

MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
FOURTH QUARTER ENDED DECEMBER 31, 2020**



Budapest – February 25, 2021 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the fourth quarter and full year of 2020, 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)	Q4 2019	Q4 2020	Change (%)	1-12 months 2019	1-12 months 2020	Change (%)
Total revenues	182,318	188,875	3.6%	666,653	673,048	1.0%
Operating profit	19,977	25,931	29.8%	83,180	84,824	2.0%
Profit attributable to:						
Owners of the parent	12,836	14,810	15.4%	41,157	42,364	2.9%
Non-controlling interests	149	1,155	675.2%	3,355	3,953	17.8%
	12,985	15,965	22.9%	44,512	46,317	4.1%
Gross profit	94,063	97,943	4.1%	374,241	375,560	0.4%
EBITDA	57,633	62,617	8.6%	220,562	225,882	2.4%
EBITDA AL	51,531	56,636	9.9%	197,590	202,625	2.5%
	Q4 2019	Q4 2020	Change (%)	1-12 months 2019	1-12 months 2020	Change (%)
Free cash flow				54,056	15,272	(71.7%)
Free cash flow excl. spectrum licenses				65,056	69,512	6.8%
Capex after lease	32,435	31,060	(4.2%)	89,637	197,631	120.5%
Capex after lease excl. spectrum licenses	32,435	31,060	(4.2%)	89,637	106,049	18.3%
Number of employees (closing full equivalent)				8,246	7,132	(13.5%)
				Dec 31, 2019	Dec 31, 2020	Change (%)
Net debt				349,357	417,433	19.5%
Net debt / total capital				35.6%	38.8%	n.a.

- Revenues grew by 3.6% year-on-year to HUF 188.9 billion in Q4 2020, driven by higher contributions from fixed and mobile services, and growing equipment sales. These positive trends enabled the Group to generate revenues of HUF 673.0 billion for the full year, a 1.0% increase versus 2019
- Gross profit improved by HUF 3.9 billion year-on-year to HUF 97.9 billion in Q4 2020 and by HUF 1.3 billion year-on-year to HUF 375.6 billion in 2020. A strong contribution from fixed and mobile operations was partly offset by unfavorable roaming and visitor margin evolution and higher payable telecommunication taxes, both a consequence of COVID-19
- Indirect costs improved again by HUF 1.1 billion year-on-year in Q4 2020. As a result of gross profit improvement and lower indirect costs, EBITDA AL increased by HUF 5.1 billion, or 9.9% year-on-year, to HUF 56.6 billion in Q4 2020. The full year EBITDA AL grew at a similar rate in absolute terms to HUF 202.6 billion
- CAPEX AL excluding spectrum licenses decreased slightly year-on-year to HUF 31.1 billion in Q4 2020 but grew by more than HUF 16.4 billion year-on-year to HUF 106.0 billion in 2020. The significant increase versus 2019 was attributable to the accelerated fiber network roll-out and comprehensive radio network modernization
- Free cash flow excluding spectrum licenses reached HUF 69.5 billion in 2020, representing a HUF 4.5 billion improvement versus the previous year. Despite increased investment into the business, favorable working capital developments, rising profitability and lower financial charges payable led to enhanced annual free cash flow
- Free cash flow after spectrum licenses reached HUF 15.3 billion for the full year, including the payment of 5G spectrum license fees in Q2 2020
- Net debt reached HUF 417.4 billion at December 31, 2020, corresponding to a net debt to total capital ratio of 38.8%

Operational highlights

- Continued expansion of the gigabit capable network resulted in close to 2.5 million access points in Hungary with 374 thousand access points covered by end-2020
- Subscriber numbers in Hungary continued to grow in fixed broadband, pay TV and mobile by 7.5%, 6.9% and 1.1%, respectively, in 2020
- Average mobile data usage grew to an all-time high of 6.4 GB/month in Q4 2020, up 47% year-on-year in 2020
- Magyar Telekom received an AA ESG rating from MSCI and completed the year with net carbon neutral operations for scope 1 and 2 emissions for the sixth year in a row

Tibor Rékasi, Magyar Telekom CEO commented:

“I am particularly proud that in the face of the COVID-19 pandemic, all our employees rose to the challenge to deliver a performance ahead of our 2020 expectations. In the fourth quarter, the business achieved robust results with a significant HUF 5 billion improvement in total EBITDA AL to HUF 56.6 billion. This strong final-quarter performance contributed to the successful delivery of our most important annual financial KPIs, including revenue, EBITDA AL and free cash flow.

2020 will also go down in history as a year of significant investments into our fixed and mobile networks. The fiber network roll-out gathered pace last year with overall development exceeding previous years’ levels. Looking ahead to 2021, I am confident that we will continue on our growth path despite ongoing volatility in our operating environment.”

Public targets

	2020 Actual	Public guidance for 2021	Public guidance for 2021-2024 ³
Revenue	HUF 673.0 billion	grow 1%-2%	increase potential of ~1%
EBITDA AL	HUF 202.6 billion	grow 1%-2%	increase potential of ~1%
Capex AL¹	HUF 106.0 billion	broadly stable	
FCF¹	HUF 69.5 billion	broadly stable/slight increase	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 the BoD proposal, subject to AGM approval) 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)	Q4 2019	Q4 2020	Change	Change (%)	1-12 months 2019	1-12 months 2020	Change	Change (%)
Revenues								
Mobile revenues	94,521	97,909	3,388	3.6%	354,362	364,589	10,227	2.9%
Fixed line revenues	54,984	57,957	2,973	5.4%	212,659	219,004	6,345	3.0%
System Integration/Information Technology revenues	32,813	33,009	196	0.6%	99,632	89,455	(10,177)	(10.2%)
Total revenues	182,318	188,875	6,557	3.6%	666,653	673,048	6,395	1.0%
Direct costs	(88,255)	(90,932)	(2,677)	(3.0%)	(292,412)	(297,488)	(5,076)	(1.7%)
Gross profit	94,063	97,943	3,880	4.1%	374,241	375,560	1,319	0.4%
Indirect costs	(36,430)	(35,326)	1,104	3.0%	(153,679)	(149,678)	4,001	2.6%
EBITDA	57,633	62,617	4,984	8.6%	220,562	225,882	5,320	2.4%
Depreciation and amortization	(37,656)	(36,686)	970	2.6%	(137,382)	(141,058)	(3,676)	(2.7%)
Operating profit	19,977	25,931	5,954	29.8%	83,180	84,824	1,644	2.0%
Net financial result	(3,102)	(6,230)	(3,128)	(100.8%)	(24,125)	(23,846)	279	1.2%
Share of associates' and joint ventures' results	(88)	0	88	100.0%	90	(66)	(156)	n.m.
Profit before income tax	16,787	19,701	2,914	17.4%	59,145	60,912	1,767	3.0%
Income tax	(3,802)	(3,736)	66	1.7%	(14,633)	(14,595)	38	0.3%
Profit for the period	12,985	15,965	2,980	22.9%	44,512	46,317	1,805	4.1%
Profit attributable to non-controlling interests	149	1,155	1,006	n.m.	3,355	3,953	598	17.8%
Profit attributable to owners of the parent	12,836	14,810	1,974	15.4%	41,157	42,364	1,207	2.9%

Total revenues increased by 3.6% year-on-year to HUF 188.9 billion in Q4 2020 thanks to increases in telecommunication service revenues in both countries coupled with higher equipment sales, and a positive foreign exchange impact stemming from the strengthening of the denar compared to the forint. **For the full year 2020, revenues were up 1.0% at HUF 673.0 billion** as the mentioned positive impacts were mitigated by lower Hungarian SI/IT revenues.

