

MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
THIRD QUARTER ENDED SEPTEMBER 30, 2021**

Budapest – November 9, 2021 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB, hereinafter: Company), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the third quarter and first nine months of 2021, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU (hereinafter: quarterly financial report). The quarterly financial report contains unaudited figures for each reporting period.

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1. HIGHLIGHTS

Financial Highlights

(HUF millions, except ratios)	Q3 2020	Q3 2021	Change (%)	1-9 months 2020	1-9 months 2021	Change (%)
Revenue	167,653	178,088	6.2%	484,173	506,528	4.6%
Operating profit	25,385	29,482	16.1%	58,893	67,143	14.0%
Profit attributable to:						
Owners of the parent	18,604	17,873	(3.9%)	27,554	40,279	46.2%
Non-controlling interests	1,079	1,558	44.4%	2,798	3,728	33.2%
	19,683	19,431	(1.3%)	30,352	44,007	45.0%
Gross profit	95,241	101,676	6.8%	277,617	291,278	4.9%
EBITDA	60,737	66,373	9.3%	163,265	175,840	7.7%
EBITDA AL	54,949	60,292	9.7%	145,989	157,682	8.0%
Free cash flow				(21,369)	34,407	n.m.
Free cash flow excl. spectrum licenses				32,871	34,407	4.7%
Capex after lease	26,456	28,198	6.6%	166,571	154,489	(7.3%)
Capex after lease excl. spectrum licenses	26,456	28,198	6.6%	74,989	71,414	(4.8%)
Number of employees (closing full equivalent)				7,263	6,923	(4.7%)
				Dec 31, 2020	Sept 30, 2021	Change (%)
Net debt				417,433	490,177	17.4%
Net debt / EBITDA				1.85	2.06	n.a.

- Group revenue grew by 6.2% year-on-year in Q3 2021, attributable to sustained positive momentum in all service categories, with a particularly strong performance in mobile data and fixed broadband
- Gross profit improved by 6.8% year-on-year in Q3 2021, driven by higher top line contribution and the absence of a one-off telecommunication tax expense recorded in Q3 2020
- The 9.7% year-on-year growth in EBITDA AL in Q3 2021 was driven by gross profit growth
- Capex AL excluding spectrum licenses increased 6.6% year-on-year to HUF 28.2 billion in Q3 2021 and amounted to HUF 71.4 billion for the first nine months of 2021, due to differences in the timing of investments between the respective periods
- Free cash flow excl. spectrum licenses (i.e. without one-time spectrum license fees) amounted to HUF 34.4 billion in the first nine months of 2021, reflecting strong EBITDA generation, partly offset by investment-related payments and working capital developments

Operational highlights

- Average monthly mobile data consumption amongst Hungarian customers continued to rise sharply, recording an increase of over 30% year-on-year and reached 7.9 GB/month in Q3 2021
- Monetization of our gigabit-network continued with over 1 million customers now connected to the network via Gigabit-technology
- ISS Corporate Solutions ranked Magyar Telekom among the best performers of the telecom sector globally in terms of the Company's sustainability credentials, awarding Magyar Telekom a 'B' rating which equates to 'Prime' status
- Following its annual credit rating review, Scope Ratings GmbH affirmed Magyar Telekom at BBB+ with a stable outlook

Tibor Rékasi, Magyar Telekom CEO commented:

“Our operating environment continued to develop favorably in the third quarter of 2021 as the effects of COVID-19 diminished further, for both Magyar Telekom and the wider market. In line with our strategy, we continued to build and modernize our Gigabit-capable network and by the end of the third quarter we reached 2.89 million access points.

Magyar Telekom grew significantly year-on-year in terms of revenue, gross profit and EBITDA. This is testament to our excellent network quality and outstanding customer satisfaction, which have enabled us to successfully monetize strong market demand for our telecommunications and data services.”

Public targets

	2020 Actual	Public guidance for 2021
Revenue	HUF 673.0 billion	grow around 3%
EBITDA AL	HUF 202.6 billion	grow at least 3%
Capex AL ¹	HUF 106.0 billion	broadly stable
FCF ¹	HUF 69.5 billion	broadly stable/slight increase

¹ Excluding spectrum license fees

	2020 Actual	Outlook for 2021-2024 ³
Revenue	HUF 673.0 billion	increase potential of ~1% with further upside
EBITDA AL	HUF 202.6 billion	increase potential of ~1% with further upside
FCF ¹	HUF 69.5 billion	increase potential of ~1%-2%
Shareholder remuneration ²	HUF 25 per share	to grow in line with FCF and net income

¹ Excluding spectrum license fees

² Total shareholder remuneration (cash + share buyback)

³ Changes in % terms represent CAGR values vs 2020 results

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

(HUF millions)	Q3 2020	Q3 2021	Change	Change (%)	1-9 months 2020	1-9 months 2021	Change	Change (%)
Mobile revenue	92,578	98,573	5,995	6.5%	266,680	282,328	15,648	5.9%
Fixed line revenue	55,114	56,342	1,228	2.2%	161,047	165,247	4,200	2.6%
SI/IT revenue	19,961	23,173	3,212	16.1%	56,446	58,953	2,507	4.4%
Revenue	167,653	178,088	10,435	6.2%	484,173	506,528	22,355	4.6%
Direct costs	(72,412)	(76,412)	(4,000)	(5.5%)	(206,556)	(215,250)	(8,694)	(4.2%)
Gross profit	95,241	101,676	6,435	6.8%	277,617	291,278	13,661	4.9%
Indirect costs	(34,504)	(35,303)	(799)	(2.3%)	(114,352)	(115,438)	(1,086)	(0.9%)
EBITDA	60,737	66,373	5,636	9.3%	163,265	175,840	12,575	7.7%
Depreciation and amortization	(35,352)	(36,891)	(1,539)	(4.4%)	(104,372)	(108,697)	(4,325)	(4.1%)
Operating profit	25,385	29,482	4,097	16.1%	58,893	67,143	8,250	14.0%
Net financial result	(1,201)	(5,527)	(4,326)	(360.2%)	(17,616)	(11,170)	6,446	36.6%
Share of associates' and joint ventures' results	0	0	0	n.a.	(66)	0	66	100.0%
Profit before income tax	24,184	23,955	(229)	(0.9%)	41,211	55,973	14,762	35.8%
Income tax	(4,501)	(4,524)	(23)	(0.5%)	(10,859)	(11,966)	(1,107)	(10.2%)
Profit for the period	19,683	19,431	(252)	(1.3%)	30,352	44,007	13,655	45.0%
Profit attributable to non-controlling interests	1,079	1,558	479	44.4%	2,798	3,728	930	33.2%
Profit attributable to owners of the parent	18,604	17,873	(731)	(3.9%)	27,554	40,279	12,725	46.2%

In Q3 2021, total revenue increased by 6.2% year-on-year to HUF 178.1 billion, and 4.6% year-on-year to HUF 506.5 billion for the first nine months of the year, primarily driven by increases in telecommunication service revenue, particularly mobile data, and some increases in System Integration and IT (SI/IT) sales in both countries of operation.

- **Mobile revenue increased by 6.5% year-on-year to HUF 98.6 billion in Q3 2021**, driven by further growth in mobile data, SMS and visitor revenue, which fully offset lower retail voice revenue.
 - **Voice retail** revenue was down by 2.3% year-on-year to HUF 30.2 billion in Q3 2021, as a result of declines in the Hungarian operation. In Hungary, this decline was attributable to lower average prices which offset the positive impact of higher usage by the expanding customer base. North Macedonian voice retail revenue was higher year-on-year, largely driven by the positive impact of the larger customer base and improved roaming results.
 - **Voice wholesale** revenue increased by 7.6% year-on-year to HUF 3.2 billion in Q3 2021, reflecting an increase in incoming mobile traffic in Hungary, and higher international incoming traffic in North Macedonia.
 - **Data** revenue rose by 17.2% year-on-year to HUF 31.4 billion during the quarter, driven by strong growth in subscriber numbers in Hungary and a combination of further increases in usage levels and higher data roaming revenue in both countries.
 - **SMS** revenue was up by 18.3% year-on-year to HUF 6.2 billion in Q3 2021, reflecting a strong rise in mass SMS usage in Hungary and higher revenue from the expanding postpaid subscriber base and roaming usage in North Macedonia.
 - **Mobile equipment** revenue remained broadly stable, amounting to HUF 23.9 billion in Q3 2021. The moderate increase in equipment sales at the Hungarian operation reflects higher average handset prices, while the slight decline in North Macedonia is due to seasonality.
 - **Other mobile** revenue increased by 30.6% to HUF 3.8 billion during the period, driven by improvements in visitor revenue in both countries.
- **Fixed line revenue increased by 2.2% year-on-year, to HUF 56.3 billion in Q3 2021** as improvements in broadband and TV revenue offset the decline in voice revenue in both markets.

