

MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
THIRD QUARTER ENDED SEPTEMBER 30, 2020



Budapest – November 4, 2020 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the third quarter and first nine month of 2020, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q3 2019	Q3 2020	Change (%)	1-9 months 2019	1-9 months 2020	Change (%)
Total revenues	164,632	167,653	1.8%	484,335	484,173	(0.0%)
Operating profit	25,843	25,385	(1.8%)	63,203	58,893	(6.8%)
Profit attributable to:						
Owners of the parent	11,831	18,604	57.2%	28,321	27,554	(2.7%)
Non-controlling interests	1,213	1,079	(11.0%)	3,206	2,798	(12.7%)
	13,044	19,683	50.9%	31,527	30,352	(3.7%)
Gross profit	95,373	95,241	(0.1%)	280,178	277,617	(0.9%)
EBITDA	59,626	60,737	1.9%	162,929	163,265	0.2%
EBITDA AL	54,148	54,949	1.5%	146,059	145,989	(0.0%)
	Q3 2019	Q3 2020	Change (%)	1-9 months 2019	1-9 months 2020	Change (%)
Free cash flow				16,879	(21,369)	(226.6%)
Free cash flow excl. spectrum licenses				27,879	32,871	17.9%
Capex after lease	23,422	26,456	13.0%	57,202	166,571	191.2%
Capex after lease excl. spectrum licenses	23,422	26,456	13.0%	57,202	74,989	31.1%
Number of employees (closing full equivalent)				8,357	7,263	(13.1%)
				Dec 31, 2019	Sep 30, 2020	Change (%)
Net debt				349,357	439,526	25.8%
Net debt / total capital				35.6%	40.7%	n.a.

- Revenues grew by HUF 3.0 billion, or 1.8%, year-on-year, to HUF 167.7 billion in Q3 2020, driven by higher fixed and mobile services contribution, both supported by growing equipment sales
- Gross profit remained broadly stable year-on-year at HUF 95.2 billion in Q3 2020 as the increase in revenues was offset by rising other direct costs resulting from the above-mentioned rise in equipment sales
- Indirect costs improved due to enhanced discipline and further cost reduction efforts. As a result, EBITDA AL increased by HUF 0.8 billion, or 1.5%, year-on-year, to HUF 54.9 billion in Q3 2020, while 9M 2020 EBITDA AL amounted to HUF 146.0 billion
- CAPEX AL (excluding spectrum license fees) grew by 13.0% to HUF 26.5 billion in Q3 2020 and amounted to HUF 75.0 billion in 9M 2020, an increase of HUF 17.8 billion year-on-year, driven by increased spending on fiber network development and the comprehensive radio network modernization
- Free cash flow (excluding spectrum license fees) reached HUF 32.9 billion year-to-date, representing a HUF 29.5 billion uplift versus the previous quarter. The growth was mainly supported by strong EBITDA generation and favorable working capital developments. Following the payment of 5G spectrum license fees in Q2 2020, total free cash outflow (after spectrum license fees) amounted to HUF 21.4 billion year-to-date
- Net debt reached HUF 439.5 billion at September 30, 2020, corresponding to a net debt to total capital ratio of 40.7%

Operational highlights

- Mobile data usage grew by 40% year-on-year in Q3 2020, supported by particularly strong demand in B2C which boosted mobile data revenues by 10.4%
- The gigabit capable network grew further, reaching over 2.3 million access points in Hungary. Accelerated FTTH roll-out enabled enhanced monetization, as reflected in broadband retail revenue growth of 10.8% year-on-year in Q3 2020
- Scope Ratings GmbH assigned Magyar Telekom a first-time issuer investment grade credit rating of BBB+

- Magyar Telekom was confirmed as a constituent of the FTSE4Good index series following the 2020 index review. FTSE4Good identifies companies that reflect strong ESG practices and strong overall ESG ratings. Magyar Telekom's ESG Rating is 5.0, on a scale of 1-5, placing the Company in the top 1% in the global telecommunication sector.

Tibor Rékasi, Magyar Telekom's CEO commented:

"Magyar Telekom continued to deliver a robust performance in the third quarter of 2020, remaining on track to meet the Group's annual public targets for 2020. As EBITDA generation improved, accelerated investment into the fixed network allowed Magyar Telekom to provide a further 100 thousand households with fiber access. As a first mover in the domestic market Magyar Telekom has been offering gigabit speed on the 5G mobile network.

Looking ahead, I believe Magyar Telekom is well placed to provide a broader range of content, enhanced connectivity and greater flexibility to our customers as these services become even more important in an uncertain environment affected by COVID-19."

Outlook

	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	
Capex¹	HUF 89.6 billion	increasing with ca. 10%	broadly stable vs 2019
FCF²	HUF 65.1 billion	broadly stable	broadly stable vs 2019

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 Profit or Loss and Comprehensive Income - extract (HUF million)	Q3 2019	Q3 2020	Change	Change (%)	1-9 months 2019	1-9 months 2020	Change	Change (%)
Revenues								
Mobile revenues	90,105	92,578	2,473	2.7%	259,841	266,680	6,839	2.6%
Fixed line revenues	52,328	55,114	2,786	5.3%	157,675	161,047	3,372	2.1%
System Integration/Information Technology revenues	22,199	19,961	(2,238)	(10.1%)	66,819	56,446	(10,373)	(15.5%)
Total revenues	164,632	167,653	3,021	1.8%	484,335	484,173	(162)	(0.0%)
Direct costs	(69,259)	(72,412)	(3,153)	(4.6%)	(204,157)	(206,556)	(2,399)	(1.2%)
Gross profit	95,373	95,241	(132)	(0.1%)	280,178	277,617	(2,561)	(0.9%)
Indirect costs	(35,747)	(34,504)	1,243	3.5%	(117,249)	(114,352)	2,897	2.5%
EBITDA	59,626	60,737	1,111	1.9%	162,929	163,265	336	0.2%
Depreciation and amortization	(33,783)	(35,352)	(1,569)	(4.6%)	(99,726)	(104,372)	(4,646)	(4.7%)
Operating profit	25,843	25,385	(458)	(1.8%)	63,203	58,893	(4,310)	(6.8%)
Net financial result	(8,867)	(1,201)	7,666	86.5%	(21,023)	(17,616)	3,407	16.2%
Share of associates' and joint ventures' results	(37)	0	37	100.0%	178	(66)	(244)	n.m.
Profit before income tax	16,939	24,184	7,245	42.8%	42,358	41,211	(1,147)	(2.7%)
Income tax	(3,895)	(4,501)	(606)	(15.6%)	(10,831)	(10,859)	(28)	(0.3%)
Profit for the period	13,044	19,683	6,639	50.9%	31,527	30,352	(1,175)	(3.7%)
Profit attributable to non-controlling interests	1,213	1,079	(134)	(11.0%)	3,206	2,798	(408)	(12.7%)
Profit attributable to owners of the parent	11,831	18,604	6,773	57.2%	28,321	27,554	(767)	(2.7%)

Total revenues increased by 1.8% year-on-year to HUF 167.7 billion in Q3 2020 as increases in telecommunication service revenues coupled with higher equipment sales in Hungary, along with positive foreign exchange impact stemming from the strengthening of the denar compared to the forint offset the decline in the Hungarian System Integration and IT revenues in Hungary. **In the first nine months of 2020**, revenues remained broadly **stable year-on-year at HUF 484.2 billion**.

