

MAGYAR TELEKOM

HALF-YEAR REPORT

**ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE
SECOND QUARTER ENDED JUNE 30, 2022**



Budapest – August 9, 2022 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the second quarter and first half of 2022, 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..... | 16 |
| 3.3. | Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income – year-to-date comparison..... | 17 |
| 3.4. | Revenue breakdown – quarterly year-on-year comparison | 18 |
| 3.5. | Revenue breakdown – year-to-date comparison | 18 |
| 3.6. | Operating expenses breakdown – quarterly year-on-year comparison | 19 |
| 3.7. | Operating expenses breakdown – year-to-date comparison..... | 19 |
| 3.8. | Interim Consolidated Statement of Financial Position - Assets..... | 20 |
| 3.9. | Interim Consolidated Statement of Financial Position – Liabilities and Equity | 21 |
| 3.10. | Interim Consolidated Statement of Cash Flows..... | 22 |
| 3.11. | Net debt reconciliation to changes in Statement of Cash Flows..... | 23 |
| 3.12. | Interim Consolidated Statement of Changes in Equity | 24 |
| 3.13. | Exchange rate information | 25 |
| 3.14. | Segment information..... | 25 |
| 3.15. | Fair value of financial instruments – financial assets..... | 26 |
| 3.16. | Fair value of financial instruments – financial liabilities..... | 26 |
| 3.17. | EBITDA reconciliation | 27 |
| 3.18. | Capex from Interim Consolidated Statement of Cash Flows | 27 |
| 3.19. | Capex from Interim Consolidated Statement of Financial Position | 27 |
| 4. | DECLARATION | 28 |

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1. HIGHLIGHTS

Financial highlights:

| (HUF millions, except ratios) | Q2 2021 | Q2 2022 | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change (%) |
|---|---------------|---------------|----------------|---------------------|----------------------|-------------------|
| Revenue | 166,141 | 184,234 | 10.9% | 328,440 | 360,098 | 9.6% |
| Operating profit | 22,595 | 22,686 | 0.4% | 37,661 | 49,463 | 31.3% |
| Profit attributable to: | | | | | | |
| Owners of the parent | 13,504 | 10,570 | (21.7%) | 22,406 | 29,023 | 29.5% |
| Non-controlling interests | 1,011 | 1,158 | 14.5% | 2,170 | 2,047 | (5.7%) |
| | 14,515 | 11,728 | (19.2%) | 24,576 | 31,070 | 26.4% |
| Gross profit | 96,471 | 105,491 | 9.3% | 189,602 | 206,389 | 8.9% |
| EBITDA | 59,273 | 57,905 | (2.3%) | 109,467 | 120,051 | 9.7% |
| EBITDA AL | 53,239 | 51,395 | (3.5%) | 97,390 | 107,210 | 10.1% |
| Free cash flow | | | | 10,331 | (11,851) | n.m. |
| Free cash flow excl. spectrum licenses | | | | 10,331 | 32,429 | 213.9% |
| Capex after lease | 23,163 | 29,559 | 27.6% | 126,291 | 52,560 | (58.4%) |
| Capex after lease excl. spectrum licenses | 23,163 | 29,559 | 27.6% | 43,216 | 52,560 | 21.6% |
| Number of employees (closing full equivalent) | | | | 6,972 | 6,730 | (3.5%) |
| | | | | Dec 31, 2021 | June 30, 2022 | Change (%) |
| Net debt | | | | 472,886 | 483,491 | 2.2% |
| Net debt / EBITDA | | | | 1.96 | 1.92 | n.a. |

- Group revenue grew by 10.9% year-on-year in Q2 2022, mainly due to continued strong demand for mobile data, high bandwidth broadband packages and mobile equipment in both countries of operation
- Gross profit improved in line with revenue expansion, growing by 9.3% year-on-year in Q2 2022
- Supplementary telecommunication tax, recently imposed by the Government of Hungary on the actual annual net sales of electronic telecommunication services was booked in the amount of HUF 12.4 billion in Q2 2022, in relation to revenue generated during the first six months of 2022
- EBITDA AL declined by 3.5% year-on-year to HUF 51.4 billion in Q2 2022, as the improvement in gross profit was offset by the supplementary telecommunication tax
- Capex AL excluding spectrum licenses rose to HUF 52.6 billion in the first six months of 2022, driven primarily by the accelerated mobile network modernization in both countries of operation and strong pace of fiber roll-out in Hungary
- Free cash flow, excluding spectrum license fees, amounted to HUF 32.4 billion in the first six months of 2022, improving by HUF 21.1 billion year-on-year; the positive underlying results coupled with one-off cash inflow from the sale of Pan-Inform LLC offset higher income tax payment settlements and losses incurred due to the weakening of the forint, whilst payment of the new supplementary telecommunication tax will be due only in Q4 2022.
- Payment of HUF 44.3 billion related to the acquisition of 900 MHz and 1800 MHz frequency bands was made at the beginning of April 2022, increasing payments for other liability, and as such reducing overall free cash flow to a negative HUF 11.9 billion for the first six months of 2022

Operational highlights

- Strong focus on investment in fixed and mobile networks, vital to maintaining superior customer experience, continued in both countries of operation with accelerated fiber roll-out and RAN modernization and the switch-off of Hungarian 3G service allowing for more efficient frequency and energy utilization
- Customer base expansion in Hungary continued into Q2 2022: fixed broadband subscriptions rose by 7.3%, TV customers increased by 6.1% while the mobile postpaid SIM base rose by 5.1% year-on-year
- Hungarian fiber network penetration continued to rise in parallel with the expansion of the coverage; the number of fiber customers rose by 27% year-on-year by the end of June 2022
- Growth in mobile data usage was sustained with average monthly usage reaching 9.1 GB in Q2 2022

Tibor Rékasi, Magyar Telekom CEO commented:

“Magyar Telekom maintained positive momentum into the second quarter despite strongly increasing macroeconomic pressure. We leveraged our superior customer experience and focus on investment into our fixed and mobile networks to meet continued strong demand for mobile data, broadband and TV services. The retirement of our 3G network was an important event in our transition from legacy technology towards more energy efficient infrastructure, and allowing the Group to increase throughput capacities by redeploying relevant frequency bands to deliver 4G and 5G services. Our operational achievements are reflected in year-on-year revenue growth of 10.9% and gross profit growth of 9.3% in Q2 2022.

The supplementary telecommunication tax levied by the Hungarian Government affected our profitability, reducing H1 2022 EBITDA AL by around 10%. For the second quarter the impact on EBITDA AL was even stronger, supplementary telecommunication tax reduced EBITDA AL by 19% resulting in 3.5% year-on-year decrease of our profitability.

Looking ahead, we expect the inflationary environment and the weakening of the forint to put increasing pressure on our costs, while a potential economic downturn could negatively impact our top line performance. Yet we remain committed to focusing on the delivery of our strategic objectives in line with the guidance modified following announcement on supplementary telecommunication tax.”

Public targets

| | 2021 Actual | Public guidance for 2022 | Outlook for 2023-2024 |
|-----------------------|-------------------|-------------------------------|------------------------|
| Revenue | HUF 700.1 billion | 1%-3% growth | moderate annual growth |
| EBITDA AL | HUF 216.3 billion | moderate decline ² | moderate annual growth |
| Capex AL ¹ | HUF 109.3 billion | broadly stable | - |
| FCF ¹ | HUF 56.2 billion | moderate decline ² | moderate annual growth |

¹ Excluding spectrum licenses

² Modified following announcement on temporary supplementary telecommunication tax

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

| (HUF millions) | Q2 2021 | Q2 2022 | Change | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change | Change (%) |
|--|----------------|----------------|----------------|----------------|-----------------|-----------------|---------------|--------------|
| Mobile revenue | 93,364 | 104,764 | 11,400 | 12.2% | 183,755 | 205,909 | 22,154 | 12.1% |
| Fixed line revenue | 55,093 | 59,337 | 4,244 | 7.7% | 108,905 | 116,918 | 8,013 | 7.4% |
| SI/IT revenue | 17,684 | 20,133 | 2,449 | 13.8% | 35,780 | 37,271 | 1,491 | 4.2% |
| Revenue | 166,141 | 184,234 | 18,093 | 10.9% | 328,440 | 360,098 | 31,658 | 9.6% |
| Direct costs | (69,670) | (78,743) | (9,073) | (13.0%) | (138,838) | (153,709) | (14,871) | (10.7%) |
| Gross profit | 96,471 | 105,491 | 9,020 | 9.3% | 189,602 | 206,389 | 16,787 | 8.9% |
| Indirect costs | (37,198) | (47,586) | (10,388) | (27.9%) | (80,135) | (86,338) | (6,203) | (7.7%) |
| EBITDA | 59,273 | 57,905 | (1,368) | (2.3%) | 109,467 | 120,051 | 10,584 | 9.7% |
| Depreciation and amortization | (36,678) | (35,219) | 1,459 | 4.0% | (71,806) | (70,588) | 1,218 | 1.7% |
| Operating profit | 22,595 | 22,686 | 91 | 0.4% | 37,661 | 49,463 | 11,802 | 31.3% |
| Net financial result | (4,018) | (6,513) | (2,495) | (62.1%) | (5,643) | (9,484) | (3,841) | (68.1%) |
| Share of associates' and joint ventures' results | - | - | - | - | - | 26 | 26 | n.a. |
| Profit before income tax | 18,577 | 16,173 | (2,404) | (12.9%) | 32,018 | 40,005 | 7,987 | 24.9% |
| Income tax | (4,062) | (4,445) | (383) | (9.4%) | (7,442) | (8,935) | (1,493) | (20.1%) |
| Profit for the period | 14,515 | 11,728 | (2,787) | (19.2%) | 24,576 | 31,070 | 6,494 | 26.4% |
| Profit attributable to non-controlling interests | 1,011 | 1,158 | 147 | 14.5% | 2,170 | 2,047 | (123) | (5.7%) |
| Profit attributable to owners of the parent | 13,504 | 10,570 | (2,934) | (21.7%) | 22,406 | 29,023 | 6,617 | 29.5% |

Total revenue increased by 10.9% year-on-year to HUF 184.2 billion in Q2 2022 and by 9.6% year-on-year to HUF 360.1 billion in the first six months of 2022. Improvement was primarily driven by the strong growth in mobile data and higher equipment sales whilst weakening of the Hungarian forint against the North Macedonian denar amplified the North Macedonian subsidiary's contribution.

