MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2019

Budapest – February 18, 2020 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB, hereinafter the "Company"), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the fourth quarter and full year of 2019, in accordance with International Financial Reporting Standards (IFRS).

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q4 2018 IAS 17	Q4 2019 IFRS 16	Change (%)	Q4 2019 IFRS 16 effect	Q4 2019 excl. IFRS 16 effect	Change (%)
Total revenues	**175,134**	**182,318**	**4.1%**	**0**	**182,318**	**4.1%**
Operating profit	**16,972**	**19,977**	**17.7%**	**368**	**19,609**	**15.5%**
Profit attributable to:						
Owners of the parent	7,465	12,836	71.9%	(401)	13,237	77.3%
Non-controlling interests	239	149	(37.7%)	0	149	(37.7%)
	7,704	**12,985**	**68.5%**	**(401)**	**13,386**	**73.8%**
Gross profit	**92,894**	**94,063**	**1.3%**	**0**	**94,063**	**1.3%**
EBITDA	**46,707**	**57,633**	**23.4%**	**5,138**	**52,495**	**12.4%**
EBITDA margin	**26.7%**	**31.6%**	**n.a.**	**n.m.**	**28.8%**	**n.a.**
	1-12 months 2018	**1-12 months 2019**	**Change (%)**			
Free cash flow	**67,963**	**54,056**	**(20.5%)**			
CAPEX to Sales	**16.4%**	**16.9%**	**n.a.**	**3.4%**	**13.5%**	**n.a.**
Number of employees (closing full equivalent)	**8,948**	**8,246**	**(7.8%)**			
	Dec 31, 2018	**Dec 31, 2019**	**Change (%)**			
Net debt	**272,805**	**349,357**	**28.1%**	**111,997**	**237,360**	**(13.0%)**
Net debt / total capital	**30.7%**	**35.6%**	**n.a.**	**n.a.**	**27.3%**	**n.a.**

- **Increase in Group revenues driven by continued expansion of telecommunication service revenues and higher SI/IT sales**
- **Improvement in gross profit reflects an increase in service revenues**
- **EBITDA growth delivered through higher gross profit and savings in indirect costs**
- **Free cash flow decline reflects the payment of the 2100 MHz frequency license extension fee, unfavourable changes in working capital, and lower proceeds from real estate sales**
- **After 2019 results HUF 20 dividend per share proposed for approval at the Annual General Meeting**

Tibor Rékasi, CEO commented:

"We are pleased to announce that the Group has sustained its momentum in 2019, delivering revenue and EBITDA growth. On revenue we outperformed our guidance, achieving total revenues of HUF 666.7 billion in 2019, a growth of 1.5% year-on-year. We also recorded a 4.4% increase in EBITDA in 2019, against our guidance of 1-2% growth, achieving a figure of HUF 201.0 billion for the full year (excluding the impact of IFRS16 adoption). CAPEX for the Group stood at HUF 89.6 billion (excluding the impact of IFRS16 adoption), in line with our broadly stable expectation for the year. Unfortunately for the first time in recent years we missed our free cash flow target, where instead of the projected circa 5% growth we reported a 4.2% decline to HUF 65.1 billion (excluding spectrum license payments). This decline was attributable to timing issues in our real estate project, as proceeds from the sale of a major asset was not realized in 2019.

In Hungary, we refined our mobile and fixed portfolios, in alignment with our 'more-for-more' strategy, to ensure we remain well positioned to meet customer needs and market expectations. This is reflected in the year-on-year revenue increases reported by our fixed and mobile segments of 2.9% and 3.0%, respectively. Both segments continue to grow, primarily due to our data products, which are the fastest growing revenue lines in both the fixed and mobile segment. This was further supported by robust equipment sales, both in the domestic market and abroad. In the mobile segment, we continue our efforts to migrate customers from pre- to postpaid packages, thus increasing our blended mobile ARPU.
In the fixed market we maintained our strong focus on growing our network, bringing us closer to our goal of providing gigabit internet connectivity nationwide. We continued to see positive results from this strategy in the growth of fixed line revenue.
While we experienced some setbacks in the SI/IT sector during the year in relation to postponed public sector spending, by the end of the year we were back on track with revenues growing again in Q4 2019. Unfortunately, this was not enough to fully offset the decline recorded earlier in the year resulting in an annual decline of 6.9%.
Consistent with our strategy, we remain determined to expand our FMC customer base. To maintain our competitive advantage, we have enhanced our Magenta1 offering which delivers highly attractive services and related equipment. In addition to enabling customers with a prepaid mobile tariff to take advantage of the Magenta 1 offer, we have also reviewed the offer to ensure its advantages are more clearly presented to customers.

In North Macedonia we are continuing to deliver a turnaround in revenue and EBITDA, with figures growing annually by 5.7% and 7.5% respectively. Despite intensifying competition in the market, we have successfully grown our core business, supported by increased customer demand for data and equipment. In the SI/IT segment we have seen exceptional growth as revenues more than doubled in the final quarter versus the prior year, resulting in 46.7% growth for the full year in the segment.

Looking ahead we expect revenues to stay at the current level throughout 2020, whilst EBITDA After Lease is expected to increase by 1%-2% thanks reduction in indirect costs. Capital expenditures are expected to remain stable (excluding the increase driven by IFRS 16 implementation and any possible spectrum costs) as spending on the fixed network will continue to reflect the accelerated fiber-rollout program. We expect free cash flow (excluding spectrum license fees) to increase by around 5% thanks to further real estate sales. However, as opposed to earlier forecasts, now we expect free cash flow to stay broadly stable in 2021 as we plan to complete the real estate sales projects in 2020.

Public guidance:

	2019 Actual	Public guidance for 2020	Public guidance for 2021
Revenue	HUF 666.7 billion	broadly stable	
EBITDA AL	HUF 197.6 billion	increasing at 1%-2% per annum	
Capex[1]	HUF 89.6 billion	broadly stable	
FCF[2]	HUF 65.1 billion	increasing at ca 5%	broadly stable

[1] *excluding spectrum license fees and CAPEX of right-of-use assets (i.e. the impact of IFRS 16 implementation)*
[2] *excluding spectrum license fees*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

Consolidated Statements of Comprehensive Income (HUF million)	Q4 2018 IAS 17	Q4 2019 IFRS 16	Change	Change (%)	1-12 months 2018 IAS 17	1-12 months 2019 IFRS 16	Change	Change (%)
Revenues								
Mobile revenues	91,545	94,521	2,976	3.3%	343,145	354,362	11,217	3.3%
Fixed line revenues	53,994	54,984	990	1.8%	206,901	212,659	5,758	2.8%
System Integration/Information Technology revenues	29,595	32,813	3,218	10.9%	107,058	99,632	(7,426)	(6.9%)
Total revenues	**175,134**	**182,318**	**7,184**	**4.1%**	**657,104**	**666,653**	**9,549**	**1.5%**
Direct costs	**(82,240)**	**(88,255)**	**(6,015)**	**(7.3%)**	**(286,931)**	**(292,412)**	**(5,481)**	**(1.9%)**
Gross profit	**92,894**	**94,063**	**1,169**	**1.3%**	**370,173**	**374,241**	**4,068**	**1.1%**
Indirect costs	**(46,187)**	**(36,430)**	**9,757**	**21.1%**	**(177,666)**	**(153,679)**	**23,987**	**13.5%**
EBITDA	**46,707**	**57,633**	**10,926**	**23.4%**	**192,507**	**220,562**	**28,055**	**14.6%**
Depreciation and amortization	(29,735)	(37,656)	(7,921)	(26.6%)	(115,529)	(137,382)	(21,853)	(18.9%)
Operating profit	**16,972**	**19,977**	**3,005**	**17.7%**	**76,978**	**83,180**	**6,202**	**8.1%**
Net financial result	(5,177)	(3,102)	2,075	40.1%	(17,784)	(24,125)	(6,341)	(35.7%)
Share of associates' and joint ventures' results	258	(88)	(346)	n.m.	588	90	(498)	(84.7%)
Profit before income tax	**12,053**	**16,787**	**4,734**	**39.3%**	**59,782**	**59,145**	**(637)**	**(1.1%)**
Income tax	(4,349)	(3,802)	547	12.6%	(13,333)	(14,633)	(1,300)	(9.8%)
Profit for the period	**7,704**	**12,985**	**5,281**	**68.5%**	**46,449**	**44,512**	**(1,937)**	**(4.2%)**
Profit attributable to non-controlling interests	239	149	(90)	(37.7%)	3,131	3,355	224	7.2%
Profit attributable to owners of the parent	**7,465**	**12,836**	**5,371**	**71.9%**	**43,318**	**41,157**	**(2,161)**	**(5.0%)**

Total revenues increased by 4.1% year-on-year to HUF 182.3 billion in Q4 2019, attributable to the recovery in the Hungarian System Integration and IT revenues coupled with continued growth in mobile data revenues in both countries of operation. Total revenue for the year amounted to HUF 666.7 billion, up 1.5% versus 2018, as growth in service revenues and increased equipment sales offset a reduction in SI/IT revenues.