- **Mobile revenues were up 3.6% year-on-year to HUF 97.9 billion in Q4 2020**, and 2.9% higher at HUF 364.6 billion in 2020, thanks to higher mobile data and equipment sales revenues which could fully offset lower retail voice revenues.
 - **Voice retail** revenues, at Group level, declined by 4.1% year-on-year to HUF 30.6 billion in Q4 2020 as lower roaming revenues at both operation coupled with a decline in the North Macedonian prepaid revenues offset the positive impacts stemming from the further expansion of the Hungarian customer base.
 - **Voice wholesale** revenue increased by 23.0% year-on-year to HUF 3.2 billion in Q4 2020, reflecting a strong increase in incoming mobile traffic in Hungary, coupled with higher machine-to-machine traffic in North Macedonia.
 - **Data** revenue rose by 12.2% year-on-year reaching HUF 26.4 billion in Q4 2020 as the continued growth in subscriber numbers and strong demand for mobile data usage that was amplified by the lockdowns and the social distancing measures compensated for the fallout in data roaming revenues.
 - **SMS** revenues were moderately higher year-on-year at HUF 5.3 billion at Group level in Q4 2020, as lower revenues from roaming in both countries were offset by increased residential usage by a growing postpaid customer base and higher revenues from mass messaging in Hungary.
 - **Mobile equipment** revenues increased by 6.6% year-on-year to HUF 29.9 billion in Q4 2020, driven primarily by higher volume of export sales at the Hungarian operation.
 - **Other mobile** revenues decreased by 21.4% to HUF 2.5 billion in Q4 2020, attributable to the sharp decline in visitor revenues in both countries.
- **Fixed line revenues increased by 5.4% year-on-year, to HUF 58.0 billion in Q4 2020** and by 3.0% to HUF 219.0 billion in 2020 as the continued decline in voice revenues was fully offset by improvements in broadband and TV revenues at both operations.
 - **Voice retail** revenue decline slowed to a rate of 1.9% year-on-year, amounting to HUF 9.7 billion in Q4 2020. General contraction in the Hungarian fixed voice customer base continued but it was partially mitigated by a temporary increase in usage levels in response to the COVID-19 related lockdowns in both countries.
 - **Broadband retail** revenues increased by 9.8% year-on-year to HUF 15.7 billion in Q4 2020, due to the further growth in the customer base (in both countries) amplified by the acceleration in bandwidth upgrade transactions in Hungary. Positive developments were temporarily impacted by the obligatory monthly fee allowances for the secondary school students and teachers who were impacted by the reintroduction of digital education in Hungary from November 2020.

- **TV** revenues grew by 8.2% year-on-year to HUF 13.5 billion in Q4 2020, reflecting the further strong expansion of the IPTV subscriber base in both countries of operation.
 - **Fixed equipment** revenues rose by 13.6% year-on-year to HUF 7.3 billion in Q4 2020, reflecting higher transaction volumes in Hungary leading to increased number of equipment sold.
 - **Data retail** revenues showed a stable trend year-on-year, amounting to HUF 2.2 billion in Q4 2020. General competition driven price pressure at both countries were compensated by a higher contribution from the North Macedonian operation reflecting the strengthening of the denar compared to the forint.
 - **Wholesale** revenues increased moderately year-on-year to HUF 4.9 billion in Q4 2020, as decline in network-related revenues was offset by higher wholesale data revenues in Hungary.
 - **Other fixed** line revenues declined by 7.1% to HUF 4.6 billion in Q4 2020, primarily driven by lower media content related revenues in Hungary.
- **System Integration (SI) and IT ('SI/IT') revenues were moderately up at HUF 33.0 billion in Q4 2020.** In Hungary, revenue contraction slowed to 2.9% year-on-year in Q4 2020 reflecting higher deliveries to the public and financial sectors, whereas in North Macedonia, strong increase was recorded in relation to a hardware delivery project. In full year 2020, SI/ IT revenues recorded a decline of 10.2% to HUF 89.5 billion, driven by lower volumes of implementation projects delivered primarily to the public sector in Hungary that could not be offset by higher customized solution projects related revenues in North Macedonia.

Direct costs increased by 3.0% year-on-year to HUF 90.9 billion in Q4 2020 mostly driven by higher equipment costs. **For 2020, direct costs were up by 1.7% year-on-year at HUF 297.5 billion** reflecting increases in telecom tax and other direct costs partly mitigated by lower SI/IT expenses.

- **Interconnect costs** increased by 10.7% year-on-year to HUF 5.9 billion in Q4 2020, reflecting the sharp increase in off-network mobile voice traffic primarily visible at the North Macedonian operation, that led to higher payments to domestic mobile operators.
- **SI/IT service-related costs** increased moderately year-on-year to HUF 23.7 billion in Q4 2020, reflecting slightly higher volume of related projects. In full year 2020, SI/IT service-related costs declined by 12.2% to HUF 63.3 billion driven by lower volume of implementation projects in Hungary during the year.
- **Bad debt expenses** decreased by 20.7% year-on-year to HUF 2.5 billion in Q4 2020, thanks to favorable aging of receivables in Hungary, particularly in mobile coupled with absence of negative one-off items impacting Q4 2019 results in North Macedonia that combined more than offset a moderate increase related to COVID-19 effects. However, in full year 2020 bad debt expenses were up by 7.3% at HUF 9.7 billion, reflecting the absence of a one-off favorable impact resulting from a reduction of the impairment rates applied to the Hungarian fixed and mobile operations during 2019, partially offset by the favorable aging of mobile receivables at the Hungarian operation and the absence of one-off impairments in North Macedonia.
- **Telecom tax** rose by 11.4% year-on-year to HUF 6.7 billion in Q4 2020, driven by increases in mobile voice traffic in the business and residential segments and higher residential landline usage in Hungary.
- **Other direct costs** were up 3.8% year-on-year at HUF 52.2 billion in Q4 2020, driven primarily by higher equipment costs in both countries coupled with an increase in the Hungarian TV content outpayments, latter also reflecting the weakening of the forint against the euro. These could only be partially offset by lower roaming outpayments.

Gross profit improved by 4.1% year-on-year to HUF 97.9 billion in Q4 2020 thanks to higher contribution from telecommunication services partly counterbalanced by lower roaming results in both countries of operation. **Gross profit was up moderately to HUF 375.6 billion in 2020**, as the positive telecommunication service trends were mitigated by lower Hungarian SI/IT contribution.

Indirect costs improved by 3.0% year-on-year, to HUF 35.3 billion in Q4 2020, and by 2.6% year-on-year to HUF 149.7 billion in 2020, thanks to broad-based cost saving measures implemented at the Hungarian operation.

- **Employee-related expenses** rose up by 4.0% year-on-year to HUF 20.6 billion in Q4 2020. The increase was reflecting a one-time bonus payment to employees in the frame of a Deutsche Telekom Group wide initiative coupled with moderately higher severance related expenses. In full year 2020, employee-related expenses improved by 1.5% year-on-year to HUF 79.0 billion, reflecting a reduction in headcount partly offset by the combined impacts of the general wage increase, a rise in bonus payments and higher severance expenses.
- **Other operating expenses** improved by 8.6% year-on-year to HUF 18.4 billion in Q4 2020, primarily due to savings in marketing, advisory and maintenance expenses.
- **Other operating income** was moderately up at HUF 3.7 billion in Q4 2020, driven by income related to real estate sales in Hungary. In full year 2020, other operating income decreased to HUF 5.8 billion in 2020 from HUF 7.6 billion in 2019, as on an annual basis profits realized from real estate sales in Hungary declined.

