Group Report 2022

A1 Group

Key financial data of A1 Group

in EUR million	2022	2021	
Total revenues (incl. other operating income)	5,005	4,748	5.4%
Service revenues	4,164	3,957	5.2%
Equipment revenues	752	709	6.0%
Other operating income	89	82	8.0%
Wireless revenues	2,972	2,816	5.6%
Service revenues	2,339	2,181	7.2%
Equipment revenues	633	635	-0.2%
Wireline revenues	1,944	1,850	5.1%
Service revenues	1,825	1,775	2.8%
Equipment revenues	119	75	59.4%
EBITDA	1,838	1,706	7.7%
EBITDA margin	36.7%	35.9%	0.8pp
Depreciation and amortisation	963	953	1.1%
EBIT	871	753	15.6%
EBIT margin	17.4%	15.9%	1.5pp
Net result	635	455	39.5%
Net margin	12.7%	9.6%	3.1pp
Capital expenditures	944	891	5.9%
Tangible	766	650	17.7%
Intangible	179	241	-25.8%
Free cash flow	603	487	23.8%

	Dec 31, 2022	Dec 31, 2021
Net debt / EBITDA (12 M)	1.3x	1.7x
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	23,897	22,766	5.0%
Postpaid	20,076	18,890	6.3%
Prepaid	3,822	3,875	-1.4%
RGUs (thousands)	6,204	6,077	2.1%

	2022	2021	
ARPU (in EUR)	8.4	8.1	2.7%
Mobile churn	1.4%	1.3%	0.0pp

	Dec 31, 2022	Dec 31, 2021	
Employees (full-time equivalent)	17,906	17,856	0.3%

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The use of automated calculation systems may result in rounding differences.

Group Management Report

Business environment

In early 2022, there was a feeling in Europe that the worst of the COVID-19 pandemic was over and life was returning to some sort of normalcy. The tense situation in the supply chains was easing more and more but still noticeable. After all, the Chinese economy, which is important for the electronics industry, was still subject to strict COVID restrictions. The availability of individual goods was therefore still limited and prices were above pre-COVID levels. In the telecommunications sector, supply chain challenges were reflected in limited availability of high-value handsets, shortages and long delivery times of certain equipment for customers, and delays in the delivery of network equipment. The significantly improved mood was abruptly interrupted when Russia invaded Ukraine in February. This resulted in a terrible conflict that was still ongoing at the end of the financial year, with no end in sight any time soon. The conflict led to a sharp rise in energy prices and subsequently to significantly higher inflation rates. These in turn prompted the European Central Bank (ECB) and the Federal Reserve (FED) in the USA to raise interest rates markedly.

The U.S. Federal Reserve raised its key short-term interest rate in seven consecutive steps from 0.25% in March 2022 to between 4.5% and 4.75%. The European Central Bank raised its key interest rates - the rate on main refinancing operations, the rates on the marginal lending facility, and the deposit facility - in four steps to 2.5%, 2.75%, and 2.0%, respectively. The ECB also announced that the asset purchase program portfolio will decrease from the beginning of March 2023, as the Eurosystem will not reinvest all principal payments from maturing securities.

The invasion of Ukraine was met with repeatedly tightened sanctions against Russia by the European Union, the U.S., and other countries. Sanctions were also imposed on Belarus for its involvement in the conflict. These had a negative impact on the availability of high-quality cell phones and network components in that country. The national currency, the Belarusian ruble, depreciated sharply as a result of the conflict, but was able to recover its losses over the course of the year and even appreciate against the euro for long periods.

On January 1, 2023, Croatia adopted the euro as its currency, making it the twentieth member of the Eurozone. Croatia also joined the passport-free Schengen area, which allows freedom of travel and movement between participating countries. Joining the borderless Schengen area is expected to give a boost to Croatia's important tourism industry, which accounts for 20 percent of its gross domestic product.

According to the *World Economic Outlook* published in January 2023 by the IMF, the global economy was projected to grow by 3.4% in 2022 and 2.9% in 2023. In the same publication, economic growth in the European Union was projected to be 3.7% in 2022 and 0.7% in 2023, each measured in real GDP terms.[1)]

GDP growth and inflation in the markets of A1 Group (in %)[2)]

	2021		2022e		2023e	
	GDP	Inflation	GDP	Inflation	GDP	Inflation
Austria	4.6	2.8	4.7	7.7	1.0	5.1
Bulgaria	4.2	2.8	3.9	12.4	3.0	5.2
Croatia	10.2	2.6	5.9	9.8	3.5	5.5
Belarus	2.3	9.5	- 7.0	16.5	0.2	13.1
Slovenia	8.2	1.9	5.7	8.9	1.7	5.1
Serbia	7.4	4.1	3.5	11.5	2.7	8.3
North Macedonia	4.0	3.2	2.7	10.6	3.0	4.5

[1] Source: IMF, https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx (February 2, 2023), page 6
[2] Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022 (February 2, 2023), page 42. Forecast data at the country level are from October 2022.

Industry trends and competition

As part of the most recent strategy process, A1 Group identified the following trends:

Artificial intelligence (AI) and the analytical use of data are advancing at a tremendous pace. Real-time analytics-based decisions will be standard in the not-too-distant future.

Data traffic is growing strongly. The progress of digitalization as well as the popularity of over-the-top (OTT) content drive the increase of data volumes.

Broadband rollout (fiber and 5G) is progressing in order to be able to provide customers with a nationwide infrastructure.

The **end-to-end customer experience** is becoming a key differentiator. At the heart of this are personalized offers at any time and at any touch point.

Ecosystems are the future drivers of the economy. Telecommunications companies must therefore increasingly redefine their roles in them and actively shape their platforms and partnerships.

The **importance of software** is soaring. Software is the basis for automation and digitalization to make one's own business more efficient and can also represent a business opportunity for telecommunications companies.

Cyber security requires specially trained employees, investments in the company's hardware and software, and developed risk management. In addition, it also offers a business opportunity to telecommunications companies because customer demand is growing, especially in the business customer segment

Environmental, social, and governance (ESG) aspects have become a mandatory requirement to compete in the market. Sustainability is becoming a factor in decision making.

The **competitive landscape is expanding** while taking OTT providers and companies offering satellite-based Internet into account.

Separating business areas, such as the tower business, that have the potential to be attractive to other investors as well. The sum of the different valuations of the core business and the separated business may exceed that of the original company.

Telecommunication infrastructure providers enable access to the **metaverse** and can offer their customers additional services there.

Competitive landscape

A1 Group is active primarily in seven regional markets in Central and Eastern Europe[3]:

	Inhabitants in million	GDP/capita in USD	Mobile subscribers in million	Mobile subscribers market position	RGUs in million	RGUs market position
Austria	9.0	58,400	5.2	#1	2.9	#1
Bulgaria	6.9	27,900	3.8	#1	1.2	#2
Croatia	3.9	34,300	2.0	#2	0.7	#2
Belarus	9.3	21,700	4.9	#2	0.8	#2
Slovenia	2.1	43,600	0.7	#2	0.2	#4
Serbia	6.8	21,500	2.4	#3	n.a.	n.a.
North Macedonia	2.1	18,200	1.1	#1	0.4	#2

[3] Source for inhabitants as well as GDP/capita (PPP, current international USD): https://data.worldbank.org (February 2, 2023), data for most recent year: 2021, figures rounded

Regulation

A1 Group is subject to various legal and regulatory frameworks in its markets. A1 Austria, representing the largest Group segment in terms of revenues and EBITDA, is classified as a provider with significant market power in the wholesale market for Ethernet and dark fiber, so the company is subject to corresponding regulatory measures including on network access and price regulations.

The international subsidiaries of A1 Group are also subject to far-reaching regulatory provisions on their respective national markets. In addition, Group companies in countries that are part of the European Union (i.e., Austria, Bulgaria, Croatia, and Slovenia) must comply with European regulations, for instance guaranteeing harmonized conditions within the EU. This applies especially to the EU-level roaming and net neutrality regulations as well as the harmonization of mobile and fixed-line termination rates as a result of the European Electronic Communications Code (EECC) and apply equally to all EU Member States.

Fixed-line regulation

Market analysis in Austria

In line with legal requirements, the Austrian regulator began the sixth round of the market analysis procedure in March 2020. The regulator first focused on the two wholesale markets for local and central access as well as on the market for certain stand-alone business tariffs at retail level.

On October 11, 2022, the Austrian regulator fully deregulated the wholesale markets for broadband access. The regulator's experts and European Commission appreciated the presented new voluntary contracts for Virtual Unbundling of Local Access (VULA 2.0) and Very High-Capacity Networks (VHCN). By the end of 2022, a large number of wholesale partners have signed such contracts with A1 Austria, including its largest competitors.

This deregulation paves the way to additional investment and thus further accelerates large-scale broadband and fiber-optic infrastructure roll-outs throughout Austria. The Austrian regulator and the Federal Competition Authority will closely monitor the wholesale markets for local and central access.

According to a draft decision by the regulator, the market for certain stand-alone business tariffs at retail level will also be deregulated. The relevant procedure is expected to be finalized in the first quarter of 2023.

In April 2021, the market analysis procedure for the wholesale market for high-quality access (wholesale markets both for Ethernet services and dark fiber) was initiated. So far, the regulator has carried out an extensive data collection and published two expert opinions. A1 Austria expects the regulator to make a draft decision early in the first quarter of 2023 and a final decision in the second quarter of 2023.

Fixed-line termination rates[4)]

The European Commission set the fixed-network termination charge for all operators in the European Economic Area (EEA) to a uniform EUR 0.0007 per minute as of January 1, 2022. Following this measure, the Austrian regulator has deregulated the fixed termination market on a national level.

Mobile communication regulation

Roaming

The European Union regulation on roaming in its current form has been in force since 2016. A revised roaming regulation is likely to extend the current "Roam Like at Home" regulation and further reduce wholesale roaming rates in the coming years. The markets of Belarus, Serbia and North Macedonia are regulated to a varying degree.

[4)] The term termination rate refers to the amount that a telecommunications provider must pay during network interconnection for the termination (call delivery, call completion) of a telephone call to a third-party network or for the receipt of such a call from a third-party network.

Roaming agreements in the Western-Balkans

Retail roaming charges within the region have been reduced following the introduction of a roaming agreement for the Western Balkans in 2019. In addition to that, A1 and other mobile operators have recently signed a voluntary agreement to lower rates also between European Union and Western Balkan countries (Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia).

European Union wholesale caps

Voice (outgoing), in eurocents/minute	July 1, 2022 – December 31, 2024; 2.20 January 1, 2025 – June 30, 2032: 1.90
SMS, in eurocents/SMS	July 1, 2022 – December 31, 2024: 0.40 January 1, 2025 – June 30, 2032: 0.30
Data, in EUR/GB	July 1 – December 31, 2022: 2.00 From January 1, 2023: 1.80 2024: 1.55 2025: 1.30 2026: 1.10 January 1, 2027 – June 30, 2032: 1.00

Mobile termination

The European Commission has set mobile termination charges for all operators in the European Economic Area to a uniform EUR 0.002 per minute as of January 1, 2024. This value will be achieved by means of a glide path that provides for annual reduction steps. The Austrian regulator has deregulated the mobile termination market on a national level.

Mobile termination rates

	January 1, 2022	January 1, 2023	January 1, 2024
EU-wide maximum (EUR)	0.0055	0.0040	0.0020
Serbia (RSD)	1.43	1.43	not yet determined
North Macedonia (MKD)	0.63	0.63	not yet determined
Belarus (BYN)	operator MTS 0.025/0.0125 operator BeST 0.018/0.009	operator MTS 0.025/0.0125 operator BeST 0.018/0.009	not yet determined

Net neutrality

The EU regulation on net neutrality has been in force since 2016. According to this regulation, providers of Internet access service must treat all data traffic equally. Furthermore, specialized services can also be offered in addition to Internet access services, but these are subject to certain limitations.

The European Commission must review the EU net neutrality provisions by April 30, 2023. However, the Body of European Regulators for Electronic Communications (BEREC) published an opinion, stating that the current regulation is suitable and does not need to be amended.

Impact of the COVID-19 pandemic

In 2022, the COVID-19 pandemic has had a significantly lower impact on A1 Group's business than in the previous years. While general precautionary measures were maintained at all facilities, pandemic-related work from home abated and occupancy rate in offices increased. Footfall in our shops rose slightly and there were no shops closed in 2022 due to the pandemic.

Impact of the Ukraine crisis

On February 24, 2022, troops of the Russian Federation invaded Ukraine, which led to sanctions imposed on Russia and Belarus by the European Union, the United States of America, and other countries. While sanctions did not have material impact on the business of A1, it did impose certain challenges in the supply chain in the Belarus segment. That was reflected in the limited availability of high-value handsets, but also other network equipment. However, A1 Belarus focused on re-establishing deliveries that comply with the current sanction framework and exception rules for telecommunication companies. Following the onset of the conflict, the Belarussian ruble recorded a dramatic depreciation. However, the currency recovered shortly after, made up the losses and temporarily appreciated against the euro. As of the end of December 2022, the Belarusian ruble depreciated against the euro by 1.1% (period average: +8.5%).

Business performance in financial year 2022

A1 Group successfully navigated through financial year 2022, delivering both revenue and EBITDA growth in a difficult macroeconomic environment. Positive trends prevailed in most markets and while the population at large was increasingly concerned about increasing inflation, demand for core mobile and fixed-line services remained intact, leading to increasing service revenues in all regions.

The gradual upselling of mobile customers to attractive 5G offers continued, not only in Austria where outstanding network quality was instrumental in customer acquisition, but also in other CEE markets. A1 operations also benefitted from solid demand for high-bandwidth products and continued to focus on convergence strategies while remaining a reliable partner of choice for growing ICT businesses.

In an environment of rising OPEX, in particular surging energy costs, management was diligently focused on implementing efficiency measures. In addition, contractual opportunities were taken in most markets to increase prices in line with the consumer price index. Both the improved roaming results and the positive development of Belarusian ruble provided a tailwind for A1 Group's results in 2022.

During 2022, A1 Group acquired spectrum for the deployment of 5G networks. In North Macedonia, these were in the frequency bands of 700 MHz and 3.6 GHz for a total of EUR 8 mn, and in Bulgaria in the bands of 1800 MHz, 3600 MHz and 26 GHz for EUR 1 mn.

In financial year 2022, A1 Group made progress in the internal separation of the tower business. This separation was completed in all markets except Belarus, which is not the focus, and Austria.

The following factors should be considered in the analysis of A1 Group's 2022 operating results:

- A positive roaming impact on Group total revenues and EBITDA of 0.7% and 1.7% respectively due more travelling activity versus previous year.
- Positive FX effects amounted to EUR 36 mn in total revenues, EUR 27 mn in service revenues, and EUR 17 mn in EBITDA, coming almost entirely from Belarus.
- There were no one-off effects in total revenues or EBITDA while there was a minor positive one-off effect of EUR 0.6 mn in EBITDA in the comparison period.
- Restructuring charges in Austria amounted to EUR 73 mn (2021: EUR 84 mn).

In mobile communications, the number of subscribers rose by 5.0% to a total of 24 million in the reporting year. Growth was largely driven by the strong increase in M2M business. Excluding M2M customers, the number of subscribers remained stable (-0.2%). Continued strong demand for mobile WiFi routers across the market footprint almost compensated for the slightly lower number of mobile customers in the Belarusian segment. The number of contract customers increased in Austria, Croatia, Serbia, and North Macedonia, while remaining at the prior-year level or slightly below in other markets. A shift from prepaid to contract offerings continued in all markets.

In the fixed-line business, the number of revenue generating units (RGUs) increased by 2.1% year-on-year. Growth in international operations, especially in Belarus and Bulgaria, more than compensated for the decline in Austria. The latter was the result of a decrease in the number of basic broadband and voice RGUs and could not be offset by the continued strong demand for advanced broadband products.

Key financial data

in EUR million	2022	2021	
Total revenues (incl. other operating income)	5,005	4,748	5.4%
Service revenues	4,164	3,957	5.2%
Equipment revenues	752	709	6.0%
Other operating income	89	82	8.0%
Wireless revenues	2,972	2,816	5.6%
Service revenues	2,339	2,181	7.2%
Equipment revenues	633	635	-0.2%
Wireline revenues	1,944	1,850	5.1%
Service revenues	1,825	1,775	2.8%
Equipment revenues	119	75	59.4%
EBITDA	1,838	1,706	7.7%
EBITDA margin	36.7%	35.9%	0.8pp
Depreciation and amortisation	963	953	1.1%
EBIT	871	753	15.6%
EBIT margin	17.4%	15.9%	1.5pp
Net result	635	455	39.5%
Net margin	12.7%	9.6%	3.1pp
Capital expenditures	944	891	5.9%
Tangible	766	650	17.7%
Intangible	179	241	-25.8%
Free cash flow	603	487	23.8%

	Dec 31, 2022	Dec 31, 2021
Net debt / EBITDA (12 M)	1.3x	1.7x
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	23,897	22,766	5.0%
Postpaid	20,076	18,890	6.3%
Prepaid	3,822	3,875	-1.4%
RGUs (thousands)	6,204	6,077	2.1%

	2022	2021	
ARPU (in EUR)	8.4	8.1	2.7%
Mobile churn	1.4%	1.3%	0.0pp

	Dec 31, 2022	Dec 31, 2021	
Employees (full-time equivalent)	17,906	17,856	0.3%

In financial year 2022, Group total revenues rose by 5.4%, driven mainly by service revenue growth in all segments. Equipment revenues also increased, in particular because of higher sales in Austria, Serbia, and Bulgaria and despite a decline in Belarus and North Macedonia. Mobile service revenues rose by 7.2% on the back of strong mobile core business in all markets, continued solid demand for mobile WiFi routers as well as higher customer roaming traffic. Fixed-line service increased by 2.8% as growing solution and connectivity business more than outweighed regulation-induced decline in interconnection revenues, while retail fixed-line service revenues rose only slightly. Additionally, revenues benefited from indexation-linked price increases implemented in several markets throughout the year.

Total costs and expenses increased by 4.1% in the reporting period. Almost half of the increase is attributable to higher electricity costs due to rising prices and slightly higher consumption. The remaining portion of the cost increase relates to content and products, the corporate network, and to a lesser extent personnel and advertising. Content and product-related costs increased following solid performance of solution and connectivity business but also due to increased content prices. On the other hand, bad debt as well as network maintenance costs declined in 2022.

EBITDA rose by 7.7% to EUR 1.838 mn as solid growth in service revenues in all markets more than compensated for rising core OPEX. The contribution from Austria, Belarus, and Bulgaria was particularly strong, while growth was also recorded in the other markets except for Slovenia and North Macedonia. Restructuring charges in Austria in financial year 2022 amounted to EUR 73 mn (2021: EUR 84 mn).

In 2022, A1 Group recorded a financial result of EUR -55 mn (previous year: EUR -101 mn), an improvement driven mainly by the redemption of an EUR 750 mn 3.125% bond in December 2021 and an EUR 750 mn 4.0% bond in April 2022. In addition, lower net debt and a short-term financing helped reduce net interest expense.

Income tax expenses amounted to EUR 181 mn in financial year 2022 (previous year: EUR 198 mn). In the comparative period, the reversal of impairment of investments in affiliated companies in particular raised tax expense to a high level. This level was not reached in the reporting period despite a clear improvement in pre-tax earnings and an increase in withholding tax in Belarus. Improved operating and financial result coupled with lower income tax expenses resulted in 39.5% increase of the Group net result which amounted to EUR 635 mn.

Further key ratios	2022	2021	
Earnings per share (in EUR)	0.95	0.68	39.5%
Dividend per share, paid (in EUR)	0.28	0.25	12.0%
Free cash flow per share (in EUR)	0.90	0.73	23.0%
ROE	18.9%	15.4%	3.5pp
Operating ROIC	13.5%	11.9%	1.6pp

Net assets and financial position

As of December 31, 2022, the balance sheet total was 2.7% below the level as of December 31, 2021. A main driver was the balance sheet-reducing effect from the use of cash and cash equivalents to repay a bond in April 2022. As a consequence, cash and cash equivalents decreased. Non-current assets increased, mainly on the back of higher property, plant and equipment following increased CAPEX. Right-of-use assets and frequency amortization mitigated that increase.

Current liabilities declined largely due to the redemption of the above-mentioned 4.0% bond. This bond was classified as a current financial liability as of December 31, 2021 as remaining term to maturity was less than one year. Accounts payable climbed mainly due to higher CAPEX in Austria. Income tax liabilities increased due to the full utilization of tax loss carryforwards in the Austrian tax group in 2021.

Non-current liabilities declined, driven by repayment of lease liabilities but also reduced asset retirement and employee benefits obligations, both of which were valued lower because of increased interest rates (i.e., discount rates).

Balance sheet structure

in EUR million	Dec 31, 2022	As % of the balance sheet total	Dec 31, 2021	As % of the balance sheet total
Current assets	1,439	17.2%	1,786	20.8%
Property, plant and equipment	3,054	36.6%	2,876	33.5%
Goodwill	1,300	15.6%	1,286	15.0%
Intangible assets, net	1,608	19.3%	1,670	19.5%
Other assets	945	11.3%	955	11.1%
Total assets	**8,345**	**100.0%**	**8,573**	**100.0%**
Current liabilities	-2,411	28.9%	-2,940	34.3%
Long-term debt	-1,047	12.5%	-1,046	12.2%
Lease liabilities long-term	-522	6.3%	-606	7.1%
Employee benefit obligation	-172	2.1%	-223	2.6%
Non-current provisions	-518	6.2%	-574	6.7%
Other long-term liabilities	-84	1.0%	-68	0.8%
Stockholders' equity	-3,593	43.0%	-3,115	36.3%
Liabilities and stockholders' equity	**-8,345**	**100.0%**	**-8,573**	**100.0%**

Cash flow

in EUR million	2022	2021	
Net cash flow from operating activities	1,718	1,586	8.3%
Net cash flow from investing activities	-953	-902	-5.7%
Net cash flow from financing activities	-1,149	-361	-218.1%
Adjustment to cash flows due to exchange rate fluctuations, net	0	1	n.m.
Net change in cash and cash equivalents	**-385**	324	**n.m.**

In financial year 2022, the cash flow from operating activities increased to EUR 1,718 mn (previous year: EUR 1,586 mn), driven by better operational performance and a positive development of working capital. The latter improved due to higher accounts payable, which more than outweighed increase in accounts receivables and inventories. Cash flow from investing activities reflected primarily compared to the previous year higher capital expenditures paid. Cash flow from financing activities decreased strongly versus last year due to increased dividends paid and and the repayment of a EUR 750 mn bond. The repayment was made to a large extent from cash and short and long-term financings.

Key performance indicators

Net debt

in EUR million	Dec 31, 2022	Dec 31, 2021	
Long-term debt	1,047	1,046	0.1%
Lease liability long-term	522	606	-13.9%
Short-term debt	822	1,553	-47.1%
Lease liability short-term	159	161	-1.1%
Cash and cash equivalents	-150	-534	-72.0%
Net debt (incl. leases)	2,400	2,832	-15.3%
Net debt (incl. leases) / EBITDA (12 months)	1.3x	1.7x	
Net debt (excl. leases)	1,719	2,065	-16.8%
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x	

Net debt declined by 15.3% due to the strong free cash flow. In April 2022, a EUR 750 mn bond was repaid, reducing short-term debt. Net debt / EBITDA decreased to 1.3x from 1.7x as of December 31, 2021.

Net debt (excl. leases) declined by 16.8%. The ratio net debt (excl. leases) / EBITDA after leases decreased to 1.0x from 1.3x as of December 31, 2021.

Free cash flow

in EUR million	2022	2021	
EBITDA	1,838	1,706	7.7%
Restructuring charges and cost of labor obligations	74	92	-19.5%
Lease paid (principal, interest and prepayments)	-182	-171	6.3%
Income taxes paid	-137	-106	28.7%
Net interest paid	-47	-78	-39.2%
Change working capital and other changes	91	31	191.4%
Capital expenditures	-944	-891	5.9%
Free Cash Flow (FCF) before social plans	692	582	18.9%
Social plans new funded*	-88	-94	-6.4%
FCF after social plans new	603	487	23.8%

Free cash flow increased by 23.8% in financial year 2022, as improved operational performance and positive development of working capital more than compensated for higher capital expenditures paid and higher income taxes paid.

Capital expenditures ("CAPEX")

In financial year 2022, total capital expenditures increased by 5.9% to EUR 944 mn. Excluding investments in the frequency spectrum of EUR 10 mn (previous year: EUR 65 mn), capital expenditures increased by 13.2%, driven mainly by higher investments in fiber network infrastructure in Austria and continued deployment of the 5G mobile network in Austria, Slovenia, Bulgaria, and North Macedonia.

