MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED MARCH 31, 2020

EGYÜTT. VELED

Budapest – May 13, 2020 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB, hereinafter the "Company"), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the first quarter of 2020, in accordance with International Financial Reporting Standards (IFRS).

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q1 2019	Q1 2020	Change (%)
Total revenues	158,949	159,333	0.2%
Operating profit	12,586	12,723	1.1%
Profit attributable to:			
Owners of the parent	3,101	(1,593)	(151.4%)
Non-controlling interests	881	781	(11.4%)
	3,982	(812)	(120.4%)
Gross profit	92,171	92,241	0.1%
EBITDA	46,372	46,401	0.1%
EBITDA AL	40,428	40,853	1.1%
	1-3 months 2019	1-3 months 2020	Change (%)
Free cash flow	(25,880)	(18,341)	29.1%
CAPEX after lease	14,251	21,427	50.4%
Number of employees (closing full equivalent)	8,507	7,494	(11.9%)
	Dec 31, 2019	Mar 31, 2020	Change (%)
Net debt	349,357	376,430	7.7%
Net debt / total capital	35.6%	37.1%	n.a.

- Stable revenues as sustained growth in telecommunication service revenues in both countries of operation was offset by a decline in SI/IT project demand in Hungary
- Gross profit remained unchanged as the higher weight of telecommunication services in the sales mix was balanced by elevated bad debt and telecom tax expenses
- Severance expenses of HUF 4.0 billion largely offset by savings related to headcount reduction and lower advisory costs, leading to flat indirect costs
- EBITDA AL improved moderately as stable EBITDA was coupled with lower IFRS 16 related depreciation and interest expenses
- Negative free cash flow in the amount of HUF 18.3 billion was driven by seasonal factors such as high payments to suppliers, coupled with utility tax and income tax payments and a negative foreign exchange (FX) impact stemming from the weakening of the forint
- 5G spectrum license payments amounting HUF 54.2 billion and the capitalization of the present value of frequency fees in the amount of HUF 37.3 billion will be recognized in the second quarter
- Dividend, following the authorization granted by Government Decree, the Board of Directors approved the payment of HUF 20 dividend per share after 2019 results

Tibor Rékasi, CEO commented:

"I am pleased to report that despite the negative impact of the COVID-19 pandemic towards the end of the quarter, thanks to continued focus on executing our commercial and strategic priorities, we delivered broadly stable total revenues and EBITDA year-on-year.

Our main focus since the outbreak of the coronavirus has been on the swift implementation of measures to safeguard the health and safety of both our employees and customers. We have introduced strict social distancing across the Group and, at this time, around 80% of our employees are working remotely. While the majority of our points of sale remain open, we have significantly limited traffic within stores. Our call centers and online support services are successfully handling the resulting increased volumes of customer requests. In an effort to support our customers during this challenging period, we are also providing free mobile data and TV content, a range of attractively priced laptops and tablets, free voice usage for the most vulnerable in our society as well as payment restructuring for customers in financial difficulties.

Digitalization has been of vital importance in these times of unprecedented crisis and our networks are playing a critical role in keeping businesses and families connected. To ensure the reliability and security of our networks, we continue to invest in our infrastructure. The rollout of our fiber network remains a key priority and capex dedicated to such investments has doubled versus the first quarter of 2019. Since acquiring spectrum licenses related to 5G and mobile broadband services, we commenced commercial 5G services in early April and intend to steadily expand our coverage over the coming months.

Looking ahead, while the precise impact of the current crisis on our financial performance remains uncertain, as a telecommunications provider, demand for our services remains strong. Since the start of the pandemic, we have seen higher voice and data traffic across our fixed and mobile networks and a lower level of international roaming. At the same time, demand for IT services has been shaped by social distancing measures with projects facilitating digitalization of businesses among the most sought-after. These projects, while of great significance longer term, have a lower contribution to our profitability today. We also expect our profitability to be affected by higher expenses driven by increased usage levels and the weakening of the forint. To mitigate the impact of such trends on our performance we intend to pursue further cost optimization measures that will support us in our efforts to reach our targets for the full year.

Given the high level of uncertainty regarding the duration of the restrictions and its impact on the economy, we will continue to closely monitor the impact of the pandemic on our operations and provide further updates to all our stakeholders as the situation evolves."

	2019 Actual	Public guidance for 2020	Public guidance for 2021
Revenue	HUF 666.7 billion	broadly stable	
EBITDA AL	HUF 197.6 billion	increasing at 1%-2% per annum	
Capex[1]	HUF 89.6 billion	broadly stable	
FCF[2]	HUF 65.1 billion	increasing at ca 5%	broadly stable

[1] *excluding spectrum license fees and CAPEX of right-of-use assets (i.e. the impact of IFRS 16)*
[2] *excluding spectrum license fees*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

Consolidated Statements of Comprehensive Income (HUF million)	Q1 2019	Q1 2020	Change	Change (%)
Revenues				
Mobile revenues	84,877	88,147	3,270	3.9%
Fixed line revenues	52,681	52,831	150	0.3%
System Integration/Information Technology revenues	21,391	18,355	(3,036)	(14.2%)
Total revenues	**158,949**	**159,333**	**384**	**0.2%**
Direct costs	**(66,778)**	**(67,092)**	**(314)**	**(0.5%)**
Gross profit	**92,171**	**92,241**	**70**	**0.1%**
Indirect costs	**(45,799)**	**(45,840)**	**(41)**	**(0.1%)**
EBITDA	**46,372**	**46,401**	**29**	**0.1%**
Depreciation and amortization	(33,786)	(33,678)	108	0.3%
Operating profit	**12,586**	**12,723**	**137**	**1.1%**
Net financial result	(5,625)	(10,969)	(5,344)	(95.0%)
Share of associates' and joint ventures' results	100	(66)	(166)	n.m.
Profit before income tax	**7,061**	**1,688**	**(5,373)**	**(76.1%)**
Income tax	(3,079)	(2,500)	579	18.8%
Profit for the period	**3,982**	**(812)**	**(4,794)**	**n.m.**
Profit attributable to non-controlling interests	881	781	(100)	(11.4%)
Profit attributable to owners of the parent	**3,101**	**(1,593)**	**(4,694)**	**n.m.**

Total revenues remained broadly stable year-on-year at HUF 159.3 billion in Q1 2020, as increases in telecommunication service revenues in both Hungary and North Macedonia were offset by a decline in Hungarian System Integration and IT sales.