- **Voice retail** revenue declined by 8.8% year-on-year to HUF 9.1 billion during the period, reflecting the resumption of normal usage levels following a temporary elevation, especially among enterprise customers in Hungary, as well as the absence of one-off revenue from compensations for universal service providers in North Macedonia.
- **Broadband retail** revenue increased by 12.3% year-on-year to HUF 16.4 billion, as a result of strong growth in the customer base, particularly in Hungary, and the upward trend in the Hungarian ARPU level, reflecting a strong shift in customer demand towards higher bandwidth packages.
- **TV** revenue was up 8.0% year-on-year to HUF 14.2 billion in Q3 2021, primarily driven by further expansion of the IPTV subscriber base in both countries.
- **Fixed equipment** revenue declined by 24.1% year-on-year to HUF 4.3 billion, largely as a consequence of fewer equipment sales transactions in Hungary, reflecting a very strong performance in the base period.
- **Data retail** revenue was slightly up year-on-year, amounting to HUF 3.2 billion in Q3 2021. General competition-driven price pressure was offset by a higher contribution from leased line fixed internet services in both countries.
- **Wholesale** revenue continued to increase year-on-year, amounting to HUF 4.9 billion for the period. This was driven by higher income from the resale of content right licenses in North Macedonia, which offset the decline in Hungarian wholesale data revenue.
- **Other fixed** line revenue increased by 10.4% year-on-year to HUF 4.2 billion in Q3 2021, reflecting a one-time revenue from fixed network rental.
- **System Integration and IT revenue rose by 16.1% year-on-year to HUF 23.2 billion in Q3 2021**, reflecting more favorable seasonal patterns in Hungarian project revenue coupled with higher revenue from customized solution projects in North Macedonia.

Direct costs increased by 5.5% year-on-year to HUF 76.4 billion in Q3 2021, and by 4.2% year-on-year to HUF 215.3 billion in the first nine months of 2021, largely driven by higher SI/IT service related, roaming and interconnect costs.

- **Interconnect costs** increased by 17.4% year-on-year to HUF 6.5 billion during the third quarter, primarily reflecting a combination of higher off-network mobile voice and SMS traffic in the Hungarian operation, which resulted in higher payments to domestic mobile operators and increased expenses related to international transit traffic in North Macedonia.
- **SI/IT service-related costs** increased largely in line with revenue year-on-year and amounted to HUF 16.7 billion in Q3 2021.
- **Bad debt expenses** improved by 21.3% year-on-year to HUF 1.9 billion in Q3 2021, due to better receivable factoring results and more favorable aging at the Hungarian operation. This was partly offset by unfavorable one-off impairment expenses in North Macedonia.
- **Telecom tax** declined by 14.5% year-on-year, amounting to HUF 6.5 billion for the period, reflecting the absence of a one-off non-recurring adjustment booked in Q3 2020 and lower overall usage levels, especially among business customers.
- **Other direct costs** were up 4.6% year-on-year to HUF 44.9 billion in Q3 2021, driven by higher roaming outpayments and some increases in equipment costs.

Gross profit improved by 6.8% year-on-year to HUF 101.7 billion in Q3 2021 and by 4.9% year-on-year to HUF 291.3 billion in the first nine months of 2021, as a result of the increasing contribution from both telecommunication and SI/IT services.

Indirect costs increased by 2.3% year-on-year to HUF 35.3 billion in Q3 2021, and 0.9% year-on-year to HUF 115.4 billion in the first nine months of 2021, driven by higher employee related expenses which offset the decline in other operating expenses.

- **Employee-related expenses** rose by HUF 1.8 billion year-on-year, amounting to HUF 20.1 billion in Q3 2021, mostly driven by higher severance expenses related to the Hungarian voluntary redundancy program and higher performance bonus expenses. This more than offset the positive impact of the lower average headcount.
- **Other operating expenses** were 6.0% lower year-on-year at HUF 16.2 billion for the quarter, thanks to the positive contribution of cost optimization measures, particularly relating to maintenance and repair expenses and raw material costs.
- **Other operating income** remained stable at HUF 1.0 billion in Q3 2021, and was up by HUF 0.4 billion year on year in the first nine months of 2021, latter reflecting higher income from real estate sales in Hungary.

EBITDA rose by 9.3% year-on-year to HUF 66.4 billion for the quarter, with **EBITDA AL improving by 9.7% year-on-year to HUF 60.3 billion**. In the first nine months of 2021, EBITDA rose by 7.7%, and EBITDA AL by 8.0% year-on-year. These improvements were primarily driven by the increase in service revenue and consequently, gross profit.

Depreciation and amortization (D&A) expenses rose by 4.4% year-on-year to HUF 36.9 billion in Q3 2021, attributable to frequency licenses activated in September 2020 in Hungary, and higher depreciation in relation to the copper retirement project.

Profit for the period was moderately lower by 1.3% year-on-year at HUF 19.4 billion in Q3 2021, as the improvement in operational performance was offset by weaker financial results, primarily driven by the absence of favorable one-off impacts in the base period. In the first nine months of 2021, profit for the period rose by 45.0% year-on-year to HUF 44.0 billion as a result of EBITDA increases and stronger financial results.

- **Net financial result** declined by 4.3 billion year-on-year, amounting to a loss of HUF 5.5 billion in Q3 2021. The increase in financial expenses is partly driven by higher interest expenses, booked in relation to spectrum payment liabilities, and less favorable results relating to recognition of derivatives at fair value. This reflects different yield-curve movements compared to the base period. In the first nine months of 2021, net financial result improved by 6.4 billion year-on-year, amounting to a loss of HUF 11.2 billion, largely driven by more favorable FX impacts compared to the first nine months of 2020.
- **Income tax expenses** remained broadly unchanged year-on-year at HUF 4.5 billion in Q3 2021, reflecting the similar level of profit before tax.

Profit attributable to non-controlling interests rose by 44.4% year-on-year to HUF 1.6 billion in Q3 2021, thanks to a strong improvement in both revenue and profitability trends in North Macedonia.

2.1.2 Group Cash Flows

HUF millions	1-9 months 2020	1-9 months 2021	Change
Net cash generated from operating activities	126,815	133,634	6,819
Net cash used in investing activities	(131,317)	(65,660)	65,657
Less: Payments for / Proceeds from other financial assets - net	199	(11,758)	(11,957)
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(131,118)	(77,418)	53,700
Repayment of lease and other financial liabilities	(17,066)	(21,809)	(4,743)
Total free cash flow	(21,369)	34,407	55,776
(Payments for) / Proceeds from other financial assets - net	(199)	11,758	11,957
Proceeds from / Repayment of loans and other borrowings - net	48,139	(16,206)	(64,345)
Dividends paid to Owners of the parent and Non-controlling interest	(24,515)	(18,788)	5,727
Proceeds from corporate bonds	-	-	-
Treasury share purchase	(5,218)	(10,215)	(4,997)
Exchange differences on cash and cash equivalents	858	(152)	(1,010)
Change in cash and cash equivalents	(2,304)	804	3,108

Free cash flow (FCF) improved to HUF 34.4 billion cash inflow in the first nine months of 2021 (the first nine months of 2020: HUF 21.4 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 133.6 billion in the first nine months of 2021, compared to cash inflow of HUF 126.8 billion, attributable to the reasons outlined below:

- HUF 12.6 billion **positive impact due to higher EBITDA** in the first nine months of 2021
- HUF 24.7 billion **negative change in active working capital**, mainly as a result of lower decrease in SI/IT receivables due to different project seasonality (negative impact: ca. HUF 14.0 billion), lower decrease in handset inventory balances (negative impact: ca. HUF 5.7 billion) and lower decrease in instalment receivables (negative impact: ca. HUF 2.3 billion)
- HUF 2.3 billion **positive change in provisions**, mainly reflecting reduction in provision for litigation risks and penalties in the base period against some increases in the first nine months of 2021
- HUF 15.4 billion **positive change in passive working capital**, primarily driven by lower payment to handset suppliers (positive impact: ca. HUF 9.8 billion) supplemented with lower payment of the SI/IT services (positive impact: ca. HUF 3.5 billion), favorable change in liabilities to employees (positive impact: ca. HUF 3.4 billion) and favorable change of the DT Group services (positive impact: ca. HUF 2.2 billion), partly offset by higher decline in the balances of invoiced and non-invoiced creditors (negative impact: HUF 3.4 billion)
- HUF 1.8 billion **negative change in income tax paid** mainly driven by the one-off energy saving investment tax credit disclosed in the first nine months of 2021 under cash flows from investing activities. Accordingly, the utilized tax credit reduced the amount of actually paid tax by HUF 2.3 billion

- HUF 1.0 billion **positive change in interest paid**, reflecting the combined effect of lower interest payment due to the maturity of a loan in Q2 2020 and higher interest payment related to lease and frequency fee liabilities in the first nine months of 2021
- HUF 2.1 billion **positive change in other non-cash items**, mainly due to the more significant foreign exchange rate movements leading to FX losses during the first nine months of 2020 compared to the first nine months of 2021

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 77.4 billion in the first nine months of 2021, compared to HUF 131.1 billion the first nine months of 2020, with the lower cash outflow driven mainly by the following:

- HUF 52.9 billion **positive effect** in payments for PPE and intangible assets is mainly due to the absence of HUF 54.8 billion payment for spectrum license fees, HUF 5.2 billion lower investment in gigabit access, network technology, CPE and installation, supplemented by HUF 2.3 billion positive effect of the corporate income tax settlement of energy efficiency tax credit. These were partly offset by HUF 7.4 billion higher payments to Capex creditors coupled with HUF 3.3 billion higher investment in mobile network modernization. For further information please see in section 2.2 Segment reports.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 21.8 billion in the first nine months of 2021 from HUF 17.1 billion in the first nine months of 2020, mainly due to higher network related lease payments and higher payment of different long-term supplier invoices.

In the first nine months of 2021 **Cash and cash equivalents** recorded a HUF 0.8 billion positive change compared to a HUF 2.3 billion negative change in the first nine months of 2020. Besides the changes in FCF the improvement is attributed to the followings:

- **Payments for other financial assets - net** improved by HUF 12.0 billion, primarily due to higher cash inflows from cross currency interest rate (CCIR) foreign exchange swap transactions. The CCIR swap transactions are related to the repayment of two 130.0 million EUR denominated DT loan in Q1 and Q3 2021. This change was supplemented by higher cash inflows from bank deposits over 3 months in net term.
- **Proceeds from loans and other borrowings** improved by HUF 5.0 billion due to the periodic increase of proceeds from inhouse DT Group funds partially deteriorated by the lower drawdown of DT Group loans. For further information please see in section 3.1 Basis of preparation.
- **Repayments of loans and other borrowings** deteriorated by HUF 69.3 billion due the periodic increase of repayments of inhouse DT Group funds partially complemented by the higher repayment of DT Group loans. For further information please see in section 3.1 Basis of preparation.
- **Dividends paid to Owners of the parent and Non-controlling interests** declined by HUF 5.7 billion mainly due to lower dividend payment from Magyar Telekom as the dividend per share (DPS) was reduced from HUF 20 in 2020 to HUF 15 in 2021.
- **Treasury share purchase** increased by HUF 5.0 billion due to the higher repurchase in the first nine months of 2021.
- **Exchange differences on cash and cash equivalents** declined by HUF 1.0 billion due to the higher MKD/HUF foreign exchange rate movement during 2020.

The financial and operating statistics are available on the following website:

http://www.telekom.hu/about_us/investor_relations/financial

2.1.3 Consolidated Statements of Financial Position

The most significant changes in the balances of the Consolidated Statements of Financial Position from December 31, 2020 to September 30, 2021 (see Appendix 3.8) can be observed in the following lines:

- Other financial assets (current and non-current combined)
- Intangible assets
- Financial liabilities to related parties (current and non-current combined)
- Trade payables
- Other financial liabilities (current and non-current combined)
- Treasury stock

Other financial assets (current and non-current combined) decreased by HUF 33.4 billion from December 31, 2020 to September 30, 2021 mainly as a result of a HUF 19.8 billion decrease in cash pool receivables as well as HUF 10.5 billion decrease of derivative financial instruments contracted with related parties.

Intangible assets increased by HUF 61.2 billion from December 31, 2020 to September 30, 2021 reflecting the acquisition of spectrum licenses. The present value of the future annual band fees to be paid by Magyar Telekom until 2042 and the one-time spectrum fee to be paid until Q1 2022 were capitalized in March 2021 in the amount of HUF 83.1 billion.

Financial liabilities to related parties (current and non-current combined) decreased by HUF 41.7 billion from December 31, 2020 to September 30, 2021 due to the combined result of repayments and drawdowns of short- and long-term DT Group loans which were partly offset by the increase in cash pool liabilities.

Trade payables declined by HUF 32.5 billion from December 31, 2020 to September 30, 2021 reflecting a decrease in outstanding balances to handset, SI/IT, Capex and OPEX suppliers.

Other financial liabilities (current and non-current combined) increased by HUF 80.5 billion from December 31, 2020 to September 30, 2021, mainly due to the recognition of present value of the future annual band fees and one-time spectrum fee for spectrum licenses.

Treasury stock increased by HUF 10.2 billion from December 31, 2020 to September 30, 2021 as a result of a repurchase of treasury shares.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position in the period from December 31, 2020 to September 30, 2021. 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 2021 and the related explanations provided above in section 2.1.2 Group Cash Flows.

2.1.4 Related party transactions

The significant changes in the volume of related party transactions have been disclosed in sections 2.1.2 Group Cash Flows and 2.1.3 Consolidated Statement of Financial Position. There have not been any other 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. Makedonski Telekom has a contingent liability in the amount of MKD 240.0 million (claimed amount) in respect of a court case for damage compensation against Makedonski Telekom for alleged abuse of the dominant position on the market for access to data transfer networks. Based on legal advice and strong legal arguments presented in the court procedure, management believes that it is not probable that the court procedure will result in liability of the claimed size.

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 14.8 billion as at December 31, 2020. In 2020, Magyar Telekom was registered as a participant by National Media and Infocommunications Authority for the auction procedure for the entitlements of frequency use of the 900 MHz and 1800 MHz frequency bands, the precondition of this was the issuance of additional guarantees. The guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual or tender related 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 2021 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 2021.

2.1.6 Significant events

In October 2021, through business combination of the MT-Hungary segment, the Group acquired fixed network and business activity covering more settlements from a number of sellers approximately in the aggregate amount of HUF 1.5 billion, the majority of the consideration is payable in Q4, 2021

For any other significant events that occurred between the end of the quarter (September 30, 2021) and the date publishing of this Interim financial report, please see our Investor Relations website:

http://www.telekom.hu/about_us/investor_relations/investor_news

2.2. Segment reports

The Group's segments are reported in a manner consistent with the internal reporting provided to the CODMs, the key management of Magyar Telekom Plc.

From 2020 the Chief Executive Officer (CEO) and the other Chief Officers together (Chief Officers) fulfill the chief operating decision maker (CODM) function in the Group. The Chief Officers assess the performance of the Company and make their decisions. 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 the Management's belief that Revenue, EBITDA, EBITDA AL and Capex, Capex AL 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.