- **Mobile revenues grew by 3.3% year-on-year to HUF 94.5 billion in Q4 2019 and** HUF 354.4 billion in 2019, as growth in mobile data revenues helped to offset lower voice revenues in both countries of operation.
  - **Voice retail** revenues declined 3.6% year-on-year to HUF 31.9 billion in Q4 2019, driven by the prevailing price pressures in both countries that offset the favourable impacts stemming from the enlarged customer bases and improvement in postpaid ratios.
  - **Voice wholesale** revenue increased by 3.2% year-on-year to HUF 2.6 billion in Q4 2019, driven by higher incoming domestic mobile traffic in Hungary.
  - **Data** revenues grew by 13.4% year-on-year to HUF 23.5 billion in Q4 2019, reflecting the higher number of mobile internet subscribers across the Group and growth in average usage levels.
  - **SMS** revenues increased by 7.2% year-on-year to HUF 5.3 billion in Q4 2019, as a result of increased revenues from the growing postpaid customer base, as well as higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenues grew by 3.1% year-on-year to HUF 28.1 billion in Q4 2019, driven by higher export sales revenues at the Hungarian operation and higher sales volumes driven by year-end promotions in North Macedonia.
  - **Other mobile** revenues grew moderately to HUF 3.1 billion in Q4 2019, as higher visitor revenues offset a reduction in late payment revenues in both Hungary and North Macedonia.
- **Fixed line revenues were 1.8% higher year-on-year at HUF 55.0 billion in Q4 2019** and 2.8% higher at HUF 212.7 billion for the full year, attributable to rising TV and broadband retail service revenues.
  - **Voice retail** revenues grew by 2.6% year-on-year to HUF 9.9 billion in Q4 2019, attributable to the absence of a one-time correction related to value-added services in Hungary that negatively impacted voice revenues in the base period. This offset the impact of the continued decline in price levels in both countries of operation.
  - **Broadband retail** revenues increased by 8.2% year-on-year to HUF 14.3 billion in Q4 2019, primarily attributable to the improvement in Hungary. The expansion of the customer base was coupled with improved ARPU levels, reflecting the positive impact of customers migrating to higher bandwidth packages. In North Macedonia, the positive impact of the enlarged customer base was partly offset by a decline in price levels.
  - **TV** revenues grew by 4.6% year-on-year to HUF 12.5 billion in Q4 2019, driven largely by the growing IPTV subscriber base in both countries of operation.
  - **Fixed equipment** revenues grew by 3.2% to HUF 6.5 billion in Q4 2019, attributable to higher volumes of equipment sold in Hungary in relation to fixed contracts.
  - **Data retail** revenues declined by 4.9% year-on-year to HUF 2.2 billion in Q4 2019, reflecting the prevailing price pressure in this market segment in both countries.

  - **Wholesale** revenues decreased by 6.2% year-on-year to HUF 4.7 billion in Q4 2019, due to the decline in wholesale broadband revenues and voice transit revenues in both countries.
  - **Other fixed line** revenues declined by 11.8% to HUF 5.0 billion in Q4 2019, attributable to the absence of the aforementioned one-time correction related to value-added services in Hungary. In North Macedonia, other fixed revenue declined due to lower value added service revenues.

- **System Integration (SI) and IT revenues increased by 10.9% year-on-year to HUF 32.8 billion in Q4 2019**, driven by strong growth in both Hungary and North Macedonia, reflecting the seasonality of public sector tender volumes which were lower in previous quarters. SI/IT revenues recorded a decline of 6.9% to HUF 99.6 billion in 2019 driven by lower project volumes in Hungary. The decline was attributable to a lower volume of hardware and software sales primarily within the public segment coupled with the absence of a major PC delivery project. This could not be fully offset by the strong growth recorded in North Macedonia where the recovery in demand for public sector projects, especially in the field of customized solution projects, was the major driver of SI/IT revenue improvement.

Direct costs increased by 7.3% year-on-year to HUF 88.3 billion in Q4 2019, reflecting higher equipment and SI/IT related costs in both countries of operation, coupled with increased TV content fees in Hungary. For the full year 2019, direct costs increased by 1.9%, mainly attributable to higher equipment costs and TV content fees which offset the decline in SI/IT expenses in Hungary and an increase in SI/IT related expenses in North Macedonia.

- **Interconnect costs** were up 1.2% year-on-year to HUF 5.3 billion in Q4 2019, as increased payments to mobile operators (reflecting higher off-network mobile traffic) were counterbalanced by lower outpayments to fixed operators in both countries.
- **SI/IT service related costs** increased by 16.6% year-on-year to HUF 23.6 billion in Q4 2019, driven by higher project volumes in both Hungary and North Macedonia. For the full year 2019, SI/IT costs declined by 5.0% year-on-year, reflecting a revenue decline in Hungary.
- **Bad debt expenses** improved by 11.8% year-on-year to HUF 3.1 billion in Q4 2019. This improvement is the combined result of higher factoring results and favourable ageing of receivables in Hungary, partly offset by the absence of one-off items which positively impacted the bad debt expense in Q4 2018 in Hungary and higher one-off expenses in North Macedonia.
- **Telecom tax** was down 4.6% year-on-year at HUF 6.0 billion in Q4 2019, as lower residential fixed voice usage and an overall voice usage decline among business customers more than offset the growth in the residential mobile traffic in Hungary.
- **Other direct costs** increased by 7.1% year-on-year to HUF 50.2 billion in Q4 2019, reflecting an increase in equipment costs, TV content fees and roaming outpayments in Hungary, coupled with higher equipment costs in North Macedonia.

Gross profit increased by 1.3% year-on-year to HUF 94.1 billion in Q4 2019 and by 1.1% to HUF 374.2 billion for the full year 2019. This result is broadly attributable to the improved performance of telecommunication services, partly offset by lower SI/IT profit contribution.

Indirect costs improved by 21.1% year-on-year to HUF 36.4 billion in Q4 2019, and by 13.5% to HUF 153.7 billion in the full year. Excluding the impact of IFRS 16 adoption, indirect costs were down 10.0% at HUF 41.6 billion in Q4 2019 and improved by 2.5% to HUF 173.2 billion in the full year 2019.

- **Employee-related expenses** declined by 14.2% year-on-year to HUF 19.8 billion in Q4 2019, driven by lower headcount in both Hungary and North Macedonia coupled with lower bonus expenses compared to a year earlier which more than offset the impact of wage increases in Hungary.
- **Other operating expenses** were down HUF 9.2 billion year-on-year at HUF 20.2 billion in Q4 2019, reflecting the impact of IFRS 16 adoption as well as savings in marketing, HR-related, materials and maintenance costs at the Hungarian operation.
- **Other operating income** declined by HUF 2.7 billion year-on-year to HUF 3.5 billion in Q4 2019, mostly attributable to lower income from of real estate sales in Hungary.

EBITDA increased by 23.4% year-on-year to HUF 57.6 billion in Q4 2019, and by 14.6% year-on-year to HUF 220.6 billion in 2019. **Excluding the impact of IFRS 16 adoption, EBITDA was up 12.4% year-on-year in Q4 2019** and up 4.4% year-on-year in the full year.

Depreciation and amortization (D&A) expenses rose by HUF 7.9 billion year-on-year to HUF 37.7 billion in Q4 2019, with IFRS 16 adoption accounting for a HUF 4.8 billion increase. The remaining increase reflects the shortened useful life of certain copper network related elements in relation to the copper retirement program in Hungary, while in North Macedonia the increase reflected changes in the useful life of several assets.

Profit for the period increased from HUF 7.7 billion in Q4 2018 to HUF 13.0 billion in Q4 2019, attributable to improvements in both operating and financial results. For the full year 2019, net profit declined by 4.2% year-on-year to HUF 44.5 billion, reflecting the unfavourable impact of IFRS 16 adoption coupled with higher D&A expenses which offset the underlying improvement in operating results.

- **Net financial results** improved by HUF 2.1 billion year-on-year to HUF 3.1 billion in Q4 2019, despite the impact relating to the adoption of IFRS 16. The improvement is the result of a decline in interest expenses (reflecting lower debt levels coupled with lower interest rates) and an increase in FX gains in relation to trade payables and derivatives following the strengthening of the forint against the euro during the period.

For the full year 2019, net financial expenses increased from HUF 17.8 billion in 2018 to HUF 24.1 billion, (reflecting the implementation of IFRS 16), while lower debt levels led to a decline in related interest expenses.