EBITDA rose by 8.6% year-on-year to HUF 62.6 billion in Q4 2020, and by 2.4% to HUF 225.9 billion in full year 2020, as the result of higher gross profit coupled with lower indirect costs. **EBITDA AL improved by 9.9% year-on-year to HUF 56.6 billion in Q4 2020**, and by 2.5% annually to HUF 202.6 billion in full year 2020.

Depreciation and amortization ('D&A') expenses decreased by 2.6% year-on-year, to HUF 36.7 billion in Q4 2020, reflecting the extension of the useful life of some assets as well as the absence of useful life shortening of some IT software, impacting the base period. D&A expenses rose by 2.7% year-on-year to HUF 141.1 billion in 2020, 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 22.9% year-on-year to HUF 16.0 billion in Q4 2020, reflecting higher EBITDA coupled with lower D&A expenses. **In full year 2020, profit rose by 4.1% year-on-year to HUF 46.3 billion**, as the annual EBITDA improvement could offset the higher D&A expenses.

- **Net financial results** deteriorated by HUF 3.1 billion year-on-year to HUF 6.2 billion in Q4 2020. The significant year-on-year decrease was primarily attributable to the partial reversal of the yield-curve movements experienced in Q3 2020, that now led to unrealized losses. That was coupled with the absence of gains in relation to FX based lease liabilities and other items reflecting a broadly stable FX rate during the period as opposed to some forint strengthening in Q4 2019. These impacts were partially mitigated by reversal of a one-off interest provision related to a legal case at the North Macedonian operation and some decline in interest expenses of the debt portfolio thanks to lower average interest rates.

In full year 2020, net financial results improved moderately to HUF 23.8 billion, thanks to more favourable average interest level on the loans, that despite the higher average debt levels, led to a decline in related interest expenses. The lower interest expense coupled with the reversal of the one-off interest provision in North Macedonia could also offset the negative impacts stemming from the significant weakening of the forint against the euro during 2020 on the overall net financial results.

- **Income tax expenses** remained broadly stable year-on-year at HUF 3.7 billion in Q4 2020. Although profit before tax increased, lower local business tax expense, driven by the decline of the relevant tax base, led to an overall decrease in income tax expenses.

Profit attributable to non-controlling interests rose by HUF 1.0 billion year-on-year to HUF 1.2 billion in Q4 2020, as higher EBITDA was coupled with better financial results, resulting in an increased profit at the North Macedonian operation.

2.1.2 Group Cash Flows

HUF millions	1-12 months 2019	1-12 months 2020	Change
Operating cash flow	162,368	185,955	23,587
Investing cash-flow	(84,936)	(148,102)	(63,166)
Less: Payments for / Proceeds from other financial assets - net	(4,816)	2,533	7,349
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(89,752)	(145,569)	(55,817)
Repayment of lease and other financial liabilities	(18,560)	(25,114)	(6,554)
Total free cash flow	54,056	15,272	(38,784)
Payments for / Proceeds from other financial assets - net	4,816	(2,533)	(7,349)
Proceeds from / Repayment of loans and other borrowings - net	(23,151)	(53,589)	(30,438)
Dividends paid to Owners of the parent and Non-controlling interests	(29,725)	(24,516)	5,209
Proceeds from bonds	0	70,834	70,834
Repurchase of treasury shares	0	(5,218)	(5,218)
Exchange differences on cash and cash equivalents	198	1,041	843
Change in cash and cash equivalents	6,194	1,291	(4,903)

Free cash flow (FCF) deteriorated to HUF 15.3 billion cash inflow in 2020 (2019: HUF 54.1 billion cash inflow), mainly due to the reasons described below.

Operating cash flow

Net cash generated from operating activities amounted to a cash inflow of HUF 186.0 billion in 2020, compared to cash inflow of HUF 162.4 billion in 2019, attributable to the reasons outlined below:

- HUF 5.3 billion **positive impact due to higher EBITDA** in 2020 versus 2019
- HUF 10.9 billion **positive change in active working capital**, mainly as a result of the following factors:
 - higher decrease in SI/IT receivables in 2020 compared to 2019 due to different project seasonality (positive impact: ca. HUF 12.9 billion)

- favorable change in installment receivables due to different volume of sales increase and seasonality (positive impact: ca. HUF 2.0 billion)
 - insignificant change in advance payment balances in 2020 compared to the higher advance payment settlement in 2019 (negative impact: ca. HUF 1.6 billion)
 - unfavorable change in receivables from taxes not related to income taxes mainly due to a one-off tax refund in 2019 (negative impact: ca. HUF 1.7 billion)
- HUF 6.5 billion **positive change in passive working capital**, primarily driven by the following factors:
 - lower decline in the balances of invoiced and non-invoiced creditors due to timing differences of payments in 2020 versus 2019 (positive impact: HUF 11.2 billion)
 - lower HR-related personnel expense payments driven by changes in the terms of the bonus payments in 2020 compared to 2019 (positive impact: HUF 3.6 billion)
 - lower decrease in the balance of creditors in relation to the new headquarters building in 2020, due to fit-out costs outpayment relating to the new building for the Company's headquarters in 2019 (positive impact: HUF 1.7 billion)
 - higher decrease in the balance of DT Group suppliers due to the timing differences in 2020 versus 2019 (negative impact: HUF 2.2 billion)
 - higher payment in the handset suppliers in 2020 versus 2019 (negative impact: HUF 2.6 billion)
 - higher payment related to SI/IT services in 2020 compared to 2019 due to different project seasonality (negative impact: HUF 5.0 billion)
 - HUF 3.0 billion **positive change of interest paid** in 2020 compared to 2019, reflecting the combined effect of more favorable average interest rates on the loans in 2020 compared to 2019 and higher interest payment related to frequency fee related liabilities in 2020

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 145.6 billion in 2020, compared to HUF 89.8 billion 2019, with the higher cash outflow driven mainly by the following:

- HUF 122.0 billion **negative effect** due to higher **Capex** in 2020 versus 2019 owing to the combined effect of increase in spectrum license fees and content rights capitalization coupled with higher investment in gigabit access, radio network modernization and right-of-use assets. For further information please see in section 2.2 Segment reports.
- HUF 66.6 billion **positive change** due to the combined effect of higher **capitalization of the present value of spectrum license fees** (net cash flow effect is amounted to HUF 54.2 billion) and **content right capitalization to be paid in the future**, lower payments to **Capex creditors** and the effect of higher **capitalization of right-of-use assets** in 2020 compared to 2019.
- HUF 1.5 billion **negative change** related to the **disposal of PPE**, mainly reflecting a reduction in proceeds from real estate sales in 2020 compared to 2019.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 25.1 billion in 2020 from HUF 18.6 billion in 2019, mainly due to higher lease payments in 2020 versus 2019 accompanied by higher frequency fee and content right payments in 2020 compared to 2019.

