A woman with curly hair is shown in profile, looking at her smartphone. She is on a boat, with the sun reflecting on the water in the background. The image is partially obscured by a large pink circular graphic that contains the text.

ANNUAL GENERAL MEETING OF MAGYAR TELEKOM TELECOMMUNICATIONS PUBLIC LIMITED COMPANY

April 12, 2022 at 11.00 a.m.

Headquarters of Magyar Telekom, Budapest IX., Könyves Kálmán krt. 36.



Együtt.
Veled



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**REPORT OF THE BOARD OF DIRECTORS ON THE
MANAGEMENT OF MAGYAR TELEKOM PLC., ON
THE BUSINESS OPERATION, ON THE BUSINESS
POLICY AND ON THE FINANCIAL SITUATION OF
THE COMPANY AND MAGYAR TELEKOM GROUP
IN 2021**

BUDAPEST, APRIL 12, 2022



According to Section 6.4.f) of the Articles of Association the Board of Directors draws up, at the end of each business year, a report for the General Meeting on the management of the Company, the assets of the Company, the financial situation of the Company and the business policy of the Company.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the report of the Board of Directors on the management of the Company, on the business operation, on the business policy and on the financial situation of the Company and Magyar Telekom Group in 2021, which the Supervisory Board acknowledged.

REPORT OF THE BOARD OF DIRECTORS ON THE MANAGEMENT OF MAGYAR TELEKOM PLC., ON THE BUSINESS OPERATION, ON THE BUSINESS POLICY AND ON THE FINANCIAL SITUATION OF THE COMPANY AND MAGYAR TELEKOM GROUP IN 2021

ANNUAL GENERAL MEETING

APRIL 12, 2022



EGYÜTT. VELED

DISCLAIMER

This presentation 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 Reports for the year ended December 31, 2021 available on our website at <http://www.telekom.hu>.

In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA AL, 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.



LIFE IS FOR SHARING.

FOCUS ON SEAMLESS CONNECTIVITY AND CUSTOMER CENTRICITY

Network

- Fixed network rollout: coverage expanded to 3m gigabit capable access points
- RAN modernization continues



69%

gigabit capable network



1180

base stations modernized (RAN program)

Customers

- Further improvement in customer satisfaction
- Strong momentum in mobile data usage trend continued
- Increasing penetration on gigabit capable fixed network



7.6 GB

average monthly mobile data usage in 2021, representing an increase of more than 30% YoY



> 1 million

customers connected through Gigabit capable network

Resilience

- BBB+ rating with stable outlook affirmed by Scope Ratings
- ISS Corporate Solutions ranked Magyar Telekom among the best performers of the telecom sector globally with 'B' rating

BBB+

corporate credit rating with stable outlook



AWARDS AND RECOGNITIONS IN 2021



FTSE4Good

Constituent of FTSE4Good Index Series



AA ESG rating from MSCI

MSCI
ESG RATINGS



Zyntern.com #2 most attractive employer

PwC Hungary – Most Attractive Workplace (Telecommunication category)



Randstad Most Attractive Workplace (Telecommunication sector)

IPRA Golden World Award

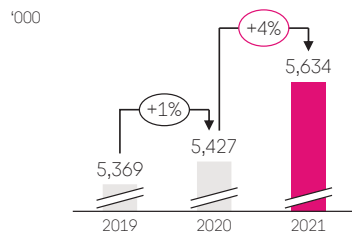


GKI Digital - the biggest turnover online in the mobile phone and tablet segment

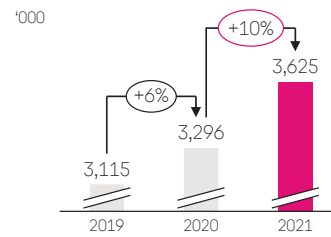


HUNGARIAN SUBSCRIBER TRENDS: POSITIVE MOMENTUM CONTINUED IN 2021

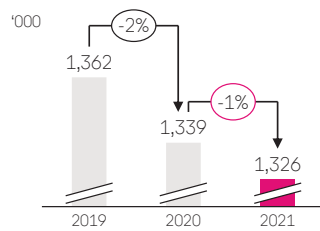
Total mobile subscribers



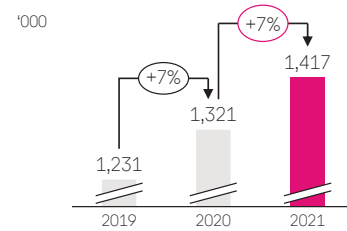
Mobile broadband subscribers



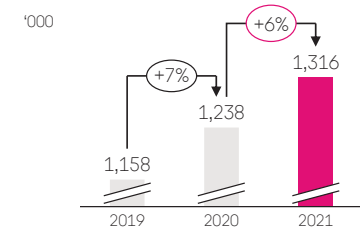
Fixed voice subscribers



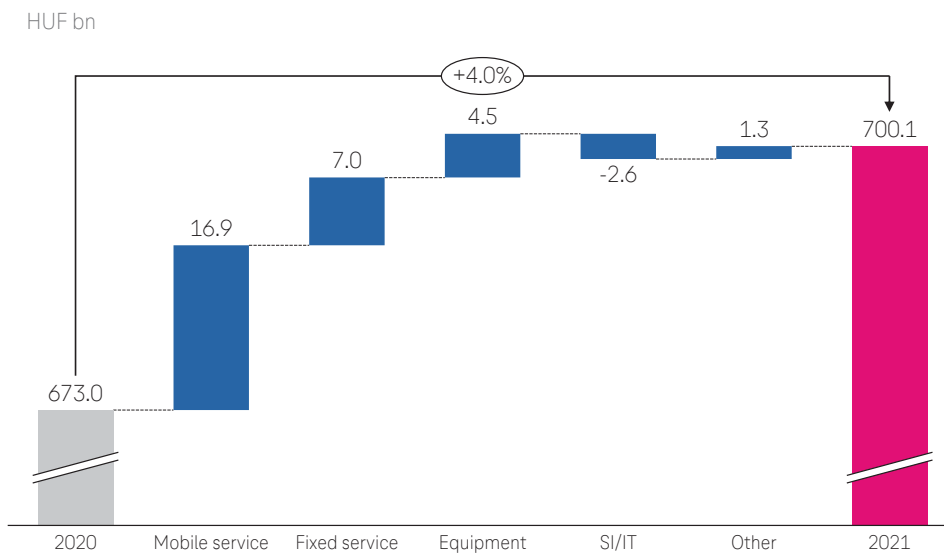
Fixed broadband subscribers



Pay TV subscribers



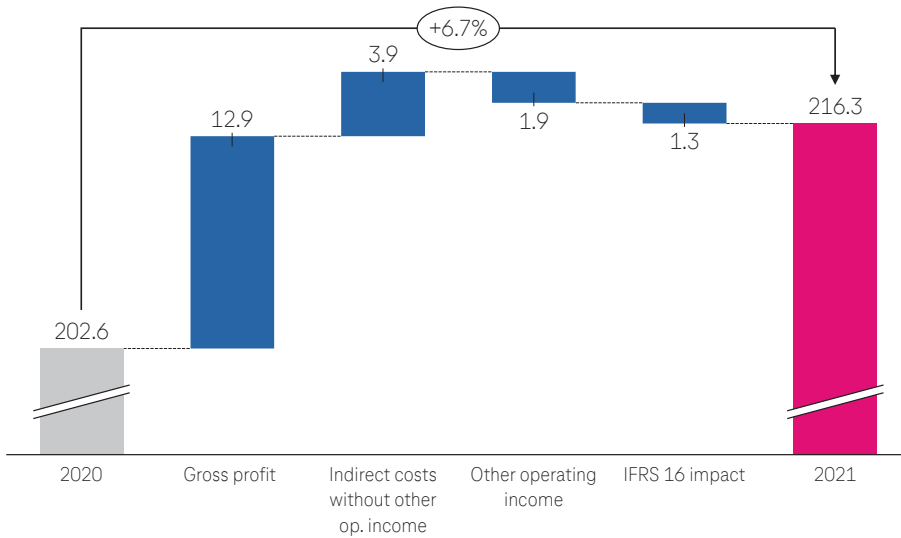
GROUP REVENUE GROWTH DRIVEN BY HIGHER MOBILE AND FIXED SERVICE CONTRIBUTION



- Increase in mobile service revenue fueled by strong demand for data
- Fixed service revenue growth thanks to monetization of fiber network
- SI/IT revenue contraction driven by reduced deliveries to the public sector

GROWTH IN EBITDA AL DRIVEN BY SERVICE MARGIN EXPANSION AND COST OPTIMIZATION

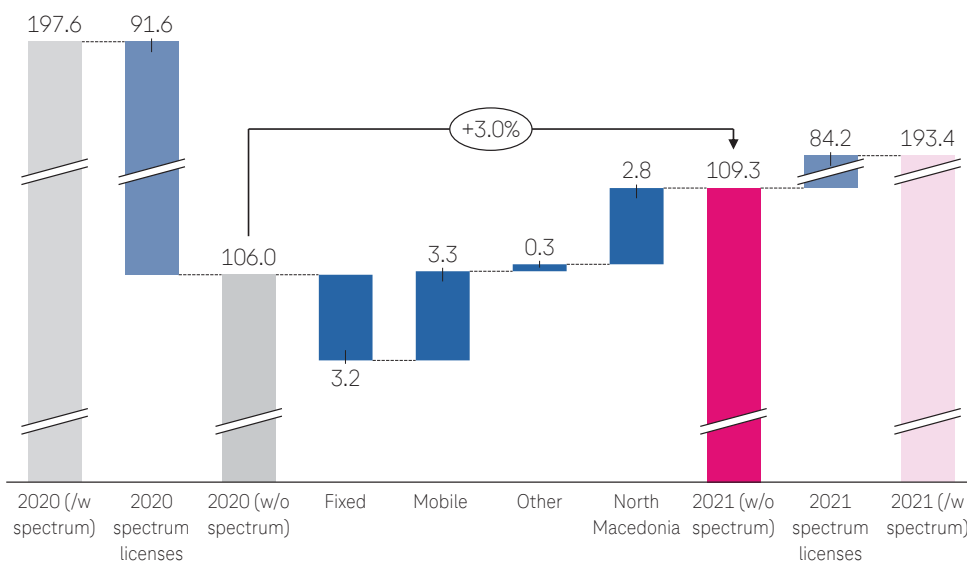
HUF bn



- Increase in gross profit from telecommunication services
- Reduction in indirect costs driven by lower headcount and other general cost saving measures
- Decline in other operating income reflects lower real estate sales

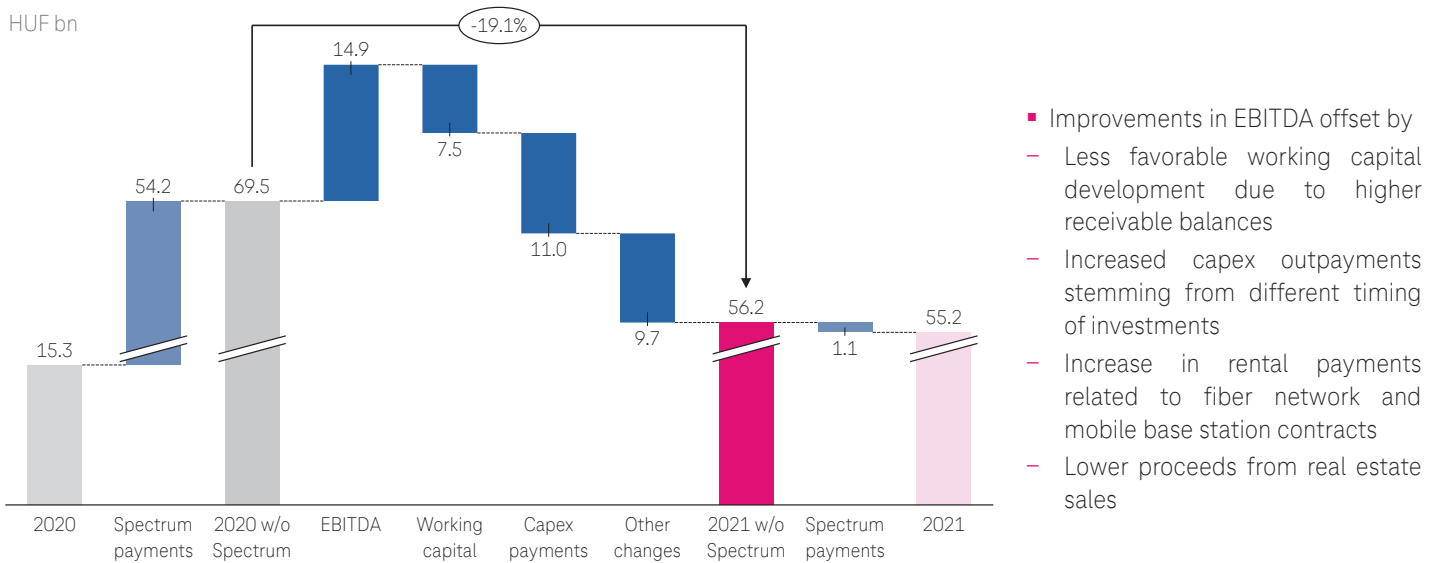
2021 INVESTMENT UPLIFT LARGELY DUE TO RAN MODERNIZATION

HUF bn



- Savings in fixed network capacity investments while fiber roll-out continued
- 440k access points upgraded to gigabit capacity in 2021
- RAN modernization continued in Hungary
- Increased investment in North Macedonia driven by the launch of local RAN modernization program

2021 FREE CASHFLOW REFLECTS STRONG INVESTMENT LEVELS



DELIVERY AGAINST 2021 FINANCIAL TARGETS

	2020 results	2021 guidance (vs 2020)	2021 results (YoY change)	2021 guidance delivery
REVENUE	HUF 673.0 bn	Grow around 3%	HUF 700.1 bn +4.0%	✓
EBITDA AL	HUF 202.6 bn	Grow at least 3%	HUF 216.3 bn +6.7%	✓
CAPEX AL*	HUF 106.0 bn	Broadly stable	HUF 109.3 bn +3.0%	✓
FCF*	HUF 69.5 bn	Broadly stable / slight increase	HUF 56.2 bn -19.1%	✗

* EXCLUDING SPECTRUM LICENSES

THANK YOU!

FOR FURTHER QUESTIONS PLEASE CONTACT THE INVESTOR RELATIONS:

PHONE: +36 1 458 0332

E-MAIL: INVESTOR.RELATIONS@TELEKOM.HU



EGYÜTT. VELED



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**APPROVAL OF THE 2021 CONSOLIDATED
FINANCIAL STATEMENTS OF THE COMPANY
PREPARED ACCORDING TO INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS);
PRESENTATION OF THE RELEVANT REPORT OF
THE SUPERVISORY BOARD, THE AUDIT
COMMITTEE AND THE AUDITOR**

BUDAPEST, APRIL 12, 2022



According to Section 3:109(2) of the Civil Code and Section 5.2. (j) of the Articles of Association, approving the financial statements prepared according to the Accounting Act belongs to the exclusive authority of the General Meeting.

Resolution proposal:

The General Meeting approves the 2021 Consolidated Financial Statements of the Company, prepared according to International Financial Reporting Standards (IFRS), including Statements of Financial Position Total Assets of HUF 1,400,671 million and Profit for the year 2021 of HUF 62,847 million.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Consolidated Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Magyar Telekom Telecommunications Public Limited Company

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Magyar Telekom Telecommunications Public Limited Company (the "Company") and its subsidiaries (together the "Group") included in the digital file 529900CA1YDA41X76751-2021-12-31-en.xhtml¹ which comprise the consolidated statement of financial position as of 31 December 2021 (in which total assets are MHUF 1 400 671), the consolidated statement of profit or loss and other comprehensive income, (in which the total comprehensive income for the year is MHUF 64 253 profit), the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 8 March 2022.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we also comply with further ethical requirements set out in these.

The non-audit services that we have provided to the Group, in the period from 1 January 2021 to 31 December 2021, are disclosed in note 21 to the consolidated financial statements.

¹ The SHA 256 HASH algorithm value of the 529900CA1YDA41X76751-2021-12-31-en.xhtml file:
117036F13804022377427A9D875D5367B38413E4B16F39174E7F08C31747EC3B



To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable laws and regulations in Hungary and that we have not provided non-audit services that are prohibited under Article 5 of Regulation of the European Parliament and Committee No 537/2014 and Subsection (1) and (2) of Section 67/A of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

<i>Overall group materiality</i>	Overall group materiality applied was MHUF 5 300
<i>Group Scoping</i>	In addition to the parent company, Magyar Telekom Telecommunication Plc., we included two subsidiaries in our audit, Makedonski Telekom A.D. and T-Systems Magyarország Zrt., which are operating in Macedonia and Hungary, respectively. These three companies represent 98% of consolidated revenues and 96% of consolidated EBITDA AL.
<i>Key Audit Matters</i>	<ul style="list-style-type: none">• Goodwill impairment assessment• Accuracy of revenue recognition due to complex billing systems

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.



<i>Materiality</i>	MHUF 5 300
<i>Determination</i>	2,5% of consolidated EBITDA AL (Earnings before Interest, Taxes, Depreciation and Amortization excluding the impact of the IFRS 16 related Depreciation, Amortization and Interest.)
<i>Rationale for the materiality benchmark applied</i>	<p>We chose consolidated EBITDA AL as the benchmark as we believe that it is a comparative benchmark which is also the major key performance measure of the Group.</p> <p>We chose 2.5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have identified two subsidiaries, which, in our view, required an audit of their complete financial information, due to their financial significance to the group. Those reporting components are Makedonski Telekom A.D. operating in Macedonia and T-Systems Magyarország Zrt. operating in Hungary.

For the remaining components we performed analytical review on Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Goodwill impairment assessment</p> <p>As at 31 December 2021 goodwill relating to the Hungarian and Macedonian segments amounted to MHUF 192 314 and MHUF 20 199, respectively, out of the total goodwill balance of MHUF 212 513.</p> <p>Impairment assessments involve significant estimates as they are sensitive to changes in assumptions (in particular the input variables and long-term growth rates, discount rates and assumptions underlying future operating cash flows).</p>	<p>We agreed the cash flow forecasts used in the impairment assessment to forecasts approved by the board of directors. We considered management's expectations in respect of material impacts of the external environment and planned operational improvements and whether these were appropriately reflected in the cash flow forecasts.</p> <p>We compared actual historical cash flow performance with previous forecasts and determined whether any differences fell within an acceptable range.</p>

Management concluded that there was no need for impairment of goodwill.

Details of the nature of the goodwill impairment assessment performed by management are given in notes 3.2 and 10.4 to the consolidated financial statements.

We independently calculated a weighted average cost of capital with reference to market data and compared the long term growth rate to market data.

We assessed the sufficiency of the sensitivity analysis performed by management and performed further sensitivity analysis, primarily focusing on changes in operating cash flows.

We read notes 3.2 and 10.4 of the consolidated financial statements in order to assess whether they are in line with the requirements of IAS 1 and IAS 36.

Accuracy of revenue recognition due to complex billing systems

The accuracy of revenues recorded is an inherent industry risk. This is because telecommunication billing systems are complex and process large volumes of data with a combination of different products sold and price changes during the year, through a number of different systems.

Total revenue of the Group was MHUF 700 120. Detailed disclosures and related accounting policies are in notes 3.4 and 18 of the consolidated financial statements.

We evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the:

- Capturing and recording of revenue transactions;
- Authorization of price changes and the input of those to the billing systems;
- Calculation of amounts billed to the customers; and
- Monitoring of assumptions and judgements related to contract assets, contract costs, and contract liabilities.

We also tested a sample of items from the customer billing systems to the invoices raised and checked these to the cash received from the customers. Our testing included customer bills for consumers and corporate customers. We also utilized computer assisted auditing technique to gain comfort over the accuracy of the revenue transactions.

We performed detailed testing by recalculating the contract assets, contract costs, and contract liabilities on a portfolio basis as at 31 December 2021.

Other matters – ESEF

The management of the Company is responsible for presenting the consolidated financial statements in accordance with the requirements set out in Articles 3 and 4 of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF regulation”). Our audit covered the human readable content of the digital file – electronically identified in our report – containing the consolidated financial



statements. Our audit did not cover and therefore we do not express an opinion on whether the digitalised information complies, in all material respects, with the requirements of the ESEF regulation.

Other information: the consolidated business report

Other information comprises the consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the consolidated business report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated we are required to report this fact and the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility when reading the consolidated business report to consider whether the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the consolidated business report is consistent with the consolidated financial statements.

Because the Company's transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the consolidated business report shall cover the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and state whether the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

As the Company is a public interest entity preparing consolidated financial statements and the conditions in Paragraph a) and b) of Subsection (5) of Section 134 of the Accounting Act are met at the balance sheet date, the Company shall publish a non-financial statement required by Section 95/C in its consolidated business report relating to the companies included in the consolidation. In this respect, we shall state whether the consolidated business report includes the non-financial statement required by Section 95/C, and Subsection (5) of Section 134 of the Accounting Act.

In our opinion, the 2021 consolidated business report of the Group, also including the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, is consistent with the 2021 consolidated financial statements in all material respects, and the consolidated business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report and therefore we have nothing to report in this respect.

We state that the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided. The consolidated business report includes the non-financial statement required by Section 95/C, and Subsection (5) of Section 134 of the Accounting Act.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and to prepare the consolidated financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the consolidated financial statements unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We were first appointed as auditors of the Group on 31 December 1991. Our appointment has been renewed annually by shareholder resolutions representing a total period of uninterrupted engagement appointment of 30 years.

The statutory auditor on the audit resulting in this independent auditor's report is Zoltán Bárdy.

Budapest, 8 March 2022

László Radványi
Partner
PricewaterhouseCoopers Auditing Ltd.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

Zoltán Bárdy
Statutory auditor
Licence number: 007346

Note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**APPROVAL OF THE 2021 SEPARATE FINANCIAL
STATEMENTS OF THE COMPANY PREPARED
ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS); PRESENTATION
OF THE RELEVANT REPORT OF THE
SUPERVISORY BOARD, THE AUDIT COMMITTEE
AND THE AUDITOR**

BUDAPEST, APRIL 12, 2022



According to Section 3:109(2) of the Civil Code and Section 5.2. (j) of the Articles of Association, approving the financial statements prepared according to the Accounting Act belongs to the exclusive authority of the General Meeting.

Resolution proposal:

The General Meeting approves the 2021 Separate Financial Statements of the Company, prepared according to International Financial Reporting Standards (IFRS), including Statements of Financial Position Total Assets of HUF 1,310,465 million and Profit for the year 2021 of HUF 54,544 million.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Separate Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Magyar Telekom Telecommunications Public Limited Company

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Magyar Telekom Telecommunications Public Limited Company (the "Company") included in the digital file 529900CA1YDA41X76751-2021-12-31-en.xhtml¹ which comprise the statement of financial position as of 31 December 2021 (in which total assets are MHUF 1 310 465), the statement of profit or loss and other comprehensive income (in which the total comprehensive income for the year is MHUF 54 544 profit), the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the separate financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 8 March 2022.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we also comply with further ethical requirements set out in these.

The non-audit services that we have provided to the Company, in the period from 1 January 2021 to 31 December 2021, are disclosed in note 21 to the separate financial statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in Hungary and that we have not provided non-audit services that are prohibited under Article 5 of Regulation of the European Parliament and Committee No 537/2014 and Subsection (1) and (2) of Section 67/A of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

¹ The SHA 256 HASH algorithm value of the 529900CA1YDA41X76751-2021-12-31-en.xhtml file: 117036F13804022377427A9D875D5367B38413E4B16F39174E7F08C31747EC3B



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

<i>Overall materiality</i>	Overall materiality applied was MHUF 4 200
<i>Key Audit Matter</i>	Accuracy of revenue recognition due to complex billing systems

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the separate financial statements as a whole.

<i>Materiality</i>	MHUF 4 200
<i>Determination</i>	2,5% of EBITDA AL (Earnings before Interest, Taxes, Depreciation and Amortization excluding the impact of the IFRS 16 related Depreciation, Amortization and Interest.)
<i>Rationale for the materiality benchmark applied</i>	We chose EBITDA AL as the benchmark as we believe that it is a comparative benchmark which is also the major key performance measure of the Company. We chose 2.5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Accuracy of revenue recognition due to complex billing systems</p> <p>The accuracy of revenues recorded is an inherent industry risk. This is because telecommunication billing systems are complex and process large volumes of data with a combination of different products sold and price changes during the year, through a number of different systems.</p> <p>Total revenue of the Company was MHUF 548 292. Detailed disclosures and related accounting policies are in notes 3.4 and 18 of the separate financial statements.</p>	<p>We evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the:</p> <ul style="list-style-type: none">• Capturing and recording of revenue transactions;• Authorization of price changes and the input of those to the billing systems;• Calculation of amounts billed to the customers; and• Monitoring of assumptions and judgements related to contract assets, contract costs, and contract liabilities. <p>We also tested a sample of items from the customer billing systems to the invoices raised and checked these to the cash received from the customers. Our testing included customer bills for consumers and corporate customers. We also utilized computer assisted auditing technique to gain comfort over the accuracy of the revenue transactions.</p> <p>We performed detailed testing by recalculating the contract assets, contract costs, and contract liabilities on a portfolio basis as at 31 December 2021.</p>

Other matters – ESEF

The management of the Company is responsible for presenting the separate financial statements in accordance with the requirements set out in Articles 3 and 4 of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF regulation”). Our audit covered the human readable content of the digital file – electronically identified in our report – containing the separate financial statements. Our audit did not cover and therefore we do not express an opinion on whether the digitalised information complies, in all material respects, with the requirements of the ESEF regulation.



Other information: the business report

Other information comprises the business report of the Company. Management is responsible for the preparation of the business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the separate financial statements expressed in the “Opinion” section of our independent auditor’s report does not cover the business report.

In connection with our audit of the separate financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the business report is materially misstated we are required to report this fact and the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility when reading the business report to consider whether the business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the business report is consistent with the separate financial statements.

Because the Company’s transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the business report shall cover the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and state whether the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

As the Company is a public interest entity and the conditions in Paragraph a) and b) of Subsection (1) of Section 95/C of the Accounting Act are met at the balance sheet date, the Company shall publish a non-financial statement required by 95/C in its business report. In this respect, we shall state whether the business report includes the non-financial statement required by Section 95/C of the Accounting Act.

In our opinion, the 2021 business report of the Company, also including the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, is consistent with the 2021 separate financial statements in all material respects, and the business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the business report and therefore we have nothing to report in this respect.

We state that the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided. The business report includes the non-financial statement required by Subsection (1) of Section 95/C of the Accounting Act.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and to prepare the separate financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the separate financial statements unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the separate financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We were first appointed as auditors of the Company on 31 December 1991. Our appointment has been renewed annually by shareholder resolutions representing a total period of uninterrupted engagement appointment of 30 years.

The statutory auditor on the audit resulting in this independent auditor's report is Zoltán Bárdy.

Budapest, 8 March 2022

A large, stylized blue ink signature of László Radványi.

László Radványi
Partner
PricewaterhouseCoopers Auditing Ltd.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

A blue ink signature of Zoltán Bárdy.

Zoltán Bárdy
Statutory auditor
Licence number: 007346

Note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version.



EGYÜTT. VELED

CONSOLIDATED ANNUAL REPORT AND SEPARATE ANNUAL REPORT

OF MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021



EGYÜTT. VELED

CONSOLIDATED ANNUAL REPORT

OF MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021



EGYÜTT. VELED

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

OF MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021



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CONSOLIDATED FINANCIAL STATEMENTS

OF MAGYAR TELEKOM TELECOMMUNICATIONS PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION (EU IFR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

(in HUF millions)	Note	At December 31,	At December 31,
		2020	2021
ASSETS			
Cash and cash equivalents.....	4.2.1	14,689	13,463
Trade receivables.....	4.2.2	158,857	158,187
Other assets.....	12.1	6,022	8,431
Other current financial assets.....	4.2.3.1	42,487	9,419
Contract assets.....	18.4	16,878	20,745
Current income tax receivable.....	6	473	1,318
Inventories.....	7	18,395	18,053
		257,801	229,616
Assets held for sale.....	8	489	2,286
Total current assets.....		258,290	231,902
Property, plant and equipment.....	9	432,436	437,432
Right-of-use assets.....	9, 17	121,335	122,355
Goodwill.....	1.3, 10	213,137	212,513
Other intangible assets.....	1.3, 10	285,680	346,149
Deferred tax assets.....	6.3.2	118	125
Trade receivables over one year.....	4.2.3.3	18,566	18,953
Other non-current financial assets.....	4.2.3.2	10,614	20,183
Contract assets.....	18.4	3,923	4,143
Other non-current assets.....	12.2	5,795	6,916
Total non-current assets.....		1,091,604	1,168,769
Total assets.....		1,349,894	1,400,671

Budapest, February 23, 2022

Tibor Rékasi

Chief Executive Officer, Board member

Daria Aleksandrovna Dodonova

Chief Financial Officer, Board member

The accompanying Notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES & EQUITY

(in HUF millions)	Note	At December 31, 2020	At December 31, 2021
LIABILITIES			
Financial liabilities to related parties	4.4.1	98,350	38,087
Lease liabilities.....	4.5.1.2, 17.2.2	20,712	22,328
Trade payables.....	4.4.4	148,326	142,031
Other financial liabilities.....	4.4.3.1	12,204	55,426
Current income tax payable	6	432	2,554
Provisions.....	13	3,603	3,367
Contract liabilities.....	18.4	10,998	12,238
Other current liabilities.....	14	22,198	18,986
		316,823	295,017
Liabilities held for sale.....		-	350
Total current liabilities.....		316,823	295,367
Financial liabilities to related parties	4.4.1	89,456	90,405
Lease liabilities.....	4.5.1.2, 17.2.2	111,820	112,076
Corporate bonds.....	4.4.2	67,904	68,215
Other financial liabilities.....	4.4.3.1	74,163	109,231
Deferred tax liabilities	6.3.2	18,621	16,888
Provisions.....	13	10,109	12,714
Contract liabilities.....	18.4	361	326
Other non-current liabilities.....	15	2,910	2,474
Total non-current liabilities.....		375,344	412,329
Total liabilities.....		692,167	707,696
EQUITY			
Common stock.....		104,275	104,275
Capital reserves.....		27,379	27,379
Treasury stock.....		(9,209)	(19,424)
Retained earnings.....		465,787	509,473
Accumulated other comprehensive income.....		30,452	31,192
Total equity of the owners of the parent.....		618,684	652,895
Non-controlling interests.....	16	39,043	40,080
Total equity		657,727	692,975
Total liabilities and equity		1,349,894	1,400,671

Budapest, February 23, 2022


Tibor Rékasi

Chief Executive Officer, Board member


Daria Aleksandrovna Dodonova

Chief Financial Officer, Board member

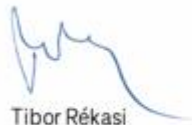
The accompanying Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in HUF millions, except per share amounts)	Note	For the year ended December 31,	
		2020	2021
Mobile revenue.....	1.3, 18	364,589	389,387
Fixed line revenue.....	1.3, 18	219,004	223,865
SI/IT revenue.....	1.3, 18	89,455	86,868
Revenue.....	1.3, 18	673,048	700,120
Interconnect costs.....	1.3	(22,079)	(24,959)
SI/IT service related costs.....	1.3	(63,314)	(62,065)
Bad debt expense.....	1.3, 4.2.2.2	(9,717)	(11,012)
Telecom tax.....	1.3, 19.1	(27,614)	(26,826)
Other direct costs.....	1.3, 19.2	(174,764)	(186,829)
Direct costs.....	1.3	(297,488)	(311,691)
Employee-related expenses.....	20	(79,004)	(75,880)
Depreciation and amortization.....	9, 10	(141,058)	(147,962)
Other operating expenses.....	21	(76,516)	(75,739)
Operating expenses.....		(594,066)	(611,272)
Other operating income.....	22	5,842	3,961
Operating profit.....		84,824	92,809
Interest income.....	23	676	362
Interest expense.....	24	(11,319)	(13,767)
Other finance expense – net.....	25	(13,203)	(291)
Net financial result.....		(23,846)	(13,696)
Share of associates' and joint ventures' results.....	11	(66)	-
Profit before income tax.....		60,912	79,113
Income tax.....	6.2	(14,595)	(16,266)
Profit for the period.....		46,317	62,847
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations.....		8,947	1,007
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation of financial assets at FVOCI.....		50	399
Other comprehensive income for the year, net of tax.....		8,997	1,406
Total comprehensive income for the period.....		55,314	64,253
Profit attributable to:			
Owners of the parent.....		42,364	58,997
Non-controlling interests.....		3,953	3,850
		46,317	62,847

(in HUF millions, except per share amounts)	Note	For the year ended December 31,	
		2020	2021
Total comprehensive income attributable to:			
Owners of the parent.....		47,769	59,737
Non-controlling interests.....		7,545	4,516
		55,314	64,253
Earnings per share (EPS) information:			
	27		
Owners of the parent.....		42,364	58,997
Weighted average number of common stock outstanding used for basic/diluted EPS.....		1,027,117,481	1,007,460,789
Basic / diluted earnings per share (HUF).....		41.25	58.56

Budapest, February 23, 2022



Tibor Rékasi

Chief Executive Officer, Board member



Daria Aleksandrovna Dodonova

Chief Financial Officer, Board member

The accompanying Notes form an integral part of these Consolidated Financial Statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

(in HUF millions)	Note	For the year ended December 31,	
		2020	2021
Cash flows from operating activities			
Profit for the period.....		46,317	62,847
Depreciation and amortization	9, 10	141,058	147,962
Income tax expense.....	6.2	14,595	16,266
Net financial result.....		23,846	13,696
Share of associates' and joint ventures' result		66	-
Change in assets carried as working capital.....		10,535	(6,994)
Change in provisions		(536)	1,503
Change in liabilities carried as working capital.....		(13,627)	(5,605)
Income tax paid.....	6.4	(12,700)	(14,471)
Dividend received.....		52	57
Interest and other financial charges paid.....		(19,913)	(19,935)
Interest received.....		283	331
Other non-cash items.....		(4,021)	(887)
Net cash generated from operating activities.....		185,955	194,770
Cash flows from investing activities			
Payments for property plant and equipment (PPE) and intangible assets.....	28	(153,113)	(110,906)
Proceeds from disposal of PPE and intangible assets.....		7,843	1,953
Payments for subsidiaries and business units.....	29	(567)	(1,677)
Proceeds from disposal of subsidiaries and business units		268	-
Payments for other financial assets.....		(2,992)	(4,194)
Proceeds from other financial assets.....		459	13,422
Net cash used in investing activities.....		(148,102)	(101,402)
Cash flows from financing activities			
Dividends paid to Owners of the parent and Non-controlling interests.....	4.4.3.3	(24,516)	(18,788)
Proceeds from loans and other borrowings	4.4.3.3	216,127	186,699
Repayment of loans and other borrowings	4.4.3.3	(269,716)	(223,436)
Proceeds from corporate bonds	4.4.3.3	70,834	-
Repayment of lease and other financial liabilities.....	4.4.3.3	(25,114)	(28,972)
Treasury share purchase	4.4.3.3	(5,218)	(10,215)
Net cash used in financing activities.....		(37,603)	(94,712)
Exchange differences on cash and cash equivalents.....		1,041	118
Change in cash and cash equivalents		1,291	(1,226)
Cash and cash equivalents, beginning of period		13,398	14,689
Cash and cash equivalents, end of period.....	4.2.1.	14,689	13,463

The accompanying Notes form an integral part of these Consolidated Financial Statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	pieces	in HUF millions								
	Shares of common stock (a)	Common stock (a)	Capital reserves (b)	Treasury stock (c)	Retained earnings (d)	Accumulated Other Comprehensive Income		Equity of the owners of the parent	Non-controlling interests (g)	Total Equity
						Cumulative translation adjustment (e)	Revaluation reserve for FVOCI financial assets – net of tax (f)			
Balance at January 1, 2020	1,042,742,543	104,275	27,379	(3,991)	444,278	24,863	184	596,988	35,166	632,154
Dividend declared to Owners of the parent (h)	-	-	-	-	(20,855)	-	-	(20,855)	-	(20,855)
Dividend declared to Non-controlling interests (i).....	-	-	-	-	-	-	-	-	(3,668)	(3,668)
Treasury share purchase (j)	-	-	-	(5,218)	-	-	-	(5,218)	-	(5,218)
Transactions with owners in their capacity as owners.....	-	-	-	(5,218)	(20,855)	-	-	(26,073)	(3,668)	(29,741)
Other comprehensive income.....	-	-	-	-	-	5,379	26	5,405	3,592	8,997
Profit or loss.....	-	-	-	-	42,364	-	-	42,364	3,953	46,317
Balance at December 31, 2020.....	1,042,742,543	104,275	27,379	(9,209)	465,787	30,242	210	618,684	39,043	657,727
Dividend declared to Owners of the parent (h)	-	-	-	-	(15,311)	-	-	(15,311)	-	(15,311)
Dividend declared to Non-controlling interests (i).....	-	-	-	-	-	-	-	-	(3,479)	(3,479)
Treasury share purchase (j)	-	-	-	(10,215)	-	-	-	(10,215)	-	(10,215)
Transactions with owners in their capacity as owners.....	-	-	-	(10,215)	(15,311)	-	-	(25,526)	(3,479)	(29,005)
Other comprehensive income.....	-	-	-	-	-	517	223	740	666	1,406
Profit or loss.....	-	-	-	-	58,997	-	-	58,997	3,850	62,847
Balance at December 31, 2021.....	1,042,742,543	104,275	27,379	(19,424)	509,473	30,759	433	652,895	40,080	692,975
Of which treasury stock.....	(45,777,539)									
Shares of common stock outstanding	996,965,004									

The accompanying Notes form an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

- (a) The total amount of issued shares of common stock of 1,042,742,543 (each with nominal value of HUF 100) is fully paid as at December 31, 2021. The number of authorized ordinary shares on December 31, 2021 is 1,042,742,543.