Segment development

A1 Group reports on seven business segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia, and North Macedonia. "Corporate & other, elimination" comprises mainly holding companies, the Group financing company, A1 Digital (whose business activities are focused on the core markets of A1 Group in addition to Germany and Switzerland) and consolidation effects.

Total revenues (incl. other operating income)

in EUR million	2022	2021	
Austria	2,752	2,678	2.8%
Bulgaria	640	574	11.5%
Croatia	470	452	4.0%
Belarus	461	420	9.8%
Slovenia	223	210	6.0%
Serbia	357	315	13.1%
North Macedonia	141	135	5.0%
Corporate & other, eliminations	-39	-35	n.m.
Total revenues (incl. other operating income)	5,005	4,748	5.4%

EBITDA

in EUR million	2022	2021	
Austria	1,040	991	4.9%
Bulgaria	254	218	16.5%
Croatia	161	156	3.3%
Belarus	219	181	21.2%
Slovenia	56	61	-7.4%
Serbia	115	102	12.8%
North Macedonia	44	46	-4.0%
Corporate & other, eliminations	-51	-48	n.m.
Total EBITDA	1,838	1,706	7.7%
EBITDA before Restructuring	1,911	1,790	6.7%

EBIT

in EUR million	2022	2021	
Austria	495	441	12.2%
Bulgaria	136	104	30.1%
Croatia	66	58	13.7%
Belarus	150	122	23.0%
Slovenia	4	13	-72.8%
Serbia	58	49	17.1%
North Macedonia	18	18	-3.0%
Corporate & other, eliminations	-55	-53	-3.0%
EBIT	871	753	15.6%

Capital expenditures (CAPEX)

in EUR million	2022	2021	
Austria	572	496	15.4%
Bulgaria	108	103	4.9%
Croatia	84	96	- 12.4%
Belarus	39	40	- 4.5%
Slovenia	46	79	- 41.9%
Serbia	52	48	6.8%
North Macedonia	38	24	56.2%
Corporate & other, eliminations	6	5	28.2%
Capital expenditures	**944**	891	**5.9%**

ARPU

in EUR	2022	2021	
Austria	16.8	16.2	3.7%
Bulgaria	7.0	6.5	7.7%
Croatia	10.9	10.6	2.2%
Belarus	4.8	4.1	18.3%
Slovenia	13.9	13.2	5.3%
Serbia	8.4	8.0	5.2%
North Macedonia	6.7	6.3	7.1%
Group ARPU	**8.4**	8.1	**2.7%**

ARPL

in EUR	2022	2021	
Austria	33.9	33.3	1.8%
Bulgaria	15.7	14.8	6.3%
Croatia	30.9	32.0	-3.6%
Belarus	7.8	6.2	25.9%
Slovenia	31.1	31.9	-2.4%
Serbia	n.a.	n.a.	n.a.
North Macedonia	11.1	11.1	0.5%
Group ARPL	**25.8**	25.8	**0.0%**

ARPL-relevant revenues (in EUR million)	2022	2021	
Austria	709	735	-3.5%
Bulgaria	110	98	12.1%
Croatia	108	107	1.0%
Belarus	41	29	40.1%
Slovenia	37	35	4.5%
Serbia	n.a.	n.a.	n.a.
North Macedonia	21	21	2.7%

Segment Austria

in EUR million	2022	2021	
Total revenues (incl. other operating income)	2,752	2,678	2.8%
Service revenues	2,414	2,369	1.9%
Equipment revenues	286	258	11.2%
Other operating income	52	51	2.2%
Wireless revenues	1,248	1,198	4.2%
Service revenues	1,032	980	5.3%
Equipment revenues	217	218	-0.6%
Wireline revenues	1,452	1,430	1.6%
Service revenues	1,382	1,389	-0.5%
Equipment revenues	70	40	74.9%
EBITDA before restructuring	1,113	1,075	3.5%
EBITDA margin before restructuring	40.4%	40.2%	0.3pp
EBITDA	1,040	991	4.9%
EBITDA margin	37.8%	37.0%	0.8pp
EBIT	495	441	12.2%
EBIT margin	18.0%	16.5%	1.5pp

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	5,157	5,072	1.7%
RGUs	2,946	3,051	-3.4%

	2,022	2,021	
ARPU	16.8	16.2	3.7%
Mobile churn	1.1%	1.3%	-0.2pp

The segment Austria accounted for 55% of Group revenues.

In 2022, market dynamics in Austria were influenced by several trends that simultaneously shaped demand in both mobile and fixed-network business. At the beginning of the year, a rather quiet mobile communications market was characterized by low churn rates and fewer customer gross adds. This was partly due to the scarcity of available high-value handsets, but also to lower subsidies, which presumably boosted demand for SIM-only offerings. In line with the strategy to further monetize the 5G network and remain competitive, A1 Austria launched a new mobile portfolio in November 2022. In doing so, the company changed its previous premium positioning of 5G and introduced 5G offers in almost all tariffs.

In the fixed-line business, demand remained relatively unchanged year-on-year thanks to the advance of digitization and new forms of work requiring reliable Internet connections. Consequently, upselling to higher broadband products continued to be noticeable in the market. A new regulatory environment is enabling A1 Austria to accelerate its fiber roll-out. The company launched a new Fiber to the Home (FTTH)/Fiber to the Building (FTTB) portfolio to meet customer demand for higher bandwidths and monetize fiber infrastructure. The Solution and Connectivity business continued its growth trajectory and benefited from a favorable development in the installation of private branch exchanges. The Internet@Home business, comprising pure fixed-line broadband, hybrid modems, and mobile WiFi routers, continued to grow in 2022 and was again driven by solid demand for mobile WiFi routers. Total revenues increased by 2.8% in the year under review, in large part driven by higher service revenues and to a slightly lower extent higher equipment revenues. While service revenues rose due to solid performance of the mobile business as well as the growing solution and connectivity business, equipment revenues rose mainly due to sizable projects in the public sector.

Fixed-line service revenues declined slightly (-0.5%), as growth in solution and connectivity revenues could not fully compensate for the decline in retail fixed-line service revenues and lower regulation-driven interconnection revenues. The lower retail fixed-line service revenues stem from losses in low-bandwidth RGUs and voice RGUs and could not be compensated by upselling efforts to high-bandwidth products, voice price measures from March 2022, and price indexation implemented in April 2022. At the same time, the above-mentioned upselling, indexation, and price measures were the main drivers of the ARPL increase.

Mobile service revenues rose by 5.3% year-on-year, owing to strong performance of the mobile core business, increased customer and visitor roaming traffic as well as solid performance in the area of WiFi routers. Supportive to growth were inflation-linked price adjustments, which overall also resulted in higher ARPU.

EBITDA improved and rose by 4.9% year-on-year, due to higher service revenues, despite lower equipment margin and increased core OPEX. The rise in latter was driven mainly by increased electricity costs, higher corporate network costs as well as higher product-related costs. The increase in core OPEX was mitigated only to a limited extent by lower workforce costs and lower bad debt. Depreciation and amortization expenses decreased slightly, resulting in an increase in operating profit increase of 12.2% in financial year 2022.

International segments

in EUR million	2022	2021	
Total revenues (incl. other operating income)	2,286	2,102	8.8%
Service revenues	1,778	1,616	10.0%
Equipment revenues	465	451	3.1%
Other operating income	43	35	23.9%
Wireless revenues	1,732	1,627	6.5%
Service revenues	1,315	1,210	8.7%
Equipment revenues	417	417	0.0%
Wireline revenues	511	440	16.1%
Service revenues	463	406	14.1%
Equipment revenues	48	34	40.7%
EBITDA	849	763	11.3%
EBITDA margin	37.2%	36.3%	0.8pp
EBIT	432	366	17.9%
EBIT margin	18.9%	17.4%	1.5pp

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	14,924	14,922	0.0%
RGUs	3,258	3,026	7.7%

In financial year 2022, the revenue-wise largest international segment was Bulgaria accounting for 13% of Group revenues, followed by Belarus and Croatia both representing a 10% share. All international segments posted revenue growth with the highest growth rates in Serbia, Bulgaria and Belarus.

Segment Bulgaria

In 2022, the Bulgaria segment delivered a strong performance across the board, in spite of a challenging macroeconomic environment. Supportive local market dynamics, a strong A1 brand and diligent strategy execution all led to a double-digit growth in service revenues and EBITDA. In the mobile business, A1 Bulgaria managed to further utilize the 5G network and upsell customers to upper-tier tariffs both in the mobile core and mobile broadband business. In the fixed-line business, A1 Bulgaria continued to monetize the strong demand for high-bandwidth products and remained an exclusive provider of sports content. This was instrumental in the execution of the convergence strategy and the acquisition of new customers during the year. In addition, momentum was particularly strong in the solution and connectivity business, where the company operated with attractive security offerings and IT solutions. In financial year 2022, A1 Bulgaria acquired STEMO, one of the largest ICT companies in the country. STEMO contributed EUR 17 mn to Group revenues (service revenues: EUR 9 mn, equipment revenues: 8 mn) and EUR 2 mn to the Group's EBITDA.

Revenues increased by 11.5% (excluding STEMO: 8.7%) in financial year 2022, driven almost entirely by service revenue growth both from both the mobile and the fixed-line business. Equipment revenues (excluding STEMO) remained at last year's level, which did, however, include a sizeable transaction in the public sector.

Fixed-line service revenues rose due to the above-mentioned strong demand for higher Internet speeds, attractive TV content as well as successful solution and connectivity business. Additionally, the first-time inflation-linked price increases were beneficial to the fixed-line segment, thus ARPL increased.

Mobile service revenues also increased. This was driven by solid demand for upper-value tariffs, which were sold at a premium for most of 2022, as well as continued momentum and stable demand for mobile WiFi routers that A1 successfully monetized. In addition, inflation-linked price increases together with higher roaming revenues contributed to growth. As a result, ARPU increased year-on-year.

EBITDA increased by 16.5% (excluding STEMO: 15.7%). Strong service revenue growth and the positive development of the equipment margin more than offset higher costs and expenses. The increase in core OPEX was due to the higher workforce costs, higher electricity costs, as well as increased content and product-related costs. Depreciation and amortization increased slightly, and the operating income showed strong growth of 30.1%.

Segment Croatia

In 2022, both the mobile and the fixed-line markets in Croatia remained competitive with dynamic promotional activities by all network operators. In the mobile business, A1 Croatia tackled this with a redesigned portfolio that included 5G propositions in all mobile tariffs. Unlimited data offers remained exclusive for the higher tariffs. In the fixed-line business, A1 Croatia increased its broadband coverage with new FTTH areas as a result of significant investments in fixed-line infrastructure. On the TV content side, advanced broadband and TV products were very attractive and played an important role in successful customer acquisition throughout the year.

Total revenues rose by 4.0% in the year under review, driven by growing mobile and fixed-line subscriber base. Equipment revenues also grew. In addition, roaming revenues and ICT business increased.

Fixed-line service revenues increased due to the customer base effect and upselling of existing customers to higher speeds. At the same time, ARPL came under pressure due to increased promotional activities and a more intense competitive environment.

Growth in mobile service revenues was based on mobile core business, performance in the area of mobile WiFi routers, and increased customer roaming post-COVID. At the same time, ARPU rose slightly.

EBITDA increased by 3.3% in the year under review, benefited from the performance of the service revenues, which more than compensated for higher costs and expenses. Core OPEX increase was attributable to higher workforce, corporate network and content and product related costs as well as costs in connection to a litigation case. On the other hand, advertising expenses and bad debt came in lower. Depreciation and amortization expenses declined in the period under review and together with EBITDA growth led to 13.7% increase in operating result year-on-year.

Segment Belarus

In 2022, the Belarusian market was characterized by focused activities from mobile network operators to retain and upsell existing customers as customer acquisition had become more challenging, especially at the beginning of the year. The mobile market was shaped by increased demand for higher data allowances and A1 Belarus was well positioned to meet customers demand with a more-for-more concept. In the fixed-line business, high-broadband Internet products and convergent offers that included TV content were sought after and well promoted while demand for ICT business projects somewhat dwindled. Geopolitical tensions have left a mark on the overall business environment, and A1 Belarus was confronted with several challenges. While imposed sanctions did not have an immediate threat to the business continuity, supply chain with key vendors was interrupted and A1 Belarus focused to re-establish deliveries under the new sanction framework and telco exception rules. In May 2022, government imposed several industry-wide regulatory measures such as an additional advertising tax, a state-broadcast channel fee increase and a reduced renewable energy sales multiplier. All these measures had put an additional pressure on telco operators, weighing on their operating expenses. The total impact on A1 Belarus' revenues and EBITDA (in local currency) stemming from those measures were 0.7% and 3.2% of total revenues and EBITDA respectively, in local currency. Nevertheless, A1 Belarus continued its growing path and demonstrated an excellent operative performance throughout the year.

Total revenues increased by 9.8% (in local currency: +1.2%), driven by growth in service revenues while equipment revenues declined substantially. The latter was a consequence of lower availability and demand for high-value handsets compared to the previous year. Service revenue growth was in large part driven by the mobile business, while inflation-linked price increases on non-regulated tariffs have additionally supported the organic growth.

Fixed-line service revenues were higher due to customer upselling to higher speed broadband products and convergent offers, but also due to improved performance in solution and connectivity business compared to the same period last year. Price adjustments also contributed to growth while ARPL also increased.

Mobile service revenues increased due to solid performance of the postpaid segment and moving customers to the upper tariffs. Additionally, the improved roaming result as well as the above-mentioned pricing measures led to increased revenues in this category. As a result, ARPU increased in the year under review.

EBITDA rose strongly in euro terms by +21.2% (in local currency: +11.7%) as increased core OPEX was more than compensated by growing service revenues and the positive equipment margin. Higher core OPEX was spurred on mainly by increased workforce costs, capacity-driven increased corporate network costs as well as higher electricity and content costs. Equipment margin improved mainly due to less subsidy provided in the environment with reduced sales of high-value devices. Depreciation and amortization expenses rose slightly, but the operating result still increased by 23.0% in the reporting period.

Belarus: Key Financials in EUR and BYN

in EUR million	2022	2021	
Total revenues (incl. other operating income)	461	420	9.8%
Total costs and expenses	-242	-239	1.2%
EBITDA	219	181	21.2%

in BYN million	2022	2021	
Total revenues (incl. other operating income)	1,276	1,261	1.2%
Total costs and expenses	-670	-718	-6.7%
EBITDA	606	542	11.7%

Segment Slovenia

In 2022, competitive intensity remained elevated in the Slovenian market. Mobile network operators offered 5G propositions in almost all tariffs. For this reason, positioning 5G as a premium was not feasible in the market. A1 Slovenia redesigned its mobile portfolio and included attractive hardware with lower subsidies. In the fixed-line business, A1 Slovenia was successful in customer acquisition and upselling to higher Internet speeds, but also in attracting customers to convergent offers with appealing TV content. Total revenues rose by 6.0% thanks to growing service revenues and to a lesser extent higher equipment revenues. Service revenues rose, driven mainly by the mobile business, in particular the improved roaming result as well as better solution and connectivity business. Fixed-line service revenues also showed solid traction and was supported by the good performance of the solution & connectivity business. Despite solid revenue growth, EBITDA declined by 7.4% in the period under review. Rising electricity and workforce costs as well as higher content and product related costs had a negative impact and could not be compensated for by the above-mentioned top line growth. Depreciation and amortization expenses increased, mainly due to amortization of acquired frequencies, which put additional pressure on the operating result in the year under review.

Segment Serbia

In 2022, the Serbian market continued to show signs of maturity with a rising share of mobile contract offers in portfolios and increased demand for higher data allowances. A1 Serbia was again successful in customer upselling and acquisition. Since August 2022, the company has been on the market with new offers. Total revenues increased by 13.1% on the back of solid service revenue growth and much stronger equipment sales compared to the last year. Mobile service revenues rose following customer acquisitions, upselling to upper-level tariffs as well as the improved roaming result. Supporting growth was the successful monetization of data volume add-ons in higher tariff plans. Compared to the same period last year, ARPU also rose. On the cost side, the increase came amid rising workforce costs as well as electricity costs, while savings were made in advertising expenses and bad debt. As strong service revenue growth and improved equipment margin more than compensated for the above-mentioned higher core OPEX, EBITDA grew strongly by 12.8% in the period under review. Depreciation and amortization expenses increased following higher capital expenditures, but operating results also rose by 17.1% year-on-year.

Segment North Macedonia

In 2022, market development in North Macedonia featured increased demand for high-bandwidth broadband and convergent products in the fixed-line business, while the mobile business saw strong demand for unlimited data packages, high-value tariffs and mobile WiFi routers. A1 in North Macedonia redesigned its mobile portfolio with 5G-ready plans and successfully positioned itself with a more-for-more concept. Total revenues increased by 5.0% with growth recorded both in the mobile and fixed-line business, while equipment revenues declined. Fixed-line service revenues grew due to successful customer upselling to higher Internet speeds, but also due to improved solution and connectivity business. Mobile service revenues rose on the back of a solid core business, the improved roaming result as well as a good performance of mobile WiFi routers. Total costs and expenses also increased, with electricity costs being substantially higher compared to the same period last year (more than 100%) which could not be outweighed by rising total revenues. As a result, EBITDA declined by 4.0% and EBIT by 3.0% in the reporting period.

Outlook for financial year 2023

A1 Group expects to achieve revenue growth of around 4% in the 2023 financial year. The main growth drivers are price increases due to higher inflation, upselling in the retail business, and a strong development of the solutions business. A further decline in voice business and international wholesale business in Austria as well as lower interconnection revenues due to regulatory cuts of termination rates will have a dampening effect on growth. Management also expects roaming revenues to grow at a significantly lower rate than in the strong financial year 2022. While the Belarusian ruble appreciated on average in 2022, supporting revenue growth, the currency is expected to depreciate against the euro in 2023.

At the same time, electricity costs are forecasted to increase strongly and management assumes that workforce costs will increase by around 5% at the Group level. To counter cost increases, A1 Group will implement efficiency projects and transformational initiatives. For this reason, A1 Group expects further EBITDA growth, albeit at a lower rate than revenue growth.

Management expects CAPEX before investments in spectrum to be around EUR 950 mn. A1 Group will continue its commitment to fiber roll-out in Austria as well as to further expansion of its 5G networks both in Austria and internationally. In terms of spectrum, tenders are expected in Croatia (renewal of spectrum: 800 MHz, 900 MHz, 1.8 GHz, 2.1 GHz, and 2.6 GHz), Bulgaria (700 MHz, 800 MHz) and Serbia (700 MHz, 3.6 GHz). This list of tenders neither claims to be exhaustive nor does it allow any conclusions to be drawn regarding the actual implementation of these auctions or A1's intention to participate in the tenders listed. A1 Group does not comment on this matter.

The Management Board plans to propose a dividend of EUR 0.32 (2021: EUR 0.28) per share to the Annual General Meeting, subject to the approval of the Supervisory Board.

Risk and opportunity management

Principles and methods

A1 Group's risk management system systematically analyzes risk areas, assesses potential impact and improves risk avoidance and risk remediation measures. In doing so, A1 Group relies on close cooperation between Group managers and local risk managers. The risk management system is divided into four risk categories: (1) macroeconomic, competitive and strategic risks, (2) ESG risks, (3) financial risks, and (4) technological risks. The Executive Board reports relevant developments to the Supervisory Board.

The starting point for A1 Group's Enterprise Risk Management (ERM) is strategic discussions with the Supervisory Board. In these discussions, the Management Board presents business risks and their relevance to A1 Group as well as mitigating activities. It also presents planning assumptions (strategic orientation for the coming business plan period, priority setting, and planned measures for realizing opportunities).

Subsequently, the business plan maps out the expectations for business success (and necessary costs and investments) and also evaluates assumed risks of higher-level goals (growth-related but also expenditure-related).

For risk management, the development of effective risk awareness and risk reduction measures is critical. Updates are made, among other things, on the basis of monthly performance calls or leadership meetings of the extended Management Board and following analysis of critical deviations from the targets set or the effectiveness of countermeasures taken. The overall risk situation for each risk category is derived from the totality of individual risks.

A1 Group is active in Austria and six other countries as a top telecommunications company. This means a geographical diversification. The risks in the respective markets vary, which is why risk management (and above all the mitigation of risks) is the responsibility of the local operating units. Risk management is controlled by the holding company. In addition to regular management meetings and strategic discussions, A1 Group has a multi-year plan. The close integration of the multi-year plan with risk management ensures adequate risk management. The risk management of A1 Group is monitored by the Audit Committee of the Supervisory Board.

Risks in connection with the COVID-19 pandemic

In 2022, no relevant negative impacts resulted from the COVID-19 pandemic. On the one hand, possible implications (expiry of state aid, short-time work) on companies are being observed, while on the other the transformation of daily life through increased digitization of work and learning has already become firmly established.

Risks in connection with the conflict in Ukraine

As a disruptive event, the focus in 2022 was on the conflict in Ukraine and its impact on risks and opportunities. In the course of this, a comprehensive risk assessment was carried out. This took into account both the short-term cash flow impact of the conflict and the impact of sanctions. Risks and supply and demand effects that have already occurred with an impact on cash flow include sharply increased electricity and energy costs and supply chain disruptions.

In response to the conflict, numerous sanctions were imposed and implemented, in some cases at very short notice. Therefore, A1 Group has swiftly adapted and implemented the procedure for monitoring sanctions concerning Russia and Belarus. The Group Compliance and Legal team monitors the sanctions and works closely with the affected units within A1 Group to ensure compliance. No A1 Group company - with the exception of A1 Belarus - was found to have direct business relationships with legal entities sanctioned by the EU. Export sanctions led to short-term delays in the delivery of hardware, software, and services to Belarus, but without jeopardizing operations - and thus our service to non-sanctioned individuals and companies. Sanctions management in A1 Group ensures the supply of goods and services exempt from sanctions. Risk management also places a special focus on the impact of sanctions on A1 Belarus' cash flow and ability to pay dividends. The established procedures are applied for the duration of the conflict.

Risks and opportunities

From the totality of risks identified for A1 Group, the most important risk categories and single risks that could have a significant impact on the net assets, financial position, and results of operations are explained below:

(1) Risks and opportunities at the macroeconomic, competitive and strategic levels

Macroeconomic risks and opportunities

Macroeconomic risks and opportunities arise, on the one hand, from economic developments in the markets in which A1 Group operates and their knock-on effects (for example, a sharp rise in inflation affects interest rate levels, exchange rates, demand, etc.). On the other, economic policy conflicts (e.g., punitive tariffs, supply stops, and production bottlenecks) can have direct or indirect effects. While macroeconomic developments are easier to forecast and assess, trade policy decisions are more difficult to predict. In this context, A1 Group mitigates potential supply bottlenecks wherever possible by using a multi-vendor strategy and geo-redundant sourcing. In the case of scarce goods, A1 Group improves its attractiveness with suppliers through long-term purchase guarantees or increases inventories to bridge delivery shortfalls.

During the reporting period, inflation increased significantly, which entails a number of risks. Price increases due to inflation-related indexation of tariffs on the one hand and lower real income and wealth on the other may lead to a decline in demand. In addition, A1 Group faces the risk that new technologies will be marketed without a premium and that sustainable volume growth (for example, due to changes in forms of work and learning) will not lead to an adequate increase in revenue. Cost items such as energy are specifically affected in the current planning horizon. The shortage of energy supply combined with the way prices are set has led to excessive price increases here, which even telecommunications companies cannot compensate for without stepping up countermeasures.

Competition

In recent years, competition in the provision of infrastructure by OAN (Open Access Network) providers has increased. This trend could intensify further in view of the entry of new market players. In addition, competition from MVNOs (Mobile Virtual Network Operators) remains a risk. MVNOs can offer their services without their own infrastructure and the associated high level of investment and can therefore act flexible in the market. At the same time, this offers A1 Group business opportunities in the wholesale market and enables it to better utilize its own networks.

New growth areas

One challenge in the telecommunications industry is the ever-shorter intervals at which companies have to adapt their offerings to include new services and products. Cloud services, over-the-top services and machine-to-machine communications are just a few examples of growth potential in new business areas that A1 Group is striving to tap. However, shorter innovation cycles are also associated with innovation risks. The biggest challenge is the scaling of services, different levels of maturity, and demand in A1 Group's markets. As part of the América Móvil Group, A1 Group is involved in the exchange and discourse on innovation.

Regulatory risks

In the current reporting period, regulatory risks (focused on telecommunications) are only region-specific. They relate to the roaming regulation in the Western Balkans.