- **Mobile revenues increased by 3.9% year-on-year to HUF 88.1 billion in Q1 2020,** as the continued increase in mobile data revenues more than offset the decline in voice revenue witnessed in both countries.
  - **Voice retail** revenues declined by 3.6% year-on-year to HUF 31.0 billion, as a result of lower prepaid revenues in both countries, intense competition-driven price erosion in the Hungarian mid-sized business segment, as well as lower roaming revenues as a result of the COVID-19 pandemic.
  - **Voice wholesale** revenue rose by 17.4% year-on-year to HUF 2.8 billion in Q1 2020, driven by higher incoming domestic mobile traffic in Hungary, as well as higher machine-to-machine (M2M) traffic in North Macedonia.
  - **Data** revenues grew 14.1% year-on-year to HUF 24.4 billion in Q1 2020, due to a higher number of mobile internet subscribers across the Group.
  - **SMS** revenues increased by 6.6% year-on-year to HUF 5.1 billion in Q1 2020, reflecting a continued increase in residential usage by a growing postpaid customer base, as well as higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenue increased by 3.1% year-on-year to HUF 22.0 billion in Q1 2020, primarily attributable to higher third party export sales at the Hungarian operation, coupled with moderately higher sales in North Macedonia.
  - **Other mobile** revenues remained broadly unchanged year-on-year at HUF 2.7 billion in Q1 2020, reflecting the combined impact of lower late payment revenues offset by moderate increase in visitor revenues.
- **Fixed line revenues remained stable year-on-year at HUF 52.8 billion in Q1 2020,** as higher broadband and TV revenues were offset by the decline in equipment sales and other revenues.
  - **Voice retail** revenues declined by 5.0% year-on-year to HUF 10.0 billion in Q1 2020, reflecting the continued decline in voice usage levels in both countries.
  - **Broadband retail** revenues increased by 9.4% year-on-year to HUF 14.7 billion in Q1 2020, with revenue growing in both countries of operation. In Hungary, higher customer numbers were coupled with increased ARPUs reflecting the continued migration towards higher bandwidth packages. In North Macedonia, the positive impact from the expansion of the subscriber base was partly offset by a decline in price levels.

- **TV** revenues were up 6.2% year-on-year at HUF 12.7 billion in Q1 2020, owing to sustained growth of the customer base in both countries.
- **Fixed equipment** revenues declined by 12.9% to HUF 5.0 billion in Q1 2020, due to a shift in customer demand toward mobile equipment and a reduction in transaction volumes during the COVID-19 pandemic.
- **Data retail** revenues declined by 6.2% year-on-year to HUF 2.1 billion in Q1 2020, reflecting pricing pressure in this market segment in Hungary.
- **Wholesale** revenues increased moderately year-on-year to HUF 4.7 billion in Q1 2020, as a decline in network related revenues was offset by higher voice wholesale revenues.
- **Other fixed line** revenues decreased by 13.1% year-on-year to HUF 3.6 billion in Q1 2020, reflecting higher level of discounts provided for customers in relation to online bill payments coupled with lower media content related revenues in Hungary.

- **System Integration (SI) and IT revenues declined by 14.2% year-on-year to HUF 18.4 billion in Q1 2020.** Revenues in Hungary contracted due to lower income from Hungarian public and corporate sector projects. SI/IT revenues in North Macedonia increased considerably, reflecting a recovery in public sector demand, mainly in the fields of customized solution projects, cloud computing and internet protection.

Direct costs increased slightly year-on-year, to HUF 67.1 billion in Q1 2020, as lower SI/IT related costs were offset by increases in interconnect costs and telecom taxes (both reflecting higher usage levels).

- **Interconnect costs** increased by 10.3% year-on-year to HUF 5.3 billion in Q1 2020, reflecting increased off-network mobile voice and SMS traffic in both countries, which led to higher payments to domestic mobile operators.
- **SI/IT service related costs** declined by 14.6% year-on-year to HUF 12.8 billion in Q1 2020, driven by a lower volume of projects.
- **Bad debt expenses** deteriorated by HUF 0.6 billion year-on-year to HUF 2.7 billion in Q1 2020. This was the combined result of a higher bad debt expense due to the COVID-19 pandemic, as well as the release of certain customers from a loyalty period, partly mitigated by the favorable aging of mobile receivables at the Hungarian operation.
- **Telecom tax** was up 3.9% year-on-year at HUF 6.5 billion in Q1 2020, reflecting an increase in mobile voice traffic in both business and residential segments, driven by social distancing measures implemented in Hungary in response to the COVID-19 pandemic.
- **Other direct costs** increased by 3.1% year-on-year to HUF 39.8 billion in Q1 2020, primarily due to an increase in TV content outpayments, which were further amplified by the weakening of the forint against the euro and could only be partially offset by lower equipment costs .

Gross profit remained stable year-on-year at HUF 92.2 billion in Q1 2020, as further improvements in telecommunication service revenue trends were offset by lower SI/IT results and increases in bad debt and telecom tax expenses.

Indirect costs remained broadly unchanged year-on-year at HUF 45.8 billion in Q1 2020, as savings in employee related expenses were offset by lower other operating income.

- **Employee-related expenses** improved by 1.8% year-on-year to HUF 22.2 billion in Q1 2020, as higher severance expenses in relation to headcount reduction programs in Hungary and North Macedonia, were offset by savings at the Hungarian operation thanks to the continuous decline in the company's headcount.
- **Hungarian utility tax** remained stable at HUF 7.2 billion in Q1 2020, reflecting the combined impact of an increase in the length of the taxable network (mostly due to the refinement of the cable network records and network acquisitions) offset by the positive effects of Magyar Telekom's tax credit relating to its new network investments and upgrades that enable internet access of at least 100 Mbps.
- **Other operating expenses** improved moderately year-on-year to HUF 16.8 billion in Q1 2020, as general saving measures, most prominently on advisory costs, offset the negative FX impact from the weakening of the forint.
- **Other operating income** was HUF 0.6 billion lower year-on-year at HUF 0.3 billion in Q1 2020. The decline reflects the absence of accrual releases of over 5 years positively impacting Q1 2019 results coupled with one-off correction unfavorably effecting Q1 2020.

EBITDA remained flat year-on-year at HUF 46.4 billion in Q1 2020, as a result of stable gross profits and indirect costs. **EBITDA AL improved moderately by 1.1% year-on-year to HUF 40.9 billion** driven by lower IFRS 16 related D&A and interest expense due to reassessment and modification events.

Depreciation and amortization (D&A) expenses decreased by HUF 0.1 billion year-on-year to HUF 33.7 billion in Q1 2020.

Profit for the period declined from HUF 4.0 billion in Q1 2019 to negative HUF 0.8 billion in Q1 2020, as the forint weakened significantly against the euro, leading to a deterioration in net financial results.

- **Net financial results** deteriorated HUF 5.3 billion year-on-year to HUF 11.0 billion in Q1 2020, reflecting the considerable 8.6% decline in the EUR-HUF exchange rate in the period. This resulted in a large increase in FX losses recorded in relation to lease liabilities as well as trade payables.

- **Income tax** expenses decreased from HUF 3.1 billion in Q1 2019 to HUF 2.5 billion in Q1 2020, while profit before tax declined from HUF 7.1 billion to HUF 1.7 billion. Revenue generation in the Group's business is typically more stable than profit, which can fluctuate significantly as a result of seasonal impacts. As local business tax is based on revenues and represents a substantial portion of income taxes, the scale of decline in tax expenses is lower than that in profit.

Profit attributable to non-controlling interests decreased by 11.4% year-on-year to HUF 0.8 billion in Q1 2020, as higher D&A expenses offset the increases in EBITDA leading to lower profits in the North Macedonian operation.