Voting Rights and Voting

The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of the Magyar Telekom Telecommunications Public Limited Company (the Company or Magyar Telekom Plc.). The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in the Articles of Association, which shall require at least a three-quarters majority of the votes cast. There is no limitation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the ordinary shares. There is no limitation of voting rights for ordinary shares in the Articles of Association. The Company has no shares assigned with special management rights.

Transfer of Shares

In order to transfer dematerialized shares, there must be a contract for transfer or other legal title and, in that context, the transferor's securities account must be debited and the new holder's securities account must be credited with the transferred dematerialized shares. The holder of dematerialized share shall be considered the holder of the securities account on which the dematerialized shares are recorded.

The transfer of any Series "A" ordinary shares is not bound to any restriction or attainment of agreement.

- (b) Additional paid-in capital represents the amount exceeding the nominal value of the shares that was received by the Company during capital increases.
- (c) Treasury stock represents the cost of the Company's own shares repurchased. When the Company or its subsidiaries purchase the Company's equity shares, the consideration transferred, including any attributable incremental external costs, are deducted from the Equity of the owners of the parent as Treasury stock until they are re-sold or canceled. When such shares are subsequently sold, the treasury share balance decreases by the original cost of the shares, thereby increasing equity, while any gains or losses are also recognized in equity (Retained earnings). Treasury stock transactions are recorded on the transaction date. The number of Treasury stock was 45,777,539 on December 31, 2021 and 21,982,747 on December 31, 2020.
- (d) Retained earnings include the accumulated and undistributed profit of the Group. The distributable reserves of the Company under Hungarian law (Section 5 (b) 114/B of Act C of 2000 on Accounting relating to untied retained earnings available for the payment of dividends) at December 31, 2021 amounted to approximately HUF 524 billion (HUF 484 billion at December 31, 2020).
- (e) Cumulative translation adjustment represents the foreign exchange differences arising on the consolidation of foreign subsidiaries.
- (f) Revaluation reserve for financial assets at FVOCI includes the unrealized gains and losses net of tax on equity instruments measured at Fair Value through other comprehensive income (see also Note 4.5.1).
- (g) Non-controlling interests represent the Non-controlling shareholders' share of the net assets of subsidiaries in which the Group has less than 100% ownership (Note 16).
- (h) Dividends payable to the Company's shareholders and to Non-controlling shareholders of the Group's subsidiaries are recorded as a liability and debited against equity (Retained earnings or Non-controlling interests) in the Group's financial statements in the period in which the dividends are approved by the shareholders.
- (i) The amount of dividends declared to Non-controlling interests includes predominantly the dividends declared to the Non-controlling owners of Makedonski Telekom (MKT) and the Group's other subsidiaries.
- (j) The Company repurchased own shares for HUF 10.2 billion through a share buyback auction on June 10, 2021 for the



purpose of shareholders' remuneration as approved by the Company's Board of Directors on May 10, 2021 (in 2020 HUF 5.2 billion own shares were repurchased). The Company concluded repurchase transactions for 23,794,792 Magyar Telekom ordinary shares at an average price of HUF 429 per share. Following the execution of the transactions, Magyar Telekom holds 45,777,539 treasury shares.

Together with the approval of these financial statements for issue, the Board of Directors of the Company proposes a dividend distribution in total of HUF 15,000 million to be approved by the Annual General Meeting of the Company in April 2022. In 2021 due to the situation caused by the coronavirus pandemic (COVID-19) the Board of Directors of the Magyar Telekom approved HUF 15,311 million dividend based on the authorization set out in Section 9 (2) of Government Decree no. 502/2020. (XI.16.).

The accompanying Notes form an integral part of these Consolidated Financial Statements.



1 GENERAL INFORMATION

1.1 About the Company

Magyar Telekom Plc. with its subsidiaries form Magyar Telekom Group (Magyar Telekom or the Group). Magyar Telekom Plc. is the leading provider of telecommunications services in Hungary and Republic of North Macedonia and alternative service provider in Bulgaria and Romania. These services are subject to various telecommunications regulations depending on the countries of operations (Note 34).

The Company was incorporated in Hungary on December 31, 1991 and commenced business on January 1, 1992. The Company's registered seat is Könyves Kálmán krt. 36., 1097 Budapest, Hungary since November 1, 2018. Name of the Court of Registration and the registration number of the Company: Registry Court of the Budapest-Capital Regional Court, Cg. 01-10-041928.

Magyar Telekom Plc. is listed on the Budapest Stock Exchange and its shares are traded on the Budapest Stock Exchange. Magyar Telekom's American Depository Shares (ADSs) each representing five ordinary shares were also traded on the New York Stock Exchange until November 12, 2010, when the ADSs were delisted. Magyar Telekom terminated the registration of its shares and ADSs in the US in February 2012. The Company maintains its American Depository Receipt program on a Level I basis.

The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DT AG) who fully consolidates Magyar Telekom Group. Deutsche Telekom Europe B.V. (Stationsplein 8, 6221 BT Maastricht, the Netherlands), a member of the Deutsche Telekom Group, is the direct owner of 59.21% of the Company's issued shares.

The consolidated financial statements of DT AG are available at DT AG's website (www.telekom.com/en).

The Consolidated Financial Statements are prepared and presented in millions of Hungarian Forints (HUF), unless stated otherwise.

The Company's Board of Directors (the Board) accepted the submission of these consolidated financial statements of the Company on February 23, 2022 to the Annual General Meeting (AGM) of the owners, which is authorized to approve these financial statements, but also has the right to require amendments before approval. As the controlling shareholders are represented in the Board of the Company that accepted the submission of these financial statements, the probability of any potential change required by the AGM is remote, and has never happened in the past.

Persons authorized to sign the annual report:

Tibor Rékasi - Chief Executive Officer, member of the Board (residence: Szentendre)

Daria Aleksandrovna Dodonova - Chief Financial Officer, member of the Board (residence: Budapest)

In Magyar Telekom Plc., the accounting services are coordinated by Melinda Modok (certificate number: 18128. Area of speciality: IFRS entrepreneurial activity. Status: registered. Registration number: MK 199521. Residence: Budapest).

The Company is subject to compulsory audit. The Company's auditor is PricewaterhouseCoopers Könyvvizsgáló Kft. (its register number is 01-09-063022, its taxation number is 10256161-2-44), the responsible person for carrying out the audit is Zoltán Bárdy (membership number at Chamber of Hungarian Auditors: 007346).

The Separate Financial Statements of Magyar Telekom Plc. and the Consolidated Financial Statements of Magyar Telekom Group are available at the Company's registered office and on its corporate website.

Magyar Telekom Plc.'s corporate website is: www.telekom.hu



1.2 Composition of the Group

At December 31, 2020 and 2021 the major operating subsidiaries of the Group were as follows:

Subsidiaries	Group interest in capital as at December 31,		Activity
	2020	2021	
Incorporated in Hungary:			
T-Systems Magyarország Zrt., Budapest.....	100.00%	100.00%	System integration and IT services
KalászNet Kft., Budapest	100.00%	100.00%	Telecom service provider
Telekom New Media Zrt., Budapest.....	100.00%	100.00%	Interactive service provider of telecommunications applications
Incorporated in North Macedonia:			
Makedonski Telekom A.D., Skopje (MKT)	56.67%	56.67%	Telecom service provider
Incorporated in Romania:			
Combridge S.R.L., Bucharest.....	100.00%	100.00%	Wholesale telecom service provider
Incorporated in Bulgaria:			
Novatel EOOD, Sofia.....	100.00%	100.00%	Wholesale telecom service provider

The Group's interest in the capital of the above subsidiaries equals the voting rights therein. There is no significant entity in the Group that is not controlled even though more than half of the voting rights are held.

All subsidiary undertakings are included in the consolidation.

1.3 Revised presentation of financial report's hierarchy

In 2021 in order to follow the general industry practice the management has conducted the revision of the presentation hierarchy of the annual financial report to give the investors more transparent information about economic resources of the Group, claims against the Group, and their changes. As a result of the harmonization, the amount of goodwill is separated from other intangible assets in the Consolidated Statements of Financial Position, revenue is disaggregated to mobile, fixed line and SI/IT (System integration and Information technology) business lines revenue data, direct costs are disaggregated to interconnect costs, SI/IT service related costs, bad debt expense, telecom tax and other direct costs in the Consolidated Statements of Profit or Loss Statement. In the Consolidated Statement of Cash Flow some minor adjustments in the order and wording were made.

With the changes described above, the information provided by the financial report is remained the same, all comparative information in this report was presented in the preceding years accordingly. Management believes these changes ensure more transparent and consistent financial information to the investors.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Magyar Telekom have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). All standards and interpretations endorsed by the EU effective as at December 31, 2021 and applicable to Magyar Telekom had been adopted. These consolidated financial statements also comply with the Hungarian Accounting Act on consolidated financial statements, which refers to the IFRS as endorsed by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Financial statements are prepared under going concern assumptions, which means it is assumed the Company will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities.

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

The table below summarizes the Standards amended and the subject of the amendments effective on or after January 1, 2021 that could have an impact on Magyar Telekom's accounting policies.

Pronouncement	Title	Applied by Magyar Telekom from	Changes	Impact on the presentation of Magyar Telekom's results of operations and financial position
Amendments to IFRS 4	Insurance Contracts - Deferral of IFRS 9	Jan 1, 2021	Deferral of first-time application of IFRS 9 for insurance companies.	Not applicable.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	Jan 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of the IBOR reform, hedge accounting requirements, and the accompanying disclosures.	No impact based on internal assessment.
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021	April 1, 2021*	Extension of practical expedient until June 30, 2022 for lessee accounting of rent concessions granted due to the COVID-19 pandemic.	Not applied.

* Earlier application is permissible. Magyar Telekom already decided in the 2020 financial year not to apply the practical expedient.

2.1.2 Standards, amendments and interpretations that are not yet effective as of December 31, 2021 and have not been adopted early by the Group and other expected changes for 2022 and 2023

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
Standards endorsed by the EU				
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 is expected.
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	Jan 1, 2023	IFRS 17 governs the accounting for insurance contracts and replaces IFRS 4. Deferral of first-time application of IFRS 17 to January 1, 2023. The amendments refer to specific topics helping entities to implement the standard and avoiding a significant loss of useful information.	No material impact is expected.
Standards not yet endorsed by the EU*				
Amendments to IAS 1	Presentation of Financial Statements	Jan 1, 2023	Classification of Liabilities as Current or Non-current and Deferral of Effective Date.	No material impact is expected.
Amendments to IAS 1	Presentation of Financial Statements	Jan 1, 2023	Disclosure of material accounting policy information instead of significant accounting policies. In addition, IFRS Practice Statement 2 has been amended.	No material impact is expected.
Amendments to IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Jan 1, 2023	Introduced a definition of 'accounting estimates' and included other amendments to help entities distinguish changes in accounting policies from changes in accounting estimates.	No material impact is expected.
Amendments to IAS 12	Income Taxes	Jan 1, 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	No material impact is expected.
Amendments to IFRS 17 Insurance contracts	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan 1, 2023	Transition option relating to comparative information about financial assets presented on initial application of IFRS 17, helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.	Not applicable.

* For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

2.1.3 COVID-19 impact on the business and on the financial statements

After 2020, which was drastically impacted globally by the outbreak of the COVID-19 pandemic, 2021 was featured by a general recovery worldwide as the targeted government measures along with the more efficient management of the pandemic led to improved production as well as higher consumption levels.

However, the still prevailing pandemic has been reshaping the environment whereas some new economic difficulties has also emerged with global supply chain disturbances and the sharp increase in energy prices witnessed in the second half of 2021.

The telecommunication industry has continued to play a critical role in keeping families connected and businesses and the economy progressing in this changing environment.

The Company could also leverage from these developments with both revenues and profitability improving in 2021. Although we continued to face lower SI/IT project demand and decided to recognize forward-looking impairment in bad debt expense for possible deterioration of our customer base's solvency position in relation to the termination of the loan moratorium and upcoming economic difficulties, thanks to the continued improvement in telecommunication service performance reflecting continued upward trend in customer demand, both annual gross profit, EBITDA and net income exceeded previous year's levels.

The need for digitalization, demand for data and the use of online, virtual channels have reached unseen levels, highlighting the integral role of the telecommunication industry.

To reflect to these changes and to ensure the reliability and security of our networks, we continued to invest in our infrastructure. The rollout of our fiber network remained a key priority and we dedicated significant amount of capital expenditures to the expansion of our network during 2021. Furthermore, we continued with the radio access network modernization commenced in 2020 to be able to meet the sharply rising mobile data capacity demand.

Beyond the changes on the market we closely monitor the recoverability of our assets, therefore the Company has conducted the goodwill impairment test more frequently during the year and paid more attention to monitor the solvency of customers, taking into account the potential negative impacts of COVID-19. See details in Notes 3.2 and 3.3.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are also considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date control ceases. The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition whereby costs directly attributable to the acquisition are expensed. The excess of the cost of acquisition over the fair value of the net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the Profit for the year (Other operating income).

The classification of transactions as a business combination must be made on a case-by-case basis. The Group may decide to apply or not to apply the concentration test separately for each transaction or event.

A concentration test is met if the substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. In this case, the group of activities and assets is not a business. A concentration test is met if the substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. In this case, the group of activities and assets is not a business.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group has maximum one year from the acquisition date to finalize the purchase price allocation.

If applicable, the Group recognizes at the acquisition date a liability for any contingent purchase consideration. If the amount of contingent consideration accounted for as a liability changes as a result of a post-acquisition event (such as meeting an earnings target), the difference is recognized in accordance with other applicable IFRSs as appropriate rather than as an adjustment of goodwill.

As for the measurement of non-controlling interest, the Group may recognize 100% of the goodwill of the acquired entity, not only the Group's portion of the goodwill. This is elected on a transaction-by-transaction basis. The Group attributes their share of losses to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In a step acquisition, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured on the date when control is obtained. Accordingly, goodwill is measured as the difference at the acquisition date between the fair value of any investment the business held before the acquisition, the consideration transferred and the fair value of the net asset acquired and non-controlling interest is recorded at fair value when the Group elects the fair value option.

In case of acquisitions where the transaction takes place between companies under common control (i.e. with other Deutsche Telekom Group companies), the transaction is recorded at the carrying amounts as recorded in the selling owner's accounts, and any gains, losses or differences between the carrying amount and the sale-purchase price are recognized in Retained earnings. The consolidated financial statements include the results of subsidiaries acquired from parties under common control from the date of the closing of the transaction.

A partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, therefore gain or loss is not recognized in profit or loss for such disposals.

A partial disposal of an investment in a subsidiary that results in loss of control triggers re-measurement of the residual interest to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognized in profit or loss (Other operating income).

Inter-company transactions, balances and unrealized gains or losses on transactions between the Magyar Telekom Group companies are eliminated. Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

The ESOP (Employee Share Ownership Program) Organization was a special organization of Magyar Telekom which was controlled by the Company without any shares in it. The voluntary liquidation of the ESOP Organization ended in 2021.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in millions of HUF, as the Group's presentation currency is the Hungarian Forint.

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit for the year (Other finance expense – net).

2.3.3 Group companies

The income and financial position of all of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- For the initial consolidation of foreign subsidiaries acquired, their assets and liabilities at the acquisition date are incorporated into the consolidated financial statements after translating the balances into HUF using the exchange rate prevailing at the date of acquisition. The fair value adjustments resulting from the purchase price allocation and

goodwill are accounted for in HUF for acquisitions before March 31, 2004, after which date these adjustments arising on consolidation are accounted for in the functional currency of the subsidiary.

- Assets and liabilities for each Statement of financial position presented are translated at the closing rate at the date of that Statement of financial position.
- Items of Profit or loss and other comprehensive income are translated at annual cumulated average exchange rates.
- All resulting exchange differences are recognized in the consolidated equity (Cumulative translation adjustment). When a foreign operation is fully or partially disposed of so that control is given up, exchange differences that were recorded in equity until the date of the sale are recognized in the operating profit for the year as part of the gain or loss on sale.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

3.1 Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. Management believes that this is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and heavily dependent on the investment plans of the Group. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions can be material to our financial position, and results of operations. See Notes 9 and 10 for the changes made to useful lives in 2021.

The Group is constantly introducing a number of new services or platforms. In the frame of that, Magyar Telekom focuses on the development of 4G and 5G platforms while does not make any further developments in 3G network. Services in that platform will be ceased from the second half of 2022, useful life of assets related to this technology had been revised and shortened in prior years, accordingly. Furthermore, Magyar Telekom continues the acceleration of its fiber rollout, the modernization of its ED3 network, a migration to Gigabit capable networks and the retirement of its copper networks. In case of the introduction of such new services, the Group conducts a revision of useful lives of the already existing platforms, but in the vast majority of the cases these new services or assets are designed to co-exist with the existing platforms, not necessarily resulting in no change-over to the new technology. Consequently, the useful lives of the existing platforms usually do not require shortening.

3.2 Estimated impairment of goodwill

Goodwill is not amortized, but tested for impairment annually in the last quarter of the year and in the other quarters quicktests are executed. Due to COVID-19, during the preparation of the interim financial reports of 2021 the management updated its goodwill impairment test in every quarter by considering updated information on inputs like book values, foreign exchange rates, and weighted average cost of capital. No impairment needed to be recognized in 2021.

The recoverable amounts of the operating segments are calculated based on fair value less cost of disposal determined by the discounted projected cash flows of the operating segments over the next ten years with a terminal value. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate. The Group has an implemented policy to make the impairment test based on a 10-year cash flow projection on reasonable and supportable assumptions that present the management's best estimate on market participants' assumptions and expectations. We use 10-year cash flow projections as the payback period of our investments in the telecommunications operations often exceeds five years.

In order to determine the recoverable amounts of the operating segments, the Group calculates the operating segments' fair values less cost of disposal. In the calculations, Magyar Telekom uses a range of weighted average cost of capital (WACC) and estimated perpetual growth rate (PGR) depending on the country of operations and the characteristics of the markets the Group's segments operate in. The WACCs are determined based on the capital asset pricing model (CAPM)



using the average betas of the peer group, 10-year zero-coupon yields and a debt ratio in line with the usual indebtedness of listed peer telecommunications companies, while the PGRs used are in line with the long-term average growth rate for the particular segment.

Costs of certain central functions that are not cross charged are also considered in the fair value calculations when conducting the goodwill impairment tests. The costs of these central functions are allocated to the operating segments based on the segments' revenue share of the Group's total revenue. Goodwill is allocated to the operating segments of the Group: MT-Hungary and North Macedonia. In 2021 and 2020, no goodwill had to be impaired. Details of the carrying amounts of goodwill allocated to the segments are in Note 10.4.

The following tables show the WACCs and PGRs used in the fair value calculations of the Group's operating segments for the goodwill impairment test conducted in 2021 and 2020. The tables below also include sensitivity analyses that show how much impairment would have been recognized as at December 31, 2021 or 2020 for the goodwill allocated to the operating segments if we changed the sensitive parameters in the calculations.

In 2021 we disclose what impact a 4 percentage point increase of the WACC would have on the goodwill. Regarding the PGRs, we disclose what impact a 9 percentage point decrease of the PGR would have on the goodwill. Regarding the cash flow projections, we disclose what impact a 20% or a 32% lower than projected cash flow stream would have on the goodwill.

2021	MT-Hungary	North Macedonia
WACC		
Used in the calculation.....	7.95%	5.14%
If changed to.....	11.95%	9.14%
Potential impairment (HUF million)	49,140	-
PGR		
Used in the calculation.....	1.0%	1.0%
If changed to.....	(8.0%)	(8.0%)
Potential impairment (HUF million)	7,746	-
Cash flow		
If changed by.....	(20.0%)	(20.0%)
Potential impairment (HUF million)	-	-
If changed by.....	(32.0%)	(32.0%)
Potential impairment (HUF million)	10,828	-

In 2020 we disclose what impact a 4 percentage point increase of the WACC would have had on the goodwill. In case of the PGRs we disclose what impact a 10 percentage point decrease of the PGR would have had on the goodwill. In case of the cash flow projections we disclose what impact a 20% or a 44% lower than projected cash flow stream would have had on the goodwill.

2020	MT-Hungary	North Macedonia
WACC		
Used in the calculation.....	5.68%	4.75%
If changed to.....	9.68%	8.75%
Potential impairment (HUF million)	41,909	-
PGR		
Used in the calculation.....	1.0%	1.0%
If changed to.....	(9.0%)	(9.0%)
Potential impairment (HUF million)	23,476	-
Cash flow		
If changed by.....	(20.0%)	(20.0%)
Potential impairment (HUF million)	-	-
If changed by.....	(44.0%)	(44.0%)
Potential impairment (HUF million)	12,754	-

The table below shows what changes can be observed in the 10-year plans prepared in 2020 following to those prepared in 2021.

	MT-Hungary	North Macedonia
Cumulative average annual change rate of revenue during the 10 years compared to 2021	0.3%	0.4%
Cumulative average annual change rate of revenue during the 10 years compared to 2020	0.5%	0.0%
Cumulative average annual change rate of EBITDA during the 10 years compared to 2021	0.7%	1.0%
Cumulative average annual change rate of EBITDA during the 10 years compared to 2020	0.6%	0.9%
Cumulative average annual change rate of Capex during the 10 years compared to 2021	(a) (4.2%)	(0.8%)
Cumulative average annual change rate of Capex during the 10 years compared to 2020	(a) (5.0%)	1.0%

(a) In 2020 and 2021, the Magyar Telekom Plc. acquired frequency usage rights represented significant amount and, as a result, the average Capex for the next 10 years shows declining tendency.

Magyar Telekom's management believes that preparing the value in use (VIU) calculation was unnecessary, since it would have resulted in a lower value than the fair value less costs of disposal (FVLCD). The VIU method assumes a model without future investments, meaning that additional capex and related revenue and gains to be recognized in the future cannot be considered in the calculations. Assuring the revenue for the long term in a telecom business very much depends on future investments. Due to technological changes it is obvious that these capital expenditures are essential for long term revenue generation and a necessity for the growth of business.

3.3 Estimated impairment of trade and other receivables

We calculate impairment for accounts receivable based on estimated losses resulting from the inability of our customers to make required payments. The loss allowance is recognized in respect of not only losses already incurred as of the reporting date (incurred losses) but also losses which have not yet been incurred as of the reporting date but which are expected to be incurred in the future (expected losses). For the largest customers and other telecommunications service providers, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the aging of our accounts receivable balance and our historical write-off experience, customer credit-worthiness and recent and expected changes in our customer payment terms and forward-looking information. In addition, we also consider the nature of the business (residential, business, fixed line, mobile, internet, cable TV, etc.) and the environment in which the Group's entities operate in the various markets.

The above factors of impairment calculation are reviewed annually, and changes are made to the calculations when necessary. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected impairment is considered as a critical estimate.

In 2020, coronavirus spread globally, and it has gained significant negative impact both socially and economically. In 2021 the global economic outlook started to improve thanks to the emergence of vaccinations, but the further waves of the pandemic and further economic events evoke uncertainties regarding the recovery. Current changes in market trends and the volatility in the economic conditions in Hungary as the post effect of COVID-19 pandemic has impact on the creditworthiness of our debtors and related estimates may differ materially from the prior periods.

According to the best estimation based on the reassessment of factors (particularly macroeconomic tendencies, current market conditions, the termination of the loan moratorium) significant impact have been concluded on the credit risk of the Group particularly on trade receivables in installment payments for telecommunications equipment sold. Consequently, forward-looking impairment increased by HUF 3.2 billion on this sub-group of debtors. The annual revision also revealed that no other asset classes have been impacted materially. The management concluded there is no reason to modify the bad debt ratios used previously for the portfolios.

A sensitivity analysis had also been prepared that shows how much impairment would have been recognized on trade receivables in instalment payments as at December 31, 2021 if we changed the estimated non-payment rate. According to this, the financial effect of 1% and 2% improvement (-) and deterioration (+) of the applied estimated non-payment rate would increase or decrease by HUF 0.8 billion and by HUF 1.5 billion on the carrying value of these trade receivables (current and non-current part).

If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

The management pays particular attention to the continuous monitoring of the solvency of the customers in the future and would take additional corrective actions if it is necessary. Please see further information Notes 4 and 5.1.2.

3.4 Contracts with customers

The Group applies the guidance to a group of contracts with similar characteristics instead of to a single contract with a customer. The characteristics considered include mainly the business segment of the customer, business model of the contract, and whether the contract is committed or not.

Contract assets are recognized for unbilled amounts typically resulting from sales under long-term contracts when revenue recognized exceeds the amount billed to the customer in that period. This is a temporary difference so that revenue recognized and revenue billed are the same by the end of the commitment term. The amount of the contract assets is determined considering the estimated churn rate of the relevant group of contracts. The time frame for reclassification of contract assets to a receivable is the minimum contract term of the relevant group of contracts.

Furthermore, the Group recognizes assets for costs incurred in connection with the signing of customer contracts which would not have been incurred if the customer contract had not been concluded (contract costs). Capitalization is subject to the expectation that those costs will be recovered by future revenue resulting from the contract.

Costs of obtaining a contract with a customer generally include sales commissions both direct and indirect distribution channels. Capitalizing incremental costs of obtaining a contract does not only refer to contracts concluded with a new customer but also to contract renewals. Accounting treatment of acquisition- and retention-related contract costs is the same.

Costs of obtaining a contract with a customer are amortized on a portfolio basis over the period that the related goods or services are transferred to the customer which is

- based on historical customer retention data and past experiences in that business segment in case of uncommitted contracts (e. g. prepaid) and
- in case of committed contracts the commitment period is considered as amortization period.

The Group decided not to use the practical expedient of expensing the incremental costs of obtaining a contract immediately, which are amortized over a period of one year or less.

See Note 18.4 for the amount of contract assets, contract liabilities and contract costs.

3.5 Annual fees of mobile licenses

Magyar Telekom's primary activities are the fixed-line and mobile operations in Hungary and North Macedonia. These services are in most cases regulated by these countries' laws or other legislation. These services in most cases require the acquisition of a license or concession, which usually requires a one-off fee and annual payments. It is judgmental whether we consider the annual fees to be reliably estimable or not. If the management considers that these annual fees can be estimated reliably, the present value of those are capitalized as part of the cost of the license with corresponding current and non-current financial liabilities, otherwise these are recognized as costs in the period they relate to.

The management considered that the annual band fees related to frequency usage right acquired in 2021 can be reliably estimated, the present value of those are recognized as part of the cost of the license. For further information see Notes 3.5, 4.4.3.1, 10.2, 10.5, 28 and 34.2.

3.6 Leases – estimating the incremental borrowing rate and assessment of extension and termination options

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

This discount rate reflects the main risks of the lease arrangements in a specific country and is provided for each year up to a maturity of 30 years. A change in the interest rate is only applicable when after initial recognition the contract is modified, or a reassessment is necessary which causes a change in the interest rate.

Magyar Telekom uses the lessee's incremental borrowing rate.

Magyar Telekom never uses negative interest rates. Any negative interest rates will be capped at an amount of zero.

In 2021, the range of used discount rates is 2.48%-4.41% (2.87%-5.31% in 2020). It was calculated as the average of the borrowing rates weighted by the discounted lease liability.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets of the Group include cash and cash equivalents, equity instruments of another entity and contractual rights to receive cash (trade receivables) or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity (derivatives) a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments

classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Financial liabilities of the Group include liabilities that originate from contractual obligations to deliver cash or another financial asset to another entity (non-derivatives); or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity (derivatives) or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

4.1 Financial assets – accounting policies

Group classifies its financial assets on the basis of both:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset

in the following categories:

- at amortized cost if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- at fair value through profit or loss (FVTPL) unless it is classified in the previous categories.

For the purpose of the above classification:

- principal is the fair value of the financial asset at initial recognition
- interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Standard purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the Profit for the year.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred. Financial assets have been transferred when the contractual rights to receive cash flows of the financial assets have been transferred or the contractual rights to receive cash flows of the financial assets have been retained but there is a contractual obligation to pay the cash flows to one or more recipients in an arrangement compliant with the conditions set out by IFRS 9. Any gains or losses on derecognition are recognized in Profit for the year and are calculated as the difference between (a) the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income and (b) the carrying amount derecognized.

4.1.1 Impairment of financial assets

Depending on the business model of the Group and the characteristics of the contractual cash flows of the financial assets, financial assets are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

A loss allowance must be recognized for financial assets measured at amortized cost and at fair value through other comprehensive income. The loss allowance must be recognized through profit or loss and reduces the carrying amount of the relevant financial asset; in the case of financial assets measured at fair value through other comprehensive income, the corresponding offsetting entry is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Loss allowances must also be recognized for lease receivables as defined in IFRS 16, contract assets as defined in IFRS 15, financial guarantee contracts and loan commitments relating to loans bearing an off-market interest rate.

Loss allowance is recognized in respect of not only losses already incurred as of the reporting date (incurred losses) but also losses which have not yet been incurred as of the reporting date but which are expected to be incurred in the future (expected losses).

Based on the changes in credit risk, it must be assessed at each reporting date whether the current loss allowance must be measured at an amount equal to the lifetime expected credit losses or at an amount equal to the 12-month expected credit losses. If it is not possible to assess whether the credit risk has increased significantly based on the individual financial asset, it must be assessed at the portfolio level.

The simplified and the general approaches are to be applied to assess and account for credit losses.

- Simplified approach

All financial instruments underlying simplified approach are measured with lifetime expected credit loss. Therefore, except for insolvency, neither any indicators for increase in credit risk nor any default events are relevant within the simplified approach.

The simplified approach is applicable for trade receivables, contract assets and lease receivables without a significant financial component. MT Group has chosen the right to use the simplified approach for these receivables with a significant financial component as well.

- General approach

According to the expected credit loss model the financial instruments are classified into three buckets. The classification into the three buckets is based upon the changes of the credit risk for the financial asset. A relative credit risk model is used for the evaluation of an increased credit risk. The increase of credit risk in comparison to the initial recognition is reflected in the transfer of the financial instrument between the buckets.

According to the expected credit risk model the impairment is determined differently for the three buckets. The impairment for financial instruments in bucket 1 is calculated based upon the 12-months expected credit loss. The impairment for financial instruments in bucket 2 and 3 is calculated based upon the lifetime expected credit losses. Once a long term asset is moved to bucket 3, the effective interest method has to be applied to reach net value after impairment.

The general approach is applied for bank accounts, factoring receivables, other financial receivables and employee loans.

4.1.2 Financial assets measured at amortized cost

The following items are assigned to this category:

- cash and cash equivalents;
- bank deposits over three months;
- trade receivables;
- other receivables.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method (relevant only for the receivables with long-term maturity).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, and all highly liquid deposits and securities with original maturities of three months or less, and exclude all overdrafts.

Bank deposits with original maturities over 3 months

Bank deposits with original maturities over 3 months include bank deposits and other liquid deposits and securities with original maturities over three months.

Trade receivables

If there is a significant increase in the credit risk of trade receivables carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition). In the case of short-term trade receivables estimation is made on the amount of expected future cash inflows and compared to the carrying amount, the difference is accounted for as allowance for trade receivables. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized as Bad debt expense.

When it is determined that there is no significant increase in the credit risk for an individually assessed accounts receivable, the item should be included in a group of accounts receivables with similar credit risk characteristics and assessed collectively for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

There are three categories for calculating impairment loss of trade receivables:

- for invoices which are overdue
- for invoices which are not yet due
- for unbilled revenue.

In the case of collective assessment there is significant increase in the credit risk if there are overdue items in a group of receivables. An ageing list is prepared on overdue receivables and the amount of impairment is calculated by multiplying impairment rates based on historical loss experience with the amount of receivables.

Impairment rates are calculated based on historical loss experience, however it is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. During the impairment calculation forward-looking information is also considered. Such information can be, for example, internal changes in the billing and dunning processes and external extreme changes e.g. in unemployment rates, credit crisis etc.

When a trade receivable is established to be uncollectible, it is written off against Trade receivables. Impairment and subsequent recoveries of amounts previously written off are accounted for against the period's Direct costs.

4.1.3 Financial assets at fair value through other comprehensive income (FVOCI)

The "financial assets at fair value through other comprehensive income" measurement category includes the following financial assets:

- listed and unlisted equity instruments that are neither fully consolidated nor included using the equity method in the consolidated financial statements, not held for trading and OCI option has been applied;
- debt instruments within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at fair value through other comprehensive income are initially recognized at fair value and are also subsequently carried at fair value. The unrealized changes in the fair value of financial assets at fair value through other comprehensive income are recognized in equity, in the Revaluation reserve for FVOCI financial assets for both equity instruments and debt instruments.

When securities classified as financial assets at fair value through other comprehensive income are sold, the accumulated fair value adjustments recognized in equity before are recognized in the profit or loss except for equity instruments, where it will be recognized directly to retained earnings.

The Group assesses at each balance sheet date whether there is significant increase in the credit risk. There is significant increase in the credit risk of a financial asset as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

If any such evidence exists for FVOCI financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

4.1.4 Financial assets at fair value through profit or loss (FVTPL)

Debt instruments which do not meet the conditions set out to be initially classified either at amortized cost or at fair value through other comprehensive income must be measured at fair value through profit or loss.

The “financial assets at fair value through profit or loss” measurement category includes the following financial assets:

- Debt instruments that are designated as “at fair value through profit or loss” using the fair value option.
- Equity instruments acquired for the purpose of selling immediately or in the near term and thus classified as “held for trading” and equity instruments not held for trading where the OCI option has not been applied.
- Derivative financial assets.
- Debt instruments not fulfilling conditions of either financial assets at amortized cost or financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognized in the profit or loss in the period in which they arise.

4.2 Financial assets in the statement of financial position

4.2.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, and all highly liquid deposits and securities with original maturities of three months or less, and exclude all overdrafts. These financial assets are exposed to credit risks, for which see more details in Note 5.1.2. No impairment had to be recognized for any of these balances in the reported years.

	12.31.2020	12.31.2021
Cash on hand	133	97
Cash in bank (demand deposits)	14,556	13,312
Bank deposits with original maturities less than 3 months	-	54
Cash and cash equivalents.....	14,689	13,463

Average interest rates	12.31.2020	12.31.2021
Cash on hand	0.00%	0.00%
Cash in bank (demand deposits)	0.07%	0.10%
Bank deposits with original maturities less than 3 months	0.00%	0.00%
Average interest rate.....	0.07%	0.10%

Cash and cash equivalents by currency	12.31.2020	12.31.2021
EUR.....	4,480	6,806
MKD.....	6,798	2,962
HUF.....	2,582	2,397
RON	655	1,007
USD	162	255
Other.....	12	36
Total.....	14,689	13,463

Cash and cash equivalents by country of location	12.31.2020	12.31.2021
North Macedonia	10,836	9,257
Hungary	3,082	3,052
Other countries.....	771	1,154
	14,689	13,463

4.2.2 Trade receivables

4.2.2.1 Trade receivables – carrying amounts

	12.31.2020	12.31.2021
Trade receivables from third parties.....	152,390	152,644
Trade receivables from Deutsche Telekom Group companies.....	6,465	5,543
Trade receivables from associates and joint ventures.....	2	-
Trade receivables	158,857	158,187

Age profile of Trade receivables

The following tables show the age profile of the Group's trade receivables by country of operation by days outstanding (past due). The carrying amounts of past due receivables are shown net of impairment losses charged as of the financial statement dates.

