the activation fee, the yearly SIM card fee and the phone service contract. For fixed-line services, these arrangements typically include internet and fixed-line and optional TV and mobile communication services. In general, Telekom Austria Group determines that such arrangements are divided into separate 'units of accounting' based on a determination of a separable value to the customer for each deliverable on a standalone basis. The total arrangement consideration is allocated to the units of accounting based on the relative fair value and after taking into consideration any uncertainty of future revenues.

Telekom Austria Group recognises long distance and local service revenue based on minutes of use processed or based on contracted fixed fee schedules at the time the services are rendered. Revenues due from other national and foreign carriers for incoming calls from outside Telekom Austria Group's network are recognised in the period the call occurs.

Access fees, monthly base fees, maintenance fees, service fees and lines leased to business customers are billed in advance, resulting in deferred revenues. These fees are recognised over the period the service is provided. Cash discounts and rebates are accounted for as reductions in revenues when granted.

Revenues from the sale of merchandise and revenues generated from other services are recognised upon delivery and acceptance by the customers or when the services are provided in accordance with contract terms.

Setting up customer lines is a separate service, offered by Telekom Austria Group independently from other services. Revenue on such installation work is recognised when the setup is completed.

Telekom Austria Group has entered into a limited number of agreements with other telecommunication operators outside of Austria whereby Telekom Austria Group has granted contractually agreed access to existing capacity within its physical network in return for similar access to the physical network of the counterparty. Telekom Austria Group does not recognise revenue or liabilities to the counterparty under such agreements apart from the trade revenue arising from subscriber transactions under normal tariff plans if the services transacted under such agreements are equivalent. The benefits and costs of such swap agreements are reflected in Telekom Austria Group's results of operations in the periods in which they are realised through reduced interconnection revenues and expenses, respectively.

Telekom Austria Group recognises mobile and roaming service revenue based upon minutes of traffic processed or contracted fee schedules when the services are rendered. Revenues due from foreign carriers for international roaming calls are included in revenues in the period in which the call occurs.

Certain prepaid services are billed in advance, resulting in deferred revenues. These fees are deferred and recognised over the period the service is provided.

Cash discounts and rebates are accounted for as a reduction in revenues when granted. Customer acquisition costs are recognised pro-rata over the contract period as marketing expenses when a service contract exists.

In the case of customer loyalty programmes, under which the customers can redeem mobile handsets or accessories against bonus points (award credits) granted to them as part of the sales transactions, revenue is deferred at the time of the granting of the award credits until the goods are redeemed or the awards expire.

Activation revenues and related expenses are generally recognised over the minimum contract term. Activation fees do not have a standalone value to customers and are therefore allocated.

Research and development costs

In accordance with IAS 38, research costs, defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility. If development costs cannot be separated from research costs or do not meet the relevant recognition criteria, the development costs as well as research costs are expensed as incurred according to IAS 38.

Interest, royalties and dividends

Interest is recognised using the effective interest method in accordance with IAS 39. Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement; dividends are recognised when the shareholder's right to receive payment is established.

Cash and cash equivalents

Telekom Austria Group considers cash in banks and highly liquid investments with remaining maturities of up to three months from the date of acquisition to be cash and cash equivalents. Money market deposits with remaining maturities of more than three months from the date of acquisition are classified as short-term investments along with marketable securities. The financial resource fund in the Consolidated Statements of Cash Flows is equal to cash and cash equivalents reported in the Consolidated Statements of Financial Position.

Marketable securities and other long-term investments

In accordance with IAS 39, Telekom Austria Group has classified all marketable securities and certain long-term investments as available-for-sale, and carries these securities at fair value. When the fair value cannot be determined, the investment is recorded at cost. Unrealised gains and losses resulting from the change in the fair value of available-for-sale investments are recorded in other comprehensive income (OCI), net of income tax.

Telekom Austria Group's policy for determining if an impairment of a security exists is based on a two-step approach taking into consideration the significance of the difference between the acquisition cost and the fair value of the security as well as the period of time for which such a difference exists. Telekom Austria Group determines, on an individual security basis, whether the change in fair value is temporary and insignificant. If the change is neither temporary nor insignificant, Telekom Austria Group recognises an impairment loss in the financial result. Furthermore, Telekom Austria Group evaluates whether there is any indication for a complete loss of a debtor (credit risk).

If the reasons for the impairment no longer exist, the impairment charge is fully or partly reversed. Impairment losses recognised in profit or loss for investments in equity instruments classified as available-for-sale shall not be reversed through profit or loss. In case the fair value of a debt instrument classified as available-for-sale increases and such increase is the result of an event that occurred after recognition of the impairment loss, the impairment loss shall be reversed in profit or loss.

Investments in unquoted equity instruments are not carried at fair value because their fair value cannot be reliably determined. They are carried at cost less impairment losses, if applicable. The amount of an impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flow discounted at the current market rate of return for a similar financial asset. The subsequent reversal of such impairment losses in the future is not allowed.

Receivables

Accounts receivable: subscribers, distributors and other as well as other financial receivables are classified as loans and receivables and are measured at amortised cost or the lower recoverable amount.

An impairment of loans, accounts receivable: subscribers, distributors and other as well as other receivables is recorded (specific allowance) if there is objective evidence that Telekom Austria Group will not be able to collect all amounts due according to the original terms. Serious financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be indicators that the receivable is impaired.

Additionally, for groups of similar financial assets, Telekom Austria Group records a general allowance, which is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets is reduced through the use of allowance accounts, and the impairment charge is recognised in selling, general and administrative expenses. When a receivable is considered to be irrecoverable, the amount is written off against the receivable.

Inventories

Inventories consist of merchandise sold in the shops of Telekom Austria Group or by retailers and are measured at the lower of cost or net realisable 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 realisable value is the estimated selling price in the ordinary course of business less the estimated selling expense.

Assets held for sale

In accordance with IFRS 5, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They are no longer depreciated and are classified separately in the statements of financial position as assets held for sale. The net gains or losses on the sale of assets held for sale are recorded together with gains and losses from the retirement of property, plant and equipment either in other operating expenses or other operating income.

Property, plant and equipment

Property, plant and equipment are stated at cost, which includes certain costs that are capitalised during the installation and expansion of the telecommunications network, including material, payroll, direct overhead and interest costs as well as the present value of estimated decommissioning and restoration obligations. Value-added tax (VAT), which is charged by suppliers and refunded by the tax authorities, is not included in cost. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value. Spare parts, cables and supplies are primarily used for Telekom Austria Group's network expansion. In accordance with IAS 16.8, they are reported in property, plant and equipment as Telekom Austria Group expects to use these items during more than one period.

Depreciation on property, plant and equipment is calculated using the straight-line method and the estimated useful lives of property, plant and equipment. Property, plant and equipment under finance lease and leasehold improvements are amortised using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter.

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

Impairment of property, plant and equipment and intangible assets

In the event that facts and circumstances indicate that Telekom Austria Group's property, plant and equipment or intangible assets with finite useful lives may be impaired, an evaluation of recoverability is performed, regardless of whether they are to be held and used or to be disposed of. In accordance with IAS 36, an impairment loss is recognised 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 Statements of Comprehensive Income.

If there is any indication that the impairment recognised in prior periods no longer exists, Telekom Austria Group considers the need to reverse all or a portion of the impairment charge.

Goodwill and other intangible assets

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

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 recognised at fair value based on the "relief of royalty method". If Management intends to discontinue the use of a brand name in the foreseeable future, its carrying amount is amortised over the remaining estimated useful life.

Goodwill, other intangible assets with indefinite useful lives and other intangible assets, which are not yet available for use, are not amortised, 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.

Other intangible assets with finite useful lives are amortised over their respective useful lives to their estimated residual values and tested for impairment if an event or circumstance indicates that the assets may be impaired.

In each reporting period, Telekom Austria Group is required to re-evaluate its decision that an intangible asset has an indefinite useful life. If an intangible asset with an indefinite useful life is subsequently determined to have a finite useful life, the intangible asset is written down to its recoverable amount, if lower than its carrying amount, and amortised prospectively over its remaining useful life.

For the purpose of impairment testing, assets are summarised in cash-generating units, which are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is, from the acquisition date, 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. 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 the goodwill, with the recoverable amount of the 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.

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, which are prepared for periods of five (2015: four) years. The recognition and measurement of deferred tax assets is now also based on the business plans for these periods. 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 used in business plans are based on actuals, industry forecasts and external economic parameters such as the development of gross domestic product (GDP), inflation rates, currency rates, population and other.

Costs and capital expenditure are based on past experience and internal expectations.

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

The discount rate applied for discounting future cash flows is determined for each cash-generating unit separately 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.

If the recoverable amount 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, Telekom Austria Group examines if impairment losses recognised in the past (with the exception of goodwill) have to be reversed. If the carrying amount of the cash-generating unit exceeds its recoverable amount, the entity shall recognise an impairment loss in the Consolidated Statements of Comprehensive Income. 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.

Internally developed software

Certain direct and indirect development costs associated with internally developed software, including direct costs of materials and services, and payroll costs, are capitalised once the project has reached the application development stage. The costs are generally amortised using the straight-line method over a period not exceeding four years, beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, maintenance and training costs as well as research and development costs (with the exception of the abovementioned capitalisable development costs) are expensed as incurred.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use.

Own work capitalised

Own work capitalised represents the work performed for own purposes consisting mainly of employee costs and direct overheads capitalised primarily as part of property, plant and equipment. For the capitalisation of internally developed software, see Note (15). The original expenses are directly offset by the amounts capitalised (see Note (6)).

Government grants

Investment grants are deducted from the cost of the asset. Performance-related grants are recorded as other operating income in the Consolidated Statements of Comprehensive Income.

Financial liabilities

All financial liabilities are classified as other liabilities, in accordance with IAS 39, and are recognised initially in the amount corresponding to the financial inflow. Differences between the amount received and the amount to be repaid are recognised over the term of the liability in the financial result (amortised cost) using the effective interest rate method.

Other liabilities

Other liabilities are carried at amortised cost.

Provisions

A provision is recorded when an obligation to a third party exists, the payment is probable and the amount can be reasonably estimated. Long-term provisions relating to personnel and social costs, restructuring provisions and asset retirement obligation are recorded at their net present value.

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

Employee benefit obligations

Telekom Austria Group provides retirement benefits under defined contribution and defined benefit plans.

In the case of defined contribution plans, Telekom Austria Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Once the contributions have been paid, Telekom Austria Group has no further payment obligations. The regular contributions are recognised in employee expenses in the respective functional area.

All other employee benefit obligations are unfunded defined benefit plans for which Telekom Austria Group records provisions which are calculated using the projected unit credit method in accordance with IAS 19. The future benefit obligations are measured using actuarial methods on the basis of an appropriate assessment of the discount rate, rate of employee turnover, rate of compensation increase and rate of increase in pensions.

For severance and pensions, Telekom Austria Group recognises actuarial gains and losses in other comprehensive income (OCI), whereas re-measurement gains and losses for service awards are immediately recognised in profit or loss. The re-measurement of defined benefit plans relates to actuarial gains and losses only, as Telekom Austria Group holds no plan assets. Interest expense related to employee benefit obligations is reported in the financial result, while service cost is reported in employee expenses in the respective functional area.

According to IAS 19.133, Telekom Austria Group chooses to distinguish between current and non-current liabilities arising from employee benefit obligations.

Changes in existing decommissioning, restoration and similar liabilities

In accordance with IAS 16 'Property, Plant and Equipment', the cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. The resulting liability is measured in accordance with IAS 37. The effects of changes in the measurement of existing decommissioning, restoration and similar liabilities are accounted for in accordance with the provisions of IFRIC 1. The provisions require that an increase in the liability that reflects the passage of time shall be recognised in profit or loss. 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 discount rate shall be added or deducted from the cost of the assets in the current period. The amount deducted from the asset shall not exceed its carrying amount. A possible exceeding amount is reported in profit or loss. If the adjustment results in an addition to the asset, it shall be considered 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.

Income taxes

Income taxes are calculated for each taxable entity based on the expected actual income tax rate applicable. In accordance with IAS 12 'Income Taxes', deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and their tax bases, for current-year tax losses and tax losses carried forward as well as certain impairment losses on investments for which recognition for tax purposes is deferred over a specified period. For the purpose of calculating deferred tax assets and liabilities, 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 recognised in the period the tax rate is effectively enacted. A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable income will be available. The distribution of dividends by Telekom Austria AG has no effect on the tax rate.

Investment tax credits are recognised as a reduction in income taxes in the period in which these credits are granted. Income tax receivables or payables cover obligations for current and prior periods.

Leases

Lease agreements in which Telekom Austria Group assumes substantially all the risks and rewards of ownership as a lessee are classified as finance leases; otherwise, they are classified as operating leases. Plant and equipment acquired by way of finance leasing is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

If, substantially, all risks and rewards are attributable to Telekom Austria Group as a lessor, the leased asset is recognised by Telekom Austria Group. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. The lease payments are recognised over the term of the lease contract in profit or loss as earned. If Telekom Austria Group, as a lessor, transfers substantially all the risks and rewards incidental to legal ownership to the lessee, the lease agreements are classified as finance leases. Lease receivables are recorded at an amount equal to the net investment in the lease.

Share-based payments

In accordance with IFRS 2, share-based payments are measured at fair value at the grant date. The expense is recognised over the vesting period. Depending on the settlement of share-based payment transactions either in equity instruments or cash, Telekom Austria Group records an increase in equity or a liability. Due to the Management Board's decision to settle bonus shares granted in the course of the long-term incentive programme in cash (subsequently called fictitious bonus shares), the share-based payments are recorded as a liability. Until their settlement in cash, the liabilities are re-measured at their fair value at each reporting date as well as at the settlement date. Changes in the fair value are recorded in profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when Telekom Austria Group becomes a party to a financial instrument. Telekom Austria Group uses the settlement date for recording regular purchases and sales of financial assets. Derivative financial instruments are recognised at the trade date and derecognised when settled. Financial assets and financial liabilities are initially recognised at the fair value of the consideration given or received. Transaction costs are included in the initial measurement, except for financial instruments, which are recognised at their fair value through profit or loss.

For financial liabilities carried at amortised cost, gains or losses are recognised in profit or loss when the financial liability is derecognised.

Financial assets and financial liabilities are offset and the net amount is presented in the Statements of Financial Position only when the entity has a contractual right to offset the recognised amounts and intends to settle on a net basis.

Financial assets include, in particular, cash and cash equivalents, accounts receivable: subscribers, distributors and other, net as well as other receivables, receivables due from related parties and available-for-sale investments.

Financial liabilities include, in particular, accounts payable trade, issued bonds, bank debt, other financial liabilities and payables due to related parties.

Telekom Austria Group classifies its financial assets and financial liabilities in accordance with IAS 39. Management determines the classification of its financial assets and financial liabilities at initial recognition.