In 2020 **Cash and cash equivalents** amounted to a HUF 1.3 billion positive change compared to a HUF 6.2 billion positive change in 2019. Besides the changes in FCF the deterioration is attributed to the followings:

- **Payments for other financial assets - net** deteriorated by HUF 7.3 billion, primarily due to higher amounts of cash invested as bank deposits over 3 months in North Macedonia in 2020 in net terms compared to 2019.
- **Repayment of loans and other borrowings – net** deteriorated by HUF 30.4 billion due to the higher repayment of DT Group loans as well as the unfavorable change of inhouse Group funds in 2020 compared to 2019.
- **Dividends paid to Owners of the parent and Non-controlling interests** declined by HUF 5.2 billion mainly due to the lower dividend payment from Magyar Telekom as the dividend per share ('DPS') was reduced from HUF 25 in 2019 to HUF 20 in 2020.
- **Proceeds from bonds** increased by HUF 70.8 billion due to the bond issue in 2020.
- **Repurchase of treasury shares** increased by HUF 5.2 billion due to the repurchase transaction in 2020.
- **Exchange differences on cash and cash equivalents** improved 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, 2019 to December 31, 2020 (see Appendix 3.4) can be observed in the following lines:

- Trade receivables
- Other financial assets (current and non-current combined)
- Right-of-use assets
- Intangible assets
- Investments in associates and joint ventures
- Financial liabilities to related parties (current and non-current combined)
- Lease liabilities (current and non-current combined)
- Other financial liabilities (current and non-current combined)
- Bonds
- Treasury stock

Trade receivables decreased by HUF 11.6 billion from December 31, 2019 to December 31, 2020 mainly driven by the HUF 10.6 billion decrease in SI/IT receivables.

Other financial assets (current and non-current combined) increased by HUF 38.5 billion from December 31, 2019 to December 31, 2020 mainly as a result of a HUF 17.8 billion increase in derivative financial instruments contracted with related parties principally due to weakening of forint in 2020 supplemented by an increase in the portfolio of derivatives as well by HUF 16.2 billion increase in cash pool receivables.

Right-of-use assets increased by HUF 14.7 billion from December 31, 2019 to December 31, 2020 mainly due to the prolongation of expiring base station and new network lease related contracts.

Intangible assets increased by HUF 73.0 billion from December 31, 2019 to December 31, 2020 reflecting the acquisition of spectrum licenses related to 5G and mobile broadband services. The present value of the future annual frequency fees to be paid by Magyar Telekom until 2040 and the one-time spectrum fee were capitalized in April 2020 in the amount of HUF 91.6 billion. For further information please see in section 2.1.2 Group Cash Flows.

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

Financial liabilities to related parties (current and non-current combined) decreased by HUF 22.5 billion from December 31, 2019 to December 31, 2020 as repayments outweighed drawdowns of short and long-term DT Group loans.

Lease liabilities (current and non-current combined) increased by HUF 20.5 billion from December 31, 2019 to December 31, 2020, mainly due to the prolongation of expiring base station and new network related lease contracts.

Other financial liabilities (current and non-current combined) increased by HUF 36.9 billion from December 31, 2019 to December 31, 2020, mainly due to the recognition of present value of the future annual frequency fees for spectrum licenses related to 5G and mobile broadband services.

Bonds increased by HUF 67.9 billion from December 31, 2019 to December 31, 2020, as a result of a closed bond auction on November 24, 2020. The issued bonds with HUF 70.0 billion face value were purchased for a total purchase price of HUF 70.83 billion. Bonds are initially recognized at fair value (HUF 67,9 billion) net of transaction costs incurred and increased by premium received (HUF 2.9 billion, presented on line Other non-current liabilities). The bond is subsequently measured at amortized cost under IFRS 9.

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

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

2.1.4 Related party transactions

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

2.1.5 Contingencies and commitments

Contingent assets

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

Contingent liabilities

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

Makedonski Telekom has a contingent liability in the amount of MKD 240 million 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 2020 and this is expected to continue being the case going forward.

Commitments

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

2.1.6 Significant events after reporting period end

Acquisition of frequency usage rights

The Company won the rights of use of 8 MHz and 20 MHz duplexes on the 900 MHz and 1800 MHz frequency bands respectively in the auction procedure for the entitlements of frequency use of the 900 MHz and the 1800 MHz frequency bands in January 2021. Entitlement of the currently used 10 MHz and 15 MHz duplexes on the 900 MHz and 1800 MHz frequency bands respectively are due to expire in April 2022. As a result of the auction Magyar Telekom will be entitled for the usage of the now acquired frequency blocks until 2042 provided that by fulfilling the respective conditions, the term of rights of use for frequencies is extended by five years. The Company is required to pay a total price of HUF 44.28 billion for these frequency blocks and this payment is expected to be due in the first quarter of 2022. The present value of the future frequency fees related to the acquisition of the frequency blocks is approximately HUF 39.5 billion.

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.

In 2019 the Management Committee (MC) of Magyar Telekom Plc was responsible for allocating resources to, and assessing the performance of, the operating segments on a monthly basis.

As a result of the change in the Magyar Telekom's management structure, the Management Committee ceased to exist as a formal corporate decision-making body as of January 1, 2020. The Company has subsequently initiated an assessment of the potential consequences of this change on corporate disclosure. Following the change in decision – making mechanism, the Chief Executive Officer (CEO) and the other Chief Officers (Chief Officers) together fulfill the chief operating decision maker (CODM) function in the Group. The Chief Officers assess the performance of the Company and make their decisions. Along with this change the management had a reassessment of the composition of operating segments and reporting segments of the Group which resulted in that the operating and reporting segments' structure remained unchanged in 2020:

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 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	Q4 2019	Q4 2020	Change	Change (%)	1-12 months 2019	1-12 months 2020	Change	Change (%)
Voice	30,675	29,494	(1,181)	(3.9%)	123,686	119,035	(4,651)	(3.8%)
Non-voice	26,384	29,033	2,649	10.0%	102,399	112,091	9,692	9.5%
Equipment	25,258	26,715	1,457	5.8%	81,818	86,930	5,112	6.2%
Other	2,743	2,046	(697)	(25.4%)	11,100	8,941	(2,159)	(19.5%)
Total mobile revenues	85,060	87,288	2,228	2.6%	319,003	326,997	7,994	2.5%
Voice retail	8,742	8,457	(285)	(3.3%)	36,168	34,488	(1,680)	(4.6%)
Broadband - retail	12,864	14,050	1,186	9.2%	49,940	54,858	4,918	9.8%
TV	11,294	12,124	830	7.3%	44,375	47,175	2,800	6.3%
Equipment	6,354	7,237	883	13.9%	21,841	22,042	201	0.9%
Other	10,684	10,270	(414)	(3.9%)	40,428	38,341	(2,087)	(5.2%)
Fixed line revenues	49,938	52,138	2,200	4.4%	192,752	196,904	4,152	2.2%
SI/IT revenues	31,700	30,774	(926)	(2.9%)	97,324	85,391	(11,933)	(12.3%)
Total revenues	166,698	170,200	3,502	2.1%	609,079	609,292	213	0.0%
Direct costs	(82,048)	(83,390)	(1,342)	(1.6%)	(273,949)	(276,018)	(2,069)	(0.8%)
Gross profit	84,650	86,810	2,160	2.6%	335,130	333,274	(1,856)	(0.6%)
Indirect costs	(31,863)	(30,506)	1,357	4.3%	(137,952)	(133,014)	4,938	3.6%
EBITDA	52,787	56,304	3,517	6.7%	197,178	200,260	3,082	1.6%
EBITDA AL	46,890	50,506	3,616	7.7%	175,012	177,794	2,782	1.6%
Segment Capex	30,778	52,565	21,787	70.8%	100,421	221,465	121,044	120.5%
Segment Capex AL	27,377	28,186	809	3.0%	78,386	185,307	106,921	136.4%
Segment Capex excl. spectrum licences	30,778	52,565	21,787	70.8%	100,421	129,883	29,462	29.3%
Segment Capex AL excl. spectrum licences	27,377	28,186	809	3.0%	78,386	93,725	15,339	19.6%
Frequency licenses	0	0	0	n.a.	0	91,582	91,582	n.a.