- **Mobile revenues were up 2.7% year-on-year to HUF 92.6 billion in Q3 2020**, and 2.6% higher at HUF 266.7 billion in the first nine months of 2020, thanks to higher mobile data and equipment sales revenues which could fully offset lower retail voice revenues.
 - **Voice retail** revenues, at Group level, declined by 5.4% year-on-year to HUF 30.9 billion in Q3 2020 as lower roaming revenues at both operation coupled with a decline in the North Macedonian prepaid revenues offset the positive impacts stemming from the further expansion of the Hungarian customer base.
 - **Voice wholesale** revenue increased by 16.0% year-on-year to HUF 3.0 billion in Q3 2020, reflecting a strong increase in incoming mobile traffic in Hungary, coupled with higher machine-to-machine traffic in North Macedonia.
 - **Data** revenue rose by 10.4% year-on-year reaching HUF 26.8 billion in Q3 2020. In Hungary, mobile data revenues continued to grow as increases in mobile internet subscribers and usage levels compensated for the strong decline in data roaming revenues whereas in North Macedonia, drop in roaming resulted in a moderate decline of mobile data revenues.
 - **SMS** revenues were moderately higher year-on-year at HUF 5.2 billion at Group level in Q3 2020, as lower revenues from roaming in both countries were offset by increased residential usage by a growing postpaid customer base and higher revenues from mass messaging in Hungary.
 - **Mobile equipment** revenues increased by 9.8% year-on-year to HUF 23.8 billion in Q3 2020, driven by higher volume of equipment sales in retention transactions in both Hungary and North Macedonia.
 - **Other mobile** revenues decreased by 24.0% to HUF 2.9 billion in Q3 2020, attributable to the sharp decline in visitor revenues in both countries.
- **Fixed line revenues increased by 5.3% year-on-year, to HUF 55.1 billion in Q3 2020** and by 2.1% to HUF 161.0 billion in the first nine months of 2020. Higher broadband and TV retail service revenues compensated for the decline in voice revenues and the higher volumes of provided discounts.
 - **Voice retail** revenue declined by 3.3% year-on-year to HUF 9.9 billion in Q3 2020. The continued decline reflects the general contraction in the fixed voice customer base partially mitigated by a temporary increase in usage levels in response to the COVID-19 related lockdowns in both countries.
 - **Broadband retail** revenues increased by 10.8% year-on-year to HUF 15.5 billion in Q3 2020, due to the further growth in the customer base (in both countries) amplified by the acceleration in bandwidth upgrade transactions in Hungary.

- **TV** revenues grew by 7.2% year-on-year to HUF 13.2 billion in Q3 2020, reflecting the further expansion of the IPTV subscriber base in both countries of operation.
 - **Fixed equipment** revenues rose by 12.7% year-on-year to HUF 5.7 billion in Q3 2020, reflecting the acceleration of transaction volumes in Hungary after the temporary decline during the period of COVID-19 restrictions in Q2 2020.
 - **Data retail** revenues remained stable year-on-year at HUF 2.2 billion in Q3 2020, as the moderate decline recorded at the Hungarian operation due to price pressure was offset by a higher contribution from the North Macedonian operation.
 - **Wholesale** revenues increased moderately year-on-year to HUF 4.8 billion in Q3 2020, as a decline in network-related revenues was offset by higher wholesale data revenues in Hungary.
 - **Other fixed line** revenues declined by 5.2% to HUF 3.8 billion in Q3 2020, primarily driven by the higher volume of discounts provided for customers in relation to online bill payments in Hungary.
- **System Integration (SI) and IT ('SI/IT') revenues declined by 10.1% year-on-year to HUF 20.0 billion in Q3 2020**, with revenues down by 15.5% year-on-year in the first nine months of 2020. Revenues in Hungary contracted due to lower volumes of implementation projects delivered to the Hungarian public sector.

Direct costs increased by 4.6% year-on-year to HUF 72.4 billion in Q3 2020 and were up by 1.2% year-on-year in the first nine months of 2020 at HUF 206.6 billion. Although SI/IT related expenses were lower year-on-year, increases in other direct costs, bad debt expenses and telecom tax resulted in higher overall direct costs.

- **Interconnect costs** increased by 2.5% year-on-year to HUF 5.5 billion in Q3 2020, as increased off-network mobile voice traffic primarily visible at the North Macedonian operation, led to higher payments to domestic mobile operators.
- **SI/IT service-related costs** declined by 13.7% year-on-year, to HUF 14.0 billion in Q3 2020, reflecting lower volume of related projects in Hungary.
- **Bad debt expenses** were up by HUF 1.0 billion year-on-year at HUF 2.4 billion in Q3 2020, reflecting the absence of a one-off favorable impact driven by the reduction of the impairment rates applied to the Hungarian fixed and mobile operations during Q3 2019. That was partially mitigated by the favorable aging of mobile receivables at the Hungarian operation during Q3 2020 coupled with collection of impaired receivables and the absence of negative one-off items impacting Q3 2019 results in North Macedonia.
- **Telecom tax** rose by HUF 1.5 billion year-on-year to HUF 7.6 billion in Q3 2020, as increases in mobile voice traffic in the business and residential segments and higher residential landline usage in Hungary was coupled with a one-off non-recurring adjustment booked in Q3 2020.
- **Other direct costs** were up 6.8% year-on-year at HUF 42.9 billion in Q3 2020, driven primarily by higher equipment costs in both countries coupled with an increase in the Hungarian TV content outpayments (further amplified by the weakening of the forint against the euro). These could only be partially offset by lower roaming outpayments.

Gross profit was broadly stable year-on-year at HUF 95.2 billion in Q3 2020 as higher contribution from the Hungarian telecommunication services was counterbalanced by lower roaming results coupled with one-off items negatively impacting year-on-year comparison. **Gross profit declined moderately to HUF 277.6 billion in the first nine months of 2020**, as the above factors were coupled with lower SI/IT contribution.

Indirect costs improved by 3.5% year-on-year, to HUF 34.5 billion in Q3 2020, and by 2.5% year-on-year to HUF 114.4 billion in the first nine months of 2020, thanks to broad-based cost saving measures implemented at the Hungarian operation.

- **Employee-related expenses** were up by a moderate 1.5% year-on-year at HUF 18.3 billion in Q3 2020, as the impact of general wage increase at the Hungarian operation coupled with the different distribution pattern within the year generating higher bonus accruals offset the favorable impacts of lower Group-wide headcount, reduction in Hungarian social contribution charges and the revised trainee employment terms. In the first nine months of 2020, employee related expenses improved by 3.3% year-on-year, reflecting an overall decline in all wage elements.
- **Other operating expenses** improved by 9.8% year-on-year to HUF 17.3 billion in Q3 2020, primarily due to savings in marketing, advisory and maintenance expenses at the Hungarian operation which more than offset temporarily higher expenses in North Macedonia.
- **Other operating income** were lower at HUF 1.1 billion in Q3 2020, reflecting lower level of income related to real estate sales in Hungary.

EBITDA rose by 1.9% year-on-year to HUF 60.7 billion in Q3 2020, and by 0.2% to HUF 163.3 billion in the first nine months of 2020, as stable gross profit was coupled with lower indirect costs. **EBITDA AL improved by 1.5% year-on-year in Q3 2020**, driven by the above drivers coupled with some year-on-year increases in IFRS 16 depreciation and amortization expenses.

