

MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
FIRST QUARTER ENDED MARCH 31, 2021**



Budapest – May 11, 2021 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the first quarter of 2021, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The quarterly financial report contains unaudited figures for each reporting periods.

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q1 2020	Q1 2021	Change (%)
Total revenues	159,333	162,299	1.9%
Operating profit	12,723	15,066	18.4%
Profit attributable to:			
Owners of the parent	(1,593)	8,902	n.m.
Non-controlling interests	781	1,159	48.4%
	(812)	10,061	n.m.
Gross profit	92,241	93,131	1.0%
EBITDA	46,401	50,194	8.2%
EBITDA AL	40,853	44,151	8.1%
	1-3 months 2020	1-3 months 2021	Change (%)
Free cash flow	(18,341)	(17,070)	6.9%
Free cash flow excl. spectrum licenses	(18,341)	(17,070)	6.9%
Capex after lease	21,427	103,128	381.3%
Capex after lease excl. spectrum licenses	21,427	20,053	(6.4%)
Number of employees (closing full equivalent)	7,494	6,982	(6.8%)
	Dec 31, 2020	Mar 31, 2021	Change (%)
Net debt	417,433	511,909	22.6%
Net debt / EBITDA	1.85	2.23	n.a.

- Revenues grew by HUF 3.0 billion, or 1.9% year-on-year to HUF 162.3 billion in Q1 2021, driven by strong contributions from fixed and mobile services, whilst the growth rate of fixed broadband internet contribution decelerated.
- Gross profit improved by HUF 0.9 billion year-on-year to HUF 93.1 billion in Q1 2021. The contribution from fixed and mobile operations was partly offset by the negative impact of interconnect costs and telecom tax, as well as an increase in other direct costs, including higher TV content fees
- Indirect costs improved materially, by HUF 2.9 billion year-on-year in Q1 2021, since the cost base of the base period was burdened by one-off severance payments. As a result of gross profit improvement and lower indirect costs, EBITDA AL increased to HUF 44.2 billion, representing a 8.1% uplift year-on-year
- Capex AL excluding spectrum licenses decreased slightly year-on-year to HUF 20.1 billion in Q1 2021. A further HUF 83.1 billion was recognized as spectrum Capex following the completion of the auction of the 900 MHz and 1800 MHz frequency bands. Magyar Telekom expects to pay HUF 44.3 billion for frequency blocks in the first quarter of 2022 and the payment of capitalized periodic frequency fees will also be due from this date.
- Free cash outflow amounted to HUF 17.1 billion in Q1 2021, driven by a total payout of HUF 35.7 billion for PPE and intangibles on the back of relatively high Q4 2020 Capex and the usual seasonal working capital build
- Net debt grew to HUF 511.9 billion in Q1 2021, driven by the recognition of the above-mentioned spectrum related liabilities and negative cash flows during the period, resulting in net debt/EBITDA of 2.23x by the end of the period
- Based on the authorization granted by Government Decree, the Board of Directors approved the payment of total dividend of HUF 15 311 396 940 to the shareholders after 2020 results and is complemented with a share buy-back amounting to HUF 10.2 billion

Operational highlights

- Magyar Telekom acquired frequency usage rights of 8 MHz and 20 MHz duplexes on the 900 MHz and the 1800 MHz frequencies respectively, which will be used following the expiry of current entitlements of 10 MHz and 15 MHz in April 2022
- Magyar Telekom's customer base continued to expand in a year-on-year comparison in Hungary: fixed broadband subscriptions rose by 7.1%, while the number of TV customers increased by 6.5% supported by continued interest towards IPTV services
- Magyar Telekom introduced its new cloud-based TV platform, becoming the first domestic provider of such enhanced home entertainment services, including 4K broadcasting
- Magyar Telekom's supplier program to address climate change ranked amongst the top 7.0 % globally, according to the Carbon Disclosure Project (CDP) supplier engagement rating. Furthermore, the company has been included in FTSE4Good Index, an index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, following the December 2020 ESG review

Tibor Rékasi, Magyar Telekom CEO commented:

"The operating environment during the first quarter of 2021 has been challenging as the emergence of a third wave of COVID-19 proved to be more severe than previous rounds. However, thanks to our agile approach, Magyar Telekom was able to adapt swiftly to evolving conditions and build on lessons learned throughout the pandemic to improve our financial and operational performance. EBITDA amounted to HUF 50.2 billion in the first quarter, a considerable achievement, and one which will serve as a solid base from which we should be able to deliver in line with our guidance.

Magyar Telekom also secured 900 MHz and 1800 MHz frequency band rights during the quarter, a significant milestone which will allow our customers to continue to use our mobile services and innovative solutions at the usual high standards. I am confident that this investment, together with continuous development of the gigabit capable network, will enable us to not only enhance the lives of our customers, but also to the economic success of Hungary."

Public targets

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

¹ Excluding spectrum license fees

² Total shareholder remuneration (cash + sharebuy-back based on AGM approval, subject to completion of buy-back) after

FY 2020 results; based on the current number of treasury shares

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

Consolidated Statements of Profit or Loss and Comprehensive Income - extract (HUF million)	Q1 2020	Q1 2021	Change	Change (%)
Mobile revenues	88,147	90,391	2,244	2.5%
Fixed line revenues	52,831	53,812	981	1.9%
System Integration/Information Technology revenues	18,355	18,096	(259)	(1.4%)
Total revenues	159,333	162,299	2,966	1.9%
Direct costs	(67,092)	(69,168)	(2,076)	(3.1%)
Gross profit	92,241	93,131	890	1.0%
Indirect costs	(45,840)	(42,937)	2,903	6.3%
EBITDA	46,401	50,194	3,793	8.2%
Depreciation and amortization	(33,678)	(35,128)	(1,450)	(4.3%)
Operating profit	12,723	15,066	2,343	18.4%
Net financial result	(10,969)	(1,625)	9,344	85.2%
Share of associates' and joint ventures' results	(66)	0	66	100.0%
Profit before income tax	1,688	13,441	11,753	n.m.
Income tax	(2,500)	(3,380)	(880)	(35.2%)
Profit for the period	(812)	10,061	10,873	n.m.
Profit attributable to non-controlling interests	781	1,159	378	48.4%
Profit attributable to owners of the parent	(1,593)	8,902	10,495	n.m.