Net neutrality: Although the Body of European Regulators for Electronic Communications (BEREC) has issued guidelines on net neutrality to implement the Net Neutrality Regulation, uncertainties remain that could have a financial impact.

Budget and business plan risks

The business plan reflects the assessment of the planning assumptions and incorporates external effects as much as possible. High inflation and its economic impact on companies and households represent a risk for 2023 and subsequent years. This was discussed with the country organizations in the planning process and mapped in risk management in the macroeconomic risks category. Budgetary risks primarily relate to internal targets for further increasing cost, investment and human resource efficiency that have not yet been consistently backed up with measures. Opportunities in 2023 include the mitigation of energy costs. This is mainly manageable through reduction of energy consumption. for example through the modernization of equipment (e.g., Radio Access Network [RAN]) and infrastructure or through the increased use of electricity from renewable sources.

Public image

Risks in connection with the public image arise from ordinary business activities (throughout the life cycle of the customer relationship) and from social discussions or topics raised by opinion leaders (influencers). A standard procedure does not go far enough here. Absolutely professional communication and corresponding expertise are essential prerequisites for avoiding negative effects.

(2) ESG risks and opportunities

ESG (Environmental, Social, Governance) risks represent another category of ERM. It is necessary to comply with the relevant legal requirements and to survey and assess the corporate risks in relation to the sustainability strategy. A1 Group updated its climate scenario analysis in 2022. This involved reassessing the impact of more extreme scenarios (outlier scenarios) on the business model using current energy prices. Other topics already considered on an ongoing basis include digitalization, diversity, labor shortages, compliance, and legal risks. The company addresses relevant topics in terms of risk potential and avoidance from both an internal and external perspective.

Environmental (E) - Environmental risks and opportunities

Climate change can pose risks to A1 Group's network infrastructure (rising average temperatures, heavy rainfall, and natural events such as floods and mudslides). For this reason, A1 Group has carried out a climate scenario analysis. One scenario assumed a global warming of < 2 °C and a comparative scenario that calculated a temperature increase of 4 °C. At the same time, different time periods were analyzed in both scenarios. While no significant differences were found in the short-term five-year assessment, the long-term comparison (up to 30 years) revealed larger differences in financial impact as expected. The year 2020 was used as the base year in each case. By their nature, differences over a long period of time are subject to greater uncertainty. It can be assumed, given the increasing attention on this issue, that mitigation measures will be initiated depending on actual development. Regardless, A1 Group is actively engaged in climate protection and is monitoring regional developments in order to be able to initiate measures to protect its infrastructure if necessary. The impact on finances and service availability of this risk category has been marginal in recent years. The scenario analysis does not result in any changes relevant to the valuation.

Social (S) - Social risks and opportunities

The Social category includes risks and opportunities related to social, employee, and human rights issues. This includes risks and opportunities such as the social impact of Internet use and media consumption or high-performance and sustainable networks.

Social impact of Internet use and media consumption: Progressive digitization in all areas of life is fundamentally changing people's everyday lives. Whether it is work, education and training, administrative procedures or everyday shopping, analog activities are being replaced by digital and virtual steps. Fast access to information and education at any time and from any location is becoming increasingly important. However, increasing digitization not only brings benefits, but also poses risks such as excessive use, cyber-bullying, and cyber-crime.

A1 Group is actively committed to offering people the opportunity to learn new digital skills on the one hand and to educating them about risks such as cyber-crime on the other. Numerous initiatives such as workshops, online information and training courses, are offered for this purpose.

High-performance and future-proof networks: Advancing digitalization and ever-growing data volumes are increasing the pressure on A1 Group to provide secure and stable connectivity everywhere and at all times. In recent years, this infrastructure had undergone a strong and rapid expansion due to the COVID-19 pandemic. Home office, home schooling and more agile forms of virtual collaboration further reinforce this trend. With its high-performance and future-proof networks, A1 Group offers a reliable basis for increasingly digitized working and learning and living environments.

A1 Group sees an opportunity to cover the further increase in speed and data volume requirements in the future. To this end, the Group is investing heavily in broadband expansion (fiber-optic network and 5G). These new technologies can be operated more energy-efficiently and thus have the potential to reduce energy consumption. Less efficient technologies, such as 2G, 3G, or communication via copper cable, may be replaced in the future.

Governance (G) - risks and opportunities

Governance risks and opportunities include topics such as compliance, corruption prevention, data protection as well as legal risks and opportunities.

Compliance risks: The annual compliance risk assessment process is a key element of A1 Group's compliance management system. As part of this process, relevant compliance risks are identified on the basis of structured management interviews and workshops, and risk-minimizing measures are defined. A1 Group relies on prevention through training, uncompromising application of internal and external guidelines (for example in the area of capital market compliance) as well as a compliance focus at management level (clear commitment to compliance by the management). In addition, the compliance management system (CMS) is regularly reviewed internally and externally.

Data protection risks: A1 Group's products and services are subject to data protection and data security risks. This relates in particular to access by unauthorized persons to data belonging to customers, employees and corporate partners. Possible violations of the EU General Data Protection Regulation (GDPR), which has been in force since May 2018, can result in significant legal and financial risks. To minimize risks, A1 Group has been implementing the EU General Data Protection Regulation in interdisciplinary projects since the beginning of 2016. Furthermore, technical and organizational measures were implemented on the basis of risk assessments. All A1 Group companies are committed to complying with the highest data protection and data security standards.

Legal risks: A1 Group companies are parties to several court and out-of-court proceedings with authorities, competitors, and other parties. Dialog with the stakeholders involved and an ongoing exchange of information on issues that could pose a risk to the company enable problems to be identified at an early stage and countermeasures developed.

Monitoring legal risks facilitates the assessment of potential payments in connection with legal proceedings. This position is updated quarterly and is based on the ongoing assessment of the success of the proceedings.

(3) Financial risks and opportunities

A1 Group is exposed to risks in terms of liquidity, credit, foreign exchange and interest rates. These risks are further discussed in Chapter 33 "Financial instruments" of the Notes of the consolidated financial statements. Tax risks are also part of the risk assessment.

Liquidity risk: Due to the business model, this risk is increased only in investment-intensive periods (e.g. spectrum acquisition), but it can be mitigated by precise planning, cash pooling and the possibility of intercompany financing.

Credit risk: As in 2021, one focus in the reporting year was on invoice and receivables management. Against the background of the expiry of government support payments for companies in 2022, open invoices will continue to be monitored with increased attention. If customers change their payment behavior, A1 Group anticipates customer liquidity so that effective and efficient countermeasures can be taken if necessary.

Exchange rate risks: The Belarus segment contributed approximately 9% to total revenue and approximately 12% to EBITDA of A1 Group in the financial year 2022. Changes in the exchange rate of the Belarusian ruble against the euro are even more difficult to forecast than before due to the Ukraine conflict. They can have positive and negative effects on A1 Group.

Interest rate risk: Inflation-driven interest rate increases maintain interest rate risk for 2023 due to continued unstable macroeconomic environment.

Tax risks: In order to identify tax risks and take the necessary action, the Group Tax department conducts a quarterly internal tax review with all national companies. In the fourth quarter, an external review is performed and reported to Group Tax. No significant tax risk issues were reported in 2022.

Financial reporting: A tight network of SOX (U.S. Sarbanes-Oxley Act) controls, results analysis, and monthly top management review of results as well as a CFO results review leave no room for the risk of material misreporting.

(4) Technological risks and opportunities

This category covers the following focus areas:

Availability and continuity

Maintaining the availability of and access to telecommunications services and other services offered is one of the focal points of operational risk management. Various threats such as natural disasters, major technical disruptions, third-party influences from construction activity, hidden defects or criminal acts can impair availability and even lead to a business interruption. Long-term planning takes technical developments into account. The redundant design of critical components ensures a high level of fail-safety. Efficient organizational structures for operations and security serve to safeguard high-quality standards. A Group policy also ensures a uniform methodology for identifying and managing key risks. The ongoing identification and assessment of risks culminates in a decision as to whether measures are taken to minimize the risk or whether the potential risk is borne by A1 Group. In the event of any major disruption, the causes are clarified, and it is determined how a recurrence can be avoided. A centralized approach to insurance against physical damage minimizes the financial impact.

IT changes and digital transformation

In the area of BSS (Business Support Systems) and OSS (Operations Support Systems), modernization and complexity reduction are shaping up as a long-term task. The renewal of older infrastructure and software enables sustainable risk reduction. The overarching integration of platforms reduces complexity and is intended to ensure openness for new services and partners. Associated risks are analyzed in terms of IT security, flexibility in service delivery, and the associated medium-term costs.

Cyber security risks

A1 Group places particular emphasis on the implementation of data security standards. A number of internal guidelines and processes are in place for this purpose. In critical situations, these are controlled by specific responsibilities, implemented and monitored for their effectiveness. A special focus is placed on risk prevention in the area of critical and important network elements as well as in BSS and OSS. A1 Group follows the international IT standards for security techniques (ISO 27001) and has established uniform state-of-the-art information security standards and guidelines.

An essential element in the management of cyber risks are continuous checks and software updates of the infrastructure to be protected as well as training courses for employees. The A1 Telekom Austria Security Committee is made up of highly qualified security experts from all countries of the A1 Group and regularly exchanges information on current local, regional and global cyber risks and cyber-attacks. In addition, this working group also informs and coordinates cross-country protective measures in acute cases of need.

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for financial reporting in accordance with applicable legal requirements. The ICS is designed to provide reasonable assurance regarding the reliability and accuracy of external financial reporting in accordance with international and national standards. Regular internal reporting to management as well as audits of the ICS by Internal Audit also ensure that weaknesses are identified in good time and communicated and remedied accordingly. The most important contents and principles apply to all companies of the A1 Group. The effectiveness of the ICS system is analyzed and evaluated at periodic intervals. At the end of each year, an evaluation of the ICS is carried out by management for relevant Group companies with the involvement of the responsible specialist departments. Based on the findings of this assessment and the defined criteria, management has assessed the internal control system over financial reporting as effective as of December 31, 2022.

The listing of the (indirect) majority owner América Móvil on the New York Stock Exchange (NYSE) requires compliance with the Sarbanes-Oxley Act (SOX). The internal control system includes the relevant requirements of this U.S. law.

Other information

Disclosure in accordance with Section 243a of the Austrian Commercial Code (UGB): Shareholder structure and capital disclosures

At the end of 2022, a total of 51.00% or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands (“América Móvil B.V.”), a wholly owned subsidiary of América Móvil, S.A.B. de C.V. (“América Móvil”). The Republic of Austria held 28.42% via Österreichische Beteiligungs AG (“ÖBAG”), while the remaining 20.58% of the shares were in free float. This includes 415,159 treasury shares as well as 572,850 employee shares that are held in a collective custody account. The voting rights associated with employee shares are exercised by a custodian (notary).

The total number of no-par value shares remains at 664,500,000. As of December 31, 2022, 92,966 shares were underlying an American Depositary Receipts (ADR) program. An ADR is a security that represents securities of foreign companies in the U.S., can be traded on stock exchanges, is denominated in U.S. dollars, and pays dividends in U.S. dollars. The program was set up for Telekom Austria as part of the IPO in order to appeal to U.S. investors. The relevance of ADRs declined for European issuers with the increasing establishment of the euro on the world market and for Telekom Austria also due to significant decrease in ADR volume. Therefore, the Management Board has decided to end the ADR program as of March 31, 2023.

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2022 financial year or up to the date this report was prepared.

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

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

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

Consolidated non-financial statement

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

Corporate governance report

According to C-rule 61 of the Austrian Corporate Governance Code, please note that the Consolidated Corporate Governance Report can be accessed on the Internet at https://www.a1.group/en/group/corporate-governance

Research and development

In the reporting period, no research and development projects were carried out on a scale that is material for the A1 Group.

Glossary of alternative performance measures

ARPL (Average Revenue Per Line)	ARPL-relevant revenues / average fixed access lines ARPL-relevant revenues = fixed retail revenues + fixed interconnection revenues Average fixed access lines = average of the average monthly fixed access lines in a financial year
ARPU (Average Revenue Per User)	ARPU-relevant revenues / average number of subscribers ARPU-relevant revenues are wireless service revenues, i.e., mobile retail revenues (including customer roaming) and mobile interconnection as well as visitor roaming and national roaming revenues. Average number of subscribers = average of the average monthly subscribers in a financial year
CAPEX (Capital Expenditures)	Total additions to intangible assets + total additions to property, plant and equipment (excluding right of use additions according to IFRS 16)
Core OPEX	OPEX - equipment costs - interconnection costs - roaming costs
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)	EBIT + depreciation + amortization
EBITDA margin	EBITDA / total revenues
EBITDA aL	EBITDA - depreciation of lease assets according to IFRS 16 - interest expenses pursuant (EBITDA after Leases) to IFRS 16
EBITDA aL margin	EBITDA aL / total revenues
EBIT (Earnings Before Interest and Tax)	EBIT equals the operating income according to IFRS.
EBIT margin	EBIT / total revenues
Free cash flow	EBITDA + restructuring charges and cost of labor obligations - lease paid (principal, interest and prepayments) - income taxes paid - net interest paid +/- change working capital and other charges - capital expenditures - cost for social plans granted after January 1, 2019
Net debt	Debt (long-term and short-term) + lease liability (long-term and short-term) - cash and cash equivalents
Operating ROIC (Operating Return On Invested Capital)	EBIT / average invested capital Invested capital = total stockholders' equity + debt (long-term and short-term) - cash and cash equivalents - short-term investments + income taxes payable + non-current employee benefit obligations + deferred tax liabilities - deferred tax assets + loss allowances for accounts receivable + total lease liability Average invested capital is calculated as half of the sum of invested capital at the end of the financial year and of the previous financial year.

OPEX (Operating Expenses)	Revenues - EBITDA
RGU (Revenue Generating Unit)	One or more services included in a subscription which generates recurring revenue. These services are commonly used in fixed-line business and comprise TV (including streaming services), broadband, and voice. Each additional service that a customer subscribes to, is counted as an RGU.
ROE (Return On Equity)	Net result / average equity employed The average equity employed is calculated as half of the sum of total stockholders' equity at the end of the financial year and of the previous financial year.
Subscriber	Customer with a basic mobile or fixed-mobile substitution product, counted at the end of the reporting period.

Vienna, February 3, 2023

The Management Board of Telekom Austria AG

Thomas Arnoldner Chief Executive Officer	Alejandro Plater Chief Operating Officer	Siegfried Mayrhofer Chief Financial Officer

Consolidated Financial Statements

TELEKOM AUSTRIA AG – Consolidated Statement of Comprehensive Income

in TEUR	Notes	2022	2021
Service revenues		4,163,796	3,956,530
Equipment revenues		752,222	709,453
Other operating income		88,978	82,354
Total revenues (incl. other operating income)	(5)	**5,004,996**	4,748,338
Cost of service		-1,413,780	-1,343,144
Cost of equipment		-730,780	-698,063
Selling, general & administrative expenses		-1,010,552	-988,163
Other expenses		-11,962	-12,840
Total cost and expenses	(6)	**-3,167,074**	-3,042,211
Earnings before interest, tax, depreciation and amortization - EBITDA		**1,837,922**	1,706,127
Depreciation and amortization	(15) (16)	-794,562	-789,499
Depreciation of right-of-use assets	(30)	-168,313	-163,181
Impairment	(15)	-3,851	0
Operating income - EBIT		**871,196**	753,446
Interest income		10,986	4,845
Interest expense		-59,982	-100,691
Interest on employee benefits and restructuring and other financial items, net		-5,032	-7,843
Foreign currency exchange differences, net		645	2,923
Equity interest in net income of associated companies	(18)	-1,809	-74
Financial result	(7)	**-55,191**	-100,839
Earnings before income tax - EBT		**816,005**	652,607
Income tax	(29)	-181,419	-197,577
Net result		**634,585**	455,030
Attributable to:			
Equity holders of the parent		633,877	454,458
Non-controlling interests	(34)	708	572
Basic and diluted earnings per share attributable to equity holders of the parent in euro	(8)	**0.95**	0.68
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	-3,943	23,756
Realized result on hedging activities, net of tax	(33)	4,380	4,380
Unrealized result on debt instruments at fair value, net of tax	(19)	-2,277	112
Realized result on debt instruments at fair value, net of tax	(7)	14	0
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	31,129	4,954
Total other comprehensive income (loss)		**29,302**	33,202
Total comprehensive income (loss)		**663,887**	488,232
Attributable to:			
Equity holders of the parent		663,178	487,660
Non-controlling interests	(34)	708	572

For impairment losses of accounts receivable: subscribers, distributors and other, see Note (6).
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statement of Financial Position

in TEUR	Notes	December 31, 2022	December 31, 2021
Current assets			
Cash and cash equivalents	(9)	149,816	534,443
Short-term investments	(19)	60,514	87,353
Accounts receivable: Subscribers, distributors and other, net	(10)	839,627	782,355
Receivables due from related parties	(11)	1,092	4,086
Inventories, net	(12)	104,922	92,817
Income tax receivable	(29)	2,379	2,080
Other current assets, net	(13)	183,267	179,118
Contract assets	(14)	97,334	103,559
Total current assets		**1,438,952**	**1,785,811**
Non-current assets			
Property, plant and equipment, net	(15)	3,054,110	2,875,792
Right-of-use assets, net	(30)	677,935	762,309
Intangibles, net	(16)	1,607,961	1,670,163
Goodwill	(17)	1,299,803	1,285,801
Investments in associated companies	(18)	99	0
Long-term investments	(19)	205,714	141,512
Deferred income tax assets	(29)	41,919	27,657
Other non-current assets, net	(20)	18,856	23,588
Total non-current assets		**6,906,396**	**6,786,822**
TOTAL ASSETS		**8,345,348**	**8,572,633**
Current liabilities			
Short-term debt	(21)	821,529	1,553,212
Lease liabilities short-term	(30)	159,272	161,037
Accounts payable	(22)	863,878	736,885
Accrued liabilities and current provisions	(23)	264,395	253,292
Income tax payable	(29)	81,215	29,771
Payables due to related parties	(11)	835	604
Contract liabilities	(24)	219,703	205,648
Total current liabilities		**2,410,826**	**2,940,450**
Non-current liabilities			
Long-term debt	(25)	1,047,211	1,046,120
Lease liabilities long-term	(30)	521,637	606,061
Deferred income tax liabilities	(29)	44,444	24,560
Other non-current liabilities	(26)	39,073	43,272
Asset retirement obligation and restructuring	(23)	517,875	573,576
Employee benefits	(27)	171,654	223,237
Total non-current liabilities		**2,341,895**	**2,516,826**
Stockholders' equity			
Common stock		1,449,275	1,449,275
Treasury shares		-7,803	-7,803
Additional paid-in capital		1,100,148	1,100,148
Retained earnings		1,763,252	1,315,311
Other comprehensive income (loss) items		-714,373	-743,675
Equity attributable to equity holders of the parent	(28)	**3,590,498**	**3,113,256**
Non-controlling interests		2,128	2,102
Total stockholders' equity		**3,592,626**	**3,115,357**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,345,348**	**8,572,633**

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

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2022	2021
Earnings before income tax - EBT		**816,005**	**652,607**
Depreciation	(15)	539,112	532,772
Amortization of intangible assets	(16)	255,450	256,727
Depreciation of right-of-use assets	(30)	168,313	163,181
Impairment	(15)	3,851	0
Equity interest in net income of associated companies	(18)	1,809	74
Result on sale/measurement of investments	(7)	3,268	495
Result on sale of property, plant and equipment	(5) (6)	4,796	7,439
Net period cost of labor obligations and restructuring	(7) (23) (27)	77,198	94,741
Foreign currency exchange differences, net	(7)	-645	-2,923
Interest income	(7)	-10,986	-4,845
Interest expense	(7)	58,614	105,291
Other adjustments	(32)	-4,040	-4,530
Non-cash and other reconciliation items		**1,096,740**	**1,148,423**
Accounts receivable: Subscribers, distributors and other, net	(10)	-58,252	2,653
Prepaid expenses	(13)	-4,491	-7,847
Due from related parties	(11)	2,994	4,355
Inventories	(12)	-10,495	-966
Other assets	(13) (20)	-8,673	-3,335
Contract assets	(14)	6,296	3,326
Accounts payable and accrued liabilities	(22) (23)	98,336	-20,372
Due to related parties	(11)	241	423
Contract liabilities	(24)	12,646	16,706
Working capital changes		**38,601**	**-5,056**
Employee benefits and restructuring paid	(23) (27)	-108,950	-110,204
Interest received	(7)	12,452	6,288
Income taxes paid	(29)	-137,013	-106,499
Net cash flow from operating activities		**1,717,834**	**1,585,558**
Capital expenditures paid	(32)	-895,923	-853,254
Proceeds from sale of plant, property and equipment	(15)	5,224	3,668
Purchase of investments	(19)	-173,283	-426,563
Proceeds from sale of investments	(19)	128,087	374,125
Acquisition of businesses, net of cash acquired	(34)	-15,261	0
Investments in associated companies	(18)	-1,982	0
Net cash flow from investing activities		**-953,138**	**-902,025**
Long-term debt obtained	(25) (32)	300,000	0
Repayments of long-term debt	(25) (32)	-750,000	-750,000
Interest paid	(7)	-71,593	-96,286
Repayments of short-term debt	(21) (32)	-1,808,000	0
Issuance of short-term debt	(21) (32)	1,527,408	806,568
Dividends paid	(28)	-186,521	-166,632
Acquisition of non-controlling interests	(34)	-97	0
Deferred consideration paid for business combinations	(34)	-1,313	0
Lease principal paid	(30)	-158,949	-154,826
Net cash flow from financing activities		**-1,149,066**	**-361,175**
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	-257	1,205
Net change in cash and cash equivalents		**-384,627**	**323,564**
Cash and cash equivalents beginning of period	(9)	534,443	210,879
Cash and cash equivalents end of period	(9)	149,816	534,443

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

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

in TEUR	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	IAS 19 reserve	FVOCI reserve	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
At January 1, 2021	1,449,275	-7,803	1,100,148	1,026,869	-53,374	-18	-10,949	-712,535	2,791,611	2,146	2,793,757
Net result	0	0	0	454,458	0	0	0	0	454,458	572	455,030
Other comprehensive income (loss)	0	0	0	0	4,954	112	4,380	23,756	33,202	0	33,202
Total comprehensive income	0	0	0	454,458	4,954	112	4,380	23,756	487,660	572	488,232
Distribution of dividends	0	0	0	-166,021	0	0	0	0	-166,021	-610	-166,632
Acquisition of non-controlling interests	0	0	0	6	0	0	0	0	6	-6	0
At December 31, 2021	1,449,275	-7,803	1,100,148	1,315,311	-48,420	94	-6,570	-688,779	3,113,256	2,102	3,115,357
Net result	0	0	0	633,877	0	0	0	0	633,877	708	634,585
Other comprehensive income (loss)	0	0	0	0	31,129	-2,264	4,380	-3,943	29,302	0	29,302
Total comprehensive income	0	0	0	633,877	31,129	-2,264	4,380	-3,943	663,178	708	663,887
Distribution of dividends	0	0	0	-185,944	0	0	0	0	-185,944	-577	-186,521
Acquisition of non-controlling interests	0	0	0	8	0	0	0	0	8	-105	-97
At December 31, 2022	1,449,275	-7,803	1,100,148	1,763,252	-17,291	-2,170	-2,190	-692,722	3,590,498	2,128	3,592,626

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

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment reporting

2022 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia
External revenues	2,730,083	630,836	461,748	460,820	219,865
Intersegmental revenues	22,001	9,533	8,481	9	2,675
Total revenues (incl. other operating income)	**2,752,084**	**640,369**	**470,229**	**460,829**	**222,540**
Segment expenses	-1,712,091	-386,006	-309,420	-242,065	-166,513
EBITDA	**1,039,993**	**254,364**	**160,809**	**218,764**	**56,027**
Depreciation and amortization	-544,786	-118,826	-94,665	-64,452	-52,371
Impairment	0	0	0	-3,851	0
Operating income - EBIT	**495,207**	**135,537**	**66,144**	**150,461**	**3,656**
Interest income	4,406	1,157	974	293	144
Interest expense	-11,051	-2,903	-7,623	-5,561	-1,539
Other financial result	-7,699	3,310	-867	343	-59
Equity interest in net income of associated companies	-1,809	0	0	0	0
Earnings before income tax - EBT	**479,054**	**137,101**	**58,627**	**145,537**	**2,202**
Income taxes	-134,843	-13,036	-10,949	-32,707	-648
Net result	**344,212**	**124,065**	**47,678**	**112,830**	**1,555**
EBITDA margin	37.8%	39.7%	34.2%	47.5%	25.2%
Capital expenditures - intangible	100,854	20,912	15,193	9,391	8,644
Capital expenditures - tangible	471,547	87,104	69,011	29,198	37,100
Total capital expenditures	**572,401**	**108,017**	**84,205**	**38,590**	**45,744**
Addition to right-of-use assets	45,829	34,736	15,455	8,747	6,225
Assets by segment	5,783,595	1,302,923	660,135	363,793	498,014
Property, plant and equipment	2,091,114	254,625	259,389	142,193	92,247
Right-of-use assets, net	370,016	121,821	44,902	26,026	39,774
Goodwill	708,212	256,629	125,693	11,635	150,723
Brand names and patents	158,351	4,389	0	0	2,114
Licenses and other rights	725,917	11,592	32,866	30,176	87,717
Other intangible assets	283,601	45,649	43,212	12,042	22,078
Liabilities by segment	3,378,328	293,948	338,690	106,628	125,913