Operational statistics – access numbers	December 31 2019	December 31 2020	Change (%)
Number of SIM cards	5,368,607	5,427,445	1.1%
Postpaid share in total *	64.4%	65.3%	n.a.
Total fixed voice access	1,362,049	1,339,116	(1.7%)
Total retail fixed broadband customers	1,230,590	1,323,452	7.5%
Total TV customers	1,157,813	1,238,262	6.9%

Operational statistics – ARPU (HUF)	Q4 2019	Q4 2020	Change (%)	1-12 months 2019	1-12 months 2020	Change (%)
Blended mobile ARPU	3,559	3,592	0.9%	3,540	3,565	0.7%
Postpaid ARPU *	5,015	4,983	(0.6%)	5,023	4,970	(1.1%)
Prepaid ARPU	1,094	1,154	5.5%	1,102	1,096	(0.5%)
M2M ARPU	628	493	(21.5%)	643	552	(14.2%)
Blended fixed voice ARPU	2,132	2,100	(1.5%)	2,192	2,126	(3.0%)
Blended fixed broadband ARPU	3,496	3,565	2.0%	3,490	3,575	2.4%
Blended TV ARPU	3,283	3,296	0.4%	3,295	3,288	(0.2%)

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

Total revenues for the MT-Hungary segment increased by 2.1% year-on-year to HUF 170.2 billion in Q4 2020, as revenue uplift stemming from the strong customer demand for broadband and mobile data coupled with higher equipment sales compensated for the lower roaming, visitor and SI/IT revenues. Revenues for full year 2020, remained stable at HUF 609.3 billion as the above trends were coupled with a steeper annual decline in ST/IT revenues.

- **Mobile revenues** were up 2.6% year-on-year in Q4 2020 at HUF 87.3 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. Customers opted for subscriptions including higher monthly usage limits and for occasional data boosters, that overall led to a significant increase in the related revenues. Although decline in roaming unfavorably impacted revenues and thus ARPU developments, further expansion of the customer base, pre-to-postpaid migration and the strong demand for mobile data could mitigate these pressures and led to a moderate overall improvement in blended ARPU. At the same time, year-on-year higher equipment sales for third parties compensated for fallout in visitor revenues, thus added to the positive overall revenue performance.
- **Fixed line revenues** continued their positive trend, growing by 4.4% year-on-year to HUF 52.1 billion in Q4 2020. Positive momentum in broadband and TV customer base expansion was maintained as customers continued to appreciate the advantages of our high-quality fixed network. That again was accompanied by migration towards higher bandwidth broadband packages further amplifying the positive developments in broadband revenues. As such, more and more customers migrated into the rebalanced portfolio, introduced in September 2020 with more-for-more approach, which supported ARPU trends further. At the same time, the obligatory monthly fee allowance provided to the secondary school students and teachers from November 2020, had a negative effect on the results.
- **SI/IT revenue** trends showed an improvement in the fourth quarter of 2020, recording a more moderate 2.9% year-on-year decline thanks to the recovery in public sector demand from earlier levels coupled with some new projects in the financial sector. Nevertheless, on full year basis, SI/IT revenues still contracted by 12.3% year-on-year, amounting to HUF 85.4 billion, primarily driven by lower implementation projects delivered to the Hungarian public sector.

Gross profit in Q4 2020 improved by 2.6% year-on-year to HUF 86.8 billion thanks to the increases in telecommunication service contribution. In full year 2020, gross profit remained stable, as favorable service revenue trends were offset by higher bad debt and telecom tax expenses, both reflecting one-off changes.

EBITDA improved by 6.7% year-on-year in Q4 2020, to HUF 56.3 billion, thanks to better gross profit coupled with savings in indirect costs. Simultaneously, **EBITDA AL** rose by 7.7% year-on-year in Q4 2020 to HUF 50.5 billion, driven by the above drivers.

Capex AL excluding spectrum licenses in 2020 was up by HUF 15.3 billion year-on-year, amounting to HUF 93.7 billion. The increase was driven by the progress of the mobile network modernization program as well as higher spending on fiber network access and roll-out, allowing us to cover 374 thousand access points with the gigabit capable network during 2020 and connect 136 thousand customers to our fiber network.

Outlook: We remain committed to the further development of our fixed and mobile networks as the COVID-19 pandemic amplified the economic and social importance of high quality fixed and mobile infrastructures. We aim to continue our accelerated fiber roll-out program and progress with the mobile network modernization in 2021. We expect these initiatives along with further efficiency measures to underpin the positive operational and financial developments witnessed in the MT-Hungary segment.

2.2.2 North Macedonia

HUF million	Q4 2019	Q4 2020	Change	Change (%)	1-12 months 2019	1-12 months 2020	Change	Change (%)
Voice	3,818	4,286	468	12.3%	15,708	16,223	515	3.3%
Non-voice	2,462	2,722	260	10.6%	9,793	10,439	646	6.6%
Equipment	2,798	3,202	404	14.4%	8,210	9,548	1,338	16.3%
Other	381	412	31	8.1%	1,651	1,383	(268)	(16.2%)
Total mobile revenues	9,459	10,622	1,163	12.3%	35,362	37,593	2,231	6.3%
Voice retail	1,166	1,258	92	7.9%	4,846	5,065	219	4.5%
Broadband - retail	1,400	1,605	205	14.6%	5,509	6,110	601	10.9%
TV	1,164	1,355	191	16.4%	4,482	5,180	698	15.6%
Equipment	98	91	(7)	(7.1%)	308	314	6	1.9%
Other	1,283	1,477	194	15.1%	4,958	5,452	494	10.0%
Fixed line revenues	5,111	5,786	675	13.2%	20,103	22,121	2,018	10.0%
SI/IT revenues	1,113	2,246	1,133	101.8%	2,308	4,075	1,767	76.6%
Total revenues	15,683	18,654	2,971	18.9%	57,773	63,789	6,016	10.4%
Direct costs	(6,252)	(7,596)	(1,344)	(21.5%)	(18,630)	(21,654)	(3,024)	(16.2%)
Gross profit	9,431	11,058	1,627	17.3%	39,143	42,135	2,992	7.6%
Indirect costs	(4,584)	(4,780)	(196)	(4.3%)	(15,396)	(16,546)	(1,150)	(7.5%)
EBITDA	4,847	6,278	1,431	29.5%	23,747	25,589	1,842	7.8%
EBITDA AL	4,642	6,095	1,453	31.3%	22,941	24,798	1,857	8.1%
Segment Capex	5,253	3,135	(2,118)	(40.3%)	12,097	13,076	979	8.1%
Segment Capex AL	5,058	2,874	(2,184)	(43.2%)	11,249	12,324	1,075	9.6%

Operational statistics – access numbers	December 31 2019	December 31 2020	Change (%)
Number of mobile SIMs	1,219,797	1,104,714	(9.4%)
Postpaid share in total *	40.9%	46.7%	n.a.
Total fixed voice access	215,810	221,017	2.4%
Total fixed retail broadband access	188,072	198,501	5.5%
Total TV customers	136,372	142,495	4.5%

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

Total revenues in North Macedonia increased by 18.9% year-on-year to HUF 18.7 billion in Q4 2020, which includes the positive impact of a 9.3% average strengthening of the euro pegged denar against the forint. The underlying increase was the combined result of some improvement in telecommunication service revenue trends and a strong increase in SI/IT revenues. In full year 2020, total revenues were up by 10.4%, amounting to HUF 63.8 billion, driven by the above drivers coupled with a sharp decline in revenues generated by tourists during the summer period.