2.2.1 MT-Hungary

HUF millions	Q3 2020	Q3 2021	Change	Change (%)	1-9 months 2020	1-9 months 2021	Change	Change (%)
Voice	29,797	28,751	(1,046)	(3.5%)	89,541	86,128	(3,413)	(3.8%)
Non-voice	29,235	34,358	5,123	17.5%	83,058	96,735	13,677	16.5%
Equipment	21,431	21,742	311	1.5%	60,215	62,748	2,533	4.2%
Other mobile revenue	2,485	3,189	704	28.3%	6,895	7,348	453	6.6%
Mobile revenue	82,948	88,040	5,092	6.1%	239,709	252,959	13,250	5.5%
Voice retail	8,522	7,867	(655)	(7.7%)	26,031	24,281	(1,750)	(6.7%)
Broadband - retail*	13,353	15,133	1,780	13.3%	39,137	42,070	2,933	7.5%
TV	11,865	12,888	1,023	8.6%	35,051	37,957	2,906	8.3%
Equipment	5,637	4,282	(1,355)	(24.0%)	14,805	13,361	(1,444)	(9.8%)
Other*	10,036	10,219	183	1.8%	29,742	30,018	276	0.9%
Fixed line revenue	49,413	50,389	976	2.0%	144,766	147,687	2,921	2.0%
SI/IT revenue	19,413	22,365	2,952	15.2%	54,617	57,105	2,488	4.6%
Revenue	151,774	160,794	9,020	5.9%	439,092	457,751	18,659	4.2%
Direct costs	(67,500)	(70,932)	(3,432)	(5.1%)	(192,628)	(200,379)	(7,751)	(4.0%)
Gross profit	84,274	89,862	5,588	6.6%	246,464	257,372	10,908	4.4%
Indirect costs	(30,403)	(31,385)	(982)	(3.2%)	(102,508)	(102,872)	(364)	(0.4%)
EBITDA	53,871	58,477	4,606	8.6%	143,956	154,500	10,544	7.3%
EBITDA AL	48,270	52,600	4,330	9.0%	127,288	136,980	9,692	7.6%
Segment Capex AL excl. spectrum licenses	24,476	22,794	(1,682)	(6.9%)	65,519	61,799	(3,720)	(5.7%)
Spectrum licenses	0	0	0	n.a.	91,582	83,075	(8,507)	(9.3%)

Operational statistics – access numbers	September 30 2020	September 30 2021	Change (%)
Number of SIM cards	5,425,433	5,582,162	2.9%
Postpaid share in total*	63.1%	63.6%	n.a.
Total fixed voice access	1,343,427	1,326,937	(1.2%)
Total retail fixed broadband customers *	1,296,568	1,386,579	6.9%
Total TV customers	1,215,481	1,287,873	6.0%

Operational statistics – ARPU (HUF)	Q3 2020	Q3 2021	Change (%)	1-9 months 2020	1-9 months 2021	Change (%)
Blended mobile ARPU	3,634	3,777	3.9%	3,556	3,691	3.8%
Postpaid ARPU *	5,140	5,356	4.2%	5,098	5,228	2.6%
Prepaid ARPU	1,239	1,248	0.7%	1,078	1,178	9.3%
M2M ARPU *	501	379	(24.5%)	517	397	(23.1%)
Blended fixed voice ARPU	2,109	1,974	(6.4%)	2,135	2,023	(5.3%)
Blended fixed broadband ARPU *	3,456	3,656	5.8%	3,439	3,442	0.1%
Blended TV ARPU	3,288	3,364	2.3%	3,285	3,342	1.7%

*2020 values changed due to re-presentation

Total revenue for the MT-Hungary segment in Q3 2021 increased by 5.9% year-on-year to HUF 160.8 billion, driven by continued strong customer demand for mobile data, fixed broadband, and TV services, as well as higher SI/IT revenue year-on-year.

- **Mobile revenue** increased by 6.1% year-on-year in Q3 2021 to HUF 88.0 billion. Growth was primarily attributable to the strong increase in mobile data usage by customers, coupled with further expansion of the overall subscriber base. The upward trend in non-voice revenue also reflects a significant increase in SMS revenue due to higher mass SMS volumes. These favorable trends, together with positive visitor revenue trajectories, more than offset the decline in voice revenue, leading to positive revenue as well as ARPU development.
- **Fixed line revenue** grew by 2.0% year-on-year to HUF 50.4 billion during the quarter. TV revenue continued to rise in line with the ongoing expansion of the related customer base, and broadband retail revenue returned to a positive trend as the

mandatory broadband monthly fee allowance introduced for students and teachers during the months of online education was removed during the second quarter. The positive impact of continued customer base expansion and sustained demand for higher bandwidth packages led to a strong year-on-year improvement. Positive service revenue developments were partly offset by declines in fixed equipment revenue, reflecting differences in the seasonality of related sales campaigns.

- **SI/IT revenue** increased by 15.2% year-on-year to HUF 22.4 billion in the third quarter, driven by more favorable seasonal patterns in Hungarian project revenue.

Gross profit increased by 6.6% year-on-year in Q3 2021, as a result of favorable service revenue trends and the absence of one-off telecom tax expense, negatively impacting the third quarter of 2020.

EBITDA improved by 8.6% year-on-year in Q3 2021, with EBITDA AL up 9.0% for the same period, reflecting favorable operational trends that fully offset increases in indirect costs related to higher bonus and severance expenses, from the voluntary redundancy program. Circa 200 employees participated in the program with some of the impacted positions to be refilled later on to insure seamless operation.

Capex AL excluding spectrum licenses in the third quarter of 2021 was down HUF 1.7 billion year-on-year, resulting in a year-on-year decline of HUF 3.7 billion for the first nine months of the year, with investments amounting to HUF 61.8 billion year-to-date. Although capex related to the mobile network modernization program increased, spending related to the fixed network, partly in relation to the gigabit-rollout program and network capacity, was lower than in the same period of 2020.

Outlook: The significant impact of the COVID-19 pandemic on macroeconomic and financial trends globally has had considerable implications for Magyar Telekom's operations. Demand for telecommunications services increased substantially during periods of restrictions on movement and contact, and remained largely elevated even as pandemic-related limitations eased. This allowed the Company to utilize its high-quality infrastructure and further improve performance. Going forward, the Company will continue to monitor the progression of the pandemic and related uncertainties and their potential impact on the business.

2.2.2 North Macedonia

HUF millions	Q3 2020	Q3 2021	Change	Change (%)	1-9 months 2020	1-9 months 2021	Change	Change (%)
Voice	4,093	4,639	546	13.3%	11,937	12,907	970	8.1%
Non-voice	2,755	3,191	436	15.8%	7,717	8,657	940	12.2%
Equipment	2,389	2,134	(255)	(10.7%)	6,346	6,527	181	2.9%
Other mobile revenue	393	569	176	44.8%	971	1,278	307	31.6%
Mobile revenue	9,630	10,533	903	9.4%	26,971	29,369	2,398	8.9%
Voice retail	1,422	1,201	(221)	(15.5%)	3,807	3,632	(175)	(4.6%)
Broadband - retail*	1,251	1,274	23	1.8%	3,643	3,825	182	5.0%
TV	1,302	1,330	28	2.2%	3,825	4,034	209	5.5%
Equipment	77	54	(23)	(29.9%)	223	159	(64)	(28.7%)
Other*	1,650	2,067	417	25.3%	4,837	5,872	1,035	21.4%
Fixed line revenue	5,702	5,926	224	3.9%	16,335	17,522	1,187	7.3%
SI/IT revenue	548	808	260	47.4%	1,829	1,848	19	1.0%
Revenue	15,880	17,267	1,387	8.7%	45,135	48,739	3,604	8.0%
Direct costs	(4,954)	(5,506)	(552)	(11.1%)	(14,058)	(14,986)	(928)	(6.6%)
Gross profit	10,926	11,761	835	7.6%	31,077	33,753	2,676	8.6%
Indirect costs	(4,064)	(3,868)	196	4.8%	(11,766)	(12,377)	(611)	(5.2%)
EBITDA	6,862	7,893	1,031	15.0%	19,311	21,376	2,065	10.7%
EBITDA AL	6,675	7,689	1,014	15.2%	18,703	20,738	2,035	10.9%
Segment Capex AL	1,971	5,404	3,433	174.2%	9,450	9,612	162	1.7%

Operational statistics – access numbers	September 30 2020	September 30 2021	Change (%)
Number of mobile SIMs	1,152,443	1,211,359	5.1%
Postpaid share in total	44.0%	44.4%	n.a.
Total fixed voice access	218,257	223,648	2.5%
Total fixed retail broadband access	194,488	202,939	4.3%
Total TV customers	140,137	144,975	3.5%

*2020 value changed due to re-presentation

Total revenue in North Macedonia increased by 8.7% year-on-year to HUF 17.3 billion in Q3 2021, as a result of strong mobile revenue performance attributable to the easing of pandemic-related restrictions and increased tourism in the country.