- **Mobile revenue rose by 12.2% year-on-year to HUF 104.8 billion in Q2 2022**, driven by growth in mobile data revenue and higher equipment sales which offset lower voice revenue at both countries of operation.
 - **Voice retail** revenue declined by 3.1% year-on-year to HUF 28.7 billion in Q2 2022 reflecting competition driven price erosion and the normalization of usage levels from an elevated base at both countries of operation that offset the positive impact of further expansion of the postpaid customer base.
 - **Voice wholesale** revenue decreased by 7.5% year-on-year to HUF 3.0 billion in Q2 2022, reflecting an elevated incoming mobile traffic level in Hungary in the base period due to pandemic related restrictions.
 - **Data** revenue rose by 24.7% year-on-year to HUF 35.9 billion in Q2 2022, driven primarily by continued growth in subscriber numbers as well as higher usage levels in both Hungary and North Macedonia.
 - **SMS** revenue declined moderately year-on-year to HUF 6.0 billion in Q2 2022, driven by somewhat lower revenues from mass messaging in Hungary.
 - **Mobile equipment** revenue rose by 23.5% year-on-year, amounting to HUF 28.5 billion in Q2 2022, reflecting higher number of handsets sold parallel to increased gross add numbers and rise in average smartphone prices, reflecting both general price increases of the handsets and the weakening of the forint. Increase in revenues from third party export sales at the Hungarian operation also contributed to the recorded growth.
 - **Other mobile** revenue rose by 7.1% to HUF 2.7 billion in Q2 2022, driven by higher visitor revenues.
- **Fixed line revenue increased by 7.7% year-on-year, to HUF 59.3 billion in Q2 2022** thanks primarily to increases in fixed broadband and TV revenues driven by the customer base expansion at the Hungarian operation.
 - **Voice retail** revenue declined by 6.7% year-on-year to HUF 8.7 billion in Q2 2022, reflecting the continued slow decline in the Hungarian fixed voice customer base, lower usage levels and general price pressure, particularly within the business market in Hungary.

- **Broadband retail** revenues increased by 17.6% year-on-year to HUF 18.0 billion in Q2 2022, as the positive impact of the continued customer base expansion in both countries and continued migration to higher bandwidth packages in Hungary was further strengthened by the absence of the mandatory monthly fee allowance that was partially still in place in Hungary in Q2 2021 for students and teachers to help with online education during the pandemic.
 - **TV** revenues were up 8.6% year-on-year to HUF 15.2 billion in Q2 2022, thanks to the further expansion of the IPTV subscriber base in both countries.
 - **Fixed equipment** revenues declined by 18.5% year-on-year to HUF 3.6 billion in Q2 2022, driven by lower sales volumes in Hungary.
 - **Data retail** revenues were slightly up year-on-year, amounting to HUF 3.3 billion in Q2 2022 thanks to higher contribution from leased line fixed internet services at the Hungarian operation.
 - **Wholesale** revenues were up moderately year-on-year, amounting to HUF 5.2 billion in Q2 2022, driven by higher wholesale internet and data revenues in Hungary that offset the lower transit revenues in North Macedonia.
 - **Other fixed** line revenues rose by HUF 1.5 billion year-on-year to HUF 5.3 billion in Q2 2022, reflecting a one-off positive impact from partner settlements as well as increased interest in relation to the equipment instalment sales related present value discount.
- **System Integration (SI) and IT ('SI/IT')** revenues increased by 13.8% to HUF 20.1 billion in Q2 2022 primarily thanks to revenue from a major project in North Macedonia related to the Smart City Skopje initiatives. SI/IT revenues in Hungary were moderately up year-on-year as the negative impact of the absence of revenues formerly generated by healthcare business unit including Pan-Inform LLC were offset by favorable in-year project distribution.

Direct costs increased, in line with revenues by 13.0% year-on-year to HUF 78.7 billion in Q2 2022, mainly driven by increase in SI/IT related expenses and higher equipment costs.

- **Interconnect costs** decreased by 7.3% year-on-year to HUF 5.8 billion in Q2 2022, reflecting lower payments at the Hungarian operation to domestic mobile operators in relation to lower SMS traffic as well as decline in voice related outpayments.
- **SI/IT service-related costs** increased by 17.0% year-on-year to HUF 14.9 billion in Q2 2022, driven by increased project volumes in both countries of operation.
- **Bad debt expenses** remained broadly stable year-on-year, amounting to HUF 2.0 billion in Q2 2022, reflecting similar tendencies compared to a year earlier.
- **Telecom tax** declined by 3.7% year-on-year to HUF 6.6 billion in Q2 2022, driven by lower fixed and mobile voice traffic at the Hungarian operation.
- **Other direct costs** were up 18.0% year-on-year to HUF 49.6 billion in Q2 2022, driven by higher equipment costs parallel to the increase in sales volumes and an increase in roaming outpayments driven by the easing of travel limitations compared to a year earlier.

Gross profit improved by 9.3% year-on-year to HUF 105.5 billion in Q2 2022, thanks to a higher contribution from telecommunication services, particularly data, at both countries of operation.

Indirect costs rose by HUF 10.4 billion year-on-year, to HUF 47.6 billion in Q2 2022, primarily reflecting the booking of the newly introduced supplementary telecommunication tax that offset savings in both employee-related and other operating expenses.

- **Employee-related expenses** were down by 8.2% year-on-year, amounting to HUF 18.8 billion in Q2 2022, reflecting lower severance expenses, different timing of bonus provisions, while the impact of the general wage increase was broadly offset by the reduction in headcount.
- **Supplementary telecommunication tax**, imposed by the Government of Hungary with its decree issued on June 4, is levied on the actual business year's annual net sales of electronic telecommunication services as defined by the law on local taxes and is payable for the full years 2022 and 2023. As a consequence, a HUF 12.4 billion expense was booked in Q2 2022, in relation to the first six months 2022 supplementary tax charge.
- **Other operating expenses** (excluding the supplementary telecommunication tax) improved moderately year-on-year to HUF 17.0 billion in Q2 2022, as negative impact of cost pressure stemming from high general inflation and weakening of the forint and reflected primarily at subcontractor costs, as well the higher energy costs in North Macedonia were offset by the combined impact of lower marketing expenses in both countries of operation due to different within-year seasonality and a one-off accrual reversal in Hungary.
- **Other operating income** was broadly stable year-on-year, amounting to HUF 0.7 billion in Q2 2022.

EBITDA declined by 2.3% year-on-year to HUF 57.9 billion in Q2 2022 as the improvement in gross profit was offset by the booking of the supplementary telecommunication tax. **EBITDA AL was down by 3.5% year-on-year to HUF 51.4 billion in Q2 2022**, with the

above drivers coupled with 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 declined by 4.0% year-on-year to HUF 35.2 billion in Q2 2022, driven by lower depreciation expenses at the Hungarian operation attributable to full copper network retirement in some areas of Hungary and the proportionally lower amortization of the spectrum licenses that expired in April 2022 and were reacquired earlier. These declines were partly offset by some increase in North Macedonia due to shortened useful life and accelerated depreciation in relation to RAN modernization.

Profit for the period decreased from HUF 14.5 billion in Q2 2021 to HUF 11.7 billion in Q2 2022, as increasing financial expenses were weighing on the broadly stable operating profit.

- **Net financial result** deteriorated from a loss of HUF 4.0 billion in Q2 2021 to a loss of HUF 6.5 billion in Q2 2022. Interest expense increased primarily driven by the higher interest related to lease liabilities whilst the unfavorable change in other finance expense reflects higher losses related to the significant weakening of the forint during the period that offset the gains on the recognition of derivatives at fair value caused also by the upward shift of the relevant yield curves.
- **Income tax expenses** increased by HUF 0.4 billion to HUF 4.4 billion in Q2 2022, as the increase in local business tax parallel to higher related tax base and different within-year tax expense distribution offset the saving related to the year-on-year lower level of the profit before tax.

Profit attributable to non-controlling interests increased by 14.5% year-on-year to HUF 1.2 billion in Q2 2022, reflecting the improvement in business performance at the North Macedonian subsidiary, amplified by the strengthening of the North Macedonian denar against the forint year-on-year.

2.1.2 Group Cash Flows

| HUF millions | 1-6 months 2021 | 1-6 months 2022 | Change |
|--|-----------------|-----------------|-----------------|
| Net cash generated from operating activities | 79,898 | 93,264 | 13,366 |
| Net cash used in investing activities | (50,682) | (49,412) | 1,270 |
| Less: (Payments for) / Proceeds from other financial assets | (3,331) | 1,270 | 4,601 |
| Investing cash flow excluding Payments for / Proceeds from other financial assets - net | (54,013) | (48,142) | 5,871 |
| Repayment of lease and other financial liabilities | (15,554) | (56,973) | (41,419) |
| Total free cash flow | 10,331 | (11,851) | (22,182) |
| (Payments for) / Proceeds from other financial assets - net | 3,331 | (1,270) | (4,601) |
| Proceeds from / Repayment of loans and other borrowings - net | 12,492 | 42,319 | 29,827 |
| Dividends paid to Owners of the parent and Non-controlling interests | (15,140) | (14,541) | 599 |
| Treasury share purchase | (10,215) | (14,609) | (4,394) |
| Exchange differences on cash and cash equivalents | (417) | 736 | 1,153 |
| Change in cash and cash equivalents | 382 | 784 | 402 |

Free cash flow (FCF) deteriorated to HUF 11.9 billion cash outflow in H1 2022 (H1 2021: HUF 10.3 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 93.3 billion in H1 2022, compared to cash inflow of HUF 79.9 billion in H1 2021, attributable to the reasons outlined below:

- HUF 10.6 billion **positive impact due to higher EBITDA** in H1 2022
- HUF 11.6 billion **negative change in active working capital**, mainly as a result of:
 - higher increase in the balance of trade receivables in North Macedonia (negative impact: ca. HUF 6.3 billion) mainly caused by different project seasonality,
 - lower decrease in SI/IT receivables in Hungary (negative impact: ca. HUF 4.1 billion) due to different project seasonality,