2.1.2 Group Cash Flows

Group Cash flows

HUF millions	1-3 months 2019	1-3 months 2020	Change
Operating cash flow	(1,496)	12,714	14,210
Investing cash flow	(23,727)	(26,695)	(2,968)
Less: (Payments for) / Proceeds from other financial assets - net	2,742	984	(1,758)
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(20,985)	(25,711)	(4,726)
Payments for lease and other financial liabilities	(3,399)	(5,344)	(1,945)
Total free cash flow	**(25,880)**	**(18,341)**	**7,539**
(Payments for) / Proceeds from other financial assets - net	(2,742)	(984)	1,758
Proceeds from / Repayment of loans and other borrowings -net	30,687	18,576	(12,111)
Dividend paid to shareholders and Non-controlling interests	0	(1)	(1)
Repurchase of treasury shares	0	0	0
Exchange differences on cash and cash equivalents	(19)	752	771
Change in cash and cash equivalents	**2,046**	**2**	**(2,044)**

Free cash flow (FCF) improved to HUF 18.3 billion cash outflow in Q1 2020 (Q1 2019: HUF 25.9 billion cash outflow), mainly due to the reasons described below.

Operating cash flow

Net cash generated from operating activities amounted to a cash inflow of HUF 12.7 billion in Q1 2020, compared to cash outflow of HUF 1.5 billion in Q1 2019, attributable to the reasons outlined below:

- EBITDA broadly unchanged in Q1 2020 versus Q1 2019
- HUF 4.8 billion **positive change in active working capital,** mainly as a result of the following factors:
  - greater decrease in SI/IT receivables in Q1 2020 compared to Q1 2019 (positive impact: ca. HUF 6.7 billion)
  - favorable change in instalment receivables, attributable to year-on-year differences in revenue (positive impact: ca. HUF 2.2 billion)
  - lower SI/IT related advance payment settlements in Q12020 compared to Q1 2019 (negative impact: ca. HUF 1.0 billion)
  - lower decrease in the balance of BAU trade receivables in Q1 2020 compared to Q1 2019 (negative impact: ca. HUF 1.8 billion)

- HUF 0.8 billion **negative change in provisions,** mainly due to a change in litigation provisions in Q1 2020 versus Q1 2019

- HUF 12.3 billion **positive change in passive working capital,** primarily driven by the following factors:
  - lower decrease in the balance of equipment creditors resulting from changes in payment conditions agreed with handset suppliers, as well as lower decline in the balances of invoiced and non-invoiced other creditors due to timing differences of payments in Q1 2020 versus Q1 2019 (positive impact: HUF 16.8 billion)
  - lower decrease in the balance of creditors in relation to the new headquarter building in Q1 2020, due to fit-out costs relating to the new building for the company's headquarters (positive impact: HUF 1.7 billion)
  - larger payment related to SI/IT services in Q1 2020 compared to Q1 2019 (negative impact: HUF 3.0 billion)
  - higher HR-related personnel expense payments driven by the earlier execution of bonus outpayment in Q1 2020 compared to Q1 2019 (negative impact: HUF 1.9 billion)

- HUF 1.0 billion **negative change** due to higher levels of **income tax paid** in Q1 2020 compared to Q1 2019, mainly due to slightly higher corporate income tax and local business tax paid year-on-year

- HUF 1.6 billion **positive change** due to lower levels of **interest paid** in Q1 2020 compared to Q1 2019, due to the maturity of two loans in Q1 2019

- HUF 2.7 billion **negative change in other non-cash items,** mainly due to a higher foreign exchange rate movement during Q1 2020 compared to Q1 2019

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF 25.7 billion in Q1 2020, compared to HUF 21.0 billion in Q1 2019, with the higher cash outflow driven mainly by the following:

- HUF 1.0 billion **negative effect** due to higher **CAPEX** in Q1 2020 versus Q1 2019 due to the combined effect of lower finance lease additions and higher investment in Gigabit access and consumer-provided equipment coupled with increase in content right capitalization in North Macedonia
- HUF 0.7 billion **negative change** due to the combined effect of lower payments to **CAPEX creditors** (including a payment of HUF 11.0 billion in relation to the extension of the 2100 MHz mobile license) in Q1 2020 compared to Q1 2019 which was more than offset by the effect of lower finance lease additions and higher content right capitalization in North Macedonia in Q1 2020 than in Q1 2019
- HUF 0.5 billion **positive impact** from lower cash outflows associated with cable TV operation acquisitions in Q1 2020 compared to Q1 2019
- HUF 3.6 billion **negative change** related to the **disposal of PPE,** mainly reflecting the lower proceeds from real estate sales in Q1 2020 compared to Q1 2019

Repayment of other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 5.3 billion in Q1 2020 from HUF 3.4 billion in Q1 2019, mainly due to higher **finance lease** payments in Q1 2020 versus Q1 2019

Free cash flow (FCF) improved from an outflow of HUF 25.9 billion to an outflow of HUF 18.3 billion, mainly due to the reasons described above.

Payments for other financial assets - net improved by HUF 1.8 billion, primarily due to a higher balance of bank deposits over 3 months in North Macedonia in net terms in Q1 2020 versus in Q1 2019.

Proceeds from loans and other borrowings – net deteriorated by HUF 12.1 billion due to the combined effect of higher repayments of DT Group loans and as well as the lower drawdown of inhouse group funds in Q1 2020 compared to Q1 2019.

The financial and operating statistics are available on the following website:
http://www.telekom.hu/about_us/investor_relations/financial

2.1.3 Statements of Financial Position

The most significant changes in the balances of the Statements of Financial Position from December 31, 2019 to March 31, 2020 can be observed in the following lines:

- Trade receivables
- Other financial assets (current and non-current combined)
- Assets held for sale
- Investments in associates and joint ventures
- Financial liabilities to related parties (current and non-current combined)
- Trade payables

Trade receivables decreased by HUF 18.9 billion from December 31, 2019 to March 31, 2020 mainly driven by the HUF 13.6 billion decrease in SI/IT receivables.

Other financial assets (current and non-current combined) increased by HUF 12.4 billion from December 31, 2019 to March 31, 2020 mainly due to a HUF 14.9 billion increase in derivative financial instruments contracted with related parties and a HUF 3.6 billion decline in cash pool receivables.

Assets held for sale increased by HUF 2.6 billion from December 31, 2019 to March 31, 2020 mainly due to the Telekom Park building reclassified from Property, plant and equipment, after fulfilling all relevant criteria.

Investments in associates and joint ventures decreased by HUF 1.1 billion from December 31, 2019 to March 31, 2020. The decline reflects that the Company lost its joint control and significant influence over E2 Hungary Zrt. based on the agreement with MET Holding AG. Following the agreement investment in E2 Hungary Zrt. is disclosed in Other non-current financial assets.

Financial liabilities to related parties (current and non-current combined) increased by HUF 26.4 billion from December 31, 2019 to March 31, 2020 mainly due to the higher drawdown than the repayment of refinanced DT Group loans.

Trade payables declined by HUF 42.6 billion from December 31, 2019 to March 31, 2020, reflecting a decline in outstanding balances owed to handset, SI/IT, CAPEX and OPEX suppliers.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position in the period from December 31, 2019 to March 31, 2020. The less significant changes in balances of the Consolidated Statements of Financial Position are largely explained by the items of the Consolidated Statement of Cash Flows for 2020 and the related explanations provided above in section 2.1.2 Group Cash Flows.

2.1.4 Related party transactions

There have not been any significant changes in related party transactions since the most recent annual financial report.

2.1.5 Contingencies and commitments

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not within the control of the Group. These assets are not recognized in the statement of financial position. The Group has no contingencies where the inflow of economic benefits would be probable and material.