- **Income tax** expenses decreased by 12.6% year-on-year to HUF 3.8 billion in Q4 2019, despite an increase in profit before tax, owing to more even within year distribution of tax expenses. For the full year 2019, income tax expense increased by 9.8% to HUF 14.6 billion. Although profit before tax decreased moderately, increases in local business tax and withholding tax, coupled with higher subsidiary-related deferred tax expenses (i.e. a significant decrease in tax losses and a change in the handling of development reserves) led to higher income tax expenses.

Profit attributable to non-controlling interests was HUF 0.1 billion in Q4 2019, down from HUF 0.2 billion in Q4 2018, driven lower profit at the North Macedonian operations as higher D&A expenses offset EBITDA improvement. For the full year 2019, profit attributable to non-controlling interest increased by 7.2% year-on-year to HUF 3.4 billion, reflecting improved profit generation at the North Macedonian subsidiary during the period.

2.1.2 Group Cash Flows

Group Cash Flows

HUF millions	1-12 months 2018	1-12 months 2019	Change
Operating cash flow	159,098	162,368	3,270
Investing cash flow	(83,092)	(84,936)	(1,844)
Less: Payments for other financial assets - net	(2,055)	(4,816)	(2,761)
Investing cash flow excluding Payments for other financial assets – net	(85,147)	(89,752)	(4,605)
Repayment of other financial liabilities	(5,988)	(18,560)	(12,572)
Total free cash flow	**67,963**	**54,056**	**(13,907)**
Proceeds from other financial assets - net	2,055	4,816	2,761
Repayments of loans and other borrowings - net	(36,974)	(23,151)	13,823
Dividend paid to shareholders and Non-controlling interests	(29,547)	(29,725)	(178)
Repurchase of treasury shares	(1,822)	0	1,822
Exchange differences on cash and cash equivalents	130	198	68
Change in cash and cash equivalents	**1,805**	**6,194**	**4,389**

Free cash flow (FCF) decreased to HUF 54.1 billion cash inflow in 2019 (2018: HUF 68.0 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 162.4 billion in 2019, compared to cash inflow of HUF 159.1 billion in 2018, attributable to the reasons outlined below:

- HUF 28.1 billion **positive impact** due to higher **EBITDA** in 2019 versus 2018, mainly as a result of the IFRS 16 implementation
- HUF 29.8 billion **positive change in active working capital,** mainly as a result of the following factors:
  - favourable change in instalment receivables year-on-year, attributable to shorter instalment periods and year-on-year differences in revenue generation (positive impact: ca. HUF 17.0 billion)
  - reduction in the balance of BAU trade receivables in 2019 compared to 2018 (positive impact: ca. HUF 6.6 billion)
  - higher SI/IT related advance payment settlements in 2019 compared to 2018 (positive impact: ca. HUF 2.0 billion)
  - smaller increase in SI/IT related and handset inventory balances in 2019 compared to the increase in 2018, due to differences in project timings and improved inventory management (positive impact: ca. HUF 1.9 billion)
  - lesser increase in prepaid expenses in 2019 compared to 2018 (positive impact: ca. HUF 0.8 billion)
  - greater increase in SI/IT receivables in 2019 compared to 2018 (negative impact: ca. HUF 0.3 billion)

- HUF 1.2 billion **negative change in provisions,** mainly due to a change in legal provisions in 2019 versus 2018

- HUF 50.0 billion **negative change in passive working capital,** primarily driven by the following factors:
  - greater decrease in the balance of equipment creditors resulting from changes in payment conditions agreed with handset suppliers, as well as a larger decline in the balances of invoiced and non-invoiced other creditors due to the timing differences of payments in 2019 versus 2018 (negative impact: HUF 37.9 billion)
  - larger payment related to SI/IT services in 2019 compared to a moderate increase in 2018 (negative impact: HUF 5.7 billion)

- higher decrease in the balance of creditors in relation to the new headquarter building in 2019 due to the fit-out costs relating to the new building for the company's headquarters (negative impact: HUF 3.5 billion)
- higher HR-related personnel expense payments in 2019 compared to 2018 (negative impact: HUF 5.8 billion)

- HUF 4.1 billion **negative change** due to higher levels of **interest paid** in 2019 compared to 2018, mainly as a result of the application of IFRS 16, a new accounting standard applied from January 1, 2019

- HUF 1.3 billion **positive change in other non-cash items** mainly due to the lower net results from the real estate sales recorded in 2019 compared to 2018

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF 89.8 billion in 2019, compared to HUF 85.1 billion in 2018, with the higher cash outflow driven mainly by the following:

- HUF 5.0 billion **negative effect** due to higher **CAPEX** in 2019 versus 2018, mainly due to the combined effect of application of IFRS 16, a new accounting standard applied from January 1, 2019 (negative impact: ca. HUF 22.9 billion) and lower spectrum licence purchase (positive impact: HUF 15.6 billion)
- HUF 1.0 billion **positive change** due to the combined effect of higher payments to **CAPEX creditors** (including a payment of HUF 11.0 billion in relation to the extension of the 2100 MHz mobile license) in 2019 compared to 2018 which was more than offset by the effect of the application of the new IFRS 16 accounting standard
- HUF 0.6 billion **positive impact** from lower cash outflows associated with business combinations (**ITGen Kft.** in 2018)
- HUF 0.1 billion **negative impact** due to a lower amount of **cash acquired** through acquisitions
- HUF 1.1 billion **negative change** related to the **disposal of PPE,** mainly reflecting the lower proceeds from real estate sale in 2019 compared to real estate sales in 2018

Repayment of other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 18.6 billion in 2019 from HUF 6 billion in 2018, mainly due to:

- HUF 11.9 billion **negative change** caused by higher **finance lease** payments in 2019 versus 2018, due to the application of the new IFRS 16 accounting standard with effect from January 1, 2019
- HUF 0.7 billion **negative change** due to higher North Macedonian **content right** payments in 2019 compared to 2018

Free cash flow (FCF) decreased from an inflow of HUF 68.0 billion to an inflow of HUF 54.1billion, mainly due to the reasons described above.

Proceeds from other financial assets - net increased by HUF 2.8 billion, mainly due to higher cash inflows from forward transactions in 2019 versus in 2018.

Repayments of loans and other borrowings – net increased by HUF 13.8 billion due to the combined effect of higher repayments of DT Group loans, as well as the higher drawdown of inhouse group funds in 2019 compared to 2018.

Repurchase of treasury shares improved by HUF 1.8 billion due to the absence of a repurchase of treasury shares for the Employee Stock Ownership Program (ESOP) in 2019.

The financial and operating statistics are available on the following website:
http://www.telekom.hu/about_us/investor_relations/financial

2.1.3 Statements of Financial Position

The most significant changes in the balances of the Statements of Financial Position from December 31, 2018 to December 31, 2019 can be observed in the following lines:

- Trade receivables
- Other assets
- Property plant and equipment, Right-of-use assets and intangible assets (including Goodwill)
- Financial liabilities to related parties (current and non current combined)
- Lease liabilities (current and non-current combined)
- Trade payables
- Other current liabilities

Trade receivables increased by HUF 5.2 billion from December 31, 2018 to December 31, 2019, mainly driven by the HUF 4.3 billion increase in SI/IT receivables.

Other assets decreased by HUF 5.7 million from December 31, 2018 to December 31, 2019 mainly as a result of the reclassification of the prepaid lease expenses to Right-of-use assets by HUF 3.3 billion due to the transition requirement of the new IFRS 16 accounting standard.

Property plant and equipment (PPE), Right-of-use assets and intangible assets (including Goodwill) together increased by HUF 68.2 billion from December 31, 2018 to December 31, 2019. This increase was driven mainly by the recognition of Right-of-use assets in connection with the transition to the new IFRS 16 accounting standard - this amounted to HUF 108.0 billion, of which HUF 2.8 billion resulted from the reclassification of former financial leased assets under IAS 17. This effect was offset by the decrease in the balances of Property plant and equipment and Intangible assets, as the depreciation and scrapping of assets exceeded capital expenditure for the period.

Financial liabilities to related parties (current and non current combined) decreased by HUF 24.2 billion from December 31, 2018 to December 31, 2019 mainly due to the higher repayment of DT Group loans than the drawdown of refinanced loans.

Lease liabilities (current and non-current combined) increased by HUF 112.0 billion from December 31, 2018 to December 31, 2019 driven by the transition to the new IFRS 16 accounting standard. At the date of initial application (January 1, 2019), the total impact of opening balances was HUF 107.2 billion of which HUF 3.8 billion resulted from the reclassification of former financial leased liabilities.

Trade payables declined by HUF 20.3 billion from December 31, 2018 to December 31, 2019, reflecting the decrease in outstanding balances to handset, SI/IT, CAPEX and OPEX suppliers.

Other current liabilities decreased by HUF 5.7 billion from December 31, 2018 to December 31, 2019. This change was driven by the decreasing HR related liabilities mainly due to the change in the incentive program in 2019.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position in the period from December 31, 2018 to December 31, 2019. 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 2019 and the related explanations provided above in section 2.1.2 Cash flows.

