

MAGYAR TELEKOM

HALF-YEAR REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED JUNE 30, 2023**



Budapest – August 9, 2023 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB, hereinafter: Company), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the second quarter and first half of 2023, 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.

TABLE OF CONTENTS

1.	HIGHLIGHTS	3
2.	MANAGEMENT REPORT	5
2.1.	Consolidated IFRS Group Results	5
2.1.1	Group Profit and Loss	5
2.1.2	Group Cash Flows.....	7
2.1.3	Consolidated Statements of Financial Position	9
2.1.4	Related party transactions	9
2.1.5	Contingencies and commitments.....	10
2.1.6	Significant events.....	10
2.2.	Segment reports.....	10
2.2.1	MT-Hungary	11
2.2.2	North Macedonia.....	12
3.	APPENDIX	14
3.1.	Basis of preparation	14
3.2.	Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income – quarterly year-on-year comparison.....	15
3.3.	Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income – year-to-date comparison.....	16
3.4.	Revenue breakdown – quarterly year-on-year comparison	17
3.5.	Revenue breakdown – year-to-date comparison	17
3.6.	Operating expenses breakdown – quarterly year-on-year comparison	18
3.7.	Operating expenses breakdown – year-to-date comparison.....	18
3.8.	Interim Consolidated Statement of Financial Position - Assets.....	19
3.9.	Interim Consolidated Statement of Financial Position – Liabilities and Equity	20
3.10.	Interim Consolidated Statement of Cash Flows.....	21
3.11.	Net debt reconciliation to changes in Statement of Cash Flows.....	22
3.12.	Interim Consolidated Statement of Changes in Equity	23
3.13.	Exchange rate information	24
3.14.	Segment information.....	24
3.15.	Fair value of financial instruments – financial assets.....	25
3.16.	Fair value of financial instruments – financial liabilities.....	25
3.17.	EBITDA reconciliation	26
3.18.	Adjusted profit attributable to owners of the parent reconciliation	26
3.19.	Capex from Interim Consolidated Statement of Cash Flows	26
3.20.	Capex from Interim Consolidated Statement of Financial Position	27
4.	DECLARATION	28



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1. HIGHLIGHTS

(HUF millions, except ratios)	Q2 2022	Q2 2023	Change (%)	1-6 months 2022	1-6 months 2023	Change (%)
Revenue	182,496	208,090	14.0%	356,551	403,960	13.3%
Operating profit	22,686	41,025	80.8%	49,463	65,472	32.4%
Profit attributable to:						
Owners of the parent	10,570	22,258	110.6%	29,023	32,777	12.9%
Non-controlling interests	1,158	1,417	22.4%	2,047	2,673	30.6%
	11,728	23,675	101.9%	31,070	35,450	14.1%
Adjusted profit attributable to owners of the parent	10,112	25,658	153.7%	25,724	37,789	46.9%
Gross profit	105,491	125,232	18.7%	206,389	239,319	16.0%
EBITDA	57,905	75,921	31.1%	120,051	133,950	11.6%
EBITDA AL	51,395	68,603	33.5%	107,210	119,424	11.4%
Free cash flow				(11,851)	6,971	n.m.
Free cash flow excl. spectrum licenses				32,429	7,284	(77.5%)
Capex after lease	29,559	26,035	(11.9%)	52,560	49,557	(5.7%)
Capex after lease excl. spectrum licenses	29,559	25,449	(13.9%)	52,560	48,971	(6.8%)
Number of employees (closing full equivalent)				6,730	6,644	(1.3%)
				Dec 31, 2022	June 30, 2023	Change (%)
Net debt				476,918	513,247	7.6%
Net debt / EBITDA				1.92	1.96	n.a.

- Group revenue increased by 14.0% year-on-year in Q2 2023, owing to continued strong demand for mobile data and fixed broadband services coupled with the positive effects of inflation-based fee adjustments implemented in Hungary.
- Gross profit improved in line with revenue trends, growing 18.7% year-on-year in Q2 2023.
- Indirect costs grew by 3.6% year-on-year in Q2 2023, owing to the different timing of the supplementary telecommunication tax which offset other increases. Meanwhile, indirect costs increased 22.0% year-on-year in H1 2023, driven by a four-fold increase in electricity costs, an average 7% rise in Hungarian wage expenses, and inflationary pressure impacting other cost items.
- Consequently, EBITDA AL increased by 33.5% year-on-year in Q2 2023, and by 11.4% year-on-year in the first half of 2023, with the improvement in gross profit offsetting the rise in indirect costs.
- Net income in Q2 2023 amounted to HUF 22.3 billion, and reached HUF 32.8 billion in H1 2023, reflecting EBITDA growth which was partly offset by a deteriorating net financial result.
- Adjusted net income was HUF 25.7 billion in Q2 2023 and amounted to HUF 37.8 billion in H1 2023, representing a HUF 12.1 billion increase year-on-year, in line with improvements in underlying profitability.
- Capex after leases excluding spectrum licenses was down 6.8% year-on-year, amounting to HUF 49.0 billion in H1 2023, as higher spending associated with new fiber connections in Hungary was offset by lower network-related investments in both countries.
- Capex related to spectrum licenses amounted to HUF 0.6 billion, following the successful acquisition in May 2023 of 2*168 MHz frequency licenses in the 32 GHz frequency band to provide microwave connections. The licenses are valid for 15 years and include an option to extend for a further 5 years provided respective conditions are fulfilled. Spectrum fee amounted to HUF 0.3 billion and the present value of future annual band fees to HUF 0.3 billion.



- Free cash flow, excluding spectrum license fees, amounted to HUF 7.3 billion in H1 2023, down by HUF 25.1 billion year-on-year. This decrease is the result of a variance in timing of the supplementary telecommunication tax payment. In 2022, this tax was payable in November, whereas in 2023 a payment (including 2022 tax settlement and 2023 advance payment) of HUF 26.4 billion was due in May.

Tibor Rékasi, Magyar Telekom CEO, commented:

“Throughout the second quarter of 2023, we continued to navigate an uncertain economic environment while remaining focused on our primary goal of being the ‘number one choice for customers’ by offering seamless connectivity and an outstanding user experience. Our dedication has paid off, and by the end of the second quarter, we successfully reached 1.3 million customers with gigabit connections. Additionally, we met more than 25% higher average mobile data usage compared to the base period. To maintain the highest standard of service and meet our customers’ growing data needs, we continued to progress our multi-year mobile network modernization program and as a next step, we expanded the reach of our 5G service and have already achieved 60% coverage. The success of our efforts to improve customer service are evident as despite facing cost pressures stemming primarily from the current macro environment, our EBITDA AL grew by 11.4% year-on-year in the first half of 2023. Looking to the second half of the year, we remain committed to maintaining our solid market positions and operational momentum, allowing us to meet our public targets for Revenue, EBITDA AL and FCF whilst with regards to adjusted net income, we now target to reach a double-digit growth.”

Public targets

	2022 Actual	Public guidance for 2023	Outlook for 2024
Revenue	HUF 746.7 billion	5%-10% growth	mid-single digit growth
EBITDA AL	HUF 221.5 billion	5%-10% growth	solid growth ²
Adjusted net income	HUF 63.0 billion	double-digit growth ³	dynamic growth
FCF¹	HUF 50.9 billion	ca. HUF 60 billion	dynamic growth

¹ Excluding spectrum licenses

² Modified on June 1, 2023 due to extension of supplementary telecom.tax to 2024

³ Modified from 'moderate growth'



2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

(HUF millions)	Q2 2022	Q2 2023	Change	Change (%)	1-6 months 2022	1-6 months 2023	Change	Change (%)
Mobile revenue	105,345	121,328	15,983	15.2%	206,901	233,634	26,733	12.9%
Fixed line revenue	58,450	67,101	8,651	14.8%	115,334	130,185	14,851	12.9%
SI/IT revenue	18,701	19,661	960	5.1%	34,316	40,141	5,825	17.0%
Revenue	182,496	208,090	25,594	14.0%	356,551	403,960	47,409	13.3%
Direct costs	(77,005)	(82,858)	(5,853)	(7.6%)	(150,162)	(164,641)	(14,479)	(9.6%)
Gross profit	105,491	125,232	19,741	18.7%	206,389	239,319	32,930	16.0%
Indirect costs	(47,586)	(49,311)	(1,725)	(3.6%)	(86,338)	(105,369)	(19,031)	(22.0%)
EBITDA	57,905	75,921	18,016	31.1%	120,051	133,950	13,899	11.6%
Depreciation and amortization	(35,219)	(34,896)	323	0.9%	(70,588)	(68,478)	2,110	3.0%
Operating profit	22,686	41,025	18,339	80.8%	49,463	65,472	16,009	32.4%
Net financial result	(6,513)	(11,992)	(5,479)	(84.1%)	(9,484)	(20,647)	(11,163)	(117.7%)
Share of associates' and joint ventures' results	-	-	-	-	26	-	(26)	(100.0%)
Profit before income tax	16,173	29,033	12,860	79.5%	40,005	44,825	4,820	12.0%
Income tax	(4,445)	(5,358)	(913)	(20.5%)	(8,935)	(9,375)	(440)	(4.9%)
Profit for the period	11,728	23,675	11,947	101.9%	31,070	35,450	4,380	14.1%
Profit attributable to non-controlling interests	1,158	1,417	259	22.4%	2,047	2,673	626	30.6%
Profit attributable to owners of the parent	10,570	22,258	11,688	110.6%	29,023	32,777	3,754	12.9%

Total revenue increased by 14.0% year-on-year to HUF 208.1 billion in Q2 2023. This improvement was primarily driven by strong growth in mobile data and fixed broadband revenue reflecting the underlying business growth as well as the positive impact of the inflation-based fee adjustment implemented to the Hungarian subscription fees from March 1, 2023. Total revenue in the first half of 2023 increased by 13.3% year-on-year, driven by the same factors and year-on-year higher System Integration and IT revenue during the first months of 2023.