- unfavorable change in net portfolio of installment receivables in H1 2022 versus H1 2021 (negative impact: ca. HUF 2.4 billion) as a result of lower sales volume due to the lockdown caused by COVID-19 in 2021,
 - lower decrease in the balance of telecommunication customer related trade receivables in Hungary (negative impact: ca. HUF 1.5 billion) mainly caused by unfavorable ageing of receivables,
 - favorable change in handset inventory balances (positive impact: ca. HUF 2.3 billion) mainly due to selling of previous device models.
- HUF 3.0 billion **negative change in provisions**, mainly reflecting the higher addition for risks arising from inaccuracies in tax calculations related provision in the base period and lower addition of the provisions for cash-settled share-based compensations in H1 2022 compared to H1 2021
- HUF 25.8 billion **positive change in passive working capital**, primarily driven by
 - recognition of supplementary telecommunication tax liability HUF 12.4 billion in H1 2022 will be due only in Q4 2022,
 - favorable change in the balances of invoiced and non-invoiced BAU trade creditors in H1 2022 compared to H1 2021 (positive impact: HUF 10.0 billion) due to different outpayment timing,
 - lower payment of the SI/IT services in H1 2022 compared to H1 2021 (positive impact: ca. HUF 7.0 billion) due to different project seasonality,
 - higher decrease in liabilities to employees (negative impact: ca. HUF 2.5 billion) driven by higher decrease of bonus related liabilities.
- HUF 2.8 billion **negative change in income tax paid** mainly driven by the higher amount of the H1 2022 tax base and the one-off energy efficiency tax credit disclosed under cash flows from investing activities. Accordingly, the utilized tax credit reduced the amount of actually paid tax by an additional HUF 2.0 billion in H1 2022 compared to H1 2021.
- HUF 5.4 billion **negative change in other non-cash items**, mainly due to the booking of one-off gain on sale of subsidiary Pan-Inform LLC (the support and development operations provided for central digital healthcare services in Hungary and for the related hospital information system) during Q1 2022 supplemented with the more significant foreign exchange rate movements leading to FX losses during H1 2022

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 48.1 billion in H1 2022, compared to HUF 54.0 billion in H1 2021, with the lower cash outflow driven mainly by the following:

- HUF 5.5 billion **positive effect in Proceeds from disposal of subsidiaries and business units** related to the income realized on the sale of Pan-Inform LLC during Q1 2022
- HUF 1.2 billion **positive effect in Payments for PPE and intangible assets** mainly driven by the following:
 - HUF 6.7 billion positive change reflecting to lower payments to Capex creditors due to different seasonality,
 - HUF 2.0 billion positive effect of the corporate income tax settlement of energy efficiency tax credit,
 - HUF 8.3 billion negative change due to higher investment in different areas (e.g. network technology in North Macedonia: HUF 3.4 billion negative effect, fixed access in Hungary: HUF 3.3 billion negative effect, mobile network modernization in Hungary: HUF 3.0 billion negative effect).

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities deteriorated to HUF 57.0 billion in H1 2022 from HUF 15.6 billion in H1 2021, primarily driven by the HUF 44.3 billion outpayment of the one-time spectrum fee for spectrum licenses against the lower payment of different long-term supplier invoices and the lower – mainly network related – lease payments.

In H1 2022 **Cash and cash equivalents** recorded a HUF 0.8 billion positive change compared to a HUF 0.4 billion positive change in H1 2021. Besides the changes in FCF the deterioration is attributable to the followings:

- **Payments for other financial assets - net** deteriorated by HUF 4.6 billion, primarily due to lower cash inflows from derivative transactions. This change was supplemented by higher cash outflows from bank deposits over 3 months in net term.
- **Proceeds from loans and other borrowings** decreased by HUF 23.9 billion due to the periodic decrease of proceeds from inhouse DT Group funds offset by the higher drawdown of DT Group loans.
- **Repayments of loans and other borrowings** improved by HUF 53.7 billion due the lower repayment of DT Group loans and the periodic decrease of repayments of inhouse DT Group funds.
- **Treasury share purchase** increased by HUF 4.4 billion due to the higher repurchase in 2022.

- **Exchange differences on cash and cash equivalents** improved by HUF 1.2 billion due to the higher MKD/HUF foreign exchange rate movement during 2022.

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, 2021 to June 30, 2022 (see Appendix 3.8) can be observed in the following lines:

- Other financial assets (current and non-current combined)
- Property, plant and equipment
- Other intangible assets
- Financial liabilities to related parties (current and non-current combined)
- Trade payables
- Other financial liabilities (current and non-current combined)
- Other liabilities (current and non-current combined)
- Common stock

Other financial assets (current and non-current combined) increased by HUF 18.6 billion from December 31, 2021 to June 30, 2022 mainly driven by the increase of the fair value of derivative financial instruments contracted with related parties in the amount of HUF 18.1 billion and the Bank deposit with maturity over 3 months at Makedonski Telekom.

Property, plant and equipment increased by HUF 13.0 billion from December 31, 2021 to June 30, 2022 mainly due to higher capital expenditures related to the mobile base stations and fiber rollout.

Other intangible assets decreased by HUF 15.5 billion from December 31, 2021 to June 30, 2022 due reflecting a change of concessions, licenses and software.

Financial liabilities to related parties (current and non-current combined) increased by HUF 54.3 billion from December 31, 2021 to June 30, 2022 due to the combined result of drawdowns and FX evaluation effect of DT Group loans supplemented by the increase in cash pool liabilities.

Trade payables decreased by HUF 23.5 billion from December 31, 2021 to June 30, 2022, reflecting a decrease in outstanding balances to handset, SI/IT, Capex and OPEX suppliers.

Other financial liabilities (current and non-current combined) decreased by HUF 46.5 billion from December 31, 2021 to June 30, 2022, mainly due to the HUF 44.3 billion outpayment of the one-time spectrum fee for spectrum licenses.

Other liabilities (current and non-current combined) increased by HUF 21.8 billion from December 31, 2021 to June 30, 2022, reflecting the increase of other tax liabilities (mainly the supplementary telecommunication tax) and dividend payable.

Common stock decreased by HUF 3.7 billion from December 31, 2021 to June 30, 2022 as a result of the cancellation of 36,941,191 pieces of Series "A" dematerialized ordinary shares (treasury shares) owned by the Company, each with the face value of HUF 100.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position (exc. Equity) in the period from December 31, 2021 to June 30, 2022. 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 2022 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 Interim 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 provisions have been recognized for these cases as management estimates that it is unlikely that these claims originating from past events would result in any material economic outflows from the Group, or the amount of the obligation cannot be measured with sufficient reliability. Makedonski Telekom has a contingent liability in the amount of MKD 240.0 million (claimed amount) in respect of a court case for damage compensation against Makedonski Telekom for alleged abuse of the dominant position on the market for access to data transfer networks. Based on legal advice and strong legal arguments presented in the court procedure, management believes that it is not probable that the court procedure will result in liability of the claimed size.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees that in aggregation amounted to a nominal amount of HUF 14.7 billion as at December 31, 2021. In January 2021, Magyar Telekom successfully participated in the auction procedure for the entitlements of frequency use of the 900 MHz and 1800 MHz frequency bands, the precondition of this was the issuance of additional guarantees. Due to the payment of the one-time spectrum fee in April 2022, these guarantees are not applicable. 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 2022.

2.1.6 Significant events

Makedonski Telekom has acquired the right to use the following frequency blocks: 1x100 MHz TDD on 3.6 GHz (TDD) band and 2x10 MHz on 700 MHz (FDD) band. The one-off license fee payable for the 3.6 GHz (TDD) spectrum license is EUR 2.9 million, while the one-off license fee for the 700 MHz (FDD) spectrum license is EUR 5.25 million, both paid in July 2022. The company was granted the right to use these frequency blocks for 15 years.

In June 2022 the Company exercised its call option on the business quota of Cecoin Kft. This transaction was closed in August 2022 with the payment of HUF 6.95 billion purchase price. As a result of this transaction the fiber network covering 110 thousand access points is presented as Property, plant and equipment parallel with decreasing the Right-of-use assets and current Lease liabilities.

For any other significant events that occurred between the end of the quarter (June 30, 2022) and the date publishing of this Interim 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 and T-Systems brands. Residential and Small and Medium sized business customers are served by the Telekom brand, while business customers (corporate and public sector customers) are served by the T-Systems brand. The MT-Hungary segment is also responsible for the wholesale of mobile and fixed line services within Hungary, and performs strategic and cross-divisional management, as well as support functions on behalf of the Group, including Procurement, Treasury, Real Estate, Accounting, Tax, Legal and Internal Audit. This segment is also responsible for the Group's points of presence in Bulgaria and Romania, where it primarily provides wholesale services to local companies and operators.

The North Macedonia segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in North Macedonia.

The following tables present financial information related to these reportable segments. Such information is regularly provided to the Company's Management and reconciled with the corresponding Group numbers. This information includes several key indicators of profitability that are considered for the purposes of assessing performance and allocating resources. It is the Management's belief that Revenue, EBITDA, EBITDA AL and Capex, Capex AL are the most appropriate indicators for monitoring each segment's performance and are most consistent with how the Group's results are reported in the statutory financial statements.