Depreciation and amortization ('D&A') expenses grew by HUF 1.6 billion year-on-year, to HUF 35.4 billion in Q3 2020, reflecting higher expenses in both countries of operation. In Hungary, the increase was attributable to the frequency licenses acquired earlier this year as well as the shortened useful life of copper network elements driven by preparations to the copper retirement program. In North Macedonia, the D&A expense increase was driven by higher amortization expenses in relation to content rights, software and licenses.

Profit for the period rose by 50.9% year-on-year to HUF 19.7 billion in Q3 2020, reflecting significantly better net financial results year-on-year. **In the first nine months of 2020, net profit declined by 3.7% year-on-year to HUF 30.4 billion**, as the improvement in net financial results could not fully counterbalance higher D&A expenses while EBITDA remained stable.

- **Net financial results** improved by HUF 7.7 billion year-on-year to HUF 1.2 billion in Q3 2020. The significant year-on-year improvement was primarily attributable to the different yield-curve movements that led to unrealized gains on the recognition of derivatives at fair value. That was coupled with lower translation losses in relation to FX based lease liabilities and other items reflecting a more favorable FX rate movement year-on-year (weakening of the forint against the euro between end-June and end-September 2020 was at a lower scale compared to the same period in 2019).
- **Income tax** expenses were up year-on-year at HUF 4.5 billion in Q3 2020, driven by higher profit before tax leading to a rise in corporate tax expense coupled with a moderate increase in local business tax.

Profit attributable to non-controlling interests decreased by 11.0% year-on-year to HUF 1.1 billion in Q3 2020, as lower EBITDA was coupled with higher D&A expenses, resulting in reduced profit at the North Macedonian operation.

2.1.2 Group Cash Flows

HUF millions	1-9 months 2019	1-9 months 2020	Change
Operating cash flow	93,409	126,815	33,406
Investing cash flow	(58,863)	(131,317)	(72,454)
Less: Payments for / Proceeds from other financial assets - net	(4,294)	199	4,493
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(63,157)	(131,118)	(67,961)
Repayment of lease and other financial liabilities	(13,373)	(17,066)	(3,693)
Total free cash flow	16,879	(21,369)	(38,248)
Payments for / Proceeds from other financial assets - net	4,294	(199)	(4,493)
Proceeds from / Repayment of loans and other borrowings - net	10,517	48,139	37,622
Dividends paid to Owners of the parent and Non-controlling interests	(29,723)	(24,515)	5,208
Repurchase of treasury shares	0	(5,218)	(5,218)
Exchange differences on cash and cash equivalents	155	858	703
Change in cash and cash equivalents	2,122	(2,304)	(4,426)

Free cash flow (FCF) deteriorated to HUF 21.4 billion cash outflow in the first nine months of 2020 (in the first nine months of 2019: HUF 16.9 billion cash inflow), mainly due to the reasons described below.

Operating cash flow

Net cash generated from operating activities amounted to a cash inflow of HUF 126.8 billion in the first nine months of 2020, compared to cash inflow of HUF 93.4 billion in the first nine months of 2019, attributable to the reasons outlined below:

- **EBITDA** broadly unchanged in the first nine months of 2020 versus the first nine months of 2019
- HUF 14.1 billion **positive change in active working capital**, mainly as a result of the following factors:
 - higher decrease in SI/IT receivables in the first nine months of 2020 compared to the first nine months of 2019 due to different project seasonality (positive impact: ca. HUF 11.0 billion)
 - favorable change in handset and SI/IT project inventory balances in the first nine months of 2020 compared to the first nine months of 2019 (positive impact: ca. HUF 3.4 billion)
 - higher decrease in installment receivables due to different volume of sales increase and seasonality (positive impact: ca. HUF 2.5 billion)
- HUF 1.6 billion **positive change in provisions**, mainly due to a telecom tax related one-off non-recurring adjustment in the first nine months of 2020
- HUF 18.3 billion **positive change in passive working capital**, primarily driven by the following factors:

- lower decline in the balances of invoiced and non-invoiced creditors due to timing differences of payments in the first nine months of 2020 versus the first nine months of 2019 (positive impact: HUF 16.9 billion)
 - lower HR-related personnel expense payments driven by changes in the terms of the bonus payments in the first nine months of 2020 compared to the first nine months of 2019 (positive impact: HUF 3.8 billion)
 - lower decrease in the balance of creditors in relation to the new headquarter building in the first nine months of 2020, due to fit-out costs outpayment relating to the new building for the Company's headquarters in the first nine months of 2019 (positive impact HUF 1.7 billion)
 - higher decrease in the balance of DT Group suppliers due to the timing differences in the first nine months of 2020 versus the first nine months of 2019 (negative impact: HUF 2.2 billion)
 - higher payment related to SI/IT services in the first nine months of 2020 compared to the first nine months of 2019 (negative impact: HUF 2.7 billion)
- HUF 1.4 billion **positive change of interest paid** in the first nine months of 2020 compared to the first nine months of 2019, reflecting the combined effect of more favorable average interest rates on the loans compared to the first nine months of 2019 and higher interest payment for spectrum license fee related liabilities in the first nine months of 2020
 - HUF 1.1 billion **negative change in other non-cash items**, attributable to more significant forint weakening during the first nine months of 2020 compared to the first nine months of 2019

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 131.1 billion in the first nine months of 2020, compared to HUF 63.2 billion in the first nine months of 2019, with the higher cash outflow driven mainly by the following:

- HUF 102.4 billion **negative effect** due to higher **Capex** in the first nine months of 2020 versus the first nine months of 2019 due to the combined effect of increase in spectrum license fees and content rights capitalization coupled with higher investment in gigabit access and consumer-provided equipment and lower capitalization of right-of-use assets. For further information please see in section 2.2 Segment reports.
- HUF 37.0 billion **positive change** due to the combined effect of higher capitalization of the present value of **spectrum license fees (net cash flow effect is amounted to HUF 54.2 billion) and content right capitalization to be paid in the future**, lower payments to **Capex creditors** against the effect of lower capitalization of right-of-use assets in the first nine months of 2020 versus the first nine months of 2019.
- HUF 3.3 billion **negative change** related to the **disposal of PPE**, mainly reflecting a reduction in proceeds from real estate sales in the first nine months of 2020 compared to the first nine months of 2019.

Repayment of lease and other financial liabilities

Repayments of lease and other financial liabilities increased to HUF 17.1 billion in the first nine months of 2020 from HUF 13.4 billion in the first nine months of 2019, mainly due to higher lease payments in the first nine months of 2020 versus in the first nine months 2019.

