

MAGYAR TELEKOM

HALF-YEAR REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED JUNE 30, 2021**



Budapest – August 10, 2021 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the second quarter and first half of 2021, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU (hereinafter: half-year report). The half-year report contains unaudited figures for each reporting period.

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1. HIGHLIGHTS

Financial Highlights

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q2 2020	Q2 2021	Change (%)	1-6 months 2020	1-6 months 2021	Change (%)
Total revenues	157,187	166,141	5.7%	316,520	328,440	3.8%
Operating profit	20,785	22,595	8.7%	33,508	37,661	12.4%
Profit attributable to:						
Owners of the parent	10,543	13,504	28.1%	8,950	22,406	150.3%
Non-controlling interests	938	1,011	7.8%	1,719	2,170	26.2%
	11,481	14,515	26.4%	10,669	24,576	130.3%
Gross profit	90,135	96,471	7.0%	182,376	189,602	4.0%
EBITDA	56,127	59,273	5.6%	102,528	109,467	6.8%
EBITDA AL	50,187	53,239	6.1%	91,040	97,390	7.0%
	Q2 2020	Q2 2021	Change (%)	1-6 months 2020	1-6 months 2021	Change (%)
Free cash flow				(50,822)	10,331	n.m.
Free cash flow excl. spectrum licenses				3,418	10,331	202.3%
Capex after lease	118,688	23,163	(80.5%)	140,115	126,291	(9.9%)
Capex after lease excl. spectrum licenses	27,106	23,163	(14.5%)	48,533	43,216	(11.0%)
Number of employees (closing full equivalent)				7,228	6,972	(3.5%)
				Dec 31, 2020	June 30, 2021	Change (%)
Net debt				417,433	503,963	20.7%
Net debt / EBITDA				1.85	2.16	n.a.

- Revenues grew by HUF 9.0 billion, or 5.7% year-on-year to HUF 166.1 billion in Q2 2021, with increasing mobile and fixed service contribution driving positive momentum versus the same quarter and half year of 2020
- Gross profit also improved substantially by HUF 6.3 billion year-on-year to HUF 96.5 billion in Q2 2021 driven by increasing top line contribution
- Indirect costs increased year-on-year in Q2 2021, but remained stable in H1 2021 compared to H1 2020. EBITDA AL increased to HUF 53.2 billion in Q2 2021 and to HUF 97.4 billion H1 2021, representing a 6.1% and 7.0% uplift respectively year-on-year and year-to-date mainly driven by improving gross profit
- Capex AL excluding spectrum licenses decreased slightly year-on-year to HUF 23.2 billion in Q2 2021 and amounted to HUF 43.2 billion in H1 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 in Q1 2021. As a result, Capex AL including spectrum licenses reached HUF 126.3 billion in H1 2021
- Free cash flow excl. spectrum licenses (i.e. without one-time spectrum license fees) amounted to HUF 10.3 billion in H1 2021 representing an increase of HUF 6.9 billion against the base period mainly in line with stronger EBITDA generation
- Net debt amounted to HUF 504.0 billion at the end of H1 2021, as strong operating cash flow generation was partly offset by the above-mentioned spectrum capitalization in Q1 2021; dividend outpayments and the share buyback transaction with a combined cash outflow of HUF 25.5 billion during Q2 2021

Operational highlights

- Highest ever mobile data traffic recorded on our network whilst average data consumption surged by 25% year-on-year to 7.2 GB / month in Q2 2021 in Hungary
- Strong monetization of our fixed network development with 23% of our customers connected to the network with Gigabit speed packages
- The results of Magyar Telekom's latest sustainability cycle covering the 2016-2020 period were unveiled, detailing the sustainability strategy with respect to digital sustainability, climate protection, equal opportunity and diversity measures

Tibor Rékasi, Magyar Telekom CEO commented:

"During the second quarter, we leveraged the improving trends in our operating environment as the impact of COVID-19 diminished on our market and Magyar Telekom's operations throughout the quarter. In line with our strategy, we took further steps in implementing our 'Digitize Hungary' framework by launching a digital development initiative tailored for SMEs. In parallel, our network development continued at pace covering 2.75 million access points with the Gigabit capable network.

This strong momentum across our operations is reflected in our financial performance in the quarter, which saw broad-based growth in both revenues and EBITDA year-on-year as we continued to successfully monetize the robust market demand for telecommunications services and data. Looking ahead to the second half and taking into account this strong set of results, we believe we are well positioned to outperform our originally communicated revenue and EBITDA growth targets for 2021."

Public targets

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

¹ Excluding spectrum license fees

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

¹ Excluding spectrum license fees

² Total shareholder remuneration (cash + share buyback) after FY 2020 results

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)	Q2 2020	Q2 2021	Change	Change (%)	1-6 months 2020	1-6 months 2021	Change	Change (%)
Mobile revenues	85,955	93,364	7,409	8.6%	174,102	183,755	9,653	5.5%
Fixed line revenues	53,102	55,093	1,991	3.7%	105,933	108,905	2,972	2.8%
System Integration/Information Technology revenues	18,130	17,684	(446)	(2.5%)	36,485	35,780	(705)	(1.9%)
Total revenues	157,187	166,141	8,954	5.7%	316,520	328,440	11,920	3.8%
Direct costs	(67,052)	(69,670)	(2,618)	(3.9%)	(134,144)	(138,838)	(4,694)	(3.5%)
Gross profit	90,135	96,471	6,336	7.0%	182,376	189,602	7,226	4.0%
Indirect costs	(34,008)	(37,198)	(3,190)	(9.4%)	(79,848)	(80,135)	(287)	(0.4%)
EBITDA	56,127	59,273	3,146	5.6%	102,528	109,467	6,939	6.8%
Depreciation and amortization	(35,342)	(36,678)	(1,336)	(3.8%)	(69,020)	(71,806)	(2,786)	(4.0%)
Operating profit	20,785	22,595	1,810	8.7%	33,508	37,661	4,153	12.4%
Net financial result	(5,446)	(4,018)	1,428	26.2%	(16,415)	(5,643)	10,772	65.6%
Share of associates' and joint ventures' results	0	0	0	n.a.	(66)	0	66	100.0%
Profit before income tax	15,339	18,577	3,238	21.1%	17,027	32,018	14,991	88.0%
Income tax	(3,858)	(4,062)	(204)	(5.3%)	(6,358)	(7,442)	(1,084)	(17.0%)
Profit for the period	11,481	14,515	3,034	26.4%	10,669	24,576	13,907	130.3%
Profit attributable to non-controlling interests	938	1,011	73	7.8%	1,719	2,170	451	26.2%
Profit attributable to owners of the parent	10,543	13,504	2,961	28.1%	8,950	22,406	13,456	150.3%

Total revenues increased by 5.7% year-on-year to HUF 166.1 billion in Q2 2021 and by 3.8% year-on-year to HUF 328.4 billion in the first half of 2021. Increases in telecommunication service revenues, with especially strong performance in mobile data, compensated for moderately lower System Integration and IT ('SI/IT') sales in both countries of operation.