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia
External revenues	2,656,415	566,216	445,849	419,544	207,285
Intersegmental revenues	21,213	7,857	6,179	60	2,618
Total revenues (incl. other operating income)	2,677,628	574,072	452,027	419,603	209,904
Segment expenses	-1,686,514	-355,795	-296,305	-239,080	-149,399
EBITDA	991,113	218,277	155,723	180,524	60,505
Depreciation and amortization	-549,740	-114,133	-97,541	-58,153	-47,053
Operating income - EBIT	441,374	104,144	58,181	122,371	13,452
Interest income	2,052	433	1,283	368	153
Interest expense	-22,621	-2,471	-8,373	-5,641	-1,315
Other financial result	-3,852	-2,664	-239	2,136	-20
Equity interest in net income of associated companies	-74	0	0	0	0
Earnings before income tax - EBT	416,879	99,442	50,853	119,234	12,270
Income taxes	-117,259	-2,954	-9,809	-32,984	-875
Net result	299,620	96,488	41,044	86,250	11,395
EBITDA margin	37.0%	38.0%	34.4%	43.0%	28.8%
Capital expenditures - intangible	108,654	26,864	28,704	12,264	48,774
Capital expenditures - tangible	387,340	76,082	67,385	28,137	30,020
Total capital expenditures	495,994	102,946	96,088	40,400	78,794
Addition to right-of-use assets	36,417	35,656	6,651	12,382	2,784
Assets by segment	5,733,933	1,130,789	653,243	399,148	501,903
Property, plant and equipment	1,977,192	234,286	245,218	153,406	77,059
Right-of-use assets, net	421,597	131,740	45,452	30,450	54,006
Goodwill	708,212	242,691	125,983	11,767	150,723
Brand names and patents	158,351	3,608	0	0	1,333
Licenses and other rights	797,729	14,759	43,921	41,099	96,484
Other intangible assets	246,959	40,613	44,839	14,455	19,327
Liabilities by segment	3,393,309	247,071	378,828	128,043	131,480

2022 (in TEUR)	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
External revenues	350,036	137,159	14,449	0	5,004,996
Intersegmental revenues	6,488	4,161	20,503	-73,853	0
Total revenues (incl. other operating income)	**356,524**	**141,320**	**34,951**	**-73,853**	**5,004,996**
Segment expenses	-241,359	-97,056	-84,903	72,339	-3,167,074
EBITDA	**115,166**	**44,265**	**-49,952**	**-1,514**	**1,837,922**
Depreciation and amortization	-57,501	-26,724	-4,368	819	-962,875
Impairment	0	0	0	0	-3,851
Operating income - EBIT	**57,664**	**17,540**	**-54,320**	**-694**	**871,196**
Interest income	1,175	329	13,349	-10,841	10,986
Interest expense	-2,097	-1,102	-38,988	10,883	-59,982
Other financial result	-51	49	290,538	-289,952	-4,387
Equity interest in net income of associated companies	0	0	0	0	-1,809
Earnings before income tax - EBT	**56,691**	**16,817**	**210,579**	**-290,604**	**816,005**
Income taxes	-9,895	-1,935	22,236	357	-181,419
Net result	**46,796**	**14,881**	**232,815**	**-290,247**	**634,585**
EBITDA margin	32.3%	31.3%	n.a.	n.a.	36.7%
Capital expenditures - intangible	9,801	10,606	3,368	0	178,771
Capital expenditures - tangible	41,704	27,404	2,606	0	765,675
Total capital expenditures	**51,505**	**38,010**	**5,975**	**0**	**944,446**
Addition to right-of-use assets	11,912	3,965	1,473	0	128,340
Assets by segment	476,766	255,869	8,605,699	-9,601,446	8,345,348
Property, plant and equipment	124,139	87,365	3,847	-811	3,054,110
Right-of-use assets, net	51,971	22,086	1,339	0	677,935
Goodwill	0	30,061	16,850	0	1,299,803
Brand names and patents	4,846	0	2,726	0	172,426
Licenses and other rights	72,327	24,755	121	-956	984,515
Other intangible assets	28,341	8,164	7,791	142	451,020
Liabilities by segment	126,065	69,819	3,021,538	-2,708,206	4,752,722

2021 (in TEUR)	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
External revenues	309,463	132,543	11,025	0	4,748,338
Intersegmental revenues	5,807	2,075	12,911	-58,720	0
Total revenues (incl. other operating income)	315,270	134,618	23,936	-58,720	4,748,338
Segment expenses	-213,163	-88,492	-70,661	57,198	-3,042,211
EBITDA	102,106	46,126	-46,726	-1,522	1,706,127
Depreciation and amortization	-52,872	-28,049	-4,438	-701	-952,681
Operating income - EBIT	49,235	18,077	-51,164	-2,223	753,446
Interest income	466	354	25,668	-25,932	4,845
Interest expense	-2,432	-1,122	-82,734	26,017	-100,691
Other financial result	-131	23	1,243,244	-1,243,416	-4,920
Equity interest in net income of associated companies	0	0	0	0	-74
Earnings before income tax - EBT	47,138	17,332	1,135,014	-1,245,554	652,607
Income taxes	-6,790	-2,055	-25,680	830	-197,577
Net result	40,347	15,276	1,109,333	-1,244,724	455,030
EBITDA margin	32.4%	34.3%	n.a.	n.a.	35.9%
Capital expenditures - intangible	6,513	7,102	2,331	-200	241,006
Capital expenditures - tangible	41,724	17,239	2,531	0	650,458
Total capital expenditures	48,237	24,342	4,862	-200	891,465
Addition to right-of-use assets	5,325	2,795	2	0	102,012
Assets by segment	462,554	233,594	9,190,102	-9,732,634	8,572,633
Property, plant and equipment	111,365	75,093	2,455	-284	2,875,792
Right-of-use assets, net	54,813	23,892	359	0	762,309
Goodwill	0	29,996	16,429	0	1,285,801
Brand names and patents	3,600	0	2,619	0	169,512
Licenses and other rights	86,256	19,369	170	-2,106	1,097,682
Other intangible assets	20,555	8,967	7,313	-58	402,970
Liabilities by segment	119,735	62,827	3,664,446	-2,668,462	5,457,276

A1 Group has aligned its management structure and the resulting segment reporting on geographical markets and based on these reports its seven operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia. The segments offer the services and products disclosed in Note (5) and operate in their local markets under the common brand name "A1".

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

The accounting policies of the segments are the same as those of A1 Group. With the exception of the tower business (see Note (34)), intercompany lease transactions are not recognized as right-of-use assets and lease liabilities according to IFRS 16, but are recognized as expense and revenue and eliminated such as other intercompany transactions. Right-of-use assets and lease liabilities relating to the tower business are recognized on single company level and eliminated in consolidation.

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

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

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

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

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

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

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

(2) The company

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

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

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

(3) Basis of presentation

Functional currency

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

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

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

	Exchange rates at December 31,		Average exchange rates for the year	
	2022	2021	2022	2021
Belarusian ruble (BYN)	2.9156	2.8826	2.7699	3.0050
Bosnian convertible mark (BAM)	1.9558	1.9558	1.9558	1.9558
Great Britain pound (GBP)	0.8869	0.8403	0.8527	0.8599
Bulgarian lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian kuna (HRK) *	7.5345	7.5172	7.5316	7.5241
Macedonian denar (MKD)	61.4932	61.6270	61.6219	61.6275
Polish zloty (PLN)	4.6808	4.5969	4.6854	4.5656
Romanian leu (RON)	4.9495	4.9490	4.9315	4.9209
Swiss franc (CHF)	0.9847	1.0331	1.0047	1.0814
Serbian dinar (RSD)	117.3224	117.5821	117.4641	117.5736
Czech koruna (CZK)	24.1160	24.8580	24.5624	25.6490
Turkish lira (TRY)	19.9649	15.2335	17.3982	10.4891
Hungarian forint (HUF)	400.8700	369.1900	391.0956	358.5481
US dollar (USD)	1.0666	1.1326	1.0537	1.1830

* On January 1, 2023, the euro will be introduced in Croatia. The exchange rate was set at 7.53450 Croatian kuna (see Note (38)).

Accounting

A1 Group prepared the Consolidated Financial Statements as of December 31, 2022 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2022 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

Significant accounting policies

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

Changes in accounting policies

The following amendments are effective as of January 1, 2022.

IAS 37	Amendments: Onerous Contracts - Cost to Fulfilling a Contract
IFRS 3	Amendments: Reference to the Conceptual Framework
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements 2018-2020
IAS 16	Amendments: Proceeds before Intended Use

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

The following standards and interpretations were issued by the IASB, but were not effective at the reporting date:

		Effective*	Effective**
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	January 1, 2024	not yet endorsed
IAS 1 and IFRS PS 2	Amendments: Disclosure of Accounting Policies	January 1, 2023	January 1, 2023
IAS 8	Amendments: Definition of Accounting Estimates	January 1, 2023	January 1, 2023
IAS 12	Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	January 1, 2023
IFRS 16	Amendments: Lease Liability in a Sale and Leaseback	January 1, 2024	not yet endorsed
IFRS 17	Insurance Contracts	January 1, 2023	January 1, 2023

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

A1 Group has not early adopted these standards and interpretations and is evaluating the impact of these standards and interpretations on the Consolidated Financial Statements.

(4) Use of estimates and judgements

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

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

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

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

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

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

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

f) Restructuring: The provision is based on various parameters such as discount rate and salary increase. Changes in these parameters could result in higher or lower expenses (see Note (23)).

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

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

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

(5) Revenues

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

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

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

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

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

2022 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	1,031,585	318,072	263,796	284,545	117,226	246,941	89,087	-12,148	2,339,103
Fixed-line service revenues	1,382,292	180,027	127,628	69,807	46,527	13,179	25,968	-20,735	1,824,693
Service revenues	**2,413,877**	**498,099**	**391,424**	**354,352**	**163,753**	**260,120**	**115,055**	**-32,883**	**4,163,796**
Mobile equipment revenues	216,508	95,460	67,874	86,665	52,612	90,754	24,059	-596	633,335
Fixed-line equipment revenues	69,980	36,744	4,349	5,406	477	0	1,239	692	118,887
Equipment revenues	**286,488**	**132,203**	**72,223**	**92,071**	**53,090**	**90,754**	**25,297**	**95**	**752,222**
Other operating income	**51,719**	**10,067**	**6,582**	**14,406**	**5,698**	**5,651**	**968**	**-6,114**	**88,978**
Total revenues (incl. OOI)	**2,752,084**	**640,369**	**470,229**	**460,829**	**222,540**	**356,524**	**141,320**	**-38,901**	**5,004,996**

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	979,794	293,719	253,727	242,262	111,785	229,142	82,280	-11,588	2,181,121
Fixed-line service revenues	1,389,489	150,176	125,663	51,845	43,063	10,403	24,869	-20,098	1,775,409
Service revenues	2,369,283	443,895	379,390	294,107	154,848	239,545	107,148	-31,686	3,956,530
Mobile equipment revenues	217,706	115,793	64,274	95,875	44,190	71,609	25,523	-78	634,891
Fixed-line equipment revenues	40,015	8,317	3,089	15,423	6,259	0	1,186	273	74,562
Equipment revenues	257,721	124,110	67,362	111,298	50,449	71,609	26,709	195	709,453
Other operating income	50,624	6,068	5,275	14,198	4,607	4,115	761	-3,293	82,354
Total revenues (incl. OOI)	2,677,628	574,072	452,027	419,603	209,904	315,270	134,618	-34,784	4,748,338

*Other includes Corporate & Other and Eliminations

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

in TEUR	2022	2021
Service revenues	4,146,457	3,941,328
Equipment revenues	751,398	707,272
Total customer contract revenues	**4,897,855**	**4,648,601**
Other service revenues	17,339	15,202
Other equipment revenues	824	2,181
Other operating income	88,978	82,354
Total revenues from other sources	**107,141**	**99,737**
Total revenues (incl. other operating income)	**5,004,996**	**4,748,338**

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

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

Other operating income comprises income from the rental of radio towers and buildings amounting to TEUR 21,086 (2021: TEUR 17,983), see Note (30). For income from collections of impaired receivables, included in other operating income, (see "Credit risk" in Note (33)). In 2022, other operating income includes tax exempted research bonuses amounting to TEUR 1,119 (2021: TEUR 1,020). The remaining part of other operating income comprises mainly collection fees, damages, income from the sale of solar energy and gains on disposal of tangible assets.

Accounting principles

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

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

Receivables and revenues from installment sales are not discounted if the period between the provision of goods and services and the payment is less than one year or if the discounting effect is insignificant. The materiality of the discounting effect of receivables with remaining terms of more than one year is assessed on an individual contract level. In 2022 and 2021, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 5,524 and TEUR 4,890, respectively, is recognized in equipment revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2022, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 722,264 (2021: TEUR 798,244), and will be realized as a general rule over a contract term of twelve to 24 months respectively up to 36 months for business customers. For performance obligations recognized at the amount to which A1 Group has a right to invoice, the transaction price of unfulfilled performance obligations and timing of revenue recognition are not disclosed. These disclosures refer to transactions within the scope of IFRS 15 only. Thus, they do not include those parts of the transaction price relating to performance obligations that are not within the scope of this standard, such as leasing.

(6) Cost and expenses

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

in TEUR	2022	2021
Cost of equipment	730,780	698,063
Employee expenses, including benefits and taxes	929,247	923,814
Other operating expenses	1,507,047	1,420,334
Total cost and expenses	**3,167,074**	3,042,211

The cost of equipment corresponds to material expense. Employee expenses, including social benefits and taxes, comprise all benefits to employees net of own work capitalized.

in TEUR	2022	2021
Own work capitalized	78,537	66,415

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

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

in TEUR	2022	2021
Impairment losses	37,914	41,217

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

in TEUR	2022	2021
Cost of service	828,116	815,930
Cost of equipment	16,879	16,615
Selling, general & administrative expenses	117,880	120,135
Depreciation and amortization	**962,875**	**952,681**

Group auditor's fees

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

in TEUR	2022	2021
Audit fees	1,099	1,043
Other reviews	142	102
Other services	122	78
Fees EY	**1,363**	**1,223**

Audit fees neither contain expenses nor value added tax.

Other reviews and other services relate to expenses for extended disclosures in the report of sustainability according to the EU taxonomy directive and to the publication of the annual financial report in the European single electronic format ("ESEF format") as well as ISAE certifications.

Relief and support measures related to COVID-19

In 2022, A1 Group recognized government grants in the amount of TEUR 3,932 (2021: TEUR 1,879) in employee expenses. These government grants relate mainly to refunds for specified employees who were unable to work from home in Austria as well as to reimbursements in Slovenia and, in 2021, to subsidies in Serbia.

(7) Financial result

in TEUR	2022	2021
Interest income on financial assets at amortized cost	9,537	4,380
Interest income on investments at fair value through profit or loss	885	206
Interest income on investments at fair value through other comprehensive income	400	63
Interest income on finance lease	165	196
Interest income	**10,986**	**4,845**

in TEUR	2022	2021
Interest expense on financial liabilities at amortized cost	43,838	89,084
Interest expense on lease liabilities	13,067	12,022
Interest capitalized	-1,805	-2,430
Interest expense on asset retirement obligations	4,881	1,976
Interest expense on deferred consideration	0	39
Interest expense	**59,982**	100,691

Interest is recognized using the effective interest method, except for equity instruments at fair value through profit or loss. Interest expense on financial liabilities at amortized cost is primarily due to issued bonds and the recycling of the hedging reserve (see Notes (21), (25) and (33)). The decrease relates to the redemption of two bonds in April 2022 and December 2021 (see Note (25)). For interest expense on lease liabilities and on asset retirement obligations, see Notes (30) and (23). For interest expense on deferred consideration, see Notes (22) and (26).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is an asset that requires a substantial period of time to be prepared for its intended use. In 2022, interest capitalized on internally developed software as well as on qualifying assets of property, plant and equipment (see Notes (15) and (16)) was based on an interest rate of 2.3% (2021: 3.0%).

in TEUR	2022	2021
Interest expense on employee benefit obligations	2,607	2,250
Interest expense on restructuring provisions	945	971
Fees for unused credit lines	2,122	2,178
Dividends received	-422	-474
Income on disposal of debt instruments at fair value through other comprehensive income	-18	0
Loss on disposal of debt instruments at fair value through other comprehensive income	37	0
Change of expected credit loss	-31	687
Interest on taxes	-3,489	2,422
Income from measurement of instruments at fair value through profit or loss	-2,118	-726
Loss from measurement of instruments at fair value through profit or loss	5,399	534
Interest on employee benefits and restructuring and other financial items, net	**5,032**	7,843

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

For information on the interest rate for restructuring provisions and employee benefit obligations, see Notes (23) and (27). The expected credit loss relates to financial investments (see Note (19)). In 2022 and 2021, the gain and/or expense from interest on taxes mainly relate to tax audits in Bulgaria (see Note (29)). Net gains or net losses of financial instruments at fair value through profit or loss include neither dividends nor interest.

in TEUR	2022	2021
Foreign exchange gains	16,118	11,732
Foreign exchange losses	-15,473	-8,809
Foreign exchange differences	**645**	2,923

Foreign exchange gains and losses arise from exchange rate fluctuations between the recognition of the transaction and payment date respectively from the valuation of receivables and payables at the reporting date. The foreign exchange losses are mainly due to the development of the Belarusian ruble. The foreign exchange rates are disclosed in Note (3).

(8) Earnings per share

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

	2022	2021
Net result attributable to owners of the parent in TEUR	633,877	454,458
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	**0.95**	0.68

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

Due to the Supervisory Board's decision to settle all share-based compensation plans in cash, no related dilutive effect occurred as of December 31, 2022 and 2021.

(9) Cash and cash equivalents

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

A1 Group invests its cash with various financial institutions with impeccable credit ratings. Therefore the calculation of expected credit losses for cash and cash equivalents resulted in an insignificant amount, which was not recognized (see also "Credit risk" in Note 33).

(10) Accounts receivable: subscribers, distributors and other, net

in TEUR, at December 31	2022	2021
Accounts receivable, gross	1,124,757	1,061,396
Loss allowances	-285,130	-279,041
Accounts receivable, net	**839,627**	782,355
Thereof remaining term of more than one year	69,817	67,554

At December 31, 2022 and 2021, accounts receivable: subscribers, distributors and other with a remaining term of more than one year relate to installment sales of essentially mobile handsets and tablets in all segments.

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

(11) Related party transactions

The shareholders América Móvil and ÖBAG are considered related parties due to their stake in Telekom Austria AG allowing them to exercise control or significant influence, respectively. Through América Móvil, A1 Group is also a related party to its subsidiaries. Through ÖBAG, A1 Group is a related party to the Republic of Austria and its subsidiaries (mainly ÖBB Group, ASFINAG Group, OMV Group and Post Group as well as Rundfunk und Telekom Regulierungs-GmbH (RTR, the Austrian Regulatory Authority for Broadcasting and Telecommunications) and Verbund). Members of the Supervisory Board of Telekom Austria AG qualify as related parties.

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

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

in TEUR	2022	2021
Revenues (incl. other operating income)	135,388	115,703
Expenses	93,588	78,970

In the years reported, revenues generated with Austrian related parties comprise the entire service portfolio of A1 Group. The increase in revenues is mainly due to the digitalization in the public sector. Services received from Austrian related parties include mainly energy, expenses for cable rights and rights of use, postage fees, transportation, commissions and fees to RTR. The increase is substantially due to higher energy costs as well as expenses from Canal+ as disclosed below.

In 2022, transactions with related parties include revenues of TEUR 2,541 and expenses of TEUR 4,224 with Canal+, which is accounted for using the equity method (2021: no transactions as Canal+ had not started its operation at that time). The expenses relate to TV and video content, the revenues relate mainly to the sale of TV rights from A1 now TV GmbH to Canal+ (see "intercompany elimination" in Note 0).

A1 Group is obligated to provide communication services for low-income households and other entitled individuals at reduced tariffs for which it is compensated by the Republic of Austria on a contractual basis. The contract with the Republic of Austria dated June 2021 specifies the reimbursement of EUR 10.00 per customer per month for customers having a valid official notice. In 2022, the total reimbursement recorded as revenue in the service period was TEUR 7,008 (2021: TEUR 9,077).

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

For government grants for assets received from the Republic of Austria, see Note (15)). Tax exempted research bonuses are disclosed in Note (5) and relief and support measures related to COVID-19 in Note (6).

At December 31, 2022 and 2021, accounts receivable due from related parties and accounts payable due to related parties, as recognized in the Consolidated Statement of Financial Position, relate primarily to subsidiaries of América Móvil. Furthermore accounts payable include TEUR 159 (2021: TEUR 17) due to Canal+, which is accounting for using the equity method (see Note 0). The receivables and payables relate to operating business activities, notably to interconnection and roaming.

The following table shows the compensation of key management personnel as well as the expenses for pensions and severance for other employees. Key management personnel is defined as the members of the management boards and the managing directors of all significant operating companies of A1 Group registered in the Company Register as well as the members of the Management Board of Telekom Austria AG (see Note (36)).

in TEUR	2022	2021
Short-term employee benefits	12,226	10,713
Pensions	518	513
Other long-term benefits	0	0
Termination benefits	166	164
Share-based payments	935	1,176
Compensation of key management	13,844	12,566
Expenses for pensions and severance for other employees	19,412	19,748
Expenses for pensions and severance for Management Board	413	395

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

(12) Inventories

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

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

in TEUR	2022	2021
Write-down/reversals of write-down of inventories	-9,729	-1,168

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

(13) Other current assets, net

Other current assets are broken down as follows:

in TEUR, at December 31	2022	2021
Prepaid expenses	65,571	61,186
Other current assets	75,178	76,357
Contract costs	42,518	41,575
Total	**183,267**	**179,118**

Prepaid expenses

in TEUR, at December 31	2022	2021
Advances to employees	18,044	14,769
Concession fees	14,367	14,883
Other	33,160	31,534
Prepaid expenses	**65,571**	**61,186**

Other current assets

in TEUR, at December 31	2022	2021
Finance lease receivables	1,362	1,636
Accrued interest	2,491	1,824
Other financial assets	9,067	11,494
Financial assets	**12,920**	**14,953**
Fiscal authorities	1,306	1,513
Advance payments	12,951	3,963
Government grants	36,865	50,877
Other non-financial assets	17,113	11,708
Non-financial assets	**68,234**	**68,061**
Other current assets, gross	**81,154**	**83,014**
Less loss allowance for financial assets	-3,273	-4,458
Less loss allowance for non-financial assets	-2,703	-2,199
Other current assets	**75,178**	**76,357**

For finance lease receivables as well as the loss allowance recognized thereon that is included in the loss allowance for financial assets, see Note (30). Accrued interest included interest on financial investments (see Note (19)). Other financial assets relate mainly to the reimbursement of frequency fees in Croatia (see Note (20)).

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

Contract costs

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

in TEUR, at December 31	2022	2021
Contract costs, gross	43,491	42,553
Loss allowance contract costs	-973	-978
Contract costs, net	**42,518**	**41,575**
Thereof remaining term of more than one year	16,233	14,948

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2022, the amortization of TEUR 34,483 (2021: TEUR 36,528) was recognized in selling expenses.

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

in TEUR	2022	2021
At January 1	978	1,001
Foreign currency adjustment	0	2
Reversed	-831	-895
Charged to expenses	827	871
At December 31	**973**	978

(14) Contract assets

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

As contract assets are expected to be realized as part of A1 Group's normal operating cycle, they are classified as current. Contract assets are reclassified to receivables when the right to the consideration becomes unconditional. At December 31, 2022, contract liabilities from customer loyalty programs and discounts granted for hardware amounting to TEUR 89,277 (2021: TEUR 82,438) are included in the multi-ple-element calculation and are therefore presented net in contract assets.

