

MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
THIRD QUARTER ENDED SEPTEMBER 30, 2023**



Budapest – November 8, 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 third quarter and first nine months of 2023, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU (hereinafter: quarterly financial report). The quarterly financial report contains unaudited figures for each reporting period.

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1. HIGHLIGHTS

Financial highlights:

(HUF millions, except ratios)	Q3 2022	Q3 2023	Change (%)	1-9 months 2022	1-9 months 2023	Change (%)
Revenue	190,915	216,225	13.3%	547,466	620,185	13.3%
Operating profit	31,306	45,714	46.0%	80,769	111,186	37.7%
Profit attributable to:						
Owners of the parent	17,062	22,947	34.5%	46,085	55,724	20.9%
Non-controlling interests	1,426	1,706	19.6%	3,473	4,379	26.1%
	18,488	24,653	33.3%	49,558	60,103	21.3%
Adjusted profit attributable to owners of the parent	20,106	30,038	49.4%	45,830	67,827	48.0%
Gross profit	110,329	131,254	19.0%	316,718	370,573	17.0%
EBITDA	65,196	80,452	23.4%	185,247	214,402	15.7%
EBITDA AL	58,578	73,120	24.8%	165,788	192,544	16.1%
Free cash flow				5,567	48,312	n.m.
Free cash flow excl. spectrum licenses				52,939	48,625	(8.1%)
Capex after lease	33,532	23,876	(28.8%)	86,092	73,433	(14.7%)
Capex after lease excl. spectrum licenses	30,440	23,876	(21.6%)	83,000	72,847	(12.2%)
Number of employees (closing full equivalent)				6,755	6,788	0.5%
				Dec 31, 2022	Sept 30, 2023	Change (%)
Net debt				476,918	470,190	(1.4%)
Net debt / EBITDA				1.92	1.70	n.a.

- Group revenue increased by 13.3% year-on-year in Q3 2023, owing to continued strong demand for mobile data and fixed broadband services coupled with the positive effects of inflation-based fee adjustments in Hungary.
- Gross profit improved by 19.0% year-on-year in Q3 2023, reflecting the growth in service revenues.
- Indirect costs grew by 12.6% year-on-year in Q3 2023, primarily driven by higher electricity costs in Hungary.
- EBITDA AL increased by 24.8% year-on-year in Q3 2023, reflecting improved gross profit that offset the rise in indirect costs.
- Net income in Q3 2023 amounted to HUF 22.9 billion, attributable to EBITDA growth that was partly offset by an increase in financial expenses.
- Adjusted net income was HUF 30.0 billion in Q3 2023 and amounted to HUF 67.8 billion in the first nine months of 2023.
- Capex after leases, excluding spectrum licenses, decreased 12.2% year-on-year in the first nine months of 2023, amounting to HUF 72.8 billion, as a result of lower network-related investments in both countries.
- Free cash flow, excluding spectrum license fees, amounted to HUF 48.6 billion in the first nine months of 2023, representing a year-on-year decrease of HUF 4.3 billion. This decline is the result of differences in the timing of supplementary telecommunication tax payments, which offset the underlying improvement in profitability. In 2022, this tax was payable in November, while in 2023 a payment of HUF 26.4 billion was required in May 2023.

Operational highlights:

- The rollout of the fiber network in Hungary continued throughout Q3 2023, resulting in 80% coverage of gigabit-capable access points within our fixed network.



- Higher gigabit coverage supported the growth in the Hungarian fixed broadband customer base and the ARPU, which were up by 5.8% and 20.5% year-on-year, respectively.
- Hungarian mobile network modernization has advanced to 75%, enabling a sustained 26.9% increase in our customers' average mobile data usage. This growth in usage is reflected in the 15.6% year-on-year growth in the Hungarian mobile ARPU.
- Scope Ratings GmbH, following its annual credit rating review, improved the outlook on Magyar Telekom's issuer credit rating to positive and affirmed the Company's issuer credit rating and senior unsecured debt rating at BBB+.
- Following its annual ESG rating review, MSCI reiterated its 'AAA' rating on Magyar Telekom, recognizing the Company's strong commitment to sustainable operations.

Tibor Rékasi, Magyar Telekom CEO, commented:

"Thanks to the successful execution of our sustainable growth strategy, our operations remained resilient during the third quarter, even in the face of a challenging macro environment. I am pleased to report that, in the period, Magyar Telekom Group's revenue grew by 13.3% year-on-year, while EBITDA AL increased by 24.8% year-on-year.

Our strong commitment to enhancing our networks enabled us to continue to deliver outstanding customer experience and meet the ever-increasing demands for fixed and mobile data. Furthermore, we recently reinforced our commitment to support Hungary's digitalization efforts by signing a Memorandum of Understanding, confirming long-term cooperation with the Hungarian Government for the Digital Transformation of Hungary.

As communicated in September 2023, we recently upgraded our guidance for the full year. Looking ahead, we expect revenue and EBITDA AL to grow by 10%-15% for the full year, as a result of recent developments in the Hungarian telecommunications market being more favorable than previously expected."

Public targets

	2022 Actual	Guidance for 2023	Outlook for 2024
Revenue	HUF 746.7 billion	10%-15% growth ²	mid-single digit growth
EBITDA AL	HUF 221.5 billion	10%-15% growth ²	solid growth
Adjusted net income	HUF 63.0 billion	double-digit growth	dynamic growth
FCF ¹	HUF 50.9 billion	ca. HUF 60 billion	dynamic growth

¹ Excluding spectrum licenses

² Upgraded from 5%-10% growth on September 26, 2023



2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

(HUF millions)	Q3 2022	Q3 2023	Change	Change (%)	1-9 months 2022	1-9 months 2023	Change	Change (%)
Mobile revenue	111,532	125,986	14,454	13.0%	318,433	359,620	41,187	12.9%
Fixed line revenue	59,412	69,503	10,091	17.0%	174,746	199,688	24,942	14.3%
SI/IT revenue	19,971	20,736	765	3.8%	54,287	60,877	6,590	12.1%
Revenue	190,915	216,225	25,310	13.3%	547,466	620,185	72,719	13.3%
Direct costs	(80,586)	(84,971)	(4,385)	(5.4%)	(230,748)	(249,612)	(18,864)	(8.2%)
Gross profit	110,329	131,254	20,925	19.0%	316,718	370,573	53,855	17.0%
Indirect costs	(45,133)	(50,802)	(5,669)	(12.6%)	(131,471)	(156,171)	(24,700)	(18.8%)
EBITDA	65,196	80,452	15,256	23.4%	185,247	214,402	29,155	15.7%
Depreciation and amortization	(33,890)	(34,738)	(848)	(2.5%)	(104,478)	(103,216)	1,262	1.2%
Operating profit	31,306	45,714	14,408	46.0%	80,769	111,186	30,417	37.7%
Net financial result	(8,132)	(15,340)	(7,208)	(88.6%)	(17,616)	(35,987)	(18,371)	(104.3%)
Share of associates' and joint ventures' results	-	-	-	-	26	-	(26)	(100.0%)
Profit before income tax	23,174	30,374	7,200	31.1%	63,179	75,199	12,020	19.0%
Income tax	(4,686)	(5,721)	(1,035)	(22.1%)	(13,621)	(15,096)	(1,475)	(10.8%)
Profit for the period	18,488	24,653	6,165	33.3%	49,558	60,103	10,545	21.3%
Profit attributable to non-controlling interests	1,426	1,706	280	19.6%	3,473	4,379	906	26.1%
Profit attributable to owners of the parent	17,062	22,947	5,885	34.5%	46,085	55,724	9,639	20.9%

Total revenue increased by 13.3% year-on-year to HUF 216.2 billion in Q3 2023, 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.