Contingent liabilities

No provisions have been recognized for these cases as management estimates that it is unlikely that these claims originating from past events would result in any material economic outflows from the Group, or the amount of the obligation cannot be measured with sufficient reliability. The Group has no contingencies where the outflow of economic benefits would be probable and material.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees that in aggregation amounted to a nominal amount of HUF 14.7 billion as at December 31, 2019. In 2019, Magyar Telekom was registered as a participant by National Media and Infocommunications Authority in the auction procedure for spectrum licenses related to 5G and mobile broadband services, in connection with these additional guarantees were required to be issued. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual obligations. To date, the Group has been delivering on its contractual obligations and expects to continue to do so in the future. Consequently, there has been no significant drawdown of the guarantees in 2020 and this is expected to continue being the case going forward.

Commitments

There has been no material change in the nature and amount of our commitments in Q1 2020.

2.1.6 Significant events

5G spectrum licenses

Magyar Telekom Plc. won spectrum licenses related to 5G and mobile broadband services and paid one time fee in the amount of HUF 54.2 billion for the 700 MHz, 2100 MHz and 3600 MHz bands in April, 2020.
Magyar Telekom is entitled for the usage of these frequency bands until 2040 - provided that by fulfilling the respective conditions the term of rights of use for frequencies is extended by five years.
This one time fee and the present value of the future annual band fees to be payable for these frequency blocks are capitalized in the amount of HUF 37.3 billion in April, 2020. In addition, the present value of the future annual band fees is presented as a financial liability in the Statements of Financial Positions.

Sale of "Telekom Park"

Preliminary announced sale of the "Telekom Park" office in Budapest planned for Q1 2020 was delayed as a consequence of the COVID–19 pandemic.

Introduction of retail tax

Magyar Telekom is subject to the new retail tax effective from May 1, 2020. According to the law, certain retail sales revenues (e.g., handset sales) will be subject to the new tax at the progressive rates from 0% to 2.5% according to the revenue thresholds prescribed by the law.
Magyar Telekom is currently analyzing how this new tax will impact its 2020 financial figures since the level of its retail sales revenues, which is the basis of the tax, bears certain degree of uncertainty due to the current COVID-19 crisis.

2.2. Segment reports

As of March 31, 2020, Magyar Telekom's operating segments are: MT-Hungary and North Macedonia.

The MT-Hungary segment operates in Hungary, providing mobile and fixed line telecommunications, TV distribution, information communication and system integration services to millions of residential and business customers under the Telekom and T-Systems brands. Residential and small and medium-sized business customers are served by the Telekom brand, while business customers (corporate and public sector customers) are served by the T-Systems brand. The MT-Hungary segment is also responsible for the wholesale of mobile and fixed line services within Hungary, and performs strategic and cross-divisional management, as well as support functions on behalf of the Group, including Procurement, Treasury, Real Estate, Accounting, Tax, Legal and Internal Audit. This segment is also responsible for the Group's points of presence in Bulgaria and Romania, where it primarily provides wholesale services to local companies and operators.

The North Macedonia segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in North Macedonia.

The following tables present financial information related to these reportable segments. Such information is regularly provided to the Company's Management and reconciled with the corresponding Group numbers. This information includes several key indicators of profitability that are considered for the purposes of assessing performance and allocating resources. It is Management's belief that Revenue, EBITDA and Capex are the most appropriate indicators for monitoring each segment's performance and are most consistent with how the Group's results are reported in the statutory financial statements.

Following the streamline of Magyar Telekom's management structure, the Management Committee ceased to exist as a formal corporate decision-making body as of January 1, 2020. The Company has subsequently initiated an assessment of the potential consequences of this change on corporate disclosure. This assessment is ongoing, however based on our practical experience the operation and reporting of each segment remain unchanged.

2.2.1 MT-Hungary

HUF million	Q1 2019	Q1 2020	Change	Change (%)
Voice	30,814	29,906	(908)	(2.9%)
Non-voice	24,065	27,127	3,062	12.7%
Equipment	19,478	19,980	502	2.6%
Other	2,422	2,413	(9)	(0.4%)
Total mobile revenues	**76,779**	**79,426**	**2,647**	**3.4%**
Voice retail	9,349	8,793	(556)	(5.9%)
Broadband - retail	12,115	13,251	1,136	9.4%
TV	10,904	11,478	574	5.3%
Equipment	5,643	4,900	(743)	(13.2%)
Other	9,889	9,203	(686)	(6.9%)
Fixed line revenues	**47,900**	**47,625**	**(275)**	**(0.6%)**
SI/IT revenues	**21,209**	**17,781**	**(3,428)**	**(16.2%)**
Total revenues	**145,888**	**144,832**	**(1,056)**	**(0.7%)**
Direct costs	**(62,834)**	**(62,483)**	**351**	**0.6%**
Gross profit	**83,054**	**82,349**	**(705)**	**(0.8%)**
Indirect costs	**(41,890)**	**(41,796)**	**94**	**0.2%**
EBITDA	**41,164**	**40,553**	**(611)**	**(1.5%)**
EBITDA AL	**35,424**	**35,215**	**(209)**	**(0.6%)**
Segment Capex	**20,425**	**19,950**	**(475)**	**(2.3%)**
Segment Capex AL	**12,337**	**17,938**	**5,601**	**45.4%**

Operational statistics – access numbers	March 31 2019	March 31 2020	Change (%)
Number of mobile SIM cards	5,305,191	5,378,483	1.4%
Postpaid share in total *	63.2%	64.5%	n.a.
Total fixed voice access	1,377,574	1,357,903	(1.4%)
Total retail fixed broadband customers	1,170,173	1,255,731	7.3%
Total TV customers	1,106,644	1,179,394	6.6%

Operational statistics – ARPU (HUF)	Q1 2019	Q1 2020	Change (%)
Blended mobile ARPU	3,447	3,540	2.7%
Postpaid ARPU *	4,964	4,971	0.1%
Prepaid ARPU	1,015	933	(8.1%)
M2M ARPU	661	616	(6.8%)
Blended fixed voice ARPU	2,252	2,152	(4.4%)
Blended fixed broadband ARPU	3,485	3,556	2.0%
Blended TV ARPU	3,312	3,274	(1.1%)

*Changed due to new representation of mobile SIMs since M2M SIMs and ARPU were highlighted from Postpaid on a separate line.

Total revenues for the MT-Hungary segment decreased by 0.7% year-on-year to HUF 144.8 billion in Q1 2020. While the mobile segment continued to grow due to demand for non-voice services, it was unable to compensate for the significant fall in SI/IT revenues and the slight decline in revenues of the fixed line segment. In Q1 2020, SI/IT revenues declined by 16.2% year-on-year due to lower level of businesses in public and corporate segment compared to the same period of 2019.

Mobile revenues increased by 3.4% year-on-year to HUF 79.4 billion in Q1 2020. The increase was primarily driven by growth in mobile data and equipment sales that more than offset the structural decline in voice revenue.

- **Mobile service revenue** increased by 3.9% year-on-year to HUF 57.0 billion in Q1 2020. The biggest driver of this increase was a continued growth in mobile data revenues which rose 14.2% year-on-year. The growth in mobile non voice revenues stemming from increased data usage and a slight increase in SMS revenue compensated for a moderate decline in mobile voice revenues.
- **Mobile equipment** revenue increased by 2.6% year-on-year to HUF 20.0 billion in Q1 2020, mainly due to higher mobile handset export sales revenue.
- **Other** revenues declined marginally year-on-year to HUF 2.4 billion in Q1 2020, as higher visitor revenues were not able to offset lower late payment revenues.