Fair value of financial instruments

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability. The hierarchy categorises the inputs used in valuation techniques into three levels. 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 risk of non-fulfilment is taken into account as well.

Concentration of risks

A portion of Telekom Austria Group's revenue is derived from services provided to other companies in the telecommunications industry, mainly to alternative telecommunications and cellular companies as well as to providers of internet online services. As a result, Telekom Austria Group has a certain concentration of credit risk in its customer base. To limit such risk, Telekom Austria Group performs credit evaluations of these key accounts on an ongoing basis.

At the reporting dates, Telekom Austria Group does not have any significant concentration of business transacted with a particular supplier or creditor or customer. Furthermore, 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. Telekom Austria Group invests its cash with various institutions with appropriate credit standings.

Through its expansion into the Central Eastern European (CEE) region, Telekom Austria Group operates in markets that have been experiencing political and economic change. This has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the CEE region involve uncertainties, including transfer, currency and tax uncertainties. 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 Telekom Austria Group. The actual development of the future business environment may differ from Management's assessment.

Use of estimates

The preparation of the Consolidated Financial Statements requires Management to make estimates and assumptions that affect the assets, liabilities 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.

Management has made judgments in the process of applying Telekom Austria Group's accounting policies. Additionally, at the reporting date, Management has made the following key assumptions concerning the future and has identified other key sources of estimation uncertainty which bear a significant risk of necessitating a material adjustment to the carrying amounts of assets and liabilities within 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) Employee benefit plans: The measurement of the various pension and other post-employment benefit plans as well as service awards is based on a method that uses various parameters, such as the expected discount rate, rate of compensation increase, rate of employee turnover and pension and salary increase. Changes in these parameters could result in higher or lower expenses (see Note (26)).
- b) Impairments: The impairment test for goodwill, other intangible 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 (16)). For more information on the carrying amounts of goodwill, other intangible assets and property, plant and equipment, see Notes (16), (15) and (14).
- c) The estimated useful lives of property, plant and equipment and intangible assets subject to depreciation and amortisation represent the estimated periods during which the assets will be in use. With respect to changes in depreciation and amortisation resulting from changes in the useful lives, see Note (14).
- d) Share-based compensation: Obligations under the long-term incentive programme are measured based on the fair value, which depends on expected target achievement and the expected share price at vesting date. Compensation expense and liabilities could materially differ from the estimated amount as of the reporting date if the underlying parameters were to change (see Note (30)).
- e) Deferred taxes: In assessing the recoverability of deferred tax assets, Management considers whether it is probable that all the deferred tax assets will be realised. The ultimate realisation of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. If Telekom Austria Group does not generate sufficient taxable income, deferred tax assets cannot be realised and therefore will not be recognised (see Note (28)).
- 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, employee turnover and the probability of the acceptance of termination offers. Changes in these parameters could result in higher or lower expenses (see Note (22)).
- g) Allowances for doubtful accounts receivables are based on the estimated probability of default of receivables: Deviation of actual from the estimated payment behaviour of customers may result in higher or lower expenses (see Note (32)).
- h) Asset retirement obligation: The calculation of the provision is based on parameters such as estimated decommissioning costs, discount rate and inflation rate. Changes in these parameters may result in higher or lower provisions (see Note (22)).

(5) Revenues

The following table sets out revenues from external customers for each product line:

in TEUR	2016	2015
Service revenues	2,146,301	2,173,961
Equipment revenues	419,519	362,647
Other operating income	86,629	105,033
Wireless revenues	2,652,449	2,641,641
Service revenues	1,528,183	1,455,288
Equipment revenues	30,830	28,387
Fixed-line and other revenues	1,559,013	1,483,674
Total revenues (incl. other operating income)	4,211,463	4,125,315

Other operating income includes mainly bad debt recovery, collection fees, penalties and rental income. Gains and losses from the retirement of fixed assets are offset. The resulting net gains are reported as other operating income, the resulting net losses are reported as other operating expense.

In 2016 and 2015, other operating income includes research and educational tax credits amounting to TEUR 1,515 and TEUR 1,762, respectively. In 2016 and 2015, other operating income also includes the gain resulting from the bargain purchase of Blizoo Bulgaria of TEUR 196 and TEUR 845, respectively, as well as the gain from the sale of GPS of TEUR 471 in 2015 (see Note (33)).

The decrease in other operating income relates to the segment Slovenia: In 2011, Si.mobil filed a lawsuit against Telekom Slovenije for alleged violation of competition laws. On 29 December 2014, an agreement was signed which was subject to conditions precedent and provided for continued business cooperation between Telekom Slovenije and Si.mobil. On 21 January 2015, a condition of the agreement subject to conditions precedent between Telekom Slovenije and Si.mobil was fulfilled. Thereupon, Si.mobil withdrew its lawsuit and received an initial payment of TEUR 20,000. On 1 October 2015, the second condition precedent was fulfilled and the remaining amount of TEUR 10,000 was received.

(6) Cost and Expenses

The following table presents cost and expenses according to their nature:

in TEUR	2016	2015
Cost of Equipment	521,873	463,663
Employee expenses, including benefits and taxes	787,065	799,679
Other operating expenses	1,548,273	1,493,229
Total costs and expenses	2,857,211	2,756,571

Employee expenses, including benefits and taxes comprise all benefits to employees excluding own work capitalised, which is reported on a net basis.

in TEUR	2016	2015
Own work capitalised	72,003	53,519

The following table provides the depreciation according to functional areas:

in TEUR	2016	2015
Cost of service	698,208	612,138
Cost of equipment	27,137	28,540
Selling, general & administrative expenses	139,925	156,404
Depreciation and amortisation	865,271	797,082

At the Annual General Meeting on 25 May 2016, 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	2016	2015
Audit fees	854	850
Other reviews	284	0
Other services	0	19
Fees EY	1,138	869

In 2016, other reviews relate to expenses for the issuance of a bond (see Note (24)).

(7) Financial Result

in TEUR	2016	2015
Interest income on loans and receivables	13,044	17,209
Interest income on bank deposits	604	9,459
Interest income on available-for-sale financial assets	193	244
Interest income	13,841	26,911

In 2015, interest income on bank deposits mainly results from fixed deposits of the subsidiary velcom in Belarus.

in TEUR	2016	2015
Interest expense on financial liabilities	132,946	168,432
Interest capitalised	-6,801	-10,981
Interest expense on asset retirement obligations	4,702	5,160
Interest expense on deferred considerations	11,667	0
Interest expense	142,514	162,611

The decrease in interest expense on financial liabilities is mainly due to the repayment of a bond in January 2016 (see Note (24)). Interest expense on deferred considerations relates to one.Vip in Macedonia (see Note (33)).

In 2016 and 2015, interest capitalised on internally developed software as well as on qualifying assets of property, plant and equipment (see Notes (14) and (15)) was based on an interest rate of 4.0% and 4.6%, respectively. In 2016 and 2015, the calculation of interest capitalised for licenses was based on an interest rate of 3.125%, which is derived from a specific financing facility.

in TEUR	2016	2015
Interest expense on employee benefit obligations	3,694	4,072
Interest expense on restructuring provision	8,293	11,136
Fees for unused credit lines	2,165	2,299
Dividends received	-563	-144
Gain on disposal of available-for-sale securities transferred from other comprehensive income	-24	-29
Loss on disposal of available-for-sale securities transferred from other comprehensive income	103	24
Result from other investments	-3,931	-15
Interest on employee benefits and restructuring and other financial items, net	9,739	17,343

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 (22) and (26).

The amounts previously recognised in other comprehensive income (OCI) and subsequently recognised in profit or loss are disclosed in the Consolidated Statements of Comprehensive Income.

In 2016, the result from other investments mainly relates to paybox Bank as, in June 2016, VISA Inc. acquired 100% of the shares in VISA Europe Limited from the member banks. Up to that date, paybox Bank, as a member of VISA Europe Limited, held one share which was exchanged for a consideration of TEUR 2,920 and 1,060 preferred shares in VISA Inc. amounting to TEUR 1,011.

in TEUR	2016	2015
Foreign exchange gains	20,986	17,087
Foreign exchange losses	-10,973	-19,344
Foreign exchange differences	10,013	-2,257

The net foreign exchange gains mainly result from currency fluctuations of the Belarusian Rouble towards the Euro and the US Dollar.

(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:

	2016	2015
Net result attributable to owners of the parent in TEUR	387,518	367,286
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in Euro	0.58	0.55

For the number of shares see Note (27)

According to IAS 33.12, the after-tax dividend on the hybrid capital is deducted from the net result attributable to owners of the parent, since the hybrid capital represents equity but does not constitute net result attributable to owners of the parent (see Note (27)).

Due to Management's decision to settle all share-based compensation plans in cash, no related dilutive effect occurred as of 31 December 2016 and 2015.

(9) Short-term Investments

in TEUR, at 31 December	2016	2015
Marketable securities short-term – available-for-sale	6,733	2,367
Short-term investments	6,733	2,367

Available-for-sale securities are classified as short-term, based on Management's intention to sell these marketable securities within the next twelve months.

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

in TEUR, at 31 December	2016	2015
Accounts receivable, gross	848,722	825,223
Allowances	-212,247	-200,588
Accounts receivable, net	636,474	624,635

At 31 December 2016 and 2015, respectively, accounts receivable: subscribers, distributors and other (trade receivables) in an amount of TEUR 382 and TEUR 358 have a maturity of more than 12 months and are non-interest bearing.

The roll-forward of the allowance for doubtful accounts receivable: subscribers, distributors and other as well as their ageing is presented in "credit risk" in Note (32).

(11) Related Party Transactions

The significant shareholders América Móvil and ÖBIB 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, Telekom Austria Group is also related to its subsidiaries. Through ÖBIB, Telekom Austria Group is related to the Republic of Austria and its subsidiaries, which are mainly ÖBB Group, ASFINAG Group and Post Group as well as Rundfunk und Telekom Regulierungs-GmbH (RTR), all of which qualify as related parties. Telekom Austria Group has determined the kind and amount of the transactions concluded with these related parties. In 2016 and 2015, revenues generated with these related parties were approximately 3% of the total revenues in the segment Austria. In 2016 and 2015, services received from the related parties mentioned above mainly relate to postage fees, transportation, commissions, roaming and fees to RTR and amount to approximately 7% of total cost and expenses (excluding employee expenses) in the segment Austria.

Telekom Austria Group is obligated to provide communication services for disadvantaged individuals at reduced tariffs for which it is entitled to appropriate compensation from the government on a contractual basis. The contract with the government concluded in July 2016 specifies the reimbursement of Euro 10.00 per customer per month for customers having a valid official notice. Official notices specifying the reimbursement amount of Euro 13.81, which were based on contracts before 1 July 2011, expired in September 2016 and since then the uniform reimbursement amounts to Euro 10.00 per month. The total reimbursement recorded as revenue in the service period was TEUR 14,532 and TEUR 15,397 in 2016 and 2015, respectively.

Regarding the transfer of civil servants to the government and the related expenses, provisions and liabilities, see Note (22).

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

in TEUR	2016	2015
Revenues (incl. other operating income)	1,817	1,861
Expenses	25,517	24,510

In 2016 and 2015, the expenses relate mainly to advertising and marketing services provided by media.at-Group.

At 31 December 2016 and 2015, accounts payable due to related parties relate primarily to media.at-Group and subsidiaries of América Móvil; accounts receivable from related parties relate to Telecom Liechtenstein and to subsidiaries of América Móvil (see Note (17)).

All transactions with related parties are monitored and documented to ensure that pricing is at arm's length.

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 Telekom Austria Group as well as the members of the Management Board of Telekom Austria AG.

in TEUR	2016	2015
Short-term employee benefits	9,756	11,559
Pensions	584	693
Other long-term benefits	142	156
Termination benefits	1,908	4,831
Share-based payments	825	752
Compensation of key management	13,215	17,991
Expenses for pensions and severance for other employees	19,251	23,022

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

(12) Inventories

As of 31 December 2016 and 2015, the carrying amount of merchandise measured at fair value less cost to sell amounted to TEUR 43,002 and TEUR 37,383, respectively. The net amount relating to the valuation of merchandise that is recognised in cost of equipment is the following:

in TEUR	2016	2015
Write-down/reversals of write-down of inventories	7,777	-7,385

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

(13) Other Current Assets

Other current assets, net include prepaid expenses and other current assets.

in TEUR, at 31 December	2016	2015
Advances to employees	17,521	17,394
Rent	9,498	8,774
Marketing expenses	38,005	41,138
Concession fees	21,596	21,316
Other	23,804	26,976
Prepaid expenses	110,424	115,597

Prepaid marketing expenses mainly consist of subsidies for mobile handsets, which are expensed over the minimum contractual term.

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in TEUR, at 31 December	2016	2015
Instalment sales	93,666	84,079
Finance lease receivables	161	161
Other financial assets	11,224	6,617
Financial assets	105,051	90,857
Fiscal authorities	10,113	10,125
Customer loyalty programme deferrals	16,155	14,238
Advance payments	4,391	3,852
Other non-financial assets	10,479	11,597
Non-financial assets	41,138	39,811
Other current assets, gross	146,189	130,668
Less allowance for financial assets	-11,982	-10,351
Less allowance for non-financial assets	-2,637	-3,189
Other current assets	131,569	117,129

Instalment sales receivables relate to the instalment sales of mobile handsets and tablets and equal the present value of the revenue less already amortised amounts. As of 31 December 2016 and 2015, respectively, the instalment sales receivables relate to all segments.

For information on finance lease receivables, see Note (29).

Other current non-financial assets mainly consist of claims against the Republic of Austria (see Note (11)), indemnification payments due from insurance companies and receivables due from employees.

The roll-forward of the allowance for doubtful financial assets as well as their ageing is presented in "Credit risk" in Note (32).

(14) Property, Plant and Equipment

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 1 January 2015	9,643,585	897,191	436,956	191,197	82,324	11,251,254
Additions	345,104	7,737	30,243	201,067	4,479	588,630
Disposals	-451,007	-30,292	-66,495	-1,847	-2,205	-551,847
Transfers	154,102	4,569	14,746	-186,869	12,660	-792
Translation adjustment	-125,811	-12,568	-20,234	-12,382	-829	-171,825
Changes in reporting entities	229,819	2,939	43,908	8,581	-12	285,235
At 31 December 2015	9,795,792	869,576	439,124	199,746	96,417	11,400,654
Additions	275,644	11,016	21,309	253,952	139,081	701,002
Disposals	-373,542	-7,808	-27,934	-267	-9,466	-419,017
Transfers	253,670	2,825	40,189	-220,737	-85,315	-9,368
Translation adjustment	1,600	352	1,471	-598	90	2,915
Changes in reporting entities	18,091	176	1,474	166	253	20,160
At 31 December 2016	9,971,254	876,137	475,633	232,261	141,061	11,696,346
Accumulated depreciation and impairment						
At 1 January 2015	-7,961,047	-611,505	-350,262	0	-33,895	-8,956,710
Additions	-422,921	-32,340	-48,230	0	1,098	-502,393
Disposals	413,538	25,253	65,054	0	702	504,547
Transfers	-1,087	-666	-3,396	0	0	-5,149
Translation adjustment	83,941	2,030	16,667	0	366	103,004
Changes in reporting entities	-96,877	-780	-36,862	0	0	-134,519
At 31 December 2015	-7,984,453	-618,009	-357,029	0	-31,729	-8,991,220
Additions	-464,438	-29,163	-39,258	0	-13,873	-546,732
Disposals	362,508	6,002	27,355	0	5,050	400,915
Transfers	282	20	-46	0	0	257
Translation adjustment	-1,222	-299	413	0	57	-1,051
Changes in reporting entities	-6,651	-76	-1,034	0	0	-7,761
At 31 December 2016	-8,093,974	-641,526	-369,598	0	-40,495	-9,145,592
Carrying amount at						
31 December 2016	1,877,281	234,611	106,035	232,261	100,566	2,550,754
31 December 2015	1,811,339	251,567	82,095	199,746	64,688	2,409,435

Other assets include mainly office and business equipment as well as automobiles.