Total revenues increased by 1.9% year-on-year to HUF 162.3 billion in Q1 2021 as increases in telecommunication service revenues in both countries of operation compensated for moderately lower System Integration and IT ('SI/IT') sales and the fall-out in Hungarian retail broadband revenues.

- **Mobile revenues increased by 2.5% year-on-year to HUF 90.4 billion in Q1 2021**, driven by further growth in mobile data revenues which offset lower retail voice revenues.
 - **Voice retail** revenues declined 4.5% year-on-year to HUF 29.6 billion in Q1 2021 as lower roaming revenues and competition-driven price pressure at both operation, coupled with a decline in the North Macedonian prepaid revenues, offset the positive impact of further expansion of the postpaid customer base.
 - **Voice wholesale** revenue increased by 12.8% year-on-year to HUF 3.2 billion in Q1 2021, reflecting a strong increase in incoming mobile traffic in Hungary, coupled with higher machine-to-machine traffic in North Macedonia.
 - **Data** revenue rose by 11.5% year-on-year to HUF 27.3 billion in Q1 2021, driven by continued growth in subscriber numbers and further increases in usage levels due to the reintroduction of lockdown measures in both Hungary and North Macedonia.
 - **SMS** revenues increased by 10.6% year-on-year to HUF 5.7 billion at Group level in Q1 2021, driven by higher revenues from mass messaging in Hungary, as well as higher revenues from the postpaid subscriber base in North Macedonia.
 - **Mobile equipment** revenues were moderately higher year-on-year, amounting to HUF 22.3 billion in Q1 2021, driven by an increase in export sales volumes which compensated for the decline in customer sale transactions due to the lockdown related restrictions in Hungary.
 - **Other mobile** revenues decreased by 13.2% to HUF 2.4 billion in Q1 2021, mostly attributable to a decline in visitor revenues in both countries.
- **Fixed line revenues increased by 1.9% year-on-year, to HUF 53.8 billion in Q1 2021** as the continued decline in voice revenues was fully offset by further improvements in TV revenues in both markets.
 - **Voice retail** revenues declined by 4.9% year-on-year to HUF 9.5 billion in Q1 2021, reflecting the continued decline in the Hungarian fixed voice customer base together with general price pressure in this area.

- **Broadband retail** revenues increased by 2.2% year-on-year to HUF 14.2 billion in Q1 2021, as the positive impact of the continued expansion of the customer base in both countries was partly offset by the mandatory monthly fee allowance introduced in Hungary for students and teachers to help with online education during the pandemic. At the same time, there was a moderate decline in the level of total broadband retail revenues due to the reclassification of leased line fixed internet revenue to the fixed data retail category, with the previous period result also represented accordingly.
 - **TV** revenues were up 8.5% year-on-year to HUF 13.8 billion in Q1 2021, primarily reflecting the further strong expansion of the IPTV subscriber base in both countries.
 - **Fixed equipment** revenues were down by 4.5% year-on-year to HUF 4.8 billion in Q1 2021, driven by lower transaction volumes in Hungary as a result of pandemic related restrictions.
 - **Data retail** revenues were slightly up year-on-year, amounting to HUF 3.1 billion in Q1 2021. General competition driven price pressure was offset by a higher contribution from leased line fixed internet services in both countries; that is now accounted for in data retail revenues.
 - **Wholesale** revenues continued to increase year-on-year, amounting to HUF 5.0 billion in Q1 2021, thanks to higher network-related and wholesale data revenues in Hungary coupled with income from the resale of content right licenses in North Macedonia.
 - **Other fixed** line revenues declined moderately year-on-year to HUF 3.5 billion in Q1 2021, reflecting higher discounts provided to customers in relation to online bill payments.
- **System Integration (SI) and IT ('SI/IT') revenues were moderately down at HUF 18.1 billion in Q1 2021**, reflecting the combined impact of lower revenues from Hungarian public sector projects which was mostly offset by higher corporate revenues, while revenues from customized solution projects declined year-on-year from an elevated base in North Macedonia.

Direct costs increased by 3.1% year-on-year to HUF 69.2 billion in Q1 2021, mostly driven by higher interconnect and TV content expenses, coupled with some increases in equipment costs.

- **Interconnect costs** increased by 11.1% year-on-year to HUF 5.9 billion in Q1 2021, reflecting the continued increase in off-network mobile voice and SMS traffic, which resulted in higher payments to domestic mobile operators.
- **SI/IT service-related costs** decreased by 3.5% year-on-year to HUF 12.4 billion in Q1 2021, owing to lower volumes of related projects at both operation.
- **Bad debt expenses** decreased by HUF 0.6 billion year-on-year to HUF 2.0 billion in Q1 2021, as the combined impact of favorable aging of mobile receivables in Hungary and the absence of one-off expenses in relation to the COVID-19 pandemic and the release of customers from loyalty periods that impacted Q1 2020 results.
- **Telecom tax** rose by 4.7% year-on-year to HUF 6.8 billion in Q1 2021, driven by increases in mobile voice traffic in the business and residential segments, as well as higher residential landline usage in Hungary.
- **Other direct costs** were up 5.7% year-on-year to HUF 42.0 billion in Q1 2021, driven by higher equipment costs coupled with an increase in the Hungarian TV content outpayments, and some one-off additional costs that emerged in relation to the lockdowns in relation to the third wave of in Hungary.

Gross profit improved by 1.0% year-on-year to HUF 93.1 billion in Q1 2021, thanks to a higher contribution from telecommunication services, which was partly offset by one-off costs in relation to the third wave of the pandemic in Hungary.