- **Mobile revenue** rose by 9.4% year-on-year in Q3 2021, primarily attributable to the combined impact of a higher postpaid customer base and higher average overall usage levels, evident in considerable ARPU improvement. The phase-out of COVID-19 related restrictions and the return of some tourism activities that were largely absent in the base period also supported positive revenue trends.
- **Fixed line revenue** increased by 3.9% year-on-year during the quarter, largely driven by growth in other fixed revenue attributable to income from the resale of TV content right licenses. Voice revenue declined mainly due to the absence of one-off revenue from compensations received for universal service providers, whereas competition driven price pressure further limited the growth potential of fixed service revenue despite continued customer base expansion.
- **SI/IT revenue** rose to HUF 0.8 billion in Q3 2021, due to higher revenue from customized solution projects.

Gross profit improved by 7.6% year-on-year in Q3 2021, reflecting the higher revenue contribution.

EBITDA and **EBITDA AL** rose strongly, by 15.0% and 15.2% year-on-year, amounting to HUF 7.9 billion and HUF 7.7 billion respectively in Q3 2021. The improvement in gross profit was coupled with savings in indirect costs, largely due to different in-year dynamics compared to the previous year.

Capex AL excluding spectrum licenses rose by HUF 3.4 billion year-on-year in Q3 2021, reflecting content fee capitalization cost, leading to a broadly stable level, HUF 9.6 billion, year-on-year for the first nine months of 2021.

Outlook: With signs of COVID-19 pandemic recovery evident in the region, North Macedonian operations are also recovering as travel and social distancing restrictions are eased. With demand for telecommunication, and particularly data services surging, the Company is committed to maintaining quality infrastructure and is also closely monitoring current preparations for the national 5G tender that is expected to take place in the last quarter of the year.

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, 2020, 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, 2020 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary.

The statutory accounts for December 31, 2020 were audited and the audit report was unqualified. It was approved by the Board of Directors on April 16, 2021 based on the authorization set out in Section 9 (2) of Government Decree no. 502/2020. (XI. 16.), the Board of Directors adopted the resolutions in the matters set on the published agenda of the Annual General Meeting convened for April 16, 2021 but not held due to the situation caused by the coronavirus pandemic (COVID-19).

In 2020, coronavirus spread globally, and its negative impact gained momentum which continued in 2021 due to the further waves of the pandemic. 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.

Magyar Telekom responded to the COVID-19 situation swiftly. The Company continues to meet the increased demand for connectivity through its network and has not identified any events which could jeopardize the going concern of its operation furthermore based on the management's assessment of future cashflows and no underperformance is expected in the long term. During the preparation of the Q3 2021 interim financial information the management decided to update its goodwill impairment test taking into account the latest available book values, EUR/HUF exchange rate, and weighted average cost of capital and as a result of that, no impairment was needed to be recognized in Q3 2021. Management continuously monitors the solvency of customers and based on these assessments, the management concluded that there was no need to recognize further allowance for bad debts in Q3 2021.

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, 2020 with the following exceptions:

Initial application of standards, interpretations and amendments in the reporting period

Pronouncement	Title	To be applied by Magyar Telekom from	Changes	Expected impact on the presentation of Magyar Telekom's results of operations and financial position
IFRSs endorsed by the EU				
Amendments to IFRS 4	Insurance Contracts Deferral of IFRS 9	Jan 1, 2021	Temporary exemption that permits insurer companies to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023.	Not applicable.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	Jan 1, 2021	Modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.	No material impact.
Amendments to IFRS 16	Leases: COVID-19- Related Rent Concessions beyond 30 April 1, June 2021	2021*	Extension of practical expedient until June 30, 2022 for lessee accounting of rent concessions granted due to the COVID-19 pandemic. Instead of assessing whether a rent concession is a lease modification, the lessee may account for the changes in lease payments as if they were not lease modifications	Practical expedient not applied by Magyar Telekom.

* Earlier application is permissible. Magyar Telekom already decided in the financial year 2020 not to apply the practical expedient.

In Q1 2021 in order to increase the consistency with the annual report and to follow the benchmark and industry practice the Company has conducted the revision of presentation hierarchy of financial reports. As a result of harmonization, some details and breakdowns are presented in separate tables in the interim reports and there are some minor adjustments in the order and wording. Nevertheless, the content of the financial report as a whole remained the same, all comparative information in this interim report was presented or



disclosed earlier, in the interim or the annual statements of preceding years. Management believes these changes ensure more transparent and consistent financial information to our investors.

3.2. Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income – quarterly year-on-year comparison

(HUF millions, except per share amounts)	Q3 2020 (re-presented, unaudited)	Q3 2021 (unaudited)	Change	Change (%)
Mobile revenue	92,578	98,573	5,995	6.5%
Fixed line revenue	55,114	56,342	1,228	2.2%
SI/IT revenue	19,961	23,173	3,212	16.1%
Revenue	167,653	178,088	10,435	6.2%
Direct costs	(72,412)	(76,412)	(4,000)	(5.5%)
Employee-related expenses	(18,332)	(20,128)	(1,796)	(9.8%)
Depreciation and amortization	(35,352)	(36,891)	(1,539)	(4.4%)
Other operating expenses	(17,252)	(16,209)	1,043	6.0%
Operating expenses	(143,348)	(149,640)	(6,292)	(4.4%)
Other operating income	1,080	1,034	(46)	(4.3%)
Operating profit	25,385	29,482	4,097	16.1%
Interest income	70	128	58	82.9%
Interest expense	(3,005)	(3,330)	(325)	(10.8%)
Other finance expense - net	1,734	(2,325)	(4,059)	n.m.
Net financial result	(1,201)	(5,527)	(4,326)	(360.2%)
Share of associates' and joint ventures' results	-	-	-	-
Profit before income tax	24,184	23,955	(229)	(0.9%)
Income tax	(4,501)	(4,524)	(23)	(0.5%)
Profit for the period	19,683	19,431	(252)	(1.3%)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2,111	2,319	208	9.9%
Items that will not be reclassified to profit or loss:				
Revaluation of financial assets at FV OCI	104	127	23	22.1%
Other comprehensive income for the year, net of tax	2,215	2,446	231	10.4%
Total comprehensive income for the period	21,898	21,877	(21)	(0.1%)
Profit attributable to:				
Owners of the parent	18,604	17,873	(731)	(3.9%)
Non-controlling interests	1,079	1,558	479	44.4%
	19,683	19,431	(252)	(1.3%)
Total comprehensive income attributable to:				
Owners of the parent	19,914	19,325	(589)	(3.0%)
Non-controlling interests	1,984	2,552	568	28.6%
	21,898	21,877	(21)	(0.1%)
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	18,604	17,873		
Weighted average number of common stock outstanding used for basic/diluted EPS	1,020,759,796	996,965,004		
Basic / diluted earnings per share (HUF)	18.23	17.93	(0.30)	(1.6%)

3.3. Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income – first nine months year-to-date comparison