- **Mobile revenue rose by 15.2% year-on-year to HUF 121.3 billion in Q2 2023**, driven by the continued growth in mobile data revenue coupled with increasing voice-retail revenue.
 - **Voice retail** revenue increased by 11.8% year-on-year to HUF 32.1 billion in Q2 2023 reflecting the positive impact of further customer base expansion in both countries and the Hungarian fee adjustment which offset reductions stemming from lower usage levels.
 - **Voice wholesale** revenue decreased by 2.2% year-on-year to HUF 2.9 billion in Q2 2023, primarily driven by lower related revenue at the Hungarian operation due to further decline in the incoming traffic volumes.
 - **Data** revenue rose by 28.6% year-on-year to HUF 46.0 billion in Q2 2023, as the continued growth in subscriber numbers and usage levels in both Hungary and North Macedonia were further amplified by the Hungarian fee adjustment impacts.
 - **SMS** revenue was higher by 12.8% year-on-year, amounting to HUF 6.8 billion in Q2 2023, primarily reflecting the effect of the inflation-based fee adjustment.
 - **Mobile equipment** revenue was stable year-on-year, amounting to HUF 28.5 billion in Q2 2023 as the combined results of higher average device prices in both operations counterbalanced by lower sales volume and the rise in the installment sales related present value discount in Hungary.
 - **Other mobile** revenue rose by HUF 1.7 billion to HUF 5.0 billion in Q2 2023, driven by higher visitor revenue in both countries and the increased interest revenue component in relation to the equipment installment sales related present value discount.



- **Fixed line revenue increased by 14.8% year-on-year, to HUF 67.1 billion in Q2 2023**, thanks primarily to increases in fixed broadband and TV revenue driven by the customer base expansions as well as the favorable impact of the introduction of inflation-based fee adjustment to the Hungarian subscription fees.
 - **Voice retail** revenue rose by 3.1% year-on-year to HUF 9.0 billion in Q2 2023, as the decline in the Hungarian customer base and usage level was offset by the fee adjustment effects.
 - **Broadband retail** revenue increased by 28.7% year-on-year to HUF 23.1 billion in Q2 2023, driven by the positive impact of continued customer base expansion coupled with the further increases in the ARPU levels at both operations.
 - **TV** revenue was up by 16.6% year-on-year to HUF 18.2 billion in Q2 2023, as the further expansion of the Hungarian IPTV subscriber base coupled with the fee adjustment offset the lower North Macedonian revenue.
 - **Fixed equipment** revenue was higher by 6.2% year-on-year, amount to HUF 3.8 billion in Q2 2023, reflecting the higher average equipment prices.
 - **Data retail** revenue was up by 5.3% year-on-year, amounting to HUF 3.5 billion in Q2 2023, thanks to higher contribution from leased line fixed internet services.
 - **Wholesale** revenue was moderately lower year-on-year, amounting to HUF 5.1 billion in Q2 2023, as the decline in Hungarian wholesale IP and data revenue outweighed the increases in international transit and TV-content re-sale revenue at the North Macedonian operation.
 - **Other fixed** line revenue rose by 7.9% year-on-year to HUF 4.3 billion in Q2 2023, reflecting higher interest in relation to the equipment installment sales related present value discount.
- **System Integration and IT ('SI/IT') revenue increased by 5.1% to HUF 19.7 billion in Q2 2023**, as higher revenue at the Hungarian operation thanks to increased revenue from high value projects offset the absence of major customized solution project revenue at the North Macedonian operation.

Direct costs were up by 7.6% year-on-year at HUF 82.9 billion in Q2 2023, driven by higher SI/IT service related and other direct costs.

- **Interconnect costs** declined by 1.7% year-on-year to HUF 5.7 billion in Q2 2023, reflecting lower payments at the Hungarian operation to domestic mobile operators in line with the lower outgoing traffic volumes.
- **SI/IT service-related costs** rose by 10.5% year-on-year to HUF 14.8 billion in Q2 2023, as a result of the increase in revenue and the higher weight of lower margin projects in the quarter.
- **Impairment losses and gains on financial assets and contract assets (bad debt expenses)** was higher by 20.5% year-on-year, amounting to HUF 2.4 billion in Q2 2023 in line with higher revenue base and also reflecting less favorable aging structure of the customer receivables at the Hungarian operation.
- **Telecom tax** was lower by 2.2% year-on-year, amounting to HUF 6.4 billion in Q2 2023, primarily reflecting lower mobile voice usage of the business customer base.
- **Other direct costs** were up by 8.7% year-on-year to HUF 53.6 billion in Q2 2023, driven by higher equipment costs, TV content fees and increase in roaming outpayments.

Gross profit improved by 18.7% year-on-year to HUF 125.2 billion in Q2 2023, thanks to a higher contribution from telecommunication services.

Indirect costs rose by 3.6% year-on-year, to HUF 49.3 billion in Q2 2023, as a combined result of the different timing of the booking of the supplementary telecommunication tax and higher other expenses.

- **Employee-related expenses** increased by 7.9% year-on-year, amounting to HUF 20.3 billion in Q2 2023, reflecting primarily the wage increase in effect from January 1, 2023 at the Hungarian operation.
- **Utility tax** income of HUF 0.2 billion was recorded in Q2 2023, attributable to a correction item resulting from the analysis of the differences in earlier records.
- **Supplementary telecommunication tax** was booked in the amount of HUF 7.5 billion in Q2 2023, reflecting the expected revenue increase. As the tax was imposed by the Government of Hungary with its decree issued on June 4, 2022 a HUF 12.4 billion expense was booked in Q2 2022, in relation to the first six months of 2022 supplementary tax charge.
- **Other operating expenses** (excluding the utility tax and the supplementary telecommunication tax) rose by 33.1% year-on-year to HUF 22.5 billion in Q2 2023, reflecting higher energy costs at the Hungarian operation, particularly electricity, coupled with inflation-driven further cost pressures.
- **Other operating income** was HUF 0.9 billion in Q2 2023, in line with earlier trends.



EBITDA increased by 31.1% year-on-year to HUF 75.9 billion in Q2 2023 driven by the improvement in gross profit that offset the higher indirect costs, whereas the supplementary telecommunication tax for the first half of 2022 was all booked in Q2 2022. **EBITDA in the first half of 2023 increased by 11.6% year-on-year to HUF 134.0 billion.**

EBITDA AL was up by 33.5% year-on-year to HUF 68.6 billion in Q2 2023 and increased by 11.4% year-on-year in the first half of 2023, as the aforementioned drivers were coupled with also higher IFRS 16 lease liability related depreciation and interest expenses, in line with the increasing volume of the related lease liabilities.

Depreciation and amortization ('D&A') expenses were broadly stable year-on-year, amounting to HUF 34.9 billion in Q2 2023, as increases in IFRS 16 lease liability related depreciation expenses were offset by lower software related depreciation expenses in Hungary thanks to the optimization of the IT infrastructure and the absence of one-off increases related to shortened useful life and accelerated depreciation in relation to RAN modernization in Q2 2022 in North Macedonia.

Profit for the period rose by 101.9% or HUF 11.9 billion year-on-year to HUF 23.7 billion in Q2 2023 and was up by 14.1% year-on-year at HUF 35.5 billion in the first half year of 2023. Improvement was driven by the higher EBITDA and lower D&A that offset increases in financial expenses.