	Carrying amount as of 12.31.2021	of which not past due	of which past due by					
			less than 30 days	30–60 days	61–90 days	91–180 days	181–360 days	over 360 days
Hungary.....	140,838	121,774	15,320	2,039	542	572	408	183
North Macedonia	15,816	12,587	1,888	313	109	171	278	470
Other countries.....	1,533	1,204	241	20	51	10	7	-
Total.....	158,187	135,565	17,449	2,372	702	753	693	653

	Carrying amount as of 12.31.2020	of which not past due	of which past due by					
			less than 30 days	30–60 days	61–90 days	91–180 days	181–360 days	over 360 days
Hungary.....	141,356	126,616	10,966	2,337	470	494	351	122
North Macedonia	16,117	12,788	1,801	377	112	216	255	568
Other countries.....	1,384	1,068	105	116	50	14	31	-
Total.....	158,857	140,472	12,872	2,830	632	724	637	690

The vast majority of trade receivables is impaired on a portfolio basis. The vast majority of past due trade receivables is partly or fully impaired depending on the period of delay of payments.

4.2.2.2 Impairment losses of trade receivables and contract assets

The table below shows the impairment losses and changes of trade receivables therein for 2020 and 2021.

	12.31.2020	12.31.2021
Impairment loss, beginning of period	30,693	28,978
Charged to expense – net (included in Direct costs).....	7,272	9,450
Translation difference.....	1,112	133
Utilized	(10,099)	(7,226)
Impairment loss, end of period	28,978	31,335

The table below shows the impairment losses and changes of contract assets therein for 2020 and 2021.

	12.31.2020	12.31.2021
Impairment loss, beginning of period	1,728	2,215
Charged to expense – net (included in Direct costs).....	2,445	1,562
Translation difference.....	52	8
Utilized	(2,010)	(1,577)
Impairment loss, end of period	2,215	2,208

The table below includes the impairment losses and the changes therein in 2020 and 2021 for the countries of operation of the Group.

	01.01.2021	Charged to expense	Translation difference (and rounding)	Utilized (a)	12.31.2021
Hungary.....	18,385	9,816	(1)	(7,285)	20,915
North Macedonia	12,589	1,089	141	(1,403)	12,416
Other countries.....	219	107	1	(115)	212
Group	31,193	11,012	141	(8,803)	33,543

	01.01.2020	Charged to expense	Translation difference (and rounding)	Utilized (a)	12.31.2020
Hungary.....	20,870	8,734	5	(11,224)	18,385
North Macedonia	11,346	980	1,139	(876)	12,589
Other countries.....	205	3	20	(9)	219
Group	32,421	9,717	1,164	(12,109)	31,193

(a) Utilized means reversed on derecognition (settlement, write-off or factoring).

See also Note 5.1.2 for further analysis of credit risks related to Trade receivables.

4.2.3 Other financial assets

Other financial assets include receivables due within 12 months (current) and due after 12 months (non-current) from the end of the reporting period (financial statement date). These financial assets are exposed to credit risks, for which see more details in Note 5.1.2. The impairment loss recognized or reversed for other current and non-current financial assets is not material.

4.2.3.1 Other current financial assets

	12.31.2020	12.31.2021
Bank deposits with original maturities over 3 months (a)	2,925	4,061
Receivables from asset-related grants (b)	4,794	3,507
Finance lease receivable..... (c)	315	331
Derivative financial instruments contracted with related parties..... (d)	13,818	300
Cashpool receivables..... (e)	19,768	-
Other.....	867	1,220
Total.....	42,487	9,419

For the explanations of (a)-(e) points see Note 4.2.3.2.

4.2.3.2 Other non-current financial assets

	12.31.2020	12.31.2021
Derivative financial instruments contracted with related parties..... (d)	6,878	16,415
Equity instruments..... (f)	2,032	2,473
Finance lease receivable..... (c)	836	565
Other.....	868	730
Total.....	10,614	20,183

(a) Bank deposits with original maturities over 3 months were deposited in North Macedonia predominantly in euro. They amounted to HUF 4,061 million as at December 31, 2021 (2020: HUF 2,925 million).

(b) Starting from 2016 HUF 11.7 billion of EU funds were utilized by Magyar Telekom. The first and second rounds of a tender aimed the developing digital networks nationwide to cover households in Western and Eastern parts of Hungary with a fixed network capable of reaching a speed of at least 30 Mbps. The Company received HUF 8.2 billion grant related to EU fund in advance from which HUF 12 million has not been used yet. The Company accomplished a number of investments which complied with the condition of the related EU Funding Contracts. With respect to these completed investments the amount of the grant which has not been financially settled yet is presented as receivable. For those investments where the conditions have not been satisfied yet, the advances received are shown as part of Other current liabilities (Unused advance payments for asset related grants).

	12.31.2020	12.31.2021
Accumulated grant recognized in PPE.....	11,599	11,683
Accumulated advance payments received (Note 14).....	6,826	8,188
Unused advance payments for asset-related grants (Note 14).....	21	12
Asset-related grants receivables.....	4,794	3,507

(c) See Note 17.2.1 for more information on Finance lease receivable.

(d) Derivative financial instruments contracted with related parties include the fair value of open currency forwards and cross-currency interest rate swaps (see more details in Note 4.5.1.1, 5.1.1.1 and 5.1.1.2).

(e) The aggregate balance of the cashpool was a receivable (HUF 19,768 million) as at December 31, 2020 which also included cashpool liabilities (HUF 266 million). The table below shows the currency breakdown:

31.12.2020	Carrying amount	Borrower	Currency	Effective interest rate	Fixed / floating
	14,480	DT AG	HUF	0.50%	floating
	5,554	DT AG	EUR	0.00%	floating
	(266)	DT AG	USD	0.34%	floating
Due within 1 year	19,768				

The aggregate balance of the cashpool is a liability (HUF 8,333 million) as at December 31, 2021. For further information see note 4.4.1.

(f) Equity instruments include investment in E2 Hungary Zrt. based on the agreement with MET Holding AG (see Note 11.3 for more information) as well as other insignificant investments in equity securities.

4.2.3.3 Trade receivables over one year

Trade receivables over one year (HUF 18,953 million as at December 31, 2021 and HUF 18,566 million December 31, 2020) include receivables from customers paying over one to two years in installments for telecommunications equipment sold. The impairment losses of trade receivables over one year amounted to HUF 2,273 million as at December 31, 2021 (2020: HUF 1,378 million). For further information see Note 3.3.

4.3 Financial liabilities – accounting policies

There are two measurement categories for financial liabilities used by the Group:

- Financial liabilities carried at amortized cost
- Financial liabilities at fair value through profit or loss

No reclassification between categories has been made in the past and no reclassifications are expected in the future. Both types of financial liabilities are initially recognized at fair value, while subsequent measurements are different (see below). A financial liability is derecognized (or a part of a financial liability) from the Statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.3.1 Financial liabilities carried at amortized cost

The measurement category for “financial liabilities measured at amortized cost” includes all financial liabilities not classified as “at fair value through profit or loss”.

Loans and other financial liabilities

Loans and other financial liabilities are recognized initially at fair value less transaction costs, and subsequently measured at amortized costs using the effective interest rate method. The effective interest is recognized in the Profit for the year (Interest expense) over the period of the liabilities.

Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Bonds

Bonds are recognized initially at fair value less transaction cost and subsequently measured at amortized cost using the effective interest rate method under IFRS 9.

4.3.2 Financial liabilities at fair value through profit or loss

Derivative financial instruments and call option of MET Holding AG and contingent considerations are measured under at fair value through profit or loss model. The Group currently has no intention of measuring non-derivative financial liabilities at fair value. Contingent consideration recognized by the Group as acquirer in a business combination to which

IFRS 3 applies will subsequently be measured at fair value through profit or loss. The Group does not apply hedge accounting, therefore all derivatives are measured at fair value through profit or loss.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and their fair values are re-measured at subsequent balance sheet dates. Magyar Telekom does not apply hedge accounting for its financial instruments, therefore all gains and losses are recognized in the Profit for the year (Other finance expense – net).

4.4 Financial liabilities in the statement of financial position

4.4.1 Financial liabilities to related parties

Financial liabilities to related parties include HUF and EUR-denominated loans taken from DT Group. In addition, for the whole nominal amount and interest payment of loans denominated in EUR granted by Deutsche Telekom International Finance B.V. (DTIF) and DT AG we have cross-currency interest rate swap agreements in place (with DT AG) so that Magyar Telekom's exposure in fact remains in HUF. The loans and the related swap agreements are accounted for and disclosed on a gross basis. For further information please see Note 32.1.1.

The tables below show the details of the financial liabilities towards Deutsche Telekom Group members as at December 31, 2021 and 2020.

12.31.2021	Carrying amount	Lender	Currency	Effective interest rate (%)	Fixed / floating	Maturity	Original term
	29,520	DT AG	EUR	0.00	floating	July 2022	1 year
	1,579	DT AG	USD	0.34	floating	Cashpool	N/A
	5,596	DT AG	HUF	1.98	floating	Cashpool	N/A
	1,158	DT AG	EUR	0.27	floating	Cashpool	N/A
Due within 1 year	37,853						
Accrued interest.....	130						
Other financial liabilities.....	84						
Derivatives	20						
Total current	38,087						
	44,280	DT AG	EUR	0.30	floating	May 2024	5 years
	46,125	DT AG	EUR	0.52	floating	Jan 2025	5 years
Non-current.....	90,405						
Derivatives	-						
Total non-current.....	90,405						

As at December 31, 2021 current liabilities exceed current assets by HUF 63,465 million, primarily due to frequency fees payable together with the short-term loan facilities received from DT AG that were taken to finance working capital and daily ongoing activities. Management believes that short-term liabilities from DT AG will be refinanced in a similar manner to previous years. Financing needs will also be covered by cash flows generated by operating activities and third party credit line facilities (see Note 5.1.3).

12.31.2020	Carrying amount	Lender	Currency	Effective interest rate (%)	Fixed / floating	Maturity	Original term
	47,473	DTIF	EUR	1.99	fixed	Jan 2021	6 years
	48,491	DTIF	EUR	1.60	fixed	July 2021	5 years
Due within 1 year	95,964						
Accrued interest.....	2,307						
Other financial liabilities.....	66						
Derivatives	13						
Total current	98,350						
	43,815	DT AG	EUR	0.41	floating	May 2024	5 years
	45,641	DT AG	EUR	0.58	floating	Jan 2025	5 years
Non current	89,456						
Derivatives	-						
Total non current.....	89,456						

The table below shows the carrying amounts and fair values of the related-party loans.

	12.31.2020		12.31.2021	
	Book value	Fair value	Book value	Fair value
HUF denominated loans				
At fixed rate	-	-	-	-
At floating rate.....	-	-	5,596	5,596
	-	-	5,596	5,596
EUR denominated loans				
At fixed rate	95,964	95,964	-	-
At floating rate.....	89,456	89,456	121,083	121,083
	185,420	185,420	121,083	121,083
USD denominated loans				
At fixed rate	-	-	-	-
At floating rate.....	-	-	1,579	1,579
	-	-	1,579	1,579
Accrued interest.....	2,307	2,307	130	130
Other financial liabilities.....	66	66	84	84
Derivatives	13	13	20	20
Total related-party financial liabilities.....	187,806	187,806	128,492	128,492

The weighted-average interest rate on related-party loans was 0.38% in 2021 (1.17% in 2020). Any decrease in market interest rates will result in an increase in the fair value of the fixed interest rate liabilities.

Derivatives contracted with related parties include cross-currency interest rate swaps and FX forwards concluded with DT AG to change the Group's exposure to HUF in the case of the EUR-denominated loans and to cover FX needs of expected future foreign currency outflows. There were no defaults or breaches in connection with the financial liabilities to related parties.

4.4.2 Bonds

In 2020 Magyar Telekom has initiated a review of its external funding framework in order to diversify and enhance the maturity profile of the Company's debt portfolio. Accordingly, the Company participated in the Bond Funding for Growth Scheme ("Scheme" or "BGS") of the Central Bank of Hungary ("MNB") and obtained funding sources with competitive pricing.

In order to increase the liquidity of the corporate bond market, the MNB launched Scheme from July 1, 2019, supplementing its unconventional monetary policy tools and the fixed Growth Loan Program.

The proceeds of the bonds are used to fund investments into the fixed and mobile network roll-out and modernization (including the acquisition of new frequencies).

The issued bonds amounted to HUF 70 billion at face value were purchased for a total purchase price of HUF 70.83 billion by the attendees at the closed auction on November 24, 2020. The total purchase price was transferred to the Company by the attendees on November 26, 2020. Subsequently Magyar Telekom 2027 HUF Bonds were listed on the BSE XBond multilateral trading platform on December 17, 2020 and are available for trading in the XBond platform from December 21, 2020 (first trading day). The table below shows the main parameters:

Bond code	Magyar Telekom 2027 HUF Bond
Bond expiries:	
HUF 35 billion	November 26, 2026
HUF 35 billion	November 26, 2027
Interest type	Fixed interest
Coupon (Nominal interest rate)	1.45%
Yield	1.2579%
Effective interest rate.....	1.95%

In 2021 the carrying amount of bonds HUF 68,215 million (in 2020 HUF 67,904 million). For further information please see Note 4.4.3.3 and 15.

4.4.3 Other financial liabilities

4.4.3.1 Other financial liabilities - Balances

The tables below show the current and non-current balances of Other financial liabilities.

		12.31.2020	12.31.2021
Frequency fees payable.....	(a)	4,771	49,759
Debtor overpayment.....		1,309	1,394
Contingent consideration liabilities	(b)	177	150
Other		5,947	4,123
Total other financial liabilities – current		12,204	55,426

		12.31.2020	12.31.2021
Frequency fees payable.....	(a)	71,313	106,323
Contingent consideration liabilities	(b)	250	-
Other		2,600	2,908
Total other financial liabilities – non-current		74,163	109,231

There were no defaults or breaches in connection with other financial liabilities.

(a) The present value of the future annual band fees payable is recognized as part of the carrying amount of the licenses as intangible assets, with corresponding current and non-current financial liabilities.

New frequency blocks were acquired in January 2021, which entitled Magyar Telekom for the usage of these from April 2022 until March 2042. A one-time spectrum fee amounted to HUF 44.22 billion is required to pay for these frequency blocks, and this payment is due in the first quarter of 2022, the present value of this fee (HUF 44.04 billion) is also disclosed among frequency fees payable. For more details see also Notes 3.5, 10.2, 10.5 and 34.2.

(b) Contingent consideration liabilities are recognized by Magyar Telekom as the acquirer in a business combination to which IFRS 3 applies. They are measured at fair value through profit or loss.

4.4.3.2 Proceeds/repayments of loans and other borrowings

Cash proceeds/payments for related-party loans are included in the Proceeds from loans and other borrowings/Repayment of loans and other borrowings line of the Statements of cash flows.



4.4.3.3 Additional disclosure about changes in liabilities arising from financing activities

The following table includes changes in net debt reconciled with their effects on the Consolidated statement of cash flows in order to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Changes in financial liabilities without cash movement are mainly due to the increase in liabilities related to annual band fees (see Note 10.2), lease liabilities (see Note 9.2) and the FX effects of financial liabilities denominated mainly in EUR and transactions where future cash flows are recognized at the present value of the annual fees payable.



	Opening Balance at January 1, 2021	Changes in cash and cash equivalents	Changes affecting cash flows from operating activities	Changes in financial liabilities without cash movement	Changes affecting cash flows from investing activities	Changes affecting cash flows from financing activities					Closing Balance at December 31, 2021
						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Proceeds from bonds	Repayment of other financial liabilities	Other	
Related-party loans	187,793	-	(5,040)	2,224	-	166,931	(223,436)	-	-	-	128,472
Derivatives from related parties	13	-	-	736	(729)	-	-	-	-	-	20
Frequency fees payable	76,084	-	(3,464)	88,143	-	-	-	-	(4,681)	-	156,082
Bonds	67,904	-	(1,015)	1,326	-	-	-	-	-	-	68,215
Lease liabilities	132,532	-	(4,717)	26,635	-	-	-	-	(20,046)	-	134,404
Debtors overpayment.....	1,309	-	85	-	-	-	-	-	-	-	1,394
Contingent consideration.....	427	-	-	(97)	(180)	-	-	-	-	-	150
Other financial liabilities	8,547	-	(2,531)	5,260	-	-	-	-	(4,245)	-	7,031
-Less cash and cash equivalents.....	(14,689)	1,226	-	-	-	-	-	-	-	-	(13,463)
-Less other current financial assets	(42,487)	-	(1,757)	1,790	13,267	19,768	-	-	-	-	(9,419)
Net debt	417,433	1,226	(18,439)	126,017	12,358	186,699	(223,436)	-	(28,972)	-	472,886
Treasury share purchase.....										(10,215)	
Dividends paid to Owners of the parent and Non-controlling interest										(18,788)	
Net cash used in financing activities.....										(94,712)	



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

4.4.4 Trade payables

	12.31.2020	12.31.2021
Payable to DT Group companies.....	11,032	12,089
Payable to associates and joint ventures.....	2	1
Other trade payables.....	137,292	129,941
Total.....	148,326	142,031

4.5 Additional disclosures on financial instruments
4.5.1 Financial assets and liabilities

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 observable for the asset or liability, either directly or indirectly (Level 2)
- inputs for the asset or liability that are not based on observable market data (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety.

There was no transfer between Level 1 and Level 2 financial instruments.

Most of the financial assets and financial liabilities are measured at amortized cost, but fair value information is also provided for these. The fair values of these assets and liabilities were determined using Level 3 type information, except for bonds. The initial fair value of the MT2027 bond was calculated based on Level 2 information as the bonds did not have an active market. The discount rate was determined based on relevant BIRS rates and a margin estimation based on commercial bank offers during the auction. The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques, mainly by applying the discounted cash flow method. The cash flow estimations are based on the relevant underlying contracts and the discount rates are calculated based on the interest rate benchmarks applicable for the relevant maturities and currencies (BUBOR, BIRS, EURIBOR, EUR IRS). Foreign exchange conversion is made based on central bank FX fixings (preferably that of the Central Bank of Hungary).

Level 2 information is available to determine derivatives assets and liabilities. Level 1 information is used for determining fair value of equity instruments designated as financial assets at fair value through other comprehensive income, and fair values of equity instruments designated as financial assets at fair value through profit or loss, contingent consideration liabilities, and liabilities on call options (where it is applicable under IFRS 9) are carried at fair value where the fair value was determined using Level 3 type information.

The following tables include the carrying amounts and fair values of the Group's financial assets and liabilities as at December 31, 2021 and 2020.

4.5.1.1 Financial assets – Carrying amounts and fair values

12.31.2021	Carrying amount					Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)	Total	
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 within one year.....	158,187	-	-	-	158,187	158,187
Trade receivables over one 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

12.31.2020	Carrying amount					Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Cash and cash equivalents.....	14,689	-	-	-	14,689	14,689
Bank deposits with original maturities over 3 months.....	2,925	-	-	-	2,925	2,925
Cashpool.....	19,768	-	-	-	19,768	19,768
Trade receivables within one year.....	158,857	-	-	-	158,857	158,857
Trade receivables over one year.....	18,566	-	-	-	18,566	17,950
Derivative financial instruments contracted with related parties.....	-	-	20,696	-	20,696	20,696
Finance lease receivable.....	1,151	-	-	-	1,151	1,041
Equity instruments.....	-	839	-	1,193	2,032	2,032
Receivables from asset-related grants ...	4,794	-	-	-	4,794	4,794
Other current receivables.....	870	-	-	-	870	870
Other non-current receivables	865	-	-	-	865	885
Total.....	222,485	839	20,696	1,193	245,213	244,507

Loans and receivables are measured at amortized cost, while equity instruments and held-for-trading assets are measured at fair value. Fair value through profit or loss assets (Level 2) include derivatives the two classes of which are forward deals (HUF 300 million) and cross currency and interest rate swaps (HUF 16,415 million). The fair values of those instruments are based on a discounted cash flow method. The calculation is prepared by Magyar Telekom Plc. based on money market interest rate curves, basis swap points and spot FX rates from Reuters database published on the last working day of the reporting period. The present value of the expected future cash flows is discounted to the reporting date using money market interest rates and basis swap points in the specific currency from Reuters and exchanged to HUF using the spot FX rate. The difference between the HUF present value of the payable and receivable is accounted for as assets or liabilities.

Fair value through profit or loss financial assets (Level 3) include the investment in E2 Hungary Zrt. The carrying values of assets measured at amortized cost with short times to maturity approximate their fair values.

Equity instruments designated as financial assets at fair value through other comprehensive income include insignificant investments in equity instruments, all measured at fair value, which is the North Macedonian stock exchange price of the equity instruments.

4.5.1.2 Financial liabilities – Carrying amounts and fair values

12.31.2021	Carrying amount				Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Financial liabilities to related parties	128,472	20	-	128,492	128,492
Trade payables	142,031	-	-	142,031	142,031
Frequency fees 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 liabilities	-	-	150	150	150
Other current liabilities.....	4,123	-	-	4,123	4,123
Other non-current liabilities	2,764	-	144	2,908	2,961
Total.....	637,485	20	294	637,799	614,649

12.31.2020	Carrying amount				Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Financial liabilities to related parties	187,793	13	-	187,806	187,806
Trade payables	148,326	-	-	148,326	148,326
Frequency fees payable.....	76,084	-	-	76,084	85,202
Bonds.....	67,904	-	-	67,904	68,053
Lease liabilities.....	132,532	-	-	132,532	140,320
Debtors' overpayment.....	1,309	-	-	1,309	1,309
Contingent consideration liabilities	-	-	427	427	427
Other current liabilities.....	5,947	-	-	5,947	5,947
Other non-current liabilities	2,470	-	130	2,600	2,633
Total.....	622,365	13	557	622,935	640,023

Derivatives and liabilities from contingent consideration of a business combination and a liability on a call option where it is applicable are measured at fair value, while all other financial liabilities are measured at amortized cost.

Additional fair value information on the loans and other borrowings is provided in Note 4.4.1. The carrying values of the current financial liabilities measured at amortized cost approximate their fair values.

4.5.1.3 Financial liabilities carried at fair value determined using level 3 type information

Financial instruments which are carried at fair value where the fair value was determined using Level 3 type information are the contingent consideration liabilities and the liability pertaining to the call option under IFRS 9. The table below includes the movements of these liabilities.

	2020	2021
Opening balance at January 1.	539	557
Increase arising on call option.....	139	-
Remeasurement		
- recognized in profit or loss (net financial result)	(1)	17
- recognized in statement of financial position.....	-	(100)
Payment.....	(120)	(180)
Closing balance at December 31.	557	294

4.5.2 Items of net gains and losses arising on financial instruments

The tables below include net gains and losses arising on financial instruments in 2021 and 2020.

2021	From interest	From subsequent measurement			From derecognition	From fee expense	Total net gain / (loss)
		Change in fair value	FX gain / (loss)	Impairment loss			
Equity instruments (Level 1).....	-	443	-	-	-	-	443
Equity instruments (Level 3).....	-	(11)	-	-	-	-	(11)
Financial assets measured at amortized cost	305	-	(745)	(11,012)	-	(5,091)	(16,543)
Financial liabilities measured at amortized cost	(13,130)	-	(849)	-	-	(48)	(14,027)
FVTPL financial instruments (Level 2).....	-	(3,988)	-	-	10,960	-	6,972
FVTPL financial instruments (Level 3).....	-	(17)	-	-	-	-	(17)
Net gain/(loss) on financial instruments.	(12,825)	(3,573)	(1,594)	(11,012)	10,960	(5,139)	(23,183)

2020	From interest	From subsequent measurement			From derecognition	From fee expense	Total net gain / (loss)
		Change in fair value	FX gain / (loss)	Impairment loss			
Equity instruments (Level 1).....	-	50	-	-	-	-	50
Equity instruments (Level 3).....	-	38	-	-	-	-	38
Financial assets measured at amortized cost	262	-	(1,965)	(9,717)	3	(5,068)	(16,485)
Financial liabilities measured at amortized cost.....	(12,315)	-	(24,458)	-	-	(30)	(36,803)
FVTPL financial instruments (Level 2).....	-	19,669	-	-	2,441	-	22,110
FVTPL financial instruments (Level 3).....	-	1	-	-	-	-	1
Net gain/(loss) on financial instruments.	(12,053)	19,758	(26,423)	(9,717)	2,444	(5,098)	(31,089)

The tables above include the amounts before capitalization of borrowing costs (see Note 24).

Impairment losses on Financial assets measured at amortized cost includes all expenses incurred or expected to be incurred in relation to the default of our customers and presented as a direct cost in the Statement of profit or loss and

other comprehensive income. Before writing off or factoring, we impair the receivables to their recoverable amounts through the use of an impairment allowance account, as a result of which the actual write-off or factoring of these receivables results in no derecognition gains or losses.

The amount of Fee expense is mainly connected to transactional fees on financial realization of income (like white check acceptance fee of Hungarian Post, VPOS relevant cost and other various commissions) and other bank charges type fees.

4.5.3 Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable netting arrangements, each agreement between the Group and the counterparty (typically roaming and interconnect partners) allows for net settlement of the relevant trade receivable and payable.

The following trade receivables and trade payables are subject to offsetting agreements and are presented after netting in the Consolidated statements of financial position.

	12.31.2020		12.31.2021	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts of recognized financial instruments	159,876	149,345	159,604	143,448
Gross amounts of financial instruments set off	(1,019)	(1,019)	(1,417)	(1,417)
Net amounts of recognized financial instruments presented in the statement of financial position	158,857	148,326	158,187	142,031

4.5.4 Other disclosures about financial instruments

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 (2020: HUF 14.8 billion). 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. 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 the partners and sometimes these can result the drawdown of the guarantees. Such utilization of the bank guarantees happened in an amount of HUF 133 million in January 2022 which is not related and has no significant effect on the solvency of the Group. For more information see note 4.4.3.1.

Magyar Telekom does not hold any material collateral of its financial assets.

There were no other financial assets or liabilities, which were reclassified into another financial instrument category. No financial assets were transferred in such a way that part or all of the financial assets did not qualify for derecognition. The Group does not have compound financial instruments with multiple embedded derivatives.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Magyar Telekom Plc. is primarily exposed to credit risks related to its financial assets. In addition, the Group is also exposed to risks from movements in exchange rates, interest rates that affect the fair value and/or the cash flows arising from financial assets and liabilities.

Financial risk management aims to limit these risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are also used for this purpose, depending on the risk assessment. Magyar Telekom only hedges the risks that affect the Group's cash flows, no hedges are concluded to hedge fair values. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the counterparty risk, derivatives are generally only concluded with leading Hungarian or international financial institutions or Deutsche Telekom. Nevertheless, hedge accounting is not applied to such transactions.

The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. These sensitivity analyses calculate with reasonably possible changes in the relevant risk variables and their impact on profit before tax. The impacts disclosed below for the reported periods are subject to an average effective income tax rate of approximately 25%, i.e. the impact on Profit for the year would be approximately 75% of the pre tax amount in a year that is free from significant one-off non-deductible pre-tax impacts and significant changes in tax legislations. The potential impacts disclosed (less tax) would be the same on the Group's Equity.

There were no major changes in these risks compared to the previous reporting period.

5.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- foreign currency risk;
- interest rate risk;
- price risk.

The fundamentals of Magyar Telekom's financing strategy are established each year by the Board of Directors. The Group's policy is to borrow centrally using a balanced combination of medium-term and short-term loans and bonds, and fixed and floating interest rates on those liabilities. The Board of Directors has approved two debt protection ratio KPIs, and monitors their fulfillment annually. At the end of 2021 Magyar Telekom fulfilled both criteria; Total Debt to EBITDA ratio of 2.15 in 2021 (2020: 2.10), while the allowed maximum can be 2.8 and EBITDA to Net financial result ratio of 17.58 in 2021, (2020: 9.47), while the allowed minimum can be 3.0. The Group during the implementation of the finance policy and the financial risk management, determine and continuously monitor the foreign exchange, liquidity and counterparty risk management guidelines.

Magyar Telekom is exposed to interest and foreign exchange (FX) rate risk associated with its interest bearing assets and liabilities and anticipated transactions. As the vast majority of the revenue and expenses of the Hungarian entities arise in HUF, the functional currency of the Hungarian entities of Magyar Telekom is HUF. Consequently, Magyar Telekom's objective is to minimize the level of its financial risk applying HUF terms.

For the presentation of market risks, we also provided sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on Profit before tax. These hypothetical changes were modeled to present a reasonably possible change in the relevant risk variables. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the end of the latest reporting period (2021) and the preceding reporting period (2020). The balances at the end of the reporting period are usually representative for the year as a whole; therefore the impacts are calculated using the year end balances. The methods and assumptions used in the sensitivity calculations did not change significantly compared to the previous period. As a result of the still rather volatile international capital and securities markets, higher fluctuations of the FX and interest rates are also possible.

5.1.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in FX rates. Currency risks primarily arise on financial instruments denominated in a currency that is not the functional currency of the given operating segment of the Group. Differences resulting from the translation of the foreign subsidiaries' financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Magyar Telekom has financial instruments.

The Hungarian Forint depreciated by approx. 1% against the euro in 2021. In 2019 and 2020 the forint was fluctuating in a 8-12% range against the EUR, in 2021 this range narrowed slightly to approx. 7%.

In order to mitigate FX risk in the case of FX denominated financial instruments, Magyar Telekom minimized its foreign currency borrowings in the past years or covered them with derivative instruments to substantially reduce FX risk. The corporate bond is HUF denominated and thus no foreign currency exposure arises related to this instrument.

FX risks arising on loans and related swaps with DT AG

Several related party loans taken to finance general needs of the Group from Deutsche Telekom AG (DT AG) and or its financing vehicle, Deutsche Telekom International Finance B.V. (DTIF) are denominated in EUR, while, at the same time, cross-currency interest rate swaps or FX swaps are concluded with Deutsche Telekom AG to fix the actual cash flows of Magyar Telekom in HUF. Even though the Group does not apply hedge accounting, the change in the HUF/EUR exchange rate has limited (net) impact on profit or loss and equity related to the hedged loans and the hedging transactions together.

Sensitivity analysis

A reasonably possible strengthening or weakening of the EUR in the table below against HUF as at the end of the reporting period would have affected the measurement of loans denominated in a foreign currency and increased (+)/ decreased (-) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

	Profit or loss	
	Strengthening	Weakening
<u>12.31.2021</u>		
EUR/HUF (10% movement)		
Loan	(11,993)	11,993
Swap agreements.....	12,242	(12,242)
Net effect.....	249	(249)
<u>12.31.2020</u>		
EUR/HUF (15% movement)		
Loan	(27,813)	27,813
Swap agreements.....	28,747	(28,747)
Net effect.....	934	(934)

Other FX exposure

The remaining FX exposure of Magyar Telekom is mostly related to (i) holding foreign currency cash balances in its subsidiaries in the Southern and Eastern Europe region, and (ii) operating activities through revenue from, and payments to, international telecommunications operators as well as (iii) capital and operating expenditure contracted with vendors in foreign currency. In line with currency hedging policy, the Company holds sufficient amounts of foreign currencies on its bank accounts or buys foreign currencies through FX forward transactions, the amounts of which are determined considering the balance of short term FX denominated trade and leases payables and trade receivables in the next period in order to hedge the currency risk arising in connection with those assets and liabilities. The Group's foreign currency denominated liabilities (other than the above described loans) exceed the Group's foreign currency denominated assets, therefore changes in the functional currencies' exchange rates would have the following impact on the profit of the Group.



In order to reduce the above exposure, Magyar Telekom occasionally enters into derivative contracts. The positive fair value of the related open short-term forward positions was HUF 0.2 billion asset as of December 31, 2021 (2020: HUF 0.5 billion asset). These positions were opened to mitigate the FX risks of future FX payments exceeding FX income.

Sensitivity analysis

A reasonably possible strengthening or weakening of the currencies in the table below against HUF and MKD as at the end of the reporting period would have affected the measurement of financial instruments denominated in a foreign currency and increased (+)/ decreased (-) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

12.31.2021	Profit or loss	
	Strengthening	Weakening
EUR/HUF (10% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	(3,098)	3,098
Related forward agreements.....	4,356	(4,356)
Net effect	1,258	(1,258)
USD/HUF (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	(351)	351
Related forward agreements.....	722	(722)
Net effect	371	(371)
EUR/MKD (10% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	554	(554)
Related forward agreements.....	-	-
Net effect	554	(554)
USD/MKD (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	20	(20)
Related forward agreements.....	-	-
Net effect	20	(20)

12.31.2020	Profit or loss	
	Strengthening	Weakening
EUR/HUF (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	(4,304)	4,304
Related forward agreements.....	3,173	(3,173)
Net effect	(1,131)	1,131
USD/HUF (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	(148)	148
Related forward agreements.....	1,978	(1,978)
Net effect	1,830	(1,830)
EUR/MKD (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	47	(47)
Related forward agreements.....	-	-
Net effect		
USD/MKD (15% movement)		
Net balance of FX denominated trade payables, trade and financial receivables plus bank balances.....	(9)	9
Related forward agreements.....	-	-
Net effect	(9)	9

As a result of the volatile international capital and securities markets, even a more than 10% fluctuation of the functional currency HUF against EUR and a more than 15% against USD is possible while a more than 10% fluctuation of the functional currency MKD against the EUR and more than 15% against USD is possible as extraordinary market conditions may cause extreme volatility on FX markets.

5.1.1.2 Interest rate risk

Magyar Telekom is also exposed to interest rate fluctuations. This is due to the fact that changing interest rates affect the fair value of the fixed rate instruments and also affect the cash flows through the floating rate instruments.

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. On the other hand, all financial instruments with fixed interest rates (which are carried at amortized cost) are not subject to cash flow interest rate risk.

Changes in the market interest rate of interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IFRS 9 affect Other finance expense - net (net gain/loss from re-measurement of the financial assets to fair value).

Changes in market interest rates affect the interest income or expense of non-derivative floating-interest financial instruments for which no cash flow hedges are in place.

Financial assets

Excess cash of the Group's Hungarian operations is primarily used to repay loans, however, significant amount of cash of the Group's Macedonian subsidiary is mostly held in local banks. These amounts are deposited primarily on fixed interest rate terms in order to minimize exposure to market changes that would potentially adversely affect the cash flows from these instruments.

Due to the extremely low interest rates, even a reasonably possible change in the interest rates would not have a significant impact on the Group's interest income.

Financial liabilities

Financial liabilities exposed to interest rate risk are primarily the related-party (DTIF, DT AG) and the related swap agreements in place. These loans are almost exclusively taken by the Company as the financing of the Group is managed centrally. The analysis below describes the Group's net exposure to the net interest rate risks related to the loans and the related swap agreements.

As the vast majority of the debt portfolio is denominated in HUF, or swap agreements are in place so that the loans payable are exposed to changes in HUF interest rates, the Group is mostly exposed to the HUF interest rate fluctuations for its financial liabilities. To control this interest rate risk, a combination of fixed and floating rate debt is used. Fixed interest-bearing debts (including loans swapped to fixed interest and excluding loans swapped to floating interest) made up 81% of the Group's total debt as of December 31, 2021 (2020: 99.9%).

Cash flow sensitivity analysis for variable rate instruments

Floating interest-bearing debts (including loans swapped to floating interest and excluding loans swapped to fixed interest) made up 19% of the Group's total debt as of December 31, 2021 (2020: 0.1%).

A reasonably possible change of 300 basis points in interest rates during the reporting period (assuming the year-end balance throughout the reporting period) would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

	Profit or loss	
	300 bp increase	300 bp decrease
12.31.2021		
Floating rate instrument.....	(3,848)	3,848
IR swap	2,712	(2,712)
Cash flow sensitivity (net).....	(1,136)	1,136
12.31.2020		
Floating rate instrument.....	(2,692)	2,692
IR swap	2,684	(2,684)
Cash flow sensitivity (net).....	(8)	8

5.1.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk as at the end of the reporting period are represented by the carrying amounts of the financial assets in the Statement of financial position.

The vast majority of credit risks may arise in respect of Cash and cash equivalents, Bank deposits with original maturities over three months and Trade receivables, most of which have short-term maturities.

In line with the Group's risk management policy, Magyar Telekom Group companies make efforts to deposit the vast majority of excess cash in banks rated at least BBB+ (or equivalent), or to get guarantees for these fixed-term deposits from banks rated at least BBB+. We, however, also have current accounts in banks with lower ratings than this.

Cash and cash equivalents and Bank deposits with maturities over three months held in North Macedonia are primarily denominated in MKD and EUR. Cash and cash equivalents and Bank deposits with maturities over three months deposited in North Macedonia run higher counterparty risk, due to the small amount of internationally substantial financial

institutions in that country. In this way we diversify excess cash among the biggest and financially strongest local financial institutions and decrease the maturity to a reasonable level. The total cash kept with North Macedonian banks amounted to HUF 13.2 billion as of December 31, 2021 (2020: HUF 10.8 billion).

Concentrations of credit risk relating to trade receivables are limited due to the large number of customers comprising the Group's customer base and their dispersion across many different geographic areas and industries.

The following table contains the carrying amount of trade receivables broken down by country of operation (Note 4.2.2.1). The vast majority of these balances are denominated in the functional currency of the countries of operations (HUF in Hungary and MKD in North Macedonia).