- **Fixed line revenues** decreased by 0.6% year-on-year in Q1 2020 to HUF 47.6 billion. Growth in fixed broadband and TV revenues was not able to compensate for the continued structural decline in voice retail revenues and decrease in equipment sales and other fixed line revenues.
  - **Voice retail** revenues decreased by 5.9% year-on-year in Q1 2020 to HUF 8.8 billion, as the fixed voice customer base continued to shrink.
  - **Broadband retail** revenues increased by 9.4% year-on-year to HUF 13.3 billion in Q1 2020, driven by an increase in the number of broadband subscribers, combined with the provision of gigabit internet connections to an increasing number of households. These upgraded connections provide greater upselling opportunities which resulted in an improved ARPU.
  - **TV** revenues increased by 5.3% year-on-year in Q1 2020 to HUF 11.5 billion, owing to the continued growth of the IPTV subscriber base which offset lower ARPU levels.
  - **Equipment** revenues fell by 13.2% year-on-year in Q1 2020 to HUF 4.9 billion, due to lower TV set sales.
  - **Other fixed line** revenues decreased by 6.9% year-on-year to HUF 9.2 billion in Q1 2020, due to discounts offered to customers in relation to online bill payments and decrease in media content related revenues.

- **SI/IT revenues decreased** by 16.2% year-on-year to HUF 17.8 billion in Q1 2020. Particularly strong demand for hardware and software deliveries was recorded in Q1 2019 resulting in a high base for the year-on-year comparison. Nevertheless, due to lower level of implementation and asset sale project the performance of Q1 2020 sharply decreased comparing to Q1 2019.

EBITDA decreased by 1.5% year-on-year to HUF 40.6 billion in Q1 2020. EBITDA after lease also fell marginally. Improvements were recorded in personnel, maintenance and repair costs however, these were more than offset by a decline in revenue and lower net profit margins, which were impacted by higher telco tax, increased content fees and a worsening of bad debt.

- **Gross profit** decreased by 0.8% year-on-year in Q1 2020 to HUF 82.3 billion.
- **Employee-related expenses** decreased by 3.6% year-on-year to HUF 20.6 billion in Q1 2020, as higher severance expenses were offset by a lower headcount, a decrease in social contribution and changed trainee employment form.
- **Other operating expenses (net)** deteriorated by 3.2% year-on-year in Q1 2020. Increased marketing and raw material costs were compensated for by lower maintenance and advisory fees but it was not able to offset the decline in other operating income.

Capex – excluding spectrum fees - decreased by 2.3% year-on-year in Q1 2020 to HUF 20.0 billion, however without the right-of-use assets recognized in accordance with the IFRS 16, Capex increased by 45.4% year-on-year to 17.9 million due to higher spending on Gigabit access (driven by the faster rollout of the FTTx network).

Outlook: While COVID-19 had limited impacts during the first quarter of 2020, the full effects will materialize in the remainder of the year. Company will continuously monitor the potential impacts on the business.
At the same time the importance of telecommunication services in the current crisis has increased, the management intends to continue with our accelerated fiber development program whereas the commercial 5G network have also been launched that will serve as an other vital element of digitalization.

2.2.2 North Macedonia

HUF million	Q1 2019	Q1 2020	Change	Change (%)
Voice	3,743	3,903	160	4.3%
Non-voice	2,164	2,449	285	13.2%
Equipment	1,894	2,055	161	8.5%
Other	297	314	17	5.7%
Total mobile revenues	**8,098**	**8,721**	**623**	**7.7%**
Voice retail	1,152	1,183	31	2.7%
Broadband - retail	1,332	1,457	125	9.4%
TV	1,062	1,234	172	16.2%
Equipment	75	78	3	4.0%
Other	1,206	1,303	97	8.0%
Fixed line revenues	**4,827**	**5,255**	**428**	**8.9%**
SI/IT revenues	**182**	**574**	**392**	**215.4%**
Total revenues	**13,107**	**14,550**	**1,443**	**11.0%**
Direct costs	**(3,985)**	**(4,652)**	**(667)**	**(16.7%)**
Gross profit	**9,122**	**9,898**	**776**	**8.5%**
Indirect costs	**(3,552)**	**(4,044)**	**(492)**	**(13.9%)**
EBITDA	**5,570**	**5,854**	**284**	**5.1%**
EBITDA AL	**5,366**	**5,644**	**278**	**5.2%**
Segment Capex	**2,172**	**3,625**	**1,453**	**66.9%**
Segment Capex AL	**1,920**	**3,489**	**1,569**	**81.7%**

Operational statistics – access numbers	March 31 2019	March 31 2020	Change (%)
Number of mobile customers	1,188,524	1,195,810	0.6%
Postpaid share in the customer base *	40.9%	41.8%	n.a.
Total fixed voice access	212,204	216,157	1.9%
Total fixed retail broadband access	180,379	189,689	5.2%
Total TV customers	130,255	137,368	5.5%

*Changed due to new representation of mobile SIMs since M2M SIMs and ARPU were highlighted from Postpaid on a separate line.

Total revenues in North Macedonia increased by 11.0% year-on-year to HUF 14.6 billion in Q1 2020. This increase was the combined result of the continued expansion of the customer base across all segments, higher System Integration and IT sales and was amplified by the significant weakening of the forint compared to the denar during the period. COVID-19 has so far had a limited impact on the quarterly results however the shortfalls in prepaid, voice and visitor revenues reflected it.

- **Mobile revenues** improved by 7.7% year-on-year in Q1 2020 as a result of continued growth in data revenues.
  - **Voice** revenues increased by 4.3% in Q1 2020. While the downward trend in voice revenues in denar terms continued, the weakening of the forint resulted in an increase in forint terms.
  - **Non-voice** revenues rose by a significant 13.2% year-on-year in Q1 2020, owing to further expansion of the mobile broadband customer base and higher SMS revenues.
  - **Mobile equipment** revenues increased by 8.5% year-on-year in Q1 2020, reflecting higher sales volumes.

- **Other mobile** revenues increased by 5.7% year-on-year in Q1 2020. Despite a decline in visitor revenues, the weakening of the forint resulted in an increase.

- **Fixed line revenues** recorded a year-on-year increase of 8.9% in Q1 2020, as higher TV and retail broadband revenues compensated for lower wholesale and retail voice revenues.
  - **Voice retail** revenue improved by 2.7% year-on-year in Q1 2020. The negative impact of lower usage levels was compensated by the weakening of the forint.
  - **Broadband retail** revenues increased by 9.4% year-on-year in Q1 2020, due to the growth of the retail customer base.
  - **TV** revenues rose by 16.2% year-on-year in Q1 2020, as both the subscriber base and ARPU levels continued to increase.
  - **Fixed equipment** revenues increased by 4.0% year-on-year in Q1 2020, due to higher sales of IT equipment.
  - **Other** fixed revenues increased by 8.0% year-on-year in Q1 2020. While wholesale and value added services declined, higher fixed data revenues coupled with the weakening of the forint resulted in an overall increase.

- **SI/IT revenues** more than tripled in Q1 2020, resulting in a 215.4% year-on-year growth. This is due to the increased revenue from customized solution projects, coupled with increases in revenue from cloud computing and internet protection.