2.1.4 Related party transactions

There have not been any significant changes in related party transactions since the most recent annual financial report.

2.1.5 Contingencies and commitments

Contingent assets

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

Contingent liabilities

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

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, 2019. In 2019, Magyar Telekom was registered as a participant by National Media and Infocommunications Authority in the auction procedure for spectrum licenses related to 5G and mobile broadband services, in connection with this additional guarantees were required to be issued. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual obligations. To date, the Group has been delivering on its contractual obligations and expects to continue to do so in the future. Consequently, there has been no significant drawdown of the guarantees in 2019 and this is expected to continue being the case going forward.

Commitments

There has been no material change in the nature and amount of our commitments in 2019.

2.1.6 Significant events

Management Committee
The Company's Board of Directors resolved to streamline its management structure by re-allocating the tasks and responsibilities of the Management Committee to the Chief Officers and to the Board of Directors of the Company with effect from January 1, 2020. As a result of this change, the Management Committee of the Company ceased to exist as a formal corporate decision-making body as of January 1, 2020. Currently it is under consideration whether the change has any impact on the financial statements or not.

Severance payment
In December of 2019 Magyar Telekom agreed with the trade unions on the termination of the employment relationship of ca. 450 employees in the frame of agile transformation. According to the agreement Magyar Telekom has started, the identification of the employees who will be affected by the redundancy. The majority of the terminations are expected to be carried out in the first quarter of 2020 consequently the related provision will be recognised in that period.

Loss of joint control in E2 Hungary Zrt.
In December 2019 Company signed an agreement with MET Holding AG which eventuated that the Company lost the joint control and significant influence over E2 Hungary Zrt. The transaction was approved by the various competent authorities and this investment will be disclosed as an other financial asset. The effect on Statements of Financial position and the Profit or Loss and Other Comprehensive Income will not be significant.

2.2. Segment reports

As of December 31, 2019, 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 Management Committee (MC) of the Company 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 and Capex are the most appropriate indicators for monitoring each segment's performance and are most consistent with how the Group's results are reported in the statutory financial statements.

2.2.1 MT-Hungary

HUF million	Q4 2018 IAS 17	Q4 2019 IFRS 16	Change	Change (%)	1-12 months 2018 IAS 17	1-12 months 2019 IFRS 16	Change	Change (%)
Voice	31,728	30,675	(1,053)	(3.3%)	127,195	123,686	(3,509)	(2.8%)
Non-voice	23,744	26,384	2,640	11.1%	91,642	102,399	10,757	11.7%
Equipment	24,670	25,258	588	2.4%	79,886	81,818	1,932	2.4%
Other	2,667	2,743	76	2.8%	11,047	11,100	53	0.5%
Total mobile revenues	**82,809**	**85,060**	**2,251**	**2.7%**	**309,770**	**319,003**	**9,233**	**3.0%**
Voice retail	8,467	8,742	275	3.2%	37,685	36,168	(1,517)	(4.0%)
Broadband - retail	11,826	12,864	1,038	8.8%	46,134	49,940	3,806	8.2%
TV	10,890	11,294	404	3.7%	43,212	44,375	1,163	2.7%
Equipment	6,129	6,354	225	3.7%	17,722	21,841	4,119	23.2%
Other	11,726	10,684	(1,042)	(8.9%)	42,601	40,428	(2,173)	(5.1%)
Fixed line revenues	**49,038**	**49,938**	**900**	**1.8%**	**187,354**	**192,752**	**5,398**	**2.9%**
SI/IT revenues	**29,056**	**31,700**	**2,644**	**9.1%**	**105,485**	**97,324**	**(8,161)**	**(7.7%)**
Total revenues	**160,903**	**166,698**	**5,795**	**3.6%**	**602,609**	**609,079**	**6,470**	**1.1%**
Direct costs	**(76,984)**	**(82,048)**	**(5,064)**	**(6.6%)**	**(269,921)**	**(273,949)**	**(4,028)**	**(1.5%)**
Gross profit	**83,919**	**84,650**	**731**	**0.9%**	**332,688**	**335,130**	**2,442**	**0.7%**
Indirect costs	**(41,922)**	**(31,863)**	**10,059**	**24.0%**	**(161,912)**	**(137,952)**	**23,960**	**14.8%**
EBITDA	**41,997**	**52,787**	**10,790**	**25.7%**	**170,776**	**197,178**	**26,402**	**15.5%**
Segment Capex	**36,300**	**30,778**	**(5,522)**	**(15.2%)**	**81,792**	**100,421**	**18,629**	**22.8%**
Frequency licenses	15,255	0	(15,255)	n.a.	15,255	0	(15,255)	n.a.

Operational statistics – access numbers	December 31 2018	December 31 2019	Change (%)
Number of mobile customers (RPC)	5,329,996	5,368,607	0.7%
Postpaid share in the RPC base	67.2%	69.5%	n.a.
Total fixed voice access	1,383,293	1,362,049	(1.5%)
Total retail fixed broadband customers	1,147,728	1,230,590	7.2%
Total TV customers	1,087,724	1,157,813	6.4%

Operational statistics – ARPU (HUF)	Q4 2018 IFRS 15	Q4 2019 IFRS 15	Change (%)	1-12 months 2018	1-12 months 2019	Change (%)
Mobile ARPU	3,478	3,549	2.0%	3,440	3,540	2.9%
Postpaid ARPU	4,663	4,629	(0.7%)	4,670	4,656	(0.3%)
Prepaid ARPU	1,085	1,093	0.7%	1,078	1,102	2.2%
Blended fixed voice ARPU	2,040	2,132	4.5%	2,254	2,192	(2.8%)
Blended fixed broadband ARPU	3,478	3,496	0.5%	3,467	3,490	0.7%
Blended TV ARPU	3,370	3,283	(2.6%)	3,425	3,295	(3.8%)

Total revenues for the MT-Hungary segment increased by 3.6% year-on-year to HUF 166.7 billion in Q4 2019. Both the fixed and mobile segments continued to grow during the quarter as our equipment sales and data products continued to meet customer needs. In Q4, SI/IT revenues returned to growth following two quarters of decline. Total revenues for the full year amounted to HUF 609.1 billion thanks to annual growth in both the mobile and fixed segments, which offset a decline in SI/IT related projects in Q2 and Q3.

- **Mobile revenues** increased by 2.7% year-on-year to HUF 85.1 billion in Q4 2019 and by 3.0% to HUF 319.0 billion in the full year. This was thanks to continued customer demand for data which more than offset the structural decline in voice revenue. A strong final quarter for equipment sales also negated the decline seen in previous quarters, delivering a 2.4% growth rate for the full year.
  - **Mobile service** revenue increased by 2.9% year-on-year to HUF 57.1 billion in Q4 2019 and by 3.3% to HUF 226.1 billion in FY 2019. The biggest driver of this increase was continued growth in mobile data revenues, which rose 12.1% year-on-year in the fourth quarter and resulted in 13.2% growth for the full year. Rising mobile data revenues were underpinned by our keen focus on the FMC segment and compensated for a moderate decline in mobile voice revenues. This was further supported by growth in SMS revenues.
  - **Mobile equipment** revenue increased by 2.4% year-on-year to HUF 25.3 billion in Q4 2019 and by 2.4% to HUF 81.8 in FY 2019. The increase was mainly due to higher export sales revenue.

- **Other** revenues increased by 2.8% year-on-year in Q4 2019 to HUF 2.7 billion, with higher visitor revenues offsetting lower late payment revenues.

- **Fixed line revenues** increased by 1.8% year-on-year in Q4 2019 to HUF 49.9 billion and by 2.9% to HUF 192.8 billion in FY 2019. Growth in fixed broadband, TV and equipment revenues more than compensated for the continued structural decline in voice retail revenues.
  - **Voice retail** revenues increased by 3.2% year-on-year in Q4 2019 to HUF 8.7 billion but declined by 4.0% overall in FY 2019, as the fixed voice customer base continued to shrink.
  - **Broadband retail** revenues increased by 8.8% year-on-year to HUF 12.9 billion in Q4 2019 and by 8.2% to HUF 49.9 billion for the full year. This was driven by an increase in the number of broadband subscribers, combined with the provision of gigabit internet connections to an increasing number of households. These upgraded connections provide greater upselling opportunities which resulted in improving ARPU among these customers.
  - **TV** revenues increased by 3.7% year-on-year in Q4 2019 to HUF 11.3 billion and by 2.7% to HUF 44.4 billion in FY 2019, thanks to the continued growth of the IPTV subscriber base.
  - **Equipment** revenues grew by 3.7 % year-on-year in Q4 2019 to HUF 6.4 billion and by 23.2% to HUF 21.8 billion for the full year, due to an increased amount of equipment being sold in relation to fixed contracts.
  - **Other** fixed line revenues decreased by 11.9% year-on-year to HUF 4.7 billion in Q4 2019 and by 4.3% to HUF 16.3 billion in the full year, resulting from a one-time correction related to value-added services.