In the first nine months of 2020 **Cash and cash equivalents** amounted to a HUF 2.3 billion negative change compared to a HUF 2.1 billion positive change in the first nine months of 2019. Besides the changes in Free cash flow (FCF) the deterioration is attributed to the followings:

- **Proceeds from other financial assets - net** decreased by HUF 4.5 billion, primarily due to 4.0 billion lower amounts of cash invested as bank deposits over 3 months in North Macedonia in the first nine months of 2020 in net terms compared to in the first nine months of 2019.
- **Proceeds from loans and other borrowings – net** improved by HUF 37.6 billion due to the higher drawdown of DT Group loans as well as the favorable development of inhouse Group funds in the first nine months of 2020 compared to the first nine months of 2019.
- **Dividends paid to Owners of the parent and Non-controlling interests** declined by HUF 5.2 billion mainly due to the lower dividend payment from Magyar Telekom as the dividend per share ("DPS") was reduced from HUF 25 in 2019 to HUF 20 in 2020.
- **Repurchase of treasury shares** increased by HUF 5.2 billion due to the repurchase transaction in the first nine months of 2020.
- **Exchange differences on cash and cash equivalents** improved by HUF 0.7 billion due to the higher MKD/HUF foreign exchange rate movement during the first nine months of 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, 2019 to September 30, 2020 (see Appendix 3.3) can be observed in the following lines:

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

Trade receivables decreased by HUF 22.0 billion from December 31, 2019 to September 30, 2020 mainly driven by the HUF 19.0 billion decrease in SI/IT receivables.

Other financial assets (current and non-current combined) increased by HUF 20.7 billion from December 31, 2019 to September 30, 2020 mainly as a result of a HUF 22.5 billion increase in derivative financial instruments contracted with related parties mainly due to weakening of forint in 2020 partly mitigated by HUF 3.6 billion decrease in cash pool receivables.

Inventories decreased by HUF 5.0 billion from December 31, 2019 to September 30, 2020 mainly due to the decrease in handset and SI/IT project inventories.

Assets held for sale increased by HUF 2.6 billion from December 31, 2019 to September 30, 2020 mainly due to the Telekom Park building reclassified from Property, plant and equipment, after fulfilling all relevant criteria.

Intangible assets increased by HUF 75.6 billion from December 31, 2019 to September 30, 2020 reflecting the acquisition of spectrum licenses related to 5G and mobile broadband services. The present value of the future annual frequency fees to be paid by Magyar Telekom until 2040 and the one-time spectrum fee were capitalized in April 2020 in the amount of HUF 91.6 billion. For further information please see in section 2.1.2 Group Cash Flows.

Investments in associates and joint ventures decreased by HUF 1.1 billion from December 31, 2019 to September 30, 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 60.1 billion from December 31, 2019 to September 30, 2020 due to the repayments and drawdowns of short- and long-term DT Group loans.

Trade payables declined by HUF 37.0 billion from December 31, 2019 to September 30, 2020, 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 37.7 billion from December 31, 2019 to September 30, 2020, mainly due to the recognition of present value of the future annual frequency fees for spectrum licenses related to 5G and mobile broadband services.

Treasury stock increased by HUF 5.2 billion from December 31, 2019 to September 30, 2020 as a result of a repurchase transaction of own 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, 2019 to September 30, 2020. 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

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 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. 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 (excluding the expired guarantees for spectrum tender related to 5G and mobile broadband services as the auction was successfully completed in 2020) as at December 31, 2019. 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 the first nine months of 2020.

2.1.6 Significant events

For any significant events that occurred since the end of the reporting period (September 30, 2020), please see our Investor Relations website: http://www.telekom.hu/about_us/investor_relations/investor_news

2.2. Segment reports

As of September 30, 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 the 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. Following the change in decision-making mechanism, the Chief Executive Officer (CEO) and the other Chief Officers (Chief Officers) together fulfill the Chief Operating Decision Maker (CODM) function in the Group. The Chief Officers assess the performance of the Company and make their decisions. The operating segments of the Group remained unchanged: MT-Hungary and North Macedonia.

2.2.1 MT-Hungary

HUF million	Q3 2019	Q3 2020	Change	Change (%)	1-9 months 2019	1-9 months 2020	Change	Change (%)
Voice	30,987	29,797	(1,190)	(3.8%)	93,011	89,541	(3,470)	(3.7%)
Non-voice	26,566	29,235	2,669	10.0%	76,015	83,058	7,043	9.3%
Equipment	19,896	21,431	1,535	7.7%	56,560	60,215	3,655	6.5%
Other	3,195	2,485	(710)	(22.2%)	8,357	6,895	(1,462)	(17.5%)
Total mobile revenues	80,644	82,948	2,304	2.9%	233,943	239,709	5,766	2.5%
Voice retail	8,922	8,522	(400)	(4.5%)	27,426	26,031	(1,395)	(5.1%)
Broadband - retail	12,564	13,922	1,358	10.8%	37,076	40,808	3,732	10.1%
TV	11,134	11,865	731	6.6%	33,081	35,051	1,970	6.0%
Equipment	4,995	5,637	642	12.9%	15,487	14,805	(682)	(4.4%)
Other	9,546	9,467	(79)	(0.8%)	29,744	28,071	(1,673)	(5.6%)
Fixed line revenues	47,161	49,413	2,252	4.8%	142,814	144,766	1,952	1.4%
SI/IT revenues	21,798	19,413	(2,385)	(10.9%)	65,624	54,617	(11,007)	(16.8%)
Total revenues	149,603	151,774	2,171	1.5%	442,381	439,092	(3,289)	(0.7%)
Direct costs	(65,060)	(67,500)	(2,440)	(3.8%)	(191,901)	(192,628)	(727)	(0.4%)
Gross profit	84,543	84,274	(269)	(0.3%)	250,480	246,464	(4,016)	(1.6%)
Indirect costs	(31,070)	(30,403)	667	2.1%	(106,089)	(102,508)	3,581	3.4%
EBITDA	53,473	53,871	398	0.7%	144,391	143,956	(435)	(0.3%)
EBITDA AL	48,194	48,270	76	0.2%	128,122	127,288	(834)	(0.7%)
Segment Capex	27,388	30,016	2,628	9.6%	69,643	168,900	99,257	142.5%
Segment Capex AL	21,231	24,485	3,254	15.3%	51,009	157,121	106,112	208.0%
Segment Capex excl. spectrum licences	27,388	30,016	2,628	9.6%	69,643	77,318	7,675	11.0%
Segment Capex AL excl. spectrum licences	21,231	24,485	3,254	15.3%	51,009	65,539	14,530	28.5%
Frequency licenses	0	0	0	0.0%	0	91,582	91,582	0.0%

Operational statistics – access numbers	September 30 2019	September 30 2020	Change (%)
Number of SIM cards	5,322,855	5,425,433	1.9%
Postpaid share in total *	64.2%	64.4%	n.a.
Total fixed voice access	1,367,538	1,343,427	(1.8%)
Total retail fixed broadband customers	1,208,821	1,298,825	7.4%
Total TV customers	1,138,345	1,215,481	6.8%

Operational statistics – ARPU (HUF)	Q3 2019	Q3 2020	Change (%)	1-9 months 2019	1-9 months 2020	Change (%)
Blended mobile ARPU	3,606	3,634	0.8%	3,533	3,556	0.7%
Postpaid ARPU *	5,073	5,026	(0.9%)	5,025	4,966	(1.2%)
Prepaid ARPU	1,176	1,239	5.4%	1,104	1,078	(2.4%)
M2M ARPU	638	530	(16.9%)	648	575	(11.3%)
Blended fixed voice ARPU	2,165	2,109	(2.6%)	2,212	2,135	(3.5%)
Blended fixed broadband ARPU	3,485	3,601	3.3%	3,488	3,579	2.6%
Blended TV ARPU	3,284	3,288	0.1%	3,299	3,285	(0.4%)

*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 increased by 1.5% year-on-year to HUF 151.8 billion in Q3 2020, as revenue uplift stemming from the strong customer demand for broadband and mobile data coupled with higher equipment sales compensated for the lower SI/IT revenues.