- **Mobile revenues increased by 8.6% year-on-year to HUF 93.4 billion in Q2 2021**, driven by further growth in mobile data, SMS and equipment sales revenues which fully offset lower retail voice revenues.
 - **Voice retail** revenues were down by 3.6% year-on-year to HUF 29.6 billion in Q2 2021, driven by the declines at the Hungarian operation. In Hungary the decline was attributable to the lower average prices, that offset the positive impact of the higher usage of the expanding customer base. Voice retail revenues at the same time were higher year-on-year at the North Macedonian operation as lower prepaid revenues were compensated by the increased revenues from the higher postpaid customer base.
 - **Voice wholesale** revenue increased by 6.9% year-on-year to HUF 3.2 billion in Q2 2021, reflecting higher incoming mobile traffic in Hungary, coupled with higher machine-to-machine and international incoming traffic in North Macedonia.
 - **Data** revenue rose by 18.7% year-on-year to HUF 28.8 billion in Q2 2021, driven by the strong growth in subscriber numbers and further increases in usage levels in both countries coupled with the absence of unfavorable impact of mobile data allowance provided to customers on a voluntary basis during the COVID-19-related lockdown, affecting Q2 2020.
 - **SMS** revenues were up by 23.2% year-on-year to HUF 6.1 billion in Q2 2021, thanks to increases in mass SMS usage in Hungary, as well as higher revenues from the expanding postpaid subscriber base in North Macedonia.
 - **Mobile equipment** revenues rose by 11.5% year-on-year, amounting to HUF 23.1 billion in Q2 2021, reflecting primarily the higher average prices of the handsets sold at the Hungarian operation.
 - **Other mobile** revenues increased by 10.6% to HUF 2.5 billion in Q2 2021, driven by some improvements in visitor revenues in both countries.
- **Fixed line revenues increased by 3.7% year-on-year, to HUF 55.1 billion in Q2 2021** as improvements in broadband and TV revenues outweighed the decline in voice revenues in both markets.
 - **Voice retail** revenues declined by 5.7% year-on-year to HUF 9.4 billion in Q2 2021, reflecting the fallback in usage and continued subscriber reduction in Hungary and stable related revenues in North Macedonia.
 - **Broadband retail** revenues increased by 7.0% year-on-year to HUF 15.3 billion in Q2 2021. Although the mandatory monthly fee allowance introduced in Hungary for students and teachers during the months of online education still had some unfavorable impacts on broadband revenues affecting the first half of Q2 2021, these were offset by the positive impact of the continued expansion of the customer base in both countries.

- **TV** revenues were up 7.5% year-on-year to HUF 14.0 billion in Q2 2021, primarily driven by the further strong expansion of the IPTV subscriber base in both countries.
- **Fixed equipment** revenues were moderately growing year-on-year to HUF 4.4 billion in Q2 2021, reflecting stable demand for our services.
- **Data retail** revenues were slightly up year-on-year, amounting to HUF 3.2 billion in Q2 2021. General competition driven price pressure was offset by a higher contribution from leased line fixed internet services in both countries.
- **Wholesale** revenues continued to increase year-on-year, amounting to HUF 5.0 billion in Q2 2021, thanks to higher income from the resale of content right licenses in North Macedonia that offset the decline in the Hungarian wholesale voice revenues.
- **Other fixed** line revenues increased moderately year-on-year to HUF 3.8 billion in Q2 2021, reflecting higher fixed-network revenues.
- **System Integration (SI) and IT ('SI/IT')** revenues were down by 2.5% year-on-year, at HUF 17.7 billion in Q2 2021, reflecting some reduction in revenues from outsourcing services mostly compensated by increased volume of implementation projects in Hungary; whilst revenues from customized solution projects declined year-on-year from an elevated base in North Macedonia.

Direct costs increased by 3.9% year-on-year to HUF 69.7 billion in Q2 2021, and by 3.5% year-on-year to HUF 138.8 billion in H1 2021, mostly driven by higher interconnect and equipment costs.

- **Interconnect costs** increased by 16.0% year-on-year to HUF 6.3 billion in Q2 2021, reflecting primarily the higher off-network mobile voice and SMS traffic at the Hungarian operation, which resulted in higher payments to domestic mobile operators.
- **SI/IT service-related costs** declined largely in line with revenues on an underlying basis in Q2 2021 year-on-year. The recognition of a one-off provision however drove overall SI/IT costs to HUF 12.7 billion in Q2 2021.
- **Bad debt expenses** improved by 11.8% year-on-year to HUF 1.9 billion in Q2 2021, thanks to the combined impact of favorable factoring results at the Hungarian operation and the absence of one-off expenses in relation to the outbreak of COVID-19 pandemic in North Macedonia.
- **Telecom tax** was stable year-on-year, amounting to HUF 6.8 billion in Q2 2021, reflecting the combined impact of the still increasing residential mobile usage being mitigated by the somewhat lower usage levels of the business customers.
- **Other direct costs** were up 5.2% year-on-year to HUF 42.0 billion in Q2 2021, driven by higher equipment costs coupled with an increase in the Hungarian TV content outpayments reflecting the expanding customer base.

Gross profit improved by 7.0% year-on-year to HUF 96.5 billion in Q2 2021, and by 4.0% year-on-year to HUF 189.6 billion in the first half of 2021, thanks to growing contribution from telecommunication services.

Indirect costs increased by 9.4% year-on-year to HUF 37.2 billion in Q2 2021, primarily reflecting the increase in employee related expenses. In the first half of 2021, indirect costs remained broadly stable year-on-year, amounting to HUF 80.1 billion, with lower severance expenses and higher operating income offsetting other increases.

- **Employee-related expenses** rose by HUF 2.6 billion year-on-year, amounting to HUF 20.5 billion in Q2 2021, attributable to the general wage increase introduced in Hungary in July 2020, higher level of severance expenses in both countries of operation and higher level of performance bonus expenses. These offset the positive impacts stemming from the lower average headcount. In the first half of 2021, employee related expenses decreased moderately year-on-year to HUF 39.7 billion, as the year-on-year lower severance expenses coupled with lower average headcount offset the aforementioned increases.
- **Other operating expenses** increased by 3.7% year-on-year to HUF 17.5 billion for the quarter, as the positive contribution of cost optimization measures was offset by higher marketing expenses reflecting different within-year seasonality.
- **Other operating income** remained stable at HUF 0.8 billion in Q2 2021 while rose by HUF 0.5 billion year on year in H1 2021, reflecting higher income from real estate sales in Hungary.

EBITDA rose by 5.6% year-on-year to HUF 59.3 billion, with **EBITDA AL improving by 6.1% year-on-year to HUF 53.2 billion in Q2 2021**, whereas in the first half of 2021, EBITDA rose by 6.8%, with EBITDA AL improving by 7.0% year-on-year. These improvements were primarily driven by the increase in service revenues and consequently gross profit levels.

Depreciation and amortization ('D&A') expenses rose by 3.8% year-on-year to HUF 36.7 billion in Q2 2021, attributable to the frequency licenses activated in September 2020 in Hungary and higher depreciation in relation to copper retirement project.

Profit for the period rose by 26.4% year-on-year to HUF 14.5 billion in Q2 2021, and more than doubled year-on-year, amounting to HUF 24.6 billion in the first half of 2021, thanks to the increases in EBITDA that was coupled also with better financial results.