- **Net financial result** deteriorated from a loss of HUF 6.5 billion in Q2 2022 to a loss of HUF 12.0 billion in Q2 2023. Interest expense increased driven by higher interest related to lease liabilities, installment sales and higher average interest costs. The unfavorable change in other finance expense primarily reflects less favorable results related to derivatives attributable to the different shifts in the relevant yield curves and different euro-forint currency movement resulting in a year-on-year deterioration.
- **Income tax expenses** were up by 20.5% year-on-year at HUF 5.4 billion in Q2 2023, reflecting the year-on-year higher profit levels.

Profit attributable to non-controlling interests increased by 22.4% year-on-year to HUF 1.4 billion in Q2 2023, reflecting primarily the improvement in EBITDA at the North Macedonian subsidiary.

Adjusted net income (profit attributable owners of the parent) was HUF 25.7 billion in Q2 2023 and amounted to HUF 37.8 billion in H1 2023, representing a HUF 12.1 billion increase year-on-year, in line with improvements in underlying profitability. **Adjustments to reported net income of HUF 5.0 billion in H1 2023** are driven by unrealized losses related to measurement of derivatives at fair value partly offset by unrealized FX gains.

2.1.2 Group Cash Flows

HUF millions	1-6 months 2022	1-6 months 2023	Change
Net cash generated from operating activities	93,264	81,234	(12,030)
Net cash used in investing activities	(49,412)	(71,451)	(22,039)
Less: (Payments for) / Proceeds from other financial assets	1,270	13,889	12,619
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(48,142)	(57,562)	(9,420)
Repayment of lease and other financial liabilities	(56,973)	(16,701)	40,272
Free cash flow	(11,851)	6,971	18,822
(Payments for) / Proceeds from other financial assets - net	(1,270)	(13,889)	(12,619)
Proceeds from / (Repayment of) loans and other borrowings - net	42,319	50,767	8,448
Dividends paid to Owners of the parent and Non-controlling interests	(14,541)	(29,584)	(15,043)
Treasury share purchase	(14,609)	(14,609)	-
Exchange differences on cash and cash equivalents	736	(594)	(1,330)
Change in cash and cash equivalents	784	(938)	(1,722)

Free cash flow (FCF) amounted to HUF 7.0 billion cash inflow in H1 2023 (H1 2022: HUF 11.9 billion cash outflow) mainly due to the reasons described below.

Operating cash flow



Net cash generated from operating activities deteriorated to a cash inflow of HUF 81.2 billion in H1 2023, compared to cash inflow of HUF 93.3 billion in H1 2022, attributable to the reasons outlined as follows:

- HUF 13.9 billion **positive impact due to higher EBITDA** in H1 2023
- HUF 8.7 billion **negative change in active working capital**, mainly as a result of:
 - unfavorable change in receivables from taxes not related to income taxes (negative impact: ca HUF 10.4 billion) mainly due to the supplementary telecommunication tax advance payment for 2023 in the amount of HUF 24.4 billion, which is partially offset by the HUF 14.7 billion liability for H1 2023.
 - unfavorable change in the balance of telecommunication customer related trade receivables in Hungary (negative impact: ca. HUF 10.0 billion) driven by overall higher sales volume, some deterioration in the ageing of receivables, and the impact of the inflation-based fee adjustment, implemented in March 2023,
 - unfavorable change in handset inventory balances (negative impact: ca. HUF 2.3 billion) mainly due to different within-year procurement dynamics,
 - different project seasonality led to favorable changes in SI/IT inventory balances in Hungary (positive impact: ca. HUF 1.5 billion),
 - improvement in prepaid expenses in H1 2023 compared to a deterioration in H1 2022 (positive impact: ca. 2.5 billion) due to change of different services related payments,
 - favorable change in the trade balances in North Macedonia (positive impact: ca. HUF 7.2 billion) due to FX rate change impact,
 - different project seasonality led to favorable changes in contract assets aggregate balances in H1 2023 versus H1 2022 (positive impact: ca. HUF 1.9 billion),
- HUF 23.4 billion **negative change in passive working capital**, primarily driven by
 - higher increase in handset suppliers (positive impact: ca. HUF 1.9 billion) in line with higher inventories,
 - unfavorable change in balance of taxes not related to income taxes (negative impact: ca HUF 15.0 billion) mainly due to change of HUF 14.4 billion supplementary telecommunication tax liability due to the tax payment for 2022,
 - unfavorable change of liabilities to employees (negative impact: ca. HUF 1.8 billion),
 - unfavorable change in the balances of invoiced and non-invoiced trade creditors in Hungary and in North Macedonia in H1 2023 compared to H1 2022 (negative impact: ca. HUF 6.9 billion) due to different outpayment timing,
 - different project seasonality led to unfavorable changes in contract liabilities aggregate balances in H1 2023 versus H1 2022 (negative impact: ca. HUF 1.6 billion).
- HUF 4.0 billion **negative change in interest and other financial charges paid** in H1 2023 compared to H1 2022, mainly reflecting the higher interest payment related to the loan portfolio due to change of interest rates, higher leased liability related interest and higher bank charges.
- HUF 1.1 billion **positive change in interest received** in H1 2023 compared to H1 2022 due to changing market environment.
- HUF 7.2 billion **positive change in other non-cash items**, mainly due to the booking of one-off gain on sale of Pan-Inform LLC during H1 2022 supplemented with more significant foreign exchange rate movements leading to FX gains during H1 2023 versus losses in H1 2022.

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 57.6 billion H1 2023, compared to HUF 48.1 billion in H1 2022, with the higher cash outflow driven mainly by the following:

- HUF 3.6 billion **negative change in payments for PPE and intangible assets** partially driven by HUF 0.3 billion 32 GHz spectrum licenses outpayment and higher payments to Capex creditors due to different seasonality.
- HUF 5.5 billion **negative effect in proceeds from disposal of subsidiaries and business units** reflecting the absence of the income realized on the sale of Pan-Inform LLC during H1 2022.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities improved to HUF 16.7 billion in H1 2023 from HUF 57.0 billion in H1 2022, primarily driven by HUF 43.5 billion outpayment in H1 2022 for the principal part of the frequency usage right acquired in 2021, while there was no outpayment of similar significance in H1 2023. This positive impact was partially offset by the HUF 3.7 billion higher lease capital payments – mainly as a result of the negative impact of higher inflation and increase in BUBOR.

Cash and cash equivalents deteriorated by HUF 1.7 billion in H1 2023 compared to H1 2022. Besides the changes in FCF the deterioration is attributable to the followings:



- **Proceeds from loans and other borrowings** improved by HUF 22.6 billion due to combined effect of the higher drawdown of DT Group loans and the decrease of proceeds from inhouse DT Group funds in H1 2023 compared to H1 2022.
- **Repayments of loans and other borrowings** deteriorated by HUF 14.1 billion due the increase of repayments of DT Group loans and inhouse DT Group funds in H1 2023 compared to H1 2022.
- HUF 15.0 billion higher **dividend** was **paid** in H1 2023 versus H1 2022.
- **Exchange differences on cash and cash equivalents** deteriorated by HUF 1.3 billion due to the MKD/HUF foreign exchange rate movement during 2023.

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, 2022 to June 30, 2023 (see Appendix 3.8 and 3.9) can be observed in the following lines:

- Other assets (current and non-current combined)
- Derivative financial instruments contracted with related parties (current and non-current assets combined)
- Other intangible assets
- Financial liabilities to related parties (current and non-current combined)
- Trade payables
- Common stock

Other assets (current and non-current combined) increased by HUF 7.7 billion from December 31, 2022 to June 30, 2023 mainly driven by a HUF 9.7 billion overpayment of supplementary profit tax, as a result of HUF 24.4 billion supplementary telecommunication tax advance payment for 2023 partly offset by the HUF 14.7 billion supplementary tax liability. In December 31, 2022 the supplementary telecommunication tax liability was HUF 2.1 billion, which was also paid in 2023.

Derivative financial instruments contracted with related parties (current and non-current assets combined) decreased by HUF 11.8 billion from December 31, 2022 to June 30, 2023 mainly as a result of HUF 20.8 billion decrease of the fair value of long term derivative financial instruments contracted with related parties which was partially offset by HUF 9.0 billion increase of the fair value of short term derivative financial instruments contracted with related parties.

Other intangible assets decreased by HUF 12.0 billion from December 31, 2022 to June 30, 2023 reflecting a change of concessions and licenses.

Financial liabilities to related parties (current and non-current combined) increased by HUF 42.0 billion from December 31, 2022 to June 30, 2023 due to the combined result of drawdown of DT Group loans partly offset by FX evaluation effect and the decrease in cash pool liabilities.

Trade payables decreased by HUF 33.5 billion from December 31, 2022 to June 30, 2023, reflecting a decrease in outstanding balances to handset, SI/IT, Capex and OPEX suppliers.