(HUF millions, except per share amounts)	1-9 months 2020 (re-presented, unaudited)	1-9 months 2021 (unaudited)	Change	Change (%)
Mobile revenue	266,680	282,328	15,648	5.9%
Fixed line revenue	161,047	165,247	4,200	2.6%
SI/IT revenue	56,446	58,953	2,507	4.4%
Revenue	484,173	506,528	22,355	4.6%
Direct costs	(206,556)	(215,250)	(8,694)	(4.2%)
Employee-related expenses	(58,426)	(59,856)	(1,430)	(2.4%)
Depreciation and amortization	(104,372)	(108,697)	(4,325)	(4.1%)
Other operating expenses	(58,102)	(58,200)	(98)	(0.2%)
Operating expenses	(427,456)	(442,003)	(14,547)	(3.4%)
Other operating income	2,176	2,618	442	20.3%
Operating profit	58,893	67,143	8,250	14.0%
Interest income	278	261	(17)	(6.1%)
Interest expense	(9,202)	(10,276)	(1,074)	(11.7%)
Other finance expense - net	(8,692)	(1,155)	7,537	86.7%
Net financial result	(17,616)	(11,170)	6,446	36.6%
Share of associates' and joint ventures' results	(66)	-	66	100.0%
Profit before income tax	41,211	55,973	14,762	35.8%
Income tax	(10,859)	(11,966)	(1,107)	(10.2%)
Profit for the period	30,352	44,007	13,655	45.0%
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	8,730	(1,463)	(10,193)	n.m.
Items that will not be reclassified to profit or loss:				
Revaluation of financial assets at FV OCI	15	269	254	n.m.
Other comprehensive income for the year, net of tax	8,745	(1,194)	(9,939)	n.m.
Total comprehensive income for the period	39,097	42,813	3,716	9.5%
Profit attributable to:				
Owners of the parent	27,554	40,279	12,725	46.2%
Non-controlling interests	2,798	3,728	930	33.2%
	30,352	44,007	13,655	45.0%
Total comprehensive income attributable to:				
Owners of the parent	32,798	39,479	6,681	20.4%
Non-controlling interests	6,299	3,334	(2,965)	(47.1%)
	39,097	42,813	3,716	9.5%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	27,554	40,279		
Weighted average number of common stock outstanding used for basic/diluted EPS	1,029,252,178	1,010,997,830		
Basic / diluted earnings per share (HUF)	26.77	39.84	13.07	48.8%

3.4. Revenue breakdown – quarterly year-on-year comparison

(HUF millions)	Q3 2020	Q3 2021	Change	Change (%)
Voice retail	30,915	30,190	(725)	(2.3%)
Voice wholesale	2,975	3,200	225	7.6%
Data	26,761	31,364	4,603	17.2%
SMS	5,229	6,185	956	18.3%
Equipment	23,820	23,876	56	0.2%
Other mobile revenue	2,878	3,758	880	30.6%
Mobile revenue	92,578	98,573	5,995	6.5%
Voice retail	9,944	9,068	(876)	(8.8%)
Broadband retail	14,604	16,407	1,803	12.3%
TV	13,167	14,218	1,051	8.0%
Equipment	5,714	4,336	(1,378)	(24.1%)
Data retail	3,096	3,213	117	3.8%
Wholesale (voice, broadband, data)	4,822	4,940	118	2.4%
Other fixed line revenue	3,767	4,160	393	10.4%
Fixed line revenue	55,114	56,342	1,228	2.2%
SI/IT revenue	19,961	23,173	3,212	16.1%
Revenue	167,653	178,088	10,435	6.2%

3.5. Revenue breakdown – first nine months year-to-date comparison

(HUF millions)	1-9 months 2020	1-9 months 2021	Change	Change (%)
Voice retail	92,690	89,458	(3,232)	(3.5%)
Voice wholesale	8,788	9,577	789	9.0%
Data	75,424	87,384	11,960	15.9%
SMS	15,351	18,008	2,657	17.3%
Equipment	66,561	69,275	2,714	4.1%
Other mobile revenue	7,866	8,626	760	9.7%
Mobile revenue	266,680	282,328	15,648	5.9%
Voice retail	29,838	27,913	(1,925)	(6.5%)
Broadband retail	42,780	45,895	3,115	7.3%
TV	38,876	41,991	3,115	8.0%
Equipment	15,028	13,520	(1,508)	(10.0%)
Data retail	9,079	9,499	420	4.6%
Wholesale (voice, broadband, data)	14,415	14,940	525	3.6%
Other fixed line revenue	11,031	11,489	458	4.2%
Fixed line revenue	161,047	165,247	4,200	2.6%
SI/IT revenue	56,446	58,953	2,507	4.4%
Revenue	484,173	506,528	22,355	4.6%

3.6. Operating expenses breakdown – quarterly year-on-year comparison

(HUF millions)	Q3 2020	Q3 2021	Change	Change (%)
Interconnect costs	(5,498)	(6,455)	(957)	(17.4%)
SI/IT service related costs	(13,983)	(16,694)	(2,711)	(19.4%)
Bad debt expense	(2,419)	(1,904)	515	21.3%
Telecom tax	(7,614)	(6,507)	1,107	14.5%
Other direct costs	(42,898)	(44,852)	(1,954)	(4.6%)
Direct costs	(72,412)	(76,412)	(4,000)	(5.5%)
Employee-related expenses	(18,332)	(20,128)	(1,796)	(9.8%)
Depreciation and amortization	(35,352)	(36,891)	(1,539)	(4.4%)
Other operating expenses	(17,252)	(16,209)	1,043	6.0%
Utility tax	-	1	1	n.a.
Other operating expenses	(17,252)	(16,210)	1,042	6.0%
Operating expenses	(143,348)	(149,640)	(6,292)	(4.4%)

3.7. Operating expenses breakdown – first nine months year-to-date comparison

(HUF millions)	1-9 months 2020	1-9 months 2021	Change	Change (%)
Interconnect costs	(16,227)	(18,637)	(2,410)	(14.9%)
SI/IT service related costs	(39,603)	(41,784)	(2,181)	(5.5%)
Bad debt expense	(7,232)	(5,832)	1,400	19.4%
Telecom tax	(20,883)	(20,096)	787	3.8%
Other direct costs	(122,611)	(128,901)	(6,290)	(5.1%)
Direct costs	(206,556)	(215,250)	(8,694)	(4.2%)
Employee-related expenses	(58,426)	(59,856)	(1,430)	(2.4%)
Depreciation and amortization	(104,372)	(108,697)	(4,325)	(4.1%)
Other operating expenses	(58,102)	(58,200)	(98)	(0.2%)
Utility tax	(7,215)	(7,332)	(117)	(1.6%)
Other operating expenses	(50,887)	(50,868)	19	0.0%
Operating expenses	(427,456)	(442,003)	(14,547)	(3.4%)

3.8. Interim Consolidated Statements of Financial Position - Assets

(HUF millions)	Dec 31, 2020 (unaudited)	Sept 30, 2021 (unaudited)	Change	Change (%)
ASSETS				
Cash and cash equivalents	14,689	15,493	804	5.5%
Trade receivables	158,857	153,369	(5,488)	(3.5%)
Other assets	6,022	7,467	1,445	24.0%
Other current financial assets	42,487	6,179	(36,308)	(85.5%)
Contract assets	16,878	20,618	3,740	22.2%
Current income tax receivable	473	2,944	2,471	n.m.
Inventories	18,395	18,982	587	3.2%
	257,801	225,052	(32,749)	(12.7%)
Assets held for sale	489	125	(364)	(74.4%)
Total current assets	258,290	225,177	(33,113)	(12.8%)
Property, plant and equipment	432,436	429,974	(2,462)	(0.6%)
Right-of-use assets	121,335	119,814	(1,521)	(1.3%)
Intangible assets	285,680	346,896	61,216	21.4%
Goodwill	213,137	213,151	14	0.0%
Investments in associates and joint ventures	-	-	-	-
Deferred tax assets	118	121	3	2.5%
Trade receivables over one year	18,566	16,310	(2,256)	(12.2%)
Other non-current financial assets	10,614	13,490	2,876	27.1%
Contract assets	3,923	3,367	(556)	(14.2%)
Other non-current assets	5,795	6,606	811	14.0%
Total non-current assets	1,091,604	1,149,729	58,125	5.3%
Total assets	1,349,894	1,374,906	25,012	1.9%