- **Net financial result** improved by HUF 1.4 billion year-on-year, amounting to a loss of HUF 4.0 billion in Q2 2021. The improvement was primarily attributable to the overall positive FX impacts due to the significant strengthening of the forint

against the euro during the second quarter of 2021. This 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 by 5.3% year-on-year to HUF 4.1 billion in Q2 2021, reflecting the year-on-year higher profit before tax.

Profit attributable to non-controlling interests rose by 7.8% year-on-year to HUF 1.0 billion in Q2 2021, thanks to the improvement in both revenue and profitability trends in North Macedonia.

2.1.2 Group Cash Flows

HUF millions	1-6 months 2020	1-6 months 2021	Change
Operating cash flow	67,704	79,898	12,194
Investing cash flow	(109,026)	(50,682)	58,344
Less: Payments for / Proceeds from other financial assets - net	2,075	(3,331)	(5,406)
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(106,951)	(54,013)	52,938
Repayment of lease and other financial liabilities	(11,575)	(15,554)	(3,979)
Total free cash flow	(50,822)	10,331	61,153
Payments for / Proceeds from other financial assets - net	(2,075)	3,331	5,406
Proceeds from / Repayment of loans and other borrowings - net	79,937	12,492	(67,445)
Dividends paid to Owners of the parent and Non-controlling interests	(21,048)	(15,140)	5,908
Proceeds from corporate bonds	0	0	0
Treasury share purchase	(5,218)	(10,215)	(4,997)
Exchange differences on cash and cash equivalents	804	(417)	(1,221)
Change in cash and cash equivalents	1,578	382	(1,196)

Free cash flow (FCF) improved to HUF 10.3 billion cash inflow in H1 2021 (H1 2020: HUF 50.8 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 79.9 billion in H1 2021, compared to cash inflow of HUF 67.7 billion in H1 2020, attributable to the reasons outlined below:

- HUF 6.9 billion **positive impact due to higher EBITDA** in H1 2021 versus H1 2020
- HUF 17.1 billion **negative change in active working capital**, mainly as a result of lower decrease in SI/IT receivables due to different project seasonality (negative impact: ca. HUF 8.7 billion), lower decrease in handset inventory balances (negative impact: ca. HUF 3.2 billion), unfavorable change in different advance payment balances (negative impact: ca. HUF 1.4 billion), unfavorable change in costs to obtain a contract (negative impact: ca. HUF 1.2 billion), lower decrease in instalment receivables (negative impact: ca. HUF 1.1 billion) in H1 2021 compared to H1 2020
- HUF 2.3 billion **positive change in provisions**, mainly reflecting change in provision for litigation risks and penalties
- HUF 18.6 billion **positive change in passive working capital**, primarily driven by lower payment to handset suppliers (positive impact: ca. HUF 8.5 billion) supplemented with favorable change in liabilities to employees (positive impact: ca. HUF 3.5 billion), lower payment of the SI/IT services (positive impact: ca. HUF 2.3 billion) and favorable change of the DT Group services (positive impact: ca. HUF 2.2 billion) in H1 2021 versus H1 2020
- HUF 2.0 billion **negative change in income tax paid** driven by the corporate income tax settlement of energy efficiency tax credit in H1 2021
- HUF 1.2 billion **positive change in interest paid** in H1 2021 compared to H1 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 H1 2021
- HUF 2.3 billion **positive change in other non-cash items**, mainly due to the more significant foreign exchange rate movements leading to FX losses during H1 2020 compared to H1 2021

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 54.0 billion in H1 2021, compared to HUF 107.0 billion H1 2020, with the lower cash outflow driven mainly by the following:

- HUF 51.8 billion **positive effect** in payments for PPE and intangible assets mainly due to HUF 54.6 billion lower payment for spectrum license fees, HUF 2.2 billion lower investment in gigabit access and HUF 1.9 billion lower investment in network technology, supplemented by HUF 2.3 billion positive effect of the corporate income tax settlement of energy efficiency tax credit. These were partly offset by HUF 6.8 billion higher payments to Capex creditors coupled with HUF 2.7 billion higher investment in mobile network modernization. For further information please see in section 2.2 Segment reports.
- HUF 0.9 billion **positive change** related to the **disposal of PPE**, mainly reflecting an increase in proceeds from real estate sales in H1 2021 compared to H1 2020.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 15.6 billion in H1 2021 from HUF 11.6 billion in H1 2020, mainly due to higher network related lease payments and higher payment of different long-term supplier invoices in H1 2021 compared to H1 2020.

In H1 2021 **Cash and cash equivalents** amounted to a HUF 0.4 billion positive change compared to a HUF 1.6 billion positive change in H1 2020. Besides the changes in FCF the deterioration is attributed to the followings:

- **Payments for other financial assets - net** improved by HUF 5.4 billion, primarily due to higher cash inflows from cross currency interest rate (CCIR) foreign exchange swap transactions in H1 2021 compared to H1 2020. The CCIR swap transactions are primarily related to the repayment of a 130 million EUR denominated DT loan in Q1 2021.
- **Proceeds from loans and other borrowings** declined by HUF 61.3 billion due to the periodic decrease of inhouse Group funds partially improved by the higher drawdown of DT Group loans in H1 2021 compared to H1 2020. For further information please see in section 3.1 Basis of preparation.
- **Repayments of loans and other borrowings** deteriorated by HUF 6.2 billion due the periodic decrease of inhouse Group funds partially offset by the lower repayment of DT Group loans in H1 2021 compared to H1 2020. For further information please see in section 3.1 Basis of preparation.
- **Dividends paid to Owners of the parent and Non-controlling interests** declined by HUF 5.9 billion mainly due to the lower dividend payment from Magyar Telekom as the dividend per share ('DPS') was reduced from HUF 20 in 2020 to HUF 15 in 2021.
- **Repurchase of treasury shares** increased by HUF 5.0 billion due to the higher repurchase in H1 2021 than in H1 2020.
- **Exchange differences on cash and cash equivalents** declined by HUF 1.2 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 June 30, 2021 (see Appendix 3.8) can be observed in the following lines:

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

Trade receivables decreased by HUF 14.3 billion from December 31, 2020 to June 30, 2021 mainly driven by the decrease in SI/IT receivables due to the different project seasonality, furthermore the instalment receivables also decreased.

Other financial assets (current and non-current combined) decreased by HUF 27.1 billion from December 31, 2020 to June 30, 2021 mainly as a result of a HUF 19.8 billion decrease in cash pool receivables as well by HUF 8.0 billion decrease in the fair value of derivative financial instruments contracted with related parties.

Intangible assets increased by HUF 65.8 billion from December 31, 2020 to June 30, 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 to be paid until Q1 2022 were capitalized in March 2021 in the amount of HUF 83.1 billion.

Financial liabilities to related parties (current and non-current combined) decreased by HUF 12.9 billion from December 31, 2020 to June 30, 2021 due to the repayments and drawdowns of short- and long-term DT Group loans which were partly offset by the increase in cash pool liabilities.