- Mobile revenues** were up 2.9% year-on-year in Q3 2020 at HUF 82.9 billion. Growth was primarily attributable to higher mobile data revenues that reflect the continued expansion of the mobile data customer base as well as the strong increase in data usage volumes. While the promotional free data allowances that were provided to customers during the lockdown in Hungary run out, average data usage did not decline from the elevated levels, but customers opted for occasional data boosters or even for subscriptions including higher monthly usage limits, that overall led to a significant increase in the related revenues. These coupled with year-on-year higher equipment sales - that reflect the increase in transaction volumes following a temporary deceleration during the months of lockdown - compensated for the decline in roaming and visitor revenues.

- **Fixed line revenues** continued their positive trend, growing by 4.8% year-on-year in Q3 2020. Underlying positive momentum in broadband and TV customer base expansion was maintained as customers continued to appreciate the advantages of our high-quality fixed network. That again was accompanied by migration towards higher bandwidth broadband packages further amplifying the positive developments in broadband revenues. After a temporary year-on-year decline in the previous quarter, equipment sales revenues recorded a year-on-year increase parallel to transaction volumes returning to pre-lockdown levels.
- **SI/IT revenue** decline slowed to a lower pace of 10.9% year-on-year in Q3 2020 and showed some absolute increase compared to previous quarters of 2020 as revenues from the corporate segment increased. Revenue contraction was primarily driven by lower implementation projects delivered to the Hungarian public sector, however some recovery has been witnessed in the related demand compared to previous muted levels.

Gross profit in Q3 2020 remained broadly stable year-on-year at HUF 84.3 billion as improved telecommunication service contribution was offset by higher bad debt and telecom tax expenses both reflecting one-off changes.

EBITDA improved moderately by 0.7% year-on-year in Q3 2020, to HUF 53.9 billion, thanks to savings in indirect costs. Simultaneously, **EBITDA AL** remained broadly stable year-on-year in Q3 2020 at HUF 48.3 billion, driven by the above drivers coupled with an increase in IFRS 16-related depreciation and amortization charges driven by higher level of right-of-use assets compared to Q3 2019.

Capex AL (excluding spectrum license fees and the right-of-use assets recognized in accordance with the IFRS 16) was up by HUF 14.5 billion year-on-year in the first nine months of 2020, amounting to HUF 65.5 billion. The increase was driven by the progress of the mobile network modernization program as well as higher spending on fiber network roll-out, allowing us to reach a further 235 thousand access points with the gigabit capable network during the period.

Outlook: We remain committed to the further development of our fixed and mobile networks as the COVID-19 pandemic amplified the economic and social importance of high quality fixed and mobile infrastructures. We continue our accelerated fiber roll-out program throughout the year and progress with the mobile network modernization we have started recently. In response to the increasing demand for high bandwidth and growing data consumption of our customers we have rebalanced both our fixed and mobile portfolios applying again our more-for-more approach, thus offering better services and more data allowance for relatively more favorable price levels.

Looking forward, we expect these initiatives along with further efficiency measures – such as the reduction in Parent Company headcount with further 100 employees scheduled for the beginning of 2021 – to underpin the positive operational and financial developments witnessed in the MT-Hungary segment.

2.2.2 North Macedonia

HUF million	Q3 2019	Q3 2020	Change	Change (%)	1-9 months 2019	1-9 months 2020	Change	Change (%)
Voice	4,265	4,093	(172)	(4.0%)	11,890	11,937	47	0.4%
Non-voice	2,808	2,755	(53)	(1.9%)	7,331	7,717	386	5.3%
Equipment	1,794	2,389	595	33.2%	5,412	6,346	934	17.3%
Other	597	393	(204)	(34.2%)	1,270	971	(299)	(23.5%)
Total mobile revenues	9,464	9,630	166	1.8%	25,903	26,971	1,068	4.1%
Voice retail	1,365	1,422	57	4.2%	3,680	3,807	127	3.5%
Broadband - retail	1,405	1,558	153	10.9%	4,109	4,505	396	9.6%
TV	1,143	1,302	159	13.9%	3,318	3,825	507	15.3%
Equipment	74	77	3	4.1%	210	223	13	6.2%
Other	1,223	1,343	120	9.8%	3,675	3,975	300	8.2%
Fixed line revenues	5,210	5,702	492	9.4%	14,992	16,335	1,343	9.0%
SI/IT revenues	401	548	147	36.7%	1,195	1,829	634	53.1%
Total revenues	15,075	15,880	805	5.3%	42,090	45,135	3,045	7.2%
Direct costs	(4,240)	(4,954)	(714)	(16.8%)	(12,378)	(14,058)	(1,680)	(13.6%)
Gross profit	10,835	10,926	91	0.8%	29,712	31,077	1,365	4.6%
Indirect costs	(3,769)	(4,064)	(295)	(7.8%)	(10,812)	(11,766)	(954)	(8.8%)
EBITDA	7,066	6,862	(204)	(2.9%)	18,900	19,311	411	2.2%
EBITDA AL	6,867	6,675	(192)	(2.8%)	18,299	18,703	404	2.2%
Segment Capex	2,488	2,196	(292)	(11.7%)	6,844	9,941	3,097	45.3%
Segment Capex AL	2,191	1,971	(220)	(10.0%)	6,191	9,450	3,259	52.6%

Operational statistics – access numbers	September 30 2019	September 30 2020	Change (%)
Number of mobile SIMs	1,258,691	1,152,443	(8.4%)
Postpaid share in total *	39.1%	44.0%	n.a.
Total fixed voice access	213,458	218,257	2.2%
Total fixed retail broadband access	184,061	194,488	5.7%
Total TV customers	133,499	140,137	5.0%

*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 5.3% year-on-year to HUF 15.9 billion in Q3 2020. A 6.9% strengthening of the euro pegged denar fully offset the moderate revenue decline in local currency terms. In the first nine months of 2020, total revenues amounted to HUF 45.1 billion, representing a 7.2% improvement, reflecting a significant increase in SI/IT revenues coupled with the favorable impact of foreign exchange movements.

- **Mobile revenue** recorded an improvement of 1.8% year-on-year in Q3 2020 in forint terms. Revenues generated by higher equipment sales were partly offset by diminishing voice and data revenues. The postpaid customer base continued to improve further however the prepaid segment recorded a year-on-year decline both in terms of SIM numbers and ARPU. The weaker performance in prepaid is mostly attributable to falling tourism activity.
- **Fixed line revenues** increased by 9.4% year-on-year in Q3 2020, driven by higher TV and retail broadband revenues resulting from customer base expansion and higher ARPUs.
- **SI/IT revenues** saw a strong uplift of 36.7% year-on-year in Q3 2020 thanks to the continued increase in demand for customized solutions projects.

Gross profit increased by 0.8% year-on-year in Q3 2020, reflecting higher revenues coupling with an increase in direct costs, driven by higher equipment sales.

EBITDA AL fell behind by 2.8% year-on-year and amounted to HUF 6.7 billion in Q3 2020.