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

in TEUR	2022	2021
At January 1	**106,518**	109,800
Increases	202,818	219,562
Transfers to receivables	-209,232	-222,890
Foreign currency adjustments	76	45
At December 31	**100,178**	106,518
Loss allowances	-2,844	-2,958
Contract assets, net	**97,334**	103,559
Thereof remaining term of more than one year	43,810	44,619

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

(15) Property, plant and equipment

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

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

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

At December 31, 2022, the carrying amount of land amounted to TEUR 60,100 (2021: TEUR 60,112).

in TEUR	Telephonic plant in operation and equipment	Land and buildings & leasehold improvements	Other assets	Construction in progress	Inventories for operation of the plant	Total
Cost						
At January 1, 2021	10,848,397	921,256	412,812	215,263	104,282	12,502,010
Additions	275,628	7,687	26,704	163,527	199,740	673,286
Disposals	-268,829	-4,569	-27,429	-811	-2,483	-304,122
Transfers	340,739	11,072	-43,139	-142,920	-165,721	31
Translation adjustment	24,265	2,619	5,727	1,622	277	34,510
At December 31, 2021	11,220,199	938,065	374,676	236,681	136,094	12,905,715
Additions	259,711	7,704	27,376	215,281	263,648	773,720
Disposals	-282,155	-7,900	-31,677	-661	-3,863	-326,256
Transfers	307,653	8,413	8,057	-104,048	-227,316	-7,242
Translation adjustment	-5,333	-454	-5	-63	-100	-5,956
Changes in reporting entities	52	5	2,624	0	0	2,681
At December 31, 2022	11,500,127	945,833	381,051	347,189	168,462	13,342,662
Accumulated depreciation and impairment						
At January 1, 2021	-8,680,424	-707,677	-326,546	0	-34,218	-9,748,865
Additions	-476,973	-18,545	-38,729	0	1,475	-532,772
Disposals	244,362	2,175	26,897	0	552	273,987
Transfers	-35,659	0	33,641	0	0	-2,018
Translation adjustment	-15,230	-812	-4,141	0	-72	-20,254
At December 31, 2021	-8,963,923	-724,859	-308,878	0	-32,263	-10,029,923
Additions	-480,544	-19,067	-37,900	0	-1,600	-539,112
Impairment	0	-53	-3,799	0	0	-3,851
Disposals	245,429	3,871	31,159	0	892	281,352
Transfers	599	-695	99	0	0	3
Translation adjustment	3,891	219	353	0	7	4,470
Changes in reporting entities	-43	-5	-1,444	0	0	-1,491
At December 31, 2022	-9,194,591	-740,588	-320,409	0	-32,964	-10,288,552
Carrying amount at						
December 31, 2022	2,305,536	205,245	60,642	347,189	135,498	3,054,110
December 31, 2021	2,256,276	213,206	65,798	236,681	103,831	2,875,792

For possible changes in reporting entities, see Note (34).
Other assets include mainly office and business equipment as well as motor vehicles.

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

	2022	2021
Telephonic plant in operation and equipment	2-25	2-20
Buildings and leasehold improvements	3-50	3-50
Other assets	2-10	2-10

The impairment of other assets is due to the company Solar Invest in the segment Belarus. In June 2022, the state-regulated prices for solar power were reduced in Belarus, which led to a sharp decline in revenues from solar power. The value in use of the solar plant was determined on the basis of an external expert opinion, cash flows were discounted at a rate of 21.6%.

Sensitivity analysis

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

in TEUR	2022	2021
Decrease due to extension by one year	94,383	98,760
Increase due to reduction by one year	157,371	175,304

In 2022, the useful lives of the passive infrastructure of base stations was extended to up to 25 years based on the estimations of technical experts, which resulted in a decline in depreciation of "telephonic plant in operation and equipment" of TEUR 7,217. In 2021, the useful lives of certain assets were reduced essentially due to the deployment of new television technologies, which led to an increase in depreciation of TEUR 4,422 in the asset class "telephonic plant in operation and equipment".

Government grants and contractual commitments

In 2022, government grants for assets amounting to TEUR 24,822 (2021: TEUR 38,375) were deducted from acquisition cost. Of this amount TEUR 180 (2021: TEUR 6,820) relate to the COVID-19 investment grant, which was introduced as an incentive for capital expenditures in Austria in 2020 as a result of the COVID-19 crisis. The other grants relate essentially to the expansion of the broadband network in Austria.

At December 31, 2022, contractual commitments for the acquisition of property, plant and equipment amounted to TEUR 208,760 (2021: TEUR 153,736).

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Construction in progress	Total
Cost						
At January 1, 2021	2,300,166	556,992	1,195,872	1,015,014	110,911	5,178,955
Additions	72,981	393	57,188	9,587	100,857	241,006
Disposals	-221,120	-3,514	-145,298	0	-36	-369,968
Transfers	-1,943	494	53,029	70	-51,681	-31
Translation adjustment	9,900	4,846	5,876	17,520	807	38,949
At December 31, 2021	2,159,984	559,210	1,166,667	1,042,191	160,859	5,088,911
Additions	15,823	1,895	57,889	831	102,332	178,771
Disposals	-4,431	0	-46,318	0	-757	-51,506
Transfers	-230	2,627	104,447	245	-99,848	7,242
Translation adjustment	-1,145	-489	-622	-2,369	227	-4,398
Changes in reporting entities	0	2,010	1,064	5,567	0	8,642
At December 31, 2022	**2,170,002**	**565,254**	**1,283,126**	**1,046,466**	**162,814**	**5,227,662**
Accumulated amortization and impairment						
At January 1, 2021	-1,152,695	-385,663	-993,353	-969,221	0	-3,500,932
Additions	-127,058	-2,824	-112,219	-14,626	0	-256,727
Disposals	221,119	3,514	145,202	0	0	369,835
Transfers	2,017	26	-26	0	0	2,018
Translation adjustment	-5,687	-4,752	-5,168	-17,335	0	-32,941
At December 31, 2021	-1,062,302	-389,698	-965,565	-1,001,182	0	-3,418,747
Additions	-128,499	-3,734	-110,839	-12,377	0	-255,450
Disposals	3,986	0	46,001	0	0	49,988
Transfers	0	0	-3	0	0	-3
Translation adjustment	1,328	605	609	2,327	0	4,869
Changes in reporting entities	0	0	-357	0	0	-357
At December 31, 2022	**-1,185,488**	**-392,828**	**-1,030,154**	**-1,011,232**	**0**	**-3,619,701**
Carrying amount at						
December 31, 2022	984,515	172,426	252,972	35,234	162,814	1,607,961
December 31, 2021	1,097,682	169,512	201,102	41,009	160,859	1,670,163

For possible changes in reporting entities, see Note (34).
Licenses not yet put into operation are included in licenses and rights of use.

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

	2022	2021
Mobile communications and fixed net licenses	5-24	5-24
Other rights	2-30	2-30
Patents	5-7	5-7
Software	2-10	2-10
Customer base	5-14	5-14

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

in TEUR	2022	2021
2022	n.a.*	269,771
2023	271,131	229,472
2024	229,813	194,665
2025	186,089	153,075
2026	163,337	106,008
2027	98,036	n.a.*
Thereafter	496,468	556,202
Total	1,444,874	1,509,193

*n.a. as not applicable for the respective period

Sensitivity analysis

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

in TEUR	2022	2021
Decrease due to extension by one year	45,066	46,993
Increase due to reduction by one year	62,294	81,217

Licenses and other rights

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

A1 Group holds mobile telecommunication licenses (GSM, UMTS, LTE and 5G) provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and North Macedonia. Licenses are recorded at cost and amortized on a straight-line basis. At December 31, 2022, the total cost incurred for the major license agreements, which will expire between 2024 and 2044 (2021: 2024 and 2044), amounted to TEUR 1,968,557 (2021: TEUR 1,959,189).

In 2022, A1 Group acquired frequencies in North Macedonia for TEUR 8,158 (700 MHz band, 2x10 MHz band spectrum and 3.6 GHz band, 100 MHz band spectrum) and in Bulgaria for TEUR 1,358 (1.8 GHz band, 2x5 MHz band spectrum, 26 GHz band, 400 MHz band spectrum and 3.6 GHz band, 20 MHz band spectrum). In 2021, A1 Group acquired frequencies in Bulgaria for TEUR 5,644 (2.1 GHz, 2.6 GHz and 3.6 GHz), in Slovenia for TEUR 43,609 (700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz and 26 GHz) and in Croatia for TEUR 14,010 (700 MHz, 3.6 GHz and 26 GHz). In North Macedonia, TEUR 2,002 were paid for the prolongation of the operator's license in the 2,100 MHz band as well as for a capacity expansion from 2x10 MHz to 2x20 MHz.

Brand names

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

in TEUR	Austria	Bulgaria	Corporate & Other	Total
At January 1, 2021	158,351	0	2,525	160,876
Translation adjustment	0	0	94	94
At December 31, 2021	158,351	0	2,619	160,970
Translation adjustment	0	0	106	106
Changes in reporting entities	0	2,010	0	2,010
At December 31, 2022	**158,351**	**2,010**	**2,726**	**163,087**

Regarding the changes in reporting entities, see Note (34).

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

If a brand name is intended for discontinuation in the foreseeable future, its carrying amount is amortized over its remaining estimated useful life.

The following table shows the recognized brand names, which all have an indefinite useful life:

in TEUR, at December 31	2022	2021
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	**158,351**	158,351
Stemo	2,010	0
Total Bulgaria	**2,010**	0
Exoscale	2,267	2,160
Invenium	459	459
Total Corporate & Other	**2,726**	2,619
Total brand names	**163,087**	160,970

Software

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

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

in TEUR, at December 31	2022	2021
Cost of production	90,232	71,100
Accumulated amortization	-62,972	-55,811
Carrying amount	27,260	15,289
Additions	5,123	1,796

Customer base

The addition in 2022 relates to the acquisition of the Bulgarian company Stemo (see Note (34)). On April 1, 2021, the Austrian subsidiary A1 Telekom Austria AG acquired the assets and liabilities of the Alcatel Lucent Voice Division from NTT Austria GmbH, which consists of active customer contracts for the maintenance of PABX systems ("NTT customers"). These were reported as additions to the customer base in 2021.

Construction in progress

In 2022 and 2021, transfers include reclassifications of construction in progress to tangible and intangible assets.

Contractual commitments

At December 31, 2022, contractual commitments for the acquisition of intangible assets amounted to TEUR 46,912 (2021: TEUR 57,023).

Impairment test

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

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

(17) Goodwill

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

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

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	North Macedonia	Corporate & Other	Total
At January 1, 2021	708,212	242,691	125,653	10,713	150,723	29,963	16,055	1,284,010
Translation adjustment	0	0	330	1,054	0	33	373	1,791
At December 31, 2021	708,212	242,691	125,983	11,767	150,723	29,996	16,429	1,285,801
Translation adjustment	0	0	-290	-132	0	65	421	64
Acquisitions	0	13,938	0	0	0	0	0	13,938
At December 31, 2022	708,212	256,629	125,693	11,635	150,723	30,061	16,850	1,299,803

For details of acquisitions, see Note (34).

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

in TEUR, at December 31	2022	2021
Segment Austria	712,232	712,232
Segment Bulgaria	656,629	642,691
Segment Croatia	130,716	131,018
Segment Belarus	371,311	375,561
Segment Slovenia	178,647	178,647
Segment North Macedonia	35,172	35,095
Corporate & Other	16,850	16,429
Total cost	2,101,558	2,091,673

in TEUR, at December 31	2022	2021
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,024	5,035
Segment Belarus	359,677	363,794
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,111	5,100
Accumulated impairment	801,755	805,873

Impairment test

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

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

A1 Group performs these impairment tests by calculating the value in use based on capital-market-oriented valuation methodology which is based on detailed planning of future cash flows of revenue and costs less capital expenditure for maintenance and replacement of assets as well as working capital changes for a planning period of five years and a perpetual annuity for the years following the detailed planning period. The detailed planning is based on business plans approved by the management and is also used for internal management purposes. Significant planning assumptions comprise the development of revenues, the profit margin in the detailed planning period as well as the growth in the perpetual annuity for the years following the detailed planning period.

Significant assumptions to determine the value in use comprise the development of revenues, cost drivers, working capital changes, capital expenditure for maintenance and replacement of assets, growth rate and discount rate.

- Assumptions regarding development of revenues are based on historical performance, industry forecasts and external market data such as the development of gross domestic product (GDP), inflation rates, currency rates, population and other parameters.
- Cost drivers and capital expenditure for maintenance and replacement of assets are based on past experience and internal expectations.

- Growth rates applied to the perpetual annuity consider country-specific growth rates as well as company-specific revenue growth rates of prior periods and those used in detailed planning, respectively.
- Detailed planning is based on developments of the past and expectations regarding future market developments. The resulting cash flows are discounted at the weighted average cost of capital, which is determined separately for each cash-generating unit, to determine the value in use of the cash-generating units. The cost of equity used for discounting the cash flows is determined based on the "capital asset pricing model" and corresponds to the weighted average interest rate of equity and debt capital of the peer group. The determination of the cost of equity is based on a risk-free borrowing rate, adjusted for market and country-specific risks. The cost of debt is based on a risk-free borrowing rate, adjusted for risk. The cost of debt as well as beta factors and capital structure of the peer group are derived from publicly available market data. The beta factor used on the reporting date is the average of the 2-year beta of the last twelve months.

The analysis of climate scenarios has been a part of risk management since 2021 and was updated in 2022, analyzing the determined impacts in the field of flood risk, carbon taxation and electricity costs. The analysis of risks in the first two fields did not lead to significant impacts on the results. Due to this fact, no explicit adjustments were made in the impairment testing. Price and consumption increases were taken into account as far as possible in the planning of energy costs. While short-term price increases have already been included in the business plan and were already part of the impairment test, no new effects from transitional risks (e.g. CO_2 taxation) come from the scenario analysis, and thus no valuation-relevant changes.

The outbreak of the conflict in Ukraine in February 2022 led to an increase in prices for goods, services and energy. This demanding macroeconomic situation characterized by a high inflation did not have a significant impact on the operative business of A1 Group. For further information on the impact, see "Risks in connection with the conflict in Ukraine" in the Management Report. Effects of external sources such as market capitalization and market yields are reflected in the weighted average cost of capital, as disclosed in the following table.

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

	Growth rates perpetual annuity		Pre-tax discount rates	
	2022	2021	2022	2021
Segment Austria	1.5%	1.2%	6.6%	4.1%
Segment Bulgaria	2.7%	2.0%	8.0%	5.2%
Segment Croatia	3.3%	2.3%	8.8%	6.2%
Segment Belarus	5.7%	7.2%	35.2%	13.5%
Segment Slovenia	3.3%	2.4%	7.5%	4.5%
Segment North Macedonia	2.6%	3.0%	10.5%	6.8%
Corporate & Other	1.5%	1.2%	6.4%	4.0%

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

If the value in use is lower than the carrying amount of the cash-generating unit, an impairment charge is recognized in profit or loss. The impairment loss shall first be allocated to the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit, provided that the recoverable amount is less than the carrying amount of the cash-generating unit. These reductions in the carrying amounts represent impairment losses on individual assets.

At both December 31, 2022 and 2021, the values in use of all cash-generating units exceeded the carrying amounts. Thus, no impairment charges had to be recognized.

(18) Investments in associates

The following table shows the development of the investment in Canal+ Austria GmbH („Canal+"), a joint venture which was established in 2021 to expand the TV business in Austria and that is accounted for using the equity method (see Note (34)).

in TEUR	2022	2021
At January 1	0	0
Recognized income	-1,866	-17
Changes in reporting entities	0	17
Shareholders' contribution	1,965	0
At December 31	**99**	0

The recognized income 2022 also includes the intercompany profit eliminations subsequently explained.

The difference between the investment in associates and its proportionate equity is disclosed in the following table:

in TEUR, at December 31	2022	2021
Proportionate equity	881	-57
Intercompany elimination	-782	
Recognized liability	0	57
Investments in associates	**99**	0

The intercompany elimination in 2022 relates to the sale of TV rights of A1 now TV GmbH to Canal+.
At acquisition on September 17, 2021, A1 Group committed itself to make a contribution in 2022. Thus, according to IAS 28.39, a short-term financial liability for the loss not covered by the investment was recognized at December 31, 2021 (see Note 0).

For outstanding balances respectively revenues and expenses of A1 Group and Canal+, see Note (11).

(19) Investments

in TEUR, at December 31	2022	2021
Investments at amortized cost	193,748	164,444
Debt instruments at fair value through other comprehensive income*	38,515	30,363
Debt instruments at fair value through profit or loss*	31,275	30,145
Equity instruments at fair value through profit or loss*	2,691	3,914
Short- and long-term investments	**266,228**	228,866
Thereof		
Short-term investments	60,514	87,353
Long-term investments	205,714	141,512

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

In order for a financial asset to be classified and measured at amortized cost or at fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The business models of A1 Group are "hold to collect" and "hold to collect and sell", respectively, and no derivative financial instruments are held.

At December 31, 2022, financial assets at amortized cost (business model "hold to collect") include quoted bonds with investment grade ratings of TEUR 185,345 (2021: TEUR 139,363), which are held to generate contractual cash flows as well as fixed-term deposits of TEUR 8,403 (2021: TEUR 25,081).

"Debt instruments at fair value through other comprehensive income" include quoted bonds, which are held for generating contractual cash flows as well as for sale (business model "hold to collect and sell"). Interest income is recognized in profit or loss and calculated the same way as interest income on financial assets at amortized cost, i.e. the premium is recognized in profit or loss over the remaining term according to the effective interest method (see Note (7)). The remaining changes in fair value are recognized in other comprehensive income (OCI), net of income tax. At December 31, 2022, the subsidiary paybox Bank AG is obliged to hold bonds in the amount of TEUR 3,309 (2021: TEUR 2,487) due to the Capital Requirements Regulation.

The recognized 12 months' expected credit loss relating to investments at amortized cost and to debt instruments at fair value through other comprehensive income is disclosed in Note (7), (see also "Credit risk" in Note 13).

"Debt instruments at fair value through profit or loss" include other long-term financial investments under the business model "hold to collect" that do not meet the SPPI criterion. At December 31, 2022, TEUR 1,092 (2021: TEUR 1,495) serve as coverage for the provision for pension obligations in Austria.

All equity instruments held are classified as "at fair value through profit or loss" and comprise both quoted and unquoted equity instruments.

(20) Other non-current assets, net

in TEUR, at December 31	2022	2021
Finance lease receivables	1,831	2,460
Other financial assets	6,520	10,190
Financial assets	**8,351**	**12,650**
Other non-financial assets	**14,125**	**14,605**
Other non-current assets, gross	**22,476**	**27,256**
Less loss allowance for financial assets	-3,620	-3,668
Other non-current assets, net	**18,856**	**23,588**

For finance lease receivables as well as the loss allowance recognized that is included in the loss allowance for financial assets, see Note (30). Other financial assets (less loss allowance) relate mainly to deferred receivables from a distributor and to receivables from the reimbursement of frequency fees as a result of the reduction in fees in Croatia (see also Note (13)).

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

(21) Short-term debt

in TEUR, at December 31	2022	2021
Current portion of long-term debt	299,871	749,702
Short-term bank debt	521,658	803,510
Short-term debt	**821,529**	**1,553,212**

For further information regarding long-term financial debt, see Note (25). The average fixed interest rate of short-term bank debt at December 31, 2022 amounts to 2.15%. Bank debt has a maximum term until January 10, 2023. At December 31, 2021, the average fixed interest rate amounted to -0.4%. For further funding sources, see Note (33).

(22) Accounts payable

Accounts payable consist of the following items:

in TEUR, at December 31	2022	2021
Fiscal authorities	74,548	67,503
Social security	12,807	12,101
Other non-financial liabilities	4,980	3,118
Current non-financial liabilities	**92,335**	**82,722**
Suppliers	674,361	543,250
Deferred consideration from business combinations	0	1,312
Accrued interest	6,403	31,324
Cash deposits received	13,805	12,229
Employees	37,409	34,719
Long-term incentive program	900	1,150
Other current financial liabilities	38,666	30,179
Current financial liabilities	**771,543**	**654,163**
Accounts payable	**863,878**	**736,885**

Liabilities due to fiscal authorities include mainly value-added taxes and payroll taxes. Liabilities regarding social security relate to statutory contributions to the social security system.

At December 31, 2022, accounts payable - trade amounting to TEUR 8,508 (2021: TEUR 13,953) have a maturity of more than twelve months. The increase in accounts payable due to suppliers is due essentially to the increase in capital expenditures (see table "Reconciliation of capital expenditures paid to capital expenditures" in Note 32). At December 31, 2021, the deferred consideration from business combinations relating to the acquisition of Akenes in 2017 was paid in 2022 (see Note (32)). Accrued interest includes mainly interest on bonds. The reduction is due to the redemption of a bond in April 2022 (see Note (25)). Liabilities due to employees relate mainly to salaries payable (including overtime and travel allowances), unused vacation days as well as liabilities for one-time termination benefits and service awards. For information on the long-term incentive program, see Note (31). In 2022 and 2021, other current financial liabilities include mainly customer deposits related to vouchers for shopping and parking.

(23) Accrued liabilities and provisions, asset retirement obligation and restructuring

in TEUR	Restructuring	Employees	Asset retirement obligation	Legal	Other	Total
At January 1, 2022	388,695	116,337	279,618	24,496	17,722	826,868
Additions	107,092	54,302	2,551	9,332	5,939	179,216
Changes in estimate	-19,179	0	-32,618	0	0	-51,797
Used	-95,116	-51,947	-3,723	-6,524	-2,896	-160,206
Released	-15,202	-13,895	-1,849	-724	-1,086	-32,757
Accretion expense	945	980	4,881	0	0	6,807
Reclassifications*	0	14,211	0	0	0	14,211
Translation adjustment	0	-29	-34	-12	4	-71
At December 31, 2022	**367,236**	**119,959**	**248,825**	**26,567**	**19,683**	**782,270**
Thereof long-term						
December 31, 2022	269,051	0	248,825	0	0	517,875
December 31, 2021	293,958	0	279,618	0	0	573,576

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

In measuring provisions, the Management Board must assess if there are obligations to third parties that will probably lead to a cash outflow for A1 Group and that can be estimated reliably. Provisions are recognized in the amount of the probable utilization.

Even though the provision is not expected to be paid in the following financial year, provisions are reported under short-term provisions, with the exception of the asset retirement obligation and the provision for restructuring, since A1 Group has no influence on the timing of the utilization.

Restructuring

In 2008, a comprehensive restructuring program was initiated in the segment Austria. The restructuring program includes social plans for employees whose employment was terminated in a socially responsible way such as 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. The provision for restructuring includes future compensation of employees who will no longer provide services for A1 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. At December 31, 2022, the corresponding liability amounts to TEUR 361,949 (2021: TEUR 381,739) and includes 1,833 (2021: 1,856) employees.

Provisions for restructuring are recorded at their present value. The following table presents the parameters used for calculating the provisions:

	2022	2021
Discount rate	3.75%	0.25%
Rate of compensation increase	4.00%-5.10%	3.40%

For the basis of the discount rate respectively the determination of the rate of compensation increase, see "Actuarial assumptions" in Note 0.

Changes in the provision are recognized in employee expense and reported in the line item "selling, general and administrative expenses", while the accretion expense is reported in the financial result in the line item "interest expense on restructuring provision" (see Note (7)).

Based on the general agreement for the transfer of personnel, which was concluded with the Austrian government in 2013, civil servants transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, A1 Group bears the salary expense. In case of a permanent transfer, A1 Group must compensate the government for any excess expense arising due to differing professional classifications of workplaces. Furthermore, compensation payments (or one-off payments) must be made to civil servants up to the age of 62. At December 31, 2022, the provision for the transfer of civil servants to the government amounts to TEUR 5,287 (2021: TEUR 6,956) and comprises 105 (2021: 107) employees.

Duration

The weighted average duration of the restructuring obligations is as follows in years:

	2022	2021
Employees permanently leaving the service process	6.2	5.6
Social plans	3.2	3.2
Civil servants transferred to the government	4.6	5.0

Sensitivity analysis

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

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2022		
Change in discount rate	-8,954	9,425
Change in rate of compensation	10,994	-10,632

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2021		
Change in discount rate	-11,302	11,978
Change in rate of compensation	9,223	-8,900

Employees

The provisions for employees contain mainly bonuses and the short-term portion of employee benefit obligations for severance, service awards and pensions (see also Note (27)).