Trade payables declined by HUF 45.4 billion from December 31, 2020 to June 30, 2021 reflecting a decrease in outstanding balances to handset, SI/IT, Capex and OPEX suppliers.

Other financial liabilities (current and non-current combined) increased by HUF 78.6 billion from December 31, 2020 to June 30, 2021, mainly due to the recognition of present value of the future annual band fees and one-time spectrum fee for spectrum licenses.

Other liabilities (current and non-current combined) increased by HUF 9.5 billion from December 31, 2020 to June 30, 2021, mainly due the increase in utility tax, dividend and employee related liabilities.

Treasury stock increased by HUF 10.2 billion from December 31, 2020 to June 30, 2021 as a result of a repurchase 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, 2020 to June 30, 2021. The less significant changes in balances of the Consolidated Statements of Financial Position are largely explained by the items of the Consolidated Statement of Cash Flows for 2021 and the related explanations provided above in section 2.1.2 Group Cash Flows.

2.1.4 Related party transactions

The significant changes in the volume of related party transactions have been disclosed in sections 2.1.2 Group Cash Flows and 2.1.3 Consolidated Statement of Financial Position. There have not been any other significant changes in related party transactions since the most recent annual financial report.

2.1.5 Contingencies and commitments

Contingent assets

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

Contingent liabilities

No provisions have been recognized for these cases as management estimates that it is unlikely that these claims originating from past events would result in any material economic outflows from the Group, or the amount of the obligation cannot be measured with sufficient reliability. Makedonski Telekom has a contingent liability in the amount of MKD 240 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 (June 30, 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.

2.2.1 MT-Hungary

HUF million	Q2 2020	Q2 2021	Change	Change (%)	1-6 months 2020	1-6 months 2021	Change	Change (%)
Voice	29,838	28,751	(1,087)	(3.6%)	59,744	57,377	(2,367)	(4.0%)
Non-voice	26,696	32,092	5,396	20.2%	53,823	62,377	8,554	15.9%
Equipment	18,804	21,044	2,240	11.9%	38,784	41,006	2,222	5.7%
Other	1,997	2,142	145	7.3%	4,410	4,159	(251)	(5.7%)
Total mobile revenues	77,335	84,029	6,694	8.7%	156,761	164,919	8,158	5.2%
Voice retail	8,716	8,151	(565)	(6.5%)	17,509	16,414	(1,095)	(6.3%)
Broadband - retail*	13,065	14,014	949	7.3%	25,784	26,937	1,153	4.5%
TV	11,708	12,635	927	7.9%	23,186	25,069	1,883	8.1%
Equipment	4,268	4,377	109	2.6%	9,168	9,079	(89)	(1.0%)
Other*	9,971	10,091	120	1.2%	19,706	19,799	93	0.5%
Fixed line revenues	47,728	49,268	1,540	3.2%	95,353	97,298	1,945	2.0%
SI/IT revenues	17,423	17,150	(273)	(1.6%)	35,204	34,740	(464)	(1.3%)
Total revenues	142,486	150,447	7,961	5.6%	287,318	296,957	9,639	3.4%
Direct costs	(62,645)	(65,237)	(2,592)	(4.1%)	(125,128)	(129,447)	(4,319)	(3.5%)
Gross profit	79,841	85,210	5,369	6.7%	162,190	167,510	5,320	3.3%
Indirect costs	(30,309)	(33,003)	(2,694)	(8.9%)	(72,105)	(71,487)	618	0.9%
EBITDA	49,532	52,207	2,675	5.4%	90,085	96,023	5,938	6.6%
EBITDA AL	43,803	46,385	2,582	5.9%	79,018	84,380	5,362	6.8%
Segment Capex AL excl. spectrum licenses	23,116	20,553	(2,563)	(11.1%)	41,054	39,008	(2,046)	(5.0%)
Spectrum licenses	91,582	0	(91,582)	(100.0%)	91,582	83,075	(8,507)	(9.3%)

Operational statistics – access numbers	June 30 2020	June 30 2021	Change (%)
Number of SIM cards	5,398,060	5,502,880	1.9%
Postpaid share in total*	62.7%	63.7%	n.a.
Total fixed voice access	1,346,440	1,327,187	(1.4%)
Total retail fixed broadband customers *	1,268,493	1,361,039	7.3%
Total TV customers	1,191,293	1,267,925	6.4%

Operational statistics – ARPU (HUF)	Q2 2020	Q2 2021	Change (%)	1-6 months 2020	1-6 months 2021	Change (%)
Blended mobile ARPU	3,494	3,689	5.6%	3,517	3,647	3.7%
Postpaid ARPU *	5,043	5,233	3.8%	5,077	5,163	1.7%
Prepaid ARPU	984	1,185	20.5%	999	1,143	14.5%
M2M ARPU *	517	352	(31.8%)	526	408	(22.3%)
Blended fixed voice ARPU	2,145	2,037	(5.0%)	2,149	2,047	(4.7%)
Blended fixed broadband ARPU *	3,444	3,441	(0.1%)	3,431	3,335	(2.8%)
Blended TV ARPU	3,292	3,338	1.4%	3,283	3,331	1.5%

*2020 values changed due to re-presentation

Total revenues for the MT-Hungary segment increased by 5.6% year-on-year to HUF 150.4 billion in Q2 2021, thanks to continued strong customer demand for mobile data, fixed broadband and TV services as customers appreciate the advantages of our high-quality networks and customer focused servicing provided to them.

- **Mobile revenues** increased strongly by 8.7% year-on-year in Q2 2021 to HUF 84.0 billion. Customers continued to increase both their voice and data usage levels further which, along with further expansion of our subscriber base supported quarterly revenue trends. Although in terms of voice revenues, the continued appeal of unlimited packages along with intense competition driven price erosion in the business segments somewhat limited revenue upside, non-voice revenues showed strong progress as both data and SMS revenues grew considerably. Data revenues were also positively impacted by the absence of unfavorable impact of mobile data allowance provided to customers on a voluntary basis during the COVID-19-related lockdown, affecting Q2 2020; while the major driver of SMS revenue growth was the strong increase in mass SMS volumes, attributable also to the national COVID-19 vaccination campaigns. At the same time, revenue growth was also supported by higher equipment sales year-on-year, reflecting some pent-up demand, driven by the one-month lockdown at the end of the first quarter, as well as the increase in average handset prices.
- **Fixed line revenues** grew by 3.2% year-on-year to HUF 49.3 billion in Q2 2021. Although the mandatory broadband monthly fee allowance introduced in Hungary for students and teachers during the months of online education still had some unfavorable impacts on revenues, also visible in the year-on-year decline in the related ARPU, that was offset by the positive impact of the continued expansion of the customer base and the sustained demand for higher bandwidth packages. 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** were moderately lower year-on-year in the second quarter of 2021, driven by some reduction in revenues from outsourcing services mostly compensated by increased volume of implementation projects.

Gross profit increased by 6.7% year-on-year in Q2 2021, thanks to the favorable service revenue trends.

EBITDA improved by 5.4% year-on-year in Q2 2021, with EBITDA AL up 5.9% in the same period, reflecting the favorable operational trends that could fully offset the increases in indirect costs related to higher wage, bonus and severance expenses.