Indirect costs improved by 6.3% year-on-year, to HUF 42.9 billion in Q1 2021, primarily reflecting the lower level of severance expenses, Group-wide.

- **Employee-related expenses** were down by HUF 2.9 billion year-on-year, amounting to HUF 19.2 billion in Q1 2021, attributable to the lower level of severance expenses and the reduction in the average headcount, which was partly counterbalanced by the general wage increase introduced in Hungary in July 2020.
- **Utility tax** was marginally higher year-on-year, amounting to HUF 7.3 billion in Q1 2021, reflecting the combined impact of an increase in the length of the taxable network (mostly due to expiring tax credits from network investments in 2015), offset by the positive effect of the tax credit relating to Magyar Telekom's new network investments and upgrades that enable internet access of at least 100 Mbps.
- **Other operating expenses** (without utility tax) increased by 2.9% year-on-year to HUF 17.3 billion for the quarter, as the positive contribution of cost optimization measures was somewhat offset by the FX impact on North Macedonian expenses due to the weakening of the forint against the denar as well as increase in network operation related expenses and provisions related to legal cases at the Hungarian operation.
- **Other operating income** was up at HUF 0.8 billion in Q1 2021, primarily driven by income related to real estate sales in Hungary.

EBITDA rose by 8.2% year-on-year to HUF 50.2 billion, with **EBITDA AL improving by 8.1% year-on-year to HUF 44.2 billion in Q1 2021**, driven by the improvement in gross profit and lower employee related expenses.

Depreciation and amortization ('D&A') expenses rose by 4.3% year-on-year to HUF 35.1 billion in Q1 2021, attributable to the frequency licenses acquired in March 2020 in Hungary, while in North Macedonia the increase reflected higher amortization expenses in relation to content rights, software and licenses.

Profit for the period rose by HUF 10.9 billion year-on-year to HUF 10.1 billion in Q1 2021, reflecting higher EBITDA, coupled with better financial results.

- **Net financial result** improved considerably year-on-year, from a loss of HUF 11.0 billion to a loss of HUF 1.6 billion in the quarter. This year-on-year change was mainly attributable to the absence of negative FX impacts due to the significant weakening of the forint against the euro during the base period in 2020, coupled with the positive effect of movements in the yield curve that led to unrealized gains on the recognition of derivatives at fair value in Q1 2021. These impacts fully offset the moderate increase in interest costs that mostly reflects the higher interest expenses in relation to lease and frequency usage rights liabilities.
- **Income tax expenses** increased from HUF 2.5 billion in Q1 2020 to HUF 3.4 billion in Q1 2021, reflecting the year-on-year higher profit before tax.

Profit attributable to non-controlling interests rose by HUF 0.4 billion year-on-year to HUF 1.2 billion in Q1 2021, thanks to the improvement in both revenue and profitability trends in North Macedonia.

2.1.2 Group Cash Flows

HUF millions	1- 3 months 2020	1- 3 months 2021	Change
Operating cash flow	12,714	25,713	12,999
Investing cash flow	(26,695)	(29,854)	(3,159)
Less: Payments for / Proceeds from other financial assets - net	984	(4,979)	(5,963)
Investing cash flow excluding Payments for / Proceeds from other financial assets -	(25,711)	(34,833)	(9,122)
Repayment of lease and other financial liabilities	(5,344)	(7,950)	(2,606)
Total free cash flow	(18,341)	(17,070)	1,271
Payments for / Proceeds from other financial assets - net	(984)	4,979	5,963
Proceeds from / Repayment of loans and other borrowings - net	18,576	11,931	(6,645)
Dividends paid to Owners of the parent and Non-controlling interests	(1)	0	1
Proceeds from bonds	0	0	0
Treasury share purchase	0	0	0
Exchange differences on cash and cash equivalents	752	(37)	(789)
Change in cash and cash equivalents	2	(197)	(199)

Free cash flow (FCF) slightly improved to HUF 17.1 billion cash outflow in Q1 2021 (Q1 2020: HUF 18.3 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 25.7 billion in Q1 2021, compared to cash inflow of HUF 12.7 billion in Q1 2020, attributable to the reasons outlined below:

- HUF 3.8 billion **positive impact due to higher EBITDA** in Q1 2021 versus Q1 2020
- HUF 5.3 billion **negative change in active working capital**, mainly as a result of lower decrease in SI/IT receivables in Q1 2021 compared to Q1 2020 due to different project seasonality (negative impact: ca. HUF 4.6 billion)
- HUF 0.7 billion **positive change in provisions**, mainly reflecting the combined effect of change in provision for litigation risks and penalties (positive impact ca. HUF 1.9 billion), severance payment (negative impact ca. HUF 2.2 billion) and employee performance bonus (positive impact ca. HUF 0.6 billion).
- HUF 10.7 billion **positive change in passive working capital**, primarily driven by lower payment to handset suppliers in Q1 2021 versus Q1 2020 (positive impact: HUF 6.6 billion) supplemented with lower decline in the balances of invoiced and non-invoiced creditors due to timing differences of payments in Q1 2021 versus Q1 2020 (positive impact: HUF 2.5 billion)
- HUF 0.8 billion **positive change in interest paid** in Q1 2021 compared to Q1 2020, reflecting the combined effect of lower interest payment due to the maturity of a loan in Q1 2020 and higher interest payment related to leases and frequency fee related liabilities in Q1 2021

- HUF 2.2 billion **positive change in other non-cash items**, mainly due to the more significant foreign exchange rate movements leading to FX losses during Q1 2020 compared to Q1 2021.