2.2.1 MT-Hungary

| HUF millions | Q2 2021 | Q2 2022 | Change | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change | Change (%) |
|--|----------------|----------------|----------------|---------------|-----------------|-----------------|---------------|--------------|
| Voice | 28,751 | 27,990 | (761) | (2.6%) | 57,377 | 55,983 | (1,394) | (2.4%) |
| Non-voice | 32,092 | 37,591 | 5,499 | 17.1% | 62,377 | 73,626 | 11,249 | 18.0% |
| Equipment | 21,044 | 26,001 | 4,957 | 23.6% | 41,006 | 50,428 | 9,422 | 23.0% |
| Other mobile revenue | 2,142 | 2,245 | 103 | 4.8% | 4,159 | 4,691 | 532 | 12.8% |
| Mobile revenue | 84,029 | 93,827 | 9,798 | 11.7% | 164,919 | 184,728 | 19,809 | 12.0% |
| Voice retail | 8,151 | 7,435 | (716) | (8.8%) | 16,414 | 15,066 | (1,348) | (8.2%) |
| Broadband - retail | 14,014 | 16,589 | 2,575 | 18.4% | 26,937 | 32,723 | 5,786 | 21.5% |
| TV | 12,635 | 13,667 | 1,032 | 8.2% | 25,069 | 27,097 | 2,028 | 8.1% |
| Equipment | 4,377 | 3,571 | (806) | (18.4%) | 9,079 | 7,978 | (1,101) | (12.1%) |
| Other | 10,091 | 11,770 | 1,679 | 16.6% | 19,799 | 21,962 | 2,163 | 10.9% |
| Fixed line revenue | 49,268 | 53,032 | 3,764 | 7.6% | 97,298 | 104,826 | 7,528 | 7.7% |
| SI/IT revenue | 17,150 | 17,842 | 692 | 4.0% | 34,740 | 34,405 | (335) | (1.0%) |
| Revenue | 150,447 | 164,701 | 14,254 | 9.5% | 296,957 | 323,959 | 27,002 | 9.1% |
| Direct costs | (65,237) | (71,773) | (6,536) | (10.0%) | (129,447) | (141,460) | (12,013) | (9.3%) |
| Gross profit | 85,210 | 92,928 | 7,718 | 9.1% | 167,510 | 182,499 | 14,989 | 8.9% |
| Indirect costs | (33,003) | (30,150) | 2,853 | 8.6% | (71,487) | (64,445) | 7,042 | 9.9% |
| Supplementary telecommunication tax | - | (12,398) | (12,398) | n.a. | - | (12,398) | (12,398) | n.a. |
| EBITDA | 52,207 | 50,380 | (1,827) | (3.5%) | 96,023 | 105,656 | 9,633 | 10.0% |
| EBITDA AL | 46,385 | 44,132 | (2,253) | (4.9%) | 84,380 | 93,330 | 8,950 | 10.6% |
| Segment Capex AL excl. spectrum licenses | 20,553 | 25,534 | 4,981 | 24.2% | 39,005 | 44,482 | 5,477 | 14.0% |
| Spectrum licenses | - | - | - | - | 83,075 | - | (83,075) | n.m. |

| Operational statistics – access numbers | June 30 2021 | June 30 2022 | Change (%) |
|---|--------------|--------------|------------|
| Number of SIM cards | 5,502,880 | 5,810,755 | 5.6% |
| Postpaid share in total | 63.7% | 63.4% | n.a. |
| Total fixed voice access | 1,327,187 | 1,318,537 | (0.7%) |
| Total retail fixed broadband customers | 1,361,039 | 1,460,777 | 7.3% |
| Total TV customers | 1,267,925 | 1,345,245 | 6.1% |

| Operational statistics – ARPU (HUF) | Q2 2021 | Q2 2022 | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change (%) |
|-------------------------------------|---------|---------|------------|-----------------|-----------------|------------|
| Blended mobile ARPU | 3,689 | 3,788 | 2.7% | 3,647 | 3,769 | 3.3% |
| Postpaid ARPU | 5,233 | 5,409 | 3.4% | 5,163 | 5,377 | 4.1% |
| Prepaid ARPU | 1,185 | 1,265 | 6.7% | 1,143 | 1,231 | 7.7% |
| M2M ARPU | 352 | 327 | (7.2%) | 408 | 332 | (18.6%) |
| Blended fixed voice ARPU | 2,037 | 1,874 | (8.0%) | 2,047 | 1,896 | (7.4%) |
| Blended fixed broadband ARPU | 3,441 | 3,777 | 9.8% | 3,335 | 3,749 | 12.4% |
| Blended TV ARPU | 3,338 | 3,405 | 2.0% | 3,331 | 3,393 | 1.9% |

Total revenues for the MT-Hungary segment rose by 9.5% year-on-year to HUF 164.7 billion in Q2 2022, driven by continued strong customer demand for mobile data, broadband and TV services, as well as an increase in mobile equipment sales.

- **Mobile revenues** were up 11.7% year-on-year in Q2 2022 with growth primarily attributable to higher mobile data revenues and equipment sales. Upward trend in mobile data revenues were continued to be driven by the further expansion of the customer base coupled with the significant rise in average mobile data usage. Although average voice usage declined from a

year earlier, when the pandemic related social distancing limitations led to elevated usage, leading to lower voice revenues, it was offset by the increase in mobile data, resulting in an overall improvement in both prepaid and postpaid ARPUs. Higher equipment sales were attributable to higher number of handsets sold parallel to increased gross add numbers, a rise in average smartphone prices, reflecting both general price increases of the handsets and the weakening of the forint, as well as increase in revenues from third party export sales.

- **Fixed line revenues** grew by 7.6% year-on-year in Q2 2022 primarily driven by the continued growth in broadband revenues, reflecting successful monetization of the expanding gigabit network. Customer additions remained elevated with a high ratio of customers opting for high bandwidth packages, supporting positive ARPU development. This increase was again amplified by the absence of the mandatory monthly fee allowance partially still in place in Hungary in Q2 2021 for students and teachers to help with online education during the pandemic. Growth in TV revenue remained mostly driven by the expanding IPTV customer base, while the success of the 'more-for-more' pricing coupled with targeted price increase measures led to some uplift in ARPU. These positive developments were somewhat offset by further declines in voice revenues, from a relatively elevated base, reflecting the cancellation of all social distancing measures.
- **SI/IT revenue** was higher by 4.0% year-on-year in Q2 2022, as the negative impact of the absence of revenues formerly generated by healthcare business unit including Pan-Inform LLC were offset by favorable in-year project distribution.

Gross profit rose by 9.1% year-on-year in Q2 2022, in line with the favorable service revenue trends.

EBITDA declined by HUF 1.8 billion or by 3.5% year-on-year and EBITDA AL was down by HUF 2.3 billion or by 4.9% year-on-year in Q2 2022, as the recognition of HUF 12.4 billion supplementary telecommunication tax expense offset the positive impacts of the favorable underlying performance.

Capex AL excluding spectrum licenses was up by HUF 5.5 billion year-on-year in the first six months of 2022, amounting to HUF 44.5 billion, reflecting continued strong progress in mobile network modernization, the ongoing investments into the fiber rollout program and higher spending on customer premise equipment parallel to the elevated fiber provisioning.

Spectrum license acquisitions during Q1 2021 amounted to HUF 83.1 billion. These related to the 900 and 1800 MHz spectrum licenses awarded to Magyar Telekom at the auction held by the National Media and Infocommunications Authority in January 2021. This amount includes a HUF 43.5 billion spectrum fee paid at the beginning of April 2022 which was recognized as payment for other financial liabilities.

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

| HUF millions | Q2 2021 | Q2 2022 | Change | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change | Change (%) |
|--|---------------|---------------|--------------|--------------|-----------------|-----------------|--------------|--------------|
| Voice | 4,115 | 3,716 | (399) | (9.7%) | 8,268 | 7,093 | (1,175) | (14.2%) |
| Non-voice | 2,816 | 4,282 | 1,466 | 52.1% | 5,466 | 8,115 | 2,649 | 48.5% |
| Equipment | 2,045 | 2,505 | 460 | 22.5% | 4,393 | 5,130 | 737 | 16.8% |
| Other mobile revenue | 359 | 436 | 77 | 21.4% | 709 | 845 | 136 | 19.2% |
| Mobile revenue | 9,335 | 10,939 | 1,604 | 17.2% | 18,836 | 21,183 | 2,347 | 12.5% |
| Voice retail | 1,202 | 1,288 | 86 | 7.2% | 2,431 | 2,520 | 89 | 3.7% |
| Broadband - retail | 1,277 | 1,393 | 116 | 9.1% | 2,551 | 2,701 | 150 | 5.9% |
| TV | 1,341 | 1,506 | 165 | 12.3% | 2,704 | 2,935 | 231 | 8.5% |
| Equipment | 51 | 37 | (14) | (27.5%) | 105 | 82 | (23) | (21.9%) |
| Other | 1,927 | 1,929 | 2 | 0.1% | 3,805 | 3,674 | (131) | (3.4%) |
| Fixed line revenue | 5,798 | 6,153 | 355 | 6.1% | 11,596 | 11,912 | 316 | 2.7% |
| SI/IT revenue | 534 | 2,291 | 1,757 | 329.0% | 1,040 | 2,866 | 1,826 | 175.6% |
| Revenue | 15,667 | 19,383 | 3,716 | 23.7% | 31,472 | 35,961 | 4,489 | 14.3% |
| Direct costs | (4,476) | (7,010) | (2,534) | (56.6%) | (9,480) | (12,325) | (2,845) | (30.0%) |
| Gross profit | 11,191 | 12,373 | 1,182 | 10.6% | 21,992 | 23,636 | 1,644 | 7.5% |
| Indirect costs | (4,655) | (4,846) | (191) | (4.1%) | (8,509) | (9,327) | (818) | (9.6%) |
| EBITDA | 6,536 | 7,527 | 991 | 15.2% | 13,483 | 14,309 | 826 | 6.1% |
| EBITDA AL | 6,324 | 7,265 | 941 | 14.9% | 13,049 | 13,794 | 745 | 5.7% |
| Segment Capex AL excl. spectrum licenses | 2,610 | 4,025 | 1,415 | 54.2% | 4,208 | 8,078 | 3,870 | 92.0% |
| Spectrum licenses | - | - | - | - | - | - | - | - |

| Operational statistics – access numbers | June 30 2021 | June 30 2022 | Change (%) |
|---|-----------------|-----------------|---------------|
| Number of mobile SIMs | 1,098,751 | 1,232,559 | 12.2% |
| Postpaid share in total | 47.9% | 44.9% | n.a. |
| Total fixed voice access | 222,700 | 225,090 | 1.1% |
| Total fixed retail broadband customers | 194,105 | 200,607 | 3.3% |
| Total TV customers | 144,499 | 147,019 | 1.7% |

Total revenue in North Macedonia rose by 23.7% year-on-year to HUF 19.4 billion in Q2 2022 attributable to a strong rise in SI/IT revenues that was coupled with higher mobile data and mobile equipment revenues whilst also amplified by the strengthening of the North Macedonian denar against the Hungarian forint.