Capex AL excluding spectrum licenses in the second quarter of 2021 was lower by HUF 2.6 billion year-on-year leading to a year-on-year decline of HUF 2.0 billion in the first half of 2021, when spending amounted to HUF 39.0 billion. Although capex related to the mobile network modernization program increased, spending related to the fixed network – partly in relation to the gigabit-rollout program and on network capacity – was lower than in the same period of 2020.

Outlook: With the COVID-19 pandemic significantly impacting macroeconomic and financial trends globally, we have also witnessed considerable implications on our operations. Demand for telecommunications services has increased considerably during times of social distancing restrictions, and remained mostly on these elevated levels with the easing of the pandemic related limitations, giving us opportunity on monetizing on our high quality infrastructure, and improving our performance further. Looking forward, the Company will continuously monitor the development of the pandemic and the related uncertainties and their potential impacts on the business.

2.2.2 North Macedonia

HUF million	Q2 2020	Q2 2021	Change	Change (%)	1-6 months 2020	1-6 months 2021	Change	Change (%)
Voice	3,941	4,115	174	4.4%	7,844	8,268	424	5.4%
Non-voice	2,513	2,816	303	12.1%	4,962	5,466	504	10.2%
Equipment	1,902	2,045	143	7.5%	3,957	4,393	436	11.0%
Other	264	359	95	36.0%	578	709	131	22.7%
Total mobile revenues	8,620	9,335	715	8.3%	17,341	18,836	1,495	8.6%
Voice retail	1,202	1,202	0	0.0%	2,385	2,431	46	1.9%
Broadband - retail*	1,224	1,277	53	4.3%	2,392	2,551	159	6.6%
TV	1,289	1,341	52	4.0%	2,523	2,704	181	7.2%
Equipment	68	51	(17)	(25.0%)	146	105	(41)	(28.1%)
Other*	1,595	1,927	332	20.8%	3,187	3,805	618	19.4%
Fixed line revenues	5,378	5,798	420	7.8%	10,633	11,596	963	9.1%
SI/IT revenues	707	534	(173)	(24.5%)	1,281	1,040	(241)	(18.8%)
Total revenues	14,705	15,667	962	6.5%	29,255	31,472	2,217	7.6%
Direct costs	(4,452)	(4,476)	(24)	(0.5%)	(9,104)	(9,480)	(376)	(4.1%)
Gross profit	10,253	11,191	938	9.1%	20,151	21,992	1,841	9.1%
Indirect costs	(3,658)	(4,655)	(997)	(27.3%)	(7,702)	(8,509)	(807)	(10.5%)
EBITDA	6,595	6,536	(59)	(0.9%)	12,449	13,483	1,034	8.3%
EBITDA AL	6,384	6,324	(60)	(0.9%)	12,028	13,049	1,021	8.5%
Segment Capex AL	3,990	2,610	(1,380)	(34.6%)	7,479	4,208	(3,271)	(43.7%)

*2020 value changed due to re-presentation

Operational statistics – access numbers	June 30 2020	June 30 2021	Change (%)
Number of mobile SIMs	1,158,806	1,098,751	(5.2%)
Postpaid share in total	43.3%	46.7%	n.a.
Total fixed voice access	216,023	222,700	3.1%
Total fixed retail broadband access	191,061	201,497	5.5%
Total TV customers	138,034	144,499	4.7%

Total revenues in North Macedonia increased by 6.5% year-on-year to HUF 15.7 billion in Q2 2021, thanks to considerable growth of mobile revenues as well as the continued positive trends in the fixed segment, including higher wholesale revenues related to the resale of TV content licenses.

- **Mobile revenue** rose by 8.3% year-on-year in Q2 2021, that is primarily attributable to the combined impact of higher postpaid customer base and higher average overall usage levels, visible in the considerable improvement in the ARPU. The phase-out of COVID-19 related limitations has also supported revenue trends, with the return of some of the tourism activities that was mostly lacking in the base period on the one hand, and the increase in equipment sales, reflecting some delayed demand from the earlier periods.
- **Fixed line revenues** increased by 7.8% year-on-year in Q2 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 24.5%, reflecting primarily the elevated base period values stemming from significant revenues from customized solution projects.

Gross profit improved by 9.1% year-on-year in Q2 2021, reflecting the higher contribution from telecommunication revenues.

EBITDA and **EBITDA AL** were both, at the same time, moderately lower year-on-year, amounting to HUF 6.5 billion and HUF 6.3 billion respectively, in Q2 2021 as the improvement in gross profit was offset by higher severance expenses and maintenance costs, latter driven by different within year dynamics compared to a year earlier.

Capex AL excluding spectrum licenses was lower year-on-year at HUF 1.4 billion in Q2 2021 and at HUF 4.2 billion in H1 2021, reflecting the absence of content fee capitalization cost that was present in the base periods.

Outlook: With the positive developments around the COVID-19 pandemic in the region, North Macedonian operations have witnessed also some recovery, thanks to easing of travelling and social distancing restrictions. With demand for telecommunication, particularly data services surging, the Company is committed to maintaining quality infrastructure and also closely monitors the current preparation for the national 5G tender, that is expected to take place in the last quarter of the year.

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union. This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2020 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary.

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

In 2020, coronavirus spread globally, and its negative impact gained momentum which continued in H1 2021 due to the third 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 Q2 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 Q2 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 Q2 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 in the interim reports and there are some minor adjustments in the order and wording. Nevertheless, the content of the financial report as a whole remained the same, all comparative information in this interim report was presented or disclosed earlier, in the interim or the annual statements of preceding years. Management believes these changes ensure more transparent and consistent financial information to our investors.

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	Q2 2020 (re-presented, unaudited)	Q2 2021 (unaudited)	Change	Change (%)
Mobile revenues	85,955	93,364	7,409	8.6%
Fixed line revenues	53,102	55,093	1,991	3.7%
System Integration/Information Technology revenues	18,130	17,684	(446)	(2.5%)
Total revenues	157,187	166,141	8,954	5.7%
Direct costs	(67,052)	(69,670)	(2,618)	(3.9%)
Employee-related expenses	(17,925)	(20,507)	(2,582)	(14.4%)
Depreciation and amortization	(35,342)	(36,678)	(1,336)	(3.8%)
Other operating expenses	(16,846)	(17,469)	(623)	(3.7%)
Operating expenses	(137,165)	(144,324)	(7,159)	(5.2%)
Other operating income	763	778	15	2.0%
Operating profit	20,785	22,595	1,810	8.7%
Interest income	137	65	(72)	(52.6%)
Interest expense	(3,241)	(3,376)	(135)	(4.2%)
Other finance expense - net	(2,342)	(707)	1,635	69.8%
Net financial result	(5,446)	(4,018)	1,428	26.2%
Share of associates' and joint ventures' results	0	0	0	n.a.
Profit before income tax	15,339	18,577	3,238	21.1%
Income tax	(3,858)	(4,062)	(204)	(5.3%)
Profit for the period	11,481	14,515	3,034	26.4%
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(755)	(3,422)	(2,667)	(353.2%)
Items that will not be reclassified to profit or loss:				
Revaluation of financial assets at FV OCI	(18)	77	95	n.m.
Other comprehensive income for the year, net of tax	(773)	(3,345)	(2,572)	(332.7%)
Total comprehensive income for the period	10,708	11,170	462	4.3%
Profit attributable to:				
Owners of the parent	10,543	13,504	2,961	28.1%
Non-controlling interests	938	1,011	73	7.8%
	11,481	14,515	3,034	26.4%
Total comprehensive income attributable to:				
Owners of the parent	10,116	11,462	1,346	13.3%
Non-controlling interests	592	(292)	(884)	n.m.
	10,708	11,170	462	4.3%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	10,543	13,504		
Weighted average number of common stock outstanding used for basic/diluted EPS	1,033,183,865	1,015,472,064		
Basic / diluted earnings per share (HUF)	10.20	13.29	3.09	30.3%