Common stock decreased by HUF 3.4 billion from December 31, 2022 to June 30, 2023 as a result of the cancellation of 34,242,485 pieces of Series "A" dematerialized ordinary shares (treasury shares) owned by the Company, each with the face value of HUF 100.

There has not been any other material change in the items of the Consolidated Statement of Financial Position in the period from December 31, 2022 to June 30, 2023. 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 2023 and the related explanations provided above in section 2.1.2 Group Cash Flows. The changes in Equity are disclosed in the Equity movement table in the section 3.12 Consolidated Statements of Changes in Equity.

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 provision has been recognized for these cases as management estimates that it is unlikely that these claims originating from past events would result in any material economic outflows from the Group, or the amount of the obligation cannot be measured with sufficient reliability. Makedonski Telekom has a contingent liability in the amount of MKD 240.0 million (claimed amount) in respect to 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 16.4 billion as at December 31, 2022. The guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual or tender related obligations.

The Group has been doing its best to deliver on its contractual obligations and expects to continue to do so in the future. Even so disputes may emerge from time to time with our partners and sometimes these can result the drawdown of the guarantees. These utilizations of the bank guarantees are not related and have no significant effect on the solvency of the Group.

Commitments

There has been no material change in the nature and amount of our commitments in 2023.

2.1.6 Significant events

For any significant event that occurred between the end of the quarter (June 30, 2023) 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 Group 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 brand. Residential, Small and Medium sized business as well as business customers (corporate and public sector customers) are now served by the unified Telekom 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

	Q2 2022	Q2 2023	Change	Change (%)	1-6 months 2022	1-6 months 2023	Change	Change (%)
HUF millions								
Voice	27,990	31,253	3,263	11.7%	55,983	59,918	3,935	7.0%
Non-voice	37,553	48,548	10,995	29.3%	73,548	91,897	18,349	24.9%
Equipment	26,001	25,781	(220)	(0.8%)	50,428	50,783	355	0.7%
Other mobile revenue	2,771	4,255	1,484	53.6%	5,593	7,924	2,331	41.7%
Mobile revenue	94,315	109,837	15,522	16.5%	185,552	210,522	24,970	13.5%
Voice retail	7,435	7,739	304	4.1%	15,066	15,275	209	1.4%
Broadband retail	16,589	21,575	4,986	30.1%	32,723	41,032	8,309	25.4%
TV*	14,124	16,864	2,740	19.4%	28,040	32,429	4,389	15.7%
Equipment	3,571	3,806	235	6.6%	7,978	7,600	(378)	(4.7%)
Other*	10,593	10,942	349	3.3%	19,753	21,252	1,499	7.6%
Fixed line revenue	52,312	60,926	8,614	16.5%	103,560	117,588	14,028	13.5%
SI/IT revenue	16,458	19,203	2,745	16.7%	31,530	39,321	7,791	24.7%
Revenue	163,085	189,966	26,881	16.5%	320,642	367,431	46,789	14.6%
Direct costs	(70,157)	(77,683)	(7,526)	(10.7%)	(138,143)	(154,367)	(16,224)	(11.7%)
Gross profit	92,928	112,283	19,355	20.8%	182,499	213,064	30,565	16.7%
Indirect costs	(30,150)	(36,902)	(6,752)	(22.4%)	(64,445)	(80,815)	(16,370)	(25.4%)
Supplementary telecommunication tax	(12,398)	(7,494)	4,904	39.6%	(12,398)	(14,704)	(2,306)	(18.6%)
EBITDA	50,380	67,887	17,507	34.7%	105,656	117,545	11,889	11.3%
EBITDA AL	44,132	60,840	16,708	37.9%	93,330	103,573	10,243	11.0%
Segment Capex AL excl. spectrum licenses	25,534	23,136	(2,398)	(9.4%)	44,482	43,652	(830)	(1.9%)
Spectrum licenses	-	586	586	n.m.	-	586	586	n.m.

* 2022 values are represented as revenue from video-on-demand services is now included in TV revenue instead of fixed other revenue to better reflect operational performance

Operational statistics – access numbers	June 30 2022	June 30 2023	Change (%)
Number of SIM cards	5,810,755	6,089,109	4.8%
Postpaid share in total	63.4%	62.0%	n.a.
Total fixed voice access	1,318,537	1,290,235	(2.1%)
Total retail fixed broadband customers	1,460,777	1,553,205	6.3%
Total TV customers	1,345,245	1,405,235	4.5%

Operational statistics – ARPU (HUF)	Q2 2022	Q2 2023	Change (%)	1-6 months 2022	1-6 months 2023	Change (%)
Blended mobile ARPU	3,785	4,399	16.2%	3,766	4,209	11.8%
Postpaid ARPU	5,406	6,516	20.5%	5,374	6,183	15.1%
Prepaid ARPU	1,265	1,314	3.9%	1,231	1,261	2.4%
M2M ARPU	327	280	(14.3%)	332	286	(14.0%)
Blended fixed voice ARPU	1,874	1,990	6.2%	1,896	1,956	3.2%
Blended fixed broadband ARPU	3,777	4,622	22.4%	3,749	4,424	18.0%
Blended TV ARPU*	3,519	4,015	14.1%	3,512	3,878	10.4%

* 2022 values are represented as revenue from video-on-demand services is now included in TV revenue to better reflect operational performance

Total revenue for the MT-Hungary segment rose by 16.5% year-on-year to HUF 190.0 billion in Q2 2023, driven by continued increase in mobile data, broadband and TV service revenue that was also benefitting from the inflation-based fee adjustment implemented from March 2023.

- **Mobile revenue** was up 16.5% year-on-year in Q2 2023 thanks primarily to continued increase in service revenue. Customer base expansion continued, with growth coming from postpaid customer additions and sharp rise in the demand for M2M SIM



cards. Although voice usage continued to trend downward, impacting both retail and wholesale revenue, the fee adjustment to subscription fees fully compensated for this decline. At the same time, data usage continued to grow dynamically, average monthly usage being up by 26% year-on-year, leading to further increases in data revenue. Equipment sales revenue development reflects the impacts of higher average handset prices offset by some decline in overall sales volume and rise in the installment sales related present value discount, with the latter though positively impacting other mobile revenue to the same extent.

- **Fixed line revenue** grew by 16.5% year-on-year in Q2 2023, driven by the continued customer expansion on our fiber network; number of overall broadband customers grew by 6.3% and TV customer base expanded by 4.5% year-on-year. At the same time, with many of the new subscribers opting for high bandwidth contract and the implementation of the inflation-based fee adjustment contributing to underlying trends, despite the further erosion of voice usage, a year-on-year improvement were recorded in all service revenue categories.
- **SI/IT revenue** increased by 16.7% year-on-year, as despite a slowdown in overall market dynamics, revenues from a number of high value projects were successfully increased.

Gross profit rose by 20.8% year-on-year in Q2 2023, in line with the favorable revenue trends.

EBITDA increased by 34.7% year-on-year and **EBITDA AL** was up by 37.9% year-on-year in Q2 2023, reflecting the different timing of supplementary telecommunication tax booking. In H1 2023, **EBITDA** increased by 11.3% year-on-year and **EBITDA AL** was up by 11.0% year-on-year as the improvements in gross profit compensated for the higher indirect costs.

Capex AL excluding spectrum licenses was moderately lower year-on-year in H1 2023, amounting to HUF 43.7 billion, as the higher spending in relation to fiber provisioning and connections were offset by lower network related investment levels.

Outlook: Looking ahead, there are significant uncertainties related to economic and business developments in Hungary, including the changes in the competitive landscape across the Hungarian telecommunication market. Magyar Telekom continuously monitors developments in its external environment and takes proactive steps to leverage opportunities and mitigate risks arising from such changes.