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 34.8 billion in Q1 2021, compared to HUF 25.7 billion Q1 2020, with the higher cash outflow driven mainly by the following:

- HUF 10.0 billion **negative effect** mainly due to HUF 9.7 billion higher payments to **Capex creditors** coupled with HUF 2.2 billion higher investment in mobile network modernization. These were partly offset by the HUF 1.1 billion lower investment in CPE and installation. For further information please see in section 2.2 Segment reports.
- HUF 0.7 billion **positive change** related to the **disposal of PPE**, mainly reflecting an increase in proceeds from real estate sales in Q1 2021 compared to Q1 2020.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 8.0 billion in Q1 2021 from HUF 5.3 billion in Q1 2020, mainly due to higher payment of different long-term supplier invoices in Q1 2021 compared to Q1 2020.

In Q1 2021 **Cash and cash equivalents** amounted to a HUF 0.2 billion negative change which broadly unchanged compared to Q1 2020 period. Besides the changes in FCF the deterioration is attributed to the followings:

- **Payments for other financial assets - net** improved by HUF 6.0 billion, primarily due to higher cash inflows from foreign exchange swap transactions in Q1 2021 compared to Q1 2020. The foreign exchange swap transactions are primarily related to the repayment of a 130 million EUR denominated DT credit facility in Q1 2021.
- **Proceeds from loans and other borrowings** improved by HUF 22.2 billion due to the periodic increase of inhouse Group funds partially degraded by the lower drawdown of DT Group loans in Q1 2021 compared to Q1 2020. For further information please see in section 3.1 Basis of preparation.
- **Repayments of loans and other borrowings** deteriorated by HUF 28.9 billion due to the higher repayment of DT Group loans as well as the periodic decrease of inhouse Group funds in Q1 2021 compared to Q1 2020. For further information please see in section 3.1 Basis of preparation.
- **Exchange differences on cash and cash equivalents** declined by HUF 0.8 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 March 31, 2021 (see Appendix 3.4) can be observed in the following lines:

- Trade receivables
- Other financial assets (current and non-current combined)
- Intangible assets
- Trade payables
- Other financial liabilities (current and non-current combined)

Trade receivables decreased by HUF 16.1 billion from December 31, 2020 to March 31, 2021 mainly driven by the decrease of SI/IT receivables due to the different project seasonality furthermore payment of invoices related to some dedicated business customers and decrease in instalment receivables.

Other financial assets (current and non-current combined) decreased by HUF 22.5 billion from December 31, 2020 to March 31, 2021 mainly as a result of a HUF 19.8 billion decrease in cash pool receivables as well by HUF 2.9 billion decrease in derivative financial instruments contracted with related parties.

Intangible assets increased by HUF 74.8 billion from December 31, 2020 to March 31, 2021 reflecting the acquisition of spectrum licenses. The present value of the future annual frequency fees to be paid by Magyar Telekom until 2042 and the one-time spectrum fee until Q1 2022 were capitalized in March 2021 in the amount of HUF 83.1 billion.

Trade payables declined by HUF 41.6 billion from December 31, 2020 to March 31, 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 80.0 billion from December 31, 2020 to March 31, 2021, mainly due to the recognition of present value of the future annual band fees and one-time spectrum fee for spectrum licenses.

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 March 31, 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 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, in connection with this additional guarantees were required to be issued. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual 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

For any significant events that occurred between the end of the quarter (March 31, 2021) and the date publishing of this "Quarterly 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.

2.2.1MT-Hungary

HUF million	Q1 2020	Q1 2021	Change	Change (%)
Voice	29,906	28,626	(1,280)	(4.3%)
Non-voice	27,127	30,285	3,158	11.6%
Equipment	19,980	19,962	(18)	(0.1%)
Other	2,413	2,017	(396)	(16.4%)
Total mobile revenues	79,426	80,890	1,464	1.8%
Voice retail	8,793	8,263	(530)	(6.0%)
Broadband - retail*	12,719	12,923	204	1.6%
TV	11,478	12,434	956	8.3%
Equipment	4,900	4,702	(198)	(4.0%)
Other*	9,735	9,708	(27)	(0.3%)
Fixed line revenues	47,625	48,030	405	0.9%
SI/IT revenues	17,781	17,590	(191)	(1.1%)
Total revenues	144,832	146,510	1,678	1.2%
Direct costs	(62,483)	(64,210)	(1,727)	(2.8%)
Gross profit	82,349	82,300	(49)	(0.1%)
Indirect costs	(41,796)	(38,484)	3,312	7.9%
EBITDA	40,553	43,816	3,263	8.0%
EBITDA AL	35,215	37,995	2,780	7.9%
Segment Capex AL excl. spectrum licenses	17,938	18,455	517	2.9%
Spectrum licenses	0	83,075	83,075	n.a.

Operational statistics – access numbers	March 31 2020	March 31 2021	Change (%)
Number of SIM cards	5,378,483	5,456,138	1.4%
Postpaid share in total*	62.6%	63.8%	n.a.
Total fixed voice access	1,357,903	1,334,441	(1.7%)
Total retail fixed broadband customers *	1,253,495	1,342,192	7.1%
Total TV customers	1,179,394	1,256,161	6.5%

Operational statistics – ARPU (HUF)	Q1 2020	Q1 2021	Change (%)
Blended mobile ARPU	3,540	3,604	1.8%
Postpaid ARPU *	5,110	4,923	(3.7%)
Prepaid ARPU	1,014	1,102	8.7%
M2M ARPU *	536	471	(12.0%)
Blended fixed voice ARPU	2,152	2,058	(4.4%)
Blended fixed broadband ARPU *	3,419	3,228	(5.6%)
Blended TV ARPU	3,274	3,323	1.5%

*Q1 2020 values changed due to re-presentation

Total revenues for the MT-Hungary segment increased by 1.2% year-on-year to HUF 146.5 billion in Q1 2021, as continued strong customer demand for mobile data and TV services compensated for the lower voice revenues. Despite the negative impact fall-out in retail broadband revenues, service revenues continued to grow further as customers appreciate the advantages of our high-quality networks and customer focused servicing provided to them.