The useful lives are:

	Years
Transmission equipment	3–20
Cables and wires	2–20
Communications equipment	2–20
Buildings and leasehold improvements	3–100
Furniture, fixtures and other	2–25

At 31 December 2016 and 2015, respectively, leased automobiles with a carrying value of TEUR 233 and TEUR 369 are included in other assets.

As of 31 December 2016 and 2015, the carrying amount of land amounted to TEUR 57,534 and TEUR 56,261, respectively.

In 2016, the estimated useful lives of certain communications networks and other equipment of the merged company “ONE” in the segment Macedonia were reduced, which led to an increase in depreciation of TEUR 15,655. In 2015, Telekom Austria Group reduced the estimated useful lives of buildings and certain technical equipment in the segments Austria, Bulgaria and Belarus, which resulted in an increase in depreciation of TEUR 8,655. In both years, the useful lives were reduced due to rapid technological progress.

Government grants totalling TEUR 4,226 and TEUR 3,913 were deducted from acquisition cost in 2016 and 2015, respectively.

The transfers from advances/construction in progress relate to property, plant and equipment and intangible assets. Furthermore, in 2015, assets held for sale as of 31 December 2014 were reclassified as no sale was expected anymore.

At 31 December 2016 and 2015, purchase commitments for property, plant and equipment amount to TEUR 150,233 and TEUR 107,949, respectively.

At 31 December 2015, property, plant and equipment in the amount of TEUR 1,750 was pledged to secure tax obligations.

Sensitivity analysis

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

in TEUR	2016	2015
Decrease due to extension by one year	187,017	163,364
Increase due to reduction by one year	220,507	189,021

(15) Intangibles

in TEUR	Licenses and rights of use	Brand names and patents	Software	Customer base	Advances/ construction in progress	Total
Cost						
At 1 January 2015	2,388,245	672,055	1,208,285	1,144,064	50,356	5,463,006
Additions	92,844	1,774	56,182	0	61,193	211,993
Disposals	-9,464	0	-83,069	0	-374	-92,907
Transfers	2,481	-3,536	65,586	0	-62,718	1,813
Translation adjustment	-34,315	-30,558	-23,323	-107,847	-1,163	-197,207
Changes in reporting entities	31,811	14,116	5,139	90,815	-12	141,870
At 31 December 2015	2,471,602	653,852	1,228,799	1,127,032	47,282	5,528,567
Additions	21,130	3,160	38,240	0	61,133	123,663
Disposals	-346,172	-518	-40,991	0	-238	-387,919
Transfers	3,919	-633	52,394	0	-46,313	9,368
Translation adjustment	-2,736	-954	448	-1,110	-320	-4,672
Changes in reporting entities	349	3,243	1,245	5,433	89	10,360
At 31 December 2016	2,148,093	658,150	1,280,135	1,131,356	61,633	5,279,367

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in TEUR	Licenses and rights of use	Brand names and patents	Software	Customer base	Advances/ construction in progress	Total
Accumulated amortisation and impairment						
At 1 January 2015	-882,082	-121,627	-883,298	-1,005,892	0	-2,892,899
Additions	-95,354	-6,768	-142,939	-49,628	0	-294,689
Disposals	9,344	0	82,451	0	0	91,795
Transfers	4,053	689	-201	0	0	4,541
Translation adjustment	15,609	303	18,413	91,199	0	125,526
Changes in reporting entities	-7,618	-3,390	-2,680	-41,298	0	-54,986
At 31 December 2015	-956,047	-130,791	-928,254	-1,005,619	0	-3,020,712
Additions	-127,968	-11,591	-137,656	-41,324	0	-318,538
Impairment	0	-496	-1,685	-138	0	-2,319
Disposals	342,851	0	40,777	0	0	383,628
Transfers	-1,110	1,037	-184	0	0	-257
Translation adjustment	1,004	693	-455	-243	0	1,000
Changes in reporting entities	-130	-1	-388	-258	0	-776
At 31 December 2016	-741,399	-141,148	-1,027,844	-1,047,581	0	-2,957,973
Carrying amount at						
31 December 2016	1,406,694	517,001	252,291	83,775	61,633	2,321,394
31 December 2015	1,515,555	523,060	300,545	121,413	47,282	2,507,855

Licenses and rights of use include licenses not yet put into operation.

Intangible assets are amortised using the straight-line method over their estimated useful lives:

	Years
Mobile communications and fixed net licenses*	5-30
Rights of use	2-50
Patents	2-30
Software	2-14
Subscriber base	2-12

* See also terms in table below

Rights of use amortised over more than 20 years relate to indefeasible rights of use of cable fibre or wavelength over a fixed period of time. The indefeasible rights are amortised over the term of the contract.

Licenses are recorded at cost and amortised on a straight-line basis. The following table sets forth the terms and total cost incurred for each of the major license agreements:

	GSM licenses	UMTS licenses	LTE licenses
License cost	1,019,877	317,052	638,988
End of the term	2017-2039	2019-2031	2024-2033

Telekom Austria Group holds mobile telecommunication licenses provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and Macedonia.

On 4 May 2016, Mtel, located in Bulgaria, acquired 2 x 5 MHz in the 1,800-MHz spectrum for TEUR 6,212.

On 17 November 2015, Vipnet, located in Croatia, acquired 2 x 3 MHz and 2 x 4.8 MHz in the 1,800-MHz spectrum for TEUR 18,513. With the newly acquired spectrum, the 4G network of Vipnet is further strengthened. Vipnet already holds 2 x 29.4 MHz in the lower frequency band (below 1 GHz), 2 x 25.0 in the higher frequency band (above 1 GHz) as well as 5.0 MHz in the TDD spectrum.

On 19 November 2015, Vip mobile, the Serbian subsidiary of Telekom Austria Group, acquired 2 x 5 MHz of the 800-MHz spectrum for a total consideration of TEUR 35,509. The new spectrum will be used by Vip mobile for the LTE rollout and will enhance the high-speed data service in rural areas as well as data usage in connection with smartphones. Vip mobile already holds a 2 x 4.2 MHz in the lower frequency band (below 1 GHz) as well as 2 x 45.0 MHz in the higher frequency band (above 1 GHz). At 31 December 2015, this license was reported in advances/construction in progress. Additionally, on 19 February 2015, Vip mobile acquired 2 x 5 MHz of the 1,800-MHz spectrum for a total consideration of TEUR 6,920.

The following table presents expected amortisation expense in TEUR related to intangible assets with a finite useful life for each of the following periods:

2017	292,580
2018	201,143
2019	166,242
2020	138,278
2021	119,544
Thereafter	903,514

The following table presents the changes in the carrying values of brand names by segment:

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	Macedonia	Total
At 1 January 2015	158,847	243,704	26,584	103,992	3,148	665	536,941
Amortisation	0	0	-1,315	0	-190	-716	-2,220
Translation adjustment	0	0	68	-30,327	0	9	-30,250
Changes in reporting entities	0	0	517	0	1,897	6,572	8,986
At 31 December 2015	158,847	243,704	25,855	73,665	4,856	6,530	513,457
Amortisation	0	0	-824	-237	-3,465	-1,264	-5,790
Translation adjustment	0	0	271	-487	0	10	-206
Impairment	-496	0	0	0	0	0	-496
Changes in reporting entities	0	0	0	3,242	0	0	3,242
At 31 December 2016	158,351	243,704	25,301	76,184	1,391	5,276	510,207

Regarding the acquisitions and disposals of brand names, see Note (33).

Brand names classified as intangible assets with indefinite useful lives are tested for impairment in the fourth quarter of each year in accordance with IAS 36, as described in Note (4). If an event or circumstance indicates that an asset may be impaired, impairment tests are carried out. Due to the fact that 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. The second step according to IAS 36.107 is to determine whether an impairment loss should be recognised based on the total cash-generating unit.

The impairment test of the cash-generating unit paybox Bank led to an impairment in the segment Austria amounting to TEUR 2,319 as the carrying amount exceeded the estimated future net cash flows approved by Management in the business plans. Brand name, customer base and software were written off completely (see table of intangible assets). The value in use of paybox Bank amounts to TEUR 6,797. The pre-tax interest rate on which the calculation of the value in use is based amounts to 7.0% in 2016 and 7.2% in 2015.

Brand names which will be used for a limited period of time are/were amortised over their estimated useful life. These brand names are B.net and Amis Croatia in the segment Croatia, Amis Slovenia and Si.mobil in the segment Slovenia, Atlant Telecom in the segment Belarus as well as blizoo and one in the segment Macedonia.

The following table provides a detail of the brand names recognised:

in TEUR, at 31 December	2016	2015
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
Paybox Bank	0	496
YESSS!	12,950	12,950
Total Austria	158,351	158,847
Mobiltel	243,704	243,704
Total Bulgaria	243,704	243,704
Vipnet	25,301	25,042
B.net	0	594
AMIS	0	219
Total Croatia	25,301	25,855
velcom	73,125	73,665
Atlant Telecom	3,059	0
Total Belarus	76,184	73,665
Si.mobil	1,049	3,148
AMIS Slovenia	341	1,707
Total Slovenia	1,391	4,856
blizoo	0	211
one	5,276	6,319
Total Macedonia	5,276	6,530
Total brand names	510,207	513,457
Thereof with indefinite useful life	500,481	504,407
Thereof with definite useful life	9,726	9,051

At 31 December 2016 and 2015, the line item software comprises internally developed software with a carrying amount of TEUR 23,183 and TEUR 23,462, acquisition cost of TEUR 123,957 and TEUR 120,372 and the related accumulated amortisation of TEUR 100,774 and TEUR 96,910, respectively. Additions in 2016 and 2015 amounted to TEUR 1,546 and TEUR 1,823, respectively.

In 2016 and 2015, transfers include reclassifications of advances/construction in progress to tangible and intangible assets.

As of 31 December 2016 and 2015, purchase commitments for intangible assets amounted to TEUR 31,422 and TEUR 21,193, respectively.

In 2015, Telekom Austria Group reduced the estimated useful lives of certain software programmes in the segment Bulgaria. The changes resulted in an increase in amortisation of TEUR 703.

(16) Goodwill

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

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	Macedonia	Total
At 1 January 2015	708,211	242,691	94,473	0	136,260	7,846	1,189,481
Translation adjustment	0	0	180	0	0	19	198
Acquisitions	0	0	6,093	0	11,372	22,568	40,033
At 31 December 2015	708,211	242,691	100,745	0	147,632	30,433	1,229,712
Translation adjustment	0	0	1,048	250	0	56	1,354
Acquisitions	0	0	410	10,768	0	-421	10,757
At 31 December 2016	708,211	242,691	102,203	11,018	147,632	30,068	1,241,823

For details of acquisitions, see Note (33).

The acquisition cost of goodwill was as follows:

in TEUR, at 31 December	2016	2015
Segment Austria	712,231	712,231
Segment Bulgaria	642,691	642,691
Segment Croatia	107,210	105,637
Segment Belarus	523,817	516,588
Segment Slovenia	175,556	175,556
Segment Macedonia	35,180	35,535
Total cost	2,196,684	2,188,238

Accumulated impairment charges of goodwill amount to:

in TEUR, at 31 December	2016	2015
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,007	4,892
Segment Belarus	512,799	516,588
Segment Slovenia	27,924	27,924
Segment Macedonia	5,112	5,102
Accumulated impairment	954,861	958,526

When the impairment test is performed, a planning period of five (2015: four) years is used for calculating the value in use. Peer group beta factors and peer group leverage factors are used for the calculation of the discount rate.

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

	Growth rates perpetual annuity		Pre-tax interest rates*	
	2016	2015	2016	2015
Segment Austria	0.6%	0%-0.5%	7.0%	7.2%
Segment Bulgaria	0.8%	0.8%	7.8%	9.0%
Segment Croatia	2.2%	1.0%	9.6%	9.5%
Segment Belarus	10.8%	12.6%	24.3%	25.6%
Segment Slovenia	0.6%	0.6%	8.4%	8.9%
Segment Macedonia	-0.3%	3.3%	10.1%	10.5%

* Based on a risk-free interest rate, adjusted for market, country and industry-specific risks. A standard discount rate is used for all planning periods.

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

The value in use is set forth in the following table:

in TEUR, at 31 December	2016	2015
Segment Austria	4,300,514	3,852,749
Segment Bulgaria	858,913	866,059
Segment Croatia	273,314	230,760
Segment Belarus	662,083	856,995
Segment Slovenia	418,159	584,395
Segment Macedonia	192,491	286,947

The value in use was compared with the carrying amount of the cash-generating units (including goodwill). Impairment charges are recognised if the carrying amount of the cash-generating units exceeds the value in use.

Sensitivity analysis

The use of the following pre-tax interest rates would lead to the carrying amount equalling the value in use at 31 December 2016 and 2015:

Pre-tax interest rates*	2016	2015
Segment Austria	10.9%	10.4%
Segment Bulgaria	8.4%	10.0%
Segment Croatia	10.7%	10.4%
Segment Belarus	43.7%	54.3%
Segment Slovenia	9.7%	15.4%
Segment Macedonia	13.6%	15.3%

* Based on a risk-free interest rate, adjusted for market, country and industry-specific risks.

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

With respect to the substantial markets, the following table sets forth the changes in revenues, cost drivers and capital expenditure which would lead to the carrying amounts equalling the value in use at 31 December 2016 and 2015:

2016	Revenues	Cost	Capital expenditures
Segment Austria	-5.5%	9.4%	25.3%
Segment Bulgaria	-1.6%	2.7%	8.0%
Segment Croatia	-1.7%	2.6%	8.1%
Segment Belarus	-14.0%	33.9%	89.3%
Segment Slovenia	-2.8%	4.2%	18.7%
Segment Macedonia	-5.7%	9.5%	30.1%
2015			
Segment Austria	-4.0%	5.6%	20.3%
Segment Bulgaria	-1.9%	2.9%	11.5%
Segment Croatia	-1.1%	1.4%	7.9%
Segment Belarus	-16.3%	26.7%	122.1%
Segment Slovenia	-8.7%	12.5%	76.0%
Segment Macedonia	-7.8%	12.1%	43.3%

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

(17) Investments in Associates

Investments in associates accounted for using the equity method as of 31 December 2016 and 2015 as well as their allocation to the segments are set forth in Note (33).