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	1-6 months 2020 (re-presented, unaudited)	1-6 months 2021 (unaudited)	Change	Change (%)
Mobile revenues	174,102	183,755	9,653	5.5%
Fixed line revenues	105,933	108,905	2,972	2.8%
System Integration/Information Technology revenues	36,485	35,780	(705)	(1.9%)
Total revenues	316,520	328,440	11,920	3.8%
Direct costs	(134,144)	(138,838)	(4,694)	(3.5%)
Employee-related expenses	(40,094)	(39,728)	366	0.9%
Depreciation and amortization	(69,020)	(71,806)	(2,786)	(4.0%)
Other operating expenses	(40,850)	(41,991)	(1,141)	(2.8%)
Operating expenses	(284,108)	(292,363)	(8,255)	(2.9%)
Other operating income	1,096	1,584	488	44.5%
Operating profit	33,508	37,661	4,153	12.4%
Interest income	208	133	(75)	(36.1%)
Interest expense	(6,197)	(6,946)	(749)	(12.1%)
Other finance expense - net	(10,426)	1,170	11,596	n.m.
Net financial result	(16,415)	(5,643)	10,772	65.6%
Share of associates' and joint ventures' results	(66)	0	66	100.0%
Profit before income tax	17,027	32,018	14,991	88.0%
Income tax	(6,358)	(7,442)	(1,084)	(17.0%)
Profit for the period	10,669	24,576	13,907	130.3%
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	6,619	(3,782)	(10,401)	n.m.
Items that will not be reclassified to profit or loss:				
Revaluation of financial assets at FV OCI	(89)	142	231	n.m.
Other comprehensive income for the year, net of tax	6,530	(3,640)	(10,170)	n.m.
Total comprehensive income for the period	17,199	20,936	3,737	21.7%
Profit attributable to:				
Owners of the parent	8,950	22,406	13,456	150.3%
Non-controlling interests	1,719	2,170	451	26.2%
	10,669	24,576	13,907	130.3%
Total comprehensive income attributable to:				
Owners of the parent	12,884	20,154	7,270	56.4%
Non-controlling interests	4,315	782	(3,533)	(81.9%)
	17,199	20,936	3,737	21.7%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	8,950	22,406		
Weighted average number of common stock outstanding used for basic/diluted EPS	1,033,545,030	1,018,130,537		
Basic / diluted earnings per share (HUF)	8.66	22.01	13.35	154.2%

3.4. Total revenues breakdown – quarterly year-on-year comparison
MAGYAR TELEKOM

Revenues (HUF million)	Q2 2020	Q2 2021	Change	Change (%)
Voice retail	30,764	29,644	(1,120)	(3.6%)
Voice wholesale	3,015	3,222	207	6.9%
Data	24,221	28,762	4,541	18.7%
SMS	4,988	6,146	1,158	23.2%
Equipment	20,706	23,089	2,383	11.5%
Other mobile revenues	2,261	2,501	240	10.6%
Mobile revenues	85,955	93,364	7,409	8.6%
Voice retail	9,918	9,353	(565)	(5.7%)
Broadband retail	14,289	15,291	1,002	7.0%
TV	12,997	13,976	979	7.5%
Equipment	4,336	4,428	92	2.1%
Data retail	3,033	3,198	165	5.4%
Wholesale (voice, broadband, data)	4,878	5,012	134	2.7%
Other fixed line revenues	3,651	3,835	184	5.0%
Fixed line revenues	53,102	55,093	1,991	3.7%
System Integration/Information Technology revenues	18,130	17,684	(446)	(2.5%)
Total revenues	157,187	166,141	8,954	5.7%

3.5. Total revenues breakdown – first half year-to-date comparison
MAGYAR TELEKOM

Revenues (HUF million)	1-6 months 2020	1-6 months 2021	Change	Change (%)
Voice retail	61,775	59,268	(2,507)	(4.1%)
Voice wholesale	5,813	6,377	564	9.7%
Data	48,663	56,020	7,357	15.1%
SMS	10,122	11,823	1,701	16.8%
Equipment	42,741	45,399	2,658	6.2%
Other mobile revenues	4,988	4,868	(120)	(2.4%)
Mobile revenues	174,102	183,755	9,653	5.5%
Voice retail	19,894	18,845	(1,049)	(5.3%)
Broadband retail	28,176	29,488	1,312	4.7%
TV	25,709	27,773	2,064	8.0%
Equipment	9,314	9,184	(130)	(1.4%)
Data retail	5,983	6,286	303	5.1%
Wholesale (voice, broadband, data)	9,593	10,000	407	4.2%
Other fixed line revenues	7,264	7,329	65	0.9%
Fixed line revenues	105,933	108,905	2,972	2.8%
System Integration/Information Technology revenues	36,485	35,780	(705)	(1.9%)
Total revenues	316,520	328,440	11,920	3.8%

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

MAGYAR TELEKOM				
Operating expenses (HUF million)	Q2 2020	Q2 2021	Change	Change (%)
Direct costs	(67,052)	(69,670)	(2,618)	(3.9%)
Interconnect costs	(5,395)	(6,256)	(861)	(16.0%)
SI/IT service related costs	(12,774)	(12,693)	81	0.6%
Bad debt expense	(2,142)	(1,890)	252	11.8%
Telecom tax	(6,801)	(6,814)	(13)	(0.2%)
Other	(39,940)	(42,017)	(2,077)	(5.2%)
Employee-related expenses	(17,925)	(20,507)	(2,582)	(14.4%)
Depreciation and amortization	(35,342)	(36,678)	(1,336)	(3.8%)
Other operating expenses	(16,846)	(17,469)	(623)	(3.7%)
Utility tax	3	(81)	(84)	n.m.
Other operating expenses	(16,849)	(17,388)	(539)	(3.2%)
Operating expenses	(137,165)	(144,324)	(7,159)	(5.2%)