In its judgement of November 11, 2014, the European Court of Justice (ECJ) ruled that the Austrian law determining the reference date for salary increments for Austrian civil servants (this date determines the length of service and thus the date for advancing to the next salary level) conflicted with European Union law. In its judgement of May 8, 2019, the European Court of Justice (ECJ) once again ruled that the adapted Austrian law determining the reference date for salary increments for civil servants was still in conflict with European Union law. On July 8, 2019, a further change in the Austrian law was published in the Austrian Federal Law Gazette (No. 58/2019). A1 Group recognized a provision of TEUR 22,437 at December 31, 2021 (2021: TEUR 28,502), for impending back payments of salaries to the civil servants assigned to it.

Asset retirement obligation

Liabilities for asset retirement obligations are measured at their net present value in accordance with IAS 37, the increase in the liability that reflects the passage of time is recognized in profit or loss (see Note (7)). The effects of changes in the measurement from existing provisions are accounted for in accordance with IFRIC 1.

A1 Group records obligations for the retirement and decommissioning of wooden masts treated with tar or salt, base stations, payphones as well as land and buildings including rented premises.

For the assessment of obligations in connection with the retirement of wooden masts treated with tar or salt that are in operation, A1 Group uses the expected settlement dates and future expected cash flows.

A1 Group operates base stations on land, rooftops and on other premises under various types of rental contracts. In estimating the fair value of the retirement obligation for its base stations, A1 Group has made a number of assumptions such as the time of retirement or an early cancellation, the development of technology and the cost of remediating the sites.

Based on the new telecommunication law 2021 ("TKG 2021") A1 was no longer obliged to operate public telephone booths in Austria, which resulted in an increase in the asset retirement obligation for telephone booths of TEUR 10,439 in 2021.

Additionally, A1 Group records obligations in connection with the disposal of hazardous substances as well as the decontamination of land when decommissioning a building. Obligations to return the premises to their original condition upon expiration of the lease contracts are reported for buildings and office premises that A1 Group has rented as part of lease agreements.

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

	2022	2021
Discount rate	2.8%-22.0%	0.6%-9.7%
Inflation rate	2.6%-8.5%	1.9%-5.8%

The range is due to different market situations in the respective segments.

The discount rate applied to the calculation reflects current market expectations with regard to interest effects as well as specific risks of the obligation. The discount rate in the non-eurozone is based on the interest rate of German federal bonds with a term of 30 years, adjusted by a risk premium for each country. For those countries whose currencies are not tied to the euro, the respective inflation delta according to the OECD is taken into account as well. In the eurozone, the discount rate is based on government bonds with matching maturities, as the specific risks were considered in the estimated cash flows. The inflation rates applied to the calculation reflect the general development in the individual countries.

In essence, the change in the specified parameters as well as the change in the estimated outflow of resources resulted in a change in the provision with no impact on income due to an adjustment in the book value of the related item of property, plant and equipment (see change in estimates in the table of provisions). In 2022, TEUR 1,710 (2021: TEUR 1,442) were recognized in other operating income as the related tangible assets were already fully depreciated.

Sensitivity analysis

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

in TEUR at December 31	1 percentage point increase	1 percentage point decrease
2022		
Change in discount rate	-21,904	23,287
Change in inflation rate	23,466	-21,068

in TEUR at December 31		
2021		
Change in discount rate	-26,568	32,707
Change in inflation rate	32,552	-27,030

Legal

Provisions relate mainly to expenses for legal advice and litigation.

Other provisions

Other provisions relate mainly to taxes (excluding income taxes), guarantees, rents and penalties.

(24) Contract liabilities

A contract liability is recognized where a customer has paid an amount of consideration prior to goods or services being transferred by A1 Group. Contract liabilities include prepaid fees, prepaid vouchers, fees for leased lines and site sharing, and discounts granted as well as one-time fees, activation fees and installation fees. As contract liabilities are expected to be realized as part of A1 Group's normal operating cycle, they are classified as current.

The following table shows the development of contract liabilities:

in TEUR	2022	2021
At January 1	**205,648**	188,658
Increases due to payments received	1,351,343	1,255,814
Revenues recognized in the current period from:		
Amounts included in the contract liability at beginning of the period	-172,797	-162,438
Increases due to payments received in current period	-1,165,956	-1,076,703
Change in reporting entities	1,450	0
Foreign currency adjustments	15	318
At December 31	**219,703**	205,648
Thereof remaining term of more than one year	27,126	22,812

At December 31, 2022 and 2021, contract liabilities with a remaining term of more than one year relate mainly to deferred rental income from base stations and data circuits as well as one-time fees, activation fees, and installation fees.

(25) Long-term debt

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

		At December 31, 2022				At December 31, 2021			
Currency	Maturity	Nominal interest rate		Face value	Carrying amount	Nominal interest rate		Face value	Carrying amount
Bonds									
TEUR	2022	fixed	4.00%	0	0	fixed	4.00%	750,000	749,702
TEUR	2023	fixed	3.50%	300,000	299,871	fixed	3.50%	300,000	299,617
TEUR	2026	fixed	1.50%	750,000	747,211	fixed	1.50%	750,000	746,502
Total bonds				**1,050,000**	**1,047,082**			1,800,000	1,795,822
Bank debt									
TEUR	2024	variable	2.49%	300,000	300,000			0	0
Total bank debt				**300,000**	**300,000**			0	0
Financial debt				**1,350,000**	**1,347,082**			1,800,000	1,795,822
Current portion of long-term debt				-300,000	-299,871			-750,000	-749,702
Long-term debt				**1,050,000**	**1,047,211**			1,050,000	1,046,120

Bonds

Bonds are recognized at the actual amount received. Discount and issue costs are amortized over the related term using the effective interest rate method.

On April 4, 2022, A1 Group redeemed a 4% bond and on December 3, 2021 it redeemed a 3.125% bond with a face value of TEUR 750,000 each.

On July 4, 2013, A1 Group issued a bond with a face value of TEUR 300,000, discount and issue costs of TEUR 2,574, a maturity of ten years and a coupon of 3.5%.

On December 7, 2016, A1 Group issued a bond with a face value of TEUR 500,000, a maturity of ten years and a coupon of 1.5%. On July 14, 2017, a tap issuance with a volume of TEUR 250,000 was settled. In August 2017, the outstanding bond and the tap were consolidated and have the same terms in all respects. Discount and issue costs amount to TEUR 6,990.

Bank debt

The variable interest rate of the bank debt is linked to the 1 month Euribor with a fixed margin of 0.80%.

(26) Other non-current liabilities

in TEUR, at December 31	2022	2021
Cash deposits received	202	203
Deferred consideration from business combinations	12,134	5,837
Sundry other non-current financial liabilities	26,737	36,894
Other non-current financial liabilities	**39,073**	42,934
Other non-current non-financial liabilities	**0**	338
Other non-current liabilities	39,073	43,272

At December 31, 2022 and 2021, the deferred consideration from business combinations relates to a put option for the withdrawal of non-controlling shareholders of Invenium, which was acquired in 2020, and additionally, at December 31, 2022, the purchase price not yet paid for the acquisition of Stemo in Bulgaria (see Note (34) and table "Development of total liabilities from financing activities" in Note (32)). Sundry other financial liabilities primarily include liabilities from the acquisition of rights and licenses (see Note (16)), which correspond to the discounted cash flows of the future payments. These are disclosed in the maturity analysis in Note 33.

(27) Employee benefits

A1 Group records employee benefit obligations under defined contribution and defined benefit plans.

In the case of defined contribution plans, A1 Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Other than payment contributions, which are recognized in employee expenses in the respective functional area in the respective period, there are no further obligations.

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

in TEUR, at December 31	2022	2021
Service awards	38,182	49,118
Severance	128,529	166,329
Pensions	2,635	4,763
Long-term incentive program	1,015	1,165
Other	1,293	1,862
Long-term employee benefit obligations	171,654	223,237

According to IAS 19.133, A1 Group chooses to distinguish between current and non-current liabilities arising from employee benefit obligations (see also Note (23)).

For severance and pensions, A1 Group recognizes remeasurement gains and losses in other comprehensive income (OCI), whereas remeasurement gains and losses for service awards are immediately recognized in profit or loss. The remeasurement of defined benefit plans relates to actuarial gains and losses only, as A1 Group holds no plan assets. Accrued interest on employee benefit obligations is reported in the financial result, while service cost is reported in employee expenses in the respective functional area.

Actuarial assumptions

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

	2022	2021
Discount rate service awards	3.75%	0.25%
Discount rate severance	3.75%	1.00%
Discount rate pensions	3.75%	0.75%
Rate of compensation increase – civil servants	4.50%-5.30%	4.00%
Rate of compensation increase – employees	3.40%-4.60%	3.00%
Rate of increase of pensions	1.90%	1.60%
Employee turnover rate*	0.0%-1.03%	0.0%-1.12%

* Depending on years of service.

The discount rates are determined on the basis of the yields of senior, fixed-interest industry bonds and a duration corresponding to the expected maturities of the defined benefit obligations.

When determining the compensation increase to be applied in 2022, expected future increases in salaries were included because of the current economic situation. Based on the current high inflation, higher compensation increases are expected in the short term, which will in the long term develop into average amounts of the past. Due to the different durations of the provisions, the rates of compensation increase were determined individually for each provision. In 2021, the rate of compensation increase was determined based on historical increases only.

Life expectancy in Austria is based on "AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler". The obligations related to the international subsidiaries were measured on the same actuarial basis due to their insignificant proportion.

Duration

The weighted average duration of the obligations is as follows in years:

	2022	2021
Service awards	3.8	4.3
Severance	11.2	12.6
Pensions	7.2	11.2

Service awards

Civil servants and certain employees (in the following "employees") are eligible to receive service awards. In accordance with the legal regulations, eligible employees receive a cash bonus of two months' salary after 25 years of service and four months' salary after 40 years of service. Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on specific legal regulations are also eligible to receive the service award of four monthly salaries. The obligation is accrued over the period of service, taking into account the employee turnover rate for employees who leave employment prematurely. The main risk that A1 Group is exposed to is the risk of development of salary increases and changes of interest rates.

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

in TEUR	2022	2021
At January 1	**56,665**	62,719
Service cost	1,542	1,739
Interest cost	135	150
Actuarial gain/loss from experience adjustment	-1,406	-960
Actuarial gain/loss from changes in demographic assumptions	-3	-2
Actuarial gain/loss from changes in financial assumptions	-4,192	-288
Recognized in profit or loss	**-3,924**	639
Benefits paid	-7,367	-6,693
Obligation at December 31	**45,374**	56,665
Less short-term portion	-7,191	-7,547
Non-current obligation	**38,182**	49,118

At December 31, 2022 and 2021, less than 1% of the non-current defined benefit obligation for service awards relate to foreign subsidiaries.

Severance

Defined contribution plans

Employees who started work for A1 Group in Austria on or after January 1, 2003 are covered by a defined contribution plan. In 2022, A1 Group paid TEUR 3,142 (2021: TEUR 2,853), 1.53% of the salary or wage, into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG).

Defined benefit plans

Severance benefit obligations for employees whose employment commenced before January 1, 2003, excluding civil servants, are covered by defined benefit plans. Upon termination of employment by A1 Group or upon retirement, eligible employees receive severance payments. Depending on their time in service, their severance amounts to a multiple of their monthly basic compensation plus variable components such as overtime or bonuses, up to a maximum of twelve monthly salaries. In case of death, the heirs of eligible employees receive 50% of the severance benefits. The primary risks to A1 Group are salary increases and changes of interest rates.

The following table shows the components and a reconciliation of the changes in the obligation for severance:

in TEUR	2022	2021
At January 1	**170,871**	173,636
Service cost	4,151	4,634
Interest cost	1,692	1,295
Curtailment loss/settlement	–648	0
Recognized in profit or loss	**5,195**	5,929
Actuarial gain/loss from experience adjustment	1,358	–289
Actuarial gain/loss from changes in demographic assumptions	–89	–249
Actuarial gain/loss from changes in financial assumptions	–40,919	–5,469
Recognized in other comprehensive income	**–39,650**	–6,007
Benefits paid	–2,425	–2,688
Change in reporting entities	587	0
Foreign currency adjustments	2	0
Obligation at December 31	**134,580**	170,871
Less short-term portion	–6,051	–4,542
Non-current obligation	**128,529**	166,329

At December 31, 2022, approximately 5% (2021: 4%) of the non-current defined benefit obligation for severance relate to foreign subsidiaries.

Pensions

Defined contribution pension plans

In Austria, pension benefits are generally provided by the social security system for employees, and by the government for civil servants. The contributions of 12.55% of gross salaries that A1 Group made in 2022 to the social security system and the government in Austria amount to TEUR 59,935 (2021: TEUR 59,899). In 2022, contributions of the foreign subsidiaries into the respective systems range between 7% and 29% of gross salaries and amount to TEUR 28,156 (2021: TEUR 25,085).

Additionally, A1 Group offers a defined contribution plan for employees of some of its Austrian subsidiaries. A1 Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. In 2022, the annual expenses for this plan amounted to TEUR 11,917 (2021: TEUR 11,933).

Defined benefit pension plans

A1 Group provides defined benefits for certain former employees in Austria. All eligible employees are retired and were employed prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. A1 Group is exposed primarily to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits. Furthermore, pension obligations for active employees of the company Akenes in Lausanne are included.

The following table shows the components and a reconciliation of the changes in the obligation for pensions:

in TEUR	2022	2021
At January 1	**5,101**	5,851
Service cost	43	80
Interest cost	37	28
Past service cost	-28	-92
Recognized in profit or loss	**52**	15
Actuarial gain/loss from experience adjustment	276	-399
Actuarial gain/loss from changes in demographic assumptions	-22	0
Actuarial gain/loss from changes in financial assumptions	-2,122	-82
Recognized in other comprehensive income	**-1,868**	-481
Benefits paid	-338	-335
Foreign currency adjustments	33	50
Obligation at December 31	**2,979**	5,101
Less short-term portion	-344	-337
Non-current obligation	**2,635**	4,763

Sensitivity analysis

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

in TEUR, at December 31	2022	2021
Service awards	45,374	56,665
Severance	134,580	170,871
Pensions	2,979	5,101

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

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2022		
Service awards	856	-830
Severance	7,542	-7,008
Pensions	344	-307

in TEUR, at December 31		
2021		
Service awards	1,250	-1,206
Severance	11,182	-10,307
Pensions	555	-484

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

in TEUR, at December 31	1 percentage point decrease	1 percentage point increase
2022		
Service awards	-1,606	1,675
Severance	-13,571	15,421
Pensions	-267	300

in TEUR, at December 31		
2021		
Service awards	-2,275	2,389
Severance	-19,474	22,406
Pensions	-404	463

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

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2022		
Service awards	12	-865
Severance	2,150	-3,271
Pensions	3	-3

in TEUR, at December 31		
2021		
Service awards	17	-1,215
Severance	4,346	-5,642
Pensions	3	-3

For pensions, the fluctuation is only applied to beneficiaries not yet retired. The calculation of a 0.5% decrease is limited to a maximum of 0.0% of the employee turnover rate.

Long-term incentive program

For the long-term incentive program, see Note (31).

(28) Stockholders' equity

Capital management

The equity attributable to the equity holders of the parent company, which is disclosed in the Consolidated Statement of Changes in Stockholders' Equity, comprises common stock, treasury shares, additional paid-in capital, retained earnings and other comprehensive income (loss) items.

The capital management of A1 Group focuses primarily on maintaining the capital basis. This shall continue to be documented by solid investment grade ratings from renowned rating agencies. At the same time A1 pursues a sustainable and transparent dividend policy. Management pays attention to a solid balance between shareholder remuneration, the debt level and financial flexibility for strategic projects.

Share capital

At December 31, 2022 and 2021, the common stock of Telekom Austria AG amounts to TEUR 1,449,275, and is divided into 664.5 million bearer shares. At December 31, 2022 and 2021, América Móvil indirectly holds a stake of 51.00% through its 100% subsidiary América Móvil B.V., Netherlands, while ÖBAG holds a stake of 28.42% and free floated shares including treasury shares amount to 20.58%. The shares have no par value.

According to the Austrian Banking Act and the Capital Requirements Regulation, a regulation for banks by the European Union, the subsidiary paybox Bank AG must fulfil regulatory minimum equity requirements regarding bank-related risks, notably credit risk and operative risks as well as liquidity coverage requirements. On December 31, 2022 and 2021, these requirements were fulfilled.

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

At December 31	2022	2021
Shares authorized	664,500,000	664,500,000
Shares issued	664,500,000	664,500,000
Treasury shares	-415,159	-415,159
Shares outstanding	664,084,841	664,084,841

The shares issued are fully paid.

Dividend payments

The following dividends were declared by the shareholders at the Annual General Meeting and distributed by Telekom Austria AG:

	2022	2021
Date of Annual General Meeting	June 27, 2022	May 14, 2021
Dividend per share in euro	0.28	0.25
Total dividend paid in TEUR	185,944	166,021
Date of payment	July 5, 2022	May 25, 2021

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

in TEUR	2022	2021
Net income	114,356	1,183,153
Release of reserves reported in retained earnings	251,143	0
Allocation to reserves reported in retained earnings	0	–950,925
Profit carried forward from prior year	269,086	222,803
Unappropriated retained earnings	634,585	455,030

The unappropriated retained earnings of Telekom Austria AG according to Austrian GAAP are not subject to a dividend limitation as the restrictions of Section 235 UGB do not apply. The Management Board plans, after approval from the Supervisory Board, to propose to the shareholders at the Annual General Meeting to distribute a dividend of euro 0.32 (2021: euro 0.28) per share from unappropriated retained earnings.

Treasury shares

At the Annual General Meeting of Telekom Austria AG held on May 29, 2013, the Management Board was empowered to:
(a) use these treasury shares to settle obligations under the share-based compensation plans disclosed in Note (31) and/or to transfer them for or without a consideration to employees, leading managers and members of the Management Board/management of Telekom Austria AG and of its affiliated companies;
(b) use them as consideration for acquisitions, or
(c) sell treasury shares at any time via the stock exchange or by public offer.

Treasury shares held at December 31	2022	2021
Number of treasury shares	415,159	415,159
Average price per share in euro	18.80	18.80
Deduction in equity in TEUR	7,803	7,803

Additional paid-in capital

The additional paid-in capital results from the incorporation of A1 Group as well as the subsequent capital increase and reorganization measures. Furthermore, effects related to employee participation plans and the retirement of treasury shares are reported in additional paid-in capital.

Other comprehensive income (loss) items (OCI)

The IAS 19 reserve contains the remeasurement of severance and pension obligations (see Note (27)). The FVOCI reserve includes the measurement of debt instruments at fair value through other comprehensive income (see Note (19)). For the hedging reserve, see Note (33). The translation reserve relates mainly to the consolidation of subsidiaries in Belarus and in the Republic of Serbia (see Note (3)). The development of the individual OCI items is presented in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Stockholders' Equity.

(29) Income taxes

Income taxes are calculated for each taxable entity based on the expected actual income tax rate applicable. For the purpose of calculating deferred tax assets and liabilities, A1 Group uses the tax rates that have been enacted or substantively enacted at the reporting date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period the tax rate is effectively enacted. The distribution of dividends by Telekom Austria AG has no effect on the tax rate. Investment tax credits are recognized as a reduction in income taxes in the period in which these credits are granted.

In accordance with IFRIC 23, management regularly reviews certain tax issues for uncertainties regarding the treatment under effective tax regulations by the relevant tax authorities. Correspondingly, income tax liabilities were recognized for possibly existing tax risks based on all information available including interpretations of tax law and experience.

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

in TEUR	2022	2021
Current income tax	188,130	111,164
Deferred income tax	-6,711	86,413
Income tax	**181,419**	**197,577**

The decrease in deferred income tax is due to the complete usage of loss carry-forwards in the Austrian tax group in 2021.

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

in TEUR	2022	2021
Continuing operations	181,419	197,577
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	-679	37
Income tax on remeasurement of defined benefit obligations*	10,430	1,534
Total income tax	**192,630**	**200,608**

* Recognized in other comprehensive income (OCI).

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

in TEUR	2022	2021
Income tax expense at statutory rate	204,001	163,152
Foreign tax rate differential	-25,010	-25,451
Non-tax-deductible expenses	22,788	9,289
Tax incentives and tax-exempted income	-18,816	-7,829
Tax-free income (loss) from investments	-99	-117
Change in tax rate	-3,888	-1,083
Tax benefit/expense previous years	1,431	-3,005
Changes in deferred tax assets not recognized	1,888	1,856
Impairments (reversals of impairments) of investments in subsidiaries	44	61,807
Other	-917	-1,042
Income tax	**181,419**	**197,577**
Effective income tax rate	22.23%	30.28%

In 2022 and 2021, non-deductible expenses consist mainly of non-deductible withholding taxes on dividends as well as various non-deductible expenses in the individual countries. The rise relates mainly to the increase in withholding taxes.

In 2022 and 2021, tax incentives and tax-exempted income relate mainly to investment and other tax incentives in the individual countries. The increase relates to a tax-privileged revaluation of assets in Belarus. Furthermore, in both years reported the tax-free income on the fictitious amortization of tax goodwill related to the Austrian tax group is included. Amortization of tax goodwill according to Section 9 (7) KStG is treated as temporary differences on investments in subsidiaries for tax purposes. According to IAS 12.39, no deferred tax liabilities are recorded in that case.

In 2022, the change in tax rate is due to the decrease of the Austrian corporate income tax rate from 25% to 24% for the year 2023 and to 23% starting 2024. At December 31, 2022 the calculation of deferred taxes is based on 23% as the material temporary differences will be reversed only as of 2024. In 2021, the change in tax rate was due to the increase of the corporate income tax rate from 1.6% to 15.0% in Serbia.

In 2021, the tax benefit for prior periods relates to a tax audit in Bulgaria covering the year 2017, which accepted the loss carry-forwards from a business combination.

The tax effect of impairments (reversals of impairments) of investments relates to taxable write-downs and reversals of write-downs of investments in affiliated companies in Austria.

In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. Furthermore, deferred taxes are recognized for current year tax losses and tax loss carry-forwards as well as certain impairment losses on investments for which recognition for tax purposes is deferred over a specified period.

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

in TEUR, at December 31	Deferred tax assets 2022	Deferred tax assets 2021	Deferred tax liabilities 2022	Deferred tax liabilities 2021
Loss carry-forwards	8,430	7,893	0	0
Property, plant and equipment	7,411	3,890	-29,813	-48,175
Right-of-use assets, net	0	0	-127,189	-148,843
Other intangible assets	1,143	1,240	-64,380	-68,086
Accounts receivable: Subscribers, distributors and other	12,350	11,863	-24	-24
Contract cost	0	0	-6,600	-6,935
Lease liabilities	130,600	151,305	0	0
Provisions, long-term	34,129	52,940	0	0
Employee benefit obligations	17,651	31,208	0	0
Accrued liabilities and accounts payable	12,755	14,813	-55	-49
Other	5,676	5,081	-4,609	-5,023
Total	**230,144**	280,233	**-232,670**	-277,135
Set off	-188,226	-252,575	188,226	252,575
Deferred tax assets/liabilities	**41,919**	27,657	**-44,444**	-24,560
Net deferred tax assets/liabilities	**-2,526**	3,097		

In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of sufficient future taxable income during the periods in which these temporary differences become deductible. These are based on business plans with a detailed planning period of five years. The Management Board considers the scheduled release of deferred tax liabilities and projected future taxable income when making this assessment.

In Austria, A1 Group established a tax group according to Section 9 of the Austrian Corporate Tax Act (KStG), with Telekom Austria AG as the head of the tax group. The head of the tax group and its members have agreed on tax compensation. Positive taxable results are subject to a tax rate of 23%. Negative taxable results are not reimbursed but netted with future positive results of the tax group members. Deferred tax assets and liabilities for the members of the tax group (currently all significant Austrian subsidiaries) are reported on a net basis since the tax group is treated as one taxable entity.

The loss carry-forwards relate mostly to Austrian companies. In Austria, the annual usage of loss carry-forwards, which can be carried forward indefinitely, is generally limited to 75% of the respective taxable income.

Deferred tax liabilities on property, plant and equipment are mostly due to differences in the carrying amounts of retirement obligations for assets as well as to interest capitalized, which may not be recognized for tax purposes (see Notes (7), (15) and (23)).

Right-of-use assets and lease liabilities according to IFRS 16 may not be recognized for tax purposes in some countries, resulting in deferred tax assets or liabilities.

Deferred tax liabilities on other intangible assets are mainly due to the recognition of assets according to IFRS 3 in the course of business combinations.