3.9. Interim Consolidated Statements of Financial Position – Liabilities and Equity

(HUF millions)	Dec 31, 2020 (unaudited)	Sept 30, 2021 (unaudited)	Change	Change (%)
LIABILITIES				
Financial liabilities to related parties	98,350	57,794	(40,556)	(41.2%)
Lease liabilities	20,712	22,389	1,677	8.1%
Trade payables	148,326	115,872	(32,454)	(21.9%)
Other financial liabilities	12,204	56,072	43,868	359.5%
Current income tax payable	432	4,183	3,751	n.m.
Provisions	3,603	4,236	633	17.6%
Contract liabilities	10,998	10,444	(554)	(5.0%)
Other current liabilities	22,198	22,925	727	3.3%
	316,823	293,915	(22,908)	(7.2%)
Liabilities held for sale	-	-	-	-
Total current liabilities	316,823	293,915	(22,908)	(7.2%)
Financial liabilities to related parties	89,456	88,328	(1,128)	(1.3%)
Lease liabilities	111,820	108,362	(3,458)	(3.1%)
Corporate bonds	67,904	68,136	232	0.3%
Other financial liabilities	74,163	110,768	36,605	49.4%
Deferred tax liabilities	18,621	18,224	(397)	(2.1%)
Provisions	10,109	12,684	2,575	25.5%
Contract liabilities	361	371	10	2.8%
Other non-current liabilities	2,910	2,584	(326)	(11.2%)
Total non-current liabilities	375,344	409,457	34,113	9.1%
Total liabilities	692,167	703,372	11,205	1.6%
EQUITY				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,379	27,379	0	0.0%
Treasury stock	(9,209)	(19,424)	(10,215)	(110.9%)
Retained earnings	465,787	490,754	24,967	5.4%
Accumulated other comprehensive income	30,452	29,652	(800)	(2.6%)
Total equity of the owners of the parent	618,684	632,636	13,952	2.3%
Non-controlling interests	39,043	38,898	(145)	(0.4%)
Total equity	657,727	671,534	13,807	2.1%
Total liabilities and equity	1,349,894	1,374,906	25,012	1.9%

3.10. Interim Consolidated Statements of Cash Flows

(HUF millions)	1-9 months 2020 (re-presented, unaudited)	1-9 months 2021 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	30,352	44,007	13,655	45.0%
Depreciation and amortization	104,372	108,697	4,325	4.1%
Income tax expense	10,859	11,966	1,107	10.2%
Net financial result	17,616	11,170	(6,446)	(36.6%)
Share of associates' and joint ventures' result	66	-	(66)	(100.0%)
Change in assets carried as working capital	26,579	1,868	(24,711)	(93.0%)
Change in provisions	204	2,477	2,273	n.m.
Change in liabilities carried as working capital	(33,807)	(18,407)	15,400	45.6%
Income tax paid	(11,572)	(13,412)	(1,840)	(15.9%)
Dividend received	51	57	6	11.8%
Interest and other financial charges paid	(16,025)	(15,065)	960	6.0%
Interest received	192	227	35	18.2%
Other non-cash items	(2,072)	49	2,121	n.m.
Net cash generated from operating activities	126,815	133,634	6,819	5.4%
Cash flows from investing activities				
Payments for property plant and equipment (PPE) and intangible as:	(131,958)	(79,029)	52,929	40.1%
Proceeds from disposal of PPE and intangible assets	1,407	1,686	279	19.8%
Payments for subsidiaries and business units	(567)	(75)	492	86.8%
Cash acquired through business combinations	-	-	-	-
Proceeds from disposal of subsidiaries and business units	-	-	-	-
(Payments for) / Proceeds from other financial assets - net	(199)	11,758	11,957	n.m.
Payments for interests in associates and joint ventures	-	-	-	-
Net cash used in investing activities	(131,317)	(65,660)	65,657	50.0%
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interest	(24,515)	(18,788)	5,727	23.4%
Proceeds from loans and other borrowings	167,176	172,159	4,983	3.0%
Repayment of loans and other borrowings	(119,037)	(188,365)	(69,328)	(58.2%)
Proceeds from corporate bonds	-	-	-	-
Repayment of lease and other financial liabilities	(17,066)	(21,809)	(4,743)	(27.8%)
Treasury share purchase	(5,218)	(10,215)	(4,997)	(95.8%)
Net cash used in financing activities	1,340	(67,018)	(68,358)	n.m.
Exchange differences on cash and cash equivalents	858	(152)	(1,010)	n.m.
Change in cash and cash equivalents	(2,304)	804	3,108	n.m.
Cash and cash equivalents, beginning of period	13,398	14,689	1,291	9.6%
Cash and cash equivalents, end of period	11,094	15,493	4,399	39.7%

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

In HUF millions	Opening Balance at Jan 1, 2021	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 September 30, 2021		
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Proceeds from bonds	Repayment of other financial liability		Other	
Related party loans	187,793		(4,708)	(989)		152,391	(188,365)				146,122	
Derivatives from related parties	13			716	(729)							156,788
Spectrum fee payable	76,084		(2,619)	86,813					(3,490)			68,136
Bonds	67,904		155	77					(14,759)			130,751
Finance lease liabilities	132,532		(4,235)	17,213								1,389
Debtors overpayment	1,309		80	3								430
Contingent consideration	427											8,233
Other financial liabilities	8,547		(422)	3,668					(3,560)			(15,493)
- Less cash and cash equivalent	(14,689)	(804)	(1,156)	2,584	15,112	19,768						(6,179)
- Less other current financial assets	(42,487)											
Net debt	417,433	(804)	(12,905)	110,085	14,383	172,159	(188,365)		(21,809)			490,177
Treasury share purchase											(10,215)	
Dividends paid to Owners of the parent and Non-controlling interest											(18,788)	
Net Cash used in financing activities											(67,018)	

3.12. Interim Consolidated Statements of Changes in Equity

	in HUF millions										
	pieces	Shares of common stock	Capital reserves		Treasury stock	Retained earnings	Accumulated Other Comprehensive Income		Equity of the owners of the parent	Non-controlling interests	Total Equity
			Additional paid in capital	Reserve for equity settled share-based transactions			Cumulative translation adjustment	Revaluation reserve for FVOCI financial assets – net of tax			
Balance at January 1, 2020	1,042,742,543	104,275	27,379	0	(3,991)	444,278	24,863	184	596,988	35,166	632,154
Dividend declared to Owners of the parent	-	-	-	-	-	(20,855)	-	-	(20,855)	-	(20,855)
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	(3,668)	(3,668)
Treasury share purchase	-	-	-	(5,218)	(5,218)	-	-	-	(5,218)	-	(5,218)
Transactions with owners in their capacity as owners	-	-	-	(5,218)	(5,218)	(20,855)	-	-	(26,073)	(3,668)	(29,741)
Other comprehensive income	-	-	-	-	-	-	5,237	7	5,244	3,501	8,745
Profit or loss	-	-	-	-	-	27,554	-	-	27,554	2,798	30,352
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Balance at Sept 30, 2020	1,042,742,543	104,275	27,379	0	(9,209)	450,977	30,100	191	603,713	37,797	641,510
Dividend declared to Owners of the parent	-	-	-	-	-	-	-	-	-	-	-
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	142	19	161	91	252
Profit or loss	-	-	-	-	-	14,810	-	-	14,810	1,155	15,965
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2020	1,042,742,543	104,275	27,379	0	(9,209)	465,787	30,242	210	618,684	39,043	657,727
Dividend declared to Owners of the parent	-	-	-	-	-	(15,312)	-	-	(15,312)	-	(15,312)
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	(3,479)	(3,479)
Treasury share purchase	-	-	-	(10,215)	(10,215)	-	-	-	(10,215)	-	(10,215)
Transactions with owners in their capacity as owners	-	-	-	(10,215)	(10,215)	(15,312)	-	-	(25,527)	(3,479)	(29,006)
Other comprehensive income	-	-	-	-	-	-	(949)	149	(800)	(394)	(1,194)
Profit or loss	-	-	-	-	-	40,279	-	-	40,279	3,728	44,007
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Balance at Sept 30, 2021	1,042,742,543	104,275	27,379	0	(19,424)	490,754	29,293	359	632,636	38,898	671,534
Of which treasury stock	(45,777,539)	-	-	-	-	-	-	-	-	-	-
Shares of common stock outstanding	996,965,004	-	-	-	-	-	-	-	-	-	-