- **Mobile revenue rose by 13.0% year-on-year to HUF 126.0 billion in Q3 2023**, driven by the continued growth in mobile data revenue coupled with increasing voice-retail revenue.
 - **Voice retail** revenue increased by 10.6% year-on-year to HUF 32.7 billion in Q3 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 5.5% year-on-year to HUF 2.9 billion in Q3 2023, primarily driven by lower related revenue at the Hungarian operation due to further decline in the incoming traffic volumes.
 - **Data** revenue rose by 26.2% year-on-year to HUF 48.6 billion in Q3 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 10.9% year-on-year, amounting to HUF 6.8 billion in Q3 2023, primarily reflecting the effect of the inflation-based fee adjustment.
 - **Mobile equipment** revenue was lower by 4.8% year-on-year, amounting to HUF 28.3 billion in Q3 2023 primarily reflecting lower revenues from third party export sales and higher reductions in relation to the equipment installment sales related present value discount whilst underlying revenue from customer sales were broadly stable.
 - **Other mobile** revenue rose by HUF 2.1 billion to HUF 6.7 billion in Q3 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 17.0% year-on-year, to HUF 69.5 billion in Q3 2023.** This improvement was primarily driven by increases in fixed broadband and TV revenues that were also now coupled with higher equipment sales revenues.



- **Voice retail** revenue rose by 1.9% year-on-year to HUF 8.9 billion in Q3 2023, as the decline in the Hungarian customer base and usage levels were offset by the fee adjustment effects.
 - **Broadband retail** revenue increased by 26.2% year-on-year to HUF 23.5 billion in Q3 2023, driven by the positive impact of continued customer base expansion coupled with further increases in the ARPU levels at both operations.
 - **TV** revenue was up by 13.8% year-on-year to HUF 18.3 billion in Q3 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 HUF 1.4 billion year-on-year and amounted to HUF 4.9 billion in Q3 2023, reflecting the higher average device prices some increase in overall sales volumes and lower present value discounts.
 - **Data retail** revenue was up by 7.8% year-on-year, amounting to HUF 3.6 billion in Q3 2023, thanks to higher contribution from leased line fixed internet services.
 - **Wholesale** revenue increased by 5.2% year-on-year, amounting to HUF 5.8 billion in Q3 2023, driven by higher infrastructure service revenues in Hungary and increases in international transit and TV-content re-sale revenue at the North Macedonian operation.
 - **Other fixed** line revenue rose by 25.1% year-on-year to HUF 4.5 billion in Q3 2023, reflecting higher interest income in relation to the equipment installment sales related present value discount.
- **System Integration and IT ('SI/IT') revenue increased by 3.8% to HUF 20.7 billion in Q3 2023**, as a result of higher revenue at the Hungarian operation thanks to increased revenue from high value projects.

Direct costs were up by 5.4% year-on-year at HUF 85.0 billion in Q3 2023, driven by higher bad debt expenses and other direct costs.

- **Interconnect costs** were broadly unchanged year-on-year, at HUF 6.0 billion in Q3 2023, as lower payments at the Hungarian operation to domestic mobile operators in line with the lower outgoing traffic volumes were offset by higher outpayments at the North Macedonian operation due to increase international transit traffic volumes.
- **SI/IT service-related costs** were up by 6.9% year-on-year at HUF 14.8 billion in Q3 2023, in line with the higher revenue.
- **Impairment losses and gains on financial assets and contract assets (bad debt expenses)** was higher by HUF 1.3 billion year-on-year, amounting to HUF 2.7 billion in Q3 2023. This was equally attributable to higher revenue base and the less favorable aging structure of the customer receivables in the current period versus the favorable aging impact supporting the results in Q3 2022, at the Hungarian operation.
- **Telecom tax** was lower by 4.0% year-on-year, amounting to HUF 6.3 billion in Q3 2023, primarily reflecting declining mobile voice usage of the business customer base.
- **Other direct costs** were up by 4.5% year-on-year to HUF 55.2 billion in Q3 2023, driven by higher equipment costs and TV content fees.

Gross profit improved by 19.0% year-on-year to HUF 131.3 billion in Q3 2023, thanks to a higher contribution from telecommunication services.

Indirect costs rose by 12.6% year-on-year, to HUF 50.8 billion in Q3 2023, primarily driven by higher energy expenses at the Hungarian operation.

- **Employee-related expenses** amounted to HUF 21.1 billion in Q3 2023, representing a 1.0% increase year-on-year. This was the result of higher expenses at the North Macedonian operation following the insourcing of certain maintenance functions as well as the wage increases implemented at the Hungarian operation, mostly offset by the absence of one-off compensation to employees in Hungary, that unfavorably impacted Q3 2022 expenses.
- **Supplementary telecommunication tax** was booked in the amount of HUF 7.5 billion in Q3 2023, up by 16% year-on-year, reflecting the expected revenue increase.
- **Other operating expenses** (excluding the utility tax and the supplementary telecommunication tax) rose by 22.6% year-on-year to HUF 23.1 billion in Q3 2023, reflecting higher energy costs at the Hungarian operation, particularly electricity, coupled with further inflation-driven cost pressures partly mitigated by cost efficiency measures and favorable year-on-year development in the North Macedonian energy costs.
- **Other operating income** was HUF 0.9 billion in Q3 2023, in line with earlier trends.

EBITDA increased by 23.4% year-on-year to HUF 80.5 billion and EBITDA AL was up by 24.8% year-on-year to HUF 73.1 billion in Q3 2023 driven by the improvement in gross profit that offset the higher indirect costs.

Depreciation and amortization ('D&A') expenses were 2.5% higher year-on-year, amounting to HUF 34.7 billion in Q3 2023, reflecting increases in IFRS 16 lease liability related depreciation expenses.



Profit for the period rose by 33.3% year-on-year to HUF 24.7 billion in Q3 2023 driven by the higher EBITDA that offset increases in financial expenses.

- **Net financial result** deteriorated from a loss of HUF 8.1 billion in Q3 2022 to a loss of HUF 15.3 billion in Q3 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 whilst the euro-forint currency movement showed weakening in both periods, resulting in FX losses.
- **Income tax expenses** were up by 22.1% year-on-year at HUF 5.7 billion in Q3 2023, reflecting the year-on-year higher profit levels.

Profit attributable to non-controlling interests increased by 19.6% year-on-year to HUF 1.7 billion in Q3 2023, reflecting primarily the improvement in EBITDA at the North Macedonian subsidiary.

Adjusted net income (profit attributable to owners of the parent) was HUF 30.0 billion in Q3 2023 and amounted to HUF 67.8 billion in the first nine months of 2023. **Adjustments** to reported net income of **HUF 12.1 billion** in the first nine months of 2023 are primarily attributable to unrealized losses related to measurement of derivatives at fair value.