- **Mobile revenues** rose by 17.2% year-on-year in forint terms in Q2 2022 thanks to higher mobile data and mobile equipment revenues. This increase was partially offset by lower voice revenue driven by lower average usage levels. Furthermore, in line with the changing user habits towards higher data at the expense of voice usage, the way in which monthly subscription fees are recorded was revised, amplifying underlying changes in the impacted revenue lines.
- **Fixed line revenues** while were broadly stable in local currency terms in Q2 2022, they showed an increase of 6.1% year-on-year in forint terms, that reflects North Macedonian denar – forint exchange rate changes. In underlying trends, the continued decline of wholesale revenues due to lower domestic incoming transit traffic revenue (as a result of the transit agreement termination) and international incoming traffic revenues were partly offset by TV and broadband revenue increases that were driven by continued expansion in the multiplay customer base.
- **SI/IT revenues** increased more than three-fold year-on-year in Q2 2022 primarily thanks to one-time revenue from a major project related to the Smart City Skopje initiatives.

Gross profit increased by 10.6% year-on-year to HUF 12.4 billion, reflecting the improvement in mobile service revenues as well as higher SI/IT contribution.

EBITDA was up by 15.2% and EBITDA AL by 14.9% year-on-year, respectively, in Q2 2022 thanks to higher gross profit that counterbalanced a moderate increase in indirect cost.

CAPEX AL excluding spectrum licenses rose year-on-year by 92.0% in the first half of 2022 to HUF 8.1 billion mainly due to the higher investments related to RAN modernization project and the higher TV content capitalization.

Acquisition of 5G **spectrum licenses** were concluded in North Macedonia in July 2022, with Makedonski Telekom securing the right to use 1x100 MHz TDD on 3.6 GHz (TDD) band and 2x10 MHz on 700 MHz (FDD) band. Payment in the amount of HUF 3.1 billion were completed in July 2022, impacting Q3 2022 financials.

Outlook: Looking forward, unfavorable changes in the economic environment, including high inflation and surging energy prices may continue with competition intensity also amplifying with Telekom Srbija's possible entrance to the North Macedonian mobile market later in 2022. The Company intends to closely monitor the market developments and adjust its strategy accordingly to both leverage opportunities and address any threats.

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2021, 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, 2021 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary.

The statutory financial statements for December 31, 2021 were audited and the audit report was unqualified. It was approved by the shareholders on the Annual General Meeting on April 12, 2022.

Management continuously monitors the progress in the Hungarian economic environment, particularly the macroeconomic tendencies and current market conditions. The Central Bank of Hungary introduced intervention with gradual increase of base rate in Hungary to protect the forint from significant weakening and limit the inflation.

During the preparation of the 2022 half-year report, continuing its quarterly practice, 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. Magyar Telekom will continue to monitor the changes in the economic environment in the following periods. The economic downturn and ongoing increase in interest rate may lead to impairment of assets in the following periods, which may materially affect our results at the group and operating segment levels.

Recently, the government declared state of energy emergency and initiated additional corrective actions to keep the Central Budget in balance. In response to the upcoming energy shortage and dramatic increase in energy prices across Europe, the government announced partial termination of caps on residential gas and electricity prices in case of usage above the average consumption level (from August 2022). At the same time, the loan moratorium was extended until the end of December 2022.

Considering the above 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 2022.

Altogether, still existing supply chain shortages, consequences of the war and the related sanctions have also been assessed and 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. In addition to all of this, in 2022, the Group continues to meet the increased demand for connectivity through its network at a consistently high level.

Supplementary tax on telecommunication services

On June 4, 2022 the Government of Hungary issued a decree (Government Decree of 197/2022. (VI.4.)) imposing new tax on a number of industries, including telecommunications. The supplementary telecommunication tax is levied on the actual business year's annual net sales of telecommunication services as defined by the law on local taxes using progressive rates, appropriately weighted based on the expected full year revenue and is payable for the years 2022 and 2023.

Although the decree came into effect from July 1, 2022, after the reporting date of this interim report, it is determined based on the earnings of the whole 2022 financial year, and as the obligating event occurs over time, the payable levy should be recognized over time and in the period which it refers to. Also, there are no uncertainties in possible changes in the aim, extent and calculation method of this tax, then it is considered that a present obligation exists at the end of the interim reporting period. Based on this, the estimated supplementary telecommunication tax payable had been calculated and recorded for the first half of the year.

The supplementary telecommunication tax classification requires judgment. Management believes that this tax is not a tax on consumption of services by end customers but rather a tax on entities operating in selected industries and its fundamental aim is to support the corrective actions in relation to the economic crisis that Hungary is facing. The calculation of supplementary telecommunication tax ignores whether revenue is invoiced to and collected from customers or not. Altogether, management classified this tax as indirect operating expense and for transparency it is disclosed on a separate line of Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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, 2021 with the following exception:

| Pronouncement | Title | To be applied by Magyar Telekom from | Changes | Expected impact on the presentation of Magyar Telekom's results of operations and financial position |
|--|--|--------------------------------------|--|--|
| Amendments to IFRS 3; IAS 16; IAS 37 and Annual Improvements 2018-2020 | Business Combinations; Property, Plant and Equipment; Provisions; Contingent Liabilities and Contingent Assets | Jan 1, 2022 | Package of narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. | No material impact. |

In addition based on "Principal versus Agent: Software Reseller (IFRS 15 Revenue from Contracts with Customers)" agenda decision by IFRS Interpretation Committee, finalized on May 30, 2022. Magyar Telekom has to reassess the control in relevant software reselling and provided streaming services whether it is in agent or principal position. The reassessment is expected to be completed in Q3 2022 that could result in a change regarding the presentation of these transactions.

Possible adjustment is expected to be in the range of HUF 7.3-8.0 billion and will only have decreasing effect on Revenue and Direct cost, while EBITDA AL, Net income and Free cash flow remain unchanged.

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

| (HUF millions, except per share amounts) | Q2 2021 (unaudited) | Q2 2022 (unaudited) | Change | Change (%) |
|--|------------------------|------------------------|-----------------|----------------|
| Mobile revenue | 93,364 | 104,764 | 11,400 | 12.2% |
| Fixed line revenue | 55,093 | 59,337 | 4,244 | 7.7% |
| SI/IT revenue | 17,684 | 20,133 | 2,449 | 13.8% |
| Revenue | 166,141 | 184,234 | 18,093 | 10.9% |
| Interconnect costs | (6,256) | (5,801) | 455 | 7.3% |
| SI/IT service related costs | (12,693) | (14,850) | (2,157) | (17.0%) |
| Bad debt expense | (1,890) | (1,954) | (64) | (3.4%) |
| Telecom tax | (6,814) | (6,564) | 250 | 3.7% |
| Other direct costs | (42,017) | (49,574) | (7,557) | (18.0%) |
| Direct costs | (69,670) | (78,743) | (9,073) | (13.0%) |
| Employee-related expenses | (20,507) | (18,824) | 1,683 | 8.2% |
| Depreciation and amortization | (36,678) | (35,219) | 1,459 | 4.0% |
| Other operating expenses | (17,469) | (17,047) | 422 | 2.4% |
| Supplementary telecommunication tax | - | (12,398) | (12,398) | n.a. |
| Operating expenses | (144,324) | (162,231) | (17,907) | (12.4%) |
| Other operating income | 778 | 683 | (95) | (12.2%) |
| Operating profit | 22,595 | 22,686 | 91 | 0.4% |
| Interest income | 65 | 262 | 197 | 303.1% |
| Interest expense | (3,376) | (3,544) | (168) | (5.0%) |
| Other finance expense - net | (707) | (3,231) | (2,524) | (357.0%) |
| Net financial result | (4,018) | (6,513) | (2,495) | (62.1%) |
| Share of associates' and joint ventures' results | - | - | - | - |
| Profit before income tax | 18,577 | 16,173 | (2,404) | (12.9%) |
| Income tax | (4,062) | (4,445) | (383) | (9.4%) |
| Profit for the period | 14,515 | 11,728 | (2,787) | (19.2%) |
| Other comprehensive income: | | | | |
| Items to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translating foreign operations | (3,422) | 7,532 | 10,954 | n.m. |
| Items not to be reclassified to profit or loss in subsequent periods: | | | | |
| Revaluation of financial assets at FV OCI | 77 | (72) | (149) | n.m. |
| Other comprehensive income for the year, net of tax | (3,345) | 7,460 | 10,805 | n.m. |
| Total comprehensive income for the period | 11,170 | 19,188 | 8,018 | 71.8% |
| Profit attributable to: | | | | |
| Owners of the parent | 13,504 | 10,570 | (2,934) | (21.7%) |
| Non-controlling interests | 1,011 | 1,158 | 147 | 14.5% |
| | 14,515 | 11,728 | (2,787) | (19.2%) |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 11,462 | 15,236 | 3,774 | 32.9% |
| Non-controlling interests | (292) | 3,952 | 4,244 | n.m. |
| | 11,170 | 19,188 | 8,018 | 71.8% |
| Earnings per share (EPS) information: | | | | |
| Profit attributable to the owners of the Company | 13,504 | 10,570 | | |
| Weighted average number of common stock outstanding used for basic/diluted EPS | 1,015,472,064 | 980,408,198 | | |
| Basic / diluted earnings per share (HUF) | 13.29 | 10.78 | (2.51) | (18.9%) |