- **SI/IT revenues** grew by 9.1% year-on-year to HUF 31.7 billion in Q4 2019. However, a strong fourth quarter could not offset the decline seen in the previous quarters and over the full year SI/IT revenues declined by 7.7% to HUF 97.3 billion. Public sector demand for SI/IT services only rebounded in the fourth quarter, resulting in lower volumes of both hardware and software deals in the full year.

EBITDA increased by 25.7% year-on-year to HUF 52.8 billion in Q4 2019 (or by 13.9% to HUF 47.8 billion vs. Q4 2018 excl. IFRS 16 effect). In the full year EBITDA rose by 15.5% versus FY 2018, to HUF 197.2 (or by 4.5% to HUF 178.4 billion excl. IFRS16 effect). Despite revenues remaining broadly stable, the implementation of cost saving measures resulted in a moderate reduction in direct costs. Other direct costs rose, reflecting increases in both TV content fees and equipment costs. Meanwhile, indirect costs declined as savings in employee related expenses were realised, stemming from a reduction in employee headcount and related bonus outpayments.

- **Gross profit** increased by 0.9% year-on-year in Q4 2019 to HUF 84.7 billion.
- **Employee-related expenses** decreased by 16.0% year-on-year to HUF 17.9 billion in Q4 2019 and by 3.4% to HUF 74.5 billion in the full year. This followed a headcount reduction programme implemented earlier in the year and an associated reduction in bonus payments.
- **Other operating expenses (net)** decreased by 32.3% year-on-year in Q4 2019, largely attributable to changes in accounting related to IFRS 16. The underlying change was due to lower marketing, maintenance and HR-related expenses.

Capex – excluding spectrum fees - increased by 22.8% year-on-year in 2019 to HUF 100.4 billion, attributable to the adoption of IFRS16 standards.

Outlook: We have begun to see the effect of a new player entering the FMC market. Nevertheless, we remain the leading FMC provider in the country and we intend to maintain this position. We'll do this by focusing on our key Telco business and strengthening our network – both fixed and mobile.

2.2.2 North Macedonia

Continued improvement in financial performance

HUF million	Q4 2018 IAS 17	Q4 2019 IFRS 16	Change	Change (%)	1-12 months 2018 IAS 17	1-12 months 2019 IFRS 16	Change	Change (%)
Voice	3,870	3,818	(52)	(1.3%)	16,162	15,708	(454)	(2.8%)
Non-voice	1,967	2,462	495	25.2%	8,414	9,793	1,379	16.4%
Equipment	2,552	2,798	246	9.6%	7,537	8,210	673	8.9%
Other	347	381	34	9.8%	1,266	1,651	385	30.4%
Total mobile revenues	**8,736**	**9,459**	**723**	**8.3%**	**33,379**	**35,362**	**1,983**	**5.9%**
Voice retail	1,189	1,166	(23)	(1.9%)	5,008	4,846	(162)	(3.2%)
Broadband - retail	1,362	1,400	38	2.8%	5,315	5,509	194	3.7%
TV	1,018	1,164	146	14.3%	3,886	4,482	596	15.3%
Equipment	122	98	(24)	(19.7%)	412	308	(104)	(25.2%)
Other	1,309	1,283	(26)	(2.0%)	5,107	4,958	(149)	(2.9%)
Fixed line revenues	**5,000**	**5,111**	**111**	**2.2%**	**19,728**	**20,103**	**375**	**1.9%**
SI/IT revenues	**539**	**1,113**	**574**	**106.5%**	**1,573**	**2,308**	**735**	**46.7%**
Total revenues	**14,275**	**15,683**	**1,408**	**9.9%**	**54,680**	**57,773**	**3,093**	**5.7%**
Direct costs	**(5,295)**	**(6,252)**	**(957)**	**(18.1%)**	**(17,180)**	**(18,630)**	**(1,450)**	**(8.4%)**
Gross profit	**8,980**	**9,431**	**451**	**5.0%**	**37,500**	**39,143**	**1,643**	**4.4%**
Indirect costs	**(4,631)**	**(4,584)**	**47**	**1.0%**	**(16,135)**	**(15,396)**	**739**	**4.6%**
EBITDA	**4,349**	**4,847**	**498**	**11.5%**	**21,365**	**23,747**	**2,382**	**11.1%**
Segment Capex	**4,229**	**5,253**	**1,024**	**24.2%**	**10,566**	**12,097**	**1,531**	**14.5%**

Operational statistics – access numbers	December 31 2018	December 31 2019	Change (%)
Number of mobile customers	1,205,728	1,219,797	1.2%
Postpaid share in the customer base	50.3%	51.9%	n.a.
Total fixed voice access	212,345	215,810	1.6%
Total fixed retail broadband access	178,760	188,072	5.2%
Total TV customers	128,406	136,372	6.2%

Total revenues in North Macedonia increased by 9.9% year-on-year to HUF 15.7 billion in Q4 2019 and 5.7% year-on-year for 2019, driven by the continued expansion of the customer base across all segments. The consequent improvement in service revenue and System Integration and IT sales was amplified by the overall weakening of the forint compared to the denar during the year.

- **Mobile revenues** improved by 8.3% year-on-year in Q4 2019 and by 5.9% year-on-year in full year 2019, as a result of continued growth in data revenues and increasing equipment sales.
  - **Voice** revenues declined slightly by 1.3% in Q4 2019 despite the higher subscriber base, driven by increasing price pressure in the market coupled with the unfavourable revenue impact of the Balkan roaming regulation effective from July 1, 2019.
  - **Non-voice** revenues rose by a significant 25.2% year-on-year in Q4 2019, owing to successful expansion of the mobile broadband customer base and year-end campaigns promoting mobile data usage.
  - **Mobile equipment** revenues increased by 9.6% year-on-year in Q4 2019, reflecting higher sales volumes driven by year-end promotions.
  - **Other mobile** revenues increased by 9.8% year-on-year in Q4 2019 primarily due to higher revenues received from the mobile virtual network operator, Telekabel.
- **Fixed line revenues** recorded a moderate year-on-year increase of 2.2% in Q4 2019 and 1.9% in full year 2019, as higher TV and retail broadband revenues compensated for lower wholesale and retail voice revenues.
  - **Voice retail** revenue declined by 1.9% year-on-year in Q4 2019, reflecting lower usage levels.

- **Broadband retail** revenues increased by 2.8% year-on-year in Q4 2019, as the growth in the retail customer base offset the competition-driven price erosion.
- **TV** revenues rose by 14.3% year-on-year in Q4 2019, as both the subscriber base and ARPU levels continued to increase.
- **Fixed equipment** revenues declined by 19.7% year-on-year in Q4 2019, due to lower sales of TV sets and other IT equipment.
- **Other** fixed revenues declined by 2.0% year-on-year in Q4 2019, largely attributable to lower incoming traffic and wholesale internet revenues.

- **SI/IT revenues** more than doubled in Q4 2019, resulting in a 46.7% year-on-year growth for full year 2019 due to a recovery in demand for public sector projects, especially in the field of customized solution projects.

EBITDA in Q4 2019 amounted to HUF 4.8 billion, up 11.5% year-on-year (7.0% excluding the effect of IFRS 16), driven by growth in revenue and gross profit. EBITDA for the full year improved by 11.1% year-on-year (7.5% excluding the effect of IFRS 16).

- **Direct costs** increased by 18.1% year-on-year in Q4 2019 and 8.4% for the full year due to significantly higher SI/IT project related costs coupled with an increase in bad debt expenses and higher equipment costs.
- **The indirect cost** decline reflects the implementation of IFRS 16. Excluding the impact of IFRS 16, indirect costs increased moderately year-on-year in Q4 2019 due to one-off employee related costs related to restructuring measures. In full year 2019, indirect costs excluding the effect of IFRS 16 remained broadly stable, as lower employee related expenses offset the increase in other costs.

Capex expenditure in 2019 rose by HUF 1.5 billion year-on-year to HUF 12.1 billion, reflecting the impact of IFRS 16 adoption, while the HUF 0.7 billion increase in underlying capex was driven by higher investments in the fixed network as well as the higher amount of content fees capitalized.

Outlook: Competition in North Macedonia has intensified in recent months as both Telekabel and A1 have launched favourable offers primarily targeting postpaid mobile and FMC customers. To sustain the positive performance recorded in 2019, we intend to further leverage our integrated Magenta offer, high network quality and our market position as a premium provider.

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, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2018 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary. The statutory accounts for December 31, 2018 were audited and the audit report was unqualified.

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2018 with the following exception.