- **Mobile revenues** were up 1.8% year-on-year in Q1 2021 at HUF 80.9 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. With social distancing measures becoming even more pronounced, voice usage volumes continued to increase. However, as more and more customers sign up for unlimited packages, these increases could not be fully translated to revenue increase, whereas the intense competition led to some further erosion in prices, especially among business customers. At the same time, positive trends in the subscriber base continued, with more and more prepaid customers opting for a postpaid subscription, which supported the continued positive development in the blended ARPU.
- **Fixed line revenues** showed a moderate 0.9% increase year-on-year to HUF 48.0 billion in Q1 2021. The slowdown reflects the negative effect of the obligatory monthly fee allowance provided to students and teachers impacted by the reintroduction of digital education in the face of the second and third wave of the pandemic in Hungary and which mostly counterbalanced the positive impact of the continued strong customer expansion. At the same time, TV service revenues increased dynamically thanks to the positive momentum in TV customer base expansion and the favorable impact of the price rebalancing launched in September 2020.
- **SI/IT revenue** decline slowed further to a 1.1% year-on-year level in the first quarter of 2021, as the lower volume of implementation project delivered to the public sector was more and more compensated by increasing project streams in the corporate market.

Gross profit remained broadly stable in Q1 2021 as favorable service revenue trends were offset by interconnect, TV related and telecom tax expenses as well as some one-off charges incurred in relation to the third wave of the pandemic.

EBITDA however improved by 8.0% year-on-year in Q1 2021, to HUF 43.8 billion that mostly reflects the absence of severance expenses booked in the first quarter of 2020 coupled with moderately higher profit related to real estate disposals. Simultaneously, **EBITDA AL** rose by 7.9% year-on-year in Q1 2021 to HUF 38.0 billion, driven by the above drivers.

Capex AL excluding spectrum licenses in the first quarter of 2021 was up by HUF 2.9% year-on-year reflecting the continued dynamic speed of the fiber roll-out program as well as the progress in the mobile network modernization.

Spectrum licenses in the amount of HUF 83.1 billion was booked in the first quarter of 2021 in relation to the 900 and 1800 MHz spectrum licenses Magyar Telekom won on the auction held by the National Media and Infocommunications Authority in January 2021. That amount comprises of HUF 43.5 billion spectrum fee – with the remaining HUF 0.8 billion booked as interest expense and the total sum to be paid in the first quarter of 2022 - and HUF 39.6 billion that is related to the present value of the future band fees.

2.2.2 North Macedonia

HUF million	Q1 2020	Q1 2021	Change	Change (%)
Voice	3,903	4,153	250	6.4%
Non-voice	2,449	2,650	201	8.2%
Equipment	2,055	2,348	293	14.3%
Other	314	350	36	11.5%
Total mobile revenues	8,721	9,501	780	8.9%
Voice retail	1,183	1,229	46	3.9%
Broadband - retail*	1,168	1,274	106	9.1%
TV	1,234	1,363	129	10.5%
Equipment	78	54	(24)	(30.8%)
Other*	1,592	1,878	286	18.0%
Fixed line revenues	5,255	5,798	543	10.3%
SI/IT revenues	574	506	(68)	(11.8%)
Total revenues	14,550	15,805	1,255	8.6%
Direct costs	(4,652)	(5,004)	(352)	(7.6%)
Gross profit	9,898	10,801	903	9.1%
Indirect costs	(4,044)	(3,854)	190	4.7%
EBITDA	5,854	6,947	1,093	18.7%
EBITDA AL	5,644	6,725	1,081	19.2%
Segment Capex AL	3,489	1,598	(1,891)	(54.2%)

*Q1 2020 value changed due to re-presentation

Operational statistics – access numbers	March 31 2020	March 31 2021	Change (%)
Number of mobile SIMs	1,195,810	1,089,287	(8.9%)
Postpaid share in total	40.9%	47.3%	n.a.
Total fixed voice access	216,157	221,985	2.7%
Total fixed retail broadband access	189,689	200,457	5.7%
Total TV customers	137,368	143,328	4.3%

Total revenues in North Macedonia increased by 8.6% year-on-year to HUF 15.8 billion in Q1 2021, thanks to the combined result of some improvement in telecommunication service revenue trends, increase in wholesale revenues related to the resale of TV content licenses and a positive impact from the strengthening of the denar against the forint.

- **Mobile revenue** rose by 8.9% year-on-year in Q1 2021 with operational improvements mostly visible at the increasing number and ratio of postpaid customers that was coupled with increases in equipment sales revenues, whilst the number of prepaid customers continued to erode also influencing the total mobile subscriber number negatively.
- **Fixed line revenues** increased by 10.3% year-on-year in Q1 2021, thanks primarily to continued expansion of the customer base in all service lines that supported service revenue trends. Growth in other fixed revenues is attributable to the income from the resale of TV content right licenses.
- **SI/IT revenues** declined by 11.8% driven by lower revenues from customized solution projects.

Gross profit improved by 9.1% year-on-year in Q1 2021, primarily reflecting the better revenue performance.

EBITDA was up by 18.7% year-on-year at HUF 6.9 billion with **EBITDA AL** up 19.2% year-on-year at HUF 6.7 billion in Q1 2021 as the improvement in gross profit was accompanied by mostly stable indirect costs.

Capex AL excluding spectrum licenses was lower year-on-year at HUF 1.6 billion in Q1 2021, reflecting the absence of content fee capitalization cost that was present in the base period.

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 the Q1 of 2021 due to the 3rd wave of 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 no any underperformance is expected in the long term. During the preparation of the Q1 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 needed to be recognized in Q1 2021. Management continuously monitors the solvency of customers and, as a result of such assessment, the management concluded that there was no need to recognize further allowance for bad debts in Q1 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	Applied by Magyar Telekom from	Changes	Impact on the presentation of Magyar Telekom's results of operations and financial position
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.	It is not applied.
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.