Contract costs may not be recognized for tax purposes in some countries, resulting in deferred tax liabilities.

Deferred tax assets on long-term provisions relate mostly to the provision for the asset retirement obligation, which may only be partly recognized for tax purposes, as well as to differences in the IFRS and tax value of the restructuring provision in Austria (see Note (23)).

Deferred tax assets on employee benefit obligations result from the difference between the amount recognized in accordance with Section 14 of the Austrian Income Tax Act (EStG) and the amount of the projected unit credit method in accordance with IAS 19 (see Note (27)).

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

in TEUR, at December 31	2022	2021
Net operating loss carry-forwards	355,397	383,471

The deferred tax assets not recognized relate essentially to Austrian investment companies and are due to tax impairments of investments in subsidiaries. As these investment companies do not generate operating results, no future taxable income is expected and thus a realization of the deferred tax assets in the detailed planning period and thereafter is unlikely, although the loss carry-forwards can be carried forward indefinitely.

At December 31, 2022, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 74,252 (2021: TEUR 68,928), since it is unlikely that these temporary differences will be reversed in the foreseeable future.

(30) Leases

Lessee

A1 Group essentially leases telecommunication sites for fixed-line and mobile telephony as well as other infrastructure and buildings.

According to IFRS 16, a lessee recognizes a right-of-use asset and a lease liability upon lease commencement.

The lease term is generally equal to the non-cancellable term of the contract. In addition, options to extend or terminate a contract are taken into account. For lease contracts containing options to extend or terminate a lease, A1 Group assesses at lease commencement date whether it is reasonably certain to exercise the options. A1 Group reassesses whether it is reasonably certain to exercise the option to extend or terminate the lease if there is a significant event or significant changes in circumstances within its control.

For cancellable contracts with an indefinite term, A1 Group determined a contract term of seven years which takes into account the planning period, technology, business strategy as well as probabilities. Within this period options to extend lease contracts are considered as exercised respectively options to terminate lease contracts are considered as not exercised. Apart from this A1 Group has no other lease contracts with significant options in its portfolio. For certain leases related to fixed infrastructure in Austria, 15 years was determined as the appropriate lease term.

Some lease contracts are subject to restrictions, as the approval of the lessor is needed to sublease the leased asset or to extend an existing lease asset. However, this has no impact on current business operations.

The following table provides a roll-forward of the right-of-use assets ("RoU") recognized, broken down into the respective asset classes:

in TEUR	RoU Land & buildings	RoU Telecommuni-cation sites	RoU Other facilities	RoU Leased lines	Total
Cost					
At January 1, 2021	407,035	553,795	32,793	160,478	1,154,101
Additions	35,432	42,038	10,986	13,555	102,012
Disposals	-27,084	-19,999	-2,574	-7,280	-56,937
Translation adjustment	935	3,626	175	170	4,906
At December 31, 2021	416,318	579,460	41,380	166,924	1,204,082
Additions	41,544	59,575	12,166	15,054	128,340
Disposals	-24,409	-30,394	-5,150	-7,359	-67,312
Translation adjustment	-51	-499	25	9	-516
Changes in reporting entities	15	0	255	0	270
At December 31, 2022	**433,418**	**608,142**	**48,677**	**174,628**	**1,264,864**
Accumulated amortization and impairment					
At January 1, 2021	-88,402	-155,414	-14,107	-43,100	-301,023
Additions	-45,735	-81,936	-8,958	-26,552	-163,181
Disposals	14,127	5,737	2,107	2,379	24,350
Translation adjustment	-432	-1,380	-91	-16	-1,919
At December 31, 2021	-120,442	-232,992	-21,050	-67,290	-441,773
Additions	-46,335	-84,434	-11,246	-26,297	-168,313
Disposals	6,738	9,753	4,639	1,555	22,684
Translation adjustment	102	400	-27	-3	473
At December 31, 2022	**-159,937**	**-307,273**	**-27,684**	**-92,035**	**-586,929**
Carrying amount at					
December 31, 2022	273,481	300,869	20,992	82,593	677,935
December 31, 2021	295,877	346,467	20,330	99,634	762,309

Other facilities contain mainly vehicles.

In addition to new contracts, additions to right-of-use assets contain modifications and renewals of contracts as well as index adjustments.

Total cash outflow for leases is disclosed in the following table (for the development of lease liabilities, see Note (32)).

in TEUR	2022	2021
Lease principal paid	158,949	154,826
Lease interest paid	11,845	12,205
Prepaid right-of-use assets	11,412	4,448
Operating lease expense	4,270	4,118
Total cash outflow for leases	**186,477**	175,597

The following table provides a maturity analysis of lease liabilities:

in TEUR at December 31	2022	2021
2022	n.a.*	166,602
2023	171,822	153,935
2024	150,059	135,171
2025	134,961	122,900
2026	64,144	54,290
2027	53,600	n.a.*
Thereafter	**170,639**	170,642
Total minimum lease payments	**745,224**	803,539
Less amount representing interest	-64,315	-36,441
Present value of lease payments	**680,909**	767,098
thereof short-term portion	159,272	161,037
thereof long-term portion	521,637	606,061

*Not applicable for the respective reporting period

A1 Group elected to apply the recognition exemptions for low-value assets and short-term leases for certain lease assets that are insignificant for its business operations. The recognition exemptions were not applied to base stations, technical sites and facilities as well as buildings and vehicles. Non-lease components in contracts such as electricity, maintenance, etc. are excluded from the right-of-use calculation. The following table discloses the expenses recognized for:

in TEUR	2022	2021
Short-term leases	1,142	1,244
Leases of low-value assets	42	29
Variable lease payments	3,086	2,845

Interest recognized is disclosed in Note (7).
COVID-19-related rent concessions are netted with variable lease payments.

COVID-19-related rent concessions

In the period from January 1, 2020 to June 30, 2022, the amendment to IFRS 16 "COVID-19-Related Rent Concessions" was applied to all rent concessions that meet these requirements. Lessees were exempted from assessing whether a COVID-19-related rent concession was a lease modification. Reductions in lease payments (such as forgiveness of payments) were reported as negative variable lease payments in the statement of comprehensive income in the period in which the event occurred and the lease liability was reduced correspondingly. Deferred lease payments affected only the timing of the individual payments. In 2022, operating lease expense was reduced due to COVID-19-related rent concessions by TEUR 90 (2021: TEUR 483) and related mainly to sites.

Lessor

Lessors shall classify each lease as an operating lease or a finance lease:

Operating leases

If substantially all the risks and rewards incidental to ownership are not attributable to the lessee, the leased asset is recognized by A1 Group. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. At December 31, 2022, the carrying amount of assets held exclusively under finance lease amounts to TEUR 48,077 (2021: TEUR 26,311). Furthermore, lease revenues are generated by renting out parts of buildings and telecommunication sites, e.g. mobile sites. The share in these leased items of property, plant and equipment is not reported separately. Thus their carrying amount is not included in the amounts disclosed above (see Note (15)).

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

in TEUR at December 31	2022	2021
2022	n.a.*	25,444
2023	28,934	18,419
2024	20,597	15,627
2025	16,643	13,887
2026	13,654	7,175
2027	7,499	n.a.*
Thereafter	20,663	21,548
Total minimum lease payments	107,991	102,100

*not applicable for the respective reporting period

Finance leases

Since 2019, the lease of private automatic branch exchange equipment (PABX) is classified as finance lease. The following table sets forth a maturity analysis of the future lease payments as well as the recognized loss allowances on finance lease receivables (see Notes (13) and (20)):

in TEUR at December 31	2022	2021
2022	n.a.*	1,771
2023	1,485	1,288
2024	1,027	828
2025	547	363
2026	256	99
2027	91	n.a.*
Thereafter	44	32
Total minimum lease payments	**3,450**	4,380
Less amount representing interest	-256	-284
Present value of finance lease receivables	**3,194**	4,096
thereof short-term portion	1,362	1,636
thereof long-term portion	1,831	2,460
Loss allowances	90	90

*not applicable for the respective reporting period

Finance lease revenues are reported in equipment revenues (see Note (5)). Interest income on finance lease, which is recognized in the financial result, is disclosed in Note (7).

(31) Share-based compensation

Long-term incentive (LTI) program

A1 Group introduced a long-term incentive program (LTI) in 2010. In accordance with IFRS 2, share-based payments are measured at fair value at the grant date and at every balance sheet date. The expense is recognized over the vesting period. Due to the Supervisory Board's decision to settle bonus shares granted in the course of the long-term incentive program in cash (subsequently called fictitious bonus shares), the share-based payments are recorded as a liability.

The members of the Management Board of Telekom Austria AG (see Note (36)) are the participants of this program. They are required to invest an amount depending on the annual gross basic salaries in Telekom Austria shares and to hold these shares until the end of the holding period (at least three years). For each tranche, the number of fictitious bonus shares granted is calculated based on the average Telekom Austria stock price for a defined period. The performance period for meeting the performance targets was determined to be three years. The target values for these key indicators were determined by the Supervisory Board. At the vesting date (at the earliest three years after the grant date), fictitious bonus shares will be allocated to the participants and will be settled in cash. The right cannot be transferred. 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 personal investment in 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.

For the 13th tranche (LTI 2022) the operating return on invested capital ("operating ROIC", weighted with 34%), the revenue market share of A1 Group (weighted with 33%) and two Environmental, Social & Corporate Governance goals ("ESG", increase of energy efficiency until 2024, weighted with 20%, and increase in the training hours per employee, weighed with 13%) were defined as key performance indicators. For the twelfth tranche (LTI 2021) and the eleventh tranche (LTI 2020) the operating return on invested capital ("operating ROIC", weighted with 34%), the revenue market share of A1 Group (weighted with 33%) and sustainable financing (long-term financing in the years 2021 to 2023 and 2020 to 2022, respectively, under a green bond or sustainable finance certificate, weighted with 33%) were defined as key performance indicators.

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

	LTI 2022	LTI 2021	LTI 2020
Grant date	June 1, 2022	June 1, 2021	August 1, 2020
Start of the program	January 1, 2022	January 1, 2021	January 1, 2020
End of vesting period	December 31, 2024	December 31, 2023	December 31, 2022
Vesting date	June 1, 2025	June 1, 2024	August 1, 2023
Personal investment at grant date	70,342	81,387	75,770
Personal investment at reporting date	70,342	81,387	75,770
Expected performance	110.00%	118.50%	102.70%
Expected bonus shares	154,750	192,887	155,630
Maximum bonus shares*	246,194	284,855	265,192
Fair value of program in TEUR	859	1,094	900

* Taking into account the allocation of fictitious bonus shares equal to the double personal investment.

For the tenth tranche (LTI 2019) and the ninth tranche (LTI 2018) return on invested capital (ROIC) and the revenue market share of A1 Group (weighted with 50% each) were defined as key performance indicators. The following table summarizes the significant terms and conditions for each tranche settled in cash:

	LTI 2019	LTI 2018
Grant date	August 1, 2019	September 1, 2018
Start of the program	January 1, 2019	January 1, 2018
End of vesting period	December 31, 2021	December 31, 2020
Vesting date	August 1, 2022	September 1, 2021
Personal investment at grant date	77,618	58,719
Personal investment at the end of the vesting period	77,618	58,719
Actual performance	112.80%	62.50%
Allocated bonus shares per share of personal investment	2.26	1.25
Allocated bonus shares	175,106	73,399
Average stock price at end of vesting period in euro	7.62	6.05
Share-based compensation in TEUR	1,334	444

As of the reporting date, a liability measured at fair value for the portion of the expected future expense of the LTI program that has already vested, has been recognized. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for modelling the share price. Expected dividends were also included in the calculation of the share price. The liability is recognized over the vesting period (see Notes (22) and 0). The following personnel expense is recognized in the Consolidated Statement of Comprehensive Income:

in TEUR	2022	2021
Personnel expense LTI	935	1,176

(32) Cash flow statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2022 and 2021 result mainly from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2022 and 2021 and recognized in the financial result (see Note (7)) had already been settled in cash as of December 31 and are reported in cash flow from operating activities. Dividends paid in 2022 and 2021 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2022, cash and cash equivalents of TEUR 104 were acquired in the course of business combinations (2021: TEUR 0) (see Note (34)).

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

in TEUR	2022	2021
Capital expenditures paid	**895,923**	853,254
Reconciliation of additions in accounts payable	45,924	56,670
Reconciliation of government grants	14,012	-14,011
Reconciliation of right-of-use assets paid	-11,412	-4,448
Total capital expenditures	**944,446**	891,465

For the definition of capital expenditures, see Note (1). At December 31, 2022, TEUR 192,152 (2021: TEUR 135,871) of the additions to intangible assets and property, plant and equipment in the current year have not yet been paid (see Notes (15) and (16)).

In accordance with IAS 7.43, the reconciliation of additions to accounts payable includes the adjustment of capital expenditures of the current period not yet paid as well as capital expenditures of prior periods paid in the current period. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures as well as grants of prior periods paid in the current period (see Notes (13) and (15)). The reconciliation of right-of-use assets paid contains prepayments and other direct costs, which are paid up to the commencement date of the lease and are reported in the cash flow from investing activities.

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

			Non-cash changes				
		Cash flow	Foreign exchange differences	Accretion expense	Lease*	Additions	
in TEUR	December 31, 2022						December 31, 2021
Debt	1,868,740	-730,592	0	0	0	0	2,599,332
Lease liabilities	680,909	-170,795	-555	13,067	71,818	275	767,098
Deferred consideration from business combinations	12,134	-1,313	1	0	0	6,297	7,149
Total liabilities from financing activities	**2,561,783**	**-902,700**	**-554**	**13,067**	**71,818**	**6,573**	**3,373,578**

in TEUR	December 31, 2021						December 31, 2020
Debt	2,599,332	56,568	0	0	0	0	2,542,764
Lease liabilities	767,098	-167,032	2,910	12,022	64,265	0	854,933
Deferred consideration from business combinations	7,149	0	57	39	0	0	7,053
Total liabilities from financing activities	3,373,578	-110,463	2,967	12,061	64,265	0	3,404,750

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts.
The cash flow from lease liabilities includes lease principal paid and interest, the latter being reported in the line item "interest paid".

Additions to lease liabilities and to deferred consideration from business combinations relate to the acquisition of the Bulgarian company Stemo in 2022 (see Note (34)).

(33) Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are classified at initial recognition.

Financial assets and financial liabilities are recognized when A1 Group becomes a party to a financial instrument. A1 Group uses the settlement date for recording regular purchases and sales of financial assets. Financial assets and financial liabilities are initially recognized at the fair value of the consideration paid or received. Transaction costs are included in the initial measurement, except for financial instruments, which are recognized at their fair value through profit or loss.

Financial assets include in particular cash and cash equivalents, investments, accounts receivable: subscribers, distributors and other, net as well as other receivables and receivables due from related parties, which are measured at the lower of cost or net realizable value. The contractual cash flows of non-derivative financial instruments consist mainly of principal and interest. Furthermore, financial assets include financial instruments that are measured at fair value (see Note (19)).

Financial liabilities include, in particular, accounts payable trade, issued bonds, other financial liabilities and payables due to related parties and are recognized initially in the amount corresponding to the financial inflow. Differences between the amount received and the amount to be repaid are recognized over the term of the liability in the financial result (amortized cost) using the effective interest rate method. For financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial liability is derecognized.

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position only when A1 Group has a contractual right to offset the recognized amounts and intends to settle on a net basis.

Fair value and fair value hierarchy of financial instruments

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy is to be applied. Level 1 contains financial assets and liabilities based on quoted prices in active markets for identical assets or liabilities. Financial assets and liabilities are allocated to level 2 if the input factors on which their fair value is based are observable, either directly or indirectly. Financial assets and liabilities are allocated to hierarchy level 3 if the fair value is not determined exclusively from observable input factors. When determining the fair value, the credit risk is taken into account as well.

The following tables show the classification as well as the carrying amounts and fair values of financial assets and financial liabilities (debt) including information on their hierarchy level. Fair values are not disclosed if the carrying amount is a reasonable approximation of the fair value:

Financial assets

in TEUR, at December 31	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Cash and cash equivalents	149,816	n.a.	534,443	n.a.
Accounts receivable: Subscribers, distributors and other	839,627	n.a.	782,355	n.a.
Receivables due from related parties	1,092	n.a.	4,086	n.a.
Other current financial assets	9,647	n.a.	10,496	n.a.
Other non-current financial assets	4,731	n.a.	8,983	n.a.
Investments at amortized cost	193,748	184,502	164,444	164,262
Financial assets at amortized cost	**1,198,661**	**n.a.**	**1,504,806**	**n.a.**
Equity instruments at fair value through profit or loss*	2,691	2,691	3,914	3,914
Debt instruments at fair value through other comprehensive income*	38,515	38,515	30,363	30,363
Debt instruments at fair value through profit or loss*	31,275	31,275	30,145	30,145
Financial assets at fair value	**72,480**	**72,480**	**64,422**	**64,422**

n.a. - not applicable as the practical expedient of IFRS 7.29 (a) was applied.
*mandatory
For further information on financial investments (at amortized cost and at fair value), see Note (19).

The fair values of investments at amortized cost include:

in TEUR, at December 31	2022	2021
Quoted bonds	176,099	139,181
Fixed-term deposits	8,403	25,081
Investments at amortized cost	**184,502**	**164,262**

The fair values of the quoted bonds 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. For fixed deposits the book value approximates the fair value.

The fair value hierarchy of financial investments measured at fair value reflects the market proximity of the inputs in such fair value measurements:

in TEUR	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
December 31, 2022	72,009	472	0	72,480
December 31, 2021	63,410	1,012	0	64,422

Financial liabilities

in TEUR, at December 31	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Short-term bank debt	521,658	521,781	803,510	803,873
Bonds	1,047,082	993,561	1,795,822	1,873,794
Long-term bank debt	300,000	304,827	0	0
Payables due to related parties	835	n.a.	604	n.a.
Current financial liabilities	771,543	n.a.	654,163	n.a.
Other non-current financial liabilities	39,073	36,953	42,934	42,953
Financial liabilities at amortized cost	**2,680,191**	**n.a.**	3,297,033	n.a.
Lease liabilities	**680,909**	**n.a.**	767,098	n.a.

n.a. - not applicable as the practical expedients of IFRS 7.29 (a) respectively IFRS 7.29 (d) for lease obligations were applied.
For further information on short-term financial liabilities, see Note 0.

The fair values of the quoted bonds (EMTN bonds and Eurobonds) equal the face value multiplied by the price quotations at the reporting date and are thus classified as Level 1 of the fair value hierarchy.

The fair values of the bank liabilities are measured at the present values of the cash flows associated with the debt, based on the applicable yield curve. The fair values of other non-current financial liabilities are measured at the present value of their cash flows based on current discount rates. Thus, these financial liabilities are classified as Level 2 of the fair value hierarchy.

Financial risk management

Overview

A1 Group is exposed to various financial risks with respect to its financial assets, liabilities and anticipated transactions, including credit risk, liquidity risk and the market risk which comprises interest rate and foreign currency exchange rate risk.

The financial risk management is centrally organized. The guideline establishing policies, responsibilities and competences is valid for both the Group Treasury and the financial departments of the subsidiaries. The existing risks are regularly monitored and, if necessary, A1 Group responds to changes in market conditions. A1 Group neither holds nor issues derivative financial instruments for trading, hedging or speculative purposes.

At the reporting dates, A1 Group did not have any significant concentration of business transacted with a particular supplier or customer or creditor which could, if suddenly eliminated, significantly impact operations. Furthermore, A1 Group does not have any concentration of risk with respect to contractors, other services, franchises or other rights which could, if suddenly eliminated, severely impact operations.

A1 Group operates in markets in the Central Eastern European (CEE) region. Operations in the CEE region involve uncertainties, including transfer, currency and tax uncertainties that may affect business activities. The accompanying Consolidated Financial Statements reflect the Management Board's risk assessment of the impact on the operations and the financial position of A1 Group. The actual development of the future business environment may differ from this assessment.

Detailed explanations on further risks to which A1 Group is exposed as well as their risk management are disclosed in the Management Report in the chapter "Risk and Opportunity Management". Furthermore, the chapters "Segment development", "Impact of the Ukraine crisis" and "Risks in connection with the conflict in Ukraine" provide information on the macroeconomic uncertainties and risks in Belarus.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from accounts receivable trade and investment activities.

Financial investments and cash and cash equivalents

A1 Group holds cash with various financial institutions with appropriate credit standings. If no external rating is available, an internal rating is performed on the basis of quantitative ratios. Financial investments are entered into only with counterparties holding investment grade ratings. Therefore, neither was an exposure to a significant credit risk identified for financial investments and cash and cash equivalents nor has the risk of default increased significantly since the initial recognition. Accordingly, the expected 12 months' credit loss is recognized in profit or loss for debt instruments at fair value through other comprehensive income as well as for investments at amortized cost, as disclosed in Note (7). A1 Group applies external credit ratings to estimate expected credit losses and to determine if the credit risk for a debt instrument has significantly increased.

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

in TEUR, at December 31	2022	2021
Short- and long-term investments	266,228	228,866
Cash and cash equivalents	149,816	534,443
Carrying amount	**416,044**	763,308

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

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

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

in TEUR, at December 31	2022	2021
Accounts receivable: Subscribers, distributors and other	839,627	782,355
Financial assets	14,378	19,478
Contract assets	97,334	103,559
Carrying amount	**951,339**	905,392

Accounts receivable from related parties are not included as they are insignificant.

As a result of the low concentration of credit risk described above, A1 Group has no insurance for its accounts receivable. However, based on the credit assessment of retail and wholesale customers, A1 Group requires bank guarantees and cash deposits (see Notes (22) and (26)).

in TEUR, at December 31	2022	2021
Cash deposits	14,007	12,432
Bank guarantees	3,295	3,218

Impairment losses of contract assets and accounts receivable: subscribers, distributors and other are measured at the expected lifetime credit loss (see Note (6)). A1 Group uses an allowance matrix to determine the lifetime expected credit losses on accounts receivable: subscribers, distributors and other as well as contract assets.

The following table shows the total gross carrying amounts ("Gross") and the average expected credit losses ("ECL") for accounts receivable: subscribers, distributors and other measured by using the allowance matrix:

in TEUR, at December 31	Gross 2022	ECL 2022	Gross 2021	ECL 2021
Unbilled & billed, not yet due	766,047	20,394	719,986	23,039
Past due 0-30 days	57,249	4,929	49,743	5,484
Past due 31-60 days	15,932	5,891	16,068	5,330
Past due 61-90 days	10,271	4,345	8,911	4,325
More than 90 days	275,259	249,571	266,688	240,864
Total	**1,124,757**	**285,130**	1,061,396	279,041

A1 Group has grouped accounts receivable according to similar default patterns based on past experience (accounts receivable: subscribers, installment sales, distributors, interconnection and roaming) and the loss rates are based on days past due. The loss allowance matrix is based on A1 Telekom Austria's historically observed default rates, which are updated annually. Due to the large number of customers and the high degree of diversification of the portfolio the default risk of individual industries in which customers operate has less of an influence on the overall credit risk. Nevertheless, since the outbreak of the COVID-19 pandemic in 2020, forward-looking information has been taken into account in determining the general loss allowance for accounts receivable not yet due from subscribers and from installment sales. In the years 2020 to 2021, A1 Group estimated a rise in insolvencies, especially once government support had expired. This assumption has not been confirmed and the valuation allowance 2022 was reduced accordingly. However, in view of the difficult macroeconomic situation (significant increase in prices for goods, services and energy and the continuing forecasted increase in private and corporate insolvencies), credit losses for the year 2022 are expected to exceed the pre-pandemic level. The total effect of these new estimates led to an income of TEUR 2,912 (see "Reversed" in the following table presenting the development of the loss allowance as well as Note (6)).

The assessment of the correlation between historically observed default rates, forecast economic conditions and expected credit losses represents a significant estimate. Customers' actual default in the future may differ from these estimates due to changes in the circumstances.

The following table shows the development of the loss allowance for accounts receivable: subscribers, distributors and other, net (see Note (10)):

in TEUR	2022	2021
At January 1	279,041	274,267
Foreign currency adjustment	-270	1,447
Reversed	-8,016	-5,846
Charged to expenses	45,930	47,063
Amounts written-off	-31,555	-37,890
At December 31	**285,130**	279,041

The maximum credit risk of accounts receivable: subscribers, distributors and other, net broken down by geographic region and the breakdown of the loss allowance was:

in TEUR, at December 31	2022	2021
Domestic	1,066,476	1,012,540
Foreign	58,281	48,856
Loss allowances	-285,130	-279,041
Accounts receivable: Subscribers, distributors and other	**839,627**	782,355
Thereof		
Specific loss allowance	6,633	3,922
General loss allowance	278,498	275,119

If there is objective evidence that A1 Group will not be able to collect all amounts due according to the original terms, a default in payment is expected and an impairment is recorded (specific loss allowance). Serious financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered to be indicators that the receivable is impaired. A financial asset is impaired if the collection of contractual cash flows cannot be reasonably expected. In 2022, income from collections of impaired receivables subject to enforcement activity amounted to TEUR 2,705 (2021: TEUR 4,698) and was recognized in other operating income (see Note (5)).