The following is a roll-forward of the investments in associates:

in TEUR	2016	2015
At 1 January	40,428	38,253
Dividends received	-1,264	-715
Recognised income	1,427	240
Translation adjustment	230	2,650
At 31 December	40,820	40,428

The investment in media.at is included in the investments in associates with the proportionate total consolidated equity of the media.at-Group. Dividends received are reported in the net cash flow from investing activities.

The following table provides a summary of aggregated financial information of the associated companies representing the total amounts and not Telekom Austria Group's proportionate share:

Statements of profit or loss (in TEUR)	2016	2015
Revenues	165,038	168,657
Operating income	6,838	6,491
Net income	7,135	6,282

The financial information of media.at-Group is based on its reporting period 1 July to 30 June. Net income equals total comprehensive income.

in TEUR	2016	2015
Total current assets	35,649	52,741
Total non-current assets	55,463	51,595
Total liabilities	23,398	39,342
Total stockholders' equity	67,713	64,994

Financial information of media.at-Group is included based on 30 June reporting. As liabilities are substantially short-term, no split between short-term and long-term is provided.

The following table provides the difference between the investment in associates and their proportional equity as well as their allocation to the segments.

in TEUR, at 31 December	2016	2015
Proportional equity	16,974	15,606
Goodwill	14,043	14,043
Purchase price allocation	9,804	10,779
Investments in associates	40,820	40,428
Segment Austria	4,329	3,487
Corporate & Other	36,491	36,941

(18) Long-term Investments

in TEUR, at 31 December	2016	2015
Other investments carried at cost	1,468	1,701
Other long-term investments	923	1,757
Marketable securities – available-for-sale, long-term	5,992	4,768
Long-term investments	8,383	8,226

Other investments carried at cost include investments in unquoted equity instruments (investments). These relate mainly to CEESEG AG. As the stake in CEESEG AG can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost. On 31 December 2015, other investments also included the investment in CATV-o47 d.o.o. Kabelska televizija (CATV) in the amount of TEUR 818; CATV was initially consolidated in the first quarter 2016 (see Note (33)).

As of 31 December 2016 and 2015, respectively, other long-term investments comprise fixed deposits.

Marketable securities available-for-sale serve partially as coverage for the provision for pensions in Austria. Based on Management's intention not to sell these marketable securities within the next twelve months, they are classified as long-term financial assets.

(19) Other Non-current Assets

in TEUR, at 31 December	2016	2015
Finance lease receivables	2,419	2,580
Instalment sales	43,612	32,830
Other financial assets	1,588	2,164
Financial assets	47,619	37,574
Other non-financial assets	8,528	12,690
Other non-current assets, gross	56,147	50,264
Less allowance for financial assets	-1,424	-1,252
Other non-current assets	54,723	49,012

For information on finance lease receivables and instalment sales receivables, see Notes (29) and (13). Instalment sales contracts in Belarus are only concluded with terms of less than twelve months.

Other non-financial assets mainly include prepayments for maintenance agreements, license fees and rent.

The roll-forward of the allowance for doubtful non-current finance lease receivable, non-current instalment sales receivables and other non-current financial assets as well as their ageing is presented in "Credit risk" in Note (32).

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

in TEUR, at 31 December	2016	2015
Current portion of long-term debt	499,953	805,236
Short-term debt	35	5,087
Current portion of lease obligations	77	117
Short-term debt	500,065	810,440

For further information regarding the current portion of long-term debt and lease obligations, see Notes (24) and (29). The decrease in the current portion of long-term debt results from the repayment of a bond amounting to TEUR 750,000 in January 2016 as well as from bank debt which was partly compensated by the reclassification to short-term debt of a bond amounting to TEUR 500,000 falling due in January 2017. Further funding sources are listed in Note (32).

(21) Accounts Payable

Accounts payable consist of the following items:

in TEUR, at 31 December	2016	2015
Fiscal authorities	56,797	62,787
Social security	10,474	10,110
Employees	16,311	17,270
Long-term incentive program	1,327	1,237
Employees – transferred to government	4,084	4,692
Prepayments from customers	13,252	6,595
Government	130	136
Other non-financial liabilities	4,225	9,167
Current non-financial liabilities	106,600	111,994
Suppliers	553,747	573,650
Deferred consideration	111,667	100,149
Accrued interest	49,624	93,200
Cash deposits received	8,710	6,543
Other current financial liabilities	22,271	19,618
Current financial liabilities	746,019	793,161
Accounts payable	852,619	905,155

Liabilities due to tax authorities mainly include value-added taxes and payroll taxes.

Liabilities regarding social security relate to statutory contributions to the social security system.

Liabilities due to employees mainly relate to salaries payable (including overtime and travel allowances) and one-time termination benefits.

For information on the long-term incentive programme, see Note (30).

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 Telekom Austria Group (see Note (22)).

At 31 December 2016 and 2015, accounts payable amounting to TEUR 8,277 and TEUR 887, respectively, have a maturity of more than twelve months.

For purchase price liabilities from business combinations, see Note (33).

Accrued interest includes interest on bonds and bank debt (see Note (24)). In 2016 and 2015, other current financial liabilities include mainly customer deposits.

(22) Accrued Liabilities and Current Provisions, Asset Retirement Obligation and Restructuring

in TEUR	Restructuring	Employees	Customer allowances	Asset retirement obligation	Legal	Other	Total
At 31 December 2015	702,215	122,700	23,704	166,748	31,987	38,417	1,085,771
Additions	95,244	38,781	17,617	23,960	3,698	24,941	204,241
Change in estimates	-4,286	0	0	34,059	0	0	29,774
Used	-98,255	-41,543	-18,849	-1,368	-6,066	-20,282	-186,363
Released	-86,463	-6,490	-2,282	-1,509	-16,448	-7,526	-120,719
Accretion expense	8,293	0	0	4,702	0	0	12,995
Reclassifications*	-3,209	9,298	0	0	0	-2,791	3,298
Translation adjustment	0	59	0	41	26	93	220
Changes in reporting entities	0	166	0	0	0	1,470	1,636
At 31 December 2016	613,541	122,971	20,190	226,633	13,197	34,322	1,030,854
Thereof long-term							
31 December 2016	505,200	0	0	226,633	0	0	731,833
31 December 2015	583,550	0	0	166,748	0	0	750,298

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

In establishing provisions, Management assesses different scenarios of reasonably estimated outcomes to determine the amount that Telekom Austria Group is expected to pay upon the resolution of a contingency. Telekom Austria Group records provisions based on the best estimate of the expenditure required to settle the present obligation.

Telekom Austria Group expects that approximately 60% of the provisions and accrued liabilities, with the exception of the asset retirement obligation and the provision for restructuring, will be utilised during the following financial year. Even if Telekom Austria Group does not expect an outflow of funds in the following financial year, provisions and accrued liabilities are reported as short-term if the timing of such outflows cannot be controlled by Telekom Austria Group.

Restructuring

In 2008, a comprehensive restructuring programme was initiated in the segment Austria. The provision for restructuring includes future compensation of employees who will no longer provide services for 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 programme also includes social plans for employees whose employments will be terminated in a socially responsible way. In 2009, 2011, 2012, 2013, 2014, 2015 and 2016, new social plans were initiated which 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 31 December 2016 and 2015, the corresponding liability amounts to TEUR 589,468 and TEUR 668,491 and includes 2,021 and 1,914 employees, respectively.

In 2016 and 2015, the rates of compensation increase used to measure the provisions for restructuring are the same as those used for employee benefit obligations (see Note (26)). The following table provides the discount rates used, which are determined based on the Mercer Yield Curve Approach taking into account the respective maturities.

	2016	2015
Employees permanently leaving the service process	1.25%	2.00%
Social plans	0.75%	1.00%
Civil servants transferred to the government	1.25%	1.00%

Changes in the provision are recognised 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 on employee benefits and restructuring and other financial items. A part of the provision was released since a number of employees returned to regular operations, were transferred to the government or opted for schemes such as golden handshakes, special severance packages and early retirement to an extent not foreseeable at the time of the measurement of the provision in the previous year. The change in estimates is due to adjustments of the discount rate and the rate of compensation (see Note (26)) as well as an adjustment of the employee turnover rate from 22.9% in 2015 to 34.3% in 2016. The employee

turnover rate takes into consideration employees leaving in the future as well as temporary re-employment within Telekom Austria Group and is only applicable to the provision for employees permanently leaving the service process and not to provisions for social plans.

Based on the general agreement for the transfer of personnel, which was concluded with the Austrian government in 2013, employees transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, Telekom Austria Group bears the salary expense. In case of a permanent transfer, Telekom Austria Group has to compensate the government for any excess expense arising due to differing professional classifications of work places. Furthermore, compensation payments have to be effected to civil servants up to the age of 62 (optionally also one-off payments).

As of 31 December 2016 and 2015, the provision for the transfer of civil servants to the government amounts to TEUR 24,073 and TEUR 33,724 and comprises 193 and 205 employees, respectively. For information on the liability for employees transferred to the government, see Note (21).

Sensitivity analysis

A change of one percentage point in the 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 31 December 2016	1 percentage point increase	1 percentage point decrease
Change in discount rate	-27,965	26,584
Change in rate of compensation	25,258	-23,719
<hr/>		
in TEUR, at 31 December 2015		
Change in discount rate	-33,778	37,178
Change in rate of compensation	31,345	-29,142

Employees

The provisions for employees contain unused vacation days, bonuses and the short-term portion of employee benefit obligations for severance, service awards and pensions (see also Note (26)).

In its judgement of 11 November 2014, the European Court of Justice (ECJ) decided 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 being advanced into the next salary level) is not in conformity with European Union law. Thus, at 31 December 2016 and 2015, Telekom Austria Group recognised a provision for employees in its financial statements of TEUR 49,069 and TEUR 50,255, respectively.

Customer rebates

The provision contains rebates earned by customers but not paid as of the reporting date.

Asset retirement obligation

Telekom Austria Group records asset retirement obligations for the retirement and decommissioning of wooden masts impregnated with tar or salt, base stations, land and buildings including rented premises.

The asset retirement obligation for masts impregnated with tar or salt is based on estimated settlement dates and expected cash flows.

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, Telekom Austria Group has made a range of assumptions such as retirement dates, timing and percentage of early cancellations, development of technology and the cost of removing network equipment and remediating the sites.

Additionally, Telekom Austria Group records asset retirement obligations for buildings concerning obligations for the disposal of hazardous substances and warfare material as well as the decontamination of land when decommissioning a building. Telekom Austria Group records asset retirement obligations for buildings and rented premises under operating leases in accordance with the obligation to refurbish the sites at the expiration of the lease contracts. Furthermore, based on the Universal Service Ordinance (Universaldienstverordnung) an asset retirement obligation for the decommissioning of payphones was recorded in 2016.

The following table provides the parameters used for the measurement of the obligation:

	Austria	Other countries	Belarus
2016			
Discount rate	1.5%	1.5%	13.3%
Inflation rate	1.5%	1.0%	9.9%
2015			
Discount rate	2.0%	2.0%	17.1%
Inflation rate	1.0%	1.0%	11.5%

The discount rate applied to the calculation of asset retirement obligations reflects current market expectations with regard to interest effects as well as specific risks of the obligation, based on the risk-free interest rate of Austrian government bonds with a maturity of 30 years (2015: 25 years) or the comparable applicable interest rate in the case of Belarus. The inflation rates are adapted quarterly to reflect the general development in the individual countries. The change in these parameters resulted in an increase of the asset retirement obligation, as reported in the table of provisions in change in estimates, which is mainly recorded as an increase in the related item of property, plant and equipment.

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 31 December 2016	1 percentage point increase	1 percentage point decrease
Change in discount rate	-22,538	27,237
Change in inflation rate	26,953	-22,696
in TEUR at 31 December 2015		
Change in discount rate	-16,176	18,822
Change in inflation rate	19,251	17,211

Legal

Provisions mainly relate to expenses incurred in respect of legal advice and litigation. In 2016, accruals which had been recognised for proceedings relating to the statutory levy on hardware, blank tapes and storage media were used, or released, as A1 Telekom Austria AG joined the framework contract "New Media" concluded between the Austrian Chamber of Commerce and the responsible collecting societies and was thus able to close all pending proceedings in this regard.

Other provisions

Other provisions mainly relate to audit and consulting fees, commissions, taxes (excluding income taxes), energy and penalties.

(23) Current Deferred Income

in TEUR, at 31 December	2016	2015
Unearned income	131,799	130,045
Customer loyalty programmes	31,419	31,473
Deferred income, current portion	163,218	161,518

Unearned income mainly relates to prepaid access fees, monthly base fees, leased lines to commercial customers, prepaid mobile fees and rental income from site sharing. These fees are recognised over the period the service is provided.

According to IFRIC 13 'Customer Loyalty Programmes', the award credits granted are recognised as deferred income until redeemed or forfeited.

(24) Long-term Debt

The terms and conditions of long-term debt and its current portion are summarised in the following table:

Currency	Maturity	At 31 December 2016				At 31 December 2015		Carrying amount	
		Nominal interest rate	Face value	Carrying amount	Nominal interest rate	Face value			
Bonds									
TEUR	2016		0	0	fixed	6.375%	750,000	749,910	
TEUR	2017	fixed	4.250%	500,000	499,953	fixed	4.250%	500,000	499,312
TEUR	2021	fixed	3.125%	750,000	744,872	fixed	3.125%	750,000	743,828
TEUR	2022	fixed	4.000%	750,000	743,922	fixed	4.000%	750,000	742,764
TEUR	2023	fixed	3.500%	300,000	298,347	fixed	3.500%	300,000	298,093
TEUR	2026	fixed	1.500%	500,000	494,287		0	0	
Total bonds				2,800,000	2,781,382		3,050,000	3,033,907	
Bank debt									
TEUR	2016–2019		0	0	fixed	4.88%	21,305	21,305	
TEUR	2017–2019		0	0	fixed	4.12%	84,000	84,000	
TEUR	2016		0	0	fixed	5.41%	50,000	50,000	
TEUR	2018	fixed	3.53%	22,000	22,000	fixed	3.22%	200,000	200,000
Total bank debt				22,000	22,000		355,305	355,305	
Leases (Note (9))				144	144		263	263	
Financial debt				2,822,144	2,803,526		3,405,568	3,389,475	
Current portion of long-term debt				–500,030	–500,030		–805,353	–805,353	
Long-term debt				2,322,114	2,303,496		2,600,215	2,584,122	

Bonds

In 2003, Telekom Austria Group initiated a Euro Medium Term Note (EMTN) programme. In January 2005, a Eurobond with a face value of TEUR 500,000, a maturity of twelve years and a coupon of 4.25% was issued. The discount of TEUR 7,693 was amortised over the related terms. The EMTN programme ended on 31 December 2008, and was not extended.