2.2.2 North Macedonia

	Q2 2022	Q2 2023	Change	Change (%)	1-6 months 2022	1-6 months 2023	Change	Change (%)
HUF millions								
Voice	3,716	3,779	63	1.7%	7,093	7,508	415	5.9%
Non-voice	4,241	4,263	22	0.5%	8,025	8,506	481	6.0%
Equipment	2,505	2,671	166	6.6%	5,130	5,640	510	9.9%
Other mobile revenue	570	778	208	36.5%	1,103	1,460	357	32.4%
Mobile revenue	11,032	11,491	459	4.2%	21,351	23,114	1,763	8.3%
Voice retail	1,288	1,257	(31)	(2.4%)	2,520	2,552	32	1.3%
Broadband retail	1,393	1,566	173	12.4%	2,701	3,156	455	16.8%
TV	1,506	1,367	(139)	(9.2%)	2,935	2,780	(155)	(5.3%)
Equipment	37	27	(10)	(27.0%)	82	63	(19)	(23.2%)
Other	1,762	1,783	21	1.2%	3,356	3,635	279	8.3%
Fixed line revenue	5,986	6,000	14	0.2%	11,594	12,186	592	5.1%
SI/IT revenue	2,243	458	(1,785)	(79.6%)	2,786	820	(1,966)	(70.6%)
Revenue	19,261	17,949	(1,312)	(6.8%)	35,731	36,120	389	1.1%
Direct costs	(6,888)	(5,206)	1,682	24.4%	(12,095)	(11,151)	944	7.8%
Gross profit	12,373	12,743	370	3.0%	23,636	24,969	1,333	5.6%
Indirect costs	(4,846)	(4,704)	142	2.9%	(9,327)	(9,362)	(35)	(0.4%)
Supplementary telecommunication tax	-	-	-	-	-	-	-	-
EBITDA	7,527	8,039	512	6.8%	14,309	15,607	1,298	9.1%
EBITDA AL	7,265	7,768	503	6.9%	13,794	15,053	1,259	9.1%
Segment Capex AL excl. spectrum licenses	4,025	2,276	(1,749)	(43.5%)	8,078	5,282	(2,796)	(34.6%)
Spectrum licenses	-	-	-	-	-	-	-	-



Operational statistics – access numbers	June 30 2022	June 30 2023	Change (%)
Number of mobile SIMs	1,232,559	1,270,387	3.1%
Postpaid share in total	44.9%	45.2%	n.a.
Total fixed voice access	225,090	225,640	0.2%
Total fixed retail broadband customers	200,607	207,186	3.3%
Total TV customers	147,019	148,713	1.2%

Total revenue in North Macedonia declined by 6.8% year-on-year to HUF 17.9 billion in Q2 2023 primarily driven by the absence of one-time SI/IT revenue from a major Smart City project impacting Q2 2022 results whilst the year-on-year strengthening of the forint against the denar also had an unfavorable effect.

- **Mobile revenue** rose by 4.2% year-on-year in Q2 2023 driven by further increase in the customer base resulting in higher mobile service revenue as well as growth in equipment sales reflecting higher average handset prices whereas visitor revenue also continued to increase in line with higher traffic volumes.
- **Fixed line revenue** was broadly stable year-on-year in Q2 2023 as moderate increases in service revenue thanks to expansion of the customer base and the higher revenue from TV content re-sale were offset by some decline in equipment revenue. The shift within service revenue from TV towards broadband retail is driven by the repricing of services in the frame of general price revision measure implemented at the beginning of 2023.
- **SI/IT revenue** was lower by HUF 1.8 billion year-on-year in Q2 2023, attributable to the absence of one-time revenue from a major project related to the Smart City Skopje initiatives that contributed the Q2 2022 results.

Gross profit increased by 3.0% year-on-year in Q2 2023, reflecting the increase in telecommunication service revenue as well as lower bad debt expenses supported by a one-off provision reversal.

EBITDA increased by 6.8% year-on-year and **EBITDA AL** was up by 6.9% year-on-year in Q2 2023 thanks to the improvements in gross profit coupled with lower employee related expenses.

CAPEX AL declined by HUF 2.8 billion year-on-year to HUF 5.3 billion for the first half of 2023 reflecting the absence of accelerated investments to RAN modernization as well as seasonally lower TV content capitalization costs.

Outlook: Looking ahead, the challenging economic environment may continue to put pressure on profitability. Competition is also expected to remain intense with Telekom Srbija's entrance to the North Macedonian telecommunication market in 2022.



3. APPENDIX

3.1. Basis of preparation

This condensed consolidated 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, 2022, 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 financial statements for December 31, 2022 have been filed with the Budapest Stock Exchange and the National Bank of Hungary.

The statutory financial statements for December 31, 2022 were audited and the audit reports were unqualified. It was approved by the shareholders on the Annual General Meeting on April 19, 2023.

Management continuously monitors the progress in the Hungarian economic environment and the effect of the Russian-Ukrainian war, particularly the macroeconomic tendencies and current market conditions. The management pay special attention to the changes on energy prices and look for the possibilities for the provision of cost-effective energy supply. To secure renewable energy procurement has become an important task, thus a short-term PPA contract was signed.

The supplementary telecommunication tax declared in 2022 and payable for the years 2022, 2023 as well as for 2024, due to its extension in June 2023, is putting significant pressure on the profitability of the Group. The supplementary telecommunication tax is levied on the actual business year's annual net sales of telecommunication services using progressive rates, appropriately weighted based on the expected full year revenue. The amount of this tax is disclosed on a separate line of the Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Considering the general economic factors, the solvency of customers has been assessed and management concluded that there was no need to recognize further allowance for bad debts in Q2 2023.

During the preparation of the Q2 2023 interim financial report, management updated its goodwill impairment test taking into account the latest available book values, EUR/HUF exchange rate, and weighted average cost of capital and as a result of that, no impairment was needed to be recognized.

Altogether, the management has not identified any events which would threaten the going concern of the Group's operations, and no major adverse changes are expected in the long-term.

Initial application of standards, interpretations, and amendments in the financial year

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 financial statements for the year ended December 31, 2022. There were not new amendments and interpretations endorsed by European Union until the end of Q2 2023.



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

	Q2 2022 (unaudited)	Q2 2023 (unaudited)	Change	Change (%)
(HUF millions, except per share amounts)				
Mobile revenue	105,345	121,328	15,983	15.2%
Fixed line revenue	58,450	67,101	8,651	14.8%
SI/IT revenue	18,701	19,661	960	5.1%
Revenue	182,496	208,090	25,594	14.0%
Interconnect costs	(5,801)	(5,701)	100	1.7%
SI/IT service related costs	(13,418)	(14,830)	(1,412)	(10.5%)
Impairment losses and gains on financial assets and contract assets	(1,954)	(2,354)	(400)	(20.5%)
Telecom tax	(6,564)	(6,422)	142	2.2%
Other direct costs	(49,268)	(53,551)	(4,283)	(8.7%)
Direct costs	(77,005)	(82,858)	(5,853)	(7.6%)
Employee-related expenses	(18,824)	(20,318)	(1,494)	(7.9%)
Depreciation and amortization	(35,219)	(34,896)	323	0.9%
Other operating expenses	(17,047)	(22,379)	(5,332)	(31.3%)
Supplementary telecommunication tax	(12,398)	(7,494)	4,904	39.6%
Operating expenses	(160,493)	(167,945)	(7,452)	(4.6%)
Other operating income	683	880	197	28.8%
Operating profit	22,686	41,025	18,339	80.8%
Interest income	262	975	713	272.1%
Interest expense	(3,544)	(6,157)	(2,613)	(73.7%)
Other finance expense - net	(3,231)	(6,810)	(3,579)	(110.8%)
Net financial result	(6,513)	(11,992)	(5,479)	(84.1%)
Share of associates' and joint ventures' results	-	-	-	-
Profit before income tax	16,173	29,033	12,860	79.5%
Income tax	(4,445)	(5,358)	(913)	(20.5%)
Profit for the period	11,728	23,675	11,947	101.9%
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	7,532	(2,622)	(10,154)	n.m.
Items not to be reclassified to profit or loss in subsequent periods:				
Revaluation of financial assets at FV OCI	(72)	(55)	17	23.6%
Other comprehensive income for the year, net of tax	7,460	(2,677)	(10,137)	n.m.
Total comprehensive income for the period	19,188	20,998	1,810	9.4%
Profit attributable to:				
Owners of the parent	10,570	22,258	11,688	110.6%
Non-controlling interests	1,158	1,417	259	22.4%
	11,728	23,675	11,947	101.9%
Total comprehensive income attributable to:				
Owners of the parent	15,236	20,548	5,312	34.9%
Non-controlling interests	3,952	450	(3,502)	(88.6%)
	19,188	20,998	1,810	9.4%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	10,570	22,258		
Weighted average number of common stock outstanding used for basic/diluted EPS	980,408,198	949,690,768		
Basic / diluted earnings per share (HUF)	10.78	23.44	12.66	117.4%