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

| (HUF millions, except per share amounts) | 1-6 months 2021 (unaudited) | 1-6 months 2022 (unaudited) | Change | Change (%) |
|--|--------------------------------|--------------------------------|-----------------|----------------|
| Mobile revenue | 183,755 | 205,909 | 22,154 | 12.1% |
| Fixed line revenue | 108,905 | 116,918 | 8,013 | 7.4% |
| SI/IT revenue | 35,780 | 37,271 | 1,491 | 4.2% |
| Revenue | 328,440 | 360,098 | 31,658 | 9.6% |
| Interconnect costs | (12,182) | (11,839) | 343 | 2.8% |
| SI/IT service related costs | (25,090) | (27,539) | (2,449) | (9.8%) |
| Bad debt expense | (3,928) | (3,898) | 30 | 0.8% |
| Telecom tax | (13,589) | (13,197) | 392 | 2.9% |
| Other direct costs | (84,049) | (97,236) | (13,187) | (15.7%) |
| Direct costs | (138,838) | (153,709) | (14,871) | (10.7%) |
| Employee-related expenses | (39,728) | (37,194) | 2,534 | 6.4% |
| Depreciation and amortization | (71,806) | (70,588) | 1,218 | 1.7% |
| Other operating expenses | (41,991) | (41,500) | 491 | 1.2% |
| Supplementary telecommunication tax | - | (12,398) | (12,398) | n.a. |
| Operating expenses | (292,363) | (315,389) | (23,026) | (7.9%) |
| Other operating income | 1,584 | 4,754 | 3,170 | 200.1% |
| Operating profit | 37,661 | 49,463 | 11,802 | 31.3% |
| Interest income | 133 | 416 | 283 | 212.8% |
| Interest expense | (6,946) | (6,958) | (12) | (0.2%) |
| Other finance expense - net | 1,170 | (2,942) | (4,112) | n.m. |
| Net financial result | (5,643) | (9,484) | (3,841) | (68.1%) |
| Share of associates' and joint ventures' results | - | 26 | 26 | n.a. |
| Profit before income tax | 32,018 | 40,005 | 7,987 | 24.9% |
| Income tax | (7,442) | (8,935) | (1,493) | (20.1%) |
| Profit for the period | 24,576 | 31,070 | 6,494 | 26.4% |
| Other comprehensive income: | | | | |
| Items to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translating foreign operations | (3,782) | 7,595 | 11,377 | n.m. |
| Items not to be reclassified to profit or loss in subsequent periods: | | | | |
| Revaluation of financial assets at FV OCI | 142 | 8 | (134) | (94.4%) |
| Other comprehensive income for the year, net of tax | (3,640) | 7,603 | 11,243 | n.m. |
| Total comprehensive income for the period | 20,936 | 38,673 | 17,737 | 84.7% |
| Profit attributable to: | | | | |
| Owners of the parent | 22,406 | 29,023 | 6,617 | 29.5% |
| Non-controlling interests | 2,170 | 2,047 | (123) | (5.7%) |
| | 24,576 | 31,070 | 6,494 | 26.4% |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 20,154 | 33,784 | 13,630 | 67.6% |
| Non-controlling interests | 782 | 4,889 | 4,107 | n.m. |
| | 20,936 | 38,673 | 17,737 | 84.7% |
| Earnings per share (EPS) information: | | | | |
| Profit attributable to the owners of the Company | 22,406 | 29,023 | | |
| Weighted average number of common stock outstanding used for basic/diluted EPS | 1,018,130,537 | 988,640,864 | | |
| Basic / diluted earnings per share (HUF) | 22.01 | 29.36 | 7.35 | 33.4% |

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

| (HUF millions) | Q2 2021 | Q2 2022 | Change | Change (%) |
|------------------------------------|----------------|----------------|---------------|--------------|
| Voice retail | 29,644 | 28,727 | (917) | (3.1%) |
| Voice wholesale | 3,222 | 2,979 | (243) | (7.5%) |
| Data | 28,762 | 35,856 | 7,094 | 24.7% |
| SMS | 6,146 | 6,017 | (129) | (2.1%) |
| Equipment | 23,089 | 28,506 | 5,417 | 23.5% |
| Other mobile revenue | 2,501 | 2,679 | 178 | 7.1% |
| Mobile revenue | 93,364 | 104,764 | 11,400 | 12.2% |
| Voice retail | 9,353 | 8,723 | (630) | (6.7%) |
| Broadband retail | 15,291 | 17,982 | 2,691 | 17.6% |
| TV | 13,976 | 15,173 | 1,197 | 8.6% |
| Equipment | 4,428 | 3,608 | (820) | (18.5%) |
| Data retail | 3,198 | 3,314 | 116 | 3.6% |
| Wholesale (voice, broadband, data) | 5,012 | 5,199 | 187 | 3.7% |
| Other fixed line revenue | 3,835 | 5,338 | 1,503 | 39.2% |
| Fixed line revenue | 55,093 | 59,337 | 4,244 | 7.7% |
| SI/IT revenue | 17,684 | 20,133 | 2,449 | 13.8% |
| Revenue | 166,141 | 184,234 | 18,093 | 10.9% |

3.5. Revenue breakdown – year-to-date comparison

| (HUF millions) | 1-6 months 2021 | 1-6 months 2022 | Change | Change (%) |
|------------------------------------|-----------------|-----------------|---------------|--------------|
| Voice retail | 59,268 | 57,011 | (2,257) | (3.8%) |
| Voice wholesale | 6,377 | 6,065 | (312) | (4.9%) |
| Data | 56,020 | 69,539 | 13,519 | 24.1% |
| SMS | 11,823 | 12,202 | 379 | 3.2% |
| Equipment | 45,399 | 55,558 | 10,159 | 22.4% |
| Other mobile revenue | 4,868 | 5,534 | 666 | 13.7% |
| Mobile revenue | 183,755 | 205,909 | 22,154 | 12.1% |
| Voice retail | 18,845 | 17,586 | (1,259) | (6.7%) |
| Broadband retail | 29,488 | 35,424 | 5,936 | 20.1% |
| TV | 27,773 | 30,032 | 2,259 | 8.1% |
| Equipment | 9,184 | 8,060 | (1,124) | (12.2%) |
| Data retail | 6,286 | 6,537 | 251 | 4.0% |
| Wholesale (voice, broadband, data) | 10,000 | 10,103 | 103 | 1.0% |
| Other fixed line revenue | 7,329 | 9,176 | 1,847 | 25.2% |
| Fixed line revenue | 108,905 | 116,918 | 8,013 | 7.4% |
| SI/IT revenue | 35,780 | 37,271 | 1,491 | 4.2% |
| Revenue | 328,440 | 360,098 | 31,658 | 9.6% |

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

| (HUF millions) | Q2 2021 | Q2 2022 | Change | Change (%) |
|-------------------------------------|------------------|------------------|-----------------|----------------|
| Direct costs | (69,670) | (78,743) | (9,073) | (13.0%) |
| Employee-related expenses | (20,507) | (18,824) | 1,683 | 8.2% |
| Depreciation and amortization | (36,678) | (35,219) | 1,459 | 4.0% |
| Other operating expenses | (17,469) | (17,047) | 422 | 2.4% |
| <i>Of which utility tax</i> | (81) | (109) | (28) | (34.6%) |
| Supplementary telecommunication tax | - | (12,398) | (12,398) | n.a. |
| Operating expenses | (144,324) | (162,231) | (17,907) | (12.4%) |

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

| (HUF millions) | 1-6 months 2021 | 1-6 months 2022 | Change | Change (%) |
|-------------------------------------|------------------|------------------|-----------------|---------------|
| Direct costs | (138,838) | (153,709) | (14,871) | (10.7%) |
| Employee-related expenses | (39,728) | (37,194) | 2,534 | 6.4% |
| Depreciation and amortization | (71,806) | (70,588) | 1,218 | 1.7% |
| Other operating expenses | (41,991) | (41,500) | 491 | 1.2% |
| <i>Of which utility tax</i> | (7,333) | (7,437) | (104) | (1.4%) |
| Supplementary telecommunication tax | - | (12,398) | (12,398) | n.a. |
| Operating expenses | (292,363) | (315,389) | (23,026) | (7.9%) |

3.8. Interim Consolidated Statement of Financial Position - Assets

| (HUF millions) | Dec 31, 2021 (unaudited) | June 30, 2022 (unaudited) | Change | Change (%) |
|--|-----------------------------|------------------------------|---------------|---------------|
| ASSETS | | | | |
| Cash and cash equivalents | 13,463 | 14,247 | 784 | 5.8% |
| Trade receivables | 158,187 | 157,834 | (353) | (0.2%) |
| Other assets | 8,431 | 8,631 | 200 | 2.4% |
| Other current financial assets | 9,419 | 14,358 | 4,939 | 52.4% |
| Contract assets | 20,745 | 22,034 | 1,289 | 6.2% |
| Current income tax receivable | 1,318 | 377 | (941) | (71.4%) |
| Inventories | 18,053 | 16,015 | (2,038) | (11.3%) |
| | 229,616 | 233,496 | 3,880 | 1.7% |
| Assets held for sale | 2,286 | - | (2,286) | (100.0%) |
| Total current assets | 231,902 | 233,496 | 1,594 | 0.7% |
| Property, plant and equipment | 437,432 | 450,397 | 12,965 | 3.0% |
| Right-of-use assets | 122,355 | 126,469 | 4,114 | 3.4% |
| Goodwill | 212,513 | 212,713 | 200 | 0.1% |
| Other intangible assets | 346,149 | 330,643 | (15,506) | (4.5%) |
| Investments in associates and joint ventures | - | - | - | - |
| Deferred tax assets | 125 | 659 | 534 | 427.2% |
| Trade receivables over one year | 18,953 | 19,365 | 412 | 2.2% |
| Other non-current financial assets | 20,183 | 33,820 | 13,637 | 67.6% |
| Contract assets | 4,143 | 3,994 | (149) | (3.6%) |
| Other non-current assets | 6,916 | 7,287 | 371 | 5.4% |
| Total non-current assets | 1,168,769 | 1,185,347 | 16,578 | 1.4% |
| Total assets | 1,400,671 | 1,418,843 | 18,172 | 1.3% |

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

| (HUF millions) | Dec 31, 2021 (unaudited) | June 30, 2022 (unaudited) | Change | Change (%) |
|---|-----------------------------|------------------------------|---------------|---------------|
| LIABILITIES | | | | |
| Financial liabilities to related parties | 38,087 | 85,586 | 47,499 | 124.7% |
| Lease liabilities | 22,328 | 31,357 | 9,029 | 40.4% |
| Trade payables | 142,031 | 118,560 | (23,471) | (16.5%) |
| Other financial liabilities | 55,426 | 12,011 | (43,415) | (78.3%) |
| Current income tax payable | 2,554 | 2,711 | 157 | 6.1% |
| Provisions | 3,367 | 956 | (2,411) | (71.6%) |
| Contract liabilities | 12,238 | 11,520 | (718) | (5.9%) |
| Other current liabilities | 18,986 | 41,011 | 22,025 | 116.0% |
| | 295,017 | 303,712 | 8,695 | 2.9% |
| Liabilities held for sale | 350 | - | (350) | (100.0%) |
| Total current liabilities | 295,367 | 303,712 | 8,345 | 2.8% |
| Financial liabilities to related parties | 90,405 | 97,204 | 6,799 | 7.5% |
| Lease liabilities | 112,076 | 111,406 | (670) | (0.6%) |
| Corporate bonds | 68,215 | 68,373 | 158 | 0.2% |
| Other financial liabilities | 109,231 | 106,159 | (3,072) | (2.8%) |
| Deferred tax liabilities | 16,888 | 18,286 | 1,398 | 8.3% |
| Provisions | 12,714 | 13,419 | 705 | 5.5% |
| Contract liabilities | 326 | 480 | 154 | 47.2% |
| Other non-current liabilities | 2,474 | 2,257 | (217) | (8.8%) |
| Total non-current liabilities | 412,329 | 417,584 | 5,255 | 1.3% |
| Total liabilities | 707,696 | 721,296 | 13,600 | 1.9% |
| EQUITY | | | | |
| Common stock | 104,275 | 100,580 | (3,695) | (3.5%) |
| Capital reserves | 27,379 | 26,409 | (970) | (3.5%) |
| Treasury stock | (19,424) | (18,600) | 824 | 4.2% |
| Retained earnings | 509,473 | 512,728 | 3,255 | 0.6% |
| Accumulated other comprehensive income | 31,192 | 35,953 | 4,761 | 15.3% |
| Total equity of the owners of the parent | 652,895 | 657,070 | 4,175 | 0.6% |
| Non-controlling interests | 40,080 | 40,477 | 397 | 1.0% |
| Total equity | 692,975 | 697,547 | 4,572 | 0.7% |
| Total liabilities and equity | 1,400,671 | 1,418,843 | 18,172 | 1.3% |