Capex AL (excluding right-of-use assets recognized in accordance with the IFRS 16) decreased to HUF 2.0 billion year-on-year in Q3 2020.

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. 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 2020, coronavirus spread globally, and its negative impact gained momentum. 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 no any underperformance is expected to year-end figure and in the long term. However to assess the potential impacts of COVID-19 on our financials, during the preparation of the Q3 2020 interim financial information the management decided to update its goodwill impairment test taking into account the latest book values, EUR/HUF exchange rate, and weighted average cost of capital and as a result of that, no impairment needed to be recognized in Q3 2020. Management continuously monitors the solvency of customers and, as a result of such assessment, a higher bad debt expense was recognized in Q1 2020 due to COVID-19 which was not material. However, based on experiences of last months and expectations – the management concluded that there was no need to recognize further allowance for bad debts in Q3 2020. (See the detailed COVID-19 effect on the analyses of group and segment results.)

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 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
Amendments to References to the Conceptual Framework	References to the Conceptual Framework	Jan 1, 2020	Updating of the cross references to the revised conceptual framework in the corresponding standards and interpretations.	No material impact.
Amendments to IAS 1 and IAS 8	Definition of Material	Jan 1, 2020	Clarification of the definition of the concept of materiality.	No material impact.
Amendments to IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform	Jan 1, 2020	Practical expedients for hedge accounting requirements that are mandatory for all hedges affected by the interest rate benchmark reform.	No material impact.
Amendments to IFRS 3	Business Combinations	Jan 1, 2020	Changes in the definition of a business to clarify whether a business or a group of assets was being acquired.	No material impact.
Amendments to IFRS 16	Leases, Covid 19 -Related Rent Concessions	June 1, 2020	Practical expedients for lessees not to account revised considerations as a direct consequence of covid-19 pandemic as lease modifications.	No material impact. See further information in the following paragraph after the table.

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. Magyar Telekom does not apply this practical expedient of IFRS 16.

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	Q3 2019 (unaudited)	Q3 2020 (unaudited)	Change	Change (%)
Revenues				
Voice retail	32,687	30,915	(1,772)	(5.4%)
Voice wholesale	2,565	2,975	410	16.0%
Data	24,243	26,761	2,518	10.4%
SMS	5,131	5,229	98	1.9%
Equipment	21,690	23,820	2,130	9.8%
Other mobile revenues	3,789	2,878	(911)	(24.0%)
Mobile revenues	90,105	92,578	2,473	2.7%
Voice retail	10,287	9,944	(343)	(3.3%)
Broadband retail	13,969	15,480	1,511	10.8%
TV	12,277	13,167	890	7.2%
Equipment	5,069	5,714	645	12.7%
Data retail	2,225	2,220	(5)	(0.2%)
Wholesale (voice, broadband, data)	4,529	4,822	293	6.5%
Other fixed line revenues	3,972	3,767	(205)	(5.2%)
Fixed line revenues	52,328	55,114	2,786	5.3%
System Integration/Information Technology revenues	22,199	19,961	(2,238)	(10.1%)
Total revenues	164,632	167,653	3,021	1.8%
Direct costs				
Interconnect costs	(5,366)	(5,498)	(132)	(2.5%)
SI/IT service related costs	(16,194)	(13,983)	2,211	13.7%
Bad debt expense	(1,373)	(2,419)	(1,046)	(76.2%)
Telecom tax	(6,150)	(7,614)	(1,464)	(23.8%)
Other direct costs	(40,176)	(42,898)	(2,722)	(6.8%)
Direct costs	(69,259)	(72,412)	(3,153)	(4.6%)
Gross profit	95,373	95,241	(132)	(0.1%)
Employee related expenses	(18,059)	(18,332)	(273)	(1.5%)
Utility tax	0	0	0	n.a.
Other operating expenses	(19,119)	(17,252)	1,867	9.8%
Other operating income	1,431	1,080	(351)	(24.5%)
EBITDA	59,626	60,737	1,111	1.9%
Depreciation and amortization	(33,783)	(35,352)	(1,569)	(4.6%)
Operating profit	25,843	25,385	(458)	(1.8%)
Net financial result	(8,867)	(1,201)	7,666	86.5%
Share of associates' and joint ventures' results	(37)	0	37	100.0%
Profit before income tax	16,939	24,184	7,245	42.8%
Income tax	(3,895)	(4,501)	(606)	(15.6%)
Profit for the period	13,044	19,683	6,639	50.9%
Change in exchange differences on translating foreign operations	3,117	2,111	(1,006)	(32.3%)
Revaluation of FVOCI financial assets	24	104	80	333.3%
Other comprehensive income for the period	3,141	2,215	(926)	(29.5%)
Total comprehensive income for the period	16,185	21,898	5,713	35.3%
Profit attributable to:				
Owners of the parent	11,831	18,604	6,773	57.2%
Non-controlling interests	1,213	1,079	(134)	(11.0%)
	13,044	19,683	6,639	50.9%
Total comprehensive income attributable to:				
Owners of the parent	13,671	19,914	6,243	45.7%
Non-controlling interests	2,514	1,984	(530)	(21.1%)
	16,185	21,898	5,713	35.3%
Basic earnings per share (HUF)	11.44	18.11	6.67	58.3%

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	1-9 months 2019 (unaudited)	1-9 months 2020 (unaudited)	Change	Change (%)
Revenues				
Voice retail	97,363	92,690	(4,673)	(4.8%)
Voice wholesale	7,538	8,788	1,250	16.6%
Data	68,400	75,424	7,024	10.3%
SMS	14,946	15,351	405	2.7%
Equipment	61,972	66,561	4,589	7.4%
Other mobile revenues	9,622	7,866	(1,756)	(18.2%)
Mobile revenues	259,841	266,680	6,839	2.6%
Voice retail	31,106	29,838	(1,268)	(4.1%)
Broadband retail	41,185	45,313	4,128	10.0%
TV	36,399	38,876	2,477	6.8%
Equipment	15,697	15,028	(669)	(4.3%)
Data retail	6,662	6,546	(116)	(1.7%)
Wholesale (voice, broadband, data)	13,992	14,415	423	3.0%
Other fixed line revenues	12,634	11,031	(1,603)	(12.7%)
Fixed line revenues	157,675	161,047	3,372	2.1%
System Integration/Information Technology revenues	66,819	56,446	(10,373)	(15.5%)
Total revenues	484,335	484,173	(162)	(0.0%)
Direct costs				
Interconnect costs	(15,462)	(16,227)	(765)	(4.9%)
SI/IT service related costs	(48,512)	(39,603)	8,909	18.4%
Bad debt expense	(5,921)	(7,232)	(1,311)	(22.1%)
Telecom tax	(18,744)	(20,883)	(2,139)	(11.4%)
Other direct costs	(115,518)	(122,611)	(7,093)	(6.1%)
Direct costs	(204,157)	(206,556)	(2,399)	(1.2%)
Gross profit	280,178	277,617	(2,561)	(0.9%)
Employee related expenses	(60,414)	(58,426)	1,988	3.3%
Utility tax	(7,218)	(7,215)	3	0.0%
Other operating expenses	(53,671)	(50,887)	2,784	5.2%
Other operating income	4,054	2,176	(1,878)	(46.3%)
EBITDA	162,929	163,265	336	0.2%
Depreciation and amortization	(99,726)	(104,372)	(4,646)	(4.7%)
Operating profit	63,203	58,893	(4,310)	(6.8%)
Net financial result	(21,023)	(17,616)	3,407	16.2%
Share of associates' and joint ventures' results	178	(66)	(244)	n.m.
Profit before income tax	42,358	41,211	(1,147)	(2.7%)
Income tax	(10,831)	(10,859)	(28)	(0.3%)
Profit for the period	31,527	30,352	(1,175)	(3.7%)
Change in exchange differences on translating foreign operations	3,377	8,730	5,353	158.5%
Revaluation of FVOCI financial assets	52	15	(37)	(71.2%)
Other comprehensive income for the period	3,429	8,745	5,316	155.0%
Total comprehensive income for the period	34,956	39,097	4,141	11.8%
Profit attributable to:				
Owners of the parent	28,321	27,554	(767)	(2.7%)
Non-controlling interests	3,206	2,798	(408)	(12.7%)
	31,527	30,352	(1,175)	(3.7%)
Total comprehensive income attributable to:				
Owners of the parent	30,343	32,798	2,455	8.1%
Non-controlling interests	4,613	6,299	1,686	36.5%
	34,956	39,097	4,141	11.8%
Basic earnings per share (HUF)	27.39	26.77	(0.62)	(2.3%)