EBITDA in Q1 2020 amounted to HUF 5.9 billion, up 5.1% year-on-year. Although EBITDA in local currency terms declined moderately which primarily reflected the higher employee related expenses, the weakening of the forint resulted an overall increase. **EBITDA AL** follows the same trend.

- **Direct costs** increased by 16.7% year-on-year in Q1 2020 due to significantly higher SI/IT project related costs coupled with an increase in bad debt expenses.

- **Indirect costs** also increased by 13.9% driven by higher employee related expenses due to increased severance expenses.

Capex expenditure in Q1 2020 rose by HUF 1.5 billion year-on-year to HUF 3.6 billion, driven by the higher amount of content fees capitalized. However, Capex related to right-of-use assets decreased by 46.0% to HUF 136 million.

Outlook: North Macedonia, like other countries across Europe, has been impacted by the COVID-19 pandemic and is currently subject to a state of emergency and partial lock-downs. While the precise impact of the current crisis on the company's financial performance remains uncertain, we expect sales to be negatively impacted, especially in the prepaid segment. Equipment sales, roaming and visitor revenues are also expected to decline. The management team is closely monitoring the impact of the pandemic on operations and will provide further updates to stakeholders as the situation evolves.

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2019 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary.

The statutory accounts for December 31, 2019 were audited and the audit report was unqualified, however it was approved by the Board of Directors on April 24, 2020 based on the authorization set out in Section 9 (2) of Government Decree no. 102/2020. (IV. 10.), instead of the Annual General Meeting originally convened for April 8, 2020 but not held due to the situation caused by the coronavirus pandemic (COVID-19).

In the first few months of 2020, coronavirus spread globally, and its negative impact gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event for 2019. The precise impact of the current situation remains uncertain however, management of the Group is closely monitoring the impact of the pandemic on operations and will provide further updates to stakeholders as the situation evolves. Furthermore, the Group's management is in close communication with local state institutions and remains compliant with official guidelines.

The Company responded on the epidemiological situation quickly and could meet the increased customer needs through its network, and it has not been identified any events which would jeopardize the going concern of its operation. In April 2020, goodwill impairment test was conducted based on updated cashflows and weighted average cost of capital and as a result of that, impairment was not necessary to be recognized in Q1 2020. Management continuously monitors the solvency of customers and, as a result of this assessment, a higher bad debt expense has been recognized due to COVID-19 which was not material in Q1 2020.

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2019 with the following exception.

Amendments to IFRS 3

IASB issued amendments to the definition of a business in IFRS 3 Business Combinations with the effective date as of January 1, 2020. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. The EU endorsed the amendments to IFRS 3 as of April 21, 2020, and it did not have any significant impacts on the financial statements for Q1 2020.

3.2. Consolidated Statements of Profit or loss and other comprehensive income – year-on-year comparison

MAGYAR TELEKOM Consolidated Statements of Profit or Loss and Comprehensive Income (HUF million, except per share amounts)	Q1 2019 (unaudited)	Q1 2020 (unaudited)	Change	Change (%)
Revenues				
Voice retail	32,173	31,011	(1,162)	(3.6%)
Voice wholesale	2,384	2,798	414	17.4%
Data	21,415	24,442	3,027	14.1%
SMS	4,814	5,134	320	6.6%
Equipment	21,372	22,035	663	3.1%
Other mobile revenues	2,719	2,727	8	0.3%
Mobile revenues	**84,877**	**88,147**	**3,270**	**3.9%**
Voice retail	10,501	9,976	(525)	(5.0%)
Broadband retail	13,447	14,708	1,261	9.4%
TV	11,966	12,712	746	6.2%
Equipment	5,718	4,978	(740)	(12.9%)
Data retail	2,269	2,129	(140)	(6.2%)
Wholesale (voice, broadband, data)	4,622	4,715	93	2.0%
Other fixed line revenues	4,158	3,613	(545)	(13.1%)
Fixed line revenues	**52,681**	**52,831**	**150**	**0.3%**
System Integration/Information Technology revenues	21,391	18,355	(3,036)	(14.2%)
Total revenues	**158,949**	**159,333**	**384**	**0.2%**
Direct costs				
Interconnect costs	(4,834)	(5,334)	(500)	(10.3%)
SI/IT service related costs	(15,042)	(12,846)	2,196	14.6%
Bad debt expense	(2,086)	(2,671)	(585)	(28.0%)
Telecom tax	(6,225)	(6,468)	(243)	(3.9%)
Other direct costs	(38,591)	(39,773)	(1,182)	(3.1%)
Direct costs	**(66,778)**	**(67,092)**	**(314)**	**(0.5%)**
Gross profit	**92,171**	**92,241**	**70**	**0.1%**
Employee related expenses	(22,568)	(22,169)	399	1.8%
Utility tax	(7,218)	(7,218)	0	0.0%
Other operating expenses	(16,904)	(16,786)	118	0.7%
Other operating income	891	333	(558)	(62.6%)
EBITDA	**46,372**	**46,401**	**29**	**0.1%**
Depreciation and amortization	(33,786)	(33,678)	108	0.3%
Operating profit	**12,586**	**12,723**	**137**	**1.1%**
Net financial result	(5,625)	(10,969)	(5,344)	(95.0%)
Share of associates' and joint ventures' results	100	(66)	(166)	n.m.
Profit before income tax	**7,061**	**1,688**	**(5,373)**	**(76.1%)**
Income tax	(3,079)	(2,500)	579	18.8%
Profit for the period	**3,982**	**(812)**	**(4,794)**	**n.m.**
Change in exchange differences on translating foreign operations	(381)	7,374	7,755	n.m.
Revaluation of available-for-sale financial assets	59	(71)	(130)	n.m.
Other comprehensive income for the period	**(322)**	**7,303**	**7,625**	**n.m.**
Total comprehensive income for the period	**3,660**	**6,491**	**2,831**	**77.3%**
Profit attributable to:				
Owners of the parent	3,101	(1,593)	(4,694)	n.m.
Non-controlling interests	881	781	(100)	(11.4%)
	3,982	**(812)**	**(4,794)**	**n.m.**
Total comprehensive income attributable to:				
Owners of the parent	2,889	2,768	(121)	(4.2%)
Non-controlling interests	771	3,723	2,952	382.9%
	3,660	**6,491**	**2,831**	**77.3%**
Basic earnings per share (HUF)	**3.00**	**(1.54)**	**(4.54)**	**n.m.**