- **Mobile revenue** recorded an improvement of 12.3% year-on-year in Q4 2020 in forint terms with operational improvements mostly visible at the increasing ratio of postpaid customers and higher voice and data usage. These coupled with increases in equipment sales revenues reflecting year-end promotional activities offset the further decline in roaming and visitor revenues.
- **Fixed line revenues** increased by 13.2% year-on-year in Q4 2020 in forint terms, thanks primarily to continued expansion of the customer base in all service lines that led to higher average number of services used by each household and thus higher household spend. These improvements could fully counterbalance the pressure on price levels stemming from the intense competition.
- **SI/IT revenues** more than doubled year-on-year in Q4 2020 that is primarily attributable to a sizeable hardware delivery project while continued demand for customized solutions projects and deliveries in the frame of smart city project of Skopje also contributed to the strong performance.

Gross profit improved by 17.3% year-on-year in Q4 2020, reflecting the strong revenue increase.

EBITDA was up by 29.5% year-on-year at HUF 6.3 billion with **EBITDA AL** up 31.3% year-on-year at HUF 6.1 billion in Q4 2020 as the improvement in gross profit was accompanied by mostly stable indirect costs.

Capex AL rose by HUF 1.1 billion year-on-year to HUF 12.3 billion in full year 2020 in forint terms. Higher investments are primarily related to the capitalization of TV content fees.



Outlook: North Macedonia, similarly to other countries globally, has been harshly hit by the COVID-19 pandemic. Makedonski Telekom has been strategically important to keep economy and society going during the pandemic lockdowns whereas working from home, home-schooling services have resulted in a substantial rise in data usage on fixed networks in 2020. However, lack of tourism has had an adverse impact on the performance whilst the pressure on household income became visible in the spending power of the prepaid customer base.

Looking forward, it is expected, that though with a delay but with the recovery of the economy, the telecommunication spending of the customers will also improve and the Group will be able to further leverage its strong market positions.

3. APPENDIX

3.1. Basis of preparation

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

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

In 2020, coronavirus spread globally, and its negative impact gained momentum. Management of the Group is closely monitoring the impact of the pandemic on operations and will provide further updates to stakeholders as the situation evolves. Furthermore, the Group’s management is in close communication with local state institutions and remains compliant with official guidelines.

Magyar Telekom responded to the COVID-19 situation swiftly. The Company continues to meet the increased demand for connectivity through its network and has not identified any events which could jeopardize the going concern of its operation furthermore based on the management’s assessment of future cashflows, no any underperformance is expected in the long term. The annual impairment testing was carried out for all goodwill in Q4 2020 and as a result of that, no impairment needed to be recognized in Q4 2020. Management continuously monitors the solvency of customers and, as a result of such assessment, a higher bad debt expense was recognized in Q4 2020 due to COVID-19 which was not material. Nevertheless, based on experiences of last months and expectations taking into account the future COVID effects, the management concluded during the annual revision of bad debt ratios conducted in Q4 2020 that there was no need to adjust the previously used bad debt ratios.

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

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

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

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

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	Q4 2019 (unaudited)	Q4 2020 (unaudited)	Change	Change (%)
Revenues				
Voice retail	31,909	30,602	(1,307)	(4.1%)
Voice wholesale	2,584	3,178	594	23.0%
Data	23,535	26,416	2,881	12.2%
SMS	5,311	5,339	28	0.5%
Equipment	28,056	29,917	1,861	6.6%
Other mobile revenues	3,126	2,457	(669)	(21.4%)
Mobile revenues	94,521	97,909	3,388	3.6%
Voice retail	9,908	9,715	(193)	(1.9%)
Broadband retail	14,264	15,655	1,391	9.8%
TV	12,458	13,479	1,021	8.2%
Equipment	6,452	7,328	876	13.6%
Data retail	2,201	2,236	35	1.6%
Wholesale (voice, broadband, data)	4,743	4,940	197	4.2%
Other fixed line revenues	4,958	4,604	(354)	(7.1%)
Fixed line revenues	54,984	57,957	2,973	5.4%
System Integration/Information Technology revenues	32,813	33,009	196	0.6%
Total revenues	182,318	188,875	6,557	3.6%
Direct costs				
Interconnect costs	(5,284)	(5,852)	(568)	(10.7%)
SI/IT service related costs	(23,567)	(23,711)	(144)	(0.6%)
Bad debt expense	(3,133)	(2,485)	648	20.7%
Telecom tax	(6,044)	(6,731)	(687)	(11.4%)
Other direct costs	(50,227)	(52,153)	(1,926)	(3.8%)
Direct costs	(88,255)	(90,932)	(2,677)	(3.0%)
Gross profit	94,063	97,943	3,880	4.1%
Employee related expenses	(19,778)	(20,578)	(800)	(4.0%)
Utility tax	0	0	0	n.a.
Other operating expenses	(20,152)	(18,414)	1,738	8.6%
Other operating income	3,500	3,666	166	4.7%
EBITDA	57,633	62,617	4,984	8.6%
Depreciation and amortization	(37,656)	(36,686)	970	2.6%
Operating profit	19,977	25,931	5,954	29.8%
Net financial result	(3,102)	(6,230)	(3,128)	(100.8%)
Share of associates' and joint ventures' results	(88)	0	88	100.0%
Profit before income tax	16,787	19,701	2,914	17.4%
Income tax	(3,802)	(3,736)	66	1.7%
Profit for the period	12,985	15,965	2,980	22.9%
Change in exchange differences on translating foreign operations	(1,084)	217	1,301	n.m.
Revaluation of FVOCI financial assets	85	35	(50)	(58.8%)
Other comprehensive income for the period	(999)	252	1,251	n.m.
Total comprehensive income for the period	11,986	16,217	4,231	35.3%
Profit attributable to:				
Owners of the parent	12,836	14,810	1,974	15.4%
Non-controlling interests	149	1,155	1,006	n.m.
	12,985	15,965	2,980	22.9%
Total comprehensive income attributable to:				
Owners of the parent	12,211	14,971	2,760	22.6%
Non-controlling interests	(225)	1,246	1,471	n.m.
	11,986	16,217	4,231	35.3%
Basic / diluted earnings per share (HUF)	12.42	14.48	2.06	16.6%