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

	1-6 months 2022 (unaudited)	1-6 months 2023 (unaudited)	Change	Change (%)
(HUF millions, except per share amounts)				
Mobile revenue	206,901	233,634	26,733	12.9%
Fixed line revenue	115,334	130,185	14,851	12.9%
SI/IT revenue	34,316	40,141	5,825	17.0%
Revenue	356,551	403,960	47,409	13.3%
Interconnect costs	(11,839)	(11,224)	615	5.2%
SI/IT service related costs	(24,583)	(29,667)	(5,084)	(20.7%)
Impairment losses and gains on financial assets and contract assets	(3,898)	(4,423)	(525)	(13.5%)
Telecom tax	(13,197)	(12,772)	425	3.2%
Other direct costs	(96,645)	(106,555)	(9,910)	(10.3%)
Direct costs	(150,162)	(164,641)	(14,479)	(9.6%)
Employee-related expenses	(37,194)	(39,951)	(2,757)	(7.4%)
Depreciation and amortization	(70,588)	(68,478)	2,110	3.0%
Other operating expenses	(41,500)	(52,282)	(10,782)	(26.0%)
Supplementary telecommunication tax	(12,398)	(14,704)	(2,306)	(18.6%)
Operating expenses	(311,842)	(340,056)	(28,214)	(9.0%)
Other operating income	4,754	1,568	(3,186)	(67.0%)
Operating profit	49,463	65,472	16,009	32.4%
Interest income	416	1,596	1,180	283.7%
Interest expense	(6,958)	(12,500)	(5,542)	(79.6%)
Other finance expense - net	(2,942)	(9,743)	(6,801)	(231.2%)
Net financial result	(9,484)	(20,647)	(11,163)	(117.7%)
Share of associates' and joint ventures' results	26	-	(26)	(100.0%)
Profit before income tax	40,005	44,825	4,820	12.0%
Income tax	(8,935)	(9,375)	(440)	(4.9%)
Profit for the period	31,070	35,450	4,380	14.1%
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	7,595	(8,405)	(16,000)	n.m.
Items not to be reclassified to profit or loss in subsequent periods:				
Revaluation of financial assets at FV OCI	8	41	33	412.5%
Other comprehensive income for the year, net of tax	7,603	(8,364)	(15,967)	n.m.
Total comprehensive income for the period	38,673	27,086	(11,587)	(30.0%)
Profit attributable to:				
Owners of the parent	29,023	32,777	3,754	12.9%
Non-controlling interests	2,047	2,673	626	30.6%
	31,070	35,450	4,380	14.1%
Total comprehensive income attributable to:				
Owners of the parent	33,784	27,572	(6,212)	(18.4%)
Non-controlling interests	4,889	(486)	(5,375)	n.m.
	38,673	27,086	(11,587)	(30.0%)
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	29,023	32,777		
Weighted average number of common stock outstanding used for basic/diluted EPS	988,640,864	949,690,768		
Basic / diluted earnings per share (HUF)	29.36	34.51	5.15	17.5%



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

(HUF millions)	Q2 2022	Q2 2023	Change	Change (%)
Voice retail	28,727	32,120	3,393	11.8%
Voice wholesale	2,979	2,912	(67)	(2.2%)
Data	35,777	46,025	10,248	28.6%
SMS	6,017	6,786	769	12.8%
Equipment	28,506	28,452	(54)	(0.2%)
Other mobile revenue	3,339	5,033	1,694	50.7%
Mobile revenue	105,345	121,328	15,983	15.2%
Voice retail	8,723	8,996	273	3.1%
Broadband retail	17,982	23,141	5,159	28.7%
TV*	15,630	18,231	2,601	16.6%
Equipment	3,608	3,833	225	6.2%
Data retail	3,314	3,491	177	5.3%
Wholesale (voice, broadband, data)	5,178	5,076	(102)	(2.0%)
Other fixed line revenue*	4,015	4,333	318	7.9%
Fixed line revenue	58,450	67,101	8,651	14.8%
SI/IT revenue	18,701	19,661	960	5.1%
Revenue	182,496	208,090	25,594	14.0%

* 2022 values are represented as revenue from video-on-demand services is now included in TV revenue instead of fixed other revenue to better reflect operational performance

3.5. Revenue breakdown – year-to-date comparison

(HUF millions)	1-6 months 2022	1-6 months 2023	Change	Change (%)
Voice retail	57,011	61,603	4,592	8.1%
Voice wholesale	6,065	5,823	(242)	(4.0%)
Data	69,371	87,385	18,014	26.0%
SMS	12,202	13,018	816	6.7%
Equipment	55,558	56,423	865	1.6%
Other mobile revenue	6,694	9,382	2,688	40.2%
Mobile revenue	206,901	233,634	26,733	12.9%
Voice retail	17,586	17,827	241	1.4%
Broadband retail	35,424	44,188	8,764	24.7%
TV*	30,975	35,209	4,234	13.7%
Equipment	8,060	7,663	(397)	(4.9%)
Data retail	6,536	6,872	336	5.1%
Wholesale (voice, broadband, data)	10,063	10,143	80	0.8%
Other fixed line revenue*	6,690	8,283	1,593	23.8%
Fixed line revenue	115,334	130,185	14,851	12.9%
SI/IT revenue	34,316	40,141	5,825	17.0%
Revenue	356,551	403,960	47,409	13.3%

* 2022 values are represented as revenue from video-on-demand services is now included in TV revenue instead of fixed other revenue to better reflect operational performance



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

(HUF millions)	Q2 2022	Q2 2023	Change	Change (%)
Direct costs	(77 005)	(82 858)	(5 853)	(7,6%)
Employee-related expenses	(18 824)	(20 318)	(1 494)	(7,9%)
Depreciation and amortization	(35 219)	(34 896)	323	0,9%
Other operating expenses	(17 047)	(22 379)	(5 332)	(31,3%)
<i>Of which utility tax</i>	<i>(109)</i>	<i>161</i>	<i>270</i>	<i>n.m.</i>
Supplementary telecommunication tax	(12 398)	(7 494)	4 904	39,6%
Operating expenses	(160 493)	(167 945)	(7 452)	(4,6%)

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

(HUF millions)	1-6 months 2022	1-6 months 2023	Change	Change (%)
Direct costs	(150,162)	(164,641)	(14,479)	(9.6%)
Employee-related expenses	(37,194)	(39,951)	(2,757)	(7.4%)
Depreciation and amortization	(70,588)	(68,478)	2,110	3.0%
Other operating expenses	(41,500)	(52,282)	(10,782)	(26.0%)
<i>Of which utility tax</i>	<i>(7,437)</i>	<i>(7,667)</i>	<i>(230)</i>	<i>(3.1%)</i>
Supplementary telecommunication tax	(12,398)	(14,704)	(2,306)	n.a.
Operating expenses	(311,842)	(340,056)	(28,214)	(9.0%)



3.8. Interim Consolidated Statement of Financial Position - Assets

(HUF millions)	Dec 31, 2022 (unaudited)	June 30, 2023 (unaudited)	Change	Change (%)
ASSETS				
Cash and cash equivalents	12,861	11,923	(938)	(7.3%)
Trade receivables within one year	171,583	175,831	4,248	2.5%
Other current assets	11,025	18,784	7,759	70.4%
Derivative financial instruments contracted with related parties	-	9,027	9,027	n.a.
Other current financial assets	1,789	1,720	(69)	(3.9%)
Contract assets	18,586	20,229	1,643	8.8%
Current income tax receivable	137	236	99	72.3%
Inventories	25,344	24,621	(723)	(2.9%)
	241,325	262,371	21,046	8.7%
Assets held for sale	2	-	(2)	(100.0%)
Total current assets	241,327	262,371	21,044	8.7%
Property, plant and equipment	475,708	472,117	(3,591)	(0.8%)
Right-of-use assets	123,739	125,681	1,942	1.6%
Goodwill	212,713	212,713	0	0.0%
Other intangible assets	332,185	320,205	(11,980)	(3.6%)
Investments in associates and joint ventures	-	-	-	-
Deferred tax assets	742	115	(627)	(84.5%)
Trade receivables over one year	22,806	20,887	(1,919)	(8.4%)
Derivative financial instruments contracted with related parties	31,723	10,922	(20,801)	(65.6%)
Other non-current financial assets	3,796	3,668	(128)	(3.4%)
Contract assets	3,960	3,059	(901)	(22.8%)
Other non-current assets	7,718	7,658	(60)	(0.8%)
Total non-current assets	1,215,090	1,177,025	(38,065)	(3.1%)
Total assets	1,456,417	1,439,396	(17,021)	(1.2%)