On 29 January 2016, Telekom Austria Group redeemed a Eurobond with a face value of TEUR 750,000, a maturity of seven years and a coupon of 6.375%. The discount and the issue costs of TEUR 7,965 were amortised over the related term.

In March 2012, Telekom Austria Group initiated a Euro Medium Term Note (EMTN) programme with a maximum volume of TEUR 2,500,000. On 2 April 2012, Telekom Austria Group issued a bond under the EMTN programme with a face value of TEUR 750,000, a maturity of ten years and a coupon of 4.0%. The discount and the issue costs of TEUR 11,575 are amortised over the related term.

On 4 July 2013, Telekom Austria Group issued a bond under the EMTN programme with a face value of TEUR 300,000, a maturity of ten years and a coupon of 3.5%. Discount and issue costs of TEUR 2,574 are amortised over the related term.

On 3 December 2013, Telekom Austria Group issued a bond under the EMTN programme with a face value of TEUR 750,000, a maturity of eight years and a coupon of 3.125%. Discount and issue costs of TEUR 8,336 are amortised over the related term.

On 7 December 2016, 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%. Discount and issue costs of TEUR 5,752 are amortised over the related term.

Bank debt

In 2016, bank debt amounting to TEUR 330,642 was redeemed prematurely. In 2015, no bank debt was redeemed prematurely.

(25) Deferred revenues and Other Non-current Liabilities

in TEUR, at 31 December	2016	2015
Cash deposits received	810	819
Other non-current financial liabilities	19	20
Non-current financial liabilities	829	839
Long-term incentive programme	2,400	1,166
Other non-current non-financial liabilities	7,621	9,461
Deferred revenues, other	9,149	11,338
Non-current non-financial liabilities	19,170	21,965
Deferred revenues and other non-current liabilities	20,000	22,804

Other non-current non-financial liabilities include liabilities for pension contributions. Regarding the long-term incentive programme see Note (30). Other deferred revenues mainly relate to rental revenue.

(26) Employee Benefits

in TEUR, at 31 December	2016	2015
Service awards	67,294	70,408
Severance	132,964	119,316
Pensions	5,994	6,825
Long-term employee benefits	206,251	196,550

Actuarial assumptions

The actuarial assumptions used to measure the obligations for service awards, severance payments and pensions are as follows:

	2016	2015
Discount rate service awards	1.00%	1.25%
Discount rate severance	1.75%	2.25%
Discount rate pensions	1.50%	1.25%
Rate of compensation increase – civil servants	4.40%	4.90%
Rate of compensation increase – other employees	3.00%	3.00%
Rate of compensation increase – civil servants released from work	3.90%	4.50%
Rate of increase of pensions	1.60%	1.60%
Employee turnover rate*	0.0%–1.88%	0.0%–2.06%

* Depending on years of service.

As in the prior year, the determination of the discount rate is based on the Mercer Yield Curve Approach, taking into account the respective maturities.

Life expectancy in Austria is based on 'AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler'. The obligation relating to the international subsidiaries was measured on the same actuarial basis due to their insignificant amount.

Service awards

Civil servants and certain employees (together 'employees') are eligible to receive service awards. Under these plans, 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 eligible to receive four monthly salaries. The compensation is accrued as earned over the period of service, taking into account the employee turnover rate. The risk Telekom Austria Group is exposed to is mainly the risk of development of salary increases and inflation.

The following table provides the components and a reconciliation of the changes in the provisions for service awards:

in TEUR	2016	2015
At 1 January	76,176	77,491
Service cost	2,351	2,162
Interest cost	923	1,501
Actuarial gain/loss based on experience adjustment	-1,324	-1,496
Actuarial gain/loss from changes in financial assumptions	357	1,621
Recognised in profit or loss	2,306	3,789
Benefits paid	-5,665	-5,188
Change in reporting entities	-1	83
Foreign currency adjustments	0	2
Other	-5,666	-5,104
Obligation at 31 December	72,816	76,176
Less short-term portion	-5,522	-5,768
Non-current obligation	67,294	70,408

Of the defined benefit obligations for service awards, less than 1% relate to foreign subsidiaries as of 31 December 2016 and 2015, respectively.

As of 31 December 2016 and 2015, the weighted average duration of the obligation for service awards amounted to 6.4 and 7.0 years, respectively.

Severance

Defined contribution plans

Employees starting to work for Telekom Austria Group in Austria on or after 1 January 2003 are covered by a defined contribution plan. Telekom Austria Group paid TEUR 2,028 and TEUR 1,976 (1.53% of the salary) into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG) in 2016 and 2015, respectively.

Defined benefit plans

Severance benefit obligations for employees hired before 1 January 2003, excluding civil servants, are covered by defined benefit plans. Upon termination by Telekom Austria Group or retirement, eligible employees receive severance payments equal to a multiple of their monthly compensation which comprises fixed compensation plus variable elements such as overtime or bonuses. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation. Up to three months of benefits are paid upon termination, with any benefit in excess of that amount being paid in monthly instalments over a period not exceeding ten months. In case of death, the heirs of eligible employees receive 50% of the severance benefits. Telekom Austria Group is exposed to the risk of development of salary increases and inflation.

The following table provides a detailed reconciliation of the changes in severance benefit obligations:

in TEUR	2016	2015
At 1 January	119,886	123,091
Service cost	5,209	5,736
Interest cost	2,681	2,438
Recognised in profit or loss	7,890	8,174
Actuarial gain/loss based on experience adjustment	-185	-295
Actuarial gain/loss from changes in demographic assumptions	-556	-387
Actuarial gain/loss from changes in financial assumptions	9,836	-6,868
Recognised in other comprehensive income	9,095	-7,550
Benefits paid	-2,439	-4,122
Change in reporting entities	7	295
Foreign currency adjustments	-6	-2
Other	-2,438	-3,829
Obligation at 31 December	134,433	119,886
Less short-term portion	-1,469	-570
Non-current obligation	132,964	119,316

Approximately 2% and 3% of the defined benefit obligations for severance relate to foreign subsidiaries as of 31 December 2016 and 2015, respectively.

As of 31 December 2016 and 2015, the weighted average duration of the severance benefit obligations was 15.8 years and 16.7 years, respectively.

Pensions

Defined contribution pension plans

In Austria, pension benefits generally are provided by the social security system, for employees, and by the government, for civil servants. Telekom Austria Group is required to assist in funding the Austrian government's pension and health care obligations to Telekom Austria Group's current and former civil servants and their surviving dependents. In 2016 and 2015, the rate of contribution for active civil servants amounted to a maximum of 28.3% depending on the age of the civil servant. 15.75% are borne by Telekom Austria Group and the remaining portion is contributed by the civil servants. Contributions to the government, net of the share contributed by civil servants, amounted to TEUR 38,373 and TEUR 38,481 in 2016 and 2015, respectively. From 1 January 2017, the rate of contribution will be reduced to a maximum of 25.1% depending on the age of the civil servant. 12.55% are borne by Telekom Austria Group and the remaining portion is contributed by the civil servants.

Additionally, Telekom Austria Group sponsors a defined contribution plan for employees of some of its Austrian subsidiaries. Telekom Austria Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. The annual expenses for this plan amounted to TEUR 11,874 and TEUR 12,624 in 2016 and 2015, respectively.

Defined benefit pension plans

Telekom Austria Group provides defined benefits for certain former employees in Austria. All such employees are retired and were employed prior to 1 January 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. Telekom Austria Group is exposed to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits.

The following table provides a detailed reconciliation of the changes in pension benefit obligations:

in TEUR	2016	2015
At 1 January	7,483	7,494
Interest cost	89	143
Recognised in profit or loss	89	143
Actuarial gain/loss based on experience adjustment	-225	16
Actuarial gain/loss from changes in financial assumptions	-151	490
Recognised in other comprehensive income	-376	506
Benefits paid	-601	-660
Obligation at 31 December	6,595	7,483
Less short-term portion	-602	-658
Non-current obligation	5,994	6,825

As of 31 December 2016 and 2015, the weighted average duration of the pension benefit obligations was 9.4 and 9.8 years, respectively.

Sensitivity analysis

The following table summarises the short and long-term provisions recorded:

in TEUR, at 31 December	2016	2015
Service awards	72,816	76,176
Severance	134,433	119,886
Pensions	6,595	7,483

A change in the discount rate of half a percentage point would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at 31 December 2016	0.5 percentage point decrease	0.5 percentage point increase
Service awards	2,354	-2,243
Severance	10,839	-9,844
Pensions	308	-283
in TEUR, at 31 December 2015		
Service awards	2,677	-2,543
Severance	10,053	-9,115
Pensions	364	-334

A change in the rate of compensation of one percentage point would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at 31 December 2016	1 percentage point decrease	1 percentage point increase
Service awards	-3,919	4,293
Severance	-18,738	22,225
Pensions	-549	635
in TEUR, at 31 December 2015		
Service awards	-4,832	5,236
Severance	-17,399	20,761
Pensions	-645	750

A change in the employee turnover rate of half a percentage point would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at 31 December 2016	0.5 percentage point decrease	0.5 percentage point increase
Service awards	54	-2,325
Severance	3,300	-5,665
<hr/>		
in TEUR, at 31 December 2015		
Service awards	60	-2,638
Severance	2,863	-5,122

No employee turnover rate is applied to the calculation of the provision for pensions as all eligible employees have already retired. The calculation of a 0.5% decrease is limited to a maximum of 0.0% of the employee turnover rate.

(27) Stockholders' Equity

Capital management

The capital structure of Telekom Austria Group consists of financial liabilities and equity attributable to the equity holders of the parent company, comprising common stock, treasury shares, additional paid-in capital, hybrid capital, retained earnings, remeasurement of defined benefit plans, available-for-sale reserve, hedging reserve and translation reserve.

Telekom Austria Group manages its capital structure to safeguard its strong capital base in order to maintain investor, creditor and market confidence as well as to provide sustainable support to the future operational development of Telekom Austria Group.

Maintaining its investment grade rating of Baa2 by Moody's and BBB by Standard & Poor's is the number one priority of Telekom Austria Group's finance strategy. This will allow Telekom Austria Group to obtain the financial flexibility required for strategically important projects. A transparent dividend policy ensures the balance between shareholder remuneration and the utilisation of cash to redeem outstanding debt.

Share capital

As of 31 December 2016 and 2015, the common stock of Telekom Austria AG amounts to TEUR 1,449,275, and is divided into 664.5 million bearer shares with no par value. As of 31 December 2016 and 2015, América Móvil directly and indirectly holds 51.00% and 59.70%, respectively, free floated shares including treasury shares amount to 20.58% and 11.88% respectively, and ÖBIB holds a stake of 28.42% on both reporting dates.

On 23 April 2014, ÖBIB entered into a syndicate agreement, effective since 27 June 2014, with América Móvil B.V., Netherlands (América Móvil B.V., previously Carso Telecom B.V.) and América Móvil, by which the parties have agreed to jointly pursue a long-term policy with regard to the management of Telekom Austria Group, by exercising voting rights on a concerted basis. Furthermore, the syndicate agreement contains rules on the uniform exercise of voting rights in the corporate bodies of Telekom Austria, nomination rights for members of the Supervisory and Management Boards and share transfer restrictions.

The Supervisory Board of Telekom Austria consists of ten shareholder representatives, eight of which are nominated by América Móvil B.V. and two are nominated by ÖBIB. ÖBIB has the right to nominate the chairman of the Supervisory Board. América Móvil B.V. has the right to nominate the deputy chairman.

On 24 July 2015, the function of the Chief Executive Officer of Telekom Austria AG was transferred to a management board member nominated by América Móvil B.V., namely Alejandro Plater, based on the proposal of the parties of the syndicate contract. Since 1 August 2015, the Management Board of Telekom Austria Group therefore consists of two members. In the extraordinary shareholders' meeting of 14 August 2014, the Articles of Association of Telekom Austria were amended: As long as the Republic of Austria directly or indirectly holds at least 25% plus one share in the registered share capital, resolutions on capital increases and on the issuance of instruments which contain a conversion right or a conversion obligation into shares of Telekom Austria Group as well as changes to this provision of the Articles of Association shall require a majority of at least three quarters of the share capital present at the vote.

According to the Austrian Banking Act and the Capital Requirements Regulation, a regulation for banks by the European Union, the subsidiary paybox Bank AG has to fulfil regulatory minimum equity requirements regarding bank-related risks, notably credit risk and operational risks as well as liquidity coverage requirements. On 31 December 2016 and 2015, these requirements were fulfilled.

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

At 31 December	2016	2015
Shares authorised	664,500,000	664,500,000
Shares issued	664,500,000	664,500,000
Shares in treasury	-415,159	-415,159
Shares outstanding	664,084,841	664,084,841

The shares issued are fully paid.

Dividend payment

The following dividends were approved by the shareholders at the Annual General Meeting and paid by Telekom Austria AG. Regarding the coupon payments on the hybrid capital, see Hybrid Capital:

	2016	2015
Date of Annual General Meeting	25 May 2016	27 May 2015
Dividend per share in Euro	0.05	0.05
Total dividend paid in TEUR	33,204	33,204
Date of payment	3 June 2016	3 June 2015

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

	2016	2015
Net income	802,919	384,941
Release of reserves reported in retained earnings	0	314,500
Allocation to reserves reported in retained earnings	-649,286	-406,670
Profit carried forward from prior year	259,568	1
Unappropriated retained earnings	413,200	292,772

In accordance with section 268 (3) UGB, the financial statements 2015 were changed after the preparation and submission of the audit report. The unappropriated retained earnings before the change amounted to TEUR 33,242, the net income remained unchanged.

The unappropriated retained earnings according to Austrian GAAP are not subject to a dividend limitation apart from the restrictions of Section 235 (2) UGB relating to deferred tax assets recognised. The Management Board plans, after approval from the Supervisory Board, to propose to the shareholders at the Annual General Meeting to distribute a dividend of Euro 0.20 per share from unappropriated retained earnings.

Treasury shares

At the Annual General Meeting of Telekom Austria AG held on 29 May 2013, the Management Board was empowered to:

- (a) use these treasury shares to settle obligations under the share-based compensation plans described in Note (30) and/or to transfer them for or without a consideration to employees, 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 for a period of five years from the day of the resolution in any manner permitted by law, also other than via the stock exchange, whereby the Management Board is entitled to exclude the general purchase opportunity.

Shares held in treasury as of 31 December	2016	2015
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 Telekom Austria Group as well as subsequent reorganisation of the group. Furthermore, effects relating to the employee participation plan and the retirement of treasury shares are reported in additional paid-in capital.