2.1.2 Group Cash Flows

HUF millions	1-9 months 2022	1-9 months 2023	Change
Net cash generated from operating activities	153,261	154,010	749
Net cash used in investing activities	(68,454)	(95,044)	(26,590)
Less: (Payments for) / Proceeds from other financial assets	(9,351)	13,257	22,608
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(77,805)	(81,787)	(3,982)
Repayment of lease and other financial liabilities	(69,889)	(23,911)	45,978
Free cash flow	5,567	48,312	42,745
(Payments for) / Proceeds from other financial assets - net	9,351	(13,257)	(22,608)
Proceeds from / (Repayment of) loans and other borrowings - net	14,136	7,107	(7,029)
Dividends paid to Owners of the parent and Non-controlling interests	(19,473)	(34,045)	(14,572)
Treasury share purchase	(14,609)	(14,608)	1
Exchange differences on cash and cash equivalents	983	(151)	(1,134)
Change in cash and cash equivalents	(4,045)	(6,642)	(2,597)

Free cash flow (FCF) amounted to HUF 48.3 billion cash inflow in the first nine months of 2023 (the first nine months of 2022: HUF 5.6 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 154.0 billion in the first nine months of 2023, compared to cash inflow of HUF 153.3 billion in the first nine months of 2022, attributable to the reasons outlined as follows:

- HUF 29.2 billion **positive impact due to higher EBITDA** in the first nine months of 2023
- No significant **change in active working capital**, as a result of:
 - unfavorable change in the balance of telecommunication customer related trade receivables in Hungary (negative impact: ca. HUF 12.3 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 receivables from taxes not related to income taxes (negative impact: ca. HUF 2.6 billion) mainly due to the supplementary telecommunication tax advance payment for 2023 in the amount of HUF 24.4 billion, which is mostly offset by the HUF 22.2 billion liability for the first nine months of 2023,
 - unfavorable change in handset inventory balances (negative impact: ca. HUF 2.2 billion) mainly due to different within-year procurement dynamics,



- favorable change in the trade balances in North Macedonia (positive impact: ca. HUF 7.3 billion) mainly caused by different SI/IT project seasonality,
 - different project seasonality led to favorable changes in SI/IT inventory and trade receivables balances in Hungary (positive impact: ca. HUF 7.2 billion),
 - improvement in prepaid expenses in the first nine months of 2023 compared to a deterioration in the first nine months of 2022 (positive impact: ca. 3.0 billion) due to change of different services related payments.
- HUF 31.3 billion **negative change in passive working capital**, primarily driven by
 - unfavorable change in balance of taxes not related to income taxes (negative impact: ca HUF 23.9 billion) mainly due to recognition of HUF 18.9 billion supplementary telecommunication tax liability for 2022, which was due in Q4 2022,
 - unfavorable change in the balances of invoiced and non-invoiced trade creditors in Hungary and in North Macedonia in the first nine months of 2023 compared to the first nine months of 2022 (negative impact: ca. HUF 5.4 billion) due to different outpayment timing,
 - unfavorable change of liabilities to employees (negative impact: ca. HUF 2.2 billion),
 - different project seasonality led to unfavorable changes in the aggregate balances of contract liabilities in the first nine months of 2023 versus in the first nine months of 2022 (negative impact: ca. HUF 1.5 billion),
 - higher payments of SI/IT services in the first nine months of 2023 compared to the first nine months of 2022 (negative impact: ca. HUF 1.2 billion) due to different project seasonality,
 - higher increase in handset suppliers (positive impact: ca. HUF 4.9 billion) in line with higher inventories.
 - HUF 9.1 billion **negative change in interest and other financial charges paid** in the first nine months of 2023 compared to the first nine months of 2022, mainly reflecting the higher interest payment related to the loan portfolio due to change of interest rates and higher bank charges.
 - HUF 1.7 billion **positive change in interest received** in the first nine months of 2023 compared to the first nine months of 2022 due to changing market environment.
 - HUF 9.0 billion **positive change in other non-cash items**, mainly due to the sale of Pan-Inform LLC during the first nine months of 2022 supplemented with more significant foreign exchange rate movements leading to FX gains during the first nine months of 2023 versus losses in the first nine months of 2022.

Investing cash flow excluding payments for / proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 81.8 billion in the first nine months of 2023, compared to HUF 77.8 billion in the first nine months of 2022, with the higher cash outflow driven mainly by the following:

- HUF 2.1 billion **positive change in payments for PPE and intangible assets** mainly driven by the following:
 - HUF 2.8 billion positive change driven by HUF 3.1 billion spectrum fee payment in North Macedonia in 2022 versus HUF 0.3 billion spectrum payment at the Hungarian operation in 2023,
 - HUF 10.2 billion positive change mainly driven by lower investments in fixed access rollout at the Hungarian operation and mobile network modernization in both Hungary and North Macedonia,
 - HUF 10.6 billion negative change reflecting to higher outpayments 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 the first nine months of 2022.

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities improved to HUF 23.9 billion in the first nine months of 2023 from HUF 69.9 billion in the first nine months of 2022, primarily driven by HUF 44.3 billion outpayment in 2022 for the principal part of the frequency usage right acquired in 2021, and combined effect of HUF 6.9 billion leased optical network acquisition in 2022 and higher lease payments in 2023.

Cash and cash equivalents deteriorated by HUF 2.6 billion in the first nine months of 2023 compared to the first nine months of 2022. Besides the changes in FCF the deterioration is attributable to the followings:

- **Proceeds from loans and other borrowings** improved by HUF 11.2 billion due to combined effect of the higher drawdown of DT Group loans and the decrease of proceeds from inhouse DT Group funds in the first nine months of 2023 compared to the first nine months of 2022.
- **Repayments of loans and other borrowings** deteriorated by HUF 18.2 billion due the increase of repayments of DT Group loans and inhouse DT Group funds in the first nine months of 2023 compared to the first nine months of 2022.
- HUF 14.6 billion higher **dividend** was **paid** in the first nine months of 2023 versus the first nine months of 2022.



- **Exchange differences on cash and cash equivalents** deteriorated by HUF 1.1 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 September 30, 2023 (see Appendix 3.8 and 3.9) can be observed in the following lines:

- Trade receivables within one year
- Other financial assets (current and non-current combined)
- Derivative financial instruments contracted with related parties (current and non-current assets combined)
- Other intangible assets
- Trade payables

Trade receivables within one year increased by HUF 11.9 billion from December 31, 2022 to September 30, 2023 mainly driven by the increase of SI/IT receivables due to the different project seasonality, and increase of telecommunication services receivables due to the less favorable ageing structure and amplified by the Hungarian fee adjustment impacts.

Other financial assets (current and non-current combined) increased by HUF 16.0 billion from December 31, 2022 to September 30, 2023 mainly as a result of HUF 16.6 billion increase in cash pool receivables.

Derivative financial instruments contracted with related parties (current and non-current assets combined) decreased by HUF 8.5 billion from December 31, 2022 to September 30, 2023 mainly as a result of HUF 20.0 billion decrease of the fair value of long-term derivative financial instruments contracted with related parties which was partially offset by HUF 11.6 billion increase of the fair value of short-term derivative financial instruments contracted with related parties.