Re-presentation of contract assets, trade receivables, contract liabilities and other assets

Management reviewed the structure of the Consolidated Statements of financial position regarding the current and non current portion of contract assets, contract liabilities, trade receivables and other assets to better represent the different nature of those and to align with emerging practice. The Group represented the figures of Statement of financial position as of 2018 accordingly.
Previously trade receivables (with unconditioned right to receive cash) contract assets and other assets were presented on one line.

The table below shows the impacts of these changes on the 2018 Statements of financial position.

	As of January 1,		As of December 31,	
	2018 as reported	**2018 re-presented**	**2018 as reported**	**2018 re-presented**
Trade receivables and other assets	167,212	-	195,220	-
Trade receivables	-	139,620	-	165,271
Other assets	-	13,306	-	12,129
Contract assets – current	-	14,286	-	17,820
Total	**167,212**	**167,212**	**195,220**	**195,220**
Trade receivables over one year		16,690		18,056
Other non current financial assets	22,688	2,633	24,985	3,369
Contract assets – non current	-	3,365	-	3,560
Total	**22,688**	**22,688**	**24,985**	**24,985**
Other current liabilities	43,418	32,153	41,395	29,023
Contract liabilities – current	-	11,265	-	12,372
Total	43,418	43,418	41,395	41,395
Other non current liabilities	834	314	445	17
Contract liabilities – non current	-	520	-	428
Total	834	834	445	445

There was no other change in comparatives.

As of January 1, 2019, the Group adopted IFRS 16. As a result of the adoption of the new standard, the following extracts from the accounting policy were applied by the Group:

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases." The standard is effective for the first time for financial years beginning on or after January 1, 2019. From the date of first-time adoption, the new lease standard has a material effect on Magyar Telekom Group's consolidated financial statements, as disclosed in the consolidated annual financial statements for the year ended December 31, 2018 particularly on the results of operations, net cash from operating activities, total assets, and the presentation of the financial position.

Magyar Telekom applied the modified retrospective approach. The Group mainly leases cell sites, rooftops, office buildings and retail shops, network assets, space on masts or towers and cars that are affected by the new standard. IFRS 16 standard has a significant effect on the consolidated financial statements and introduces a single lease accounting model by taking right-of-use assets and lease liabilities on the balance sheet. The transitional effect on right-of-use assets was HUF 108.0 billion and HUF 107.2 billion on lease liabilities (including finance lease assets in the amount of HUF 2.8 billion and finance lease liabilities in the amount of HUF 3.8 billion recognized as at December 31, 2018 under IAS 17, prior to the transition). As a result of adopting IFRS 16, the 2018 operating lease expenses are presented as depreciation and interest expense from January 1, 2019. The transition effect on EBITDA is HUF 19.6 billion in 2019 that includes the depreciation and interest expense excluding the leases which were previously accounted for as finance leases under IAS 17. On the lessor side, MT Group mainly analyzes the revised definition of leases including the head and sublease constructions. Other than that, MT Group does not have considerable impacts on the financial statements of the Group at this time, as lessor accounting itself is not changing significantly through the introduction of IFRS 16.

Regarding the transition to IFRS 16, MT Group decided:

- not to apply the practical expedient in IFRS 16.C3 ("Grandfathering approach"). As a result, a re-assessment was performed whether existing contracts are or contain a lease at the date of initial application, i.e. as of January 1, 2019.
- not to use the low value exemption,
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) as a lessee,
- not to apply the practical expedient regarding short-term leases except for some minor and insignificant lease arrangements with a lease term of one month or less,
- to use hindsight such as in determining the lease term if the contract contains options to extend or terminate the lease
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.62%.

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments. The remeasurements of the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Operating lease commitments disclosed as at December 31, 2018 (HUF 146,012 million) are adjusted in the below table, as a result of a thorough review of the lease-related contracts and processes.

MAGYAR TELEKOM - Adjustments recognised on adoption of IFRS 16

	in HUF millions
Operating lease commitments under IAS 17 as at December 31, 2018	**122 149**
Minimum lease payments (at its par value) from financial lease liabilities as of December 31, 2018	9 552
Discounting effect using the lessee's incremental borrowing rate of at the date of initial application	(37 646)
Add/(less): adjustments as a result of a different treatment of extension and termination options	14 556
Other	(1 397)
Lease liability recognised as at January 1, 2019	**107 214**
Of which are:	
Current lease liabilities	12 191
Non-current lease liabilities	95 023
	107 214

3.2. Consolidated Statements of Profit or loss and other comprehensive income – quarterly year-on-year comparison

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2018 (unaudited)	Q4 2019 (unaudited)	Change	Change (%)
Revenues				
Voice retail	33,093	31,909	(1,184)	(3.6%)
Voice wholesale	2,505	2,584	79	3.2%
Data	20,757	23,535	2,778	13.4%
SMS	4,954	5,311	357	7.2%
Equipment	27,222	28,056	834	3.1%
Other mobile revenues	3,014	3,126	112	3.7%
Mobile revenues	**91,545**	**94,521**	**2,976**	**3.3%**
Voice retail	9,656	9,908	252	2.6%
Broadband retail	13,188	14,264	1,076	8.2%
TV	11,908	12,458	550	4.6%
Equipment	6,251	6,452	201	3.2%
Data retail	2,315	2,201	(114)	(4.9%)
Wholesale (voice, broadband, data)	5,056	4,743	(313)	(6.2%)
Other fixed line revenues	5,620	4,958	(662)	(11.8%)
Fixed line revenues	**53,994**	**54,984**	**990**	**1.8%**
System Integration/Information Technology revenues	29,595	32,813	3,218	10.9%
Total revenues	**175,134**	**182,318**	**7,184**	**4.1%**
Direct costs				
Interconnect costs	(5,220)	(5,284)	(64)	(1.2%)
SI/IT service related costs	(20,219)	(23,567)	(3,348)	(16.6%)
Bad debt expense	(3,552)	(3,133)	419	11.8%
Telecom tax	(6,335)	(6,044)	291	4.6%
Other direct costs	(46,914)	(50,227)	(3,313)	(7.1%)
Direct costs	**(82,240)**	**(88,255)**	**(6,015)**	**(7.3%)**
Gross profit	**92,894**	**94,063**	**1,169**	**1.3%**
Employee related expenses	(23,050)	(19,778)	3,272	14.2%
Other operating expenses	(29,326)	(20,152)	9,174	31.3%
Other operating income	6,189	3,500	(2,689)	(43.4%)
EBITDA	**46,707**	**57,633**	**10,926**	**23.4%**
Depreciation and amortization	(29,735)	(37,656)	(7,921)	(26.6%)
Operating profit	**16,972**	**19,977**	**3,005**	**17.7%**
Net financial result	(5,177)	(3,102)	2,075	40.1%
Share of associates' and joint ventures' results	258	(88)	(346)	n.m.
Profit before income tax	**12,053**	**16,787**	**4,734**	**39.3%**
Income tax	(4,349)	(3,802)	547	12.6%
Profit for the period	**7,704**	**12,985**	**5,281**	**68.5%**
Change in exchange differences on translating foreign operations	(626)	(1,084)	(458)	(73.2%)
Revaluation of available-for-sale financial assets	(14)	85	99	n.m.
Other comprehensive income for the period	**(640)**	**(999)**	**(359)**	**(56.1%)**
Total comprehensive income for the period	**7,064**	**11,986**	**4,922**	**69.7%**
Profit attributable to:				
Owners of the parent	7,465	12,836	5,371	71.9%
Non-controlling interests	239	149	(90)	(37.7%)
	7,704	**12,985**	**5,281**	**68.5%**
Total comprehensive income attributable to:				
Owners of the parent	7,077	12,211	5,134	72.5%
Non-controlling interests	(13)	(225)	(212)	(1,630.8%)
	7,064	**11,986**	**4,922**	**69.7%**
Basic earnings per share (HUF)	**7.23**	**12.42**	**5.19**	**71.8%**
Diluted earnings per share (HUF)	**6.98**	**12.42**	**5.44**	**77.9%**