3.3. Consolidated Statements of Financial Position

MAGYAR TELEKOM Consolidated Statements of Financial Position (HUF million)	Dec 31, 2019 (audited)	Mar 31, 2020 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	13,398	13,400	2	0.0%
Trade receivables	170,503	151,607	(18,896)	(11.1%)
Other assets	6,437	7,667	1,230	19.1%
Other current financial assets	8,996	12,139	3,143	34.9%
Contract assets	16,306	17,049	743	4.6%
Current income tax receivable	434	2,622	2,188	n.m.
Inventories	19,833	21,509	1,676	8.5%
	235,907	225,993	(9,914)	(4.2%)
Assets held for sale	659	3,305	2,646	401.5%
Total current assets	**236,566**	**229,298**	**(7,268)**	**(3.1%)**
Non current assets				
Property, plant and equipment	426,826	426,954	128	0.0%
Right-of-use assets	106,682	104,940	(1,742)	(1.6%)
Intangible assets	212,714	208,498	(4,216)	(2.0%)
Goodwill	213,107	213,126	19	0.0%
Investments in associates and joint ventures	1,078	0	(1,078)	(100.0%)
Deferred tax assets	103	111	8	7.8%
Trade receivables over one year	17,448	16,424	(1,024)	(5.9%)
Other non current financial assets	5,593	14,851	9,258	165.5%
Contract assets	3,800	3,632	(168)	(4.4%)
Other non current assets	4,953	5,240	287	5.8%
Total non current assets	**992,304**	**993,776**	**1,472**	**0.1%**
Total assets	**1,228,870**	**1,223,074**	**(5,796)**	**(0.5%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	80,493	99,775	19,282	24.0%
Lease liabilities	17,355	18,724	1,369	7.9%
Trade payables	155,048	112,415	(42,633)	(27.5%)
Other financial liabilities	8,633	9,782	1,149	13.3%
Current income tax payable	844	592	(252)	(29.9%)
Provisions	4,755	4,682	(73)	(1.5%)
Contract liabilities	11,167	10,075	(1,092)	(9.8%)
Other current liabilities	23,283	24,595	1,312	5.6%
Total current liabilities	**301,578**	**280,640**	**(20,938)**	**(6.9%)**
Non current liabilities				
Financial liabilities to related parties	129,823	136,988	7,165	5.5%
Lease liabilities	94,642	96,107	1,465	1.5%
Other financial liabilities	40,805	40,593	(212)	(0.5%)
Deferred tax liabilities	19,030	18,869	(161)	(0.8%)
Provisions	10,446	10,769	323	3.1%
Contract liabilities	383	455	72	18.8%
Other non current liabilities	9	8	(1)	(11.1%)
Total non current liabilities	**295,138**	**303,789**	**8,651**	**2.9%**
Total liabilities	**596,716**	**584,429**	**(12,287)**	**(2.1%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,379	27,379	0	0.0%
Treasury stock	(3,991)	(3,991)	0	0.0%
Retained earnings	444,278	442,685	(1,593)	(0.4%)
Accumulated other comprehensive income	25,047	29,408	4,361	17.4%
Total equity of the owners of the parent	**596,988**	**599,756**	**2,768**	**0.5%**
Non-controlling interests	35,166	38,889	3,723	10.6%
Total equity	**632,154**	**638,645**	**6,491**	**1.0%**
Total liabilities and equity	**1,228,870**	**1,223,074**	**(5,796)**	**(0.5%)**

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3.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-3 months 2019 (unaudited)	1-3 months 2020 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	3,982	(812)	(4,794)	n.m.
Depreciation and amortization	33,786	33,678	(108)	(0.3%)
Income tax expense	3,079	2,500	(579)	(18.8%)
Net financial result	5,625	10,969	5,344	95.0%
Share of associates' and joint ventures' result	(100)	66	166	n.m.
Change in assets carried as working capital	10,731	15,527	4,796	44.7%
Change in provisions	865	64	(801)	(92.6%)
Change in liabilities carried as working capital	(48,559)	(36,304)	12,255	25.2%
Income taxes paid	(4,187)	(5,142)	(955)	(22.8%)
Dividends received	0	0	0	n.a.
Interest and other financial charges paid	(7,298)	(5,740)	1,558	21.3%
Interest received	86	67	(19)	(22.1%)
Other non-cash items	494	(2,159)	(2,653)	n.m.
Net cash generated from operating activities	**(1,496)**	**12,714**	**14,210**	**n.m.**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(22,591)	(23,575)	(984)	(4.4%)
Adjustments to cash purchases	(1,462)	(2,198)	(736)	(50.3%)
Purchase of subsidiaries and business units	(742)	(194)	548	73.9%
Cash acquired through business combinations	0	0	0	n.a.
Payments for / Proceeds from other financial assets - net	(2,742)	(984)	1,758	64.1%
Proceeds from disposal of subsidiaries and associates	0	0	0	n.a.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	3,810	256	(3,554)	(93.3%)
Net cash used in investing activities	**(23,727)**	**(26,695)**	**(2,968)**	**(12.5%)**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	0	(1)	(1)	n.a.
Proceeds from/Repayment of loans and other borrowings -net	30,687	18,576	(12,111)	(39.5%)
Payments for lease and other financial liabilities	(3,399)	(5,344)	(1,945)	(57.2%)
Repurchase of treasury shares	0	0	0	n.a.
Net cash used in financing activities	**27,288**	**13,231**	**(14,057)**	**(51.5%)**
Exchange differences on cash and cash equivalents	(19)	752	771	n.m.
Change in cash and cash equivalents	**2,046**	**2**	**(2,044)**	**(99.9%)**
Cash and cash equivalents, beginning of period	7,204	13,398	6,194	86.0%
Cash and cash equivalents, end of period	9,250	13,400	4,150	44.9%
Change in cash and cash equivalents	**2,046**	**2**	**(2,044)**	**(99.9%)**

3.5. Net debt reconciliation to changes in Statements of Cash Flows

In HUF millions	Opening	Changes in cash and cash equivalents	Changes affecting cash flows from operating activities	Changes in financial liabilities without cash movement	Changes affecting cash flows from investing activities	Changes affecting cash flows from financing activities				Closing
	Balance at Jan 1, 2020					Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Balance at March 31, 2020
Related party loans	208,426		(2,764)	16,088		57,596	(42,583)			236,763
Derivatives from related parties	1,890			(693)	(1,197)					0
Frequency fee payable	42,744		(622)	589				(883)		41,828
Finance lease liabilities	111,997		(1,334)	7,875				(3,707)		114,831
Debtors overpayment	1,324		(81)							1,243
Contingent consideration	539									539
Other financial liabilities	4,831		181	2,507				(754)		6,765
-Less cash and cash equivalent	(13,398)	(2)								(13,400)
-Less other current financial assets	(8,996)		240	(6,930)	(16)	3,563				(12,139)
Net debt	**349,357**	**(2)**	**(4,380)**	**19,436**	**(1,213)**	**61,159**	**(42,583)**	**(5,344)**		**376,430**
Treasury share purchase										
Dividends paid to Owners of the parent and Non-controlling interest									(1)	
Net Cash used in financing activities									**13,231**	

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3.6. Consolidated Statements of Changes in Equity