3.13. Exchange rate information

	Q3 2020	Q3 2021	Change (%)	1-9 months 2020	1-9 months 2021	Change (%)
HUF/EUR beginning of period	356.57	351.90	(1.3%)	330.52	365.13	10.5%
HUF/EUR period-end	364.65	360.52	(1.1%)	364.65	360.52	(1.1%)
HUF/EUR cumulative monthly average	353.14	354.10	0.3%	348.88	356.88	2.3%
HUF/MKD beginning of period	5.78	5.70	(1.4%)	5.38	5.92	10.0%
HUF/MKD period-end	5.91	5.84	(1.2%)	5.91	5.84	(1.2%)
HUF/MKD cumulative monthly average	5.72	5.75	0.5%	5.66	5.79	2.3%

3.14. Segment information

HUF millions	Q3 2020	Q3 2021	1-9 months 2020	1-9 months 2021
Total MT-Hungary revenues	151,774	160,794	439,092	457,751
Less: MT-Hungary revenues from other segments	(30)	(29)	(92)	(88)
MT-Hungary revenues from external customers	151,744	160,765	439,000	457,663
Total North Macedonia revenues	15,880	17,267	45,135	48,739
Less: North Macedonia revenues from other segments	(17)	(13)	(54)	(43)
North Macedonia revenues from external customers	15,863	17,254	45,081	48,696
Total consolidated revenue of the segments	167,607	178,019	484,081	506,359
Measurement differences to Group revenue	46	69	92	169
Total revenue of the Group	167,653	178,088	484,173	506,528
Segment results (EBITDA)				
Hungary	53,871	58,477	143,956	154,500
North Macedonia	6,862	7,893	19,311	21,376
Total EBITDA of the segments	60,733	66,370	163,267	175,876
Measurement differences to Group EBITDA	4	3	(2)	(36)
Total EBITDA of the Group	60,737	66,373	163,265	175,840

3.15. Fair value of financial instruments – financial assets

September 30, 2021 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized	FVOCI	FVTPL	FVTPL		
Cash and cash equivalents	15,493				15,493	15,493
Trade receivables	153,369				153,369	153,369
Trade receivables over 1 year	16,310				16,310	16,933
Employee-related receivables	836				836	741
Derivative financial instruments contracted with related parties				10,230	10,230	10,230
Receivables from group companies	14				14	14
Finance lease receivable	984				984	982
Equity instruments		1,126		1,216	2,342	2,342
Receivables from asset-related grants	4,045				4,045	4,045
Other current receivables	1,140				1,140	1,140
Other non-current receivables	78				78	78
Total	192,269	1,126	10,230	1,216	204,841	205,367

December 31, 2020 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized	FVOCI	FVTPL	FVTPL		
Cash and cash equivalents	14,689				14,689	14,689
Bank deposits with original maturities over 3 months	2,925				2,925	2,925
Cash-pool receivables	19,768				19,768	19,768
Trade receivables	158,857				158,857	158,857
Trade receivables over 1 year	18,566				18,566	19,304
Employee-related receivables	784				784	829
Derivative financial instruments contracted with related parties				20,696	20,696	20,696
Finance lease receivable	1,151				1,151	1,041
Equity instruments		839		1,193	2,032	2,032
Receivables from asset-related grants	4,794				4,794	4,794
Other current receivables	645				645	645
Other non-current receivables	306				306	281
Total	222,485	839	20,696	1,193	245,213	245,861

3.16. Fair value of financial instruments – financial liabilities

September 30, 2021 In HUF millions	FINANCIAL LIABILITIES			Carrying amount	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties	146,122			146,122	148,648
Trade payables	115,872			115,872	115,872
Frequency fee payable	156,788			156,788	154,462
Bonds	68,136			68,136	(62,685)
Lease liabilities	130,751			130,751	133,643
Debtors overpayment	1,389			1,389	1,389
Contingent consideration			430	430	430
Other current	5,135			5,135	5,135
Other non-current	2,967		131	3,098	3,178
Total	627,160	0	561	627,721	500,072

December 31, 2020 In HUF millions	FINANCIAL LIABILITIES			Carrying amount	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties	187,793	13		187,806	191,013
Trade payables	148,326			148,326	148,326
Frequency fee payable	76,084			76,084	85,202
Bonds	67,904			67,904	68,053
Finance lease liabilities	132,532			132,532	140,320
Debtors overpayment	1,309			1,309	1,309
Contingent consideration			427	427	427
Other current	5,947			5,947	5,947
Other non-current	2,470		130	2,600	2,633
Total	622,365	13	557	622,935	643,230

3.17. EBITDA reconciliation

(HUF millions)	Q3 2020 MT Group	Q3 2020 MT-Hungary	Q3 2020 North Macedonia	Q3 2021 MT Group	Q3 2021 MT-Hungary	Q3 2021 North Macedonia
EBITDA	60,737	53,871	6,862	66,373	58,477	7,893
IFRS 16 related D&A	(4,453)	(4,298)	(155)	(4,697)	(4,520)	(177)
IFRS 16 related Interest	(1,335)	(1,303)	(32)	(1,384)	(1,357)	(27)
EBITDA after lease	54,949	48,270	6,675	60,292	52,600	7,689

(HUF millions)	1-9 months 2020 MT Group	1-9 months 2020 MT-Hungary	1-9 months 2020 North Macedonia	1-9 months 2021 MT Group	1-9 months 2021 MT-Hungary	1-9 months 2021 North Macedonia
EBITDA	163,265	143,956	19,311	175,840	154,500	21,376
IFRS 16 related D&A	(13,279)	(12,760)	(519)	(13,923)	(13,370)	(553)
IFRS 16 related Interest	(3,997)	(3,908)	(89)	(4,235)	(4,150)	(85)
EBITDA after lease	145,989	127,288	18,703	157,682	136,980	20,738

3.18. Capex from Interim Consolidated Statements of Cash Flows

(HUF millions)	1-9 months 2020 MT Group	1-9 months 2021 MT Group
Payments for PPE and intangible assets	131,958	79,029
Less spectrum payments	(54,240)	0
Payments for PPE and intangible assets excl. spectrum payments	77,718	79,029
+/- Cash adjustments	(2,729)	(7,615)
Capex AL excl. spectrum	74,989	71,414
ROU capex	12,290	14,434
Spectrum capex	91,582	83,075
Capex	178,861	168,923

3.19. Capex from Interim Consolidated Statements of Financial Position

(HUF millions)	Q3 2020 MT Group	Q3 2020 MT-Hungary	Q3 2020 North Macedonia	Q3 2021 MT Group	Q3 2021 MT-Hungary	Q3 2021 North Macedonia
Capex AL excl. spectrum licenses	26,456	24,485	1,971	28,198	22,794	5,404
ROU capex	5,765	5,540	225	8,134	7,988	146
Spectrum capex	-	-	-	-	-	-
Capex	123,803	121,607	2,196	36,332	30,782	5,550

(HUF millions)	1-9 months 2020 MT Group	1-9 months 2020 MT-Hungary	1-9 months 2020 North Macedonia	1-9 months 2021 MT Group	1-9 months 2021 MT-Hungary	1-9 months 2021 North Macedonia
Capex AL excl. spectrum licenses	74,989	65,539	9,450	71,414	61,802	9,612
ROU capex	12,290	11,799	491	14,434	13,947	487
Spectrum capex	91,582	91,582	-	83,075	83,075	-
Capex	178,861	168,920	9,941	168,923	158,824	10,099



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 remaining period of the financial year.

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

Tibor Rékasi
Chief Executive Officer, member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer, member of the Board

Budapest, November 9, 2021

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, 2020, 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.