Other intangible assets decreased by HUF 16.7 billion from December 31, 2022 to September 30, 2023 reflecting a change in concessions, licenses and software.

Trade payables decreased by HUF 21.7 billion from December 31, 2022 to September 30, 2023, reflecting a decrease in outstanding balances to handset, SI/IT, Capex and OPEX suppliers.

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 September 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 (September 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

	Q3 2022	Q3 2023	Change	Change (%)	1-9 months 2022	1-9 months 2023	Change	Change (%)
HUF millions								
Voice	28,399	31,541	3,142	11.1%	84,382	91,459	7,077	8.4%
Non-voice	39,726	50,621	10,895	27.4%	113,274	142,518	29,244	25.8%
Equipment	26,801	25,662	(1,139)	(4.2%)	77,229	76,445	(784)	(1.0%)
Other mobile revenue	3,707	5,640	1,933	52.1%	9,300	13,564	4,264	45.8%
Mobile revenue	98,633	113,464	14,831	15.0%	284,185	323,986	39,801	14.0%
Voice retail	7,362	7,610	248	3.4%	22,428	22,885	457	2.0%
Broadband retail	17,165	21,905	4,740	27.6%	49,888	62,937	13,049	26.2%
TV*	14,439	16,886	2,447	16.9%	42,479	49,315	6,836	16.1%
Equipment	3,520	4,906	1,386	39.4%	11,498	12,506	1,008	8.8%
Other*	9,991	11,609	1,618	16.2%	29,744	32,861	3,117	10.5%
Fixed line revenue	52,477	62,916	10,439	19.9%	156,037	180,504	24,467	15.7%
SI/IT revenue	19,408	20,231	823	4.2%	50,938	59,552	8,614	16.9%
Revenue	170,518	196,611	26,093	15.3%	491,160	564,042	72,882	14.8%
Direct costs	(74,434)	(79,283)	(4,849)	(6.5%)	(212,577)	(233,650)	(21,073)	(9.9%)
Gross profit	96,084	117,328	21,244	22.1%	278,583	330,392	51,809	18.6%
Indirect costs	(32,750)	(38,286)	(5,536)	(16.9%)	(97,195)	(119,101)	(21,906)	(22.5%)
Supplementary telecommunication tax	(6,476)	(7,510)	(1,034)	(16.0%)	(18,874)	(22,214)	(3,340)	(17.7%)
EBITDA	56,858	71,532	14,674	25.8%	162,514	189,077	26,563	16.3%
EBITDA AL	50,509	64,498	13,989	27.7%	143,839	168,071	24,232	16.8%
Segment Capex AL excl. spectrum licenses	26,384	21,074	(5,310)	(20.1%)	70,866	64,726	(6,140)	(8.7%)
Spectrum licenses	-	-	-	-	-	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	September 30 2022	September 30 2023	Change (%)
Number of SIM cards	5,913,778	6,167,543	4.3%
Postpaid share in total	63.5%	61.6%	n.a.
Total fixed voice access	1,314,363	1,281,341	(2.5%)
Total retail fixed broadband customers	1,487,085	1,572,831	5.8%
Total TV customers	1,360,145	1,414,237	4.0%

Operational statistics – ARPU (HUF)	Q3 2022	Q3 2023	Change (%)	1-9 months 2022	1-9 months 2023	Change (%)
Blended mobile ARPU	3,856	4,458	15.6%	3,797	4,293	13.1%
Postpaid ARPU	5,514	6,662	20.8%	5,421	6,343	17.0%
Prepaid ARPU	1,316	1,372	4.2%	1,259	1,297	3.0%
M2M ARPU	319	275	(13.8%)	327	282	(13.9%)
Blended fixed voice ARPU	1,861	1,972	5.9%	1,884	1,961	4.1%
Blended fixed broadband ARPU	3,845	4,634	20.5%	3,781	4,494	18.9%
Blended TV ARPU*	3,559	3,995	12.3%	3,527	3,917	11.0%

* 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 15.3% year-on-year to HUF 196.6 billion in Q3 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 15.0% year-on-year in Q3 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, especially among business customers, 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 26.9% year-on-year, leading to further increases in data revenue. Whilst the overall customer demand remained broadly stable for devices, equipment revenue declined due to lower third party export sales, as well as higher present value discounts on installment sales. The latter however, positively impacted other mobile revenue to a similar extent.

- **Fixed line revenue** grew by 19.9% year-on-year in Q3 2023, driven by the continued customer expansion on our fiber network coupled with the positive impacts of the implemented inflation-based fee adjustment; number of overall broadband customers grew by 6.3% and TV customer base expanded by 4.0% year-on-year with corresponding ARPU up by 20.5% and 12.3% respectively. At the same time, recorded increase in equipment revenue primarily reflects higher average device prices and some increase in overall sales volumes.
- **SI/IT revenue** increased by 4.2% 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 22.1% year-on-year in Q3 2023, in line with the favorable revenue trends.

EBITDA increased by 25.8% year-on-year and **EBITDA AL** was up by 27.7% year-on-year in Q3 2023, reflecting the favorable operational trends.

Capex AL excluding spectrum licenses was lower by 8.7% year-on-year in the first nine months of 2023, amounting to HUF 64.7 billion, as the higher spending in relation to fiber provisioning and connections were offset by lower network related investment levels.

Outlook: Looking ahead, Magyar Telekom continuously monitors developments in its external environment and takes proactive steps to leverage opportunities and mitigate risks arising from changes in the environment.

2.2.2 North Macedonia

	Q3 2022	Q3 2023	Change	Change (%)	1-9 months 2022	1-9 months 2023	Change	Change (%)
HUF millions								
Voice	4,203	4,035	(168)	(4.0%)	11,296	11,543	247	2.2%
Non-voice	4,921	4,799	(122)	(2.5%)	12,946	13,305	359	2.8%
Equipment	2,899	2,601	(298)	(10.3%)	8,029	8,241	212	2.6%
Other mobile revenue	879	1,087	208	23.7%	1,982	2,547	565	28.5%
Mobile revenue	12,902	12,522	(380)	(2.9%)	34,253	35,636	1,383	4.0%
Voice retail	1,355	1,276	(79)	(5.8%)	3,875	3,828	(47)	(1.2%)
Broadband retail	1,498	1,643	145	9.7%	4,199	4,799	600	14.3%
TV	1,611	1,384	(227)	(14.1%)	4,546	4,164	(382)	(8.4%)
Equipment	46	35	(11)	(23.9%)	128	98	(30)	(23.4%)
Other	1,933	2,003	70	3.6%	5,289	5,638	349	6.6%
Fixed line revenue	6,443	6,341	(102)	(1.6%)	18,037	18,527	490	2.7%
SI/IT revenue	563	505	(58)	(10.3%)	3,349	1,325	(2,024)	(60.4%)
Revenue	19,908	19,368	(540)	(2.7%)	55,639	55,488	(151)	(0.3%)
Direct costs	(6,189)	(5,730)	459	7.4%	(18,284)	(16,881)	1,403	7.7%
Gross profit	13,719	13,638	(81)	(0.6%)	37,355	38,607	1,252	3.4%
Indirect costs	(5,770)	(4,711)	1,059	18.4%	(15,097)	(14,073)	1,024	6.8%
Supplementary telecommunication tax	-	-	-	-	-	-	-	-
EBITDA	7,949	8,927	978	12.3%	22,258	24,534	2,276	10.2%
EBITDA AL	7,680	8,629	949	12.4%	21,474	23,682	2,208	10.3%
Segment Capex AL excl. spectrum licenses	4,056	2,802	(1,254)	(30.9%)	12,134	8,084	(4,050)	(33.4%)
Spectrum licenses	3,092	-	(3,092)	n.m.	3,092	-	(3,092)	n.m.