	pieces	in HUF millions									
			Capital reserves				Accumulated Other Comprehensive Income				
	Shares of common stock	Common stock	Additional paid in capital	Reserve for equity settled share-based transactions	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2018	**1,042,742,543**	**104,275**	**27,379**	**(116)**	**(3,991)**	**429,294**	**23,547**	**103**	**580,491**	**34,441**	**614,932**
Adoption of new standards (IFRS15, IFRS9)						12			**12**		**12**
Dividend									**0**		**0**
Dividend declared to Non-controlling interests									**0**		**0**
Equity settled share-based transactions									**0**		**0**
Total comprehensive income						3,101	(246)	34	**2,889**	771	**3,660**
Treasury share repurchase									**0**		**0**
Disposal of subsidiaries									**0**		**0**
Balance at March 31, 2019	**1,042,742,543**	**104,275**	**27,379**	**(116)**	**(3,991)**	**432,407**	**23,301**	**137**	**583,392**	**35,212**	**618,604**
Adoption of new standards (IFRS16)						0			**0**		**0**
Dividend						(26,069)			**(26,069)**		**(26,069)**
Dividend declared to Non-controlling interests									**0**	(3,663)	**(3,663)**
Equity settled share-based transactions									**0**		**0**
Total comprehensive income						38,056	1,562	47	**39,665**	3,617	**43,282**
Transfers between paid-in and generated shareholders' equity				116		(116)					
Treasury share repurchase									**0**		**0**
Disposal of subsidiaries									**0**		**0**
Balance at December 31, 2019	**1,042,742,543**	**104,275**	**27,379**	**0**	**(3,991)**	**444,278**	**24,863**	**184**	**596,988**	**35,166**	**632,154**
Adoption of new standards (IFRS16)									**0**		**0**
Dividend									**0**		**0**
Dividend declared to Non-controlling interests									**0**		**0**
Equity settled share-based transactions									**0**		**0**
Total comprehensive income						(1,593)	4,389	(28)	**2,768**	3,723	**6,491**
Transfers between paid-in and generated shareholders' equity									**0**		**0**
Treasury share repurchase									**0**		**0**
Disposal of subsidiaries									**0**		**0**
Balance at March 31, 2020	**1,042,742,543**	**104,275**	**27,379**	**0**	**(3,991)**	**442,685**	**29,252**	**156**	**599,756**	**38,889**	**638,645**

3.7. Exchange rate information

Exchange rate	Q1 2019	Q1 2020	Change (%)
HUF/EUR beginning of period	321.51	330.52	**2.8%**
HUF/EUR period-end	320.79	359.09	**11.9%**
HUF/EUR cumulative monthly average	317.80	340.45	**7.1%**
HUF/MKD beginning of period	5.23	5.38	**2.9%**
HUF/MKD period-end	5.21	5.82	**11.7%**
HUF/MKD cumulative monthly average	5.16	5.52	**7.0%**

3.8. Segment information

HUF millions	1-3 months 2019	1-3 months 2020	Change	Change (%)
Total MT-Hungary revenues	145,888	144,832	(1,056)	(0.7%)
Less: MT-Hungary revenues from other segments	(31)	(30)	1	3.2%
Telekom Hungary revenues from external customers	**145,857**	**144,802**	**(1,055)**	**(0.7%)**
Total North Macedonia revenues	13,107	14,550	1,443	11.0%
Less: North Macedonia revenues from other segments	(15)	(19)	(4)	(26.7%)
North Macedonia revenues from external customers	**13,092**	**14,531**	**1,439**	**11.0%**
Total consolidated revenue of the segments	158,949	159,333	384	0.2%
Total revenue of the Group	**158,949**	**159,333**	**384**	**0.2%**
Segment results (EBITDA)				
MT-Hungary	41,164	40,553	(611)	(1.5%)
North Macedonia	5,570	5,854	284	5.1%
Total EBITDA of the segments	**46,734**	**46,407**	**(327)**	**(0.7%)**
Measurement/rounding differences to Group EBITDA	(362)	(6)	356	98.3%
Total EBITDA of the Group	**46,372**	**46,401**	**29**	**0.1%**

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3.9. Fair value of financial instruments

Financial assets - carrying amounts and FV

March 31, 2020 In HUF millions	FINANCIAL ASSETS Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVtPL (Level3)	Carrying amount	Fair value
Cash and cash equivalents	13,400				13,400	13,400
Bank deposits with original maturities over 3 months	0				0	0
Cashpool	0				0	0
Trade receivables	151,607				151,607	151,607
Trade receivables over 1 year	16,424				16,424	17,300
Loans and receivables from employees	979				979	1,029
Derivative financial instruments contracted with related parties			17,593		17,593	17,593
Receivables from group companies	36				36	36
Finance lease receivable	1,296				1,296	1,309
Equity instruments		691		1,155	1,846	1,846
Other current	4,904				4,904	4,904
Other non current	336				336	293
Total	**188,982**	**691**	**17,593**	**1,155**	**208,421**	**209,317**

31 December 2019	FINANCIAL ASSETS Amortized cost	FVOCI (Level1)	FVtPL (Level2)	FVtPL (Level3)	Carrying amount	Fair value
Cash and cash equivalents	13,398				13,398	13,398
Bank deposits with original maturities over 3 months	0				0	0
Cashpool	3,563				3,563	3,563
Trade receivables	170,503				170,503	170,503
Trade receivables over 1 year	17,448				17,448	18,540
Loans and receivables from employees	1,026				1,026	1,109
Derivative financial instruments contracted with related parties			2,909		2,909	2,909
Finance lease receivable	1,346				1,346	1,122
Equity instruments		711			711	711
Other current	4,686				4,686	4,686
Other non current	348				348	310
Total	**212,318**	**711**	**2,909**	**0**	**215,938**	**216,851**

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Financial liabilites - carrying amounts and FV

March 31, 2020 In HUF millions	FINANCIAL LIABILITIES Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	Fair value
Financial liabilities to related parties	236,763	0		236,763	241,792
Trade payables	112,415			112,415	112,415
Frequency fee payable	41,828			41,828	41,006
Lease liabilities	114,831			114,831	121,557
Debtors overpayment	1,243			1,243	1,243
Contingent consideration			539	539	539
Other current	4,696			4,696	4,696
Other non current	1,932		137	2,069	2,052
Total	**513,708**	**0**	**676**	**514,384**	**525,300**

December 31, 2019 In HUF millions	FINANCIAL LIABILITIES Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	Fair value
Financial liabilities to related parties	208,426	1,890		210,316	216,171
Trade payables	155,048			155,048	155,048
Frequency fee payable	42,744			42,744	51,914
Finance lease liabilities	111,997			111,997	125,163
Debtors overpayment	1,324			1,324	1,324
Contingent consideration			539	539	539
Other current	3,430			3,430	3,430
Other non current	1,401			1,401	1,461
Total	**524,370**	**1,890**	**539**	**526,799**	**555,050**

3.10. EBITDA reconciliation and Capex after lease

Description (HUF million)	Q1 2019 MT Group	Q1 2019 MT-Hungary	Q1 2019 North Macedonia	Q1 2020 MT Group	Q1 2020 MT-Hungary	Q1 2020 North Macedonia
EBITDA	46,372	41,164	5,570	46,401	40,553	5,854
IFRS 16 related D&A	(4,530)	(4,349)	(181)	(4,214)	(4,033)	(181)
IFRS 16 related Interest	(1,414)	(1,391)	(23)	(1,334)	(1,305)	(29)
EBITDA after lease	40,428	35,424	5,366	40,853	35,215	5,644
CAPEX after lease*	14,251	12,337	1,920	21,427	17,938	3,489

* Excluding CAPEX of Right-of-use assets

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4. DECLARATION

We the undersigned declare that to the best of our knowledge this report prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Magyar Telekom Plc. and its consolidated undertakings. In addition, the report gives a fair view of the position, development and performance of Magyar Telekom Plc. and its consolidated undertakings and contains risk factors and uncertainties relating to the future events of the financial year.

Independent Auditor's Report was not prepared on the Interim financial report.

Tibor Rékasi Chief Executive Officer, member of the Board	Daria Dodonova Chief Financial Officer, member of the Board

Budapest, May 13, 2020

This investor news contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore should not have undue reliance placed upon them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our annual financial statements for the year ended December 31, 2019, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the chapter "Reconciliation of pro forma figures", which is posted on Magyar Telekom's Investor Relations webpage at www.telekom.hu/investor_relations.