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income (HUF million, except per share amounts)	1-12 months 2019 (unaudited)	1-12 months 2020 (unaudited)	Change	Change (%)
Revenues				
Voice retail	129,272	123,292	(5,980)	(4.6%)
Voice wholesale	10,122	11,966	1,844	18.2%
Data	91,935	101,840	9,905	10.8%
SMS	20,257	20,690	433	2.1%
Equipment	90,028	96,478	6,450	7.2%
Other mobile revenues	12,748	10,323	(2,425)	(19.0%)
Mobile revenues	354,362	364,589	10,227	2.9%
Voice retail	41,014	39,553	(1,461)	(3.6%)
Broadband retail	55,449	60,968	5,519	10.0%
TV	48,857	52,355	3,498	7.2%
Equipment	22,149	22,356	207	0.9%
Data retail	8,863	8,782	(81)	(0.9%)
Wholesale (voice, broadband, data)	18,735	19,355	620	3.3%
Other fixed line revenues	17,592	15,635	(1,957)	(11.1%)
Fixed line revenues	212,659	219,004	6,345	3.0%
System Integration/Information Technology revenues	99,632	89,455	(10,177)	(10.2%)
Total revenues	666,653	673,048	6,395	1.0%
Direct costs				
Interconnect costs	(20,746)	(22,079)	(1,333)	(6.4%)
SI/IT service related costs	(72,079)	(63,314)	8,765	12.2%
Bad debt expense	(9,054)	(9,717)	(663)	(7.3%)
Telecom tax	(24,788)	(27,614)	(2,826)	(11.4%)
Other direct costs	(165,745)	(174,764)	(9,019)	(5.4%)
Direct costs	(292,412)	(297,488)	(5,076)	(1.7%)
Gross profit	374,241	375,560	1,319	0.4%
Employee related expenses	(80,192)	(79,004)	1,188	1.5%
Utility tax	(7,218)	(7,215)	3	0.0%
Other operating expenses	(73,823)	(69,301)	4,522	6.1%
Other operating income	7,554	5,842	(1,712)	(22.7%)
EBITDA	220,562	225,882	5,320	2.4%
Depreciation and amortization	(137,382)	(141,058)	(3,676)	(2.7%)
Operating profit	83,180	84,824	1,644	2.0%
Net financial result	(24,125)	(23,846)	279	1.2%
Share of associates' and joint ventures' results	90	(66)	(156)	n.m.
Profit before income tax	59,145	60,912	1,767	3.0%
Income tax	(14,633)	(14,595)	38	0.3%
Profit for the period	44,512	46,317	1,805	4.1%
Change in exchange differences on translating foreign operations	2,293	8,947	6,654	290.2%
Revaluation of FVOCI financial assets	137	50	(87)	(63.5%)
Other comprehensive income for the period	2,430	8,997	6,567	270.2%
Total comprehensive income for the period	46,942	55,314	8,372	17.8%
Profit attributable to:				
Owners of the parent	41,157	42,364	1,207	2.9%
Non-controlling interests	3,355	3,953	598	17.8%
	44,512	46,317	1,805	4.1%
Total comprehensive income attributable to:				
Owners of the parent	42,554	47,769	5,215	12.3%
Non-controlling interests	4,388	7,545	3,157	71.9%
	46,942	55,314	8,372	17.8%
Basic / diluted earnings per share (HUF)	39.81	41.25	1.44	3.6%

3.4. Consolidated Statements of Financial Position
MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2019 (unaudited)	Dec 31, 2020 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	13,398	14,689	1,291	9.6%
Trade receivables	170,503	158,857	(11,646)	(6.8%)
Other assets	6,437	6,022	(415)	(6.4%)
Other current financial assets	8,996	42,487	33,491	372.3%
Contract assets	16,306	16,878	572	3.5%
Current income tax receivable	434	473	39	9.0%
Inventories	19,833	18,395	(1,438)	(7.3%)
	235,907	257,801	21,894	9.3%
Assets held for sale	659	489	(170)	(25.8%)
Total current assets	236,566	258,290	21,724	9.2%
Non-current assets				
Property, plant and equipment	426,826	432,436	5,610	1.3%
Right-of-use assets	106,682	121,335	14,653	13.7%
Intangible assets	212,714	285,680	72,966	34.3%
Goodwill	213,107	213,137	30	0.0%
Investments in associates and joint ventures	1,078	0	(1,078)	(100.0%)
Deferred tax assets	103	118	15	14.6%
Trade receivables over one year	17,448	18,566	1,118	6.4%
Other non-current financial assets	5,593	10,614	5,021	89.8%
Contract assets	3,800	3,923	123	3.2%
Other non-current assets	4,953	5,795	842	17.0%
Total non-current assets	992,304	1,091,604	99,300	10.0%
Total assets	1,228,870	1,349,894	121,024	9.8%
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	80,493	98,350	17,857	22.2%
Lease liabilities	17,355	20,712	3,357	19.3%
Trade payables	155,048	148,326	(6,722)	(4.3%)
Other financial liabilities	8,633	12,204	3,571	41.4%
Current income tax payable	844	432	(412)	(48.8%)
Provisions	4,755	3,603	(1,152)	(24.2%)
Contract liabilities	11,167	10,998	(169)	(1.5%)
Other current liabilities	23,283	22,198	(1,085)	(4.7%)
Total current liabilities	301,578	316,823	15,245	5.1%
Non-current liabilities				
Financial liabilities to related parties	129,823	89,456	(40,367)	(31.1%)
Lease liabilities	94,642	111,820	17,178	18.2%
Bonds	0	67,904	67,904	n.a.
Other financial liabilities	40,805	74,163	33,358	81.7%
Deferred tax liabilities	19,030	18,621	(409)	(2.1%)
Provisions	10,446	10,109	(337)	(3.2%)
Contract liabilities	383	361	(22)	(5.7%)
Other non-current liabilities	9	2,910	2,901	n.m.
Total non-current liabilities	295,138	375,344	80,206	27.2%
Total liabilities	596,716	692,167	95,451	16.0%
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,379	27,379	0	0.0%
Treasury stock	(3,991)	(9,209)	(5,218)	(130.7%)
Retained earnings	444,278	465,787	21,509	4.8%
Accumulated other comprehensive income	25,047	30,452	5,405	21.6%
Total equity of the owners of the parent	596,988	618,684	21,696	3.6%
Non-controlling interests	35,166	39,043	3,877	11.0%
Total equity	632,154	657,727	25,573	4.0%
Total liabilities and equity	1,228,870	1,349,894	121,024	9.8%

3.5. Consolidated Statements of Cash Flows
MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1–12 months 2019 (unaudited)	1–12 months 2020 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	44,512	46,317	1,805	4.1%
Depreciation and amortization	137,382	141,058	3,676	2.7%
Income tax expense	14,633	14,595	(38)	(0.3%)
Net financial result	24,125	23,846	(279)	(1.2%)
Share of associates' and joint ventures' result	(90)	66	156	n.m.
Change in assets carried as working capital	(392)	10,535	10,927	n.m.
Change in provisions	150	(536)	(686)	n.m.
Change in liabilities carried as working capital	(20,107)	(13,627)	6,480	32.2%
Income tax paid	(12,560)	(12,700)	(140)	(1.1%)
Dividend received	442	52	(390)	(88.2%)
Interest and other financial charges paid	(22,931)	(19,913)	3,018	13.2%
Interest received	353	283	(70)	(19.8%)
Other non-cash items	(3,149)	(4,021)	(872)	(27.7%)
Net cash generated from operating activities	162,368	185,955	23,587	14.5%
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(112,520)	(234,561)	(122,041)	(108.5%)
Adjustments to cash purchases	14,863	81,448	66,585	448.0%
Purchase of subsidiaries and business units	(1,447)	(567)	880	60.8%
Cash acquired through business combinations	0	0	0	n.a.
Payments for / Proceeds from other financial assets - net	4,816	(2,533)	(7,349)	n.m.
Proceeds from disposal of subsidiaries and business units	0	268	268	n.a.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of PPE and intangible assets	9,352	7,843	(1,509)	(16.1%)
Net cash used in investing activities	(84,936)	(148,102)	(63,166)	(74.4%)
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interest	(29,725)	(24,516)	5,209	17.5%
Proceeds from / Repayment of loans and other borrowings - net	(23,151)	(53,589)	(30,438)	(131.5%)
Repayment of lease and other financial liabilities	(18,560)	(25,114)	(6,554)	(35.3%)
Proceeds from bonds	0	70,834	70,834	n.a.
Repurchase of treasury shares	0	(5,218)	(5,218)	n.a.
Net cash used in financing activities	(71,436)	(37,603)	33,833	47.4%
Exchange differences on cash and cash equivalents	198	1,041	843	425.8%
Change in cash and cash equivalents	6,194	1,291	(4,903)	(79.2%)
Cash and cash equivalents, beginning of period	7,204	13,398	6,194	86.0%
Cash and cash equivalents, end of period	13,398	14,689	1,291	9.6%
Change in cash and cash equivalents	6,194	1,291	(4,903)	(79.2%)