Hybrid capital

On 24 January 2013, Telekom Austria Group issued a hybrid bond with a volume of TEUR 600,000. The hybrid bond is a subordinated bond with indefinite maturity which, based on its conditions, is classified as stockholders' equity according to IFRS. Accordingly, related discount and issue cost in the amount of TEUR 11,752 were recorded net of a tax benefit of TEUR 2,938 in stockholders' equity. Therefore, stockholders' equity was increased by TEUR 591,186. The bond can be redeemed at par at the earliest after a period of five years. Additionally, Telekom Austria AG has an early termination right subject to certain conditions. The annual coupon amounts to 5.625% until the first reset date, 1 February 2018. Subsequently, there will be a reset date every five years. The coupon is established two days prior to the respective reset dates. Coupon payments of TEUR 33,750 effected in February 2016 and 2015 are recognised as distribution of dividends in stockholders' equity.

In the local financial statements, coupon payments are recognised as interest expense in profit or loss according to Austrian GAAP. While the tax benefit resulting from the accrued interest is recognised in profit or loss according to local GAAP, it is recognised in stockholders' equity as 'distribution of dividend' in the Consolidated Financial Statements according to IAS 12. The net result attributable to hybrid capital holders is presented in the Consolidated Statements of Comprehensive Income in the allocation of the net result and equals interest recognised in profit or loss according to local GAAP in both years reported, amounting to TEUR 33,750, net of the relating tax benefit of TEUR 8,438, which is recognised in stockholders' equity in 2016 and 2015.

Other comprehensive income (loss) items (OCI)

The other comprehensive income (loss) contains the remeasurement of severance and pension obligations, the available-for-sale reserve, the hedging reserve as well as the translation reserve. Their development is presented in the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Changes in Stockholders' Equity. The foreign currency translation adjustment mainly relates to the consolidation of velcom in Belarus and Vip mobile in the Republic of Serbia.

(28) Income Taxes

Income tax attributable to income before income taxes consists of the following (negative values indicate an income tax benefit):

in TEUR	2016	2015
Current income tax	27,790	62,615
Deferred income tax	-81,305	-38,787
Income tax	-53,515	23,829

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

in TEUR	2016	2015
Continuing operations	-53,515	23,829
Income tax on realised result on hedging activities*	1,460	1,460
Income tax on unrealised result on securities available-for-sale*	47	-89
Income tax on realised result on securities available-for-sale*	20	-3
Income tax on remeasurement of defined benefit obligations*	-2,154	1,843
Tax benefit relating to hybrid capital**	-8,438	-8,438
Total income tax	-62,580	18,602

* Recognised in other comprehensive income (OCI)

**See Note (27).

The following table shows the major reconciling items between the reported income taxes and the amount of income taxes that would have resulted by applying the Austrian statutory income tax rate of 25% to pre-tax income:

in TEUR	2016	2015
Income tax expense at statutory rate	89,922	104,151
Foreign tax rate differential	-3,692	-17,019
Tax-non-deductible expenses	4,183	7,165
Tax incentives and tax-exempted income	-7,190	-7,644
Tax-free income (loss) from investments	-496	-95
Change in tax rate	-576	0
Tax benefit/expense previous years	-8,268	28
Changes in deferred tax assets not recognised	-89,307	-164,261
Impairments (reversals of impairments) of investments in subsidiaries and other intragroup transactions	-38,060	101,456
Result from changes in reporting entities	0	-118
Other	-31	166
Income tax	-53,515	23,829
Effective income tax rate	-14.88%	5.72%

In 2016 and 2015, non-deductible expenses mainly consist of withholding taxes on dividends and representation expenses as well as non-deductible remuneration of managers in Austria. Tax incentives and tax-exempted income relate mainly to investment incentives in Slovenia and to tax incentives within the group taxation regime in Austria. Additionally, they relate mainly to a tax incentive in Belarus, which allows for the tax-neutral revaluation of carrying amounts of property, plant and equipment for tax purposes in order to increase the future basis of depreciation, as well as to research, education and investment incentives and other government grants.

The change in tax rate relates mainly to an increase of the corporate tax rate from 17% to 19% in Slovenia, starting 2017, partly compensated by the reduction of the corporate tax rate from 20% to 18% in Croatia, starting 2017.

The tax benefit for prior periods recognised in 2016 results mainly from the final tax calculation 2015 in Austria.

The result from changes in reporting entities in 2015 relates to the gain resulting from the sale of GPS Bulgaria.

Impairments (reversals of impairments) of investments relate to write-downs and reversals of write-downs of investments in affiliated companies in Austria, which are recognised over a period of seven years for tax purposes and for which deferred tax is calculated (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).

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are set out below:

in TEUR, at 31 December	2016	2015
Deferred tax assets		
Deferred deduction for impairments of investments in subsidiaries	135,612	128,612
Loss carry-forwards	149,888	71,972
Accounts receivable: Subscribers, distributors and other	7,510	6,855
Deferred income and other liabilities	658	677
Other current assets and prepaid expenses	1,480	821
Provisions, long-term	72,497	60,306
Employee benefit obligations	28,480	26,484
Property, plant and equipment	2,838	2,654
Other	8,635	8,702
Deferred tax assets	407,598	307,082
Deferred tax liabilities		
Property, plant and equipment	-37,371	-23,259
Other intangible assets	-133,644	-140,563
Provisions	-10,551	-5,769
Write down of treasury shares for tax purposes	-1,427	-1,427
Other	-1,246	-772
Deferred tax liabilities	-184,240	-171,791
in TEUR, at 31 December	2016	2015
Deferred tax assets	286,431	206,719
Deferred tax liabilities	-63,073	-71,427
Deferred taxes, net	223,358	135,292

In Austria, 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. 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.

Amortisation 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, thus there is no difference in 2016 and 2015.

Impairments of investments in subsidiaries relate to impairments for which the recognition of expense is deferred over seven years according to Austrian tax law.

The following deferred tax assets were not recognised as the realisation in the near future is not probable according to tax planning.

in TEUR, at 31 December	2016	2015
Net operating loss carry-forwards	463,469	483,584
Temporary differences related to impairments of investments in consolidated subsidiaries	139,443	166,885
Deferred tax assets not recognised	602,911	650,469

In assessing the recoverability of deferred tax assets, Management considers whether it is probable that all deferred tax assets will be realised. The realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. Management considers the scheduled release of deferred tax liabilities and projected future taxable income when making this assessment.

Based on long-term positive operative results and projections for future taxable income over the periods in which deferred tax assets become deductible, Management believes that, in spite of taxable losses in the past, it is probable that Telekom Austria Group will realise the benefits of the deferred tax assets recognised in the statements of financial position.

At 31 December 2016, the loss carry-forwards and the years these will expire are the following:

Year	in TEUR
2017	88,288
2018	102,686
2019	115,872
2020	45
2021	7,277
Carry forward indefinitely	2,433,534
Total	2,747,702

The loss carry-forwards expiring in the years listed above mainly relate to the Republic of Serbia. Due to tax relief according to Article 50a of the Serbian Corporate Tax Act, the tax rate applicable at 31 December 2016 amounts to 1.6%.

The remaining net operating loss carry-forwards mainly relate to companies located in Austria and can be carried forward indefinitely. In Austria, the annual usage is generally limited to 75% of the taxable income for a year.

Income tax receivables relate to fiscal years not yet assessed. As of 31 December 2016, income tax receivables mainly relate to Austria and Slovenia; in 2015, they mainly related to Austria and Croatia. As of 31 December 2016 and 2015, income tax payables mainly relate to foreign subsidiaries.

(29) Leases

Lessee

Telekom Austria Group leases equipment used in its operations. The leases are classified as operating leases. The operating lease contracts will expire on various dates through 2028 and mainly comprise leases of property and vehicles.

Future minimum lease payments for non-cancellable operating lease contracts as well as finance lease contracts (see Note (14)) as of 31 December 2016 are:

in TEUR	Other finance leases	Operating leases
2017	78	65,821
2018	55	44,698
2019	13	24,687
2020	0	20,317
2021	0	17,389
after 2021	0	31,423
Total minimum lease payments	147	204,334
Less amount representing interest	-3	
Present value of lease payments	144	
Less current portion	-77	
Non-current lease obligations	67	

In 2016 and 2015, the rental and leasing expenses recognised in the Statement of Comprehensive Income amount to TEUR 165,318 and TEUR 169,743, respectively.

Lessor

Telekom Austria Group receives minimum lease payments for non-cancellable operating lease contracts that mainly relate to indefeasible right of use contracts, which are reported in other intangible assets, private automatic branch exchange equipment (PABX) and set-top boxes, which are reported in communications network and other equipment in property, plant and equipment.

These payments are recognised as revenue on a straight-line basis over the terms of the contracts and, at 31 December 2016, they amount to:

in TEUR	Operating leases
2017	7,800
2018	2,924
2019	1,446
2020	1,094
2021	766
after 2021	605
Total minimum lease payments	14,635

Telekom Austria Group leases indefeasible rights of use in dark fibre under finance lease contracts, which have a term until 2033. As of 31 December 2016, the future minimum lease payments for these transactions amount to:

in TEUR	Finance lease
2017	311
2018	302
2019	292
2020	282
2021	273
after 2021	2,367
Total minimum lease payments	3,827
Less amount representing interest	-1,247
Present value of finance lease receivables	2,580
Less current portion	-161
Non-current finance lease receivables	2,419

(30) Share-based Compensation

Long-term incentive (LTI) programme

Telekom Austria Group introduced a long-term incentive programme (LTI) in 2010. Participants are required to invest an amount depending on the annual gross basic salaries and the management level of the entitled employee in Telekom Austria shares and to hold these shares until the end of the holding period (at least three years). For each tranche, the number of fictitious bonus shares granted is calculated based on the average Telekom Austria stock price for a defined period. The performance period for meeting the performance targets was determined to be three years.

On 1 September 2013, the fourth tranche (LTI 2013) and on 1 July 2014, the fifth tranche (LTI 2014) were granted. Net income, relative total shareholder return and EBITDA were defined as key performance indicators. The relative total shareholder return is determined based on a balanced peer group of nine European telecommunications providers. 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 are 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, 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 fictitious bonus shares will be allocated. For LTI 2013, the actual performance and the bonus shares allocated are summarised in the subsequent table.

On 1 September 2015, the sixth tranche (LTI 2015) was granted. EBITDA comparable, free cash flow and a revenue-based key figure were defined as key performance indicators. 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 1 September 2016, the seventh tranche (LTI 2016) was granted. Return on Invested Capital (ROIC) and the market revenue share of Telekom Austria Group (weighted with 50% each) were defined as key performance indicators. 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.

The following table summarises the significant terms and conditions for each tranche not yet settled:

	LTI 2016	LTI 2015	LTI 2014	LTI 2013
Start of the programme	1 January 2016	1 January 2015	1 January 2014	1 January 2013
Grant date	1 September 2016	1 September 2015	1 July 2014	1 September 2013
End of vesting period	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Vesting date	1 September 2019	1 September 2018	1 July 2017	1 September 2016
Personal investment at grant date	204,334	240,835	299,239	343,738
Personal investment at reporting date*	200,834	214,907	229,654	247,960
Expected performance**	126.00%	104.80%	55.40%	54.90%
Expected bonus shares***	488,764	426,196	254,456	0
Maximum bonus shares***	702,919	752,173	803,787	0
Fair value of programme in TEUR	2,558	2,315	1,332	0
Allocated bonus shares	0	0	0	224,676
Average stock price at end of vesting period in Euro	0	0	0	5.23
Share-based compensation in TEUR	0	0	0	1,175

* For LTI 2013, personal investment at the end of the vesting period.

** For LTI 2013, 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 programme, which has already vested, has been recognised. 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 recognised over the vesting period (see Notes (21) and (25)). The following personnel expense is recognised in the Consolidated Statements of Comprehensive Income (negative values indicate income):

	2016	2015
Personnel expense LTI	2,583	955

Sensitivity analysis

A change of one Euro in the average stock price expected at the end of the vesting period would result in the following changes in fair values (negative values indicate a reduction):

in TEUR, at 31 December	1 Euro increase	1 Euro decrease
Fair value of LTI 2016	488	-489
Fair value of LTI 2015	426	-426

A change of five percentage points in the EBITDA applied would result in the following changes in fair values (negative values indicate a reduction):

in TEUR, at 31 December	5 percentage points increase	5 percentage points decrease
Fair value of LTI 2015	139	-137
Fair value of LTI 2014	228	-154

A change of 0.1 percentage point in the market revenue share applied would result in the following changes of fair values (negative values indicate a reduction):

in TEUR, at 31 December	0.1 percentage point increase	0.1 percentage point decrease
Fair value of LTI 2016	152	-153

(31) Cash Flow Statement

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

in TEUR	2016	2015
Capital expenditures paid	816,463	731,140
Reconciliation of additions in accounts payable	-52,377	53,327
Total capital expenditures	764,086	784,467

Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43.

Total capital expenditures include interest capitalised (see Note (7)), but do not include additions related to asset retirement obligations. At 31 December 2016 and 2015, TEUR 125,840 and TEUR 187,025, respectively, of the additions to intangible assets and property, plant and equipment of the current year are unpaid (see Notes (14) and (15)).

The dividends received in 2016 and 2015 and recognised in the financial result (see Note (7)) had already been settled in cash as of 31 December and are reported in cash flow from operating activities. In 2016 and 2015, dividends paid include dividends paid to the non-controlling interests of subsidiaries in the amount of TEUR 288 and TEUR 163, respectively (see Note (33)).

In 2016 and 2015, cash and cash equivalents acquired totalled TEUR 720 and TEUR 3,518, respectively, and in 2015, cash and cash equivalents of TEUR 129 were disposed of due to the sale of subsidiaries (see Note (33)).

(32) Financial Instruments

Financial risk management

Overview

Telekom Austria Group is exposed to market risks, including liquidity risk, interest rate and foreign currency exchange rate risk and credit risk associated with underlying financial assets, liabilities and anticipated transactions.

Telekom Austria Group neither holds nor issues derivative financial instruments for trading or speculative purposes.

The Chief Financial Officer (CFO) of the holding company has overall responsibility for the implementation and oversight of Telekom Austria Group's risk management and is responsible for monitoring Telekom Austria Group's risk management process the policies of which are laid down in the Treasury Guidelines.

Telekom Austria Group's risk management policies are established in order to identify and analyse the risks faced by Telekom Austria Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and Telekom Austria Group's activities. Telekom Austria Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that Telekom Austria Group will not be able to meet its financial obligations as they fall due. Telekom Austria Group's approach to managing liquidity is to ensure that Telekom Austria Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. The liquidity risk expresses itself in the monthly and yearly cumulated difference between incoming and outgoing payments (dynamic liquidity risk) as well as in the structure of the statements of financial position (structural liquidity risk).