At December 31, 2022, accounts receivable: subscribers, distributors and other from A1 Group's customer with the highest turnover amount to TEUR 6,742 (2021: TEUR 6,271). Thus, there is no major concentration of risk of default respectively credit risk.

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

in TEUR	2022	2021
At January 1	**2,958**	2,955
Foreign currency adjustment	0	3
Reversed	-5,168	-5,315
Charged to expenses	5,053	5,315
At December 31	**2,844**	2,958

Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate of the receivables "not yet billed & billed and not yet due". Upon reclassification to receivables, the impairment of contract assets is derecognized.

Impairment losses on financial assets are based on the expected credit loss for twelve months and are disclosed in Notes (13) and (20). Loss allowances for finance lease receivables are measured at the expected credit loss and are disclosed in Note (30).

Liquidity risk

Liquidity risk is the risk that A1 Group will not be able to meet its financial obligations as they fall due. A1 Group's approach to managing liquidity is to ensure that A1 Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. A monthly rolling consolidated liquidity planning is drawn up for this purpose and serves as the basis for determining the liquidity requirement. Furthermore, there is a liquidity reserve in the form of committed credit lines.

Funding sources

A1 Group's Treasury department is responsible for the financial management and makes optimum use of potential synergies in financing the operations of A1 Group's subsidiaries. Its primary objective is to secure liquidity in a cost-effective manner by pooling the cash flows and clearing group accounts. This ensures the management of short-term investments and loans at optimal interest rates with minimal administrative effort.

Cash flow from operations is the basis for securing sufficient liquidity of A1 Group. Principal sources of external funding are bank loans and capital markets. For details of outstanding long-term debt and a description of the different types of debt as of the reporting date, see Note (25).

At December 31, 2022, A1 Group disposes of unutilized committed credit lines of TEUR 1,227,000 (2021: TEUR 1,015,000).

- Credit lines of TEUR 1,000,000 have a term until July 2026 (2021: July 2026).
- TEUR 15,000 have a maximum term until September 2023 (2021: September 2022).
- TEUR 200,000 were concluded in 2022 and have a term until October 2024.
- From a further committed credit line of TEUR 500,000, which was concluded in 2022 and has a term until March 2025, TEUR 488,000 were drawn at December 31, 2022.

Furthermore, as at December 31, 2022, A1 Group has a Commercial Paper Program with a maximum volume of TEUR 1,000,000 (2021: TEUR 1,000,000). At December 31, 2022 and 2021, no Commercial Papers were issued.

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. Foreign currency amounts were translated at the rates valid on the reporting date.

in TEUR	Contractual cash flow	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
At December 31, 2022						
Bonds	1,105,500	0	321,750	11,250	772,500	0
Bank debt	837,043	525,667	3,778	307,598	0	0
Accounts payable - trade	674,560	663,548	1,738	2,893	6,348	32
Lease obligations	745,224	101,996	69,825	150,059	252,704	170,639
Other financial liabilities	135,113	95,132	1,215	15,906	16,894	5,966
At December 31, 2021						
Bonds	1,907,250	780,000	21,750	321,750	783,750	0
Bank debt	801,113	3,510	797,602	0	0	0
Accounts payable - trade	543,323	525,857	3,321	7,781	6,364	0
Lease obligations	803,539	96,840	69,762	153,935	312,360	170,642
Other financial liabilities	125,665	83,618	1,339	14,624	16,423	9,660

It is not expected that the cash flows of the financial liabilities included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risks

Market risk is the risk of changes in market prices. A1 Group faces the risk of market price changes in interest rates and foreign exchange rates.

Interest rate risk

Financial liabilities

TEUR 300,000 of the financial liabilities recognized at December 31, 2022 have a variable interest rate (see Note (25)). A change in the interest rate of 0.5 percentage points would increase the yearly net profit by TEUR 1,500. In 2021, all of A1 Group's long-term and the majority of its short-term debt had fixed interest rates. Hence there was no significant cash flow exposure due to fluctuating interest rates and no sensitivity analysis was provided (see Notes (21) and (25)).

Financial investments

Changes in interest rates have an impact on the fair value of financial investments held. As investments at amortized cost are not measured at fair value, changes in interest rates only have an impact on the carrying value of debt instruments held at fair value through other comprehensive income or through profit or loss (see Note (19)). A change in the interest rate of 0.5 percentage points would change other comprehensive income by TEUR 360 (2021: TEUR 371) and profit by TEUR 395 (2021: EUR 392), respectively.

Hedging reserve

The hedging reserve results from the three forward-starting interest rate swap contracts (pre-hedges) entered into in 2011 with a face value of TEUR 100,000 each. The related hedging reserve is released in the Consolidated Statement of Comprehensive Income in accordance with the recognition of interest expense on the bond, which was issued on July 4, 2013, as the interest rate risk on that bond was hedged. In 2022 and 2021, the release of the hedging reserve through other comprehensive income resulted in interest expense amounting to TEUR 5,840 and a tax benefit amounting to TEUR 1,460.

Exchange rate risk

At December 31, 2022 and 2021, of all accounts receivable: subscribers, distributors and other, net as well as accounts payable trade, only the following are denominated in a currency other than the functional currency of the reporting entities (for foreign exchange rates, see Note (3)):

in TEUR, at December 31		2022			2021	
Denominated in	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors, other	11,524	2,521	10,809	8,731	4,263	8,447
Accounts payable - trade	71,125	4,783	8,959	71,167	4,089	11,088

At December 31, 2022 and 2021, a change of 10% in the exchange rate for the monetary items listed above (see Note (3)) would increase/decrease foreign exchange rate differences as follows:

in TEUR	2022	2021
Croatian kuna (HRK) *	0	2,298
Serbian dinar (RSD)	1,264	1,241
Belarusian ruble (BYN)	268	412

*Due to the introduction of the euro in Croatia on January 1, 2023, there is no exchange rate risk at December 31, 2022 (see Notes (3) and (38)).

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

(34) Companies and business combinations

Name and company domicile	Share in capital at December 31, 2022 in %	Method of consolidation*	Share in capital at December 31, 2021 in %	Method of consolidation*
Segment Austria				
A1 Telekom Austria Aktiengesellschaft, Vienna	100.00	FC	100.00	FC
Telekom Austria Personalmanagement GmbH, Vienna	100.00	FC	100.00	FC
A1now TV GmbH in Liqu, Vienna	100.00	FC	100.00	FC
CableRunner GmbH, Vienna	76.00	FC	76.00	FC
CableRunner Austria GmbH & Co. KG, Vienna	76.00	FC	76.00	FC
World-Direct eBusiness solutions Gesellschaft m.b.H., Vienna	100.00	FC	100.00	FC
paybox Bank AG, Vienna	100.00	FC	100.00	FC
paybox Service GmbH, Vienna	100.00	FC	100.00	FC
wedify GmbH, Vienna	100.00	FC	100.00	FC
mk Logistik GmbH, Vienna	100.00	FC	100.00	FC
A1 Towers Austria GmbH, Vienna	100.00	FC	100.00	FC
A1 Open Fiber GmbH, Vienna	100.00	FC	-	-
Canal+ Austria GmbH, Vienna	49.00	EQ	49.00	EQ
JetStream Hungary Kft., Budapest	100.00	FC	100.00	FC
JetStream Slovakia s.r.o., Bratislava	100.00	FC	100.00	FC
JetStream RO s.r.l., Bucharest	100.00	FC	100.00	FC
JetStream TR Telekomünikasyon Hizmetleri Ve Ticaret Limited Sirketi, Istanbul	100.00	FC	100.00	FC
JetStream Switzerland GmbH, Zurich	100.00	FC	100.00	FC
JetStream Poland Spolka Z Ograniczona Odpowiedzialnoscia, Warsaw	100.00	FC	100.00	FC
JetStream Germany GmbH, Frankfurt on the Main	100.00	FC	100.00	FC
JetStream Italy S.r.l., Milan	100.00	FC	100.00	FC
TA CZ sítě s.r.o., Prague	100.00	FC	100.00	FC
JetStream BH d.o.o. drustvo za telekomunikacije, Sarajevo	100.00	FC	100.00	FC
JetStream England Limited, London	100.00	FC	100.00	FC

Segment Bulgaria				
A1 Bulgaria EAD, Sofia	100.00	FC	100.00	FC
Cabletel-Prima AD, Nessebar	51.00	FC	51.00	FC
Aprimis, Sofia	100.00	FC	100.00	FC
A1 Towers Bulgaria EOOD, Sofia	100.00	FC	100.00	FC
STEMO EOD, Gabrovo	100.00	FC	-	-
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC
A1 Towers d.o.o., Zagreb	100.00	FC	100.00	FC
Segment Belarus				
Unitary enterprise A1 , Minsk	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Unitary enterprise Solar Invest, Brahin	100.00	FC	100.00	FC
A1 ICT services, Minsk	100.00	FC	100.00	FC
Segment North Macedonia				
A1 Makedonija DOOEL, Skopje	100.00	FC	100.00	FC
Telemedia DOOEL, Skopje	100.00	FC	100.00	FC
A1 TOWERS DOOEL Skopje, Skopje	100.00	FC	100.00	FC
LEANWORX DOOEL, Skopje	100.00	FC	100.00	FC
Segment Serbia				
A1 Srbija d.o.o., Belgrade	100.00	FC	100.00	FC
A1 TOWERS INFRASTRUCTURE d.o.o., Belgrade	100.00	FC	100.00	FC
Segment Slovenia				
A1 Slovenija d.d., Ljubljana	100.00	FC	100.00	FC
Telekomunikacijski sistem Radvanje Pekre Limuš d.d., Maribor	-	ME	90.46	FC
STUDIO PROTEUS, d.o.o., Postojna	100.00	FC	100.00	FC
A1 Towers d.o.o., Ljubljana	100.00	FC	-	-
Corporate & Other				
Telekom Finanzmanagement GmbH, Vienna	100.00	FC	100.00	FC
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100.00	FC	-	-
mobilkom Mazedonien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
Kroatien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
SB Telecom Ltd., Limassol	100.00	FC	100.00	FC
A1 Digital International GmbH, Vienna	100.00	FC	100.00	FC
A1 Digital Deutschland GmbH, Munich	100.00	FC	100.00	FC
Akenes S.A., Lausanne	100.00	FC	88.83	FC
A1 Towers Holding GmbH, Vienna	100.00	FC	100.00	FC
A1 Towers Bulgaria Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Croatia Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Macedonia Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Serbia Holding GmbH, Vienna (2021: mobilkom CEE Beteiligungsverwaltung GmbH)	100.00	FC	100.00	FC
A1 Towers Slovenia Holding GmbH	100.00	FC	-	-
Invenium Data Insights GmbH, Graz	51.00	FC	51.00	FC

* FC – full consolidation, EQ – equity method, ME – merged, LIQ – liquidation
All affiliated companies have December 31 as their reporting date.

According to IFRS 3, business combinations are accounted for using the acquisition method at the acquisition date, which is the date when the acquirer obtains control over the acquiree. Goodwill is measured as the difference between the aggregate of the fair value of the consideration transferred as of the acquisition date, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree less the fair value of the identifiable assets acquired and the liabilities assumed. Non-controlling interests are not measured at fair value but at their share of the fair value of identified net assets of the acquiree. In accordance with IFRS 3.45, goodwill may be adjusted for subsequent changes in the estimated purchase price. If the fair value of the net assets acquired exceeds the consideration transferred, the gain resulting from a bargain purchase is immediately recognized in other operating income in profit or loss. Transaction costs are expensed as incurred. In case of an acquisition achieved in stages, the previously held interest is restated at fair value and any resulting difference is recognized in profit or loss. All transactions with non-controlling interest holders are recognized directly in stockholder's equity. No non-controlling interests are recognized for acquisitions where a put option is granted to the remaining non-controlling shareholders, as A1 Group applies the anticipated acquisition method. In the course of the allocation of the consideration transferred, fair values of assets and liabilities acquired are determined based on state-of-the-art discounted cash flow methods. The input factors used are categorized as Level 3 of the fair value hierarchy defined by IFRS 13.

Stemo

On August 15, 2022, A1 Group acquired 100% of STEMO EOD, Gabrovo ("Stemo") via its Bulgarian subsidiary A1 Bulgaria to further expand its ICT business. Stemo is a well-established Bulgarian ICT company selling integrated hardware solutions, producing and implementing information systems and software solutions and providing a full set of managed services.

The fair values of assets acquired and liabilities assumed on the acquisition date are disclosed in the following table:

Acquisition of Stemo in TEUR	Fair values on acquisition date
Property, plant and equipment	1,190
Intangible assets	8,284
Right-of-use assets	270
Other assets and receivables	1,742
Inventories	1,778
Cash and cash equivalents	104
Lease liabilities	-275
Deferred tax liabilities	-666
Accounts payable	-1,287
Contract liabilities	-1,450
Employee benefits	-587
Other liabilities	-1,380
Net assets acquired	**7,724**
Goodwill	13,938
Consideration transferred	**21,662**
Purchase price not yet paid	-6,297
Cash and cash equivalents acquired	-104
Net cash outflow	**15,261**

The tangible and intangible assets acquired are disclosed in the Notes (15) and (16) in "Changes in reporting entities". The factors contributing to goodwill are earnings expectations based on the future growth in the ICT business and synergies especially in SAP integration and digital projects.

The deferred consideration is conditional on Stemo being able to achieve the set targets as well as to preserve the workforce and customer base. The amount recognized at acquisition corresponds to the discounted value of the expected payment.

Since the acquisition date, Stemo has contributed revenues of TEUR 16,537 and a profit of TEUR 592. Acquisition-related costs, which are reported in the line item "selling, general & administrative expenses", amount to TEUR 127. Since the effect of the acquired entity on the Consolidated Financial Statements is not considered significant, no pro-forma information is presented. Stemo is reported in the segment Bulgaria.

Tower companies

In 2020, A1 Group began to develop scenarios in which the potential of its mobile communications sites can be better exploited through a targeted management focus on internal efficiencies and higher occupancy rates. In 2022 and 2021, the so-called "tower companies" respectively "tower holding companies" were founded in this context in some segments.

Parts of the passive infrastructure of the radio towers of the operative companies ("A1 companies") were transferred into the tower companies. This passive infrastructure of the radio towers comprises components that are not directly attributable to the mobile network, such as foundations and metal structures, containers, air-condition units, power supply and other support systems. In the segments Bulgaria and Croatia, the corresponding radio towers and the related provisions for asset retirement obligations as well as the right-of-use assets and lease liabilities were already transferred to the tower companies in 2021. In the segments Slovenia, Serbia and North Macedonia, the transfer was effected in 2022.

In all five segments, new lease contracts were concluded between the tower companies and the A1 companies and in accordance with IFRS 16, related right-of-use assets and lease liabilities were recognized in the A1 companies. As all other intercompany transactions, these are eliminated in consolidation and do not have an impact on the segment or group result.

(35) Contingent assets and liabilities

In the normal course of business, Telekom Austria AG and its subsidiaries are subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to network access. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty. Consequently, the Management Board is unable to ascertain the ultimate aggregate amount of the monetary liability or the impact on the financial position of A1 Group with respect to these matters at December 31, 2022. These matters could affect the results or cash flows of any quarter when resolved in future periods. However, the Management Board believes that, after final settlement, any monetary liability or financial impact on A1 Group, beyond such provided for at year-end, would not be material to its Consolidated Financial Statements.

In the course of a tax audit in Austria the provision related to the reference date for salary increments of Austrian civil servants was not accepted for tax purposes for the financial year 2015. A1 Group filed an appeal against the assessment which could result in an additional tax payment of TEUR 11,600. As the Austrian law regarding the reference date was repeatedly repealed later on by the European Court of Justice (see also Note (23)), A1 Group expects with a high degree of probability that the appeal will be successful. Thus, no tax liability was recognized.

In Serbia, a lawsuit regarding copyright infringement is pending. A1 Group filed a statement of defense in response to the lawsuit. In case the lawsuit is decided in favor of the plaintiff, A1 Group expects a maximum payment of TEUR 7,600. As A1 Group expects with a high degree of probability that the case will be dismissed, no provision was recognized.

Following a class action lawsuit against market leader Telekom Slovenije, an association of small shareholders is now also suing the Slovenian subsidiary of mobilkom CEE Beteiligungsverwaltung GmbH, A1 Slovenija (see Note (34)), for allegedly unjustified unilateral price increases for contract customers. Both lawsuits have so far only been announced via the media, but have not yet been delivered. The lawsuit against A1 Slovenija is said to amount to EUR 52.3 million. The plaintiff's chances of success are currently considered unlikely.

In its tax assessment the Austrian Tax Authority did not accept the treatment of value-added tax on expired prepaid telephone card credit respectively the change in the place of performance with regard to value-added tax on certain telecommunication services in A1 Group for the years 2010 to 2016. A1 Group filed an appeal against the Tax Authority’s assessment at the Federal Finance Court and will file an appeal at the European Court of Justice if necessary. The possible subsequent payment of taxes relating to both circumstances would amount to TEUR 8,200 for the years 2010 to 2022. As A1 Group expects with a high probability that the appeal will be granted, no tax liability was recognized.

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

At December 31, 2022 and 2021, the Management Board of Telekom Austria AG consists of three members: Thomas Arnoldner as Chief Executive Officer (CEO) took office on September 1, 2018. Alejandro Plater as Chief Operating Officer (COO) has been a member of the Management Board since March 6, 2015 and Siegfried Mayrhofer as Chief Financial Officer (CFO) since June 1, 2014.

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

in TEUR	2022	2021
Base salary (incl. remuneration in kind)	1,680	1,682
Variable yearly remuneration (Short Term Incentive - "STI")	2,428	2,131
Multi-year share-based remuneration (Long Term Incentive Program)*	1,334	444
Total	5,442	4,256
Compensation Supervisory Board	365	376

* In 2022, the remuneration relates to the payment of the tranche for LTI 2019 (2021: LTI 2018), see Note (31).

(37) Employees

The average number of employees during the year 2022 was 17,860 (2021: 17,944). At December 31, 2022, A1 Group employed 17,906 (2021: 17,856) employees (full-time equivalents).

(38) Subsequent events

On January 1, 2023, the euro was introduced in Croatia and thus replaces the Croatian kuna as the functional currency of the Croatian subsidiaries. The exchange rate for one euro was set at 7.53450 Croatian kuna. The translation reserve recognized in equity until December 31, 2022 remains unchanged.

Short-term bank debt of TEUR 521,648 was redeemed according to plan (see Note (21)). TEUR 507,000 was refinanced at an average fixed rate of 2.09%.

(39) Release for publication

On February 3, 2023, the Management Board of Telekom Austria AG approved the Consolidated Financial Statements for submission to the Supervisory Board. The Supervisory Board will review the Consolidated Financial Statements and report its decision on approval.

Vienna, February 3, 2023

CEO Thomas Arnoldner | COO Alejandro Plater | CFO Siegfried Mayrhofer

Declaration of the Management Board

We confirm to the best of our knowledge that the consolidated financial statements prepared according to the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management report describes the development and performance of the business and the position of the Group in a way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the management report describes the principal risks and uncertainties of the Group.

Vienna, February 3, 2023

The Management Board of Telekom Austria

Thomas Arnoldner Chief Executive Officer	Alejandro Plater Chief Operating Officer	Siegfried Mayrhofer Chief Financial Officer

Auditor's report*

Report on the Consolidated Financial Statements

Audit opinion

We have audited the consolidated financial statements of

Telekom Austria Aktiengesellschaft, Vienna,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2022 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Valuation of property, plant and equipment and intangible assets, including goodwill
2. Revenues and related IT systems

* This report is a translation of the original report in German, which is solely valid.

1. Valuation of property, plant and equipment and intangible assets, including goodwill

Description

A1 Group shows significant amounts of goodwill (mEUR 1,299.9), intangible assets (mEUR 1,608.0), right of use assets (mEUR 677.9) and property, plant and equipment (mEUR 3,054.1) in its consolidated financial statements as of December 31, 2022.

Under IFRS, an entity is required to annually test the amount of goodwill and intangible assets with an indefinite life for impairment. For intangible assets with a definite life as well as property, plant and equipment, it is required to assess on each balance sheet date whether impairment indicators exist and if they exist, an impairment test is required for these assets.

A1 Group's disclosures about goodwill, intangibles assets and property, plant and equipment and related impairment testing are included in Note 4 (Estimations), Note 15 (Property, plant and equipment), Note 16 (Intangibles) and Note 17 (Goodwill) in the consolidated financial statements.

We considered the impairment testing of property, plant and equipment and intangible assets, including goodwill, as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and re-quires judgment. The impairment tests include assumptions that are affected by future market or economic conditions. We refer in particular to the developments in 2022 as a result of the Ukraine-crisis which may have significant impacts on the impairment testing. Especially the Belarusian subsidiary, which is active on a relevant market for A1 Group, can be affected by these developments.

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the design and implementation of the controls over the impairment testing process.

Furthermore, we evaluated the composition of cash generating units (CGU's) and the assets allocated to each CGU.

We compared forecasted revenues and EBITDA margins as well as capital expenditure and changes in working capital for all CGU's with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates. We took especially the current developments as a result of the Ukraine-crisis into consideration. EY valuation specialists as-sisted us in performing the audit procedures.

Furthermore, we analyzed possible risks in the context of the political development in Belarus respectively their impact on the business model and critically discussed with the group management, the local management as well as the component auditor in order to evaluate the appropriateness of the projections in the valuation model for the CGU Belarus.

We also evaluated the adequacy of disclosures made regarding impairment testing and related assumptions.

2. Revenues and related IT systems

Description

A1 Group's revenues in 2022 resulted from various revenue streams and IT systems processing millions of records per day.

A1 Group's disclosures about revenues are included in Note 5 (Revenues) in the consolidated financial statements.

Revenues and related IT systems were important for our audit as there is an industry inherent risk around the accuracy of revenues recorded given the complexity of systems and the large volume of data processed as well as the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the accounting policies relating to revenue recognition and the impact of new business models. In particular we evaluated the related accounting treatment of multiple element contracts (identification and separation of customer contracts in separate accounting units, identification of separate performance obligations, determination as well as allocation of the transaction price) in accordance with IFRS 15. In addition, we assessed the impact of custom-er loyalty programs on revenue recognition.

Furthermore, we assessed the design and operating effectiveness of the controls over the revenue processes including the revenue related IT systems (rating, billing and other support systems) and IT general controls with involvement of EY IT specialists.

We performed substantive audit procedures on revenues to corroborate the results of the design and implementation assessment of controls over revenue related processes and IT systems.

Finally, we also evaluated the adequacy of disclosures made regarding revenues.

Other information

The legal representatives are responsible for the other information. The other information comprises all information in the combined annual report, except for the consolidated financial statements, the group management report and the auditor's report.

We received the consolidated non-financial report and the consolidated Corporate Governance Report until the date of this audit opinion; the rest of the combined annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realis-tic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting on June 27, 2022. We were appointed by the Supervisory Board on December 14, 2022. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Severin Eisl, Austrian Certified Public Accountant.

Vienna, February 3, 2023

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. (FH) Severin Eisl mp
Wirtschaftsprüfer / Certified Public Accountant

ppa Mag. Marion Raninger mp
Wirtschaftsprüferin / Certified Public Accountant

Financial calendar

April 25, 2023:	Results Q1 2023
May 28, 2023:	Record date: Annual General Meeting
June 7, 2023:	Annual General Meeting
June 12, 2023:	Dividend ex-date
June 13, 2023:	Dividend record date
June 15, 2023:	Dividend payment date
July 11, 2023:	Results Q2 and H1 2023
October 17, 2023:	Results Q3 and Q1-Q3 2023

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Disclaimer

This document contains forward-looking statements. These forward-looking statements are usually accompanied by words such as "believe", "intend", "anticipate", "plan", "expect" and similar expressions or by "outlook". Actual events may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Neither the A1 Group nor any other person assumes any liability for any such forward-looking statements. The A1 Group will not update these forward-looking statements, whether due to changed factual circumstances, changes in assumptions or expectations.

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Imprint

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