Operational statistics – access numbers	September 30 2022	September 30 2023	Change (%)
Number of mobile SIMs	1,294,540	1,330,341	2.8%
Postpaid share in total	43.1%	43.5%	n.a.
Total fixed voice access	226,532	227,452	0.4%
Total fixed retail broadband customers	202,924	208,690	2.8%
Total TV customers	147,635	149,269	1.1%

Total revenue in North Macedonia declined by 2.7% year-on-year to HUF 19.4 billion in Q3 2023 primarily reflecting the unfavorable effect of the 5.9% year-on-year strengthening of the forint against the denar whilst underlying revenue improved moderately.

- **Mobile revenue** was down by 2.9% year-on-year in forint terms in Q3 2023 primarily reflecting lower equipment sales. At the same time, the customer base continued to increase that resulted in an improvement in mobile service revenue and visitor revenue also was higher in line with higher traffic volumes.
- **Fixed line revenue** was down by 1.6% year-on-year in forint terms in Q3 2023 whilst showed underlying improvement in local currency. The underlying increases in service revenue was the result of further customer base expansion and the higher revenue from TV content re-sale and international transit traffic revenues. 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 moderately year-on-year in Q3 2023, attributable to a generally lower investment level in the economy.

Gross profit was broadly stable year-on-year in Q3 2023, as direct cost developments were in line with revenue trends.

EBITDA increased by 12.3% year-on-year and **EBITDA AL** was up by 12.4% year-on-year in Q3 2023 thanks primarily to year-on-year lower electricity expenses.

CAPEX AL excluding spectrum licenses declined by HUF 4.1 billion year-on-year to HUF 8.1 billion for the first nine months of 2023 reflecting the absence of accelerated investments into 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 late 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 at the Annual General Meeting on April 19, 2023.

Management continuously monitors the progress in the Hungarian economic environment and the effect of the wars, 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 one-off allowance for bad debts in Q3 2023.

During the preparation of the Q3 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 any new amendments and interpretations endorsed by the European Union until the end of Q3 2023.



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

	Q3 2022 (unaudited)	Q3 2023 (unaudited)	Change	Change (%)
(HUF millions, except per share amounts)				
Mobile revenue	111,532	125,986	14,454	13.0%
Fixed line revenue	59,412	69,503	10,091	17.0%
SI/IT revenue	19,971	20,736	765	3.8%
Revenue	190,915	216,225	25,310	13.3%
Interconnect costs	(5,983)	(5,954)	29	0.5%
SI/IT service related costs	(13,845)	(14,804)	(959)	(6.9%)
Impairment losses and gains on financial assets and contract assets	(1,410)	(2,733)	(1,323)	(93.8%)
Telecom tax	(6,593)	(6,330)	263	4.0%
Other direct costs	(52,755)	(55,150)	(2,395)	(4.5%)
Direct costs	(80,586)	(84,971)	(4,385)	(5.4%)
Employee-related expenses	(20,848)	(21,050)	(202)	(1.0%)
Depreciation and amortization	(33,890)	(34,738)	(848)	(2.5%)
Other operating expenses	(18,894)	(23,149)	(4,255)	(22.5%)
Supplementary telecommunication tax	(6,476)	(7,510)	(1,034)	(16.0%)
Operating expenses	(160,694)	(171,418)	(10,724)	(6.7%)
Other operating income	1,085	907	(178)	(16.4%)
Operating profit	31,306	45,714	14,408	46.0%
Interest income	118	839	721	n.m.
Interest expense	(4,003)	(6,525)	(2,522)	(63.0%)
Other finance expense - net	(4,247)	(9,654)	(5,407)	(127.3%)
Net financial result	(8,132)	(15,340)	(7,208)	(88.6%)
Share of associates' and joint ventures' results	-	-	-	-
Profit before income tax	23,174	30,374	7,200	31.1%
Income tax	(4,686)	(5,721)	(1,035)	(22.1%)
Profit for the period	18,488	24,653	6,165	33.3%
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	7,116	5,606	(1,510)	(21.2%)
Items not to be reclassified to profit or loss in subsequent periods:				
Revaluation of financial assets at FV OCI	(54)	72	126	n.m.
Other comprehensive income for the year, net of tax	7,062	5,678	(1,384)	(19.6%)
Total comprehensive income for the period	25,550	30,331	4,781	18.7%
Profit attributable to:				
Owners of the parent	17,062	22,947	5,885	34.5%
Non-controlling interests	1,426	1,706	280	19.6%
	18,488	24,653	6,165	33.3%
Total comprehensive income attributable to:				
Owners of the parent	21,354	26,407	5,053	23.7%
Non-controlling interests	4,196	3,924	(272)	(6.5%)
	25,550	30,331	4,781	18.7%
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	17,062	22,947		
Weighted average number of common stock outstanding used for basic/diluted EPS	962,722,519	929,781,149		
Basic / diluted earnings per share (HUF)	17.72	24.68	6.96	39.3%



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

(HUF millions, except per share amounts)	1-9 months 2022 (unaudited)	1-9 months 2023 (unaudited)	Change	Change (%)
Mobile revenue	318,433	359,620	41,187	12.9%
Fixed line revenue	174,746	199,688	24,942	14.3%
SI/IT revenue	54,287	60,877	6,590	12.1%
Revenue	547,466	620,185	72,719	13.3%
Interconnect costs	(17,822)	(17,178)	644	3.6%
SI/IT service related costs	(38,428)	(44,471)	(6,043)	(15.7%)
Impairment losses and gains on financial assets and contract assets	(5,308)	(7,156)	(1,848)	(34.8%)
Telecom tax	(19,790)	(19,102)	688	3.5%
Other direct costs	(149,400)	(161,705)	(12,305)	(8.2%)
Direct costs	(230,748)	(249,612)	(18,864)	(8.2%)
Employee-related expenses	(58,042)	(61,001)	(2,959)	(5.1%)
Depreciation and amortization	(104,478)	(103,216)	1,262	1.2%
Other operating expenses	(60,394)	(75,431)	(15,037)	(24.9%)
Supplementary telecommunication tax	(18,874)	(22,214)	(3,340)	(17.7%)
Operating expenses	(472,536)	(511,474)	(38,938)	(8.2%)
Other operating income	5,839	2,475	(3,364)	(57.6%)
Operating profit	80,769	111,186	30,417	37.7%
Interest income	534	2,435	1,901	356.0%
Interest expense	(10,961)	(19,025)	(8,064)	(73.6%)
Other finance expense - net	(7,189)	(19,397)	(12,208)	(169.8%)
Net financial result	(17,616)	(35,987)	(18,371)	(104.3%)
Share of associates' and joint ventures' results	26	-	(26)	(100.0%)
Profit before income tax	63,179	75,199	12,020	19.0%
Income tax	(13,621)	(15,096)	(1,475)	(10.8%)
Profit for the period	49,558	60,103	10,545	21.3%
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	14,711	(2,799)	(17,510)	n.m.
Items not to be reclassified to profit or loss in subsequent periods:				
Revaluation of financial assets at FV OCI	(46)	113	159	n.m.
Other comprehensive income for the year, net of tax	14,665	(2,686)	(17,351)	n.m.
Total comprehensive income for the period	64,223	57,417	(6,806)	(10.6%)
Profit attributable to:				
Owners of the parent	46,085	55,724	9,639	20.9%
Non-controlling interests	3,473	4,379	906	26.1%
	49,558	60,103	10,545	21.3%
Total comprehensive income attributable to:				
Owners of the parent	55,138	53,979	(1,159)	(2.1%)
Non-controlling interests	9,085	3,438	(5,647)	(62.2%)
	64,223	57,417	(6,806)	(10.6%)
Earnings per share (EPS) information:				
Profit attributable to the owners of the Company	46,085	55,724		
Weighted average number of common stock outstanding used for basic/diluted EPS	979,906,477	947,277,481		
Basic / diluted earnings per share (HUF)	47.03	58.83	11.80	25.1%