The analysis of the dynamic liquidity risk is conducted by means of liquidity planning. The given monthly liquidity requirement based on the forecasted liquidity planning is compared against the existing financing or available lines of credit and liquid financial assets. The difference between the two will result in either a liquidity gap, which will be financed, or excess liquidity, which, if necessary, will be invested. On the

basis of the existing business plan, a rolling monthly liquidity plan is drawn up for Telekom Austria Group. In the liquidity plan, all known incoming and outgoing payments are processed and a worst-case scenario is calculated.

An analysis of the structural liquidity risk takes place upon determining the net working capital and the redemption structure of the financing portfolio (risk of concentration of maturities). Investments and fundings are structured in such a way that a balanced redemption schedule can be adhered to in the aggregate portfolio and any concentration of maturities in a single year is avoided.

Telekom Austria Group invests excess liquidity only in financial instruments and with counterparties approved by the Management Board of Telekom Austria Group. Counterparties must have an investment grade rating from Standard & Poor's or an equivalent rating from another globally recognised rating agency. If no such external rating is available, an internal rating based on quantitative ratios is carried out.

The exposure to liquidity risk, the set targets, the principles and processes to monitor the risk on an ongoing basis as well as the methods used to assess liquidity risk remained unchanged compared to prior years.

Funding sources

Telekom Austria Group's treasury department acts as an internal financial services provider, realising potential synergies in financing the operations of Telekom Austria Group's subsidiaries. Its primary goal is to assure liquidity in a cost-effective manner by applying the pooling of cash flows and the clearing of Telekom Austria Group's accounts to enable the management of short-term investments and borrowings at optimal interest rates with minimal administrative effort.

Cash flow from operations is the basis for securing sufficient liquidity of Telekom Austria Group. Principal sources of external funding are bank loans and capital markets. For details of outstanding long-term debt and a description of the different classes of the debt as of the reporting date, see Note (24).

Other funding sources

In order to diversify its short-term funding sources, Telekom Austria Group implemented a multi-currency short-term treasury notes programme (multi-currency notes) with a maximum volume of TEUR 300,000 in 2007. The programme was concluded for an indefinite period. As of 31 December 2016 and 2015, no multi-currency notes were issued.

As of 31 December 2016 and 2015, Telekom Austria Group had total credit lines of TEUR 1,000,000 and TEUR 1,000,000, respectively. These credit lines were not utilised. The credit line commitments have a term until November 2019.

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. At 31 December 2016 and 2015, no variable interest-rate liabilities existed. Foreign currencies were translated at the rates valid on the reporting date.

in TEUR	Contractual cash flow	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	more than 5 years
At 31 December 2016						
Bonds	3,266,917	551,250	41,438	71,438	964,313	1,638,479
Bank debt	23,724	608	198	22,918	0	0
Accounts payable – trade	553,806	533,449	12,080	3,586	4,181	510
Lease obligations	147	53	34	47	13	0
Other financial liabilities	172,006	46,489	124,089	593	0	836
At 31 December 2015						
Bonds	3,574,938	849,063	33,938	585,188	191,813	1,914,938
Bank debt	387,844	8,193	58,359	57,580	263,711	0
Accounts payable – trade	573,650	572,272	489	641	151	97
Lease obligations	265	111	8	80	67	0
Other financial liabilities	150,702	34,450	111,545	2,807	927	973

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. The payment of the purchase price liability of ONE depends on the exercising of the option by Telekom Slovenije (see Notes (21) and (33)).

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect Telekom Austria Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. All financial transactions are carried out in accordance with the Treasury Guideline. At 31 December 2016 and 2015, Telekom Austria Group held no derivative financial instruments.

The calculation of fair values is based on contractually agreed future cash flows related to such transactions. For the purpose of determining the fair value of the existing financial instruments, Telekom Austria Group considers the interest rate curve applicable to calculate discount factors of matching maturities.

The exposure to market risk, its origin and the objectives, policies and processes for managing market risk (interest rate risk and exchange rate risk) and the methods used to measure credit risk remained unchanged compared to prior years.

Interest rate risk

Since all of Telekom Austria Group's long-term debt has fixed interest rates, no cash flow exposure due to fluctuating interest rates exists. However, the fair value of fixed rate debt increases when market rates are below the rates fixed on these loans.

Exposure to interest rate risk

The risk of changes in interest rates related to investment activities is considered low due to the short-term nature of financial assets.

For details of the risks related to long-term financial liabilities, see Note (24).

Fair value sensitivity analysis for financial instruments

One measure used to express the potential change in the value of a portfolio of financial liabilities in response to a change in interest rates is the modified duration. Modified duration (sensitivity measure) follows the concept that interest rates and the price of fixed-rate financial instruments move in opposite directions. The sensitivity is based on the assumption of a one-percentage-point parallel shift in market interest rates for all terms occurring at the reporting date. The methods and assumptions used remained unchanged to those used in prior years. The modified duration (sensitivity) is set forth in the following table (negative amounts represent decreases in financial liabilities):

in TEUR, at 31 December	Capital amounts	Change in financial portfolio	
		Increase	Decrease
2016			
Fixed rate financial liabilities	2,822,000		
Sensitivity at 4.478%		-126,369	126,369
2015			
Fixed rate financial liabilities	3,405,305		
Sensitivity at 4.044%		-137,711	137,711

Cash flow sensitivity analysis for variable-rate financial instruments

Since all of Telekom Austria Group's long-term debt has fixed interest rates at 31 December 2016 and 2015, no sensitivity analysis is provided.

Information with respect to hedging reserve

The hedging reserve results from the three forward-starting interest rate swap contracts (pre-hedges) concluded in 2011 with a face value of TEUR 100,000 each. The relating hedging reserve is released in profit or loss in accordance with the recognition of interest expense on the bond, which was issued on 4 July 2013, as the interest rate risk on that bond was hedged. In the years reported, 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, respectively.

Exchange rate risk

As of 31 December 2016 and 2015, 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 31 December Denominated in	2016			2015		
	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors and other, net	1,867	7,617	6,312	13,822	973	13,553
Accounts payable trade	62,945	12,204	3,754	54,414	7,665	15,568

In 2016 and 2015, a change of 10% in the exchange rate of the Euro to the currencies listed below (see Note (4)) would increase/decrease foreign exchange rate differences as follows:

in TEUR	2016	2015
Croatian Kuna (HRK)	2,739	1,661
Serbian Dinar (CSD)	1,655	1,191
Belarusian Rouble (BYR/BYN)*	577	367

* For the redenomination of the Belarusian Rouble, see Note (4).

No sensitivity analysis was performed for other accounts receivable or for accounts payable denominated in foreign currencies, as there is no significant risk due to diversification.

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.

The exposure to credit risk, its origin and the objectives, policies and processes for managing credit risk as well as the methods used to measure credit risk remained unchanged compared to prior years.

Telekom Austria Group does not have significant exposure to any individual customer or counterparty, nor does it have any major concentration or credit risk related to any financial instrument other than noted under the section concentration of risk in 'Significant Accounting Policies' (Note (3)). Due to internal guidelines and the setting of counterparty limits, Telekom Austria Group does not have significant exposure to credit risk in respect to individual financial instruments.

Financial investments and cash and cash equivalents

As Telekom Austria Group's investments are generally of a short-term nature, it does not expect any counterparties to fail to meet their obligations (see also Exposure to liquidity risk). Therefore, the exposure to any significant credit risk is low.

According to the Capital Requirements Regulation, 'Internal Liquidity Adequacy Assessment Process' requirements and contractual obligations to the licensor VISA, the cash and cash equivalents and short-term investments of the subsidiary paybox Bank AG listed in the table below serve as a cash reserve:

in TEUR, at 31 December	2016	2015
Cash and cash equivalents	7,006	15,784
Short-term investments	5,249	0

The carrying amount of financial assets and cash and cash equivalents represents the maximum credit risk exposure (see Notes (9) and (18)):

in TEUR, at 31 December	2016	2015
Available-for-sale investments	13,647	8,884
Financial investments valued at cost	1,468	1,710
Cash and cash equivalents	457,460	909,176
Carrying amount	472,575	919,769

Loans and receivables

Telekom Austria Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or group of customers. The demographics of Telekom Austria Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk.

Within the framework of the applicable legal regulations, each new customer is analysed individually for creditworthiness.

Credit risk or the risk of default in payment by contractual partners is monitored via credit checks, credit limits and verification routines. Due to the large number of customers and the high level of diversification of the portfolios, the default of any single debtor would not entail grave consequences (low concentration risk) in respect of the Consolidated Financial Statements. Within Telekom Austria Group, operative credit risk management functions are performed at the operating company level.

The following table sets forth the maximum exposure to credit risk for other financial assets and accounts receivable: subscribers, distributors and other, net, which equals the carrying amount (see Notes (10), (13) and (19)):

in TEUR, at 31 December	2016	2015
Accounts receivable: Subscribers, distributors and other, net	636,474	624,635
Financial assets	139,264	116,829
Carrying amount	775,738	741,463

Accounts receivable from related parties are not included.

Telekom Austria Group has no insurance for its accounts receivable because the credit risk is sufficiently diversified due to the large number of customers. However, based on the credit assessment of retail and wholesale customers, Telekom Austria Group requires bank guarantees, warranty and indemnity declarations on behalf of subsidiaries and cash deposits (see Notes (21) and (25)).

in TEUR, at 31 December	2016	2015
Cash deposits	9,520	7,362
Guarantees	9,284	13,234

The following table sets forth the ageing of other financial assets and accounts receivable: subscribers, distributors and other, net:

in TEUR, at 31 December	Gross 2016	Allowance 2016	Gross 2015	Allowance 2015
unbilled & not yet due	675,065	12,181	675,114	12,296
Past due 0–30 days	52,286	3,384	40,697	3,865
Past due 31–60 days	22,986	4,751	13,403	3,788
Past due 61–90 days	12,119	3,997	8,799	3,888
More than 90 days	238,935	201,342	215,641	188,354
Total	1,001,392	225,654	953,654	212,190

in TEUR, at 31 December	2016	2015
Financial assets past due, gross	326,327	278,540
Allowance financial assets	–213,473	–199,895
Financial assets past due, net	112,854	78,645

The following table shows the development of the allowance for other financial assets and accounts receivable: subscribers, distributors and other, net:

in TEUR	2016	2015
At 1 January	212,190	183,456
Foreign currency adjustment	498	-3,089
Change in reporting entities	110	25,491
Reversed	-3,639	-5,546
Charged to expenses	47,356	45,627
Amounts written-off	-30,861	-33,749
At 31 December	225,654	212,190

Telekom Austria Group has grouped accounts receivable according to their exposure to different risks. Corresponding to the risk involved and based on historic experience, a certain percentage of valuation allowance is determined for each category of accounts receivable. All accounts receivable past due are therefore impaired by a certain percentage.

The accounts receivable not past due and not impaired mainly relate to deferred marketing expenses related to customer loyalty programmes, roaming credits, deferrals related to multiple deliverables and access fees invoiced in advance.

Impairment losses and reversal of impairment losses for trade and other receivables classified as loans and receivables are recognised in bad debt expenses in selling, general and administrative expenses. Bad debt expenses mainly relate to accounts receivable: subscribers, distributors and other.

The maximum credit risk of accounts receivable: subscribers, distributors and other, net by geographic region as well as the split of the allowance are:

in TEUR, at 31 December	2016	2015
Domestic	758,242	736,786
Foreign	90,479	88,436
Allowances	-212,247	-200,588
Accounts receivable: Subscribers, distributors and other, net	636,474	624,635
Thereof		
Specific allowance	7,537	13,253
General allowance	204,710	187,335

Accounts receivable: subscribers, distributors and other from Telekom Austria Group's most significant customer amount to TEUR 2,979 and TEUR 10,781 as of 31 December 2016 and 2015, respectively. Thus, no major concentration of credit risk exists.

Fair value of financial instruments

The following table shows the carrying amounts and the fair values of the financial instruments per class of financial assets:

in TEUR, at 31 December	Carrying amount	Fair value 2016	Carrying amount	Fair value 2015
Financial assets				
Cash and cash equivalents	457,460	457,460	909,176	909,176
Accounts receivable: Subscribers, distributors and other, net	636,474	636,474	624,635	624,635
Receivables due from related parties	925	925	878	878
Other current financial assets	93,068	93,068	80,507	80,507
Other non-current financial assets	46,195	46,195	36,322	36,322
Loans and receivables	776,663	776,663	742,342	742,342
Long-term investments	6,914	6,914	6,525	6,525
Short-term investments	6,733	6,733	2,367	2,367
Available-for-sale investments	13,647	13,647	8,893	8,893
Investments at cost	1,468	1,468	1,701	1,701

Cash and cash equivalents, accounts receivable: subscribers, distributors and other, net as well as other current financial assets have maturities shorter than one year. As their carrying amounts reported approximate their fair values, no further information on the classification in the fair value hierarchy is provided.

The fair values of other non-current financial assets with a maturity of more than one year correspond to the present values of the payments related to the assets, taking into account the current interest rates that reflect market and partner-based changes to terms, conditions and expectations and are thus classified as Level 2 of the fair value hierarchy.

The fair values of available-for-sale investments are based on market prices.

Telekom Austria Group estimates the fair values of investments in equity instruments and investments in unconsolidated subsidiaries that do not have a quoted market price in an active market based on the audited financial statements, if available. For information on the stakes in CEESEG AG and CATV-047 d.o.o. Kabelska televizija, see Note (18).

The following table shows the carrying amounts and the fair values of the financial instruments per class of financial liabilities:

in TEUR, at 31 December	Carrying amount	Fair value 2016	Carrying amount	Fair value 2015
Financial liabilities				
Liabilities to financial institutions	35	35	5,087	5,087
Bonds	2,781,382	3,093,835	3,033,907	3,297,392
Other current financial liabilities	162,838	162,846	150,014	150,014
Non-current liabilities to financial institutions	22,000	23,573	355,305	391,617
Lease obligations	144	144	263	263
Other non-current liabilities	829	829	839	839
Accounts payable – trade	553,747	553,747	573,650	573,650
Payables due to related parties	6,418	6,418	1,829	1,829
Accrued interest	49,624	49,624	93,200	93,200
Financial liabilities at amortised cost	3,577,017	3,891,052	4,214,094	4,513,891

Non-current liabilities to financial institutions include their short-term portion.

Accounts payable have maturities below one year. As their carrying amounts approximate their fair values, no further information on the classification in the fair value hierarchy is provided.

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 liabilities to financial institutions, promissory notes and other financial liabilities are measured at the present values of the cash flows associated with the debt, based on the applicable yield curve and credit spread curve for specific currencies, and are thus classified as Level 2 of the fair value hierarchy.