	At December 31,	
	2020	2021
Hungary	141,356	140,838
North Macedonia	16,117	15,816
Other	1,384	1,533
	158,857	158,187

The amounts in the table above are shown net of provisions for impairment losses. The annual bad debt expense of the Group in 2021 was 1.6% (2020: 1.4%) of the consolidated revenue. For further information see Note 3.3.

There are varying credit checking practices applied across the members of the Group as described below.

Hungary

Credit checking at the time of the service request is carried out automatically by the credit checking application. A variety of checks including checking the bankruptcy list, the internal database of risky installation locations, the collection history of the past six months, the outstanding debt and the joint database of debtors of the Hungarian mobile operators are performed depending on the service to be used. The Fraud Detecting System monitors extreme usage and fraudulent behavior of customers for mobile, fixed-line and Internet services. In the case of business customers, account managers check if the customer has outstanding debts.

Dunning procedures are run automatically by the billing systems and include various reminder tools like SMS, reminder message via Telekom APP, telephone calls, reminder letters, reminder emails, restricted service, termination letters and disconnections. In the case of medium and large enterprises the dunning process starts manually (first reminder letter). After the first step, this process is also automated. Based on the effective laws and regulations and over a minimum overdue amount we apply varying and customized reminder procedures with specific deadlines to the different customer groups. After the termination of the contract and depending on the expected success of the process, we combine the different collection steps of selling the outstanding debt or initiating legal proceedings. All parts of the process are regulated by internal directives.

North Macedonia

The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process and court proceedings. The overdue payments are monitored based on customer type, amount of debt, average invoiced amount and number of disconnections. The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customers' credit worthiness and through preventive barring – which determines the credit limit based on the usual level of the customer's previous traffic revenue. There is no concentration of risk in North Macedonia either with any single customer or group of customers with similar characteristics. The procedures in North Macedonia ensure on a permanent basis that sales are made to customers with an appropriate credit history and that an acceptable level of credit exposure is not exceeded.

5.1.3 Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient Cash and cash equivalents and Bank deposits as well as available funding through an adequate amount of committed credit lines. The Group finance management aims to maintain flexibility in funding by keeping committed credit lines available. The undrawn credit lines amounted to HUF 43.5 billion as at December 31, 2021 (2020: HUF 41.1 billion).

The following two tables summarize the maturity structure of Magyar Telekom's financial liabilities including the interest payable on those liabilities as of December 31, 2021 and 2020. As the majority of the financial liabilities are paid from the cash generated from the ongoing operations, the maturity analysis of the financial assets as at the end of the reporting periods (in comparison with the financial liabilities) would not be useful, therefore, is not included in the tables below.

12.31.2021	Total	within 1 year	1 to 5 years	after 5 years
Trade payables to third parties	129,941	129,941	-	-
Trade payables to related parties	12,090	12,090	-	-
Financial liabilities to related parties	130,449	38,341	92,108	-
Lease liabilities.....	160,186	27,361	71,969	60,856
Bonds.....	73,797	1,015	38,167	34,615
Frequency fee payable	199,103	54,447	35,885	108,771
Other financial liabilities.....	8,873	5,710	3,163	-
Total cash outflows.....	714,439	268,905	241,292	204,242

Open swap positions' cash flows

Gross cash inflow in EUR million.....	251	1	250	-
Gross cash inflow in HUF million (at spot rate)	92,619	369	92,250	-
Gross cash outflow in HUF million.....	86,974	1,910	85,064	-
Net cash inflow (+) / outflow (-) in HUF million	5,645	(1,541)	7,186	-

Open forward positions' cash flows

Gross cash inflow in EUR million.....	198	198	-	-
Gross cash inflow in USD million	15	15	-	-
Total gross cash inflow in HUF million (at spot rate).....	77,948	77,948	-	-
Gross cash outflow in HUF million.....	78,542	78,542	-	-
Net cash inflow (+) / outflow (-) in HUF million	(594)	(594)	-	-

12.31.2020	Total	within 1 year	1 to 5 years	after 5 years
Trade payables to third parties	137,292	137,292	-	-
Trade payables to related parties	11,034	11,034	-	-
Financial liabilities to related parties	190,877	100,119	90,758	-
Lease liabilities.....	162,131	26,299	73,603	62,229
Bonds.....	74,502	1,015	4,060	69,427
Frequency fee payable	106,631	8,145	26,704	71,782
Other financial liabilities.....	10,527	7,446	3,081	-
Total cash outflows.....	692,994	291,350	198,206	203,438

Open swap positions' cash flows

Gross cash inflow in EUR million.....	520	271	249	-
Gross cash inflow in HUF million (at spot rate)	189,618	98,820	90,798	-
Gross cash outflow in HUF million.....	174,480	87,505	86,975	-
Net cash inflow (+) / outflow (-) in HUF million	15,138	11,315	3,823	-

Open forward positions' cash flows

Gross cash inflow in EUR million.....	298	298	-	-
Gross cash inflow in USD million	15	15	-	-
Total gross cash inflow in HUF million (at spot rate).....	113,337	113,337	-	-
Gross cash outflow in HUF million.....	110,940	110,940	-	-
Net cash inflow (+) / outflow (-) in HUF million	2,397	2,397	-	-

The average maturity of Magyar Telekom's debt portfolio was 3.25 years as at December 31, 2021 (2020: 3.28 years). The floating interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2021 and 2020. For further information see Note 4.4.1.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's management proposes to the owners (through the Board) of the Company to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Group. This can be achieved primarily by adjusting the amount of dividends paid to shareholders, or alternatively, by returning capital to shareholders by capital reductions, selling or buying own shares.

In 2021 the Board of Directors of Magyar Telekom approved HUF 15,311 million dividend (HUF 20,855 million dividend in 2020), and the Company's Board recommends to declare a HUF 15,000 million dividend at the April 2022 Annual General Meeting.

In addition to the above, according to Hungarian Civil Code, Magyar Telekom Plc. has to ensure that the Company's Equity in the separate financial statements does not fall below two thirds of its Common stock. The Company is in compliance with this regulation, and no such statutory regulation exists for the consolidated equity.

The equity capital, which the Group manages, amounted to HUF 693 billion on December 31, 2021 (2020: HUF 658 billion).

6 INCOME TAX

6.1 Income taxes – accounting policies

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

6.1.1 Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Income taxes are comprised of corporate income taxes and other income taxes.

6.1.1.1 Corporate income taxes

Corporate income taxes are payable to the central tax authorities of the countries in which the Group's consolidated entities operate. The basis of the tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items. The nominal tax rates and the determination of the tax bases vary among the countries in which the Group operates.

6.1.1.2 Other income taxes

Other income taxes include certain local and central taxes levied in Hungary on the companies' net margins, usually determined at a substantially higher level than the corporate tax base, but applying a significantly lower tax rate.

6.1.2 Deferred taxes

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse using income tax rates enacted or substantively enacted at the reporting date.

6.2 Income taxes in the Consolidated Statement of profit or loss and other comprehensive income

The table below shows the income tax expenses charged in the Profit for the year.

Income tax expense	2020	2021
Corporate income tax.....	3,028	3,831
Other income taxes.....	9,212	9,514
Deferred income taxes.....	2,355	2,921
Total.....	14,595	16,266

6.2.1 Tax expense reconciliation

The reconciliation between the reported income tax expense and the theoretical amount arising from applying the statutory income tax rates is as follows:

	2020	2021
Consolidated IFRS profit before income tax	60,912	79,113
Tax at 9%.....	(5,482)	(7,120)
Impact of different tax rates..... (a)	(146)	(164)
Tax shield of items not subject to income tax (b)	215	410
Tax impact of non-deductible items..... (c)	(810)	(743)
Other income taxes..... (d)	(9,212)	(9,514)
Impact of tax deductibility of other income taxes..... (e)	829	856
(De)/recognized deferred tax on tax losses..... (f)	(4)	-
Investment tax credit accretion..... (g)	15	9
Income tax expense.....	(14,595)	(16,266)
Effective tax rate.....	23.96%	20.56%

For explanations (a)-(g) see as follows.

- (a) This line of the reconciliation includes the tax impacts of the different tax rates of the foreign countries where the Group is also present through its subsidiaries. The corporate tax rate is 10% in North Macedonia, 16% in Romania and 10% in Bulgaria in the reported years. This line of the reconciliation includes the tax impacts of the above differences compared to the 9% general tax rate of Hungary applied to the profit before tax of the Group.
- (b) This line of the reconciliation primarily includes the tax shield impact of expenses, which are not included in the consolidated profit before tax, but deductible when determining the standalone corporate income tax base. These items include the depreciation of assets (or additional values of assets) which are not included in the assets of the consolidated statements of financial position, and which are not considered in the deferred tax calculation.
- (c) This line of the reconciliation includes the negative tax impact of the expenses included in the consolidated profit and loss, but non deductible when determining the standalone corporate income tax base. These items primarily include the non deductible receivable impairment and write-downs and penalties.
- (d) Other income taxes include certain local and central taxes levied in Hungary on the companies' net margins, determined usually at a substantially higher level than the corporate tax base, but with substantially lower tax rates (max 2%). As the first line of the reconciliation calculates theoretical tax expense calculated using the general corporate tax rate, the Hungarian local business tax and the innovation fee impose additional income tax expenses on the Hungarian entities of the Group, included in this line of the reconciliation.
- (e) The Hungarian local business tax and innovation fee are deductible expenses for corporate tax purposes, the positive tax impact of which is included in this line of the reconciliation.
- (f) Deferred tax asset is recognized on tax losses only to the extent that the realization of the related tax benefit is probable in the foreseeable future. Deferred tax assets on tax losses that will probably not be recovered are un-recognized in the period of the loss or de-recognized in subsequent periods. On the other hand, when the recoverability of the previously un/derecognized tax losses becomes probable, these deferred tax assets are recognized.
- (g) Investment tax credit accretion includes the increase of the net present value of the investment tax credit deriving from the utilization of the tax credits in periods subsequent to the year of recognition. For further information see Note 6.3.2.1.

6.3 Income taxes in the Statement of financial position

6.3.1 Current taxes in the Statement of financial position

Current income tax receivable and payable balances in the Statements of financial position represent the amount of corporate and other income taxes receivable from, and payable to, the tax authorities of the countries in which the Group operates.

6.3.2 Deferred taxes in the Statement of financial position

The Group's deferred tax balances and the movements therein are as follows:

	Balance at December 31, 2019	Effect on profit	Other move- ments	Balance at December 31, 2020	Effect on profit	Other move- ments	Balance at December 31, 2021
Deferred tax assets and (liabilities)							
Investment tax credits (Note 6.3.2.1)	858	(3,179)	2,823	502	(4,277)	4,661	886
Net operating loss carry-forward (Note 6.4.).....	19	(8)	-	11	(11)	-	-
Other financial assets.....	(420)	90	(44)	(374)	18	-	(356)
Impairment of receivables and inventory.....	1,363	(190)	-	1,173	175	-	1,348
Property, plant and equipment and intangible assets	(7,278)	932	-	(6,346)	921	-	(5,425)
Goodwill	(14,481)	-	-	(14,481)	-	-	(14,481)
Trade and other payables.....	-	224	-	224	41	-	265
Loans and other borrowings	(445)	(128)	-	(573)	(71)	-	(644)
Deferred revenue	194	(194)	-	-	-	-	-
Provisions for liabilities and charges	1,263	98	-	1,361	283	-	1,644
Total net deferred tax liability	(18,927)	(2,355)	2,779	(18,503)	(2,921)	4,661	(16,763)
Of which deferred tax liabilities after netting by legal entity.....	(19,030)			(18,621)			(16,888)
Of which deferred tax assets after netting by legal entity.....	103			118			125
Items included in other movements:							
Relating to the merger of subsidiary			(44)			-	
Investment tax credit earned.....			2,823			4,661	

The Other movements column includes the increase in investment tax credit improves energy efficiency recognized in 2021 and 2020.

The Group consists of a number of legal entities, most of which have deferred tax assets and liabilities. The assets and liabilities are netted by legal entity so that one legal entity has either a deferred tax asset or a liability and the consolidated Statement of financial position includes these balances accordingly.

Deferred tax assets arising from investment tax credits are recognized against the capitalized cost of the related asset acquisition.

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities or assets have not been recognized amounted to a net liability of HUF 21,987 million at December 31, 2021 (HUF 16,396 million at December 31, 2020).

Deferred tax liability on goodwill is related to the goodwill arising from the acquisition of subsidiaries (Emitel and T-

Mobile) in the Company's financial statements, which had merged into Magyar Telekom Plc. The amortization of goodwill is a tax deductible expense in corporate income tax, while under IFRSs there is no amortization accounted in the books. The difference deriving from the two types of accounting is represented by the deferred tax liability.

6.3.2.1 Investment tax credits

In 2020 Magyar Telekom and T-Systems Hungary accomplished a new tax credit program in order to increase energy effectiveness. In order to utilize these tax credits, both Companies had to meet certain audit requirements set out in the relevant tax regulations and independent external auditors stated that the investments fulfill the criteria of energy effectiveness. This investment tax credit is booked as a decrease from the investment costs of the assets, as well as a deferred tax asset of the whole tax credit amount is booked accordingly. Magyar Telekom utilizes HUF 4,267 million tax credit in the 2021 corporate tax return, while the remaining HUF 886 million tax credit remains as deferred tax asset in the Company's books. The Company expects that the tax credit carried forward can be utilized in the 2022 corporate tax return. T-Systems utilizes the whole amount of its tax credit – HUF 19 million – in its 2021 corporate tax return.

The following table shows the details of the energy saving investment tax credits in HUF millions as of 31 December, 2020:

Earned in year	Amount of qualifying investment	Amount of tax credit earned	Accretion recognized in tax expense	Tax credit utilized	Tax credit carried forward at 12.31.2020	Expires in year
2020.....	7,885	2,823	-	(2,321)	502	2025
Total.....	7,885	2,823	-	(2,321)	502	

The following table shows the details of the energy saving investment tax credits in HUF millions as of 31 December, 2021:

Earned in year	Amount of qualifying investment	Amount of tax credit earned	Accretion recognized in tax expense	Tax credit utilized	Tax credit carried forward at 12.31.2021	Expires in year
2020.....	7,885	2,823	9	(2,832)	-	2025
2021.....	12,676	4,661	-	(3,775)	886	2026
Total.....	20,561	7,484	9	(6,607)	886	

In order to utilize the tax credits and certain tax deductibility opportunities earned by the Group's entities, they had to comply with strict requirements as set out in the relevant tax regulations. The Group fulfilled all requirements connecting energy effective investment programs.

In 2020 Magyar Telekom utilized investment tax credit in the amount of HUF 858 million relevant to the "large investment tax credit programs" commenced in 2013.

6.4 Income taxes in the Statements of Cash Flows

The company identifies its tax settlement of energy saving investment tax credit as an investing activity in the Statements of Cash Flows.

The table below shows how the total cash flows from income tax are allocated over the activities:

Activities in the Statements of Cash Flows	Tax paid
Cash flows from operating activities (presented on the line income tax paid).....	(14,471)
Cash flows from investing activities (investment tax credit utilized in 2021).....	2,320
Cash flows from financing activities	-
Total cash flows from income tax.....	(12,151)

Magyar Telekom made investments concerning energy saving for the first time in 2020, based on this the payment of the reduced income tax was settled in 2021.

6.5 Tax loss carry forwards

Deferred tax assets are recognized for tax loss carry forwards only to the extent that realization of the related tax benefit is probable.

The following table shows the tax losses carried forward of the Group.

Expires in year	Tax loss carry forwards at 12.31.2020	Tax loss carry forwards at 12.31.2021
2020	137	-
2022	2	-
2030	13	-
Total	152	-
Tax losses for which deferred tax is recognized	105	-
Tax losses for which deferred tax is not recognized	47	-
Total	152	-

By 31 December, 2021 the group companies have no more tax loss carry forwards left.

6.6 Tax reviews

The tax authorities may at any time inspect the books and records within five years from the end of the year when tax declarations were submitted and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

6.7 Dividends paid by Magyar Telekom Plc.

The dividends paid and payable by Magyar Telekom Plc. to its owners may be subject to withholding or income taxes of the owners, which do not have an impact on the amount of the dividend declared or on the Company's tax expense as these taxes – if any – are levied on the owners.

7 INVENTORIES

7.1 Inventories – accounting policies

Inventories are stated at the lower of cost or net realizable value using the historical cost method of accounting and are valued on a weighted average basis. The cost of inventories comprises all costs of purchase, cost of construction and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment losses on Inventories are recognized in Other operating expenses.

7.2 Inventories in the statement of financial position

	12.31.2020	12.31.2021
Inventory for resale	16,595	16,074
Other inventory	1,956	2,133
Subtotal	18,551	18,207
Less allowances	(156)	(154)
	18,395	18,053

The impairment loss accounted or reversed for inventories is not material therefore no separate table of movements is disclosed.

The Group has no inventory pledged as security as at December 31, 2020 or December 31, 2021.

8 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

8.1 Non-current assets held for sale – accounting policies

An asset (typically properties and closely related other assets) is classified as held for sale if it is no longer needed for the future operations of the Group, and has been identified for sale, which is highly likely to take place within 12 months. These assets are accounted for at the lower of carrying value or fair value less costs of disposal. Depreciation is discontinued from the date of designation to the held-for-sale status. When an item of PPE or intangible assets is designated for sale, and the fair value is determined to be lower than the carrying amount, the difference is recognized in the Profit for the year (Depreciation and amortization) as an impairment loss.

8.2 Assets and liabilities held for sale in the statement of financial position

The assets and liabilities classified as held for sale are disclosed below.

	12.31.2020	12.31.2021
Cash and cash equivalents.....	-	138
Other current financial assets.....	-	62
Intangible asset.....	-	1,287
Goodwill.....	-	638
Property, plant and equipment	489	161
Total assets held for sale	489	2,286

	12.31.2020	12.31.2021
Provision.....	-	104
Other current financial liabilities.....	-	246
Total liabilities held for sale	-	350

In 2021 assets and liabilities held for sale represents the lands, buildings and technical assets which have been determined to be sold within a year and are actively marketed, and the assets and liabilities related to the disposal of Pan-Inform Kft. and healthcare service activity of T-Systems Zrt. In December 2021, the Group signed an agreement for the sale of the total of its 100% shareholding in Pan-Inform Kft. by its sole owner of T-Systems Zrt. The scope of the agreement covers the support and development operations provided for central digital healthcare services in Hungary and for the related hospital information system, that partially had been involved in the operation of T-Systems Zrt. at year-end 2021. T-Systems Zrt. sold all the assets and liabilities covered by this agreement to Pan-Inform Kft before the closing of the transaction. Please also see Note 35.1.

Pan-Inform and the healthcare business activity of T-Systems Zrt. are included in the MT-Hungary operating segment of the Group. (The operating segments are defined in Note 33.) The gain on the sale of Pan-Inform was recognized in Q1 2022.

In 2020 assets held for sale included primarily land and buildings that were determined to be sold within 12 months, as a result of the continuing improvement of utilization of properties.

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Property, plant and equipment (PPE) – accounting policies

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the costs if the obligation incurred has to be recognized as a provision according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Government grants relating to the purchase of PPE are deducted from the original cost of the items and are recognized in the Profit for the year through the reduced amount of depreciation of the related assets over their useful lives. Investment tax credits relating to qualifying investment projects (Note 6.3.2.1) are also recognized in this manner.

Cost, in the case of telecommunications equipment, comprises of all expenditures including the cabling within customers' premises and borrowing costs of related loans and corporate bonds.

Subsequent expenditure on an asset that meets the recognition criteria to be recognized as an asset or an addition to an asset is capitalized, while maintenance and repairs are charged to expense when incurred.

When assets are scrapped, the cost and accumulated depreciation are removed from the accounts and the loss is recognized in the Profit for the year (Depreciation and amortization).

When assets are sold, the cost and accumulated depreciation are removed from the accounts and any related gain or loss is recognized in the Profit for the year (Other operating income/expense).

Depreciation is calculated on a straight-line basis from the time the assets are deployed and charged over their economic useful lives. On an annual basis, Magyar Telekom reviews the useful lives and residual values for consistency with current development plans and advances in technology. For further details on the groups of assets impacted by the most recent useful life revisions refer to Note 9.3. The annual revisions are conducted in the second quarter of the year and the resulting changes are applied from the third quarter of the year. In addition to the regular revisions, any investment decisions made throughout the year may also result in a change of useful life of a group of assets in any period of the year.

The useful lives assigned to different types of property, plant and equipment	Years
Buildings.....	5–50
Duct, cable and other outside plant	3–38
Other telecommunications equipment	2–25
Other equipment.....	2–50

Useful lives of property, plant and equipment in operation may increase if the asset is refurbished. Useful life change is not automatic, only if it is significantly increased as a result of the investment, which is based on well-founded technical experts' decision performed on individual basis.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGUs).

The fair values of the individual tangible assets of the Group in most cases cannot be determined, as individual assets do not generate cash flows. Instead, the Group determines CGUs to which the individual assets are allocated and the fair values can only be determined at CGU level, primarily by using discounted cash flow analyses. See also Note 3.2. Corporate assets which have the distinctive characteristics of not generating cash inflows independently of other assets or groups of assets are allocated to CGUs when conducting impairment tests.

Goodwill is tested for impairment annually in the last quarter of the year and in the other quarters quick tests were executed. When conducting the impairment tests, Magyar Telekom allocates goodwill to its cash generating units determined at operating segment level. See also Note 3.2. Operating segments may include one clearly identifiable company or a group of companies, or certain components of one company and other companies as well.

The Group establishes the segments' recoverable amounts by determining their fair value less costs of disposal by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values determined as described above are used as a basis when establishing the need for an impairment of any goodwill allocated to the operating segments. See also Note 3.2. If the calculated fair value less costs of disposal is lower than the carrying amount of the operating segment, goodwill is impaired.

The impairment losses of PPE and intangible assets are accounted for in the Depreciation and amortization line of the Statement of profit or loss.

9.2 Property, plant and equipment in the statement of financial position

	Land and buildings (a)	Telecom equipment	Other equipment	Total
01.01.2020				
Gross value.....	142,148	1,057,803	102,063	1,302,014
Accumulated depreciation.....	(63,398)	(728,811)	(82,320)	(874,529)
Carrying amount	78,750	328,992	19,743	427,485
Of which held for sale.....	(654)	(5)	-	(659)
				426,826
Carrying amount – January 1, 2020	78,750	328,992	19,743	427,485
Investments.....	1,499	74,967	3,310	79,776
Additions due to business combinations	-	343	20	363
Disposals due to business combinations.....	(32)	-	(12)	(44)
Changes due to revisions of asset retirement obligations.....	127	-	-	127
Disposals	(4,797)	(550)	(871)	(6,218)
Depreciation charge	(4,552)	(63,046)	(7,351)	(74,949)
Reclassifications	207	(2,463)	2,256	-
Exchange differences.....	1,745	4,148	492	6,385
Carrying amount – December 31, 2020	72,947	342,391	17,587	432,925
12.31.2020				
Gross value.....	135,346	1,120,458	98,483	1,354,287
Accumulated depreciation.....	(62,399)	(778,067)	(80,896)	(921,362)
Carrying amount	72,947	342,391	17,587	432,925
Of which held for sale.....	(485)	(4)	-	(489)
				432,436
Carrying amount – January 1, 2021	72,947	342,391	17,587	432,925
Investments.....	1,119	75,603	2,701	79,423
Additions due to business combinations.....	-	1,802	(377)	1,425
Disposals due to business combinations.....	-	-	-	-
Changes due to revisions of asset retirement obligations.....	254	-	-	254
Disposals	(684)	(579)	(462)	(1,725)
Depreciation charge	(4,312)	(67,360)	(5,446)	(77,118)
Reclassifications	(549)	2,992	(735)	1,708
Exchange differences.....	172	525	4	701
Carrying amount – December 31, 2021	68,947	355,374	13,272	437,593
12.31.2021				
Gross value.....	135,605	1,149,359	89,446	1,374,410
Accumulated depreciation.....	(66,658)	(793,985)	(76,174)	(936,817)
Carrying amount	68,947	355,374	13,272	437,593
Of which held for sale.....	(133)	(17)	(11)	(161)
				437,432

The right-of-use assets by class of underlying asset are listed in the table below.
For further information, please see Note 17.

	Land and buildings (a)	Telecom equipment	Other equipment	Total
01.01.2020				
Gross value.....	81,956	35,833	5,508	123,297
Accumulated depreciation.....	(11,498)	(3,538)	(1,579)	(16,615)
Carrying amount	70,458	32,295	3,929	106,682
Carrying amount – January 1, 2020.....	70,458	32,295	3,929	106,682
Investments.....	22,942	9,793	2,356	35,091
Disposals.....	(868)	(1,944)	(117)	(2,929)
Depreciation charge.....	(11,956)	(3,890)	(2,004)	(17,850)
Reclassifications.....	-	-	-	-
Exchange differences.....	318	12	11	341
Carrying amount – December 31, 2020	80,894	36,266	4,175	121,335
12.31.2020				
Gross value.....	104,127	42,519	7,228	153,874
Accumulated depreciation.....	(23,233)	(6,253)	(3,053)	(32,539)
Carrying amount	80,894	36,266	4,175	121,335
Carrying amount – January 1, 2021.....	80,894	36,266	4,175	121,335
Investments.....	9,844	10,434	2,662	22,940
Disposals.....	(995)	(422)	(117)	(1,534)
Depreciation charge.....	(12,107)	(4,666)	(2,101)	(18,874)
Reclassifications.....	(242)	(1,303)	-	(1,545)
Exchange differences.....	23	(2)	12	33
Carrying amount – December 31, 2021	77,417	40,307	4,631	122,355
12.31.2021				
Gross value.....	111,290	50,855	8,732	170,877
Accumulated depreciation.....	(33,873)	(10,548)	(4,101)	(48,522)
Carrying amount	77,417	40,307	4,631	122,355

(a) The classes of land and buildings were reviewed, and it was concluded that they are similar in nature and use in the Group's operations, therefore disclosed their aggregated balance in a single column. This presentation is also in line with industry practice. Comparative information is presented accordingly.

The closing balance of Property, plant and equipment (PPE) includes assets under construction in an amount of HUF 55,237 million as at December 31, 2021 (2020: HUF 57,025 million). In the table above, the assets under construction are shown in the categories where the asset is expected to be classified when placed into service.

Exchange differences include the translation impact arising on the consolidation of foreign subsidiaries of the Group.

Additions due to business combinations include the fair value or carrying value of the assets acquired by Magyar Telekom Plc. through business combinations at the time of the acquisition. Differences between the preliminary and the final purchase price allocations are also included in this line.

Changes due to revisions of asset retirement obligations represent the adjustments of the carrying amounts of the assets against a provision for asset retirement obligation (see also Note 13.2.4).

The reclassifications between asset categories or their impact on depreciation expense was not material.

No material impairment was identified in 2021 and 2020.

The Group has no PPE with restricted titles or pledged as security as at December 31, 2021 or December 31, 2020.

9.3 Review of useful lives

Reviews of the useful lives (and residual values) of property, plant and equipment based on the strategic directions and accepted annual development plans conducted in 2021 affected the useful lives of a large number of assets which was mainly due to Maktel RAN modernization project. The revisions resulted in the following change in the original trend of depreciation in the current and future years.

	2021	2022	2023	2024	After 2024
Increase / (decrease) in depreciation expense	1,702	923	328	(412)	(2,541)

During 2020 reviews of the useful lives (and residual values) of property, plant and equipment based on the strategic directions and accepted annual development plans affected the useful lives of a large number of assets. The shortened useful life of copper network elements is driven by preparations to the copper retirement program. The revisions resulted in the following change in the original trend of depreciation in the current and future years.

	2020	2021	2022	2023	After 2023
Increase / (decrease) in depreciation expense	6,157	2,552	(1,095)	(1,129)	(6,485)

10 INTANGIBLE ASSETS

10.1 Intangible assets – accounting policies

Intangible assets are stated at historical cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use. These costs are amortized over the estimated useful life of the software. Costs associated with developing or maintaining computer software programs are generally recognized as an expense as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee related costs and an appropriate portion of relevant overhead and borrowing costs. Computer software development costs recognized as assets are amortized over their estimated useful lives. Most computer software capitalized include acquired elements representing the majority of the cost and own costs incurred to a lesser extent. These are considered non self-developed software. Computer software fully developed by own resources represent an immaterial portion of all software, therefore these are not disclosed separately.

Costs associated with the acquisition of long-term frequency licenses are capitalized as an intangible asset when the Company receives a right to charge users of the service provided under the license. The present value of the future annual payments for the use of the frequencies are also capitalized if these payments can be estimated reliably, or otherwise recognized as Other operating expenses in the year the payment obligation refers to. The useful lives of concessions and licenses are determined based on the underlying agreements and are amortized on a straight-line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. Renewal periods are considered in the determination of useful life only if we are sure that it will be realized without further consideration to be transferred.

Amortization is calculated on a straight-line basis from the time the assets are deployed and charged over their economic useful lives. Other than goodwill, the Group has no intangible assets with indefinite useful life. The amortization expense is presented in the depreciation and amortization line of the Statement of profit or loss.

On an annual basis, Magyar Telekom reviews the useful lives for consistency with current development and replacement plans and advances in technology. For further details on the groups of assets impacted by the most recent useful life revisions refer to Note 10.3. The annual revisions are conducted in the second quarter of the year and the resulting

changes are applied from the third quarter of the year. In addition to the regular revisions, any investment decisions made throughout the year may also result in a change of useful life of a group of assets in any period of the year.

The estimated useful lives of intangible assets other than goodwill are as follows:

	Years
Software.....	2–24
Concessions and licenses.....	3–25
Other intangible assets.....	3–10

Goodwill represents the amount by which the cost of an acquisition exceeds the fair value of the Group’s share of the net assets and contingent liabilities of the acquired subsidiary or business at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Impairment testing is carried out on an annual basis for all goodwill based on the carrying values as at December 31. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity or business include the carrying amount of goodwill allocated to the entity or business sold.

In determining whether an asset that incorporates both intangible and tangible elements should be treated under IAS 16 – Property, Plant and Equipment or as an intangible asset under IAS 38 – Intangible Assets, management uses judgment to assess which element is more significant and recognizes the assets accordingly.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets’ fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGUs).

The fair values of the individual intangible assets of the Group in most cases cannot be determined as individual assets and do not generate cash flows. Instead, the Group determines CGUs to which the individual assets are allocated and the fair values can only be determined at CGU level, primarily by using discounted cash flow analyses. See also Note 3.2. Corporate assets which have the distinctive characteristics of not generating cash inflows independently of other assets or groups of assets are allocated to CGUs when conducting impairment tests.

Goodwill is tested for impairment annually or more frequently if circumstances indicate that impairment may have occurred. When conducting the impairment tests, Magyar Telekom allocates goodwill to its cash generating units determined at operating segment level. See also Note 3.2. Operating segments may include one clearly identifiable company or a group of companies, or certain components of one company and other companies as well.

The Group establishes the segments’ recoverable amounts by determining their fair value less cost of disposal by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values determined as described above are used as a basis when establishing the need for an impairment of any goodwill allocated to the operating segments. As long as the FVLCS exceeds the carrying amount of a CGU, in this case an operating segment, then the CGU is not impaired and it is not necessary to calculate the VIU. See also Note 3.2. If the calculated fair value less cost of disposal is lower than the carrying amount of the operating segment, goodwill is impaired.

The impairment losses of intangible assets, including that of goodwill are accounted for in the Depreciation and amortization line of the Statements of profit or loss and other comprehensive income.

10.2 Intangible assets in the statement of financial position

	Goodwill	Concessions and licenses	Software	Other	Total
<u>01.01.2020</u>					
Gross value.....	213,107	200,244	342,321	27,460	783,132
Accumulated amortization.....	-	(92,581)	(250,801)	(13,929)	(357,311)
Carrying amount	213,107	107,663	91,520	13,531	425,821
Carrying amount – January 1, 2020.....	213,107	107,663	91,520	13,531	425,821
Investments.....	-	92,582	19,581	7,405	119,568
Additions due to business combinations.....	30	-	-	242	272
Disposals due to business combinations.....	-	-	(1)	-	(1)
Disposals	-	-	(4)	-	(4)
Amortization charge	-	(17,509)	(25,145)	(5,605)	(48,259)
Reclassifications	-	-	-	-	-
Exchange differences.....	-	263	677	480	1,420
Carrying amount – December 31, 2020	213,137	182,999	86,628	16,053	498,817
<u>12.31.2020</u>					
Gross value.....	213,137	291,455	356,119	33,717	894,428
Accumulated amortization.....	-	(108,456)	(269,491)	(17,664)	(395,611)
Carrying amount	213,137	182,999	86,628	16,053	498,817
Carrying amount – January 1, 2021.....	213,137	182,999	86,628	16,053	498,817
Investment.....	-	84,166	23,899	5,690	113,755
Additions due to business combinations.....	14	-	-	58	72
Disposals due to business combinations.....	-	-	-	-	-
Reclassification to held for sale assets.....	(638)	-	(1,287)	-	(1,925)
Disposals	-	-	(153)	(2)	(155)
Amortization charge	-	(19,511)	(25,860)	(6,599)	(51,970)
Reclassifications	-	-	(80)	(83)	(163)
Exchange differences.....	-	62	102	67	231
Carrying amount – December 31, 2021.....	212,513	247,716	83,249	15,184	558,662
<u>12.31.2021</u>					
Gross value.....	212,513	354,334	343,761	35,257	945,865
Accumulated amortization.....	-	(106,618)	(260,512)	(20,073)	(387,203)
Carrying amount	212,513	247,716	83,249	15,184	558,662

Exchange differences include the translation impact arising on the consolidation of foreign subsidiaries of the Group.

Additions due to business combinations include the fair value of assets acquired by Magyar Telekom through business combinations in the reported years and the goodwill arising on these business combinations. Differences between the preliminary and the final purchase price allocations are also included in this line.

Investments represent the regular investing activity in intangible assets and the new frequencies were acquired in 2021 that significantly increased the book value of concessions and licenses. HUF 83.1 billion was recognized consisting of a one-time spectrum fee and the present value of annual band fees related to 900 MHz, 1800 MHz spectrums band. The useful life of these frequencies and the present value calculations are based on the term of rights of use for these frequencies. For further information see Notes 3.5, 4.4.3.1, 10.5, 28 and 34.2.

The amortization expense, as well as the impairment losses of intangible assets, including also goodwill, is accounted for in the Depreciation and amortization line of the Statements of profit or loss and other comprehensive income.

The reclassifications between asset categories or their impact on amortization expense was not material.

The Group has no intangible assets with restricted title or pledged as security as at December 31, 2021 or December 31, 2020.

10.3 Useful lives

The reviews of the useful lives of intangible assets based on the strategic direction and accepted annual development plans during 2020 and 2021 affected the useful lives of a large number of assets primarily software. The revisions resulted in the following change in the original trend of amortization in the current and future years.

	2021	2022	2023	2024	After 2024
Increase / (decrease) in depreciation expense	(1,483)	(33)	909	679	(72)

	2020	2021	2022	2023	After 2023
Increase / (decrease) in depreciation expense	(1,067)	(479)	333	839	374

10.4 Goodwill

For the goodwill impairment tests, the total amount of goodwill was allocated to the operating segments of the Group and the recoverable amounts of the operating segments were determined based on fair values less costs of disposal based on Level 3 inputs in the fair value calculations (Note 4.5.1). The recoverable amounts of the segments disclosed in the table below exclude net debts (Note 5.2), which are not allocated to the segments. For further information, please also see Note 3.2.

	12.31.2020			12.31.2021		
	Carrying amount of		Recoverable amount of operating segment	Carrying amount of		Recoverable amount of operating segment
	Goodwill allocated	Operating segment (incl. goodwill)		Goodwill allocated	Operating segment (incl. goodwill)	
MT-Hungary	192,938	957,766	1,687,521	192,314	1,035,769	1,507,266
North Macedonia	20,199	124,124	322,327	20,199	127,694	356,411
Total.....	213,137	1,081,890	2,009,848	212,513	1,163,463	1,863,677

The Group regularly carries out the annual impairment test on goodwill in the last quarter of the financial years, while a quick goodwill impairment test is conducted quarterly based on the main input changes. During the impairment tests conducted in 2020 and 2021 no goodwill impairment was established for any goodwill of the Group. The decrease of goodwill in the MT-Hungary segment was attributable to sale of business segment and detached goodwill had been reclassified and disclosed as held for sales assets. For further information please refer to Note 8.

10.5 Significant individual other intangible assets

The Group's most significant individual other intangible assets are the mobile licenses. The carrying values and remaining amortization periods of the significant licenses are listed in the table below. For further information on these assets, please see Note 34.