3.10. Interim Consolidated Statement of Cash Flows

| (HUF millions) | 1-6 months 2021 (unaudited) | 1-6 months 2022 (unaudited) | Change | Change (%) |
|---|--------------------------------|--------------------------------|-----------------|----------------|
| Cash flows from operating activities | | | | |
| Profit for the period | 24,576 | 31,070 | 6,494 | 26.4% |
| Depreciation and amortization | 71,806 | 70,588 | (1,218) | (1.7%) |
| Income tax expense | 7,442 | 8,935 | 1,493 | 20.1% |
| Net financial result | 5,643 | 9,484 | 3,841 | 68.1% |
| Share of associates' and joint ventures' result | - | (26) | (26) | n.a. |
| Change in assets carried as working capital | 11,308 | (265) | (11,573) | n.m. |
| Change in provisions | 1,038 | (1,960) | (2,998) | n.m. |
| Change in liabilities carried as working capital | (25,135) | 691 | 25,826 | n.m. |
| Income tax paid | (8,464) | (11,273) | (2,809) | (33.2%) |
| Dividend received | - | 63 | 63 | n.a. |
| Interest and other financial charges paid | (8,674) | (9,244) | (570) | (6.6%) |
| Interest received | 139 | 377 | 238 | 171.2% |
| Other non-cash items | 219 | (5,176) | (5,395) | n.m. |
| Net cash generated from operating activities | 79,898 | 93,264 | 13,366 | 16.7% |
| Cash flows from investing activities | | | | |
| Payments for property plant and equipment (PPE) and intangible assets | (55,440) | (54,197) | 1,243 | 2.2% |
| Proceeds from disposal of PPE and intangible assets | 1,502 | 555 | (947) | (63.0%) |
| Payments for subsidiaries and business units | (75) | - | 75 | 100.0% |
| Cash acquired through business combinations | - | - | - | - |
| Proceeds from disposal of subsidiaries and business units | - | 5,500 | 5,500 | n.a. |
| Payments for other financial assets | (75) | (2,365) | (2,290) | n.m. |
| Proceeds from other financial assets | 3,406 | 1,095 | (2,311) | (67.9%) |
| Payments for interests in associates and joint ventures | - | - | - | - |
| Net cash used in investing activities | (50,682) | (49,412) | 1,270 | 2.5% |
| Cash flows from financing activities | | | | |
| Dividends paid to Owners of the parent and Non-controlling interests | (15,140) | (14,541) | 599 | 4.0% |
| Proceeds from loans and other borrowings | 101,688 | 77,789 | (23,899) | (23.5%) |
| Repayment of loans and other borrowings | (89,196) | (35,470) | 53,726 | 60.2% |
| Proceeds from corporate bonds | - | - | - | - |
| Repayment of lease and other financial liabilities | (15,554) | (56,973) | (41,419) | (266.3%) |
| Treasury share purchase | (10,215) | (14,609) | (4,394) | (43.0%) |
| Net cash used in financing activities | (28,417) | (43,804) | (15,387) | (54.1%) |
| Exchange differences on cash and cash equivalents | (417) | 736 | 1,153 | n.m. |
| Change in cash and cash equivalents | 382 | 784 | 402 | 105.2% |
| Cash and cash equivalents, beginning of period | 14,689 | 13,463 | (1,226) | (8.3%) |
| Cash and cash equivalents, end of period | 15,071 | 14,247 | (824) | (5.5%) |

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

| HUF millions | Opening Balance at Jan 1, 2022 | 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, 2022 |
|---|--------------------------------|--------------------------------------|--|--|--|--|---|---------------------|----------------------------------|
| | | | | | | Proceeds from loans and borrowings | Repayment of loans and other borrowings | Proceeds from bonds | |
| Related party loans | 128,472 | - | (154) | 11,931 | - | 77,789 | (35,470) | - | 182,568 |
| Derivatives from related parties | 20 | - | - | 198 | 4 | - | - | - | 222 |
| Spectrum fee payable | 156,082 | - | (3,057) | 2,500 | - | - | - | (45,939) | 109,586 |
| Bonds | 68,215 | - | - | 158 | - | - | - | - | 68,373 |
| Lease liabilities | 134,404 | - | (2,858) | 20,397 | - | - | - | (9,180) | 142,763 |
| Debtors overpayment | 1,394 | - | (151) | - | - | - | - | - | 1,243 |
| Contingent consideration | 150 | - | - | - | - | - | - | (150) | 0 |
| Other financial liabilities | 7,031 | - | (115) | 2,129 | - | - | - | (1,704) | 7,341 |
| - Less cash and cash equivalent | (13,463) | (784) | - | - | - | - | - | - | (14,247) |
| - Less other current financial assets | (9,419) | - | (720) | (6,814) | 2,595 | - | - | - | (14,358) |
| Net debt | 472,886 | (784) | (7,055) | 30,499 | 2,599 | 77,789 | (35,470) | (56,973) | 483,491 |
| Treasury share purchase | | | | | | | | | (14,609) |
| Dividends paid to Owners of the parent and Non-controlling interest | | | | | | | | | (14,541) |
| Net Cash used in financing activities | | | | | | | | | (43,804) |

3.12. Interim Consolidated Statement of Changes in Equity

| | HUF millions | | | | | | | | | | |
|---|----------------------|----------------------------|---|-----------------|-------------------|-----------------------------------|---|-----------------|------------------------------------|---------------------------|--------------|
| | pieces | Capital reserves | | Treasury stock | Retained earnings | Cumulative translation adjustment | Accumulated Other Comprehensive Income | | Equity of the owners of the parent | Non-controlling interests | Total Equity |
| | | Additional paid in capital | Reserve for equity settled share based transactions | stock | earnings | adjustment | Revaluation reserve for FVOCI financial assets – net of tax | | | | |
| Balance at January 1, 2021 | 1,042,742,543 | 27,379 | - | 104,275 | 465,787 | 30,242 | 210 | 618,684 | 39,043 | 657,727 | |
| Dividend declared to Owners of the parent | - | - | - | - | (15,312) | - | - | (15,312) | - | (15,312) | |
| Dividend declared to Non-controlling interests | - | - | - | - | - | - | - | - | (3,479) | (3,479) | |
| Treasury share purchase | - | - | - | (10,215) | - | - | - | (10,215) | - | (10,215) | |
| Transactions with owners in their capacity as owners | - | - | - | (10,215) | (15,312) | - | - | (25,527) | (3,479) | (29,006) | |
| Other comprehensive income | - | - | - | - | - | (2,330) | 78 | (2,252) | (1,388) | (3,640) | |
| Profit or loss | - | - | - | - | 22,406 | - | - | 22,406 | 2,170 | 24,576 | |
| Transfer to retained earnings | - | - | - | - | - | - | - | - | - | - | |
| Balance at June 30, 2021 | 1,042,742,543 | 27,379 | - | 104,275 | 472,881 | 27,912 | 288 | 613,311 | 36,346 | 649,657 | |
| Dividend declared to Owners of the parent | - | - | - | - | (1) | - | - | (1) | - | (1) | |
| Dividend declared to Non-controlling interests | - | - | - | - | - | - | - | - | - | - | |
| Treasury share purchase | - | - | - | - | - | - | - | - | - | - | |
| Transactions with owners in their capacity as owners | - | - | - | - | (1) | - | - | (1) | - | (1) | |
| Other comprehensive income | - | - | - | - | - | 2,847 | 145 | 2,992 | 2,054 | 5,046 | |
| Profit or loss | - | - | - | - | 36,593 | - | - | 36,593 | 1,680 | 38,273 | |
| Transfer to retained earnings | - | - | - | - | - | - | - | - | - | - | |
| Balance at December 31, 2021 | 1,042,742,543 | 27,379 | - | 104,275 | 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) | (970) | - | (3,695) | (10,768) | - | - | 0 | - | 0 | |
| Transactions with owners in their capacity as owners | (36,941,191) | (970) | - | (3,695) | (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 | |
| Transfer to retained earnings | - | - | - | - | - | - | - | - | - | - | |
| Balance at June 30, 2022 | 1,005,801,352 | 26,409 | - | 100,580 | 512,728 | 35,516 | 437 | 657,070 | 40,477 | 697,547 | |
| Of which treasury stock | (43,078,833) | - | - | - | - | - | - | - | - | - | |
| Shares of common stock outstanding | 962,722,519 | - | - | - | - | - | - | - | - | - | |

3.13. Exchange rate information

| | Q2 2021 | Q2 2022 | Change (%) | 1-6 months 2021 | 1-6 months 2022 | Change (%) |
|------------------------------------|---------|---------|------------|-----------------|-----------------|------------|
| HUF/EUR beginning of period | 363.73 | 369.62 | 1.6% | 365.13 | 369.00 | 1.1% |
| HUF/EUR period-end | 351.90 | 396.75 | 12.7% | 351.90 | 396.75 | 12.7% |
| HUF/EUR cumulative monthly average | 355.22 | 384.79 | 8.3% | 358.27 | 375.26 | 4.7% |
| HUF/MKD beginning of period | 5.90 | 5.99 | 1.5% | 5.92 | 5.99 | 1.2% |
| HUF/MKD period-end | 5.70 | 6.43 | 12.8% | 5.70 | 6.43 | 12.8% |
| HUF/MKD cumulative monthly average | 5.76 | 6.24 | 8.3% | 5.81 | 6.09 | 4.8% |