3.4. Interim Consolidated Statements of Financial Position
MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2019 (audited)	Sep 30, 2020 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	13,398	11,094	(2,304)	(17.2%)
Trade receivables	170,503	148,455	(22,048)	(12.9%)
Other assets	6,437	7,763	1,326	20.6%
Other current financial assets	8,996	22,662	13,666	151.9%
Contract assets	16,306	17,161	855	5.2%
Current income tax receivable	434	2,933	2,499	n.m.
Inventories	19,833	14,799	(5,034)	(25.4%)
	235,907	224,867	(11,040)	(4.7%)
Assets held for sale	659	3,271	2,612	396.4%
Total current assets	236,566	228,138	(8,428)	(3.6%)
Non-current assets				
Property, plant and equipment	426,826	431,047	4,221	1.0%
Right-of-use assets	106,682	104,229	(2,453)	(2.3%)
Intangible assets	212,714	288,337	75,623	35.6%
Goodwill	213,107	213,137	30	0.0%
Investments in associates and joint ventures	1,078	0	(1,078)	(100.0%)
Deferred tax assets	103	117	14	13.6%
Trade receivables over one year	17,448	15,435	(2,013)	(11.5%)
Other non-current financial assets	5,593	12,617	7,024	125.6%
Contract assets	3,800	3,412	(388)	(10.2%)
Other non-current assets	4,953	5,048	95	1.9%
Total non-current assets	992,304	1,073,379	81,075	8.2%
Total assets	1,228,870	1,301,517	72,647	5.9%
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	80,493	181,112	100,619	125.0%
Lease liabilities	17,355	18,725	1,370	7.9%
Trade payables	155,048	118,034	(37,014)	(23.9%)
Other financial liabilities	8,633	11,303	2,670	30.9%
Current income tax payable	844	2,323	1,479	175.2%
Provisions	4,755	3,714	(1,041)	(21.9%)
Contract liabilities	11,167	9,504	(1,663)	(14.9%)
Other current liabilities	23,283	21,289	(1,994)	(8.6%)
Total current liabilities	301,578	366,004	64,426	21.4%
Non-current liabilities				
Financial liabilities to related parties	129,823	89,339	(40,484)	(31.2%)
Lease liabilities	94,642	96,953	2,311	2.4%
Other financial liabilities	40,805	75,850	35,045	85.9%
Deferred tax liabilities	19,030	19,395	365	1.9%
Provisions	10,446	12,036	1,590	15.2%
Contract liabilities	383	425	42	11.0%
Other non-current liabilities	9	5	(4)	(44.4%)
Total non-current liabilities	295,138	294,003	(1,135)	(0.4%)
Total liabilities	596,716	660,007	63,291	10.6%
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)	(9,209)	(5,218)	(130.7%)
Retained earnings	444,278	450,977	6,699	1.5%
Accumulated other comprehensive income	25,047	30,291	5,244	20.9%
Total equity of the owners of the parent	596,988	603,713	6,725	1.1%
Non-controlling interests	35,166	37,797	2,631	7.5%
Total equity	632,154	641,510	9,356	1.5%
Total liabilities and equity	1,228,870	1,301,517	72,647	5.9%

3.5. Interim Consolidated Statements of Cash Flows
MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-9 months 2019 (unaudited)	1-9 months 2020 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	31,527	30,352	(1,175)	(3.7%)
Depreciation and amortization	99,726	104,372	4,646	4.7%
Income tax expense	10,831	10,859	28	0.3%
Net financial result	21,023	17,616	(3,407)	(16.2%)
Share of associates' and joint ventures' result	(178)	66	244	n.m.
Change in assets carried as working capital	12,515	26,579	14,064	112.4%
Change in provisions	(1,375)	204	1,579	n.m.
Change in liabilities carried as working capital	(52,125)	(33,807)	18,318	35.1%
Income taxes paid	(10,818)	(11,572)	(754)	(7.0%)
Dividends received	442	51	(391)	(88.5%)
Interest and other financial charges paid	(17,415)	(16,025)	1,390	8.0%
Interest received	270	192	(78)	(28.9%)
Other non-cash items	(1,014)	(2,072)	(1,058)	(104.3%)
Net cash generated from operating activities	93,409	126,815	33,406	35.8%
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(76,489)	(178,861)	(102,372)	(133.8%)
Adjustments to cash purchases	9,901	46,903	37,002	373.7%
Purchase of subsidiaries and business units	(1,262)	(567)	695	55.1%
Cash acquired through business combinations	0	0	0	n.a.
Payments for / Proceeds from other financial assets - net	4,294	(199)	(4,493)	n.m.
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	4,693	1,407	(3,286)	(70.0%)
Net cash used in investing activities	(58,863)	(131,317)	(72,454)	(123.1%)
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(29,723)	(24,515)	5,208	17.5%
Proceeds from / Repayment of loans and other borrowings - net	10,517	48,139	37,622	357.7%
Repayment of lease and other financial liabilities	(13,373)	(17,066)	(3,693)	(27.6%)
Repurchase of treasury shares	0	(5,218)	(5,218)	n.a.
Net cash used in financing activities	(32,579)	1,340	33,919	n.m.
Exchange differences on cash and cash equivalents	155	858	703	453.5%
Change in cash and cash equivalents	2,122	(2,304)	(4,426)	n.m.
Cash and cash equivalents, beginning of period	7,204	13,398	6,194	86.0%
Cash and cash equivalents, end of period	9,326	11,094	1,768	19.0%
Change in cash and cash equivalents	2,122	(2,304)	(4,426)	n.m.