3.3. Consolidated Statements of Profit or loss and other comprehensive income – year-to-date comparison

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2018 (unaudited)	1-12 months 2019 (unaudited)	Change	Change (%)
Revenues				
Voice retail	133,512	129,272	(4,240)	(3.2%)
Voice wholesale	9,845	10,122	277	2.8%
Data	80,881	91,935	11,054	13.7%
SMS	19,175	20,257	1,082	5.6%
Equipment	87,423	90,028	2,605	3.0%
Other mobile revenues	12,309	12,748	439	3.6%
Mobile revenues	**343,145**	**354,362**	**11,217**	**3.3%**
Voice retail	42,695	41,014	(1,681)	(3.9%)
Broadband retail	51,449	55,449	4,000	7.8%
TV	47,098	48,857	1,759	3.7%
Equipment	18,132	22,149	4,017	22.2%
Data retail	9,367	8,863	(504)	(5.4%)
Wholesale (voice, broadband, data)	19,879	18,735	(1,144)	(5.8%)
Other fixed line revenues	18,281	17,592	(689)	(3.8%)
Fixed line revenues	**206,901**	**212,659**	**5,758**	**2.8%**
System Integration/Information Technology revenues	107,058	99,632	(7,426)	(6.9%)
Total revenues	**657,104**	**666,653**	**9,549**	**1.5%**
Direct costs				
Interconnect costs	(20,641)	(20,746)	(105)	(0.5%)
SI/IT service related costs	(75,849)	(72,079)	3,770	5.0%
Bad debt expense	(9,496)	(9,054)	442	4.7%
Telecom tax	(25,487)	(24,788)	699	2.7%
Other direct costs	(155,458)	(165,745)	(10,287)	(6.6%)
Direct costs	**(286,931)**	**(292,412)**	**(5,481)**	**(1.9%)**
Gross profit	**370,173**	**374,241**	**4,068**	**1.1%**
Employee related expenses	(82,968)	(80,192)	2,776	3.3%
Utility tax	(7,159)	(7,218)	(59)	(0.8%)
Other operating expenses	(96,756)	(73,823)	22,933	23.7%
Other operating income	9,217	7,554	(1,663)	(18.0%)
EBITDA	**192,507**	**220,562**	**28,055**	**14.6%**
Depreciation and amortization	(115,529)	(137,382)	(21,853)	(18.9%)
Operating profit	**76,978**	**83,180**	**6,202**	**8.1%**
Net financial result	(17,784)	(24,125)	(6,341)	(35.7%)
Share of associates' and joint ventures' results	588	90	(498)	(84.7%)
Profit before income tax	**59,782**	**59,145**	**(637)**	**(1.1%)**
Income tax	(13,333)	(14,633)	(1,300)	(9.8%)
Profit for the period	**46,449**	**44,512**	**(1,937)**	**(4.2%)**
Change in exchange differences on translating foreign operations	3,169	2,293	(876)	(27.6%)
Revaluation of available-for-sale financial assets	219	137	(82)	(37.4%)
Other comprehensive income for the period	**3,388**	**2,430**	**(958)**	**(28.3%)**
Total comprehensive income for the period	**49,837**	**46,942**	**(2,895)**	**(5.8%)**
Profit attributable to:				
Owners of the parent	43,318	41,157	(2,161)	(5.0%)
Non-controlling interests	3,131	3,355	224	7.2%
	46,449	**44,512**	**(1,937)**	**(4.2%)**
Total comprehensive income attributable to:				
Owners of the parent	45,463	42,554	(2,909)	(6.4%)
Non-controlling interests	4,374	4,388	14	0.3%
	49,837	**46,942**	**(2,895)**	**(5.8%)**
Basic earnings per share (HUF)	**41.84**	**39.81**	**(2.03)**	**(4.9%)**
Diluted earnings per share (HUF)	**41.59**	**39.81**	**(1.78)**	**(4.3%)**

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3.4. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Jan 1, 2018 (re-presented)	Dec 31, 2018 (re-presented)	Dec 31, 2019 (unaudited)	Change	Change (%)
ASSETS					
Current assets					
Cash and cash equivalents	5,399	7,204	13,398	6,194	86.0%
Trade receivables	139,620	165,271	170,503	5,232	3.2%
Other assets	13,306	12,129	6,437	(5,692)	(46.9%)
Other current financial assets	8,162	11,631	8,996	(2,635)	(22.7%)
Contract assets	14,286	17,820	16,306	(1,514)	(8.5%)
Current income tax receivable	45	254	434	180	70.9%
Inventories	17,175	19,118	19,833	715	3.7%
	197,993	233,427	235,907	2,480	1.1%
Assets held for sale	162	0	659	659	n.a.
Total current assets	**198,155**	**233,427**	**236,566**	**3,139**	**1.3%**
Non current assets					
Property, plant and equipment	458,343	443,147	426,826	(16,321)	(3.7%)
Right-of-use assets	0	0	106,682	106,682	n.a.
Intangible assets	229,174	234,848	212,714	(22,134)	(9.4%)
Goodwill	212,284	213,104	213,107	3	0.0%
Investments in associates and joint ventures	1,324	1,393	1,078	(315)	(22.6%)
Deferred tax assets	16	77	103	26	33.8%
Trade receivables over one year	16,690	18,056	17,448	(608)	(3.4%)
Other non current financial assets	2,633	3,369	5,593	2,224	66.0%
Contract assets	3,365	3,560	3,800	240	6.7%
Other non current assets	5,634	5,015	4,953	(62)	(1.2%)
Total non current assets	**929,463**	**922,569**	**992,304**	**69,735**	**7.6%**
Total assets	**1,127,618**	**1,155,996**	**1,228,870**	**72,874**	**6.3%**
LIABILITIES					
Current liabilities					
Financial liabilities to related parties	35,191	111,144	80,493	(30,651)	(27.6%)
Lease liabilities	0	0	17,355	17,355	n.a.
Trade payables	135,446	175,312	155,048	(20,264)	(11.6%)
Other financial liabilities	8,693	9,228	8,633	(595)	(6.4%)
Current income tax payable	680	343	844	501	146.1%
Provisions	3,267	3,418	4,755	1,337	39.1%
Contract liabilities	11,265	12,372	11,167	(1,205)	(9.7%)
Other current liabilities	32,153	29,023	23,283	(5,740)	(19.8%)
	226,695	340,840	301,578	(39,262)	(11.5%)
Liabilities held for sale	0	0	0	0	n.a.
Total current liabilities	**226,695**	**340,840**	**301,578**	**(39,262)**	**(11.5%)**
Non current liabilities					
Financial liabilities to related parties	231,646	123,349	129,823	6,474	5.2%
Lease liabilities	0	0	94,642	94,642	n.a.
Other financial liabilities	47,608	47,919	40,805	(7,114)	(14.8%)
Deferred tax liabilities	15,136	17,246	19,030	1,784	10.3%
Provisions	9,231	11,265	10,446	(819)	(7.3%)
Contract liabilities	520	428	383	(45)	(10.5%)
Other non current liabilities	314	17	9	(8)	(47.1%)
Total non current liabilities	**304,455**	**200,224**	**295,138**	**94,914**	**47.4%**
Total liabilities	**531,150**	**541,064**	**596,716**	**55,652**	**10.3%**
EQUITY					
Equity of the owners of the parent					
Common stock	104,275	104,275	104,275	0	0.0%
Capital reserves	27,282	27,263	27,379	116	0.4%
Treasury stock	(2,187)	(3,991)	(3,991)	0	0.0%
Retained earnings	412,044	429,294	444,278	14,984	3.5%
Accumulated other comprehensive income	21,505	23,650	25,047	1,397	5.9%
Total equity of the owners of the parent	**562,919**	**580,491**	**596,988**	**16,497**	**2.8%**
Non-controlling interests	33,549	34,441	35,166	725	2.1%
Total equity	**596,468**	**614,932**	**632,154**	**17,222**	**2.8%**
Total liabilities and equity	**1,127,618**	**1,155,996**	**1,228,870**	**72,874**	**6.3%**

3.5. Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-12 months 2018 (unaudited)	1-12 months 2019 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	46,449	44,512	(1,937)	(4.2%)
Depreciation and amortization	115,529	137,382	21,853	18.9%
Income tax expense	13,333	14,633	1,300	9.8%
Net financial result	17,784	24,125	6,341	35.7%
Share of associates' and joint ventures' result	(588)	(90)	498	84.7%
Change in assets carried as working capital	(30,237)	(392)	29,845	98.7%
Change in provisions	1,385	150	(1,235)	(89.2%)
Change in liabilities carried as working capital	29,857	(20,107)	(49,964)	n.m.
Income taxes paid	(11,953)	(12,560)	(607)	(5.1%)
Dividends received	535	442	(93)	(17.4%)
Interest and other financial charges paid	(18,810)	(22,931)	(4,121)	(21.9%)
Interest received	312	353	41	13.1%
Other non-cash items	(4,498)	(3,149)	1,349	30.0%
Net cash generated from operating activities	**159,098**	**162,368**	**3,270**	**2.1%**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(107,535)	(112,520)	(4,985)	(4.6%)
Adjustments to cash purchases	13,847	14,863	1,016	7.3%
Purchase of subsidiaries and business units	(2,045)	(1,447)	598	29.2%
Cash acquired through business combinations	137	0	(137)	(100.0%)
Proceeds from other financial assets - net	2,055	4,816	2,761	134.4%
Proceeds from disposal of subsidiaries and associates	0	0	0	n.a.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	10,449	9,352	(1,097)	(10.5%)
Net cash used in investing activities	**(83,092)**	**(84,936)**	**(1,844)**	**(2.2%)**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(29,547)	(29,725)	(178)	(0.6%)
Repayments of loans and other borrowings - net	(36,974)	(23,151)	13,823	37.4%
Repayment of lease and other financial liabilities	(5,988)	(18,560)	(12,572)	(210.0%)
Repurchase of treasury shares	(1,822)	0	1,822	100.0%
Net cash used in financing activities	**(74,331)**	**(71,436)**	**2,895**	**3.9%**
Exchange differences on cash and cash equivalents	130	198	68	52.3%
Change in cash and cash equivalents	**1,805**	**6,194**	**4,389**	**243.2%**
Cash and cash equivalents, beginning of period	5,399	7,204	1,805	33.4%
Cash and cash equivalents, end of period	7,204	13,398	6,194	86.0%
Change in cash and cash equivalents	**1,805**	**6,194**	**4,389**	**243.2%**