	12.31.2020		12.31.2021	
	Carrying amount	Remaining amortization period (years)	Carrying amount	Remaining amortization period (years)
Hungary				
700 MHz.....	40,554	19	38,447	18
800 MHz.....	29,660	13	27,463	12
900 MHz.....	8,441	13	39,584	12-21
1800 MHz	24,989	13	67,774	12-21
2100 MHz	32,505	6-19	29,047	5-18
2600 MHz	13,347	13	12,358	12
26 GHz.....	339	3-6	242	2-5
3600 MHz	30,025	19	28,905	18
Macedonia				
800 MHz/1800 MHz.....	2,423	13	2,262	12
1800 MHz	29	8	26	7
2100 MHz	278	7	1,341	6-7
Other	408	1-6	267	5
Total concessions and licenses.....	182,998		247,716	

11 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

11.1 Associates and joint arrangements – accounting policies

Associates are entities over which the Group has significant influence but not control, generally reflecting a voting right between 20% and 50%.

Joint arrangements are arrangements where the parties are bound by a contractual arrangement of which two or more parties have joint control and which exist only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

If the parties that have joint control of the arrangement have rights to the net assets of the arrangement, it is a joint venture.

If the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, it is a joint operation.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill arising on acquisitions, and net of any accumulated impairment loss.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the Profit for the year (Share of associates' and joint ventures' profits). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the company, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the company. Accounting policies of associates and joint ventures are adjusted where necessary to ensure consistency with the policies adopted by the Group.

In case of a joint operation, the assets, liabilities, revenue and expenses relating to the joint operation are recognized to the extent of the Group's interest in the joint operation.

11.2 Associates

The Group had no significant associates at December 31, 2020 and 2021. The Group had no contingent liabilities or commitments related to its associates at December 31, 2020 and 2021.

11.3 Joint ventures

The Company lost the joint control and significant influence over its joint venture E2 Hungary Zrt. in February 2020 based on the agreement with MET Holding AG. and after the approval of the various competent authorities.

Following the loss of joint control and significant influence the investment in E2 Hungary Zrt. is accounted for as an equity investment measured at fair value through Profit or Loss under IFRS 9, and disclosed in Other non-current financial asset. The transaction did not generate a cash movement (see also Note 4.2.3.2).

The operation of E2 Hungary Zrt in 2020 resulted in a HUF 66 million, which were accounted for in the value of the investment by using the equity method. As a result of the above mentioned lost of control HUF 1,012 million was derecognized from the investment in joint venture on the date of the loss of the joint control and significant influence and in line with the change. HUF 1,155 million was initially recognized as a financial asset under IFRS 9, disclosed in other non-current financial asset as well as HUF 139 million was recognized as a financial liability under IFRS 9 pertaining to the call option of MET Holding AG. on this investment, disclosed in Other non-current financial liabilities (see also Note 4.5.1.3). The transaction had no material impact on the Consolidated Statements of Profit or Loss and other comprehensive income. See subsequent measurement of the call option under Note 4.5.1.2.

The Group had no joint venture at December 31, 2020 and 2021.

11.4 Joint operations

Magyar Telekom and Telenor Hungary agreed in 2015 to jointly operate and develop their 800 MHz 4G mobile networks in all parts of Hungary except Budapest. The primary goal of the agreement was to accelerate 4G mobile broadband coverage rollout in the countryside and to offer higher bandwidth to the 4G customers, in line with the coverage obligations of the 800 MHz spectrum contract signed in 2014 with the NRA. Based on the agreement, Telenor Hungary maintains sites in West Hungary and Magyar Telekom operates base stations in the eastern region of the country.

The Company assessed the agreement as joint operation as strategic decisions are made jointly by Magyar Telekom and Telenor, and there is no separate vehicle to control the operation of the arrangement. The Company does not share the obligations for liabilities and any returns or expenses beyond the assets included in the agreement.

Therefore only the assets owned by the Company are recognized while there is no need to present the partner's assets, liabilities, or revenue and expenses. The charges from Magyar Telekom to Telenor and from Telenor to Magyar Telekom are almost equal and settled on a net basis and accounted for in the statement of profit or loss and the effect of this settlement is not significant.

If any of the parties initiates the termination of this contract, in order to ensure the continuous service for the customers the Company might be exposed to additional capital expenditure. The probability is estimated remote by the Management currently.

12 OTHER ASSETS

Other assets usually include current and non-current receivables considered as non-financial instruments.

12.1 Other current assets

	12.31.2020	12.31.2021
Prepayments and advance payments.....	4,581	6,834
Other taxes receivable.....	984	1,322
Other.....	457	275
Total.....	6,022	8,431

12.2 Other non-current assets

Other non-current assets mainly include assets recognized from the costs to obtain contracts with customers (amounting to HUF 6,571 million, see also Note 18.4) as at December 31, 2021.

13 PROVISIONS

13.1 Provisions – accounting policies

Provisions are recognized when Magyar Telekom has a present legal or constructive obligation (excluding executory contracts) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the economic outflow required to settle the present obligation at the financial statement date. The estimate can be calculated as the weighted average of estimated potential outcomes or can also be the single most likely outcome. Expenses for provisions are recognized in the line item of the Statement of profit or loss and other comprehensive income where the actual expense is expected to be incurred. When a provision is released unused, it is released to the same line item of the Statement of profit or loss and other comprehensive income where it was originally provided for.

Provisions for obligations expected to fall due after 12 months are generally recognized at their present value and are accreted (against Interest expense) until utilization or reversal.

13.2 Provisions in the statement of financial position

	Severance payment	Share-based payments	Other employee related	Total employee related	Legal cases	ARO	Other	Total
01.01.2020.....	1,165	1,649	174	2,988	2,326	7,981	1,906	15,201
Amounts reversed.....	(396)	(138)	-	(534)	(490)	(39)	(906)	(1,969)
Additions.....	5,178	1,770	20	6,968	22	166	1,331	8,487
Interest.....	-	(3)	-	(3)	(1,274)	127	-	(1,150)
Exchange rate difference.....	-	15	16	31	67	(1)	(1)	96
Amounts utilized (incl. interest component).....	(3,930)	(1,065)	(3)	(4,998)	(70)	(26)	(1,859)	(6,953)
12.31.2020.....	2,017	2,228	207	4,452	581	8,208	471	13,712
Of which current.....	1,801	1,330	-	3,131	127	15	330	3,603
Of which non-current.....	216	898	207	1,321	454	8,193	141	10,109
01.01.2021.....	2,017	2,228	207	4,452	581	8,208	471	13,712
Amounts reversed.....	(358)	(112)	(69)	(539)	(22)	(8)	(517)	(1,086)
Additions.....	2,381	1,982	941	5,304	702	262	2,889	9,157
Reclassification to HFS liabilities	-	-	-	-	-	-	(104)	(104)
Interest.....	-	(8)	-	(8)	562	174	-	728
Exchange rate difference.....	-	8	14	22	6	2	(1)	29
Amounts utilized (incl. interest component).....	(3,338)	(1,299)	(433)	(5,070)	(116)	(41)	(1,128)	(6,355)
12.31.2021.....	702	2,799	660	4,161	1,713	8,597	1,610	16,081
Of which current.....	571	1,728	462	2,761	260	25	321	3,367
Of which non-current.....	131	1,071	198	1,400	1,453	8,572	1,289	12,714

The Interest lines in the table above include the subsequent unwinding of the discount applied at initial recognition and the interest element of any provision recognized, as well as the release of the interest / accretion element in case of reversal of provisions.

Magyar Telekom does not expect any reimbursement with regards to the provisions recognized, therefore no related assets have been recognized in the financial statements.

13.2.1 Severance payment

The majority of the provision for severance as at December 31, 2021 relates to the stand-by-pool and the employee terminations payable in 2022 in relation to the further efficiency improvement in Magyar Telekom Plc. The stand-by-pool of employees includes people whose legal status is an employee, however, these people do not provide services to the Company any more, but the Company provides a reduced amount of compensation and pays social security expenses for them. This is a manner of severance that is not paid in one lump sum but in monthly installments following the discontinuation of services. The majority of the provision for severance as at December 31, 2020 also related to the stand-by-pool and the employee terminations paid in 2021 in relation to the efficiency improvement in Magyar Telekom Plc.

735 employees left the Group in 2021 (2020: 884), related to which termination payments were made. The balance of provision as at December 31, 2021 relates to 111 employees and employees in the stand-by-pool (2020: 305).

The total payments made in relation to employee termination in 2021 amounted to HUF 4,238 million (2020: HUF 4,936 million).

13.2.2 Share-based payments

Share-based payments are detailed in Note 20.1.2.

13.2.3 Legal cases

Provisions for legal cases mainly include amounts expected to be paid to regulatory and competition authorities as well as to ex-employees and trading partners as a result of legal disputes. There are numerous legal cases for which provisions were recognized, which are individually not material.

13.2.4 Asset retirement obligations (ARO)

Asset retirement obligations primarily exist in case of the telecommunications structures constructed on third parties' properties. The Group carries out a revision of the necessary provisions every year. The revisions did not result in material changes neither in 2021, nor in 2020.

13.2.5 Other provisions

Other provisions include guarantee obligations, onerous contracts and further other individually small items.

14 OTHER CURRENT LIABILITIES

	12.31.2020	12.31.2021
Other taxes and social security.....	12,027	9,590
Salaries and wages	8,040	7,344
Deferred revenue and advances received	1,940	1,953
Unused advance payments for asset-related grants..... (a)	21	12
Dividend payable to non-controlling interests.....	41	44
Other liabilities.....	129	43
Total.....	22,198	18,986

(a) For further information see also Note 4.2.3.2. (b)

15 OTHER NON-CURRENT LIABILITIES

The table below shows the balances of Other non-current liabilities .

	12.31.2020	12.31.2021
Other non-current financial liabilities	2,910	2,474

Bonds are initially recognized in 2020 at fair value (HUF 67,875 million) net of transaction costs (HUF 12 million) incurred and increased by premium received (HUF 2,948 million), which resulted in a 1.2579% yield. The bond is subsequently measured at amortized cost under IFRS 9. Any difference between the proceeds (net of transaction cost) and the redemption amount are recognized in profit or loss over the period of the liability using the effective interest method.

For further information please see Note 4.4.2.

16 NON-CONTROLLING INTERESTS

Non-controlling interests includes the minority shareholders in Makedonski Telekom (MKT).

	MKT	Other	Total
Balance at December 31, 2019	35,825	(659)	35,166
Dividend declared	(3,235)	(433)	(3,668)
Total comprehensive income	7,545	-	7,545
Balance at December 31, 2020.....	40,135	(1,092)	39,043
Dividend declared	(3,479)	-	(3,479)
Total comprehensive income	4,516	-	4,516
Balance at December 31, 2021.....	41,172	(1,092)	40,080

16.1 Summarized financial information on subsidiaries with material non-controlling interests

The information below includes the amounts as included in the consolidation, before inter-company eliminations.

a) Summarized balance sheets

	MKT	
	12.31.2020	12.31.2021
Current assets	34,009	33,654
Current liabilities.....	(20,954)	(18,708)
Non-current assets.....	105,274	106,159
Non-current liabilities.....	(5,014)	(5,494)
Net assets.....	113,315	115,611

b) Summarized income statements

	MKT	
	2020	2021
Revenue.....	63,789	65,603
Profit before income tax	10,082	9,790
Profit for the period.....	9,074	8,835

c) Summarized cash flows

	MKT	
	12.31.2020	12.31.2021
Net cash generated from operating activities.....	22,633	21,913
Net cash used in investing activities.....	(11,165)	(12,369)
Dividends/capital reduction paid to Controlling interests.....	(4,226)	(4,547)
Dividends/capital reduction paid to Non-controlling interests.....	(3,235)	(3,479)
Other cash flows from financing activities.....	(3,509)	(3,607)
Net cash used in financing activities.....	(10,970)	(11,633)

16.2 Transactions with non-controlling interests

There were no material transactions with non-controlling interests in 2021 or 2020 other than the dividend payments.

The only significant non-controlling interest of the Group is the Republic of North Macedonia, holding shares in MKT. MKT and Magyar Telekom did not execute as part of their normal business activities any transactions that were individually material in the 2021 or 2020 financial year with companies controlled by the Republic of North Macedonia or companies over which the Republic of North Macedonia can exercise a significant influence.

17 LEASES

17.1 Leases – Accounting policies

A contract is a lease (or contains a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition exemptions
Short-term leases, low value leases

IFRS 16 includes recognition exemptions available to lessees for short-term leases and leases of low-value items and specifies alternative requirements.

- In the MT Group, a decision was made not to apply the short-term recognition exemptions to lease contracts, except for some minor and insignificant lease arrangements with a lease term of one month or less. Such very short-term leases and related asset classes are expensed as incurred and no additional quantitative disclosure is required.
- The MT Group has made the decision not to apply the practical expedient with respect to low value items. Hence they have to be recognized, measured and presented as lease arrangements in the scope of IFRS 16.

Lease term

The lease term assessment at the commencement date refers to the period for which MT is reasonably certain to maintain the contract under the terms and conditions as originally negotiated. The initial lease term assessment is made at commencement of the lease. When determining the lease term, the shortest reasonably possible, i.e. justifiable, term is always to be used in case of doubt. The lease term assessment is largely based on management judgement and MT usually use estimates or assumptions (especially in the case of options and indefinite contracts) on asset cluster level.

The commencement date of the lease (commencement date), is the date on which a lessor makes an underlying asset (i.e., the property, plant or equipment that is subject to the lease) available for use to the lessee. At the commencement date, the lease term begins and lease liability and the right-of-use asset is initially recognized and measured.

Options - “Reasonably certain criteria”

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, lessees and lessors shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Lease payments

Lease payments are defined in the same way for both lessees and lessors. Lease payments are defined as payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term.

The definition of lease payments, for MT lessees, includes payments for non-lease components as well.

Reassessment of the lease liability

IFRS 16 specifies when the lease liability has to be reassessed. It is important to note that, in terms of IFRS 16, a reassessment of the lease liability only takes place if the change is based on already existing contractual clauses, i.e. those that have been part of the contract since commencement.

A lessee reassesses the lease term, i.e. whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that: is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

Accounting for lease modifications

A lease modification is defined as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”. Modification can result from a change in consideration only. The effective date of the modification is defined as the date when both parties agree to a lease modification.

A lessee accounts for a lease modification as a separate lease if both of the following conditions are fulfilled:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When these conditions are met, the modification is considered to result in the creation of a new lease that is separate from the original lease. The agreement for the right to use one or more additional assets is accounted for as a separate lease (or leases) to which the requirements of IFRS 16 are applied independently of the original lease.

For a lease modification that is not a separate lease, i.e. that does not meet the conditions outlined above, at the effective date of the modification, the lessee accounts for the lease modification by remeasuring the lease liability using a discount rate determined at that date and:

- for lease modifications that decrease the scope of the lease, the lessee decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes a gain or loss that reflects the proportionate decrease in scope; and
- for all other lease modifications, the lessee makes a corresponding adjustment to the right-of-use asset.

When a lease arrangement is modified, then the revised lease payments will always be discounted with a revised discount rate. This is different from the requirements for a reassessment of the lease, where only in specific cases a revised discount rate is required

Presentation and disclosures for MT Group as lessee

Statement of financial position

The MT Group decided to present the right-of-use assets (separately from other assets) as well the lease liabilities as separate line items on the face of the statement of financial position.

Statement of profit or loss and other comprehensive income

In the statement of profit or loss and other comprehensive income Magyar Telekom Group presents separately interest expense on the lease liability from depreciation for the right-of-use asset.

Statement of cash flows

The following items are presented within operating activities in the statement of cash flows:

- cash payments for the interest portion of the lease liability, according to the MT Group accounting policy to present interest payments in operating cash flows and;
- variable lease payments not included in the lease liability

Cash payments for the principal portion of lease liability are presented within financing activities in the statement of cash flows.

Presentation and disclosures for MT Group as lessor

Presentation of leases in Statement of profit or loss and other comprehensive income and in Statement of financial position

In the MT Group consolidated Statement of profit or loss and other comprehensive income, operating lease revenue is not disclosed separately from other revenue. There is only one-line item titled "Revenue".

In the Notes to the Financial Statements there is a further breakdown of Revenue provided including a breakdown of operating lease revenue by MT Group segments. The operating lease revenue line item in the Note 18.3 is titled "Other sources".

MT Group as a Lessor presents assets subject to operating leases in its statements of financial position according to the nature of the underlying asset. In the MT Group, portions of assets that are physically distinct and are identified as underlying assets (leases) are not presented separately from the whole asset in the statements of financial position.

Other lease topics

Sale and leaseback transactions

Assessing whether the transfer of the asset qualifies as a sale.

In the MT Group, both the short-term and the low value recognition exception have not been elected for any asset class. As a result, MT Group seller-lessee will always recognize (materiality considered) sale-and-leaseback transactions on-balance sheet. To determine how to account for a sale-and-leaseback transaction, the MT Group first considers whether the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale. The MT Group then applies IFRS 15 to determine whether a sale has taken place. This assessment determines the accounting by both the seller-lessee and the buyer-lessor, as follows.

Accounting for sale and leaseback – Transfer of an asset is not a sale

If the transfer of an asset is not a sale, the seller-lessee and the buyer-lessor account for the transaction as financing.

Accounting for sale and leaseback – Transfer of an asset is a sale

If control passes as defined in IFRS 15 (sale), the seller-lessee must recognize an asset at an amount equaling the pro-rata carrying amount arising from the pro-rata right-of-use retained. Any gains or losses from this transaction are also only recognized proportionately. Hence, the seller-lessee restricts the gain that it recognizes on the sale to the amount that relates to the portion of the underlying asset that has been transferred, i.e. to the buyer-lessor's residual interest in the underlying asset.

Sale and leaseback transactions had no material effect on financial statements of Magyar Telekom Group.

Subleases

A sublease is defined as a transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.

In classifying a sublease, MT Group, as the intermediate lessor, should classify the sublease as a finance lease or an operating lease in the same manner as any other lease using the criteria discussed in IFRS 16.61.

At the commencement date of the sublease, if MT Group cannot readily determine the rate implicit in the sublease, then it uses the discount rate that it uses for the head lease to account for the sublease, adjusted for any initial direct costs associated with the sublease.

Subleases had no material effect on financial statements of Magyar Telekom Group.

Presentation and disclosures for subleases

No sublease specific balance sheet and income statement presentation rules apply to subleases. MT Group applies the respective presentation rules that apply to other finance and operating leases.

MT Group does not offset assets and liabilities arising from a head lease and a sublease of the same underlying asset, unless the financial instruments requirements for offsetting are met. The same applies to lease income and lease expenses relating to a head lease and a sublease of the same underlying asset, unless the requirements for offsetting in IAS 1 are met.

Under IFRS 16 the head lease and a sublease are two separate contracts that are accounted for under the lessee and lessor models, respectively. The general disclosure rules equally apply for the head lease and for subleases, either disclosures for finance sub-lessors or operating sub-lessors.

Lessor accounting

Finance lease – Definition

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The nature of finance lease arrangement are akin to financing the sale of an asset. The presentation in the financial statements departs from the legal lease form of the transaction and is based on the economic substance (i.e. as if the underlying lease asset was sold by the lessor to the lessee).

Operating lease – Definition

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. There is a typically simple short-term hire arrangement (an operating lease), whereby rental payments received are dealt with in profit or loss with the primary impact on the balance sheet relating to the timing of lease payments.

17.2 Finance leases

17.2.1 Finance lease – Group as lessor

Future lease receivables under finance leases at December 31, 2020 and 2021 are as follows:

	12.31.2020			12.31.2021		
	Present value	Interest component	Minimum lease receipt	Present value	Interest component	Minimum lease receipt
Within 1 year	315	35	350	331	28	359
1–2 years.....	293	27	320	190	20	210
2–3 years.....	184	19	203	110	14	124
3–4 years.....	103	14	117	74	11	85
4–5 years.....	67	11	78	64	8	72
After 5 years.....	190	23	213	127	15	142
Total.....	1,152	129	1,281	896	96	992

The interest component represents the unearned finance income. The present value due within one year is included in Other current financial assets, while the present value after one year is included in Other non-current financial assets. The finance income accruing to the company over the lease term is recognized in the Profit for the year (Interest income) (see Note 23).

The unguaranteed residual values accruing to the benefit of the company are insignificant.

17.2.2 Lease – Group as lessee

Leases are mainly in respect of the rental of the new headquarters, mobile cell sites and sale and lease back of spaces in buildings accommodating telephone exchanges, and to a lesser extent, related to other buildings, network and other telecommunications facilities, equipment and vehicle.

In most cases the contracts are denominated in HUF and EUR (sale and lease back contracts in EUR), the term of the leases is 4–13 years, considering the renewal options but no purchase options.

Leases of buildings generally have lease terms between 4 and 13 years, in the case of telecom equipment 4 and 9 years, while these terms are between 1 and 4 years in relation for motor vehicles and other equipment. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

The maturity analysis of lease liabilities are disclosed in Note 5.1.3.

The following are the amounts recognized in profit or loss:

	2020	2021
Depreciation expense of right-of-use assets.....	17,850	18,874
Interest expense on lease liabilities.....	5,407	4,717
Foreign exchange loss on lease liabilities	5,014	465
Income from subleasing right-of-use assets.....	57	62
Gains or losses arising from sale and leaseback transactions.....	1,984	-

The Group had total cash outflows for leases of HUF 20,046 million in 2021. The Company has various lease contracts that have not yet commenced as at December 31, 2021. The future lease payments for these non-cancellable lease contracts are HUF 10,755 million.

The amount of undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term is HUF 14,331 million.

The Group initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual value is reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

As at December 31, 2021, the amount of residual value guarantees to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities is HUF 88 million, which is not expected to be payable.

17.3 Operating leases – Group as lessor

The following table includes the future minimum lease payments receivable by the Group for the operating leases of mobile tower sections, network, dark fiber, buildings and from 2021 customer premise equipments where Magyar Telekom is the lessor.

	12.31.2020	12.31.2021
Within 1 year	3,282	4,341
1–2 years.....	3,071	3,994
2–3 years.....	2,888	3,676
3–4 years.....	2,729	3,552
4–5 years.....	2,144	3,178
After 5 years.....	5,225	6,195
Total.....	19,339	24,936

The following table disaggregates class of property, plant and equipment into assets subject to operating leases:

	Building	Telecom equipment	Total
01.01.2020			
Gross value.....	3,983	1,239	5,222
Accumulated depreciation.....	(1,734)	(684)	(2,418)
Carrying amount 01.01.2020.....	2,249	555	2,804
Carrying amount - 01.01.2020	2,249	555	2,804
Additions.....	59	195	254
Depreciation charge	(125)	(66)	(191)
Carrying amount - 12.31.2020.....	2,183	684	2,867
12.31.2020			
Gross value.....	4,042	1,434	5,476
Accumulated depreciation.....	(1,859)	(750)	(2,609)
Carrying amount 31.12.2020.....	2,183	684	2,867
Carrying amount - 01.01.2021	2,183	684	2,867
Additions.....	277	1,141	1,418
Disposal.....	(227)	(224)	(451)
Depreciation charge	(184)	(366)	(550)
Carrying amount - 12.31.2021.....	2,049	1,235	3,284
12.31.2021			
Gross value.....	3,995	2,754	6,749
Accumulated depreciation.....	(1,946)	(1,519)	(3,465)
Carrying amount	2,049	1,235	3,284

18 REVENUE

18.1 Revenue – accounting policies

18.1.1 Sale of goods and Rendering of services

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services.

Revenue should be recognized if it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. If the Group determines that collectability is no longer ensured (e.g. because subsequently the customer's ability or intent to pay significantly deteriorates), the Group must apply cash accounting for the remainder of the contract, i.e. for the outstanding goods and services to be provided. This reassessment does not affect recorded assets and revenue relating to performance obligations already satisfied.

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control either transfers over time or at a point in time, which affects when revenue is recorded.

As a practical expedient, the Group applies the guidance to a group of contracts with similar characteristics instead of to a single contract with a customer. A portfolio approach is acceptable if the Group can reasonably expect that the effect of applying a portfolio approach to a group of contracts or group of performance obligations would not differ materially from considering each contract or performance obligation separately. This implies that a portfolio of contracts with similar characteristics does not necessarily need to refer to homogenous products being included in these contracts.

Main principles

- If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group shall present the contract as a Contract asset, excluding any amounts presented as a receivable. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.
- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the Consolidated Statement of Financial Position.
- Expenses for sales commissions (customer acquisition costs) must be capitalized in the Contract costs line of the Consolidated Statement of Financial Position and recognized over the estimated customer retention period.
- Later recognition of revenue in cases where “material rights” are granted, such as offering additional discounts for future purchases of further products.
- Contract liabilities are netted off against the contract assets for each customer contract.
- The Group presents the revenue on gross basis (as principal) when it controls the specified goods or services before they are transferred to the customer, and it must be transferred by the Group.
- In case of the Group resells the services of another party towards the customer, but does not control them, all related revenue and expenses are presented on gross basis, if both of the below conditions are met:
 - the Group has entered into a distribution agreement with the supplier under which an enforceable right was received to resell a limited or unlimited number of the agreed-upon services to the Group's customers at predefined prices any time upon request; and
 - the Group has discretion in setting the selling prices or determining the price of the service package where the another party's service is already included.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- If the promise to grant a license is distinct from the other promised goods or services in the contract then the promise to grant the license is a separate performance obligation and the Group shall determine whether the license transfers to a customer is either at a point in time or over time.

18.1.2 Revenue from operating leases

Revenue from operating leases is recognized as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. For further information, please see Note 17.3.

18.2 Revenue from major service lines

18.2.1 Mobile and Fixed line telecommunications revenue

Revenue is primarily derived from services provided to Magyar Telekom's customer subscribers and other third parties using Magyar Telekom's telecommunications network and equipment sales.

Customer subscriber arrangements typically include an equipment sale, subscription fee and charge for the actual voice, internet, data or multimedia services used.

Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenue is recognized in the period they relate to. Usage-based consideration (e.g. airtime) is generally not part of the transaction price as the Group does not have the right to consideration at contract inception.

The Group provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks.

Advertising revenue is recognized in the period that the advertisements are exhibited.

Revenue from premium rate services is recognized on a gross basis when the delivery of the service over Magyar Telekom's network is the responsibility of the Group, the Group determines the prices of these services and bears their substantial risks; otherwise this revenue is presented on a net basis.

Customers may also purchase prepaid mobile, public phone and internet credits (cards) which allow those customers to use Magyar Telekom's telecommunications network for a selected amount of time. Customers must pay for such services at the date when the card is purchased. Revenue from the sale of cards is recognized when they are used by the customers or when the credits expire with unused traffic.

Third parties using Magyar Telekom's telecommunications network include roaming customers of other service providers and other telecommunications providers which terminate or transit calls on Magyar Telekom's network. These wholesale (incoming) traffic revenue is recognized in the period of related usage. A proportion of the revenue received is often paid to other operators (interconnect) for the use of their networks, where applicable. The revenue and costs of these transit calls are stated gross in the Financial statements as the Group is the principal supplier of these services using its own network freely defining the pricing of the services and recognized in the period of related usage.

Contracts are frequently sold to customers containing a cross subsidy between two or more components. A typical example is where a mobile phone is sold at a price significantly below its market value in a bundle with a service contract for a period of 12 or 24 months. From a commercial point of view, the subsidy on the mobile phone is compensated via the service fee.

With this adjustment requirement (also termed as "basic adjustment") a cross-subsidy or an overall bundle discount must be allocated to the individual components of the bundle so that revenue generally reflects the fair value of the good and/or service with a bundle discount being appropriately distributed among the affected items.

The revenue is determined for every component by distributing the transaction price to the individual components in proportion to their relevant standalone selling prices.

18.2.2 System integration (SI) and IT revenue

Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of 2-3 years.

Revenue from outsourcing contracts reflects the extent of actual services delivered in the period in accordance with the terms of the contract. The contracts are analyzed based on the IFRS 16 requirements – determining whether an Arrangement contains a Lease, and if they include embedded lease elements, the revenue attributable to these is recognized according to IFRS 16 – Leases as described in Note 17.

Revenue from system integration contracts requiring the delivery of customized products and/or services is generally covered by one of the following types of contracts: fixed-price or time and material-based.

Magyar Telekom transfers control of goods and services over time, therefore satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a customer simultaneously receives and consumes the benefit provided by Magyar Telekom's performance as Magyar Telekom performs,
- Magyar Telekom's performance creates or enhances assets that the customer controls as the asset is created or enhanced,
- Magyar Telekom's performance does not create an asset with an alternative use to Magyar Telekom and Magyar Telekom has an enforceable right to payment for performance completed to date.

If the performance obligation is not satisfied over time, Magyar Telekom satisfies the performance obligation at a point in time.

Revenue from maintenance services (generally fixed fee per month) is recognized over time. Revenue from repairs, which are not part of the maintenance contract, billed on the basis of time and material used is recognized at point in time.

Revenue from hardware sales or sales-type leases is recognized when the customer obtains the control over the product.

To determine the progress of performance, Magyar Telekom Group applies the Input method. Magyar Telekom recognizes revenue based on its efforts or inputs to the satisfaction of a performance obligation (resources consumed, labor hours expended, cost incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of the performance obligation.

18.3 Revenue in the Statement of profit or loss and other comprehensive income

18.3.1 Disaggregation of revenue from contracts with customers

	2020	2021
Mobile revenue		
Voice retail.....	123,292	118,652
Voice wholesale.....	11,966	12,822
Data	101,840	118,816
SMS	20,690	24,396
Equipment.....	96,478	103,859
Other mobile revenue	10,323	10,842
Total Mobile revenue.....	364,589	389,387
Fixed line revenue		
Voice retail.....	39,553	37,063
Broadband retail *	57,496	62,796
TV	52,355	56,503
Equipment.....	22,356	19,453
Data retail *	12,254	12,704
Wholesale	19,355	20,010
Other fixed-line revenue.....	15,635	15,336
Total Fixed-line revenue.....	219,004	223,865
System integration and IT revenue.....	89,455	86,868
Total revenue	673,048	700,120
Of which:		
Revenue from contracts with customers.....	669,170	694,242
Other sources	3,878	5,878

* In the case of 2020 data, HUF 3,472 million has been reclassified from Broadband retail to Data retail revenue for ensuring comparability.

Other sources of revenue include real estate and network rental fees which is presented above in the Fixed-line wholesale and Fixed-line other revenue lines.

Equipment revenue is recognized at a point in time while service revenue is recognized over time. SI/IT revenue is recognized mostly over time and to a lesser extent at a point in time depending on the project.

None of the Group's customers represent a significant source of revenue individually. Revenue from transactions with a single external customer (or group of entities that – knowingly to us – is under common control of a third party or government) does not exceed 10% of the Group's revenue.

Regarding geographical segmentation of revenue please see Note 33.

18.4 Assets and liabilities related to contracts with customers

Contract assets of the Group consist of unbilled amounts typically resulting from sales under long-term contracts when revenue recognized exceeds the amount billed to the customer.

Contract liabilities consist of advance payments and billings in excess of costs incurred and deferred revenue.

	12.31.2020	12.31.2021
Contract assets – current.....	16,878	20,745
Contract assets – non-current	3,923	4,143
Contract liabilities – current.....	(10,998)	(12,238)
Contract liabilities – non-current.....	(361)	(326)
Net contract assets (liabilities).....	9,442	12,324
Revenue recognized in the reporting period from amounts included in contract liability at the beginning of the period	9,066	9,325
Asset recognized from the costs to obtain contracts with customers.....	5,389	6,571
Amortisation recognized as cost of obtaining contracts during the period.	(5,594)	(6,398)

Impairment losses recognized on contract assets are disclosed together with trade receivables in Note 4.2.2.2 and amounted to HUF 2,208 million as at December 31, 2021 (in 2020 HUF 2,215 million).

As of December 31, 2021 the aggregate amount of the transaction price allocated to the remaining performance obligation is HUF 197,489 million and the Group will recognize this revenue as services are rendered, which is expected to occur over the next 13-126 months.

19 DIRECT COSTS

19.1 Telecom tax

Telecom tax was introduced in Hungary for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012. The tax imposed on fixed and mobile usage amounts to HUF 2 per minute and HUF 2 per SMS/MMS for private individual subscribers' subscriptions and to HUF 3 per minute and HUF 3 per SMS/MMS for non-private individual subscribers' subscriptions. The tax is capped at HUF 700 and HUF 5,000 per month per calling number for private and non-private individuals' subscriptions, respectively.

19.2 Other direct costs

Other direct costs include costs of mobile and fixed devices, accessories and other equipment, agent commissions and non-voice direct costs.

20 EMPLOYEE-RELATED EXPENSES

20.1 Employee-related expenses – accounting policies

20.1.1 Short-term employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render their services. These include wages, social security contributions, bonuses, paid holidays, discounted telephone bills, meal and holiday contributions and other fringe benefits and the tax charges thereon.

Payments to defined contribution pension and other welfare plans are recognized as an expense in the period in which they are earned by the employees.

20.1.2 Share-based compensation

Magyar Telekom recognizes the costs of services received from its employees in a share-based payment transaction when services are received. Magyar Telekom recognizes a corresponding increase in its equity reserves (Reserve for equity settled share based transactions) if the services are received in an equity-settled share-based payment transaction. When the share-based compensation program is completed, i.e. the shares are transferred to the employees' ownership or the share options have forfeited, the respective reserve is transferred to Retained earnings. If the services are received in a cash-settled share-based payment transaction, the Group recognizes the expense against a liability, re-measured to fair value at each financial statement date.

Bonuses tied to the long-term performance of the Magyar Telekom and Deutsche Telekom shares are recognized in the Profit for the year at their time-proportioned fair value against an accumulating balance in Provisions.

20.1.2.1 Share Matching Plan of Deutsche Telekom Group

As of July 1, 2015, Magyar Telekom Group implemented a Share Matching Plan for all executives (ca. 40). Participation in the program is voluntary, with the exception of the CEO.

The participant can invest a minimum of 10% of his/her gross annual bonus in Deutsche Telekom shares, with an option to voluntarily increase this amount to a maximum of 50% (personal investment). These shares must be kept for at least four years (the lock-up period), the participant is granted matching shares upon expiry of the lock-up period. The share allocation ratio of the program (1:1 or 1:2) depends on the participant's individual Management Group (MG). Deutsche Telekom grants the matching shares to the participant based on the Deutsche Telekom shares acquired by the participant within the framework of the program. The program starts annually if the free cash flow target of Deutsche Telekom Group was met in the previous year.

The program initiated by DT is settled in DT shares with the participants, meanwhile Magyar Telekom has to settle it with DT AG in cash at the same time participants are granted the DT shares therefore the actual closing balance of the program is presented as a related-party financial liability in the consolidated statements of financial positions as it is settled in cash from the perspective of Magyar Telekom and is due to be paid to DT AG.

In 2021 HUF 31 million was recognized as expense for the program (2020: HUF 30 million).

20.1.2.2 Long-term incentive program (LTI)

As of January 1, 2015 Magyar Telekom Group changed its existing LTI program, turning it into a share-based compensation program. The 2021 LTI program is a global, Deutsche Telekom Group-wide incentive program.

Approximately 40 executives may participate in the program. The CEO's participation is unconditional, while other executives may participate only if the evaluation of the participant's performance in the previous year meets the requirements.

LTI is payable in cash tied to the achievement of four key strategic indicators. In the framework of the program, in each year a new four-year tranche is to be launched. Payment is due after the end of the program term depending on the evaluation of the achievement of the pre-set targets (0 to 150%).

At the beginning of the program, the relevant incentive amount is converted into a number of virtual shares of DT AG and awarded to the plan participant in the form of virtual shares (basic number). The annual level of target achievement is determined at the end of each year. This target achievement level is multiplied on a pro rata basis by the basic number of

virtual shares awarded. The number of virtual shares calculated using this method shall then be "fixed" for the plan participant as the binding result for that specific year ("annual result"). At the end of the plan term, the four binding annual results shall be added together. The resulting total number of virtual shares shall be converted into cash applying the prevailing price of DT AG shares at that time, which is paid to the plan participants. For dividend payments during the plan term, the virtual shares shall be treated as real shares. The dividends shall be taken into account as follows: The first/second/third dividend payments shall be "reinvested" into virtual shares when the actual dividends are paid on real shares. The fourth (and last) dividend payment shall not be reinvested but paid in cash together with the plan payment following the DTAG shareholders' meeting at which a decision is made regarding this dividend payment. The plan currency is euro.

In 2021 HUF 586 million was recognized as expenses for the program (2020: HUF 709 million).

20.1.3 Repeated Performance Incentive (RPI)

The RPI honors repeated, extraordinary collective performance, which is measured by the overachievement as defined bonus KPI. The group-wide relevant bonus KPI is EBITDA unadjusted. RPI is for a defined group of Executives (incl. Business Leaders) at Deutsche Telekom Group.

It was a four-year plan, running from 2018 to 2021. If there is a target achievement was met in two consecutive years as defined in the policy regarding the RPI, the first year was only considered as the year of eligibility. HUF 1,130 million (2020: HUF 783 million) was recognized as expense for the program in 2021. The amount of the bonus payout depended on Management level, target achievement of the segment and the number of years of consecutive overperformance.