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

In HUF millions	Opening Balance at Jan 1, 2020	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, 2020
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability Other	
Related party loans	208,426		(7,333)	24,782		163,613	(119,037)		270,451
Derivatives from related parties	1,890			837	(2,727)				0
Spectrum fee payable	42,744		(2,299)	39,745				(2,954)	77,236
Finance lease liabilities	111,997		(3,997)	19,315				(11,637)	115,678
Debtors overpayment	1,324		535						1,859
Contingent consideration	539				(120)				419
Other financial liabilities	4,831		82	5,201				(2,475)	7,639
-Less cash and cash equivalent	(13,398)	2,304		(21,779)					(11,094)
-Less other current financial assets	(8,996)		747		3,803			3,563	(22,662)
Net debt	349,357	2,304	(12,265)	68,101	956	167,176	(119,037)	(17,066)	439,526
Treasury share purchase									(5,218)
Dividends paid to Owners of the parent and Non-controlling interest									(24,515)
Net Cash used in financing activities									1,340

3.7. Interim Consolidated Statements of Changes in Equity

	in HUF millions										
	Capital reserves			Accumulated Other Comprehensive Income			Equity of the owners of the parent				
	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 FVOCI 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 (IFRS16)						12			12		12
Dividend						(26,069)			(26,069)		(26,069)
Dividend declared to Non-controlling interests											(3,663)
Treasury share repurchase											0
Transaction with owners in their capacity as owners	0	0	0	0	0	(26,069)	0	0	(26,069)	(3,663)	(29,732)
Equity settled share-based transactions				1					1		1
Total comprehensive income						28,321	1,988	18	30,327	4,613	34,940
Transfers between paid-in and generated shareholders' equity									0		0
Balance at Sep 30, 2019	1,042,742,543	104,275	27,379	(115)	(3,991)	431,558	25,535	121	584,762	35,391	620,153
Adoption of new standards (IFRS16)									0		0
Dividend									0		0
Dividend declared to Non-controlling interests									0		0
Treasury share repurchase									0		0
Transaction with owners in their capacity as owners	0	0	0	0	0	0	0	0	0	0	0
Equity settled share-based transactions				(1)					(1)		(1)
Total comprehensive income						12,836	(672)	63	12,227	(225)	12,002
Transfers between paid-in and generated shareholders' equity				116		(116)			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
Dividend						(20,855)			(20,855)		(20,855)
Dividend declared to Non-controlling interests									0		(3,668)
Treasury share repurchase						(5,218)			(5,218)		(5,218)
Transaction with owners in their capacity as owners	0	0	0	0	(5,218)	(20,855)	0	0	(26,073)	(3,668)	(29,741)
Total comprehensive income						27,554	5,237	7	32,798	6,299	39,097
Transfers between paid-in and generated shareholders' equity									0		0
Balance at Sep 30, 2020	1,042,742,543	104,275	27,379	0	(9,209)	450,977	30,100	191	603,713	37,797	641,510

3.8. Exchange rate information

Exchange rate	Q3 2019	Q3 2020	Change (%)	1-9 months 2019	1-9 months 2020	Change (%)
HUF/EUR beginning of period	323.54	356.57	10.2%	321.51	330.52	2.8%
HUF/EUR period-end	334.65	364.65	9.0%	334.65	364.65	9.0%
HUF/EUR cumulative monthly average	329.12	353.14	7.3%	323.41	348.88	7.9%
HUF/MKD beginning of period	5.25	5.78	10.1%	5.23	5.38	2.9%
HUF/MKD period-end	5.44	5.91	8.6%	5.44	5.91	8.6%
HUF/MKD cumulative monthly average	5.35	5.72	6.9%	5.26	5.66	7.6%

3.9. Segment information

HUF millions	Q3 2019	Q3 2020	1-9 months 2019	1-9 months 2020
Total MT-Hungary revenues	149,603	151,774	442,381	439,092
Less: MT-Hungary revenues from other segments	(29)	(30)	(88)	(92)
Telekom Hungary revenues from external customers	149,574	151,744	442,293	439,000
Total North Macedonia revenues	15,075	15,880	42,090	45,135
Less: North Macedonia revenues from other segments	(17)	(17)	(48)	(54)
North Macedonia revenues from external customers	15,058	15,863	42,042	45,081
Total consolidated revenue of the segments	164,632	167,607	484,335	484,081
Measurement/rounding differences to Group revenue	0	46	0	92
Total revenue of the Group	164,632	167,653	484,335	484,173
Segment results (EBITDA)				
MT-Hungary	53,473	53,871	144,391	143,956
North Macedonia	7,066	6,862	18,900	19,311
Total EBITDA of the segments	60,539	60,733	163,291	163,267
Measurement/rounding differences to Group EBITDA	(913)	4	(362)	(2)
Total EBITDA of the Group	59,626	60,737	162,929	163,265

3.10. Fair value of financial instruments
Financial assets - carrying amounts and FV

September 30, 2020 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVTPL (Level3)		
Cash and cash equivalents	11,094				11,094	11,094
Bank deposits with original maturities over 3 months	0				0	0
Cashpool	0				0	0
Trade receivables	148,455				148,455	148,455
Trade receivables over 1 year	15,435				15,435	16,017
Loans and receivables from employees	844				844	879
Derivative financial instruments contracted with related parties			25,449		25,449	25,449
Receivables from group companies	10				10	10
Finance lease receivable	1,161				1,161	1,154
Equity instruments		799		1,183	1,982	1,982
Other current	5,495				5,495	5,495
Other non-current	338				338	283
Total	182,832	799	25,449	1,183	210,263	210,818

31 December 2019	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVTPL (Level3)		
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

Financial liabilities - carrying amounts and FV

September 30, 2020 In HUF millions	FINANCIAL LIABILITIES			Total	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties	270,451	0		270,451	268,022
Trade payables	118,034			118,034	118,034
Frequency fee payable	77,236			77,236	82,268
Lease liabilities	115,678			115,678	118,885
Debtors overpayment	1,859			1,859	1,859
Contingent consideration			419	419	419
Other current	4,570			4,570	4,570
Other non-current	2,937		132	3,069	2,965
Total	590,765	0	551	591,316	597,022

December 31, 2019 In HUF millions	FINANCIAL LIABILITIES			Total	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
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

3.11. EBITDA reconciliation and Capex after lease

Description (HUF million)	Q3 2019	Q3 2019	Q3 2019	Q3 2020	Q3 2020	Q3 2020
	MT Group	MT-Hungary	North Macedonia	MT Group	MT-Hungary	North Macedonia
EBITDA	59,626	53,473	7,066	60,737	53,871	6,862
IFRS 16 related D&A	(4,087)	(3,916)	(171)	(4,453)	(4,298)	(155)
IFRS 16 related Interest	(1,391)	(1,363)	(28)	(1,335)	(1,303)	(32)
EBITDA after lease	54,148	48,194	6,867	54,949	48,270	6,675
Capex after lease*	23,422	21,231	2,191	26,456	24,485	1,971

* Excluding Capex of right-of-use assets

Description (HUF million)	1-9 months 2019	1-9 months 2019	1-9 months 2019	1-9 months 2020	1-9 months 2020	1-9 months 2020
	MT Group	MT-Hungary	North Macedonia	MT Group	MT-Hungary	North Macedonia
EBITDA	162,929	144,391	18,900	163,265	143,956	19,311
IFRS 16 related D&A	(12,645)	(12,122)	(523)	(13,279)	(12,760)	(519)
IFRS 16 related Interest	(4,225)	(4,147)	(78)	(3,997)	(3,908)	(89)
EBITDA after lease	146,059	128,122	18,299	145,989	127,288	18,703
Capex after lease*	57,202	51,009	6,191	166,571	157,121	9,450

* Excluding Capex of right-of-use assets



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, November 4, 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.