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 from this interim report 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
MAGYAR TELEKOM

Consolidated Statements of Profit or Loss and Other Comprehensive Income	Q1 2020	Q1 2021	Change	Change
(HUF million, except per share amounts)	(re-presented, unaudited)	(unaudited)		(%)
Mobile revenues	88,147	90,391	2,244	2.5%
Fixed line revenues	52,831	53,812	981	1.9%
System Integration/Information Technology revenues	18,355	18,096	(259)	(1.4%)
Total revenues	159,333	162,299	2,966	1.9%
Direct costs	(67,092)	(69,168)	(2,076)	(3.1%)
Employee-related expenses	(22,169)	(19,221)	2,948	13.3%
Depreciation and amortization	(33,678)	(35,128)	(1,450)	(4.3%)
Other operating expenses	(24,004)	(24,522)	(518)	(2.2%)
Operating expenses	(146,943)	(148,039)	(1,096)	(0.7%)
Other operating income	333	806	473	142.0%
Operating profit	12,723	15,066	2,343	18.4%
Interest income	71	68	(3)	(4.2%)
Interest expense	(2,956)	(3,570)	(614)	(20.8%)
Other finance expense - net	(8,084)	1,877	9,961	n.m.
Net financial result	(10,969)	(1,625)	9,344	85.2%
Share of associates' and joint ventures' results	(66)	0	66	100.0%
Profit before income tax	1,688	13,441	11,753	n.m.
Income tax	(2,500)	(3,380)	(880)	(35.2%)
Profit for the period	(812)	10,061	10,873	n.m.
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	7,374	(360)	(7,734)	n.m.
Items that will not be reclassified to profit or loss:				
Revaluation of financial assets at FV OCI	(71)	65	136	n.m.
Other comprehensive income for the year, net of tax	7,303	(295)	(7,598)	n.m.
Total comprehensive income for the period	6,491	9,766	3,275	50.5%
Profit attributable to:				
Owners of the parent	(1,593)	8,902	10,495	n.m.
Non-controlling interests	781	1,159	378	48.4%
	(812)	10,061	10,873	n.m.
Total comprehensive income attributable to:				
Owners of the parent	2,768	8,692	5,924	214.0%
Non-controlling interests	3,723	1,074	(2,649)	(71.2%)
	6,491	9,766	3,275	50.5%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	(1,593)	8,902		
Weighted average number of common stock outstanding used for basic/diluted EPS	1,027,117,481	1,020,759,796		
Basic / diluted earnings per share (HUF)	(1.54)	8.72	10.26	n.m.

3.3. Total revenues breakdown – quarterly year-on-year comparison

MAGYAR TELEKOM				
Revenues (HUF million)	Q1 2020	Q1 2021	Change	Change (%)
Voice retail	31,011	29,624	(1,387)	(4.5%)
Voice wholesale	2,798	3,155	357	12.8%
Data	24,442	27,258	2,816	11.5%
SMS	5,134	5,677	543	10.6%
Equipment	22,035	22,310	275	1.2%
Other mobile revenues	2,727	2,367	(360)	(13.2%)
Mobile revenues	88,147	90,391	2,244	2.5%
Voice retail	9,976	9,492	(484)	(4.9%)
Broadband retail	13,887	14,197	310	2.2%
TV	12,712	13,797	1,085	8.5%
Equipment	4,978	4,756	(222)	(4.5%)
Data retail	2,950	3,088	138	4.7%
Wholesale (voice, broadband, data)	4,715	4,988	273	5.8%
Other fixed line revenues	3,613	3,494	(119)	(3.3%)
Fixed line revenues	52,831	53,812	981	1.9%
System Integration/Information Technology revenues	18,355	18,096	(259)	(1.4%)
Total revenues	159,333	162,299	2,966	1.9%

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

MAGYAR TELEKOM				
Operating expenses (HUF million)	Q1 2020	Q1 2021	Change	Change (%)
Direct costs	(67,092)	(69,168)	(2,076)	(3.1%)
Interconnect costs	(5,334)	(5,926)	(592)	(11.1%)
SI/IT service related costs	(12,846)	(12,397)	449	3.5%
Bad debt expense	(2,671)	(2,038)	633	23.7%
Telecom tax	(6,468)	(6,775)	(307)	(4.7%)
Other	(39,773)	(42,032)	(2,259)	(5.7%)
Employee-related expenses	(22,169)	(19,221)	2,948	13.3%
Depreciation and amortization	(33,678)	(35,128)	(1,450)	(4.3%)
Other operating expenses	(24,004)	(24,522)	(518)	(2.2%)
Utility tax	(7,218)	(7,252)	(34)	(0.5%)
Other	(16,786)	(17,270)	(484)	(2.9%)
Operating expenses	(146,943)	(148,039)	(1,096)	(0.7%)