20.1.4 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the nominal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

20.2 Employee-related expenses in the Statement of profit or loss and other comprehensive income

	2020	2021
Short-term benefits (Note 20.1.1).....	77,940	75,829
Termination benefits (Note 20.1.4).....	5,802	2,920
Equity-settled share-based compensations (Note 20.1.2.1).....	30	31
Cash-settled share-based compensations (LTI) (Note 20.1.2.2).....	709	586
Cash-settled share-based compensations (RPI) (Note 20.1.2.3).....	783	1,130
Total before capitalization	85,264	80,496
Expenses capitalized	(6,260)	(4,616)
Total.....	79,004	75,880
Total costs expensed in relation to defined contribution plans (including social security contribution)	12,693	11,275
Average number of employees (full time equivalent).....	7,358	6,932
Closing number of employees (full time equivalent).....	7,132	6,786

21 OTHER OPERATING EXPENSES

	2020	2021
Cost of other purchased services..... (a)	42,116	40,088
Marketing expenses	8,563	9,053
Utility tax.....	7,215	7,332
Energy costs.....	8,184	7,245
Other operating expenses.....	10,438	12,021
Total.....	76,516	75,739

Research costs recognized by the Group were not material in the presented years.

(a) Audit costs included in Cost of other purchased services

Cost of other purchased services, among others, include expenses incurred in relation to the audit of the separate and consolidated financial statements of the members of the Group as well as other services provided by PricewaterhouseCoopers Könyvvizsgáló Kft. (PwC) as follows.

	2020	2021
Audit of the financial statements	388	392
Other audit-related fees	16	19
Other non audit-related fees	83	105
Total expenses payable to PwC	487	516

Audit of the financial statements is the aggregate fees of PwC in connection with the audit of our annual financial statements and services performed in relation to legal obligations and submissions required by regulatory provisions. Review of the quarterly financial statements is also included, as well as information systems and procedural reviews and testing to understand and place reliance on the systems of internal control.

Other audit-related services mainly include other professional auditing services provided by the Auditor beyond the audit of the financial statements, as well as other audit procedure necessary for meeting the reporting requirements arising from relevant legislation and internal regulations.

Other non-audit related fees are fees of PwC primarily related to consulting services and services like participation by Magyar Telekom employees in conferences and training sessions organized by PwC.

22 OTHER OPERATING INCOME

	2020	2021
Gain on the sale of PPE, Intangible assets and assets held for sale - net	2,140	751
Income received for the relocation and reconstruction of our own network .	796	901
Brand license fee	300	300
Other.....	2,606	2,009
Total.....	5,842	3,961

23 INTEREST INCOME

	2020	2021
Interest income on financial assets	248	292
Interest income from leases.....	14	13
Reversal of interest component of provisions.....	362	-
Dividend income	52	57
Total.....	676	362

24 INTEREST EXPENSE

	2020	2021
Interest expense payable to DT	3,144	937
Other interest expense.....	3,765	6,625
Interest expense on lease liabilities.....	5,407	5,634
Accretion / interest on provisions.....	(788)	728
Borrowing costs capitalized	(209)	(157)
Total.....	11,319	13,767

In 2020, Accretion/interest on provisions included the interest of a released provision related to a legal case which was rejected as ungrounded and the submitted appeal from MKT was accepted.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Borrowing costs include interest and other costs that the Group incurs in connection with the borrowing of funds. The borrowing costs eligible for capitalization are capitalized applying the weighted average of the borrowing costs applicable to the general borrowings of the Group that are outstanding during the period. For further information see Note 2.1.1. A qualifying asset is an asset that necessarily takes a substantial period of time, in general over 12 months, to get ready for its intended use.

Total Interest expense is shown net of borrowing costs capitalized using average borrowing rates of 0.47%-1.14% in 2021 (2020: 0.92%-1.59%). When calculating the borrowing rates, Other finance expenses (included in Note 25) are also considered.

25 OTHER FINANCE EXPENSE – NET

	2020	2021
Fee expense.....	5,020	5,139
Net foreign exchange losses / (gains) on financial instruments.....	26,423	1,594
Other net foreign exchange losses / (gains)	3,834	502
Losses / (gains) on the subsequent measurement of derivatives contracted with related parties	(19,669)	3,988
Losses / (gains) on the subsequent measurement of financial assets at fair value through profit or loss (other than derivatives).....	35	11
Losses / (gains) on the subsequent measurement of financial liabilities at fair value through profit or loss (other than derivatives).....	1	17
Losses / (gains) on the derecognition of derivatives contracted with related parties.....	(2,441)	(10,960)
Total.....	13,203	291

The high amount of Losses / (gains) on the subsequent measurement of derivatives contracted with related parties in 2020 was mainly due to the significant weakening of HUF exchange rates. During 2021 the market condition changes are different, as HUF exchange rate has lower volatility and strengthened against EUR, however the HUF interest rates are growing continuously, furthermore in 2021 the volume of derivatives were different.

The realized gains on the derecognition of derivatives contracted with related parties are higher in 2021, which is mainly due to expiring of two Cross Currency Interest Rate Swap deals.

26 CHANGES IN THE GROUP

26.1 Business combinations

26.1.1 Acquisition of ITgen Kft.

In November 2017 T-Systems Magyarország Zrt. signed a Share Purchase Agreement to acquire a 100% stake in ITgen Kft., an SAP technology and security specialist firm, for a purchase price plus a potential earnout payment totaling to a maximum of HUF 1.2 billion, dependent on 2018, 2019 and 2020 financial performance. The closing of the transaction took place in January 2018.

From the total purchase price HUF 799 million was paid in cash in 2018 while HUF 180 million, HUF 120 million and HUF 180 million (in 2019, 2020 and 2021 respectively) was paid from the earnout payment totaling to HUF 480 million remeasured at the time of last payment date of 2021.

26.1.2 Cable TV network and operations

In 2021 and 2020, the Group acquired a number of cable TV businesses in individually insignificant transactions. All these acquisitions qualified as business combinations of the MT-Hungary operating segment. The vast majority of the total purchase price was paid in cash in 2021 and 2020.

The table below shows the summary of the transactions.

	2020	2021
Consideration transferred.....	597	1,497
Less: Fair value of the net assets acquired.....	(605)	(1,483)
Total difference between consideration transferred and net asset acquired.....	(8)	14
- thereof goodwill.....	30	14
- thereof Negative goodwill *	(38)	-

*The negative goodwill is accounted as an other income in the Statement of total comprehensive income.

The impact of Cable TV acquisitions were insignificant during 2020 and 2021, therefore disclosed data are comparable without any adjustment.

27 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit attributable to the owners of the Company for the period by the weighted average number of common stocks outstanding. All figures are presented in the Consolidated statements of profit or loss and other comprehensive income.

There was no transaction resulting dilutive shares in the reported periods therefore the presented basic and diluted EPS are equal in 2020 and 2021.

28 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The table below shows the reconciliation of investments in property, plant and equipment and intangible assets and the cash payments made for these investments from continuing operations. Capitalized borrowing costs are included in the Investments in PPE and intangible assets, where applicable.

	12.31.2020	12.31.2021
Investments in property, plant and equipment (Note 9.2).....	79,776	79,423
Investments in Right-of-use assets (Note 9.2)	35,091	22,940
Investments in intangible assets (Note 10.2)	119,568	113,755
Total investments in PPE and intangible assets	234,435	216,118
Capitalized asset-related grant..... (b)	1,480	(1,418)
Capitalized annual frequency fee payable	(37,343)	(83,075)
Change in Right-of-use assets	(36,930)	(22,940)
Recognition / (Derecognition) of investment tax credit..... (d)	2,823	2,341
Change in trade payables relating to capital expenditures	(11,352)	(120)
Cash payments for purchases of PPE and intangible assets.....	153,113	110,906

- (a) The present value of the frequency fees is capitalized as part of the intangible asset (Licenses) if the future payments can be reliably estimated, however, these fees are paid in cash in subsequent periods. The cash payments on the discounted liability are included in the Repayment of lease and other financial liabilities line of the Financing cash flow, while the interest payments accruing on the discounted liability are included in the Interest and other financial charges paid line of the Operating cash flow. The significant license acquisitions are described in Notes 10.5 and 34.2.
- (b) In 2021 HUF 1,287 million is paid by the government. It is presented in Notes 4.2.3.2 and see also Notes 9 and 14 for government grants relating to the purchase of PPE.
- (c) Change in payables relating to capital expenditures includes the effect that the actual cash settlement of the vendor invoices is made subsequent to the recognition of the investment.
- (d) For further information of Recognition / (Derecognition) of investment tax credit see also Notes 6.

29 PURCHASE OF SUBSIDIARIES AND BUSINESS UNITS

	12.31.2020	12.31.2021
Acquisition of ITgen Kft. (Note 26.1.1)	120	180
Cable TV businesses (Note 26.1.2)	447	1,497
Cash payments for purchases of subsidiaries and business units	567	1,677

Cash payments related to the purchases of subsidiaries and business units include advance payments made before the closing of the transaction, the initial purchase price paid on the closing of the transaction as well as amounts paid as additional contingent purchase prices disbursed in years following the year of the business combination.

30 CONTINGENT ASSETS AND LIABILITIES

30.1 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.

30.2 Contingent liabilities

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events (excluding executory contracts) not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The most significant contingent liabilities of the Group are described below. 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.

30.2.1 Hungary

30.2.1.1 Guarantees

Magyar Telekom Plc. is exposed to risks that arise from the possible drawdown of guarantees, for which see more details in Note 4.5.4.

30.2.2 North Macedonia

30.2.2.1 Contingent liabilities

Makedonski Telekom has a contingent liability in the amount of MKD 240 million (HUF 1.4 billion) 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.

31 PURCHASE COMMITMENTS

31.1 Purchase commitments for tangible and intangible assets

The table below summarizes Magyar Telekom's contractual purchase commitments for tangible and intangible assets with the majority falling due within two years.

	12.31.2020	12.31.2021
Property, plant and equipment	4,166	6,977
Intangible assets	7,122	6,243
Total.....	11,288	13,220

31.2 Purchase commitments for businesses

As at December 31, 2021 and 2020 the Group had no significant committed business combinations.

32 RELATED-PARTY TRANSACTIONS

Related-parties of the Group include legal entities and persons that are related to the Group.

A person or a close member of that person's family is related to the Group if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions apply:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person related to the entity or such a person holds a key position in the reporting entity.
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The transactions with related parties are priced at arm's lengths basis, if the conditions are met.

No impairment was recognized for receivables from related-parties in the reported years.

32.1 Deutsche Telekom Group and the Federal Republic of Germany

32.1.1 Deutsche Telekom Group

Deutsche Telekom AG is the ultimate (indirect) controlling owner of Magyar Telekom Plc., holding 59.21% of the Company's shares. Deutsche Telekom Group has a number of fixed-line, mobile and IT service provider subsidiaries worldwide, with whom Magyar Telekom Group has regular transactions.

Deutsche Telekom International Finance (DTIF) the subsidiary of DT AG is the treasury center of DT Group, which typically provides loan financing across the DT Group including Magyar Telekom as an intercompany partner.

The table below summarizes the above related party transactions and balances with DT Group.

	12.31.2020	12.31.2021
Revenue from services provided to DT Group companies.....	19,316	20,646
Costs of services provided by DT Group companies.....	(16,996)	(13,505)
Income from support services provided to DT Group companies	73	89
Interest expense to DTIF.....	(1,706)	(487)
Interest expense to DT AG.....	(1,438)	(455)
Dividend paid to parent company.....	(12,454)	(9,262)
Accounts receivable from DT Group companies.....	6,465	5,543
Accounts payable to DT Group companies.....	(11,032)	(12,089)
Loans payable to DTIF.....	(95,964)	-
Loans payable to DT AG.....	(89,456)	(128,258)
Fair value of swap agreements with DT AG – asset.....	20,696	16,715
Fair value of swap agreements with DT AG – liability.....	(13)	(20)

32.1.2 The Federal Republic of Germany

The Federal Republic of Germany is both a direct and an indirect shareholder and holds approximately 32 percent of the share capital of DT AG. Due to the average attendance at the shareholders' meetings, the Federal Republic of Germany represents a solid majority at the shareholders' meetings of DT AG, although it only has a minority shareholding, making DT AG a dependent company of the Federal Republic. Therefore, the Federal Republic and the companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence are classified as related parties of DT AG, and consequently of Magyar Telekom as well.

DT AG and Magyar Telekom did not execute, as part of its normal business activities, any transactions that were individually material in the 2021 or 2020 financial year with companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence.

32.2 Board and Supervisory Board members

	2020	2021
Remuneration of the members of the Board of Directors.....	28	22
Remuneration of the members of the Supervisory Board	44	37
Loans granted to the members of the Board of Directors	-	-
Loans granted to the members of the Supervisory Board.....	-	-

32.3 Key management

Key management has been identified as the members of the Company's Chief Officers. The Chief Executive Officer (CEO) and the other Chief Officers (Chief Officers) together fulfill the Chief Operating Decision Maker (CODM) function in the Group.

The table below shows, in total, the compensation expenses (including social security and other payroll-related taxes) incurred by the Group in relation to the key management.

	2020	2021
Salaries and other employee benefits.....	712	1,152
Contractual termination expense.....	150	-
Share-based compensation (Note 20.1).....	24	20
	886	1,172
Of which costs expensed in relation to defined contribution plans (including social security contribution).....	152	157

The Group does not provide loans to its key management.

33 REPORTABLE SEGMENTS AND INFORMATION ABOUT GEOGRAPHICAL AREAS

33.1 Segment information

The Group's segments are reported in a manner consistent with the internal reporting provided to the CODM, the key management of Magyar Telekom Plc.

The CODM of Magyar Telekom Plc is responsible for allocating resources to, and assessing the performance of, the operating segments on a monthly basis. The Chief Officers assess the performance of the Company and make their decisions.

The accounting policies and measurement principles of the operating segments are very similar to those applied for the Group described in Note 2. The differences primarily originate from the fact that the operating segments' annual results are determined and closed at an earlier stage, around January 8–10 each year, than these Financial statements. Any items discovered and requiring adjustment between the closing date of the segment results and the approval date of the Financial statements are reflected in the next year's segment results.

The operating segments' revenue includes revenue from external customers as well as the internal revenue generated from inter-segment support services.



The operating segments' results are monitored by the Company's management down to EBITDA AL (Earnings before interest, tax, depreciation and amortization but including the depreciation and interest of Right-of-Use assets) level.

The Company's management does not monitor the assets and liabilities at segment level.

Another important KPI monitored at segment level is capital expenditure (CAPEX) and CAPEX AL (after lease, excluding the Capex of Right-of-Use assets) which is determined as the annual investments in PPE and Intangible assets.

33.2 Reportable segments

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 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.

33.2.1 Information regularly provided to the CODM

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

Revenue	2020	2021
Total MT-Hungary revenue	609,292	634,471
Less: MT-Hungary revenue from other segments	(135)	(119)
MT-Hungary revenue from external customers.....	609,157	634,352
Total North Macedonia revenue.....	63,789	65,603
Less: North Macedonia revenue from other segments.....	(71)	(57)
North Macedonia revenue from external customers	63,718	65,546
Total consolidated revenue of the segments.....	672,875	699,898
Measurement differences / rounding between segment and Group revenue.....	173	222
Total revenue of the Group	673,048	700,120



MT-Hungary revenue	2020	2021
Voice.....	119,035	114,793
Non-voice	112,091	131,397
Equipment.....	86,930	94,452
Other.....	8,941	9,283
Total mobile revenue.....	326,997	349,925
Voice retail.....	34,488	32,062
Broadband - retail.....	54,858	57,666
TV.....	47,175	51,046
Equipment.....	22,042	19,232
Other.....	38,341	40,302
Total fixed-line revenue	196,904	200,308
SI/IT revenue	85,391	84,238
Total revenue of the MT-Hungary segment	609,292	634,471

North Macedonia revenue	2020	2021
Voice.....	16,223	16,681
Non-voice	10,439	11,815
Equipment.....	9,548	9,407
Other.....	1,383	1,562
Total mobile revenue.....	37,593	39,465
Voice retail.....	5,065	5,001
Broadband - retail.....	6,110	5,130
TV.....	5,180	5,457
Equipment.....	314	221
Other.....	5,452	7,699
Total fixed-line revenue	22,121	23,508
SI/IT revenue	4,075	2,630
Total revenue of the North Macedonia segment	63,789	65,603



As other sources of revenue represent an insignificant part of total revenue, we assumed regarding segment revenue that total revenue is revenue from contracts with customers.

Segment results (EBITDA)	2020	2021
MT-Hungary.....	200,260	213,034
North Macedonia.....	25,589	27,778
Total EBITDA of the segments	225,849	240,812
Measurement differences / rounding between segment and Group EBITDA.....	33	(41)
Total EBITDA of the Group	225,882	240,771
MT-Hungary.....	177,794	189,385
North Macedonia.....	24,798	26,919
Total EBITDA AL of the segments	202,592	216,304
Measurement differences / rounding between segment and Group EBITDA AL.....	33	(41)
Total EBITDA AL of the Group	202,625	216,263
Capital expenditure (Capex) on PPE, Intangible assets and Right-of-use assets	12.31.2020	12.31.2021
MT-Hungary	129,110	115,939
North Macedonia	13,076	16,281
Total capital expenditure of the segments	142,186	132,220
Acquisition of mobile licenses (Note 10)	92,375	84,152
Other measurement differences between segment and Group Capex	(126)	-
Total investments of the Group in PPE and Intangible assets.....	234,435	216,372
Capex AL	12.31.2020	12.31.2021
MT-Hungary.....	185,307	177,211
North Macedonia	12,324	16,221
Total Capex AL of the segments	197,631	193,432
Measurement differences to Capex AL of the Group.....	-	-
Total Capex AL of the Group	197,631	193,432

The acquisition of mobile licenses is not considered part of the Capex measure of the segments. Total investments of the Group in PPE and Intangible assets correspond to the “Investments” lines disclosed in Notes 9, 10 and 28.

33.3 Information about geographical areas

The table below shows the revenue generated from external customers in the countries where the Group operates, using the same measurement principles as for the corresponding Group numbers. As other sources of revenue represents an insignificant part of total revenue, we assumed regarding geographical areas of revenue that total revenue is revenue from contracts with customers.

Revenue	2020	2021
Hungary.....	601,608	625,857
North Macedonia	63,718	65,546
Romania.....	4,563	5,240
Bulgaria	3,159	3,477
Total revenue of the Group	673,048	700,120

The table below shows the Non-current assets of the Group located in the countries of operations (including goodwill allocated to operating segments operating in these countries) and the reconciliation to the total Non-current assets of the Group, using the same measurement principles as for the corresponding Group numbers.

Non-current assets	12.31.2020	12.31.2021
Hungary.....	952,996	1,019,921
North Macedonia	102,395	102,967
Bulgaria	3,967	3,759
Romania.....	2,948	2,861
Total excluding Other non-current financial assets, Investments in associates and joint ventures and Deferred tax assets	1,062,306	1,129,508
Other non-current financial assets (Note 4.2.3.3).....	29,180	39,136
Investments in associates and joint ventures (Note 11).....	-	-
Deferred tax assets (Note 6.3.2).....	118	125
Total Non-current assets of the Group.....	1,091,604	1,168,769

34 REGULATED MARKETS AND PROCEDURES

Magyar Telekom's primary activities are the fixed-line and mobile operations in Hungary. These services are regulated by European and Hungarian legislation.

The most important features of the regulation of these services are described below.

The regulation of the Hungarian telecommunications markets is primarily based on Act C of 2003 on Electronic Communications (Eht.) and the decrees issued by the President of the National Media and Communications Authority (NRA). The NRA is an independent regulatory body which, in addition to its law enforcement activities, also legislates on the basis of legal authority.

Hungary implemented Directive 1972/2018 / EU (EECC) partially by December 21, 2020 (with Section 16 of the Electronic Communications Act being applicable June 30, 2021). The EECC regulates fix and mobile call termination rates in the whole EU/EEA by a Delegated Act, but the legal framework for formerly regulated markets remains largely unaffected by the EECC.

34.1 Access regulation

Regulated markets are governed by EU Commission's recommendations. Parallel to the EECC, the Commission produced a new recommendation replacing Recommendation 2014/710/EU: 2020/2245/EU. The new recommendation only covers two markets:

- Wholesale access for mass-market products
- Wholesale high-quality access at a fixed location

National NRA's, nonetheless, have the power to diverge from this recommendation. The former Hungarian regulation designates 4 regulated markets, Magyar Telekom is currently designated as an SMP operator (a service provider with significant market power) on all of these.

M1: With regards the fix networks' regulated interconnection (M1) the NRA published its fifth-round market analysis procedure's resolution on May 15, 2018. The resolution's FTR (fix termination rate) proposal - that is based on a pure BU-LRIC model - is 0.26 HUF/min. The new fee had to be applied symmetrically with an effect from end of the second quarter of 2018 altogether for 144 operators. Previous regulation of fix origination, also carrier selection and call-by-call obligation was terminated with this last resolution.

The latest MARIO and supplementary interconnection service fees came into force on January 1, 2020.

M2: The Company is designated as an SMP operator (a service provider with significant market power) in the mobile wholesale call termination market (new M2, old M7 market) and subject to regulatory obligations regarding the termination charge of calls into its network, mobile termination rate (MTR). The last mobile market resolution was published in two folds: one resolution only contains the SMP designation, with the obligations, such as the n MTR of 1.71 HUF/min net cost-based fee remaining untouched, while with regards to obligations, the NRA delivered a separate resolution.

M3: Magyar Telekom is Hungary's leading fixed-line broadband service provider in the wholesale market and one of the leading ones in the retail market. In accordance with the effective resolution, all retail fixed products shall be 'reproducible' by competitors based on the wholesale service. Consequently, the full retail portfolio shall have a wholesale equivalent. Previous regulation defined a retail minus price setting.

The NRA published the latest *resolutions* with regards to markets 3a (M3a) and 3b (M3b) on December 15, 2017. SMP operators are obliged to prepare reference unbundling offer for access to (physical) passive network infrastructure (RUO) and to provide these services when there is a request for them by other telecommunications service providers. The reference offer of each SMP operator must be approved by the NRA. The latest market resolution introduced the geographical segmentation, thus relieving the company of obligations in certain competing settlements. Magyar Telekom was designated as an SMP in both 3a and 3b markets. Service fee calculation for all relevant regulated services – both markets 3a (resolution PC/17915-66/2017.) and 3b (resolution PC/17920-66/2017.) - are with a BU-LRIC+ model. New fees had to be applied as of January 1, 2019.

As a novelty the geographically segmented regulation was implemented with the last resolution. As a result, in those settlements where competition bases, Magyar Telekom's SMP was withdrawn. In the M3a resolution a new service obligation has been introduced, the L2-WAP (Layer 2 Wholesale Access Service) obligation. The NRA has published the latest reference unbundling offer – containing the L2WAP service – through its resolution PC/16593-31/2018. on November 6, 2019. The revised reference offer entered into force on December 1, 2019. The L2-WAP service is to be offered six months after the entry into force of the revised reference offer, i.e. June 1, 2020.

M4: In the high-quality broadband market (M4) the NRA published its resolution (PC/12186-44/2018.) on February 27, 2019. Magyar Telekom has been designated as the SMP for the "Ethernet leased line termination segment service". According to the resolution Magyar Telekom is subject to SMP obligations throughout Hungary, providing high-quality access at a regulated cost-based price.

34.2 Spectrum procedures

In June 2012, the Hungarian Parliament adopted the modification of the Electronic Communications Law extending the scope of competence and tasks of the NRA. Pursuant to the amendment, all spectrum-related issues are dealt with by the NRA.

On December 7, 2004, the Company obtained the spectrum usage right of certain frequency blocks in the 2100 MHz band for the deployment and operation of an IMT2000/UMTS mobile telecommunications system (3G system). The duration of the spectrum license was 15 years (until December 7, 2019) that was extended for another 7.5 years in December 2018 for a one-time fee of HUF 11 billion.

The Company won a tender for a spectrum usage right for a 26 GHz block on April 30, 2009. On May 14, 2012 the NRA granted spectrum license to Magyar Telekom for four pieces of basic spectrum blocks (4 x 2 x 28 MHz each) in the 26 GHz band. Furthermore, Telekom acquired GTS Hungary Ltd's two blocks in the 26 GHz band for HUF 114.6 million net, and has a usage right for it from November 1, 2016. Blocks purchased in 2009 were extended in 2018.

The Company filed an auction bid in December 2011 with the NRA for the right of use of unused spectrum in the 900 MHz frequency band, related to the provision of mobile telecommunications services. The spectrum can be utilized in a technology-neutral manner. The NRA announced its first-instance decision on the result of the 900 MHz auction (Auction) on January 30, 2012. Magyar Telekom won the right of use of two duplex frequency blocks of 1 MHz each for a period of 15 years.

On September 6, 2013 Magyar Telekom and the NRA signed the modification of the Authority Contract on the use of the 900 MHz and 1800 MHz frequency bands. The main stipulations of the modification are the following:

On May 22, 2014, the NRA published the "Documentation for the tender announced in the subject of spectrum licenses for broadband services". Blocks in 800 MHz / 900 MHz / 1800 MHz / 2600 MHz and 26 GHz frequency bands were auctioned.

On September 29, 2014 the NRA published the tender results so that Magyar Telekom acquired the following frequencies for an aggregate amount of HUF 58,650 million:

- 2 x 10 MHz in 800 MHz
- 2 x 2 MHz in 900 MHz
- 2 x 30 MHz in 2600 MHz
- 2 x 10 MHz in 1800 MHz.

On October 15, 2014 Magyar Telekom and the NRA signed the Authority Contract on the use of the 800 MHz, 900 MHz and 1800 MHz frequency bands that came into force right on that day. For the new bands the frequency license and radio permission were issued on October 17, 2014 to Magyar Telekom.

As a result of the last tender Magyar Telekom acquired frequency usage rights in the above listed spectrums till June 15, 2029. The Authority Contract can be extended another five years if all requirements defined in the contract are met.

On July 18, 2019, the NRA published the "Documentation for the auction announced in the subject of spectrum licenses for 5G services". Blocks in the 700 MHz / 2100 MHz / 2600 MHz and 3600 MHz frequency bands were auctioned.

On March 26, 2020 the NRA published the bidding results of the auction so that Magyar Telekom acquired the following frequencies for HUF 54,240 million:

- 2 x 10 MHz in 700 MHz
- 2 x 10 MHz in 2100 MHz
- 1 x 120 MHz in 3600 MHz.

As a result of the auction Magyar Telekom acquired frequency usage rights in the above-listed spectrums till April 3, 2034. The usage rights can be extended another five years if all requirements defined in the documentation are met.

On October 16, 2020, the NRA published the "Documentation for the auction announced in the subject of spectrum licenses for 900 MHz and 1800 MHz bands". Usage rights is valid for 15 years starting from April 2022 and might be extended another five years if all requirements defined in the documentation are met. Magyar Telekom submitted its participation request on November 10, 2020. Six lots of 2x5 MHz blocks were sold in the 900 MHz band, and 12 lots of 2x5 MHz blocks were sold in the 1800 MHz band.

Magyar Telekom acquired 2x8 MHz in the 900 MHz spectrum band while 2x20 MHz in the 1800 MHz spectrum band.

34.3. Universal services

Universal services are basic communications services (including access to communication services at a fixed location, public payphones, directory and directory enquiry services) that should be available to all customers at an affordable price. The NRA published its request for voluntary universal service provisioning on January 19, 2018. MT did not bid on any parts of the universal services, so the NRA designated MT to offer the following universal services from January 1, 2019: public payphones, access on fixed location and for national directory enquiry service. As a result of the procedure MT lost two primary areas to serve (Szekszárd – nr74 and Paks – nr75) and received a new one (Szeged - nr62).

The EECC brings a new framework in universal services as well – MT will likely be able to let go of some of the obscure obligations of the past, while Hungary will have to ensure affordable and available internet access to consumers. This obligation is still to be investigated by the NRA.

34.4. End-user rights

Since June 30, 2007, an EU regulation has been regulating international roaming tariffs for wholesale and retail customers on the basis of a price cap system. The first EU roaming regulation prescribed a glide-path that mandated annual reductions of wholesale and retail prices. (EU Roaming Regulation I.)

As of July 2009, the EU also introduced regulated tariffs for SMS and data roaming similarly to the regulation of voice roaming. (EU Roaming Regulation II.)

As of July 1, 2012, the EU further broadened the European roaming regulation with a new regulatory measure: separate sales of regulated roaming services. As a result, Magyar Telekom had to implement the technical possibility to host an Alternative Roaming Provider in its network and also it allows its own customers to use Local Break-out solutions within the EU offered by a foreign EU member country's mobile operator from July 1, 2014. (EU Roaming Regulation III.)

The actual EU roaming regulation - "Full Roam Like At Home With Fair Use Policy Possibility" - is applied from June 15, 2017. (EU Roaming Regulation IV.). As a result, European retail roaming price levels for voice, SMS and data are equal to domestic prices since summer 2017. The Commission implementing regulation (EU) 2016/2286 of December 15, 2016 laid down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment.

In addition, the Company has implemented, by the required deadline of May 15, 2019, Regulation (EC) No 2018/1971 of the European Parliament and of the Council supported by BEREC and BEREC Office, and according to the modified Regulation (EU) 2015/2120, taking into account the withdrawal decision of regulation 1211/2009/EC regulation, the reduction of charges for international calls and SMSs to member states of the European Union.

The EECC affected all customer relations of MT – we prepared for compliance with serious IT-developments as well as changes in our processes.

34.5 Macedonian Mobile

The Group is also present in the North Macedonian mobile market through its subsidiary, Makedonski Telekom AD Skopje (MKT, previously T-Mobile). The North Macedonian telecommunications sector is regulated by the Electronic Communications Law (ECL) enacted in March 2014 as primary legislation and rulebooks as secondary legislation.

On September 5, 2008, Agency for Electronic Communications (NRA), ex officio, issued a notification to T-Mobile for those public electronic communication networks and/or services which has been allocated thereto under the Concession Contracts. The license for radiofrequencies used by T-Mobile in the GSM 900, band was issued also in a form regulated in the ECL with a validity period until September 5, 2018, which was renewed in 2018 for additional 10 years until 2028. Due to the changes in the bylaws, the 900 MHz band is opened for UMTS technology and based on MKT's request the radiofrequency license is changed so that these frequencies are now technology neutral.

Decision for granting 2x15 MHz license on 2100 MHz was announced in 2008. The validity of the license was 10 years i.e. until December 17, 2018. The license was renewed in 2018 for 10 years, until 2028 in accordance with the ECL.

An auction procedure concluded in August 2013 awarded the whole 790 – 862 MHz band together with the unassigned spectrum in the 1740–1880 MHz band for Long Term Evolution (LTE) technology in a public tender. Each of the 3 North Macedonian mobile operators, at that time, obtained an LTE radiofrequency license of 1x10MHz in the 800 MHz band and

2x15 MHz in the 1800 MHz band. Each license was acquired for a one-off fee of EUR 10.3 million (approximately HUF 3.2 billion). The license is for 20 years, until December 1, 2033, with an extension option for additional 20 years, in accordance with the ECL.

After the merger of One and VIP, A1 Macedonia (former one.VIP) submitted a request on November 18, 2016 to NRA for change of the licenses for using radio frequencies in land mobile service with record numbers 108269/1, 108271/1, 104068, 104069, 104711, 108269/2 and 108267/2. NRA brought resolution not to approve the reshuffling request of One.VIP.

In tender procedure, new license in 2100 MHz (2x15 MHz) was issued to MKT. New license in 2100 MHz (2x10 MHz) was issued also to A1 Macedonia. License validity is until end of 2028.

On December 19, 2014, amendments of the ECL were enacted. Many significant changes were made to the ECL, with the Balkan Roaming Regulation being one of the most important changes made in line with EU Roaming III regulation. The glide path for roaming prices reduction finished on July 1, 2017. In 2019, regulatory bodies of the West Balkan countries (WB6) (North Macedonia, Montenegro, Serbia, Bosnia, Albania, Kosovo) introduce roaming regulation, starting with RLAH+ surcharge model from July 1, 2019 until June 30, 2021. From July 1, 2021 RLAH – (Roam Like At Home) model regulation shall be in place. With this regulation, the international termination rates between the WB6 countries were also decreased.

Both mobile operators on the market, Makedonski Telekom and A1 Macedonia are designated as operators with SMP status on the relevant wholesale market “Access and call origination on public mobile networks”. NRA imposed same regulatory remedies for both operators:

- mobile access obligation for all MVNO hybrid types (including Reseller),
- cost based price for Full MVNO,
- retail minus (-35%) for the Reseller,
- obligation for access to MMS services and mobile data based on technology neutrality.

An MVNO, Lyca Mobile hosted on A1 network entered the Macedonian market and started retail operations in July 2016 under regulated wholesale conditions. Also, from October 2020, new MVNO (Green Mobile) started operating, hosted on A1 network.

The cable operator Telekom which on the market is already present by offering fixed services (voice, broadband and TV), in January 2019 started operating as an MVNO hosted on Makedonski Telekom mobile network under regulated wholesale conditions.

Both operators, Makedonski Telekom and A1 Macedonia are designated as operators with SMP status on the relevant wholesale market “Wholesale call termination on public mobile networks”. The current termination rates are symmetrical for Makedonski Telekom and A1 Macedonia, but Lyca Mobile has high asymmetry starting from May 2018. With the new analysis of the relevant market in 2020 symmetry was implemented also for Lyca Mobile from July 1, 2020.

The license duration of two licenses previously owned by VIP was until 2017, 10 MHz from 900 MHz band and 10 MHz from 1800 MHz band expired on March 23, 2017, positioned in the lower parts of the bands. At the request from A1 Macedonia (former one.VIP) for license prolongation, the NRA adopted resolution No. 0804-974 from November 2, 2016 not to prolong these two licenses. At the moment these radiofrequencies are not allocated and these are not available for sale, they are saved for a third entrant.

On May 26, 2017 A1 Macedonia submitted a request to the NRA for change of the license for using radio frequencies in land mobile service with registered number 108267/2, whereby the following radiofrequency block was allocated: 1770-1785/1865-1880 MHz. On October 9, 2017, the NRA issued resolution for refusal of A1 Macedonia’s request for reshuffling on 1800 MHz.

Based on the appeal submitted by A1 Macedonia, in September 2019 the reshuffling request on 1800 MHz was finally approved by the NRA, due to a court decision in favor of A1 Macedonia. In the 1800 MHz range A1 Macedonia will get huge continuous block of 35 MHz effective October 15, 2019. Based on MKT request, NRA prolonged the licenses on 900 (2x12.5 MHz), 1800 (2x10 MHz) and 2100 (2x15 MHz) for additional 10 years validity (until 2028-2029) without onetime fee.

In April 2019, Ministry of Information Society and Administration issued National Broadband Strategy which sets the following targets:

- By the end of 2023 at least one major city should be covered with 5G signal;
- By the end of 2025 the regional highways and state highways set NRA should be covered by a continuous 5G signal;
- By the end of 2027 all urban areas will be covered by a continuous 5G signal;
- By the end of 2029 everyone will have access to 5G internet with a minimum internet speed of at least 100 Mbps;
- By the end of 2029, at least 50% of the total number of subscriber contracts of households across the country should have internet access of at least 100 Mbps;
- By the end of 2029 all households in the Republic of North Macedonia will have affordable access to a network that provides download speeds of at least 100 Mbps with the possibility of upgrading to gigabit speed;
- By the end of 2029, all public institutions (schools, universities, research centers and other educational institutions, health institutions, ministries, courts, local governments and other public authorities and bodies,) should have symmetric access to the Internet of at least 1Gb/s;

Based on public debate at the beginning of 2021 NRA adopted changes in the Rulebook on Radiofrequencies fees:

- Decrease of RF fees from 3.x GHz for 50% (from 4,000 EUR/MHz to 2,000 EUR/MHz)
- Decrease of RF fees for 700 MHz for 50% (from 11,480 EUR/MHz to 5,740 EUR/MHz)
- Decrease of RF fees above 55 GHz (E band RF links) for 50% (from 4,000 EUR/250 MHz to 2,000 EUR/250 MHz)

5G public tender is expected to be published By NRA in March 2022 for the following radiofrequency bands 700 MHz, 3.x GHz. Ending of the procedure could be expected in second or third quarter of 2022.

34.6 Macedonian Fixed line

Makedonski Telekom has SMP obligations in several regulated markets for fixed services.

At the beginning of 2015, the regulation for access to fiber was implemented, with Local Bitstream Access over NGA on level 3 and 4 and VULA (Virtual Unbundled Local Access) regulation on level 2. The introduction of new technologies (VDSL Vectoring technology in 2017) announced by MKT for the retail customers led to the introduction of new wholesale access products and reshaping of the regulatory obligations.

The final document for the wholesale central access for mass-market products provided at a fixed location market analyses (Market 6) was published in April 2017. For the first time NRA imposed a regulation on the access to Hybrid Fiber Coaxial Access (HFC). All existing obligations for the copper and fiber network remain unchanged. All obligations apply to the MKT and to the A1 Macedonia operator as SMP on the broadband market.