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

MAGYAR TELEKOM				
Operating expenses (HUF million)	1-6 months 2020	1-6 months 2021	Change	Change (%)
Direct costs	(134,144)	(138,838)	(4,694)	(3.5%)
Interconnect costs	(10,729)	(12,182)	(1,453)	(13.5%)
SI/IT service related costs	(25,620)	(25,090)	530	2.1%
Bad debt expense	(4,813)	(3,928)	885	18.4%
Telecom tax	(13,269)	(13,589)	(320)	(2.4%)
Other	(79,713)	(84,049)	(4,336)	(5.4%)
Employee-related expenses	(40,094)	(39,728)	366	0.9%
Depreciation and amortization	(69,020)	(71,806)	(2,786)	(4.0%)
Other operating expenses	(40,850)	(41,991)	(1,141)	(2.8%)
Utility tax	(7,215)	(7,333)	(118)	(1.6%)
Other operating expenses	(33,635)	(34,658)	(1,023)	(3.0%)
Operating expenses	(284,108)	(292,363)	(8,255)	(2.9%)

3.8. Interim Consolidated Statements of Financial Position

MAGYAR TELEKOM				
Consolidated Statements of Financial Position (HUF million)	Dec 31, 2020 (unaudited)	June 30, 2021 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	14,689	15,071	382	2.6%
Trade receivables	158,857	144,587	(14,270)	(9.0%)
Other assets	6,022	8,553	2,531	42.0%
Other current financial assets	42,487	14,836	(27,651)	(65.1%)
Contract assets	16,878	19,026	2,148	12.7%
Current income tax receivable	473	991	518	109.5%
Inventories	18,395	18,746	351	1.9%
	257,801	221,810	(35,991)	(14.0%)
Assets held for sale	489	117	(372)	(76.1%)
Total current assets	258,290	221,927	(36,363)	(14.1%)
Non-current assets				
Property, plant and equipment	432,436	427,692	(4,744)	(1.1%)
Right-of-use assets	121,335	116,404	(4,931)	(4.1%)
Intangible assets	285,680	351,473	65,793	23.0%
Goodwill	213,137	213,151	14	0.0%
Investments in associates and joint ventures	-	-	-	-
Deferred tax assets	118	117	(1)	(0.8%)
Trade receivables over one year	18,566	15,957	(2,609)	(14.1%)
Other non-current financial assets	10,614	11,170	556	5.2%
Contract assets	3,923	3,395	(528)	(13.5%)
Other non-current assets	5,795	6,293	498	8.6%
Total non-current assets	1,091,604	1,145,652	54,048	5.0%
Total assets	1,349,894	1,367,579	17,685	1.3%
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	98,350	88,724	(9,626)	(9.8%)
Lease liabilities	20,712	21,425	713	3.4%
Trade payables	148,326	102,927	(45,399)	(30.6%)
Other financial liabilities	12,204	54,611	42,407	347.5%
Current income tax payable	432	2,501	2,069	478.9%
Provisions	3,603	2,883	(720)	(20.0%)
Contract liabilities	10,998	10,032	(966)	(8.8%)
Other current liabilities	22,198	31,883	9,685	43.6%
	316,823	314,986	(1,837)	(0.6%)
Liabilities held for sale	-	-	-	-
Total current liabilities	316,823	314,986	(1,837)	(0.6%)
Non-current liabilities				
Financial liabilities to related parties	89,456	86,216	(3,240)	(3.6%)
Lease liabilities	111,820	104,442	(7,378)	(6.6%)
Corporate bonds	67,904	68,059	155	0.2%
Other financial liabilities	74,163	110,393	36,230	48.9%
Deferred tax liabilities	18,621	18,348	(273)	(1.5%)
Provisions	10,109	12,407	2,298	22.7%
Contract liabilities	361	376	15	4.2%
Other non-current liabilities	2,910	2,695	(215)	(7.4%)
Total non-current liabilities	375,344	402,936	27,592	7.4%
Total liabilities	692,167	717,922	25,755	3.7%
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)	(19,424)	(10,215)	(110.9%)
Retained earnings	465,787	472,881	7,094	1.5%
Accumulated other comprehensive income	30,452	28,200	(2,252)	(7.4%)
Total equity of the owners of the parent	618,684	613,311	(5,373)	(0.9%)
Non-controlling interests	39,043	36,346	(2,697)	(6.9%)
Total equity	657,727	649,657	(8,070)	(1.2%)
Total liabilities and equity	1,349,894	1,367,579	17,685	1.3%

3.9. Interim Consolidated Statements of Cash Flows
MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1–6 months 2020 (re-presented, unaudited)	1–6 months 2021 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	10,669	24,576	13,907	130.3%
Depreciation and amortization	69,020	71,806	2,786	4.0%
Income tax expense	6,358	7,442	1,084	17.0%
Net financial result	16,415	5,643	(10,772)	(65.6%)
Share of associates' and joint ventures' result	66	0	(66)	(100.0%)
Change in assets carried as working capital	28,452	11,308	(17,144)	(60.3%)
Change in provisions	(1,290)	1,038	2,328	n.m.
Change in liabilities carried as working capital	(43,778)	(25,135)	18,643	42.6%
Income tax paid	(6,451)	(8,464)	(2,013)	(31.2%)
Dividend received	51	0	0	(100.0%)
Interest and other financial charges paid	(9,888)	(8,674)	1,214	12.3%
Interest received	134	139	5	3.7%
Other non-cash items	(2,054)	219	2,273	n.m.
Net cash generated from operating activities	67,704	79,898	12,194	18.0%
Cash flows from investing activities				
Payments for property plant and equipment (PPE) and intangible assets	(107,222)	(55,440)	51,782	48.3%
Proceeds from disposal of PPE and intangible assets	594	1,502	908	152.9%
Payments for subsidiaries and business units	(323)	(75)	248	76.8%
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	(2,075)	3,331	5,406	n.m.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Net cash used in investing activities	(109,026)	(50,682)	58,344	53.5%
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interest	(21,048)	(15,140)	5,908	28.1%
Proceeds from loans and other borrowings	162,972	101,688	(61,284)	(37.6%)
Repayment of loans and other borrowings	(83,035)	(89,196)	(6,161)	(7.4%)
Proceeds from corporate bonds	0	0	0	n.a.
Repayment of lease and other financial liabilities	(11,575)	(15,554)	(3,979)	(34.4%)
Treasury share purchase	(5,218)	(10,215)	(4,997)	(95.8%)
Net cash used in financing activities	42,096	(28,417)	(70,513)	n.m.
Exchange differences on cash and cash equivalents	804	(417)	(1,221)	n.m.
Change in cash and cash equivalents	1,578	382	(1,196)	(75.8%)
Cash and cash equivalents, beginning of period	13,398	14,689	1,291	9.6%
Cash and cash equivalents, end of period	14,976	15,071	95	0.6%

3.10. 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 June 30, 2021
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Proceeds from bonds	
Related party loans	187,793		(1,899)	(4,749)		81,920	(89,196)		173,869
Derivatives from related parties	13			1,053	5				1,071
Spectrum fee payable	76,084		(1,757)	85,468				(2,315)	157,480
Bonds	67,904		78	77					68,059
Finance lease liabilities	132,532		(2,851)	6,578				(10,392)	125,867
Debtors overpayment	1,309		17	3					1,326
Contingent consideration	427		(318)	386				(2,847)	430
Other financial liabilities	8,547		(1,634)	4,009	5,508	19,768			5,768
- Less cash and cash equivalent	(14,689)	(382)							(14,689)
- Less other current financial assets	(42,487)								(42,487)
Net debt	417,433	(382)	(8,364)	92,825	5,513	101,688	(89,196)	(15,554)	503,963
Treasury share purchase									(10,215)
Dividends paid to Owners of the parent and Non-controlling interest									(15,140)
Net Cash used in financing activities									(28,417)