3.5. Interim Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2020 (unaudited)	Mar 31, 2021 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	14,689	14,492	(197)	(1.3%)
Trade receivables	158,857	142,776	(16,081)	(10.1%)
Other assets	6,022	9,506	3,484	57.9%
Other current financial assets	42,487	17,275	(25,212)	(59.3%)
Contract assets	16,878	18,432	1,554	9.2%
Current income tax receivable	473	2,777	2,304	487.1%
Inventories	18,395	20,150	1,755	9.5%
	257,801	225,408	(32,393)	(12.6%)
Assets held for sale	489	143	(346)	(70.8%)
Total current assets	258,290	225,551	(32,739)	(12.7%)
Non-current assets				
Property, plant and equipment	432,436	429,504	(2,932)	(0.7%)
Right-of-use assets	121,335	119,278	(2,057)	(1.7%)
Intangible assets	285,680	360,443	74,763	26.2%
Goodwill	213,137	213,137	0	0.0%
Investments in associates and joint ventures	-	-	-	-
Deferred tax assets	118	207	89	75.4%
Trade receivables over one year	18,566	17,283	(1,283)	(6.9%)
Other non-current financial assets	10,614	13,277	2,663	25.1%
Contract assets	3,923	3,696	(227)	(5.8%)
Other non-current assets	5,795	6,358	563	9.7%
Total non-current assets	1,091,604	1,163,183	71,579	6.6%
Total assets	1,349,894	1,388,734	38,840	2.9%
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	98,350	89,709	(8,641)	(8.8%)
Lease liabilities	20,712	21,816	1,104	5.3%
Trade payables	148,326	106,717	(41,609)	(28.1%)
Other financial liabilities	12,204	10,827	(1,377)	(11.3%)
Current income tax payable	432	905	473	109.5%
Provisions	3,603	3,679	76	2.1%
Contract liabilities	10,998	10,737	(261)	(2.4%)
Other current liabilities	22,198	22,145	(53)	(0.2%)
	316,823	266,535	(50,288)	(15.9%)
Liabilities held for sale	-	-	-	-
Total current liabilities	316,823	266,535	(50,288)	(15.9%)
Non-current liabilities				
Financial liabilities to related parties	89,456	89,114	(342)	(0.4%)
Lease liabilities	111,820	109,025	(2,795)	(2.5%)
Corporate bonds	67,904	67,981	77	0.1%
Other financial liabilities	74,163	155,204	81,041	109.3%
Deferred tax liabilities	18,621	18,857	236	1.3%
Provisions	10,109	11,318	1,209	12.0%
Contract liabilities	361	404	43	11.9%
Other non-current liabilities	2,910	2,803	(107)	(3.7%)
Total non-current liabilities	375,344	454,706	79,362	21.1%
Total liabilities	692,167	721,241	29,074	4.2%
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	(9,209)	(9,209)	0	0.0%
Retained earnings	465,787	474,689	8,902	1.9%
Accumulated other comprehensive income	30,452	30,242	(210)	(0.7%)
Total equity of the owners of the parent	618,684	627,376	8,692	1.4%
Non-controlling interests	39,043	40,117	1,074	2.8%
Total equity	657,727	667,493	9,766	1.5%
Total liabilities and equity	1,349,894	1,388,734	38,840	2.9%

3.6. Interim Consolidated Statements of Cash Flows
MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1- 3 months 2020 (re-presented, unaudited)	1- 3 months 2021 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	(812)	10,061	10,873	n.m.
Depreciation and amortization	33,678	35,128	1,450	4.3%
Income tax expense	2,500	3,380	880	35.2%
Net financial result	10,969	1,625	(9,344)	(85.2%)
Share of associates' and joint ventures' result	66	0	(66)	(100.0%)
Change in assets carried as working capital	15,527	10,249	(5,278)	(34.0%)
Change in provisions	64	791	727	n.m.
Change in liabilities carried as working capital	(36,304)	(25,580)	10,724	29.5%
Income tax paid	(5,142)	(5,072)	70	1.4%
Dividend received	0	0	0	n.m.
Interest and other financial charges paid	(5,740)	(4,958)	782	13.6%
Interest received	67	74	7	10.4%
Other non-cash items	(2,159)	15	2,174	n.m.
Net cash generated from operating activities	12,714	25,713	12,999	102.2%
Cash flows from investing activities				
Payments for property plant and equipment (PPE) and intangible assets	(25,773)	(35,784)	(10,011)	(38.8%)
Proceeds from disposal of PPE and intangible assets	256	951	695	271.5%
Payments for subsidiaries and business units	(194)	0	194	100.0%
Cash acquired through business combinations	0	0	0	n.a.
Proceeds from disposal of subsidiaries and business units	0	0	0	n.a.
(Payments for) / Proceeds from other financial assets - net	(984)	4,979	5,963	n.m.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Net cash used in investing activities	(26,695)	(29,854)	(3,159)	(11.8%)
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interest	(1)	0	1	100.0%
Proceeds from loans and other borrowings	61,159	83,370	22,211	36.3%
Repayment of loans and other borrowings	(42,583)	(71,439)	(28,856)	(67.8%)
Proceeds from corporate bonds	0	0	0	n.a.
Repayment of lease and other financial liabilities	(5,344)	(7,950)	(2,606)	(48.8%)
Treasury share purchase	0	0	0	n.a.
Net cash used in financing activities	13,231	3,981	(9,250)	(69.9%)
Exchange differences on cash and cash equivalents	752	(37)	(789)	n.m.
Change in cash and cash equivalents	2	(197)	(199)	n.m.
Cash and cash equivalents, beginning of period	13,398	14,689	1,291	9.6%
Cash and cash equivalents, end of period	13,400	14,492	1,092	8.1%

3.7. 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 March 31, 2021	
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Proceeds from corporate bonds	Repayment of other financial liability		Other
Related party loans	187,793		(1,223)	90		63,602	(71,439)				178,823
Derivatives from related parties	13			(18)	5						0
Spectrum fee payable	76,084		(879)	84,111					(1,157)		158,159
Corporate bonds	67,904			77							67,981
Finance lease liabilities	132,532		(1,458)	3,821					(4,054)		130,841
Debtors overpayment	1,309		(174)								1,135
Contingent consideration	427			3							430
Other financial liabilities	8,547		219	280					(2,739)		6,307
- Less cash and cash equivalent	(14,689)	197									(14,492)
- Less other current financial assets	(42,487)		(159)	(71)	5,674	19,768					(17,275)
Net debt	417,433	197	(3,674)	88,293	5,679	83,370	(71,439)		(7,950)		511,909
Treasury share purchase										0	
Dividends paid to Owners of the parent and Non-controlling interest										0	
Net Cash used in financing activities										3,981	