The amendments from September 2016 with a new obligation to register the new and existing electronic networks (ATLAS), refer to the joint building and use of networks and a new obligation for NRA to publish the received reports on the optic backbone segment measurements by all operators.

NRA published tender for USO provider in October 2021, for the period 2022 to 2026, and one of the main criteria is the required amount for a refund.

According to the results from the tender, Makedonski Telekom is designated for universal service provider until 2026 for Fixed access and access for disabled users (voice and internet of minimum 12Mbit/s download)

A1 Macedonia was designated for Public payphones.

R3 Infomedia signed contract with the NRA for the Telephone Directory and Directory Inquiry universal services.

Following the market trends and the EU regulation, the NRA made decisions for deregulation on several markets: trunk segment of leased lines and avoiding regulation of the Ethernet leased line services; minimal set of leased lines (retail); WLR (Wholesale Line Rental) market; traditional retail fixed voice services (access and traffic). MKT has a cost-based price obligation for the regulated wholesale services, using Long Run Incremental Costs methodology (LRIC).

In the middle of 2019 NRA implemented ERT testing (margin squeeze methodology) to NGA based broadband wholesale services supplied by the two dominant operators (MKT and A1Macedonia – former One.Vip). The developed ERT model will test the economic replicability of the retail bundles including broadband services with access speed higher than 30 Mb/s.

35 EVENTS AFTER THE REPORTING PERIOD

35.1 Sale of Pan-Inform

T-Systems Magyarország Zrt. signed a sales purchase agreement on the sale of its subsidiary Pan-Inform Kft., the scope of the agreement covers the support and development operations provided for central healthcare services in Hungary and the related hospital information system. The closing of the transaction and the settlement of the HUF 5.5 billion selling price took place at the end of January 2022. Please see Note 8.2.

Budapest, February 23, 2022



Tibor Rékasi

Chief Executive Officer, Board member



Daria Aleksandrovna Dodonova

Chief Financial Officer, Board member



CONSOLIDATED BUSINESS REPORT

MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021



INTRODUCTION

The Company's activities are described in Note 34 of the Consolidated Financial Statements, while the business report provides additional information on the following topics:

- SUMMARY ON 2021 OPERATIONS
- THE COMPANY'S SHARE CAPITAL, VOTING RIGHTS AND TRANSFER OF SHARES
- CORPORATE GOVERNANCE
- SOCIAL COMMITMENTS, LABOR STANDARDS, HUMAN RIGHTS
- COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD, AND MANAGEMENT
- RESEARCH AND DEVELOPMENT
- REAL ESTATE, SITES OF OPERATION
- SUSTAINABILITY
- ENVIRONMENT PROTECTION
- CORPORATE COMPLIANCE
- ECONOMIC ENVIRONMENT, OUTLOOK AND TARGETS
- INTERNAL CONTROLS, RISKS AND UNCERTAINTIES
- ANALYSIS OF FINANCIAL RESULTS FOR 2021
- EVENTS AFTER THE REPORTING PERIOD

SUMMARY ON 2021 OPERATIONS

Financials

Magyar Telekom delivered revenue and EBITDA AL results overperforming the targets communicated for 2021 thanks to the improving operating environment coupled with the successful monetization of our quality networks and appealing service offerings. Group revenue rose by 4.0% year-on-year to HUF 700.1 billion and EBITDA AL reached HUF 216.3 billion representing a 6.7% increase year-on-year.

We recorded a 4.1% rise in our investments in 2021, CAPEX after lease excluding spectrum licenses grew to HUF 109.3 billion, reflecting the further acceleration in network related investments to meet customer demand. As a result of that and some unfavorable changes in working capital development, cash flow excluding spectrum licenses amounted to HUF 56.2 billion in 2021.

Network

In 2021, we continued our flagship investments in Hungary which aim to provide our customers with an outstanding network that they require and appreciate, whether they are at home or on the move.

Thanks to our fiber rollout program and the highest ever annual expansion of over 440 thousand further gigabit capable access points, we were able to provide gigabit speed at more than 3 million access points in Hungary by the end of the year. This translates to over two-thirds of our fixed infrastructure, with over 1 million customers choosing to connect via gigabit technology to our fixed network.

We also proceeded with the comprehensive 3-year mobile radio network modernization project, allowing us to meet the surging mobile data demand as well as to steadily expand 5G coverage, reaching over 10% based on the Hungarian population by the end of 2021.

Magyar Telekom also secured critical spectrum on the 900 and 1800 MHz frequency bands in 2021, a significant milestone which will allow our customers to continue to enjoy superior mobile services and innovative solutions going forward.

Customers

Our efforts to provide outstanding infrastructure are reflected in the continued positive momentum in our customer base: fixed broadband subscriber base expanded by 7% and by now one out of four broadband customers is subscribed to a Gigabit speed. On the mobile side, we recorded the highest data traffic ever, whilst the average monthly mobile data usage per customer rose by over 30% year-on-year, supporting value creation.

Furthermore, the excellent service and tailor-made solutions to our customers, were reflected in the continued increase in customer satisfaction, reflected also in the improvement of Magyar Telekom's TRIM index scores measured among residential and SOHO customers.

Resilience

We also progressed with the implementation of internal efficiency measures, which have in combination with our digitization agenda positioned us well to generate higher profitability and reinforce our resilience to external challenges that may result from our rapidly changing environment.

We received further recognition of these efforts and progress by Scope Rating, which has affirmed our BBB+ issuer credit rating with a stable outlook, and specifically emphasized the Company's strong market position and resilient operational structure.

The results of Magyar Telekom's latest sustainability cycle spanning the 2016-2020 period were presented, detailing our strategy with respect to digital sustainability, climate protection, equal opportunity and diversity. In addition, Magyar Telekom's position as a constituent of the FTSE4Good Index Series was confirmed following an index review, receiving a 99 percentile rank in the telecommunications investment universe.



1 THE COMPANY'S SHARE CAPITAL, VOTING RIGHTS AND TRANSFER OF SHARES

As of December 31, 2021, the share capital of Magyar Telekom Plc. was HUF 104,274,254,300, consisting of 1,042,742,543 Series "A" dematerialized ordinary shares. All Series "A" ordinary shares have a nominal value of HUF 100. Rights and obligations related to Series "A" ordinary shares are described in detail in Section 4 of the Articles of Association

(http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents).

Information concerning our ownership structure as of December 31, 2021 is described in the following table:

Shareholder	Number of shares	Percentage of share capital
Deutsche Telekom Europe B.V	617,436,759	59.21
Publicly traded.....	379,528,245	36.40
Treasury shares	45,777,539	4.39
	1,042,742,543	100.00

Deutsche Telekom Europe B.V. owning 61.93% of the Company's voting rights is a member of the Deutsche Telekom Group. The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DT AG).

Deutsche Telekom Europe B.V. does not have different voting rights than our other shareholders and, as with our other shareholders, Deutsche Telekom Europe B.V. is entitled to one vote per each ordinary share that it owns.

1.1 Voting Rights and Voting

The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of the Company. The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in the Articles of Association, which shall require at least a three-quarters majority of the votes cast. There is no limitation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the ordinary shares. There is no limitation of voting rights for ordinary shares in the Articles of Association. The Company has no shares assigned with special management rights.

1.2 Transfer of Shares

For the transfer of dematerialized shares, a contract for transfer or other legal title is required and, in that context, the transferor's securities account shall be debited and the new holder's securities account shall be credited with the transferred dematerialized shares. The holder of dematerialized shares shall be considered the holder of the securities account on which the dematerialized shares are recorded.

The transfer of any Series "A" ordinary shares is not bound to any restriction or attainment of agreement.

2 CORPORATE GOVERNANCE

2.1 Annual General Meeting

The General Meeting has the exclusive right to approve and amend the Articles of Association (section 5.2. (a)) unless otherwise provided by law or the Articles of Association. According to the Articles of Association, the Board of Directors is entitled to make decisions regarding any change in the registered seat, sites, branch offices and – except for the main activity – the scope of activities of the Company and in relation to this, to modify the Articles of Association (section 6.4.(p)).

2.2 Board of Directors

The Board of Directors operates based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors).

The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by the Articles of Association or by the laws. The Board of Directors draws up, at the end of each business year, a report for the General Meeting and quarterly to the Supervisory Board on the management of the Company, the assets of the Company, the financial situation of the Company and the business policy of the Company.

The rules of competence regarding the capital increase and purchase of treasury shares are detailed in Sections 5.2 (b) and (p) as well as 6.4. (l) and (m) of the Articles of Association. The Board of Directors¹ with its Resolution No. 2/5 (04.16.2021) adopted an authorization to purchase Magyar Telekom ordinary shares for 18 months starting from the date of approval of the resolution. The relevant resolution is available on the General Meetings section of the Company's website.

Pursuant to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of eleven members elected by the General Meeting for a term of three years, unless otherwise provided by the General Meeting. On December 31, 2021, there were eight members of the Board of Directors.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of at least the majority of the members for a quorum. Each member of the Board of Directors has one vote. The Board of Directors passes resolutions by a simple majority vote.

On December 31, 2021, members of the Board of Directors, their principal occupation and the years of their original election were as follows:

Name	Born	Principal Occupation	Member since
Dr. Robert Hauber.....	1971	Senior Vice President Finance & Performance Management Europe, DT AG, Chairperson of the Board of Directors of Magyar Telekom Plc.	2017
Daria Aleksandrovna Dodonova	1976	Chief Financial Officer of Magyar Telekom Plc.	2020
Gábor Fekete.....	1950	Consultant	2020
Ralf Nejedl.....	1970	Senior Vice President B2B Europe, Deutsche Telekom AG	2016
Frank Odzuck.....	1959	Chief Executive Officer of Zwack Unicum Plc.	2006
Péter Ratatics.....	1982	Chief Operating Officer of MOL	2019
Tibor Rékasi.....	1973	Chief Executive Officer of Magyar Telekom Plc.	2018
Éva Somorjai-Tamássy.....	1966	Senior Vice President Special Transformation Projects Europe, Deutsche Telekom AG	2019

The members' assignment lasts until May 31, 2022.

¹ Based on Government Decree no. 502/2020. (XI. 16.) the Board of Directors of the Company decided in the matters set on the published agenda of the Annual General Meeting.

2.3 Management

As part of the corporate governance simplification initiative, the Board of Directors of Magyar Telekom resolved to cease the activity of the Management Committee established in 2000 as a formal corporate decision-making body with effect from January 1, 2020. The tasks and responsibilities of the Management Committee have been re-allocated to the Chief Officers and to the Board of Directors of the Company. As a result of this change, the Management Committee transformed into an agile „Leadership Squad”.

On December 31, 2021, the members of the Management and the years of their original election were as follows:

Name	Born	Current position	Member since
Tibor Rékasi.....	1973	Chief Executive Officer of Magyar Telekom Plc.	2013
Daria Aleksandrovna Dodonova.....	1976	Chief Financial Officer	2020
Melinda Szabó.....	1971	Chief Commercial Officer	2018
Zsuzsanna Friedl.....	1977	Chief People Officer	2017
Gábor Gonda.....	1976	Chief Commercial Officer Enterprise, Chief Executive Officer of T-Systems Hungary Ltd.	2020
Lubor Zatko.....	1974	Chief Technology and IT Officer	2019

2.4 Supervisory Board

The Supervisory Board carries out its activities based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board).

The Supervisory Board shall examine all submissions to be submitted to the General Meeting and present its opinion thereof at the General Meeting. The General Meeting may pass a resolution on a report pursuant to the Accounting Act and the use of the profit after income tax only upon receipt of the written report of the Supervisory Board. The Supervisory Board makes a proposal directly to the General Meeting regarding the election, remuneration and removal of the Statutory Auditor.

Pursuant to the Company’s Articles of Association, the Supervisory Board consists of five members (three independent members and two employee representatives) elected by the General Meeting for a term of three years, unless otherwise provided by the General Meeting. The employee representatives in the Supervisory Board shall be nominated by the Central Workers’ Council. Meetings of the Supervisory Board have a quorum if two-thirds of the elected members but at least three members are present.

On December 31, 2021, the members of the Supervisory Board, their principal occupation and the years of their original election were as follows:

Name	Born	Principal Occupation	Member since
Prof. Dr. Attila Borbély.....	1951	Professor Emeritus of University of Debrecen, Faculty of Economics and Business, Chairperson of the Supervisory Board of Magyar Telekom Plc.	2020
Krisztina Dorogházi.....	1972	Senior Vice President Chief Accounting Officer and Controller, TechnipFMC	2020
Tamás Lichnovszky.....	1962	Expert, People Unit, Magyar Telekom Plc.	2010
András Szakonyi.....	1973	Senior Vice President - Europe, Middle East and Africa, Iron Mountain	2020
Zsoltné Varga.....	1969	Chairwoman of the Central Functions Workers Council, Magyar Telekom Plc.	2008

The members’ assignment lasts until May 31, 2022.

2.5 Audit Committee

The Audit Committee operates based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee).

The members of the Audit Committee have been elected by the General Meeting from the independent members of the Supervisory Board for the same period as their membership in the Supervisory Board.

On December 31, 2021, the members of the Audit Committee were as follows:

- Prof. Dr. Attila Borbély
- Krisztina Dorogházi
- András Szakonyi

2.6 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is established by the Board of Directors of the Company to support the Board of Directors of the Company regarding the remuneration and certain nomination related issues of the members of the corporate bodies and the top executives of the Company in accordance with its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation).

The Remuneration and Nomination Committee, among others, makes recommendations to the Board of Directors on the establishment and/or termination of employment, and the modification of the employment contract of the Chief Executive Officer and the Chief Officers, and defines the remuneration of the Chief Executive Officer and the Chief Officers of the Company.

The Remuneration and Nomination Committee consists of three members. The members are elected by the Board of Directors from among its members. The Remuneration and Nomination Committee holds at least two meetings each year.

On December 31, 2021, the members of the Remuneration and Nomination Committee were as follows:

- Dr. Robert Hauber
- Ralf Nejedl
- Frank Odzuck

2.7 Corporate Governance and Management Report

Magyar Telekom Plc. is a public limited company listed on the Budapest Stock Exchange. In 2004, the Budapest Stock Exchange issued its Corporate Governance Recommendations (the Recommendations) containing recommendations related to the corporate governance practice of companies listed on the Budapest Stock Exchange, taking account of the most commonly used international principles, of experiences gathered in Hungary, and of the characteristics of the Hungarian market as well as the Companies Act. The Recommendations were updated in 2007, 2008, 2012, 2018 and in 2021. The Recommendations effective from time to time is available at the website of the Budapest Stock Exchange:

<https://bse.hu/issuers/corporate-governance-recommendations/Corporate-Governance-Recommendations>

In line with the current regulations, the Board of Directors of Magyar Telekom approved the Corporate Governance and Management Report of the Company (report) prepared in accordance with the Corporate Governance Recommendations and submitted it to the General Meeting. The report – along with other corporate governance related documents - is published in the Corporate Governance section of the website of the Company:

http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents

Companies listed on the stock exchange are required to express their views on their corporate governance practices in two ways. In the first part of the report they have to give account of the corporate governance practices applied by their company in the given business year, including their corporate governance policy, and a description of any unusual circumstances. In the second part of the report, the issuers should give an account on their compliance with each point of the Recommendations in accordance with the "comply or explain" principle, including any reasons for derogating from a specific recommendation and/or proposal. When an issuer does not apply a recommendation or applies it in a different way, they should explain where the differences are and offer a reason for such derogation ('comply or explain' principle). This method allows issuers to consider their unique, industry-specific etc. idiosyncrasies and to inform shareholders and

market players about their derogations from general corporate governance principles and to provide an explanation. Operating on the same principle, issuers can also explain any derogations from the proposals.

Sections 1 to 5 of the above report include the description and operation of the Board of Directors, the Supervisory Board, the relevant committees and executive management. Section 6 of the report includes a description of the internal controls and risk management procedures, while Section 8 of the report describes the disclosure policies and insider trading guidelines. In Sections 9 to 10 the method of exercising shareholders' right and the rules on conducting the General Meeting is summarized, while Section 11 contains the Remuneration Policy. The Company complies with the vast majority of the 72 recommendations and proposals, however in the business year of 2021 in case of 1 proposal it has not or not completely complied with due to the organizational structure or processes of the Company.

In 2021, the Magyar Telekom's disclosure processes were evaluated in the ICS (Internal Control System) by the relevant organizational units and were tested by the internal audit area. The disclosure controls and procedures of Magyar Telekom were effective and designed to ensure a proper basis for the timely and accurate disclosures to the market participants required under the respective accounting, capital markets and company law regulations.

3 SOCIAL COMMITMENTS, LABOR STANDARDS, HUMAN RIGHTS

Some of the key challenges of the sustainability strategy come from the area of human resources management. That is why human resources management has a crucial part in the achievement of our sustainability targets. Our vision is to operate in a corporate environment that is livable, likeable and successful. This set of values strengthens the commitment and satisfaction of our employees and is also attractive on the job market.

3.1 People focus

The business strategy of Magyar Telekom is centered around the realization of a digital business model that is based on utilizing new technologies in service of consumer relationship management in order to build trust and drive value creation. To achieve this goal, the human resources organization has been transformed to an even more efficient, agile, customer-focused People Unit in support of the corporate business strategy. In 2021 we added the following targets to our existing strategic priorities: rapid and safe management of the challenges posed by the pandemic, protection of the health of our employees and customers, and adjusting to the changes in the way we work and our working environment. Magyar Telekom adapted its measures to the pandemic situation i.e. ordering general home office for every position that allows working remotely, offered PCR testing, reduction of working hours on vaccination days, providing safety masks and regular disinfection on all company sites and stores.

Key objectives and key results of people services in 2021:

Enhance digital employee experience

We continued to further develop and simplify our employee mobile application (MagentApp) introducing a new backend platform and making login authentication easier. As a result, the number of regular users increased. delivering further IT system and process developments on a quarterly basis resulted in additional improvement of employee and manager related UX/process/device experience. Along this process a new ATC (Applicant Tracking System) got introduced and our employee self-service platform Reflex got upgraded and renewed. Next to these developments we have introduced further IT tools that supports people managers in total workforce management planning and modelling.

Healthy and Happy

The company group considers the health and wellbeing of its employees paramount to sustainable and successful operations. There has been an increased effort in monitoring and safeguarding the health of employees throughout the pandemic. We have introduced all necessary measures to minimize the risk of infection and further our related initiatives, actions and available services relying on employee feedback we receive through the quarterly wellbeing pulse survey.

The pandemic has changed the way we work in the office and from home. As a result, the company has continued to draw on conclusions and prepare for a resilient way of work by rolling out a methodology for a hybrid way of work in all roles that allow such flexibility. In these cases, employees can independently design and decide on the proportion and frequency of their office and home-based work.

Energized workforce is key to business success. We rely on ourselves and each other to maintain our physical, mental and emotional wellbeing and we cooperate as partners. Thus, the company invests in communicating regularly and openly

about the importance of maintaining a healthy life balance, and a sustainable and healthy way of life. Employees could attend free health screenings of their choice and company offered regular health and wellbeing expert webinars. We also continue to offer employee health and life insurance and have introduced an Employee Assistance Program (EAP) offering 3 hours of free counseling per individual life crisis or pressing issue from legal and financial, to family management or health related issues.

Learning is cool, growing is value

In accordance with employee feedback Telekom witnessed and expansion in the growing and development portfolio offered to employees in 2021. As an employer Telekom grants dedicated L&D time for employees who are being supported by a rich variety of development courses through a single digital gateway platform. Nearly all development courses are being conducted online, considering efficient outreach and engagement opportunities in times of pandemic. The development opportunities are being designed to meet the criteria detected and suggested along the employee competence development evaluation feedback sessions. We continue to offer a renewed portfolio of online learning materials, our coachbank and mentoring, online best practice sharing sessions all of which are also available for parental leavers throughout their leaves.

+1 Tackling issues caused by COVID-19 pandemic

Continuing with its purpose in 2021 the Magenta Alliance Foundation supports employees facing financial insecurities due to the pandemic crisis. The Foundation is open for applications and accepts donations from all Magyar Telekom and T-Systems employees. By the end of 2021, more than HUF 18 million in donations had been granted to more than 200 employees and their families.

In addition to the above, the following people management perspectives continued to be emphasized in 2021:

Employer brand building – we create a livable and likeable workplace, which is satisfactory for our employees and offers an attractive perspective in the labor market through its future oriented methods of work. We put greater emphasis on using social media solutions in building the brand.

Recruitment-selection – We use segment-based online recruitment channels and means to select the best candidate for the specific positions. During the selection process, we seek the inclusive attitude and personal traits defined as requirements for future Telekom employees.

Remuneration – We have a transparent, simpler and consistent job grading model, which reflects primarily the respective values of jobs, and provides for market comparison, as a basis for a competitive remuneration policy.

3.1.1 Headcount

The following table provides information on the number of employees, including full-time equivalents, of Magyar Telekom Plc. and its consolidated subsidiaries:

	2020	2021
Magyar Telekom Plc.	5,149	4,947
Magyar Telekom Plc. and its consolidated subsidiaries.....	7,132	6,786
	2020	2021
MT-Hungary /Telekom Hungary	6,187	5,898
North Macedonia.....	945	888
Total.....	7,132	6,786

The operating segments of the Group are MT-Hungary and North-Macedonia. For further details see Note 33 of the Consolidated financial statements.

3.2 Policies

3.2.1 Policies and agreements

Code of Conduct

[Microsoft Word - 426-M1_eng_7_0.doc.új \(telekom.hu\)](#)

The Code of Conduct provides the framework of orientation for all employees of Deutsche Telekom Group and Magyar Telekom Group. Additionally, it applies to people to who are viewed as equivalent to employees in functional terms, e. g. to temporary agency employees. It combines the joint requirement of compliance with legal obligations and acting with integrity and thus ensures that Deutsche Telekom and Magyar Telekom remain transparent and traceable enterprises for everybody. Deutsche Telekom and Magyar Telekom expect their suppliers and consultants to comply with the rules of behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Code of Human Rights and Social Principles

<https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf>

The Code of Human Rights and Social Principles as well as the company groups Equal Opportunities Plan in force defines the groups general human rights principles and the provisions for the implementation of these principles. Decision makers of Magyar Telekom Group are aware that employee diversity is the prerequisite of sustainable and equitable operations enhancing business efficiency and contributing to competitive advantage.

Group Diversity, Equity and Inclusion Policy

[CSOPORT POLITIKA A SOKSZÍNŰSÉGRŐL, AZ ESÉLYEGYENLŐSÉGRŐL ÉS A BEFOGADÁSRÓL \(telekom.hu\)](#)

As part of the Deutsche Telekom Group, Magyar Telekom Group has renewed its Diversity, Equity and Inclusion (DE&I) Policy in December 2021. The renewed policy defines our global understanding of what characterizes the approach to diversity, equity and inclusion in our interactions with employees. It aims to ensure a consistent work experience, learning and development for every member of the company group, strengthening the sense of belonging and involvement. The framework of the renewed policy details and clarifies our understanding of DE&I through a set of key elements and covers aspects of the work-life cycle that are relevant to the company culture. It addresses social and business responsibility in providing an equitable and inclusive workplace locally within its global framework but respecting local legislation of diverse cultures and local needs.

Group Policy on Employee Relations

[Telekom_Group_policy_on_employee_relations.pdf](#)

The opening up of markets, digitalization and globalization have led to an increasingly knowledge-based working world. New forms of networking are changing communication, public impact, reputation and compliance challenges and other key elements of company management. Thus, we realized a need to renew our definition of how we understand the shared characteristics of our employee relations to ensure consistent working experience for every employee. As part of the Deutsche Telekom Group, Magyar Telekom Group has renewed its Group Policy on Employee Relations in December 2021. It specifies the key elements of our people policy and describes what we stand for in our relationships with employees, that are characterized by our shared values and derive from a set of values as well as from other group policies. The policy covers all aspects of work life that are relevant to industrial relations and informed by sustainability as a key driver.

Suppliers' Compliance: Magyar Telekom Group is committed to respect and protect human rights and it expects its suppliers to comply with these rules of behavior. Prior to becoming authorized suppliers of Magyar Telekom and T-Systems our suppliers must register their enterprises at our vendors' registration site.

https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/registration_vendor.vm

As an obligatory part of the registration process vendors are obliged to understand and accept our Suppliers Code of Conduct that among other policies, entails our Code of Conduct, Social Charter and Diversity Policy. Our suppliers must understand and accept these policies and obligatory frameworks for their behaviors as well.

Equal Opportunities Plan

[Telekom_Equal_opportunities_plan.pdf](#)

Anti-discrimination and the safeguarding of equal opportunities is a key priority to Magyar Telekom Group. According to the act CXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities, and the corporate protocol in place since 2010 Magyar Telekom Group has accepted its 5th Equal Opportunities Plan in order to secure the practices of equal treatment, the advancement of equal opportunities and the monitoring an improvement of the labor positions of particular disadvantaged employee groups. The Equal Opportunities plan currently in force is valid between 2021 and 2025 and has been developed in close cooperation with the employee representative bodies.

The Diversity Charter of the European Union – Hungary has joined the Diversity Charter of the European Union in 2016 and, among 50 signatory companies Magyar Telekom has also underscored its dedication to safeguard diversity as a fundamental value. Magyar Telekom has been among the signatory companies in in the forthcoming years as well as in 2021.

UN Guiding Principles on Business and Human Rights – According to the dedication of Magyar Telekom Group to safeguard and protect human rights along its operations as stated in the UN Guiding Principles of Business and Human Rights, the company considers the rights and guidelines stated in the Universal Declaration of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights at Work to be mandatory in its own practices.

UN Human Rights Treaties ratified by Hungary – Magyar Telekom Group as a corporation legally registered in Hungary is carrying out its entire operations and business practices in full accordance with the nationally ratified UN Human Rights Treaties.

http://tbinternet.ohchr.org/_layouts/TreatyBodyExternal/Treaty.aspx?CountryID=77&Lang=EN

3.2.2 Monitoring and auditing practices

The group-level coordination of corporate sustainability operations that also incorporate labor standards, social issues and the protection of human rights is being coordinated under the auspices of the Sustainability Committee (SC) from 2021 (previously: Group Sustainability Coordination Council) on the levels of strategy development, governance and operative execution.

The SC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders. According to the directive, the SC meets regularly, at least quarterly, to coordinate company and group sustainability tasks effectively, with decisions taken by SC members through voting. The SC provides regular reports and presentations to the Chief Executive Officer (CEO) and the Chief People Officer, on the basis of which they set the main direction of the Magyar Telekom Group's sustainability activities and make decisions in related topics, with the input of the members of the Leadership Squad. The operations of the SC are being detailed in the Corporate Governance section of the annual Sustainability Report.

Magyar Telekom Group's Code of Conduct covers the requirements of corporate compliance and states our collective set of values, and thus stands as an affirmation of Magyar Telekom's strong reputation, solid position and future success. The Code of Conduct applies to all board members of Magyar Telekom Group from employees to managing directors, executives and board members. Furthermore, Magyar Telekom Group expects its suppliers and consultants to comply with the rules of behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. The Compliance Program involves the Group Compliance Manager and compliance representatives of particular functional areas of operation, who are working together as members of the Group Compliance Committee. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations.

External audits could be conducted as part of the control process carried out by the Hungarian Labor Inspectorate. The Inspectorate has the right to issue such an auditing process in case of public complaints or issued requests. The Inspectorate also provides counseling to the corporations in support of legal compliance.

3.3 Results of Policies

3.3.1 Diversity and Equal Opportunities

As one of the largest employers in the Hungarian ICT sector we believe that diversity contributes to the success of businesses and all kinds of organizations to a large extent. This value is also at the core when it comes to the increase of creativity and innovation, to the involvement of new partners, experts and clients, to the quick adaptation to changes and most of all, to the compliance with the legal obligations of non-discrimination in all corporate operations.

Magyar Telekom and the employee representative bodies have accepted the 5th Equal Opportunities Plan of Magyar Telekom Group for the period 2021-2025. The corporate Equal Opportunities Plan addresses actions and procedures to improve the labor conditions and career perspectives of vulnerable employee groups such as women, employees with families, employees on child-care leave, employees living with disabilities, recent graduates and 50+ employees. The corporate diversity and inclusion expert and the employee representatives discuss the conducts and results of the action plan annually. Several employee surveys contribute to the development and the adjustment of the actions each year, allowing the rollout of the equal opportunities plan to adapt to employee needs.

The principles of justice and equal treatment of Magyar Telekom are being defined by our Code of Conduct. Ways of non-typical employment such as Telework, flexible working hours, part-time work, employment of people living with disabilities allow the company to realize the principle of equal treatment in practice. These measures are further assisted by several measures implemented in corporate day-to-day operations, such as the large office spaces that are designed to support Teleworking in the new headquarters of Magyar Telekom. The success of the process of dealing with the pandemic in 2020 was largely determined by Telekom's long-standing telework culture and the stable availability of work tools for digital work. In 2020 and 2021, due to the pandemic situation, 100% teleworking of the entire call center area also took place.

In accordance with Hungarian labor legislations we provide our employees with extra days off after their children, and after blood donation. In case of more than 40% health damage we provide our employees with extra five days off annually for rehabilitation. On top of these we also credit the voluntary work of our employees by providing days off, the proportion of which is strictly regulated in internal directives.

One of the key objectives of the new group level corporate sustainability strategy 2021-2030 among climate protection and digital inclusion is the improvement of diversity and inclusion experience on both customer and employee side. It was launched in 2021 and is in effect until the end of 2030. The details of the Sustainability strategy 2021-2030 are going to be presented in detail in the Sustainability report being published in first half of 2022.

In 2021 the company continued with practices securing equal opportunities for all employee groups. Following the process developed in 2020 we continued to monitor our gender pay gap along 9 indicators identifying multilayered action plan to tackle the detected inequalities and further reduce the overall gap between male and female general workforce. In 2021 we have joined the „One step closer” initiative of Amnesty International with our commitment to reduce our gender wage gap by at least one percent annually.

In the first half of 2021 we have launched our B@ck to Work Café online workshop sessions to our colleagues on parental leave, we managed to reopen our on-campus childcare facility in the summer and fall school holiday season thus supporting parents in the difficult family management periods. Before the Christmas holidays all of our parent colleagues raising children between the ages of 3-10 were gifted with our very own children's book (My Mummy/Daddy Works at Telekom). The storybook offers a playful introduction to the magical world of telecommunication for the preschool and elementary school aged children and offers examples on how to develop family rules for conscious screen time and internet use.

3.3.2 Anti-discrimination and labor-market integration actions

As an employer, Magyar Telekom has issued the following actions in 2021 to improve the conditions of the employee groups marked in the 2021–2025 Equal Opportunities plan.

As a mentor company Telekom supports roma workforce integration programs Integrom and HRom to contribute to the equal labor market opportunities. The program participants are being supported with job application counselling, job interview-practices, CV writing and editing skill practices. Our inclusive recruitment practices include dedicated recruiter tracking support for program participants throughout their application process, providing detailed evaluation and feedback, and company mentoring upon request. Starting from the fall of 2021 Telekom joined the HBLF Romaster initiative supporting two talented roma students for 4 years with scholarship funding and mentoring.

For the first time in the history of the company group the LGBTQ & allies employee group of Magyar Telekom, T-Systems Hungary and Deutsche Telekom IT Solutions Hungary have attended the Budapest Pride March. We have continued to work on and improve our LGBTQ inclusive workplace initiatives as well.

The Gold Class of the Disability-Friendly Workplace award was granted in 2020 but we were only able to receive it on a formal awarding ceremony in 2021. The award is being granted by the Salva Vita Foundation, the American Chamber of Commerce, the Association of Excellence Public Benefit Association, and the Hungarian Ministry of Human Capacities. Following up on manager-nominations four Telekom employees with disabilities were awarded with DFW Role-Model awards and our diversity and inclusion expert was awarded with a DFW Disability Ally award. In order to secure the equal opportunities of our current and future colleagues living with disabilities, we are using a special module on our online job-application site (<http://www.telekom.hu/rolunk/karrier>) since 2010, where our applicants are encouraged to state any accessibility requests they might have in order to attend the selection process. Apart from workplace accessibility we support the workplace integration and enablement of our entrants and their welcoming teams by education materials with modules for basic attitudes and inclusive behavior with colleagues with visual or hearing impairments, colleagues facing physical or mental difficulties to work independently within the team. We also provide workshops on demand.

3.3.3 Respect of Human Rights, actions against child labor and all kinds of forced labor

As disclosed in the Code of Human Rights and Social Principles the company rejects child labor and all kinds of forced or compulsory labor and fights against all kinds of human trafficking and modern-day slavery by all means at its disposal. As the parent company of Magyar Telekom Deutsche Telekom Group is responsible for supply chain compliance auditing and management on a global level. More detailed information about the methodology and results of the global supply chain management at <https://www.telekom.com/en/corporate-responsibility/assume-responsibility/assume-responsibility/supply-chain-management-355304>

New employees of Magyar Telekom Group as part of their orientation process in their first two months receive compulsory education about the company principles, guidelines and practices concerning social issues, labor standards and human rights. All employees must understand and accept these guidelines as the fundamentals of their own professional behavior and operations and they are also obliged to complete the Telekom unconscious bias e-Learning course during the onboarding period.

In line with the Code of Human Rights and Social Principles, all Magyar Telekom Group employees and all partners closely related to our brand representation attended compulsory trainings regarding human rights. From the end of 2018 the training is part of the compulsory trainings of Magyar Telekom.

Moreover, the company is aware of the fact that there could be situations in which it is harder to tell appropriate from inappropriate. In order to assist employees in making the right choices in these situations, the company offers secure internal whistleblower channels, operated by the Corporate Compliance Department. "Kérdezz!" ("Ask me!") advice portal has been set up to help resolve uncertainties as far as compliance-relevant behavior is concerned. Serious misconduct must be announced for prevention purposes and for appropriate sanctions. For this reason, the "Tell me!" whistleblower portal has been established. The main principles and the detailed description of the internal inspection process is detailed in employee directives available on all employees on the shared intranet platform. Throughout the inspection process the whistleblowers' anonymity, personal and data privacy are guaranteed and handled with utmost discretion.

3.3.4 Relationship of management and employees

At present two unions (Telecommunications Trade Union (TÁVSZAK) and T-Net Trade Union) and workers' council operate at Magyar Telekom, communication with them runs on two levels. Central decisions concerning the whole Company, when the employee representation bodies need to be consulted, are deliberated with the Central Workers Council and the representatives delegated by the trade unions, either in the frame of joint consultation (Interest Reconciliation Council), or separately, depending on the nature of the matter discussed. Central communication is managed both verbally (negotiation) and in writing. The Chief People Officer and the accredited HR business partner are responsible for central level communication with the employee representation bodies. Interest enforcement issues concerning a given governance area are also discussed locally with the representatives of the trade unions and the local workers' council. The HR Business Partners of the governance area are responsible for communication with the local employee representation bodies.

Trade union and the workers' council (Central Workers Council) must be consulted and their opinion solicited on significant decisions resulting in organizational changes or changes affecting a large group of employees. In organization restructuring decisions the collective bargaining bodies have 7 days to submit their comments, in other cases 15 days. The measure in question may not be implemented during this 15-day period. Trade unions and workers' councils (Central

Workers Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.

Under the Act V of 2013 on the Civil Code one third of the Supervisory Board shall consist of employee representatives. The employee representatives in the Supervisory Board are nominated by the Central Workers' Council considering the opinion of the trade unions operating at the Company. Persons nominated by the Central Workers' Council shall be elected by the General Meeting to the member of the Supervisory Board, except if disqualifications exist in respect of the nominated persons. On December 31, 2021, there were two members of the Supervisory Board were employee representatives. These members were Tamás Lichnovszky and Zsoltné Varga.

3.3.5 Freedom of organization and collective bargaining

Magyar Telekom Group acknowledges the basic rights to freedom of organization and collective agreement in its Social Charter. In line with an openness and trust that relies on a constructive social dialogue, Magyar Telekom Group declares its support to cooperation with the legitimate representatives of the employees in order to establish a balance of interests.

The Social Charter together with the long history of mutual respect and cooperation of the management and employee representative councils are the guarantees that these rights are being fully and thoroughly respected. 100% of the employment contracts of Magyar Telekom Group employees operating in Hungary fall under collective bargaining agreements developed with the Hungarian Telecommunications Trade Unions (Távközlési Szakszervezet, TÁVSZAK and Magyar Távközlési Ágazati Szakszervezet, MATÁSZ). The agreement, which can be terminated by either party with three months' notice, applies to all Magyar Telekom Plc. employees except the CEO, regardless of their union membership status. Wage terms in the collective bargaining agreement must be renegotiated annually. If the employment is terminated due to reasons related to the employer's operation, employees are entitled to a specific amount of severance pay surplus, which depends on the tenure of the employee.