3.12. Exchange rate information

Exchange rate	Q2 2020	Q2 2021	Change (%)	1-6 months 2020	1-6 months 2021	Change (%)
HUF/EUR beginning of period	359.09	363.73	1.3%	330.52	365.13	10.5%
HUF/EUR period-end	356.57	351.90	(1.3%)	356.57	351.90	(1.3%)
HUF/EUR cumulative monthly average	353.06	355.22	0.6%	346.75	358.27	3.3%
HUF/MKD beginning of period	5.82	5.90	1.4%	5.38	5.92	10.0%
HUF/MKD period-end	5.78	5.70	(1.4%)	5.78	5.70	(1.4%)
HUF/MKD cumulative monthly average	5.72	5.76	0.7%	5.62	5.81	3.4%

3.13. Segment information

HUF millions	Q2 2020	Q2 2021	1-6 months 2020	1-6 months 2021
Total MT-Hungary revenues	142,486	150,447	287,318	296,957
Less: MT-Hungary revenues from other segments	(32)	(27)	(62)	(59)
Telekom Hungary revenues from external customers	142,454	150,420	287,256	296,898
Total North Macedonia revenues	14,705	15,667	29,255	31,472
Less: North Macedonia revenues from other segments	(18)	(16)	(37)	(30)
North Macedonia revenues from external customers	14,687	15,651	29,218	31,442
Total consolidated revenue of the segments	157,141	166,071	316,474	328,340
Measurement/rounding differences to Group revenue	46	70	46	100
Total revenue of the Group	157,187	166,141	316,520	328,440
Segment results (EBITDA)				
MT-Hungary	49,532	52,207	90,085	96,023
North Macedonia	6,595	6,536	12,449	13,483
Total EBITDA of the segments	56,127	58,743	102,534	109,506
Measurement/rounding differences to Group EBITDA	0	530	(6)	(39)
Total EBITDA of the Group	56,127	59,273	102,528	109,467

3.14. Fair value of financial instruments

Financial assets - carrying amounts and FV

	June 30, 2021 In HUF millions	FINANCIAL ASSETS				Carrying amount	Fair value
		Amortized cost	FVOCI (Level1)	FVTPL (Level2)	FVTPL (Level3)		
Cash and cash equivalents		15,071				15,071	15,071
Bank deposits with original maturities over 3 months		2,813				2,813	2,813
Trade receivables		144,587				144,587	144,587
Trade receivables over 1 year		15,957				15,957	16,686
Loans and receivables from employees		930				930	929
Derivative financial instruments contracted with related parties				12,726		12,726	12,726
Receivables from group companies		14				14	14
Finance lease receivable		1,012				1,012	1,021
Financial receivable from equity accounted companies							
Equity instruments			966		1,210	2,176	2,176
Other current receivables		6,258				6,258	6,258
Other non-current receivables		77				77	77
Total		186,719	966	12,726	1,210	201,621	202,358

	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
Cash-pool receivables		19,768				19,768	19,768
Trade receivables		158,857				158,857	158,857
Trade receivables over 1 year		18,566				18,566	19,304
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

	June 30, 2021 In HUF millions	FINANCIAL LIABILITIES			Carrying amount	Fair value
		Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties		173,869	1,071		174,940	177,725
Trade payables		102,927			102,927	102,927
Frequency fee payable		157,480			157,480	159,935
Bonds		68,059			68,059	63,854
Lease liabilities		125,867			125,867	131,408
Debtors overpayment		1,326			1,326	1,326
Contingent consideration				430	430	430
Other current liabilities		4,201			4,201	4,201
Other non-current liabilities		1,436		131	1,567	1,634
Total		635,165	1,071	561	636,797	643,440

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

3.15. EBITDA reconciliation

Description (HUF million)	Q2 2020 MT Group	Q2 2020 MT-Hungary	Q2 2020 North Macedonia	Q2 2021 MT Group	Q2 2021 MT-Hungary	Q2 2021 North Macedonia
EBITDA	56,127	49,532	6,595	59,273	52,207	6,536
IFRS 16 related D&A	(4,612)	(4,429)	(183)	(4,641)	(4,458)	(183)
IFRS 16 related Interest	(1,328)	(1,300)	(28)	(1,393)	(1,364)	(29)
EBITDA after lease	50,187	43,803	6,384	53,239	46,385	6,324

Description (HUF million)	1-6 months 2020 MT Group	1-6 months 2020 MT-Hungary	1-6 months 2020 North Macedonia	1-6 months 2021 MT Group	1-6 months 2021 MT-Hungary	1-6 months 2021 North Macedonia
EBITDA	102,528	90,085	12,449	109,467	96,023	13,483
IFRS 16 related D&A	(8,826)	(8,462)	(364)	(9,226)	(8,850)	(376)
IFRS 16 related Interest	(2,662)	(2,605)	(57)	(2,851)	(2,793)	(58)
EBITDA after lease	91,040	79,018	12,028	97,390	84,380	13,049

3.16. Capex from Interim Consolidated Statements of Cash Flows

Description (HUF million)	1-6 months 2020 MT Group	1-6 months 2021 MT Group
Payments for PPE and intangible assets	107,222	55,440
Less spectrum payments	(54,240)	0
Payments for PPE and intangible assets excl. spectrum payments	52,982	55,440
+/- Cash adjustments	(4,449)	(12,224)
Capex AL excl. spectrum	48,533	43,216
ROU Capex	6,525	6,300
Spectrum capex	91,582	83,075
Capex	146,640	132,591

3.17. Capex from Interim Consolidated Statements of Financial Position

Description (HUF million)	Q2 2020 MT Group	Q2 2020 MT-Hungary	Q2 2020 North Macedonia	Q2 2021 MT Group	Q2 2021 MT-Hungary	Q2 2021 North Macedonia
Capex AL excl. spectrum licenses	27,106	23,116	3,990	23,163	20,553	2,610
ROU Capex	4,377	4,247	130	3,316	3,110	206
Spectrum capex	91,582	91,582	-	0	-	-
Capex	123,065	118,945	4,120	26,479	23,663	2,816

Description (HUF million)	1-6 months 2020 MT Group	1-6 months 2020 MT-Hungary	1-6 months 2020 North Macedonia	1-6 months 2021 MT Group	1-6 months 2021 MT-Hungary	1-6 months 2021 North Macedonia
Capex AL excl. spectrum licences	48,533	41,054	7,479	43,216	39,008	4,208
ROU Capex	6,525	6,259	266	6,300	5,959	341
Spectrum capex	91,582	91,582	-	83,075	83,075	-
Capex	146,640	138,895	7,745	132,591	128,042	4,549



4. DECLARATION

We the undersigned declare that to the best of our knowledge this consolidated financial statements 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 consolidated management 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 next six months of the financial year.

Independent Auditor’s Report was not prepared on the half-year report.

Tibor Rékasi
Chief Executive Officer, member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer, member of the Board

Budapest, August 10, 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.