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

(HUF millions)	Dec 31, 2022 (unaudited)	June 30, 2023 (unaudited)	Change	Change (%)
LIABILITIES				
Financial liabilities to related parties	65,700	114,876	49,176	74.8%
Derivative financial instruments contracted with related parties	2,035	2,201	166	8.2%
Lease liabilities	26,738	27,683	945	3.5%
Trade payables	158,786	125,328	(33,458)	(21.1%)
Other financial liabilities	11,720	11,547	(173)	(1.5%)
Current income tax payable	1,478	1,468	(10)	(0.7%)
Provisions	2,959	2,044	(915)	(30.9%)
Contract liabilities	13,153	11,010	(2,143)	(16.3%)
Other current liabilities	24,355	28,248	3,893	16.0%
	306,924	324,405	17,481	5.7%
Liabilities held for sale	-	-	-	-
Total current liabilities	306,924	324,405	17,481	5.7%
Financial liabilities to related parties	98,061	90,926	(7,135)	(7.3%)
Lease liabilities	114,865	110,279	(4,586)	(4.0%)
Corporate bonds	68,531	68,692	161	0.2%
Other financial liabilities	103,918	100,686	(3,232)	(3.1%)
Deferred tax liabilities	14,299	15,651	1,352	9.5%
Provisions	12,604	13,195	591	4.7%
Contract liabilities	405	430	25	6.2%
Other non-current liabilities	2,034	1,813	(221)	(10.9%)
Total non-current liabilities	414,717	401,672	(13,045)	(3.1%)
Total liabilities	721,641	726,077	4,436	0.6%
EQUITY				
Common stock	100,580	97,156	(3,424)	(3.4%)
Capital reserves	26,409	25,509	(900)	(3.4%)
Treasury stock	(18,600)	(18,601)	(1)	(0.0%)
Retained earnings	546,659	539,692	(6,967)	(1.3%)
Accumulated other comprehensive income	36,691	31,486	(5,205)	(14.2%)
Total equity of the owners of the parent	691,739	675,242	(16,497)	(2.4%)
Non-controlling interests	43,037	38,077	(4,960)	(11.5%)
Total equity	734,776	713,319	(21,457)	(2.9%)
Total liabilities and equity	1,456,417	1,439,396	(17,021)	(1.2%)



3.10. Interim Consolidated Statement of Cash Flows

(HUF millions)	1-6 months 2022 (unaudited)	1-6 months 2023 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	31,070	35,450	4,380	14.1%
Depreciation and amortization	70,588	68,478	(2,110)	(3.0%)
Income tax expense	8,935	9,375	440	4.9%
Net financial result	9,484	20,647	11,163	117.7%
Share of associates' and joint ventures' result	(26)	-	26	100.0%
Change in assets carried as working capital	(265)	(8,959)	(8,694)	n.m.
Change in provisions	(1,960)	(667)	1,293	66.0%
Change in liabilities carried as working capital	691	(22,677)	(23,368)	n.m.
Income tax paid	(11,273)	(10,743)	530	4.7%
Dividend received	63	111	48	76.2%
Interest and other financial charges paid	(9,244)	(13,276)	(4,032)	(43.6%)
Interest received	377	1,449	1,072	284.4%
Other non-cash items	(5,176)	2,046	7,222	n.m.
Net cash generated from operating activities	93,264	81,234	(12,030)	(12.9%)
Cash flows from investing activities				
Payments for property plant and equipment (PPE) and intangible assets	(54,197)	(57,796)	(3,599)	(6.6%)
Proceeds from disposal of PPE and intangible assets	555	301	(254)	(45.8%)
Payments for subsidiaries and business units	-	(67)	-	n.a.
Cash acquired through business combinations	-	-	-	-
Proceeds from disposal of subsidiaries and business units	5,500	-	(5,500)	(100.0%)
Payments for other financial assets	(2,365)	(13,889)	(11,524)	(487.3%)
Proceeds from other financial assets	1,095	-	(1,095)	(100.0%)
Payments for interests in associates and joint ventures	-	-	-	-
Net cash used in investing activities	(49,412)	(71,451)	(22,039)	(44.6%)
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(14,541)	(29,584)	(15,043)	(103.5%)
Proceeds from loans and other borrowings	77,789	100,367	22,578	29.0%
Repayment of loans and other borrowings	(35,470)	(49,600)	(14,130)	(39.8%)
Proceeds from corporate bonds	-	-	-	-
Repayment of lease and other financial liabilities	(56,973)	(16,701)	40,272	70.7%
Treasury share purchase	(14,609)	(14,609)	0	0.0%
Net cash used in financing activities	(43,804)	(10,127)	33,677	76.9%
Exchange differences on cash and cash equivalents	736	(594)	(1,330)	n.m.
Change in cash and cash equivalents	784	(938)	(1,722)	n.m.
Cash and cash equivalents, beginning of period	13,463	12,861	(602)	(4.5%)
Cash and cash equivalents, end of period	14,247	11,923	(2,324)	(16.3%)



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

HUF millions	Opening Balance at Jan 1, 2023	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, 2023
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of lease and other financial liabilities	
Related party loans	163,761	-	(1,844)	(7,509)	-	100,995	(49,601)	-	205,802
Derivatives from related parties	2,035	-	-	13,012	(12,846)	-	-	-	2,201
Spectrum fee payable	106,662	-	(2,860)	2,321	-	-	-	(2,204)	103,919
Bonds	68,531	-	(60)	221	-	-	-	-	68,692
Lease liabilities	141,603	-	(3,426)	12,663	-	-	-	(12,878)	137,962
Debtors overpayment	1,277	-	18	-	-	-	-	-	1,295
Contingent consideration	150	-	-	-	-	-	-	(150)	-
Other financial liabilities	7,549	-	(314)	1,252	-	-	1	(1,469)	7,019
- Less cash and cash equivalent	(12,861)	938	-	-	-	-	-	-	(11,923)
- Less other current financial assets	(1,789)	-	(408)	(8,335)	9,440	(628)	-	-	(1,720)
Net debt	476,918	938	(8,894)	13,625	(3,406)	100,367	(49,600)	(16,701)	513,247
Treasury share purchase									(14,609)
Dividends paid to Owners of the parent and Non-controlling interest									(29,584)
Net Cash used in financing activities									(10,127)



3.12. Interim Consolidated Statement of Changes in Equity

	HUF millions										
	pieces										
	Shares of common stock	Common stock	Capital reserves	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for FVOCI financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity	
Balance at January 1, 2022	1,042,742,543	104,275	27,379	(19,424)	509,473	30,759	433	652,895	40,080	692,975	
Dividend declared to Owners of the parent	-	-	-	-	(15,000)	-	-	(15,000)	-	(15,000)	
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	(4,492)	(4,492)	
Treasury share purchase	-	-	-	(14,609)	-	-	-	(14,609)	-	(14,609)	
Capital decrease with cancellation of treasury share	(36,941,191)	(3,695)	(970)	15,433	(10,768)	-	-	0	-	0	
Transactions with owners in their capacity as owners	(36,941,191)	(3,695)	(970)	824	(25,768)	-	-	(29,609)	(4,492)	(34,101)	
Other comprehensive income	-	-	-	-	-	4,757	4	4,761	2,842	7,603	
Profit or loss	-	-	-	-	29,023	-	-	29,023	2,047	31,070	
Total comprehensive income	-	-	-	-	29,023	4,757	4	33,784	4,889	38,673	
Balance at June 30, 2022	1,005,801,352	100,580	26,409	(18,600)	512,728	35,516	437	657,070	40,477	697,547	
Dividend declared to Owners of the parent	-	-	-	-	-	-	-	-	-	-	
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	
Treasury share purchase	-	-	-	-	-	-	-	-	-	-	
Capital decrease with cancellation of treasury share	-	-	-	-	-	-	-	-	-	-	
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	720	18	738	487	1,225	
Profit or loss	-	-	-	-	33,931	-	-	33,931	2,073	36,004	
Total comprehensive income	-	-	-	-	33,931	720	18	34,669	2,560	37,229	
Balance at December 31, 2022	1,005,801,352	100,580	26,409	(18,600)	546,659	36,236	455	691,739	43,037	734,776	
Dividend declared to Owners of the parent	-	-	-	-	(29,460)	-	-	(29,460)	-	(29,460)	
Dividend declared to Non-controlling interests	-	-	-	-	-	-	-	-	(4,474)	(4,474)	
Treasury share purchase	-	-	-	(14,609)	-	-	-	(14,609)	-	(14,609)	
Capital decrease with cancellation of treasury share	(34,242,485)	(3,424)	(900)	14,608	(10,284)	-	-	0	-	0	
Transactions with owners in their capacity as owners	(34,242,485)	(3,424)	(900)	(1)	(39,744)	-	-	(44,069)	(4,474)	(48,543)	
Other comprehensive income	-	-	-	-	-	(5,226)	21	(5,205)	(3,159)	(8,364)	
Profit or loss	-	-	-	-	32,777	-	-	32,777	2,673	35,450	
Total comprehensive income	-	-	-	-	32,777	(5,226)	21	27,572	(486)	27,086	
Balance at June 30, 2023	971,558,867	97,156	25,509	(18,601)	539,692	31,010	476	675,242	38,077	713,319	
Of which treasury stock	(41,777,718)	-	-	-	-	-	-	-	-	-	
Shares of common stock outstanding	929,781,149										