Fair value hierarchy of financial instruments

The following table shows the fair value hierarchy (per class of financial instrument) of financial instruments measured at fair value that reflects the significance of the inputs in such fair value measurements:

in TEUR	Level 1	Level 2	Level 3	Total
At 31 December 2016				
Available-for-sale & other investments	12,725	923	0	13,647
Financial assets measured at fair value	12,725	923	0	13,647
At 31 December 2015				
Available-for-sale & other investments	7,136	1,757	0	8,893
Financial assets measured at fair value	7,136	1,757	0	8,893

(33) Companies and Business Combinations

Name and company domicile	Share in capital as of 31 December 2016 in %	Method of consolidation*	Share in capital as of 31 December 2015 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
Telekom Austria Beteiligungen 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
ÖFEG GmbH, Vienna	ME	-	100.00	FC
paybox Bank AG, Vienna	100.00	FC	100.00	FC
paybox Service GmbH, Vienna	100.00	FC	100.00	FC
3G Mobile Telecommunications 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 síť 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
Telekom Austria Group M2M GmbH, Vienna	100.00	FC	100.00	FC
media.at GmbH, Vienna	25.3228	EQ	25.3228	EQ
Segment Bulgaria				
Mobiltel EAD, Sofia	100.00	FC	100.00	FC
Bultel Cable EAD, Sofia	ME	-	100.00	FC
Blizoo Media and Broadband EAD, Sofia	100.00	FC	100.00	FC
Cabletel-Prima AD, Nessebar	51.00	FC	51.00	FC

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Name and company domicile	Share in capital as of 31 December 2016 in %	Method of consolidation*	Share in capital as of 31 December 2015 in %	Method of consolidation*
Citynet TV OOD, Aytos	51.00	FC	51.00	FC
Globo EOOD, Sofia	LIQ	-	100.00	NC
Cable Information System AD, Russe	87.55	NC	87.55	NC
Evrocom Sofia Cable EOOD, Sofia	100.00	NC	100.00	NC
Vereia Cable AD, Sofia	100.00	NC	100.00	NC
Segment Croatia				
Vipnet d.o.o., Zagreb	100.00	FC	100.00	FC
Vipnet usluge d.o.o., Zagreb	100.00	FC	100.00	FC
CATV-047 d.o.o. Kabelska televizija, Karlovac	100.00	FC	100.00	NC
Segment Belarus				
Unitary enterprise velcom, Minsk	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Adelfina Ltd., Minsk	100.00	FC	100.00	FC
Unitary enterprise Solar Invest, Bragin town	100.00	FC	-	-
Limited Liability Company velcom ADC, Minsk	100.00	FC	-	-
Limited Liability Company TeleSet, Gomel	100.00	FC	-	-
Segment Macedonia				
one.Vip DOO, Skopje-Zentar	55.00	FC	55.00	FC
Vip operator usluge DOOEL, Skopje-Zentar	100.00	FC	100.00	FC
Vip operator prodazba DOOEL, Skopje-Zentar	ME	-	100.00	FC
Astra Plus DOOEL, Kocani	100.00	FC	100.00	FC
Kabel Riz DOOEL, Kocani	ME	-	100.00	FC
Filadelfija – 2002 Dooel, Kocani	ME	-	100.00	FC
Studio Andes DOOEL, Radovish	ME	-	100.00	FC
BLIZOO DOOEL, Skopje	ME	-	100.00	FC
Digi plus Multimedia DOOEL, Skopje	100.00	FC	100.00	FC
Segment Serbia				
Vip mobile d.o.o., Belgrade	100.00	FC	100.00	FC
Amis Telekomunikacije d.o.o., Belgrade	100.00	FC	100.00	FC
Segment Slovenia				
Si.mobil telekomunikacijske storitve d.d., Ljubljana	100.00	FC	100.00	FC
Amis d.o.o., Maribor	ME	-	100.00	FC
TA Mreža d.o.o., Ljubljana	ME	-	100.00	FC
Corporate & Other				
Telekom Projektentwicklungs GmbH, Vienna	100.00	FC	100.00	FC
Telekom Finanzmanagement GmbH, Vienna	100.00	FC	100.00	FC
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien BeteiligungsverwaltungsgmbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien GeschäftsentwicklungsgmbH, Vienna	ME	-	100.00	FC
mobilkom CEE Geschäftsentwicklungs GmbH, Vienna	ME	-	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 Mazedonien Geschäftsentwicklungs GmbH, Vienna	ME	-	100.00	FC
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Belarus Geschäftsentwicklungs GmbH, Vienna	ME	-	100.00	FC
Kroatien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
A1 Kroatien Geschäftsentwicklungs GmbH, Vienna	ME	-	100.00	FC
SB Telecom Ltd., Limassol	100.00	FC	100.00	FC
Amisco N.V., Grimbergen	LIQ	-	100.00	FC
Telecom Liechtenstein AG, Vaduz	24.90	EQ	24.90	EQ

* FC – full consolidation, EQ – equity method, LIQ – liquidation, ME – merged, NC – not consolidated because not material, SO – sold
All affiliated companies have 31 December as their reporting date except for media.at-Group which has 30 June as its reporting date.

On 30 November 2016, Telekom Austria Group acquired 100% of the Belarusian fixed-line operator Atlant Telecom (Atlant) and its subsidiary TeleSet. After the acquisition, Atlant was renamed velcom ACS. Both companies are the leading privately owned fixed-line operators in Belarus offering fixed-line broadband, IPTV and cable TV as well as a video and audio library. The acquisition of Atlant and TeleSet is a further step in Telekom Austria Group's convergence strategy. It allows Telekom Austria Group to develop its Belarusian subsidiary velcom from a mobile-only player into a fully converged operator. The fair values of the assets acquired and liabilities assumed at the acquisition date were determined based on the preliminary allocation of consideration transferred and are reported in the segment Belarus:

Acquisition of Atlant & TeleSet in TEUR	Fair values on acquisition date
Property, plant and equipment	12,226
Intangible assets	9,174
Other assets and receivables	384
Cash and cash equivalents	676
Deferred tax liabilities	-2,736
Accounts payable	-3,749
Net assets acquired	15,975
Goodwill	10,768
Consideration transferred	26,743
Cash and cash equivalents acquired	-676
Net cash outflow	26,068

The final allocation of consideration transferred will be determined once all necessary information regarding identifiable assets is available (IFRS 3.45). The factors contributing to goodwill are expectations of positive returns due to a favourable development of the market share in Belarus and cost synergies. Since the acquisition date, Atlant and TeleSet have contributed revenues of TEUR 1,282 and a net loss of TEUR 18. Since the effect of the acquired entities on the Consolidated Financial Statements of Telekom Austria Group is not considered significant, no pro-forma information is presented. The gross contractual amounts of acquired receivables are TEUR 443. Management's best estimate at the acquisition date of the contractual cash flows not expected to be collected is TEUR 146, thus the fair value amounts to TEUR 297. Acquisition-related costs of TEUR 269 are reported in selling, general and administrative expenses.

On 22 December 2015, Telekom Austria Group acquired 100% of CATV-o47 d.o.o Kabelska televizija (CATV) in Croatia. At 31 December 2015, CATV was reported in long-term investments (see Note (18)), as the financial statements as of the acquisition date were not yet available. The initial consolidation of CATV took place in the first quarter 2016. The fair values of the assets acquired and liabilities assumed at the acquisition date were determined based on the allocation of consideration transferred and are shown in the following table:

Acquisition of CATV in TEUR	Fair values on acquisition date
Property, plant and equipment	123
Intangible assets	410
Other assets and receivables	39
Cash and cash equivalents	44
Deferred tax liabilities	-82
Accounts payable	-110
Net assets acquired	423
Goodwill	410
Total purchase consideration	833
Debt paid on behalf of CATV	91
Cash and cash equivalents acquired	-44
Net cash outflow	880

On 28 September 2015, Telekom Austria Group acquired 100% of Bultel Cable Bulgaria EAD (Blizoo Bulgaria). In 2016, the final purchase consideration was determined. The following table provides the change in the allocation of the purchase consideration.

Acquisition of blizoo Bulgaria in TEUR	preliminary 2015	adjustment	final 2016
Gain resulting from bargain purchase	-845	-196	-1,041
Total purchase consideration	-845	-196	-1,041

On 1 October 2015, Vip operator, a Macedonian subsidiary of Telekom Austria Group, was merged with Telekom Slovenije's subsidiary ONE, both operating in Macedonia. Telekom Austria Group holds 55% and has sole control over the newly created entity one.Vip, whereas Telekom Slovenije Group holds 45%. The share purchase agreement includes call and put options for the exit of Telekom Slovenije Group within three years of the closing of the merger. The total purchase consideration includes the fair value of the option (see Notes (21) and (7)). Based on the put options and the exclusion of Telekom Slovenije from dividend rights, no non-controlling interest is recorded. In 2016, the final purchase consideration was determined. The following table provides the change in the allocation of the purchase consideration.

Acquisition of ONE in TEUR	preliminary 2015	adjustment	final 2016
Goodwill	21,090	-421	20,669
Other liabilities	-8,085	421	-7,664

(34) Commitments and Contingent Assets and Liabilities

Non-deductible interest on debt in accordance with Section 12 (1) No. 9 Austrian KStG for the years 2011 to 2013 was not included in taxable income, since there are justified doubts regarding the legality of the tax regulation. However, in some decisions in 2015 and 2016 on Section 12 (1) No. 9 KStG, the Constitutional Court of Justice rejected doubts of the illegality of the regulation. A provision was nevertheless not necessary, because the amount of TEUR 67,283 is covered in the loss carryforwards subject to allowance.

In June 2014, Mobiltel EAD (Mobiltel) received the tax assessment act related to the taxation treatment of amortisation of brand name and customer base in 2007. Mobiltel appealed to the highest tax authority in Sofia. In December 2014, this appeal was rejected. Mobiltel appealed to the administrative court in Sofia. At 31 December 2016, the total amount of the tax claim including accrued interest amounts to TEUR 22,674.

On 26 October 2015, the administrative court decided in favour of Mobiltel. On 13 November 2015, the tax authorities appealed to the Supreme Administrative Court (SAC). The tax case is therefore assigned to the highest administrative court as the final instance. Mobiltel has issued a bank guarantee covering up to TEUR 22,804 to secure a possible tax claim. The first SAC sitting is scheduled for 8 February 2017.

On 24 September 2015, the tax authorities issued a second tax assessment act regarding the tax treatment of the brand name and the customer base. The assessment relates to the financial year 2008 and amounts to TEUR 21,329 including interest up to 31 December 2016. Mobiltel appealed to the highest Bulgarian tax authority. At the same time, it requested suspension of the administrative appealing procedure until the highest administrative court has reached a final decision relating to the financial year 2007. The request for suspension was answered positively. Currently, Mobiltel has two active further bank guarantees covering up to TEUR 21,347 to secure the possible tax claim for 2008.

On 17 October 2016, the tax authorities issued a third tax assessment act, identical to the previous ones and concerning tax treatment of the amortisation of the brand name and the customer base. The assessment is related to the financial year 2009 and amounts to TEUR 18,160 including interest up to 31 December 2016. As proceeded with the previous tax assessments, Mobiltel appealed to the highest Bulgarian tax authority, along with an official request for suspension of the administrative appealing procedure until the highest administrative court has reached a final decision relating to the financial year 2007. As expected, the request for suspension was answered positively. The obligation of the third tax assessment is covered by one bank guarantee for the amount of TEUR 18,407 to secure the possible tax claim for 2009.

Moreover, a subsequent tax audit covering the years 2010 to 2013 is currently ongoing, the results of which are hard to estimate because the outcome is dependent on the decision of the highest administrative court. The deadline for the appeal decision is 1 August 2017.

In case of an unfavourable outcome of the court proceedings, Mobiltel might face a further potential additional claim for the years 2010 to 2012 of up to TEUR 44,885 including penalty interest (as of 31 December 2016).

Mobiltel expects the court decision to be in its favour due to the fact that Mobiltel followed the approach confirmed by the Minister of Finance and two consecutive tax audits in the past. Mobiltel has already issued bank guarantees covering up to TEUR 62,558 to secure the possible tax claim.

In the normal course of business, Telekom Austria Group is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to network access. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty. Consequently, Management is unable to ascertain the ultimate aggregate amount of the monetary liability or the impact on the financial position of Telekom Austria Group with respect to these matters at 31 December 2016. These matters could materially affect the operating results or cash flows of any quarter when resolved in future periods. However, Management believes that, after final settlement, any monetary liability or financial impact on Telekom Austria Group, beyond such provided for at year-end, would not be material to its Consolidated Financial Statements.

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

As of 31 December 2016, the Management Board of Telekom Austria Group is composed of Alejandro Plater, as Chief Executive Officer (CEO), and Siegfried Mayrhofer, as Chief Financial Officer (CFO). Since 6 March 2015, Alejandro Plater has been a member of the Management Board and, since 1 August 2015, CEO. Since 1 June 2014, Siegfried Mayrhofer has been a member of the Management Board.

The following table summarises the remuneration of members of the Management Board and Supervisory Board:

in TEUR	2016	2015
Basic remuneration (fixed salary incl. remuneration in kind)	1,026	1,489
Variable remuneration	1,214	1,695
Share-based compensation (Long Term Incentive Program)*	263	29
Total	2,503	3,213
Severance and termination expenses	0	3,472
Compensation Supervisory Board	204	235

* See Note (30)

Hannes Ametsreiter resigned from his function as CEO as per 31 July 2015 and his employment relationship was terminated at the same date. In the table above, the variable remuneration in 2016 includes the payment of variable remuneration for the year 2015 until the resignation amounting to TEUR 208 as well as the share-based compensation for LTI 2013 of TEUR 104 and, in 2015, termination expenses of TEUR 290 and severance expenses of TEUR 1,114.

Günther Ottendorfer's CTO contract with a term until 31 August 2016 was prematurely terminated as per 5 March 2015. The table above includes, in 2016, share-based compensation for LTI 2013 of TEUR 98 and, in 2015, termination expenses of TEUR 1,757.

Hans Tschuden's CFO contract with a term until 31 March 2015 was prematurely terminated as per 31 March 2014. In the table above, termination expenses of TEUR 311 are included. The share-based compensation for LTI 2013 of TEUR 96 paid in 2016 is not included in the table.

(36) Employees

The average number of employees during the years 2016 and 2015 was 17,717 and 16,471, respectively. As of 31 December 2016 and 2015, Telekom Austria Group employed 18,203 and 17,673 employees (full-time equivalents).

(37) Subsequent Events

On 8 December 2016, Telekom Austria Group agreed to acquire 100% of Metronet telekomunikacije via its Croatian subsidiary Vipnet. Metronet is a leading alternative fixed business solutions provider in Croatia and delivers a diverse product offering, focussed on delivering services to the business segment. The transaction is subject to merger control clearance. The closing is expected for the first quarter 2017.

On 19 January 2017, Telekom Austria Group entered into three new credit lines with a total volume of TEUR 250,000 and a term of one year, which had not been utilised until the date of release for publication of the Consolidated Financial Statements by the Management Board.

(38) Release for Publication

On 25 January 2017, the Management Board 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, 25 January 2017

CEO and COO Alejandro Plater

CFO Siegfried Mayrhofer