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

(HUF millions)	Q3 2022	Q3 2023	Change	Change (%)
Voice retail	29,522	32,664	3,142	10.6%
Voice wholesale	3,080	2,912	(168)	(5.5%)
Data	38,532	48,637	10,105	26.2%
SMS	6,115	6,783	668	10.9%
Equipment	29,700	28,263	(1,437)	(4.8%)
Other mobile revenue	4,583	6,727	2,144	46.8%
Mobile revenue	111,532	125,986	14,454	13.0%
Voice retail	8,717	8,886	169	1.9%
Broadband retail	18,663	23,548	4,885	26.2%
TV*	16,050	18,270	2,220	13.8%
Equipment	3,566	4,941	1,375	38.6%
Data retail	3,333	3,593	260	7.8%
Wholesale (voice, broadband, data)	5,512	5,798	286	5.2%
Other fixed line revenue*	3,571	4,467	896	25.1%
Fixed line revenue	59,412	69,503	10,091	17.0%
SI/IT revenue	19,971	20,736	765	3.8%
Revenue	190,915	216,225	25,310	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

3.5. Revenue breakdown – year-to-date comparison

(HUF millions)	1-9 months 2022	1-9 months 2023	Change	Change (%)
Voice retail	86,533	94,267	7,734	8.9%
Voice wholesale	9,145	8,735	(410)	(4.5%)
Data	107,903	136,022	28,119	26.1%
SMS	18,317	19,801	1,484	8.1%
Equipment	85,258	84,686	(572)	(0.7%)
Other mobile revenue	11,277	16,109	4,832	42.8%
Mobile revenue	318,433	359,620	41,187	12.9%
Voice retail	26,303	26,713	410	1.6%
Broadband retail	54,087	67,736	13,649	25.2%
TV*	47,025	53,479	6,454	13.7%
Equipment	11,626	12,604	978	8.4%
Data retail	9,869	10,465	596	6.0%
Wholesale (voice, broadband, data)	15,575	15,941	366	2.3%
Other fixed line revenue*	10,261	12,750	2,489	24.3%
Fixed line revenue	174,746	199,688	24,942	14.3%
SI/IT revenue	54,287	60,877	6,590	12.1%
Revenue	547,466	620,185	72,719	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)	Q3 2022	Q3 2023	Change	Change (%)
Direct costs	(80,586)	(84,971)	(4,385)	(5.4%)
Employee-related expenses	(20,848)	(21,050)	(202)	(1.0%)
Depreciation and amortization	(33,890)	(34,738)	(848)	(2.5%)
Other operating expenses	(18,894)	(23,149)	(4,255)	(22.5%)
<i>Of which utility tax</i>	(10)	-	10	<i>n.a.</i>
Supplementary telecommunication tax	(6,476)	(7,510)	(1,034)	(16.0%)
Operating expenses	(160,694)	(171,418)	(10,724)	(6.7%)

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

(HUF millions)	1-9 months 2022	1-9 months 2023	Change	Change (%)
Direct costs	(230,748)	(249,612)	(18,864)	(8.2%)
Employee-related expenses	(58,042)	(61,001)	(2,959)	(5.1%)
Depreciation and amortization	(104,478)	(103,216)	1,262	1.2%
Other operating expenses	(60,394)	(75,431)	(15,037)	(24.9%)
<i>Of which utility tax</i>	(7,447)	(7,667)	(220)	(3.0%)
Supplementary telecommunication tax	(18,874)	(22,214)	(3,340)	(17.7%)
Operating expenses	(472,536)	(511,474)	(38,938)	(8.2%)



3.8. Interim Consolidated Statement of Financial Position - Assets

(HUF millions)	Dec 31, 2022 (unaudited)	Sept 30, 2023 (unaudited)	Change	Change (%)
ASSETS				
Cash and cash equivalents	12,861	6,219	(6,642)	(51.6%)
Trade receivables within one year	171,583	183,492	11,909	6.9%
Other current assets	11,025	10,930	(95)	(0.9%)
Derivative financial instruments contracted with related parties	-	11,557	11,557	n.a.
Other current financial assets	1,789	17,423	15,634	n.m.
Contract assets	18,586	19,739	1,153	6.2%
Current income tax receivable	137	1,560	1,423	n.m.
Inventories	25,344	25,814	470	1.9%
	241,325	276,734	35,409	14.7%
Assets held for sale	2	1	(1)	(50.0%)
Total current assets	241,327	276,735	35,408	14.7%
Property, plant and equipment	475,708	475,797	89	0.0%
Right-of-use assets	123,739	123,427	(312)	(0.3%)
Goodwill	212,713	212,713	0	0.0%
Other intangible assets	332,185	315,505	(16,680)	(5.0%)
Investments in associates and joint ventures	-	-	-	-
Deferred tax assets	742	121	(621)	(83.7%)
Trade receivables over one year	22,806	21,378	(1,428)	(6.3%)
Derivative financial instruments contracted with related parties	31,723	11,691	(20,032)	(63.1%)
Other non-current financial assets	3,796	4,186	390	10.3%
Contract assets	3,960	2,985	(975)	(24.6%)
Other non-current assets	7,718	8,383	665	8.6%
Total non-current assets	1,215,090	1,176,186	(38,904)	(3.2%)
Total assets	1,456,417	1,452,921	(3,496)	(0.2%)