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

In HUF millions	Opening Balance at January 1, 2020	Changes in cash and cash equivalents	Changes affecting cash flows from operating activities	Changes in financial liabilities without cash movement	Changes affecting cash flows from investing activities	Changes affecting cash flows from financing activities				Closing Balance at December 31, 2020
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Proceeds from bonds and other financial liability	Repayment of other financial liability	
Related party loans	208,426		(8,284)	25,035		232,332	(269,716)			187,793
Derivatives from related parties	1,890			850	(2,727)					13
Spectrum fee payable	42,744		(3,235)	40,629				(4,054)		76,084
Bonds			(5,407)	(2,930)		70,834				67,904
Finance lease liabilities	111,997		(15)	43,988				(18,046)		132,532
Debtors overpayment	1,324			8	(120)					1,309
Contingent consideration	539		389	5,209	1,132			(3,014)		427
Other financial liabilities	4,831									8,547
- Less cash and cash equivalent	(13,398)	(1,291)								(14,689)
- Less other current financial assets	(8,996)		1,298	(20,489)	1,905	(16,205)				(42,487)
Net debt	349,357	(1,291)	(15,254)	92,300	190	216,127	(269,716)	70,834	(25,114)	417,433
Treasury share purchase									(5,218)	
Dividends paid to Owners of the parent and Non-controlling interest									(24,516)	
Net Cash used in financing activities									(37,603)	

3.7. Consolidated Statements of Changes in Equity

	in HUF millions										
	Shares of common stock	Common stock	Capital reserves		Treasury stock	Retained earnings	Accumulated Other		Equity of the owners of the parent	Non-controlling interests	Total Equity
			Additional paid in capital	Reserve for equity settled share-based transactions			Cumulative translation adjustment	Revaluation reserve for FVOCI financial assets – net of tax			
Balance at January 1, 2019	1,042,742,543	104,275	27,379	(116)	(3,991)	429,294	23,547	103	580,491	34,441	614,932
Adoption of new standards (IFRS16)											
Revised balance at January 1, 2019	1,042,742,543	104,275	27,379	(116)	(3,991)	429,306	23,547	103	580,503	34,441	614,944
Dividend						(26,069)			(26,069)	(3,663)	(3,663)
Dividend declared to Non-controlling interests											
Treasury share repurchase											
Transaction with owners in their capacity as owners						(26,069)			(26,069)	(3,663)	(29,732)
Total comprehensive income						41,157	1,316	81	42,554	4,388	46,942
Transfers between paid-in and generated shareholders' equity				116		(116)					
Balance at December 31, 2019	1,042,742,543	104,275	27,379	0	(3,991)	444,278	24,863	184	596,988	35,166	632,154
Dividend						(20,855)			(20,855)	(3,668)	(20,855)
Dividend declared to Non-controlling interests											
Treasury share repurchase											
Transaction with owners in their capacity as owners					(5,218)	(20,855)			(26,073)	(3,668)	(29,741)
Total comprehensive income						42,364	5,379	26	47,769	7,545	55,314
Transfers between paid-in and generated shareholders' equity											
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

3.8. Exchange rate information

Exchange rate	Q4 2019	Q4 2020	Change (%)	1-12 months 2019	1-12 months 2020	Change (%)
HUF/EUR beginning of period	334.65	364.65	9.0%	321.51	330.52	2.8%
HUF/EUR period-end	330.52	365.13	10.5%	330.52	365.13	10.5%
HUF/EUR cumulative monthly average	332.37	364.24	9.6%	325.65	352.72	8.3%
HUF/MKD beginning of period	5.44	5.91	8.6%	5.23	5.38	2.9%
HUF/MKD period-end	5.38	5.92	10.0%	5.38	5.92	10.0%
HUF/MKD cumulative monthly average	5.40	5.90	9.3%	5.29	5.72	8.1%

3.9. Segment information

HUF millions	Q4 2019	Q4 2020	1-12 months 2019	1-12 months 2020
Total MT-Hungary revenues	166,698	170,200	609,079	609,292
Less: MT-Hungary revenues from other segments	(30)	(43)	(118)	(135)
Telekom Hungary revenues from external customers	166,668	170,157	608,961	609,157
Total North Macedonia revenues	15,683	18,654	57,773	63,789
Less: North Macedonia revenues from other segments	(20)	(17)	(68)	(71)
North Macedonia revenues from external customers	15,663	18,637	57,705	63,718
Total consolidated revenue of the segments	182,331	188,794	666,666	672,875
Measurement/rounding differences to Group revenue	(13)	81	(13)	173
Total revenue of the Group	182,318	188,875	666,653	673,048
Segment results (EBITDA)				
MT-Hungary	52,787	56,304	197,178	200,260
North Macedonia	4,847	6,278	23,747	25,589
Total EBITDA of the segments	57,634	62,582	220,925	225,849
Measurement/rounding differences to Group EBITDA	(1)	35	(363)	33
Total EBITDA of the Group	57,633	62,617	220,562	225,882

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

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

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

Financial liabilities - carrying amounts and FV

December 31, 2020 In HUF millions	FINANCIAL LIABILITIES			Total	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	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

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

3.11. EBITDA reconciliation and Capex after lease

Description	Q4 2019 MT Group	Q4 2019 MT-Hungary	Q4 2019 North Macedonia	Q4 2020 MT Group	Q4 2020 MT-Hungary	Q4 2020 North Macedonia
(HUF million)						
EBITDA	57,633	52,787	4,847	62,617	56,304	6,278
IFRS 16 related D&A	(4,770)	(4,592)	(178)	(4,571)	(4,419)	(152)
IFRS 16 related Interest	(1,332)	(1,305)	(27)	(1,410)	(1,379)	(31)
EBITDA after lease	51,531	46,890	4,642	56,636	50,506	6,095
Capex after lease*	32,435	27,377	5,058	31,060	28,186	2,874

* Excluding Capex of Right-of-use assets recognized in accordance with the IFRS 16

Description	1-12 months 2019 MT Group	1-12 months 2019 MT-Hungary	1-12 months North Macedonia	1-12 months 2020 MT Group	1-12 months 2020 MT-Hungary	1-12 months 2020 North Macedonia
(HUF million)						
EBITDA	220,562	197,178	23,747	225,882	200,260	25,589
IFRS 16 related D&A	(17,415)	(16,714)	(701)	(17,850)	(17,179)	(671)
IFRS 16 related Interest	(5,557)	(5,452)	(105)	(5,407)	(5,287)	(120)
EBITDA after lease	197,590	175,012	22,941	202,625	177,794	24,798
Capex after lease*	89,637	78,386	11,249	197,631	185,307	12,324

* Excluding Capex of Right-of-use assets recognized in accordance with the IFRS 16




4. DECLARATION

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

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



Tibor Rékasi
Chief Executive Officer, member of the Board



Daria Aleksandroyna Dodonova
Chief Financial Officer, member of the Board

Budapest, February 25, 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, 2019, available on our website at <http://www.telekom.hu> which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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