3.14. Segment information

| HUF millions | Q2 2021 | Q2 2022 | 1-6 months 2021 | 1-6 months 2022 |
|--|----------------|----------------|-----------------|-----------------|
| Total MT-Hungary revenue | 150,447 | 164,701 | 296,957 | 323,959 |
| Less: MT-Hungary revenue from other segments | (27) | (31) | (59) | (59) |
| MT-Hungary revenue from external customers | 150,420 | 164,670 | 296,898 | 323,900 |
| Total North Macedonia revenue | 15,667 | 19,383 | 31,472 | 35,961 |
| Less: North Macedonia revenue from other segments | (16) | (15) | (30) | (28) |
| North Macedonia revenue from external customers | 15,651 | 19,368 | 31,442 | 35,933 |
| Total consolidated revenue of the segments | 166,071 | 184,038 | 328,340 | 359,833 |
| Measurement differences to Group revenue | 70 | 196 | 100 | 265 |
| Total revenue of the Group | 166,141 | 184,234 | 328,440 | 360,098 |
| Segment results (EBITDA) | | | | |
| Hungary | 52,207 | 50,380 | 96,023 | 105,656 |
| North Macedonia | 6,536 | 7,527 | 13,483 | 14,309 |
| Total EBITDA of the segments | 58,743 | 57,907 | 109,506 | 119,965 |
| Measurement differences to Group EBITDA | 530 | (2) | (39) | 86 |
| Total EBITDA of the Group | 59,273 | 57,905 | 109,467 | 120,051 |

3.15. Fair value of financial instruments – financial assets

| June 30, 2022 HUF millions | Financial assets | | | | Carrying amount | Fair value |
|--|------------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | Amortized cost | FVOCI (Level 1) | FVTPL (Level 2) | FVTPL (Level 3) | | |
| Cash and cash equivalents | 14,247 | - | - | - | 14,247 | 14,247 |
| Bank deposits with original maturities over 3 months | 6,293 | - | - | - | 6,293 | 6,293 |
| Trade receivables | 157,834 | - | - | - | 157,834 | 157,834 |
| Trade receivables over 1 year | 19,365 | - | - | - | 19,365 | 17,214 |
| Derivative financial instruments contracted with related parties | - | - | 34,788 | - | 34,788 | 34,788 |
| Finance lease receivable | 764 | - | - | - | 764 | 696 |
| Equity instruments | - | 1,397 | - | 1,176 | 2,573 | 2,573 |
| Receivables from asset-related grants | 2,329 | - | - | - | 2,329 | 2,329 |
| Other current receivables | 787 | - | - | - | 787 | 787 |
| Other non-current receivables | 644 | - | - | - | 644 | 561 |
| Total | 202,263 | 1,397 | 34,788 | 1,176 | 239,624 | 237,322 |

| December 31, 2021 HUF millions | Financial assets | | | | Carrying amount | Fair value |
|--|------------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | Amortized cost | FVOCI (Level 1) | FVTPL (Level 2) | FVTPL (Level 3) | | |
| Cash and cash equivalents | 13,463 | - | - | - | 13,463 | 13,463 |
| Bank deposits with original maturities over 3 months | 4,061 | - | - | - | 4,061 | 4,061 |
| Trade receivables | 158,187 | - | - | - | 158,187 | 158,187 |
| Trade receivables over 1 year | 18,953 | - | - | - | 18,953 | 17,799 |
| Derivative financial instruments contracted with related parties | - | - | 16,715 | - | 16,715 | 16,715 |
| Finance lease receivable | 896 | - | - | - | 896 | 881 |
| Equity instruments | - | 1,292 | - | 1,181 | 2,473 | 2,473 |
| Receivables from asset-related grants | 3,507 | - | - | - | 3,507 | 3,507 |
| Other current receivables | 1,220 | - | - | - | 1,220 | 1,220 |
| Other non-current receivables | 730 | - | - | - | 730 | 979 |
| Total | 201,017 | 1,292 | 16,715 | 1,181 | 220,205 | 219,285 |

3.16. Fair value of financial instruments – financial liabilities

| June 30, 2022 HUF millions | Financial liabilities | | | Carrying amount | Fair value |
|--|----------------------------|-----------------|-----------------|-----------------|----------------|
| | Measured at amortized cost | FVTPL (Level 2) | FVTPL (Level 3) | | |
| Financial liabilities to related parties | 182,568 | 222 | - | 182,790 | 182,790 |
| Trade payables | 118,560 | - | - | 118,560 | 118,560 |
| Frequency fee payable | 109,586 | - | - | 109,586 | 77,602 |
| Bonds | 68,373 | - | - | 68,373 | 49,454 |
| Lease liabilities | 142,763 | - | - | 142,763 | 127,316 |
| Debtors overpayment | 1,243 | - | - | 1,243 | 1,243 |
| Contingent consideration | - | - | - | - | - |
| Other current | 4,924 | - | - | 4,924 | 4,924 |
| Other non-current | 2,264 | - | 153 | 2,417 | 2,294 |
| Total | 630,281 | 222 | 153 | 630,656 | 564,183 |

| December 31, 2021 HUF millions | Financial liabilities | | | Carrying amount | Fair value |
|--|----------------------------|-----------------|-----------------|-----------------|----------------|
| | Measured at amortized cost | FVTPL (Level 2) | FVTPL (Level 3) | | |
| Financial liabilities to related parties | 128,472 | 20 | - | 128,492 | 128,492 |
| Trade payables | 142,031 | - | - | 142,031 | 142,031 |
| Frequency fee payable | 156,082 | - | - | 156,082 | 145,425 |
| Bonds | 68,215 | - | - | 68,215 | 58,070 |
| Lease liabilities | 134,404 | - | - | 134,404 | 132,003 |
| Debtors overpayment | 1,394 | - | - | 1,394 | 1,394 |
| Contingent consideration | - | - | 150 | 150 | 150 |
| Other current | 4,123 | - | - | 4,123 | 4,123 |
| Other non-current | 2,764 | - | 144 | 2,908 | 2,961 |
| Total | 637,485 | 20 | 294 | 637,799 | 614,649 |

3.17. EBITDA reconciliation

| (HUF millions) | Q2 2021 MT Group | Q2 2021 MT-Hungary | Q2 2021 North Macedonia | Q2 2022 MT Group | Q2 2022 MT-Hungary | Q2 2022 North Macedonia |
|---------------------------|---------------------|-----------------------|----------------------------|---------------------|-----------------------|----------------------------|
| EBITDA | 59,273 | 52,207 | 6,536 | 57,905 | 50,380 | 7,527 |
| IFRS 16 related D&A | (4,641) | (4,458) | (183) | (5,046) | (4,816) | (230) |
| IFRS 16 related Interest | (1,393) | (1,364) | (29) | (1,464) | (1,432) | (32) |
| EBITDA after lease | 53,239 | 46,385 | 6,324 | 51,395 | 44,132 | 7,265 |

| (HUF millions) | 1-6 months 2021 MT Group | 1-6 months 2021 MT-Hungary | 1-6 months 2021 North Macedonia | 1-6 months 2022 MT Group | 1-6 months 2022 MT-Hungary | 1-6 months 2022 North Macedonia |
|---------------------------|-----------------------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|
| EBITDA | 109,467 | 96,023 | 13,483 | 120,051 | 105,656 | 14,309 |
| IFRS 16 related D&A | (9,226) | (8,850) | (376) | (9,983) | (9,530) | (453) |
| IFRS 16 related Interest | (2,851) | (2,793) | (58) | (2,858) | (2,796) | (62) |
| EBITDA after lease | 97,390 | 84,380 | 13,049 | 107,210 | 93,330 | 13,794 |

3.18. Capex from Interim Consolidated Statement of Cash Flows

| (HUF millions) | 1-6 months 2021 MT Group | 1-6 months 2022 MT Group |
|---|-----------------------------|-----------------------------|
| Payments for PPE and intangible assets | 55,440 | 54,197 |
| Less spectrum payments | - | - |
| Payments for PPE and intangible assets excl. spectrum payments | 55,440 | 54,197 |
| +/- Cash adjustments | (12,224) | (1,637) |
| Capex AL excl. spectrum | 43,216 | 52,560 |
| ROU capex | 6,300 | 14,465 |
| Spectrum capex | 83,075 | - |
| Capex | 132,591 | 67,025 |

3.19. Capex from Interim Consolidated Statement of Financial Position

| (HUF millions) | Q2 2021 MT Group | Q2 2021 MT-Hungary | Q2 2021 North Macedonia | Q2 2022 MT Group | Q2 2022 MT-Hungary | Q2 2022 North Macedonia |
|----------------------------------|---------------------|-----------------------|----------------------------|---------------------|-----------------------|----------------------------|
| Capex AL excl. spectrum licenses | 23,163 | 20,553 | 2,610 | 29,559 | 25,534 | 4,025 |
| ROU capex | 3,316 | 3,110 | 206 | 8,171 | 7,942 | 229 |
| Spectrum capex | - | - | - | - | - | - |
| Capex | 26,479 | 23,663 | 2,816 | 37,730 | 33,476 | 4,254 |

| (HUF millions) | 1-6 months 2021 MT Group | 1-6 months 2021 MT-Hungary | 1-6 months 2021 North Macedonia | 1-6 months 2022 MT Group | 1-6 months 2022 MT-Hungary | 1-6 months 2022 North Macedonia |
|----------------------------------|-----------------------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|
| Capex AL excl. spectrum licenses | 43,216 | 39,008 | 4,208 | 52,560 | 44,482 | 8,078 |
| ROU capex | 6,300 | 5,959 | 341 | 14,465 | 14,078 | 387 |
| Spectrum capex | 83,075 | 83,075 | - | - | - | - |
| Capex | 132,591 | 128,042 | 4,549 | 67,025 | 58,560 | 8,465 |



4. DECLARATION

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

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

Tibor Rékasi
Chief Executive Officer, member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer, member of the Board

Budapest, August 9, 2022

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, 2021, 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.