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

(HUF millions)	Dec 31, 2022 (unaudited)	Sept 30, 2023 (unaudited)	Change	Change (%)
LIABILITIES				
Financial liabilities to related parties	65,700	89,809	24,109	36.7%
Derivative financial instruments contracted with related parties	2,035	43	(1,992)	(97.9%)
Lease liabilities	26,738	29,314	2,576	9.6%
Trade payables	158,786	137,062	(21,724)	(13.7%)
Other financial liabilities	11,720	12,198	478	4.1%
Current income tax payable	1,478	1,268	(210)	(14.2%)
Provisions	2,959	2,159	(800)	(27.0%)
Contract liabilities	13,153	10,874	(2,279)	(17.3%)
Other current liabilities	24,355	19,172	(5,183)	(21.3%)
	306,924	301,899	(5,025)	(1.6%)
Liabilities held for sale	-	-	-	-
Total current liabilities	306,924	301,899	(5,025)	(1.6%)
Financial liabilities to related parties	98,061	95,855	(2,206)	(2.2%)
Lease liabilities	114,865	110,146	(4,719)	(4.1%)
Corporate bonds	68,531	68,773	242	0.4%
Other financial liabilities	103,918	99,251	(4,667)	(4.5%)
Deferred tax liabilities	14,299	17,138	2,839	19.9%
Provisions	12,604	14,077	1,473	11.7%
Contract liabilities	405	432	27	6.7%
Other non-current liabilities	2,034	1,700	(334)	(16.4%)
Total non-current liabilities	414,717	407,372	(7,345)	(1.8%)
Total liabilities	721,641	709,271	(12,370)	(1.7%)
EQUITY				
Common stock	100,580	97,156	(3,424)	(3.4%)
Capital reserves	26,409	25,509	(900)	(3.4%)
Treasury stock	(18,600)	(18,600)	0	0.0%
Retained earnings	546,659	562,638	15,979	2.9%
Accumulated other comprehensive income	36,691	34,946	(1,745)	(4.8%)
Total equity of the owners of the parent	691,739	701,649	9,910	1.4%
Non-controlling interests	43,037	42,001	(1,036)	(2.4%)
Total equity	734,776	743,650	8,874	1.2%
Total liabilities and equity	1,456,417	1,452,921	(3,496)	(0.2%)



3.10. Interim Consolidated Statement of Cash Flows

(HUF millions)	1-9 months 2022 (unaudited)	1-9 months 2023 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	49,558	60,103	10,545	21.3%
Depreciation and amortization	104,478	103,216	(1,262)	(1.2%)
Income tax expense	13,621	15,096	1,475	10.8%
Net financial result	17,616	35,987	18,371	104.3%
Share of associates' and joint ventures' result	(26)	-	26	100.0%
Change in assets carried as working capital	(11,198)	(11,179)	19	0.2%
Change in provisions	(1,051)	(267)	784	74.6%
Change in liabilities carried as working capital	17,654	(13,648)	(31,302)	n.m.
Income tax paid	(16,941)	(16,465)	476	2.8%
Dividend received	66	112	46	69.7%
Interest and other financial charges paid	(13,967)	(23,081)	(9,114)	(65.3%)
Interest received	610	2,287	1,677	274.9%
Other non-cash items	(7,159)	1,849	9,008	n.m.
Net cash generated from operating activities	153,261	154,010	749	0.5%
Cash flows from investing activities				
Payments for property plant and equipment (PPE) and intangible assets	(84,205)	(82,125)	2,080	2.5%
Proceeds from disposal of PPE and intangible assets	900	405	(495)	(55.0%)
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	(2,484)	-	2,484	100.0%
Proceeds from other financial assets	11,835	(13,257)	(25,092)	n.m.
Payments for interests in associates and joint ventures	-	-	-	-
Net cash used in investing activities	(68,454)	(95,044)	(26,590)	(38.8%)
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(19,473)	(34,045)	(14,572)	(74.8%)
Proceeds from loans and other borrowings	97,789	108,979	11,190	11.4%
Repayment of loans and other borrowings	(83,653)	(101,872)	(18,219)	(21.8%)
Proceeds from corporate bonds	-	-	-	-
Repayment of lease and other financial liabilities	(69,889)	(23,911)	45,978	65.8%
Treasury share purchase	(14,609)	(14,608)	1	0.0%
Net cash used in financing activities	(89,835)	(65,457)	24,378	27.1%
Exchange differences on cash and cash equivalents	983	(151)	(1,134)	n.m.
Change in cash and cash equivalents	(4,045)	(6,642)	(2,597)	(64.2%)
Cash and cash equivalents, beginning of period	13,463	12,861	(602)	(4.5%)
Cash and cash equivalents, end of period	9,418	6,219	(3,199)	(34.0%)



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

HUF millions	Opening Balance at January 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 September 30, 2023
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of lease and other financial liabilities	Other	
Related party loans	163,761	-	(6,504)	4,724	-	125,555	(101,872)	-	-	185,664
Derivatives from related parties	2,035	-	-	10,854	(12,846)	-	-	-	-	43
Spectrum fee payable	106,662	-	(3,898)	3,360	-	-	-	(3,611)	-	102,513
Bonds	68,531	-	21	221	-	-	-	-	-	68,773
Lease liabilities	141,603	-	(3,309)	18,718	-	-	-	(17,552)	-	139,460
Debtors overpayment	1,277	-	588	-	-	-	-	-	-	1,865
Contingent consideration	0	-	-	-	-	-	-	0	-	-
Other financial liabilities	7,699	-	(364)	2,484	-	-	-	(2,748)	-	7,071
- Less cash and cash equivalent	(12,861)	6,642	-	-	-	-	-	-	-	(6,219)
- Less other current financial assets and derivative financial instruments	(1,789)	-	(631)	(10,305)	321	(16,576)	-	-	-	(28,980)
Net debt	476,918	6,642	(14,097)	30,056	(12,525)	108,979	(104,872)	(23,911)	-	470,190
Treasury share purchase									(14,608)	
Dividends paid to Owners of the parent and Non-controlling interest									(34,045)	
Net Cash used in financing activities									(65,457)	



3.12. Interim Consolidated Statement of Changes in Equity

	HUF millions										
	pieces	HUF millions								Non-controlling interests	Total Equity
	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			
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	-	-	-	-	-	9,080	(27)	9,053	5,612	14,665	
Profit or loss	-	-	-	-	46,085	-	-	46,085	3,473	49,558	
Total comprehensive income	-	-	-	-	46,085	9,080	(27)	55,138	9,085	64,223	
Balance at September 30, 2022	1,005,801,352	100,580	26,409	(18,600)	529,790	39,839	406	678,424	44,673	723,097	
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	-	-	-	-	-	(3,603)	49	(3,554)	(2,283)	(5,837)	
Profit or loss	-	-	-	-	16,869	-	-	16,869	647	17,516	
Total comprehensive income	-	-	-	-	16,869	(3,603)	49	13,315	(1,636)	11,679	
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)	14,609	(10,285)	-	-	0	-	0	
Transactions with owners in their capacity as owners	(34,242,485)	(3,424)	(900)	-	(39,745)	-	-	(44,069)	(4,474)	(48,543)	
Other comprehensive income	-	-	-	-	-	(1,807)	62	(1,745)	(941)	(2,686)	
Profit or loss	-	-	-	-	55,724	-	-	55,724	4,379	60,103	
Total comprehensive income	-	-	-	-	55,724	(1,807)	62	53,979	3,438	57,417	
Balance at September 30, 2023	971,558,867	97,156	25,509	(18,600)	562,638	34,429	517	701,649	42,001	743,650	
Of which treasury stock	(41,777,718)	-	-	-	-	-	-	-	-	-	
Shares of common stock outstanding	929,781,149										