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

In HUF millions	Opening Balance at Jan 1, 2019	Effect of first application of IFRS16	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: Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Closing Balance at December 31, 2019
Related party loans	233,881			(11,219)	11,932		179,298	(205,466)			208,426
Derivatives from related parties	612				3,048	(1,770)					1,890
Frequency fee payable	46,115			(2,331)	2,359				(3,399)		42,744
Finance lease liabilities	3,826	103,388		(5,557)	23,024				(12,684)		111,997
Debtors overpayment	1,327			(3)							1,324
Contingent consideration	708				11	(180)					539
Other financial liabilities	5,171			109	2,028				(2,477)		4,831
-Less cash and cash equivalent	(7,204)		(6,194)								(13,398)
-Less other current financial assets	(11,631)			3,294	(7,151)	3,475	3,017				(8,996)
Net debt	**272,805**	**103,388**	**(6,194)**	**(15,707)**	**35,251**	**1,525**	**182,315**	**(205,466)**	**(18,560)**		**349,357**
Treasury share purchase										0	
Dividends paid to Owners of the parent and Non-controlling interest										(29,725)	
Net Cash used in financing activities										**(71,436)**	

3.7. Consolidated Statements of Changes in Equity

MAGYAR TELEKOM - Consolidated Statements of Changes in Equity (unaudited)

	pieces	in HUF millions									
			Capital reserves				Accumulated Other Comprehensive Income				
	Shares of common stock	Common stock	Additional paid in capital	Reserve for equity settled share-based transactions	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2017	**1,042,742,543**	**104,275**	**27,379**	**(97)**	**(2,187)**	**396,320**	**21,526**	**(21)**	**547,195**	**32,878**	**580,073**
Adoption of new standards (IFRS15, IFRS9)						15,724			**15,724**	671	**16,395**
Dividend						(26,068)			**(26,068)**		**(26,068)**
Dividend declared to Non-controlling interests									**0**	(3,482)	**(3,482)**
Equity settled share-based transactions				(19)	18				**(1)**		**(1)**
Total comprehensive income						43,318	2,021	124	**45,463**	4,374	**49,837**
Treasury share repurchase					(1,822)				**(1,822)**		**(1,822)**
Disposal of subsidiaries									**0**		**0**
Balance at December 31, 2018	**1,042,742,543**	**104,275**	**27,379**	**(116)**	**(3,991)**	**429,294**	**23,547**	**103**	**580,491**	**34,441**	**614,932**
Adoption of new standards (IFRS16)						12			**12**		**12**
Dividend						(26,069)			**(26,069)**		**(26,069)**
Dividend declared to Non-controlling interests									**0**	(3,663)	**(3,663)**
Equity settled share-based transactions									**0**		**0**
Total comprehensive income						41,157	1,316	81	**42,554**	4,388	**46,942**
Transfers between paid-in and generated shareholders' equity				116		(116)					
Treasury share repurchase									**0**		**0**
Disposal of subsidiaries									**0**		**0**
Balance at December 31, 2019	**1,042,742,543**	**104,275**	**27,379**	**0**	**(3,991)**	**444,278**	**24,863**	**184**	**596,988**	**35,166**	**632,154**

3.8. Exchange rate information

Exchange rate	Q4 2018	Q4 2019	Change (%)	1-12 months 2018	1-12 months 2019	Change (%)
HUF/EUR beginning of period	323.78	334.65	**3.4%**	310.14	321.51	**3.7%**
HUF/EUR period-end	321.51	330.52	**2.8%**	321.51	330.52	**2.8%**
HUF/EUR cumulative monthly average	323.63	332.37	**2.7%**	319.43	325.65	**1.9%**
HUF/MKD beginning of period	5.27	5.44	**3.2%**	5.04	5.23	**3.8%**
HUF/MKD period-end	5.23	5.38	**2.9%**	5.23	5.38	**2.9%**
HUF/MKD cumulative monthly average	5.26	5.40	**2.7%**	5.19	5.29	**1.9%**

3.9. Segment information

HUF millions	Q4 2018	Q4 2019	1-12 months 2018	1-12 months 2019
Total MT-Hungary revenues	160,903	166,698	602,609	609,079
Less: MT-Hungary revenues from other segments	(29)	(30)	(117)	(118)
Telekom Hungary revenues from external customers	**160,874**	**166,668**	**602,492**	**608,961**
Total North Macedonia revenues	14,275	15,683	54,680	57,773
Less: North Macedonia revenues from other segments	(15)	(20)	(68)	(68)
North Macedonia revenues from external customers	**14,260**	**15,663**	**54,612**	**57,705**
Total consolidated revenue of the segments	175,134	182,331	657,104	666,666
Measurement/rounding differences to Group revenue	0	(13)	0	(13)
Total revenue of the Group	**175,134**	**182,318**	**657,104**	**666,653**
Segment results (EBITDA)				
MT-Hungary	41,997	52,787	170,776	197,178
North Macedonia	4,349	4,847	21,365	23,747
Total EBITDA of the segments	**46,346**	**57,634**	**192,141**	**220,925**
Measurement/rounding differences to Group EBITDA	361	(1)	366	(363)
Total EBITDA of the Group	**46,707**	**57,633**	**192,507**	**220,562**

3.10. Fair value of financial instruments

Financial assets - carrying amounts and FV

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

31 December 2018	FINANCIAL ASSETS Amortized cost	 FVOCI (Level1)	 FVtPL (Level2)	Carrying amount	Fair value
Cash and cash equivalents	7,204			7,204	7,204
Bank deposits with original maturities over 3 months	3,915			3,915	3,915
Cashpool	6,580			6,580	6,580
Trade receivables	165,271			165,271	165,271
Trade receivables over 1 year	18,056			18,056	19,133
Loans and receivables from employees	706		748	1,454	1,524
Derivative financial instruments contracted with related parties			1,026	1,026	1,026
Finance lease receivable	358			358	467
Equity instruments		544		544	544
Other current	731			731	731
Other non current	392			392	325
Total	**203,213**	**544**	**1,774**	**205,531**	**206,720**

Financial liabilites - carrying amounts and FV

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

December 31, 2018 In HUF millions	FINANCIAL LIABILITIES Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	Fair value
Financial liabilities to related parties	233,881	612		234,493	247,896
Trade payables	175,312			175,312	175,312
Frequency fee payable	46,114			46,114	52,845
Finance lease liabilities	3,826			3,826	7,119
Debtors overpayment	1,327			1,327	1,327
Contingent consideration			708	708	708
Other current	3,307			3,307	3,307
Other non current	1,865			1,865	1,885
Total	**465,632**	**612**	**708**	**466,952**	**490,399**

3.11. Effect of the new IFRS 16 accounting standard to the main KPIs

Description (HUF million)	Q4 2019 MT Group	Q4 2019 MT-Hungary	Q4 2019 North Macedonia	1-12 months 2019 MT Group	1-12 months 2019 MT-Hungary	1-12 months 2019 North Macedonia
EBITDA excl. IFRS16 effect	52,495	47,843	4,654	201,008	178,399	22,973
IFRS16 effect on EBITDA	5,138	4,944	193	19,554	18,779	774
EBITDA incl. IFRS16 effect	57,633	52,787	4,847	220,562	197,178	23,747
IFRS 16 related D&A	(4,770)	(4,592)	(178)	(17,415)	(16,714)	(701)
IFRS 16 related Interest	(1,332)	(1,305)	(27)	(5,557)	(5,452)	(105)
EBITDA after lease	51,531	46,890	4,642	197,590	175,012	22,941
Profit for the period excl. IFRS 16 effect	13,237	n.a.	n.a.	45,884	n.a.	n.a.
IFRS 16 related effect on Profit for the period	(401)	n.a.	n.a.	(4,727)	n.a.	n.a.
Profit for the period incl. IFRS16 effect	12,836	n.a.	n.a.	41,157	n.a.	n.a.
CAPEX after lease*	(32,435)	(27,377)	(5,058)	(89,637)	(78,386)	(11,249)

* Excluding CAPEX of Right-of-use assets

4. DECLARATION

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

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

Tibor Rékasi
Chief Executive Officer, member of the Board

János Szabó
Chief Financial Officer

Budapest, February 18, 2020

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, 2018, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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