3.13. Exchange rate information

	Q2 2022	Q2 2023	Change (%)	1-6 months 2022	1-6 months 2023	Change (%)
HUF/EUR beginning of period	369.62	380.99	3.1%	369.00	400.25	8.5%
HUF/EUR period-end	396.75	371.13	(6.5%)	396.75	371.13	(6.5%)
HUF/EUR cumulative monthly average	384.79	373.37	(3.0%)	375.26	379.94	1.2%
HUF/MKD beginning of period	5.99	6.18	3.2%	5.99	6.51	8.7%
HUF/MKD period-end	6.43	6.03	(6.2%)	6.43	6.03	(6.2%)
HUF/MKD cumulative monthly average	6.24	6.07	(2.7%)	6.09	6.17	1.3%

3.14. Segment information

HUF millions	Q2 2022	Q2 2023	1-6 months 2022	1-6 months 2023
Total MT-Hungary revenue	163,085	189,966	320,642	367,431
Less: MT-Hungary revenue from other segments	(31)	(22)	(59)	(46)
MT-Hungary revenue from external customers	163,054	189,944	320,583	367,385
Total North Macedonia revenue	19,261	17,949	35,731	36,120
Less: North Macedonia revenue from other segments	(15)	(14)	(28)	(29)
North Macedonia revenue from external customers	19,246	17,935	35,703	36,091
Total consolidated revenue of the segments	182,300	207,879	356,286	403,476
Measurement differences to Group revenue	196	211	265	484
Total revenue of the Group	182,496	208,090	356,551	403,960
Segment results (EBITDA)				
Hungary	50,380	67,887	105,656	117,545
North Macedonia	7,527	8,039	14,309	15,607
Total EBITDA of the segments	57,907	75,926	119,965	133,152
Measurement differences to Group EBITDA	(2)	(5)	86	798
Total EBITDA of the Group	57,905	75,921	120,051	133,950



3.15. Fair value of financial instruments – financial assets

June 30, 2023 HUF millions	Financial assets				Carrying amount	Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)		
Cash and cash equivalents	11,923	-	-	-	11,923	11,923
Cash-pool receivables	628	-	-	-	628	628
Trade receivables	175,831	-	-	-	175,831	175,831
Trade receivables over 1 year	20,887	-	-	-	20,887	18,778
Derivative financial instruments contracted with related parties	-	-	19,949	-	19,949	19,949
Finance lease receivable	620	-	-	-	620	530
Equity instruments	-	1,391	-	1,400	2,791	2,791
Receivables from asset-related grants	289	-	-	-	289	289
Other current receivables	588	-	-	-	588	588
Other non-current receivables	472	-	-	-	472	432
Total	211,238	1,391	19,949	1,400	233,978	231,739

December 31, 2022 HUF millions	Financial assets				Carrying amount	Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)		
Cash and cash equivalents	12,861	-	-	-	12,861	12,861
Trade receivables	171,583	-	-	-	171,583	171,583
Trade receivables over 1 year	22,806	-	-	-	22,806	19,619
Derivative financial instruments contracted with related parties	-	-	31,723	-	31,723	31,723
Receivables from group companies	1	-	-	-	1	1
Finance lease receivable	767	-	-	-	767	685
Equity instruments	-	1,452	-	1,288	2,740	2,740
Receivables from asset-related grants	838	-	-	-	838	838
Other current receivables	664	-	-	-	664	664
Other non-current receivables	575	-	-	-	575	494
Total	210,095	1,452	31,723	1,288	244,558	241,208

3.16. Fair value of financial instruments – financial liabilities

June 30, 2023 HUF millions	Financial liabilities			Carrying amount	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties	205,802	-	-	205,802	206,799
Derivative financial instruments contracted with related parties	-	2,201	-	2,201	2,201
Trade payables	125,328	-	-	125,328	125,328
Frequency fee payable	103,919	-	-	103,919	76,202
Bonds	68,692	-	-	68,692	53,912
Lease liabilities	137,962	-	-	137,962	121,021
Debtors overpayment	1,295	-	-	1,295	1,295
Other current	5,398	-	-	5,398	5,398
Other non-current	1,621	-	-	1,621	1,513
Total	650,017	2,201	-	652,218	593,669

December 31, 2022 HUF millions	Financial liabilities			Carrying amount	Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)		
Financial liabilities to related parties	163,761	-	-	163,761	165,237
Derivative financial instruments contracted with related parties	-	2,035	-	2,035	2,035
Trade payables	158,786	-	-	158,786	158,786
Frequency fee payable	106,662	-	-	106,662	67,122
Bonds	68,531	-	-	68,531	45,622
Lease liabilities	141,603	-	-	141,603	116,539
Debtors overpayment	1,277	-	-	1,277	1,277
Other current	4,888	-	-	4,888	4,888
Other non-current	2,676	-	-	2,676	2,412
Total	648,184	2,035	-	650,219	563,918



3.17. EBITDA reconciliation

(HUF millions)	Q2 2022 MT Group	Q2 2022 MT-Hungary	Q2 2022 North Macedonia	Q2 2023 MT Group	Q2 2023 MT-Hungary	Q2 2023 North Macedonia
EBITDA	57,905	50,380	7,527	75,921	67,887	8,039
IFRS 16 related D&A	(5,046)	(4,816)	(230)	(5,617)	(5,383)	(234)
IFRS 16 related Interest	(1,464)	(1,432)	(32)	(1,701)	(1,664)	(37)
EBITDA after lease	51,395	44,132	7,265	68,603	60,840	7,768

(HUF millions)	1-6 months 2022 MT Group	1-6 months 2022 MT-Hungary	1-6 months 2022 North Macedonia	1-6 months 2023 MT Group	1-6 months 2023 MT-Hungary	1-6 months 2023 North Macedonia
EBITDA	120,051	105,656	14,309	133,950	117,545	15,607
IFRS 16 related D&A	(9,983)	(9,530)	(453)	(11,100)	(10,619)	(481)
IFRS 16 related Interest	(2,858)	(2,796)	(62)	(3,426)	(3,353)	(73)
EBITDA after lease	107,210	93,330	13,794	119,424	103,573	15,053

3.18. Adjusted profit attributable to owners of the parent reconciliation

(HUF millions)	Q2 2022	Q2 2023	Change	Change (%)	1-6 months 2022	1-6 months 2023	Change	Change (%)
Profit attributable to the owners of the parent	10,570	22,258	11,688	110.6%	29,023	32,777	3,754	12.9%
Changes in depreciation and amortization	-	-	-	-	-	-	-	-
Changes in net financial result*	(458)	3,400	3,858	n.m.	(3,299)	5,012	8,311	n.m.
Changes in income tax	-	-	-	-	-	-	-	-
Total adjusting factors	(458)	3,400	3,858	n.m.	(3,299)	5,012	8,311	n.m.
Adjusted profit attributable to owners of the parent	10,112	25,658	15,546	153.7%	25,724	37,789	12,065	46.9%

* Related to unrealized FX gains and losses and derivative fair value changes

3.19. Capex from Interim Consolidated Statement of Cash Flows

(HUF millions)	1-6 months 2022 MT Group	1-6 months 2023 MT Group
Payments for PPE and intangible assets	54,197	57,796
Less spectrum payments	-	(313)
Payments for PPE and intangible assets excl. spectrum payments	54,197	57,483
+/- Cash adjustments	(1,637)	(8,512)
Capex AL excl. spectrum	52,560	48,971
ROU capex	14,465	13,867
Spectrum capex	-	586
Capex	67,025	63,424



3.20. Capex from Interim Consolidated Statement of Financial Position

(HUF millions)	Q2 2022 MT Group	Q2 2022 MT-Hungary	Q2 2022 North Macedonia	Q2 2023 MT Group	Q2 2023 MT-Hungary	Q2 2023 North Macedonia
Capex AL excl. spectrum licenses	29,559	25,534	4,025	25,449	23,173	2,276
ROU capex	8,171	7,942	229	3,321	3,152	169
Spectrum capex	-	-	-	586	586	-
Capex	37,730	33,476	4,254	29,356	26,911	2,445

(HUF millions)	1-6 months 2022 MT Group	1-6 months 2022 MT-Hungary	1-6 months 2022 North Macedonia	1-6 months 2023 MT Group	1-6 months 2023 MT-Hungary	1-6 months 2023 North Macedonia
Capex AL excl. spectrum licenses	52,560	44,482	8,078	48,971	43,689	5,282
ROU capex	14,465	14,078	387	13,867	13,418	449
Spectrum capex	-	-	-	586	586	-
Capex	67,025	58,560	8,465	63,424	57,693	5,731



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 future events.

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

Tibor Rékasi
Chief Executive Officer, member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer, member of the Board

Budapest, August 9, 2023

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, 2022, 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.