3.13. Exchange rate information

	Q3 2022	Q3 2023	Change (%)	1-9 months 2022	1-9 months 2023	Change (%)
HUF/EUR beginning of period	396.75	371.13	(6.5%)	369.00	400.25	8.5%
HUF/EUR period-end	421.41	391.25	(7.2%)	421.41	391.25	(7.2%)
HUF/EUR cumulative monthly average	406.13	382.17	(5.9%)	385.55	380.68	(1.3%)
HUF/MKD beginning of period	6.43	6.03	(6.2%)	5.99	6.51	8.7%
HUF/MKD period-end	6.85	6.36	(7.2%)	6.85	6.36	(7.2%)
HUF/MKD cumulative monthly average	6.60	6.21	(5.9%)	6.26	6.18	(1.3%)

3.14. Segment information

HUF millions	Q3 2022	Q3 2023	1-9 months 2022	1-9 months 2023
Total MT-Hungary revenue	170,518	196,611	491,160	564,042
Less: MT-Hungary revenue from other segments	(30)	(21)	(89)	(67)
MT-Hungary revenue from external customers	170,488	196,590	491,071	563,975
Total North Macedonia revenue	19,908	19,368	55,639	55,488
Less: North Macedonia revenue from other segments	(16)	(15)	(44)	(44)
North Macedonia revenue from external customers	19,892	19,353	55,595	55,444
Total consolidated revenue of the segments	190,380	215,943	546,666	619,419
Measurement differences to Group revenue	535	282	800	766
Total revenue of the Group	190,915	216,225	547,466	620,185
Segment results (EBITDA)				
Hungary	56,858	71,532	162,514	189,077
North Macedonia	7,949	8,927	22,258	24,534
Total EBITDA of the segments	64,807	80,459	184,772	213,611
Measurement differences to Group EBITDA	389	(7)	475	791
Total EBITDA of the Group	65,196	80,452	185,247	214,402



3.15. Fair value of financial instruments – financial assets

September 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	6,219	-	-	-	6,219	6,219
Cash-pool receivables	16,576	-	-	-	16,576	16,576
Trade receivables	183,492	-	-	-	183,492	183,492
Trade receivables over 1 year	21,378	-	-	-	21,378	19,167
Derivative financial instruments contracted with related parties	-	-	23,248	-	23,248	23,248
Finance lease receivable	899	-	-	-	899	592
Equity instruments	-	1,543	-	1,400	2,943	2,943
Receivables from asset-related grants	58	-	-	-	58	58
Other current receivables	681	-	-	-	681	681
Other non-current receivables	452	-	-	-	452	420
Total	229,755	1,543	23,248	1,400	255,946	253,395

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

September 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	185,664	-	-	185,664	186,891
Derivative financial instruments contracted with related parties	-	43	-	43	43
Trade payables	137,062	-	-	137,062	137,062
Frequency fee payable	102,725	-	-	102,725	75,559
Bonds	68,773	-	-	68,773	55,666
Lease liabilities	139,460	-	-	139,460	123,682
Debtors overpayment	1,865	-	-	1,865	1,865
Other current	5,436	-	-	5,436	5,436
Other non-current	1,423	-	-	1,423	1,326
Total	642,408	43	-	642,451	587,530

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	-	135	5,023	5,023
Other non-current	2,676	-	-	2,676	2,412
Total	648,184	2,035	135	650,354	564,053



3.17. EBITDA reconciliation

(HUF millions)	Q3 2022 MT Group	Q3 2022 MT-Hungary	Q3 2022 North Macedonia	Q3 2023 MT Group	Q3 2023 MT-Hungary	Q3 2023 North Macedonia
EBITDA	65,196	56,858	7,949	80,452	71,532	8,927
IFRS 16 related D&A	(5,040)	(4,806)	(234)	(5,573)	(5,312)	(261)
IFRS 16 related Interest	(1,578)	(1,543)	(35)	(1,759)	(1,722)	(37)
EBITDA after lease	58,578	50,509	7,680	73,120	64,498	8,629

(HUF millions)	1-9 months 2022 MT Group	1-9 months 2022 MT-Hungary	1-9 months 2022 North Macedonia	1-9 months 2023 MT Group	1-9 months 2023 MT-Hungary	1-9 months 2023 North Macedonia
EBITDA	185,247	162,514	22,258	214,402	189,077	24,534
IFRS 16 related D&A	(15,023)	(14,336)	(687)	(16,673)	(15,931)	(742)
IFRS 16 related Interest	(4,436)	(4,339)	(97)	(5,185)	(5,075)	(110)
EBITDA after lease	165,788	143,839	21,474	192,544	168,071	23,682

3.18. Adjusted profit attributable to owners of the parent reconciliation

(HUF millions)	Q3 2022	Q3 2023	Change	Change (%)	1-9 months 2022	1-9 months 2023	Change	Change (%)
Profit attributable to the owners of the parent	17,062	22,947	5,885	34.5%	46,085	55,724	9,639	20.9%
Changes in depreciation and amortization	-	-	-	-	-	-	-	-
Changes in net financial result*	3,044	7,091	4,047	133.0%	(255)	12,103	12,358	n.m.
Changes in income tax	-	-	-	-	-	-	-	-
Total adjusting factors	3,044	7,091	4,047	133.0%	(255)	12,103	12,358	n.m.
Adjusted profit attributable to owners of the parent	20,106	30,038	9,932	49.4%	45,830	67,827	21,997	48.0%

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

3.19. Capex from Interim Consolidated Statement of Cash Flows

(HUF millions)	1-9 months 2022 MT Group	1-9 months 2023 MT Group
Payments for PPE and intangible assets	84,205	82,125
Less spectrum payments	(3,092)	(313)
Payments for PPE and intangible assets excl. spectrum payments	81,113	81,812
+/- Cash adjustments	1,887	(8,965)
Capex AL excl. spectrum	83,000	72,847
ROU capex	22,654	17,314
Spectrum capex	3,092	586
Capex	108,746	90,747



3.20. Capex from Interim Consolidated Statement of Financial Position

(HUF millions)	Q3 2022 MT Group	Q3 2022 MT-Hungary	Q3 2022 North Macedonia	Q3 2023 MT Group	Q3 2023 MT-Hungary	Q3 2023 North Macedonia
Capex AL excl. spectrum licenses	30,440	26,384	4,056	23,876	21,074	2,802
ROU capex	8,189	7,935	254	3,447	3,318	129
Spectrum capex	3,092	-	3,092	-	-	-
Capex	41,721	34,319	7,402	27,323	24,392	2,931

(HUF millions)	1-9 months 2022 MT Group	1-9 months 2022 MT-Hungary	1-9 months 2022 North Macedonia	1-9 months 2023 MT Group	1-9 months 2023 MT-Hungary	1-9 months 2023 North Macedonia
Capex AL excl. spectrum licenses	83,000	70,866	12,134	72,847	64,763	8,084
ROU capex	22,654	22,013	641	17,314	16,736	578
Spectrum capex	3,092	-	3,092	586	586	-
Capex	108,746	92,879	15,867	90,747	82,085	8,662



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, November 8, 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.