3.8. Interim Consolidated Statements of Changes in Equity

	in HUF millions										
	pieces		in HUF millions							Total Equity	
	Shares of common stock	Common stock	Capital reserves	Retained earnings	Accumulated Other	Equity of the owners of the parent	Non-controlling interests	Total Equity			
		Additional paid in capital	Treasury stock	Cumulative translation adjustment	Revaluation reserve for FVOCI financial assets – net of tax						
	Shares of common stock	Additional paid in capital	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 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	-	-	-	-	-	-	-	-	-	-	-
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	4,389	(28)	4,361	-	2,942	7,303	7,303
Profit or loss	-	-	-	-	(1,593)	-	(1,593)	-	781	(812)	(812)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2020	1,042,742,543	104,275	27,379	0	(3,991)	442,685	29,252	156	599,756	38,889	638,645
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)
Transactions with owners in their capacity as owners	-	-	-	-	(20,855)	-	-	-	(26,073)	(3,668)	(29,741)
Other comprehensive income	-	-	-	-	-	990	54	54	1,044	650	1,694
Profit or loss	-	-	-	-	-	43,957	-	-	43,957	3,172	47,129
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	-	-	-	-	-	-	-	-	-	-	-
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(245)	35	(210)	35	8,902	(85)	(295)
Profit or loss	-	-	-	-	-	8,902	-	-	8,902	1,159	10,061
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2021	1,042,742,543	104,275	27,379	0	(9,209)	474,689	29,997	245	627,376	40,117	667,493

3.9. Exchange rate information

Exchange rate	Q1 2020	Q1 2021	Change (%)
HUF/EUR beginning of period	330.52	365.13	10.5%
HUF/EUR period-end	359.09	363.73	1.3%
HUF/EUR cumulative monthly average	340.45	361.32	6.1%
HUF/MKD beginning of period	5.38	5.92	10.0%
HUF/MKD period-end	5.82	5.90	1.4%
HUF/MKD cumulative monthly average	5.52	5.86	6.2%

3.10. Segment information

HUF millions	1-3 months 2020	1-3 months 2021
Total MT-Hungary revenues	144,832	146,510
Less: MT-Hungary revenues from other segments	(30)	(32)
Telekom Hungary revenues from external customers	144,802	146,478
Total North Macedonia revenues	14,550	15,805
Less: North Macedonia revenues from other segments	(19)	(14)
North Macedonia revenues from external customers	14,531	15,791
Total consolidated revenue of the segments	159,333	162,269
Measurement/rounding differences to Group revenue	0	30
Total revenue of the Group	159,333	162,299
Segment results (EBITDA)		
MT-Hungary	40,553	43,816
North Macedonia	5,854	6,947
Total EBITDA of the segments	46,407	50,763
Measurement/rounding differences to Group EBITDA	(6)	(569)
Total EBITDA of the Group	46,401	50,194

3.11. Fair value of financial instruments

Financial assets - carrying amounts and FV

March 31, 2021 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVTPL (Level3)		
Cash and cash equivalents	14,492				14,492	14,492
Bank deposits with original maturities over 3 months	2,910				2,910	2,910
Trade receivables	142,776				142,776	142,776
Trade receivables over 1 year	17,283				17,283	18,166
Loans and receivables from employees	980				980	985
Derivative financial instruments contracted with related parties			17,804		17,804	17,804
Finance lease receivable	1,087				1,087	1,082
Equity instruments		908		1,193	2,101	2,101
Other current receivables	5,583				5,583	5,583
Other non current receivables	87				87	87
Total	185,198	908	17,804	1,193	205,103	205,986

December 31, 2020 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
	Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVTPL (Level3)		
Cash and cash equivalents	14,689				14,689	14,689
Bank deposits with original maturities over 3 months	2,925				2,925	2,925
Cashpool	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
Loans and receivables from employees	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
Other current receivables	5,439				5,439	5,439
Other non current receivables	306				306	281
Total	222,485	839	20,696	1,193	245,213	245,861

Financial liabilities - carrying amounts and FV

March 31, 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	178,823	0		178,823	182,371
Trade payables	106,717			106,717	106,717
Frequency fee payable	158,159			158,159	162,750
Corporate bonds	67,981			67,981	(64,377)
Lease liabilities	130,841			130,841	130,014
Debtors overpayment	1,135			1,135	1,135
Contingent consideration			430	430	430
Other current	4,506			4,506	4,506
Other non current	1,671		130	1,801	1,874
Total	649,833	0	560	650,393	525,420

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
Corporate 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

3.12. EBITDA reconciliation

Description	Q1 2020	Q1 2020	Q1 2020	Q1 2021	Q1 2021	Q1 2021
	MT Group	MT-Hungary	North Macedonia	MT Group	MT-Hungary	North Macedonia
(HUF million)						
EBITDA	46,401	40,553	5,854	50,194	43,816	6,947
IFRS 16 related D&A	(4,214)	(4,033)	(181)	(4,585)	(4,392)	(193)
IFRS 16 related Interest	(1,334)	(1,305)	(29)	(1,458)	(1,429)	(29)
EBITDA after lease	40,853	35,215	5,644	44,151	37,995	6,725

3.13. Capex from Interim Consolidated Statements of Cash Flows

Description	1-3 months	1-3 months
	2020	2021
	MT Group	MT Group
(HUF million)		
Payments for PPE and intangible assets	25,773	35,784
Less spectrum payments	0	0
Payments for PPE and intangible assets excl. spectrum payments	25,773	35,784
+/- Cash adjustments	(4,346)	(15,731)
Capex AL excl. Spectrum	21,427	20,053
ROU Capex	2,148	2,984
Spectrum capex	0	83,075
Capex	23,575	106,112

3.14. Capex from Interim Consolidated Statements of Financial Position

Description	1-3 months 2020	1-3 months 2020	1-3 months 2020	1-3 months 2021	1-3 months 2021	1-3 months 2021
	MT Group	MT-Hungary	North Macedonia	MT Group	MT-Hungary	North Macedonia
(HUF million)						
Capex AL excl. spectrum licences	21,427	17,938	3,489	20,053	18,455	1,598
ROU Capex	2,148	2,012	136	2,984	2,849	135
Spectrum capex	-	-	-	83,075	83,075	-
Capex	23,575	19,950	3,625	106,112	104,379	1,733



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

Dodonova Daria Aleksandrovna
Chief Financial Officer, member of the Board

Budapest, May 11, 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.