In addition to the collective bargaining agreement, employees of our Hungarian operations are generally covered by the Act I of 2012 on the Labor Code, which imposes various restrictions on the involuntary termination of employment. The Labor Code protects employee interests through two different labor organizations: the Trade Union and the Workers' Council.

The Trade Union, as the official representative of employee interests in negotiations relating to the terms of employment, has the right to be informed of all corporate measures that may significantly affect the interests of employees and to commence legal action against the Company for employment-related conduct that infringes an employment rule. In addition, the Workers' Council directly represents employee interests in dealings with management and decides jointly with management on matters involving employee welfare funds and institutions. The Workers' Council must be informed semi-annually on issues affecting our economic performance and changes in wages, employment conditions and working hours. The Workers' Council must also be consulted on corporate measures affecting employees.

We believe that our relations with our employees are good. We have not experienced any labor strikes or disruptions since our formation.

3.3.6 Workforce Reduction and Redeployment

Magyar Telekom – in order to ensure the resources related to the Company's strategic objectives - has reached an agreement with the trade unions in 2021 on headcount reduction and wage increase measures for 2022.

According to the terms of the agreement, there was no company-initiated downsizing, nevertheless the company did offer an opportunity for the employees to leave in a voluntary program. Majority of employees that entered the program left the company by November 1, 2021. The company provides active job search, labor market training and one-on-one counselling to the colleagues laid off, in the framework of Program Chance, which has proven its success in the past years, and trusts that the above support these highly-trained employees of up-to-date professional expertise in finding employment elsewhere as soon as possible.

It is planned to reinvest a significant proportion of the expected employee cost savings in resources related to the Company's strategic objectives.

3.3.7 Benefit Programs

Magyar Telekom's welfare and social benefits constitute an exceedingly wide-ranging pool. A part of them is granted to every employee, while others are available on certain conditions or are of an insurance nature. In case of certain benefits, employee's individual contribution is a prerequisite of the employer's contribution. The way social benefits and discretionary benefits are granted is set out in the Collective Agreement and related regulations.

We provide employees with telecommunication allowances, fringe benefits life and health insurance benefits and health screening packages.

3.4 Risk management

3.4.1 Providing educational and professional background

The educational pillar of Magyar Telekom's Sustainability Strategy aims to improve the digital competencies of the clients and the wider public. It also aims to contribute to the development of industrial succession knowing that a potential throwback in the amount of available highly qualified professionals in the industry could mean a serious risk to maintaining, improvement and development of the quality of our services. In order to secure the highest quality service to our clients we need work with the best professionals. To be able to have them a competitive industrial educational background is necessary.

Upon the initiative and by funding of T-Labs (Telekom Innovation Laboratories, Berlin) the faculty Data Science and Engineering began to operate at Eötvös Loránd University from September 2016 as the first pillar of the EU Labs researcher network. The role of Magyar Telekom is in the support of the teaching and research capacities.

Our colleagues are in close relationship with several higher education institutes and we help the universities with consultancy for writing theses, expert education and giving lectures.

We have signed a strategic partnership with the Budapest Technology EC Puskás Tivadar Technical School for Telecommunications and IT, the Miskolc EC Kandó Kálmán Technical School for IT Technology and the Székesfehérvár EC Technical School. The aim of the partnership is to offer professional support in keeping the curriculum up-to-date with the latest technological realities of the industry and help our partner institutions in promoting telecommunication related careers. In addition to these we also offer student work opportunities for students of these education centers. We have given several career orientation lectures in the fall of 2021, along which the students could gain an in-depth insight in the everyday challenges and opportunities of present day telecommunications. We have also signed a partnership with Szent István University, in order to offer the training practice pillar of the electric engineer dual major. 2021 December also witnessed the formation of the "Deutsche Telekom Group remote IT Faculty" at Óbuda University which is the joint education platform of Deutsche Telekom IT Solutions, T-Systems Hungary and Magyar Telekom.

90% of the first Kickstart-class, 18 trainees have continued to work in junior positions at Magyar Telekom following their trainee year. In 2021 22 senior year university students joined Magyar Telekom as the second generation of Kickstart trainees. During the one-year program, the trainees received professional, soft-skill and design thinking trainings. Kickstart trainees who work in a variety of areas throughout the company gather up for a half term agile project assignment strengthening their ability to work in a cross-functional team. The joint project task is based on real business needs, thus strengthening the importance of the program in parallel with the development of MT.

Launched in March 2020, MagentaKraft helps young visionaries with trainings and events on their journey to develop their inventions and projects. The KraftRoad program supports young talents with workshops and events in the development, elaboration and improvement of their innovation projects. In 2021 Telekom Kraft was home to 9 innovation projects. Apart from individual projects the participants can also join Telekom in contributing to selected projects and thus gaining professional training. As an example of such collaboration, one of the Krafters designed the wall-art in one of our stores and later became one of the graphic designers of Telekom. Other examples include representation of talented young video artists and directors in the Kraft video series. We have opened the KraftLab in Debrecen in September 2021, where all the technology and the labspace is given for the Krafters from video-studios, to podcast studios and robotic limbs.

3.4.2 Employee expectations and equal opportunities

The pillars of our People Focus are based on the aim to meet the needs of our employees, and to live up to the challenges of maintaining our company status as a highly competitive and future oriented employer. Our employees require security, stability, opportunities for advancement and competitive compensations. Magyar Telekom, as a company committed to

provide equal opportunities to its employees, finds it especially important to harmonize wages and to terminate unjust wage gaps. Our tiered wage system, built on Hay methodology, serves the above purpose. Our remuneration system is fully transparent thus our base wage tables and the relevant policies are available for all employees. In addition, we have renewed our internal position system in 2021 to become a more transparent and simple organization. The dimensions of the position system are being developed at the intersections of the Hay-system and the competence-based position levels of our agile organizations. We pay extraordinary attention not to differ unreasonably the wages of the employees performing the same tasks and that the wage differences between the employees reflect real work differences. As a responsible company, we are aware of the social phenomenon of the gender pay gap and are committed to eliminating its root causes within our own business environment. Since July 2020, we conduct regular and complex gender pay gap analysis, during which we define our equal opportunities action plan to reduce the possibilities of inequalities such as the 'motherhood penalty' and the female career gap.

As an employer dedicated to diversity as a core value, Magyar Telekom finds it important to raise the amount of women in leadership positions. One of the key objectives of the Diversity pillar of our Sustainability strategy is to reach at least 35% of female leadership by 2025. From May 2020, for the first time in the company's history, we have achieved a balanced 50% gender ratio in our senior management which we continued to maintain in 2021. The proportion of female leadership in the overall management was 25.85%.

Magyar Telekom considers stress, overload and burnout related risk-reduction as its priority duty in relation to its employees. In order to take charge of these risks by securing an empowering environment to develop and maintain a healthy lifestyle, employees are also provided with coaching and training opportunities and the availability of the Employee Assistance Program all of which help in maintaining a sustainable life balance. Efficient work-life balance of employees with families is further supported by our child-friendly offices and the available, tax-free nursery and/or kindergarten support that could be selected from our cafeteria benefit scheme, thus contributing to the reduction of expenses. Taking notice of the special conditions of employees (ex. illness or the longer-term domestic care of a relative) a longer period of unpaid leave is also available. In the changed situation caused by the pandemic, we also supported the physical and mental health of our employees by providing online gym exercise sessions and coaching opportunities.

3.5 Performance indicators

Non-typical employment at Magyar Telekom Group

- No. of Part-time employees in 2021: 123
- No. of Flexi-time employees in 2021: 1,202
- No. of Teleworking employees in 2021: 3,909

More women in leadership positions at Magyar Telekom Plc.

- Percentage of women in overall workforce: 35.5%
- Percentage of women in senior management: 25.85%
- Percentage of women in Leadership Squad: 50%

Volunteer work benefits at Magyar Telekom Group

- No. of volunteer working hours (blood donation): 3,290
- No. of volunteer employees (blood donation): 183

4 COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD, AND MANAGEMENT

The aggregate compensation of the members of the Board of Directors in their capacity as Board members was HUF 22 million in 2021.

The aggregate compensation of the members of the Supervisory Board in their capacity as Supervisory Board members was HUF 37 million in 2021.

The total compensation expenses (including social security and other payroll-related taxes as well as contractual termination expenses) of the members of the Leadership Squad (LS) was HUF 1,329 million in 2021.

On December 31, 2021, four members of the LS have an employment contract with indefinite and two members with definite duration. The notice period is two months for three of the indefinite contracts, and three months for one. The

severance payment usually is in accordance with the Labor Code and the Collective Agreement, for the contracts the severance payment is usually between 3 and 16 months.

In addition to the above, the affected persons are bound by the non-compete clause, under which the employee is barred from entering into employment with any Hungarian or international competitor of Magyar Telekom and is required to refrain from providing direct or indirect services or activities of any kind to such companies for a definite period (not longer than one year) upon termination of his/her employment. Furthermore, such employee is barred from any action aimed to recruit employees of Magyar Telekom for any other company. This limitation entails certain compensation which is proportional with the above obligation. If the employee is in breach of the agreement, he/she will reimburse the net amount of compensation to the employer. In addition, the employee will be liable for a payment of compensation to the employer.

LS members from foreign countries may be entitled to housing subsidies. There are two members affected by this entitlement.

In line with the Company's remuneration guidelines, the Company provides contribution-based personal pension scheme, personal insurance scheme and health insurance scheme for the LS members. In addition, the LS members are entitled to the use of company cars.

For information about the Share Based Compensation programs, see Note 20.1.2 of the Consolidated Financial Statements.

5 RESEARCH AND DEVELOPMENT

Hungary

In addition to innovative Hungarian SMEs, the research and development tasks are performed by the internal researchers as well as the product and services development staff of Magyar Telekom Group. In addition, the Company also takes advantage of the synergistic effect of the internal and external knowledge base and seeks partnerships with well-known innovation centers and higher education institutions. Our main partners are well-known Hungarian universities and research institutes. In December 2021, "Deutsche Telekom Group IT" Off-site Department was formed at Óbuda University, which was founded by Deutsche Telekom IT Solutions, T-Systems Hungary and Magyar Telekom. The first courses will be held in the field of DevOps within the scope of the new educational program in the spring semester at Óbuda University, which is expected to be expanded with further subjects in the future.

Exploiting the potential of new technologies, including research and development of the fifth-generation mobile technology, is crucial for Magyar Telekom Group. Therefore, beyond those presented in the previous year, in 2021:

- T-Systems Hungary was one of the founding members of Hungarian Drone Coalition.
- MagentaKraft is Telekom's innovative youth platform, which aims at providing new value for the young generations. MagentaKraft provides an opportunity for those who already have a big or little idea in their mind, but don't have the necessary tools (infrastructure, environment, team). Further details in Note 3.4.1.

As a member of the Magyar Telekom Group, in 2021 T-Systems Hungary was an active participant in the AI Coalition, established by the Ministry of Innovation and Technology, where it acts as the leader of the technology and security working group.

We also continued our multi-year collaboration with the 5G Coalition as well as, the Industry4.0 National Technology Platform Association, both supported by ITM, too, and the Connected and Automated Mobility Cluster of Zala.

North Macedonia

Makedonski Telekom (MKT) continues with its determination and its work to be innovation and technology leader on the market. Among the main focuses, as a continuation to the previous years, are the projects in the area of the Smart City. MKT has won 1 Smart Light reconstruction project for middle municipality, and at the end of the year we are finishing implementation of contract for the Capital of North Macedonia, Skopje, with smart lighting, parking, air quality, citizen engagement, water metering and mayors' dashboard. As several tender procedures we expect to be open, MKT has the

possibility of winning further contracts with municipalities at the start of 2022. From society digitalization perspective, support activities for e-health and e-education strategy preparation are ongoing.

Meeting the demand for automation, metering and remote control of the street lighting in our cities we designed, developed and tested Smart Energy Metering IoT node and Smart Lighting IoT node - IoT devices for management and control of street lighting cabinets and fixtures with LTE/NB-IoT/EDGE connectivity to Smart IoT platform hosted on the public or private cloud. In the next period we will continue with the development of advanced functionalities, friendly customer field test and implementation of pilot commercial project.

Under the motto - INNOVATION SYNERGIES – WIN WITH PARTNER, we keep further on our strategic technology partnerships-Cisco Gold, as well as Microsoft and VMware Partnership.

6 REAL ESTATE, SITES OF OPERATION

We have one of the largest real estate holdings in Hungary and we are also a major real estate owner in North Macedonia. We use substantially all of these properties for telecommunications installations, offices, warehouses, garages and shops. Our equipment and machinery primarily consist of switches, communication towers and other telecommunications equipment. In order to increase the utilization of real estates and increase efficiency, we make efforts to sell our surplus properties.

Headquarters of major member companies of the Group:

- Magyar Telekom Plc.: Hungary, 1097 Budapest, Könyves Kálmán körút 36.
- T-Systems Magyarország Zrt.: Hungary, 1097 Budapest, Könyves Kálmán körút 36.
- Makedonski Telekom A.D.: North Macedonia, 1000 Skopje, Kej 13 Noemvri, No. 6.
- Combridge S.R.L.: Romania, Municipiul Sfântu-Gheorghe, Strada 1 DECEMBRIE 1918, parter comercial, nr. VI, Bloc 6, Judet Covasna
- Novatel EOOD: Bulgaria, District Sofia (capital), Municipality Stolichna, Sofia 1756, Malinova dolina, 2 Donka Ushlinova str., Garitage Park complex, building 3, floor 1, number 312.

Hungary

Out of the 1,624 buildings on the 1,459 sites of Magyar Telekom Plc, 44% are owned by the company, 5% are jointly owned and the rest 51% are leased. These figures do not contain the technology sites, of these types of sites we have 6,295.

The total area of properties used by Magyar Telekom Plc. as of December 31, 2021 was 599,707 m². The majority of sites used in our operations are smaller than 100 m². The largest site is our headquarters building (leased) located at Könyves Kálmán krt. 36 in Budapest, with floor space of over 55,000 m².

North Macedonia

At the end of December 2021, MKT radio access network consisted of 895 physical sites on which there are 761 2G base stations, 890 3G base stations and 881 4G base stations. 91% of the site infrastructure (towers) is in possession of MKT and 9% is leased.

The total area that is used by MKT is around 108,528 m² as of December 2021, out of which around 44,029 m² are in sole possession of MKT and in great part (53 %) is attributable to 2 major buildings, the headquarters and the main technical building. The remaining 64,499 m² are in joint possession with Macedonian Post.

7 SUSTAINABILITY

Magyar Telekom has been addressing the sustainability implications of its operations for close to twenty years, and for more than 15 years its sustainability activities are characterized by comprehensive, long-term plans, and the Company started its fifth five-year sustainability strategy (2021-2025-2030) in 2021.

Magyar Telekom has committed to support the ten principles set forth by the UN Global Compact since 2009 in the areas of human rights, environment and anti-corruption, the results of which are also addressed by its Sustainability Reports.

In 2015, the UN adopted its sustainable development blueprint to be implemented by 2030. These 17 goals and 169 targets determine the main direction towards resolving the most urgent problems posing a threat to humanity and the planet. Magyar Telekom elaborated its Sustainability Strategy encompassing the period from 2016 through 2020 and from 2021 through 2030 as well along these SDGs. The company's contribution to the priority goals originated from its business is presented in a separate assessment linked to the Sustainability Report yearly.

Magyar Telekom's sustainability activities and achievements are comprehensively discussed in the annual Sustainability Reports, which aim to make the Group's environmental, social and economic activities transparent to everyone.

The present report includes reference only to certain key topics of our sustainability approach, namely human rights, employees, environment protection and compliance.

7.1 Sustainability strategy

In 2021, Magyar Telekom Group started its current ten-year sustainability strategic cycle, 2021-2030.

In addition to the results of our Sustainability Strategy 2016-2020, the goals and tasks defined for the period through the end of 2030 have been determined by the goals and directions applied internationally in terms of sustainable development (SDG, CDP, TCFD). When identifying the priorities, the company has focused on the expectations of the responsible investors monitoring our company and the current corporate trends. Of course, local market conditions, as well as consumer behavior and demand have also been taken into account, with a proactive and awareness raising attitude.

When identifying strategic goals, it was kept in mind that the Group's sustainable operation has a significant impact on the society, the economy and the environment. In addition to playing an important role for the livable future of several million customers and several thousand employees, as a market leading ICT provider and a large enterprise of regional proportions, Magyar Telekom is aware that our business and operational decisions influence the economy and the society of the future, too. It is its firm belief that Telekom, as a company, is responsible for all the groups of people whom it can enable by ICT solutions, and that it is inevitable to engrain social, economic and environmental responsibility as part of its corporate DNA thus promote sustainable development and opportunities for future generations. Along this, the new strategy defines its priorities in two main approaches: internal operational objectives and a catalytic role in the market by empowering others.

The main objective set forth by the fifth Sustainability strategy defined in 2021 is to ensure that Magyar Telekom Group maintains its position as a leading sustainable company through digitization: a catalyst of growth for people, families, communities and businesses, and an accelerator of environment. Such goal can only be achieved if considering all three pillars of sustainability such as social, economic and environmental dimensions, the company approached these factors in a comprehensive, credible and innovative manner. Until the end of 2030, climate protection, digitization and diversity are in the focal point of the strategy.

Climate protection

Magyar Telekom Group keep the direct and indirect emissions (scope 1+2) at net zero by an 84% decrease and reduce the part of the emissions of suppliers and customers attributable to the company (scope 3) by 30%. Our customers take climate action and reduce emissions by providing ICT services applicable as climate protection (i.e. smart) solutions. At least half of our revenues come from services that support climate protection by 2030.

Digitization

100% of customers of Magyar Telekom throughout the country will be provided with gigabit access and 6 million people will achieve responsible digital maturity.

Diversity

In the previous period, diversity and equal opportunities have already been in the focal of the Magyar Telekom's Sustainability Strategy. In the new strategy (2021-2030) Magyar Telekom's goal is to create a 100% inclusive workplace and to create a 100% accessible UX for customers with disabilities.

The details of the Sustainability strategy 2021-2030 is going to be presented in detail in the Sustainability report being published in first half of 2022.

Awards and sustainability recognitions achieved in 2021 and continuously relevant recognitions:

- FTSE4Good Index membership, FTSE Russel ESG Ratings
- CECE SRI sustainability index membership
- MSCI ESG rating AA (scale: CCC-AAA)
- ISS ESG B Prime rating (scale: D – A+)
- Disability-friendly Workplace title, gold grade
- Family-friendly Workplace certificate, bronze grade – initiating organization: Családbarát Ország Nonprofit Közhasznú Kft.
- Family-friendly Mentor Company – initiating organization: Három Királyfi, Három Királyné Mozgalom
- As a Family-friendly Mentor Company, Magyar Telekom founded the “Vándordíj” Award
- Most Attractive Telco Workplace of the Year 2021 – initiating organization: PwC
- Magyar Telekom has been included in the Zynern 2021: Most Attractive Employers list
- Most Attractive Workplace in Telco sector 2021 – initiating organization: Randstad
- External Communication of Employer Brand: Grand Prix Hungary

7.2 Initiatives concerning stakeholders

In order to successfully operate the Company, it is essential to have strong relations with stakeholders.

Below you will find a list of our key activities the details of which are elaborated in the respective chapters of the [Sustainability Report](#):

- Investors – investor (and responsible investor) assessment
- Customers – sustainable products and services, child protection
- Employees – community solar project, family friendly services, diversity contents
- Regulators – conformity, regulatory relations
- Local communities – Telekom Community Gardens, Superfast Internet Program (SZIP), network development
- Non-profit organizations – Magenta 1 Business/Nonprofit
- Suppliers – sustainable supply chain management
- Media
- Future generations – Become! part of generation NOW, Forum “Most”, Magenta Podcast

Stakeholders can express their expectations online towards Magyar Telekom. The company then takes them into account in course of pursuing our sustainability activities.

Activities related to more stakeholder groups

As part of our 2018 Diversity&Inclusion plan, Magyar Telekom is striving towards an inclusive, open and safe working environment for employees from all backgrounds. In order to promote a working culture of inclusion and non-discrimination, the company has developed the first Hungarian language unconscious bias e-learning material and launched it as a mandatory course for all employees, 92% of whom have successfully completed it by the end of October, 2019. The e-learning is now part of the onboarding curriculum and is mandatory for all new entrants. The aim was not only to support the development of its own working culture but to provide accessible and easily adaptable learning material for all Hungarian enterprises and thus contribute to the promotion of anti-discrimination in the society at large. Telekom was one of the corporations that supported the background research and white paper publication of Egyenlítő Foundation offering guidance to large corporations in female executive selection.

Recognizing the importance of plastic pollution, Magyar Telekom set a new goal to significantly reducing the amount of single-used plastics generated during our operations. Within the Plastic Free Telekom initiative, first we removed these plastics from the headquarters operation in 2019. We provided our colleagues filtered water and jugs to reduce the amount of PET bottles. In 2020, the company introduced additional plastic removal steps, however, at the time of the pandemic, it was not possible to assess plastic use and remove PET bottles. In 2021, the pandemic continued to severely limit the progress of the project. As the majority of colleagues continued to work from home, it was not possible to record the volume of PET bottles in any meaningful way in the latter period. If the colleagues return to the offices – expected in spring 2022 – the Plastic Free Telekom project will be reactivated.

Investors

Magyar Telekom remained to be a constituent in the FTSE4Good Index Series in 2021. The US based MSCI rated Magyar Telekom into the category ‘AA’ on the scale CCC-AAA. The German ISS at its ESG assessment gave the B Prime rating to the company. Magyar Telekom continued to disclose climate related data and information via the CDP platform. Magyar



Telekom remained a constituent in the CECE SRI (formerly CEERIUS) Index on the Wiener Börse as well.

Customers

Magyar Telekom would like to offer the choice to its customers who consider it as important as the company do to fight against climate change to pick a service that serves the purpose of protecting the climate. That is why Telekom came up with the ExtraNet Green 1 GB option in 2019. In 2021, by choosing the ExtraNet Green 1 GB data extension option, Magyar Telekom guarantees to generate the same amount of energy as the one required to transmit 1GB data using our solar power plants installed on the top of the Kékvirág street facility and on the top of two facilities in Szeged.

The children's protection website of Magyar Telekom is dedicated to threats caused by children's media consumption. The website provides information to parents not only about ICT technologies, devices and content, but also about threats caused by their usage and consumption, as well as possible preventive measures. More details are available on:

http://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children

Employees

In March 2021 Magyar Telekom announced again its community solar project. During the program employees had the opportunity to adopt a solar panel. 200 solar panels had been adopted in less than an hour.

In 2021 Telekom continued its work on the improvement of diversity and equity based on the results of the 2020 employee survey. It offered 6 B@ck to work Café online sessions in the first half of the year, providing guidance to for parental leavers who are planning their return and promoting the development, career planning and contact keeping tools that are available. Telekom and T-Systems established its first LGBTQ resource group which initiated actions and process development initiatives to further the inclusion of LGBTQ workforce. Since November, 2021 the company joined the corporate donors of HBLF Romaster initiative and committed to support support of two roma students for 4 years.

For the first time in the history of the company, gender ratio in Magyar Telekom's top management became balanced in 2020 and a number of measures were taken to further improve the proportion of female executives in the entire management team. The company continued with the monitoring of its gender pay gap, along which further developments are being initiated. Magyar Telekom Group joined the "One step closer" initiative of Amnesty International in 2021 with its commitment to close the gap with at least one percent each year.

In July, the management of Magyar Telekom set up the Magenta Alliance Foundation to help colleagues in a difficult situation due to the pandemic. By the end of December 2020, nearly HUF 6 million was donated by employees. The company's board of trustees provided support to employees in 100 cases distributing more than HUF 15.5 million. In 2021, the pandemic continued, so the Magenta Alliance Foundation continued to operate. In 2021, the Foundation provided more than HUF 18 million in support for the more than 200 employees and their families.

Local communities

Magyar Telekom and the Hungarian Contemporary Architecture Centre continued to run community gardens in 2021, too. Gardening works are still ongoing at Csárdás Garden. Although, the Kerthatár Community Garden has been closed due to the sale of real estate, a new community garden was created in Pomáz.

For Telekom it is utmost important that no one is left behind without accessing the opportunities and benefits of the digital world. Within the framework of the Digital Welfare Program, Magyar Telekom has launched its fixed and mobile Digital Welfare Program package providing quality internet service for users seeking to subscribe at most affordable rates, furthermore by introducing the Digital First Aid Program providing free of charge internet access for several hospitals pediatric ward nationwide. Where the fixed internet network is not yet available, the SZIP Mobile internet tariff package can be ordered for the addresses defined in the SuperFast Internet Program (SZIP).

Non-profit organizations

In 2021 Magyar Telekom announced a tender among non-governmental organizations. As part of the Magenta 1 Business / Nonprofit offer, the company provides mobile and fixed services to 38 organizations free of charge for 12 months.

Suppliers

In the framework of the sustainable supply chain management process Magyar Telekom assesses the sustainability performance of its suppliers each year. This will be done independently by Magyar Telekom, in addition to the suppliers

that are shared with Deutsche Telekom but are not assessed in the Ecovadis system. In 2021 through completing a web audit questionnaire – that contains questions on general, environmental, social and business ethical topics – 20 suppliers were assessed and so 56.92% of the total purchase value has been covered by valid web audit assessments.

Future generations

One of the main objectives set forth by Magyar Telekom's Sustainability Strategy launched in 2016 is to achieve improvement of qualification of 1 million people in Hungary by 2020. The target has been achieved, among other things, by industry-specific succession development programs like Be an IT Professional!, educational events like the NOW Forum and digital education programs like Be a Member of the NOW Generation! In view of the COVID-19 virus and the changes in the education system and communication habits, Magyar Telekom's programs have also been renewed and moved to a new interface.

The education and digital inclusion are also an integral part of the new (2021-2030) sustainability strategy. Accordingly, programs launched in previous years will continue.

On The "LEGYÉLTEIS!" site, the company shared information about internet security which are understandable and followable for both children and parents.

The digital education of the older generation continued, and the company started a representative research to explore the internet-using habits of the under-18s. The research was launched in the professional partnership of the Hıntalovon Children's Rights Foundation.

The company also appealed to the younger age group with the launch of the Magenta Podcast channel in March 2020, which covers media consumption, diversity, online education, mental health, technological innovation, cultural and economic topics, but expert guests will also speak on topics such as the home office, digital family or just the COVID-19 pandemic. In 2021, the Podcast was continued to provide regular entertainment and professional content on topics such as digital parenthood, climate protection, fintech, safe internet usage and the Telekom MobilDonor program. A key aspect in the production of the Podcast is to ensure that the guests and experts invited are well-known figures among the younger generations, thus supporting the success of reaching out to this age group.

Charters and initiatives of cooperation accepted and signed by Magyar Telekom Group

Besides professional challenges, the Group also seeks cooperation opportunities for the solution of social and environmental problems.

Magyar Telekom has been an active member of ETNO's (European Telecommunications Network Operators Association) Sustainability Workgroup for years. The members work closely towards solving all kinds of sustainability-related programs.

Magyar Telekom has been the first among the Hungarian companies to accept OECD Guidelines for Multinational Enterprises and set them up as mandatory guidelines for its operations.

European Union's Diversity Charter has been signed by the company and considered as a mandatory guideline.

UN Global Compact has been signed by the company and the "Communication on progress" report on achievements in the 10 principles is published yearly.

Magyar Telekom has acknowledged the UN Sustainable Development Goals (SDG) and through incorporating the priority ones in its Sustainability strategy 2016-2020, and Sustainability Strategy 2021-2030 the company finds the contribution to the goals a mandatory element of its operations.

Magyar Telekom discloses data and information on its climate related activities through the CDP (Carbon Disclosure Project) platform.

Magyar Telekom has been the first Hungarian company to join the Science Based Target Initiative (SBTi) and has emission reduction targets approved by SBTi.

Magyar Telekom has joined the UNFCCC Climate Neutral Now initiative.

Thanks to the United Nations Global Compact and emission reduction targets approved by the Science Based Target Initiative - by achieving the latter, the company can contribute to keep the global temperature rise of the Earth below



1.5 °C – Magyar Telekom became the only Hungarian participant in the UNFCCC Race to Zero campaign in 2020. Since then, 7 more Hungarian companies joined the campaign, but only Magyar Telekom Plc. is still participating.

List of the main memberships:

- European Telecommunications Network Operators Associations (ETNO)
- GSMA Association
- Joint Venture Association (JVSZ)
- German-Hungarian Chamber of Industry and Commerce
- Telecommunication Advocacy Council
- ICT Association of Hungary
- Hungarian Association of International Companies
- Hungarian Competition Law Association
- Employer's Equal Opportunities Forum
- Hungarian Logistics, Procurement and Inventory Management Association
- Hungarian Marketing Association
- Hungarian Advertising Association
- ICT Association of Hungary
- American Chamber of Commerce in Hungary
- Hungarian Outsourcing Association
- Hungarian Hospital Association
- Hungarian Water Utility Association
- Hungarian Project Management Association
- Scientific Association for Infocommunications
- Hungarian Librarian's Association
- Lobby Club Association
- Hungarian Chamber of Engineers
- Agro ICT Cluster
- Buday Business Club
- Association of Health Technology Suppliers and Medical Device Manufactures
- it Service Management Forum (itSMF)
- Chamber of Bodyguards, Property Protection and Private Detectives
- Chamber of Architects
- Hungarian Innovation Association
- Connected and Automated Mobility Cluster of Zala
- Ipar 4.0
- Electronic Payment Service Providers Association (EFISZ)
- International Telecommunication Union (ITU)
- RIPE Network Coordination Centre
- GS1 Macedonia
- Economic Chamber of Macedonia
- American Chamber of Commerce in Macedonia
- Macedon-German Business Association
- Macedonian IT Chamber (MASIT)
- Chamber of authorized architects and engineers of Macedonia

Quality guarantees in the Magyar Telekom Group can be found:

https://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees

7.3 Annual Sustainability Report

Magyar Telekom Group has committed, among other things, to publish reports about its sustainability performance annually. When the reports are compiled the GRI (Global Reporting Initiative) guidelines and standards are applied, thus ensuring compliance with the principle that the reports have to be the cornerstones ensuring transparency and international comparability. The Sustainability report about 2007 was the first report in Hungary which was prepared according to the GRI G3 A+ compliance level, this meant the highest level of application of the GRI G3 guidelines at the time. Since then, Magyar Telekom has produced an annual report with the highest compliance with international guidelines, the 2013 Sustainability Report was the seventh to meet the requirements of the GRI A+ application level.

The 2014 and 2015 Sustainability Report was compiled along the Fourth-Generation Principles set forth by the Global Reporting Initiative (GRI G4), while since 2016 Sustainability reports have been compiled along the newest requirement, the GRI Standard on “Comprehensive” level. The independent assurance and certification of compliance with the GRI Standard criteria was conducted by PricewaterhouseCoopers along the ISAE 3000 international standard. Further details on the sustainability performance of the Company can be found in the annual reports available on:

https://www.telekom.hu/about_us/society_and_environment/sustainability_reports

The 2021 Sustainability Report is going to be published in the first half of 2022.

8 ENVIRONMENT PROTECTION

8.1 Policies

Magyar Telekom Group upholds its commitment to sustainable development and environment protection first in the environmental policy. The policy contains obligations for the members of Magyar Telekom Group both individually and as a Group:

https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf

In addition to the policy, it has also issued an environmental directive, which sets out in more detail the company's areas of commitment and expectations:

<https://www.telekom.hu/static-tr/sw/file/magyar-telekom-environment-protection-policy-guidelines.pdf>

The Group-level coordination was continued to be implemented under the auspices of the Sustainability Committee (SC) in 2021, as well. The levels of development and management of the corporate sustainability strategy are separated from the operative implementation level within the operation of the SC, thus the process of implementing sustainability activities is divided to the following levels:

1. Strategy development and strategy management level operating under the auspices of the SC: development of strategic concepts, implementation of the strategy, relevant communication with national and international organizations.
2. Operative implementation level managed by relevant organizations of the governance areas and business units, actual operative activities, task management, data provision etc.

The SC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders.

The operative management of Magyar Telekom Group, the Management receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and other ongoing significant sustainability activities, results, potential exposures and opportunities.

The Management is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The Management keeps contact with the stakeholders through the SC. Incoming inquiries are received by the respective professional areas and critical comments regarding sustainability are transferred to the responsible staff members by the SC members. According to the relevant group directive the strategic tasks are allocated to the respective Chief Officers.

In 2021, Magyar Telekom's Leadership Squad decided that, in line with its agile operations, the company would manage sustainability coordination in the form of a squad in the future. Therefore, the role of the Sustainability Committee will be taken over by the Sustainability Squad from 2022 onwards.

8.2 Results of the policies

As a leading provider of info-communications services in the region, Magyar Telekom's commitment to sustainable development with a focus on preserving the environment lies at the center of its mission. 2021 was spent developing a long-term strategy, the company outlined a 5 + 5 year vision instead of the previous 5-year perspectives. Climate protection remains a key priority in the new sustainability strategy. The company's emission reduction commitments pledged in 2018, which was approved by the Science Based Target Initiative (SBTi), were replaced by more ambitious

targets in 2019 in response to the IPCC's 1.5 °C report, have come into the main focus of the strategy. The company is working to achieve the following goals by 2030:

- reduce absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions 84% from a 2015 base year;
- reduce absolute Scope 3 GHG emissions 30% from a 2017 base year.

The European Green Deal also prioritizes energy use and emissions of the ICT sector, recognizing that the sector can make a significant contribution to achieving 2050 climate neutrality through 5G, artificial intelligence, IoT and cloud services, but it can also increase its own energy consumption. As a first step, the European Union aims to increase energy efficiency in data centers and achieve climate neutrality by 2030. This is also one of the main pillars of Magyar Telekom's new climate strategy, despite the fact that the Group's total electricity consumption, including data centers, has been covered by renewable energy for many years (since 2016 at Plc., since 2018 in Hungary), which has been set by Deutsche Telekom as a requirement for its member companies on a group-wide basis from 2021 onwards.

In 2021 Magyar Telekom continued its carbon neutral² project. The company spent half of the income of the company car policy regulated bonus-malus system to financial implementation of the project. To achieve the carbon neutrality in 2021 - for the seventh year in a row - Magyar Telekom Group used 99% - the Hungarian member companies 100% - renewable energy for electricity consumption and offset the rest of its emissions, by purchasing and retiring 18,220 CER (Certified Emission Reduction) units from a Chinese green project. In 2021 Magyar Telekom purchased 200,000 MWh of renewable energy with Guarantee of Origin. Our additional highlighted environmental and operational ecoefficiency goals are:

- Increase the energy efficiency of buildings
- Decrease fleet consumption, promotion travel replacement solutions, and dematerialization solutions
- Introduction of sustainable and climate-friendly products and services
- Mapping and quantifying enablement effects in other sectors as a result of the services offered by the company
- Waste management: reduction of waste (increased recycling-rate)
- Measure the climate footprint of customers and suppliers
- Development of a circular economy for appliances provided to customers

8.3 Risks

Based on the Business Continuity Management System (BCM) the company has identified the critical climate risks (floods, heat waves) that might affect our operations and we have prepared action plans for possible risk management. According to the annual assessment the rate of climate damage in the network did not reach the level of intervention (HUF 50 million damage/ month). In 2021, 546 cases had to be investigated due to different problems caused by the weather. During heatwaves, the company allows its colleagues to work remotely and increases the core temperature of datacenters and base stations in order to reduce the energy consumption.

In setting the emission reduction targets, Magyar Telekom has considered the current Paris Climate Agreement and EU standards, as well as the IPCC's 1.5 °C goals, but it is assumed that regulators will set stronger emission reduction targets in the future, which may involve financial risks. Current forecasts predict an increase in the energy consumption of mobile networks with the spread of 5G. However, one of the EU's goals is to significantly reduce energy consumption and plans to regulate data centers as a first step. Thanks to Magyar Telekom's forward-looking climate strategy, it enjoys an advantage over its competitors, even with stricter regulations.

Opportunities

In addition to its energy efficiency investments and carbon neutral operations, the company considers the use of renewable energies to be one of the most effective tools for combating climate change. Its long-term goal is to ensure the supply of electricity to the network as much as possible from renewable energy sources, therefore it has implemented the installation of solar systems in its own buildings in several stages. Magyar Telekom also provides an opportunity for its customers, who also consider combating climate change, to be able to choose a service that contributes to climate protection. That's why in 2019 Magyar Telekom created the world's unique ExtraNet Green 1GB 30-day option. Although the measures taken during the pandemic in 2020 reduced turnover after its success in 2019, the company still retains the option for its customers. In 2021, higher proportion of customers chose this expansion option out of the 1GB options than in previous years.

² carbon neutral means net zero GHG emissions

In 2020, the European Union created the Taxonomy Regulation, which lists environmentally sustainable economic activities. It is an important tool for increasing sustainable investment and implementing the European Green Deal, in particular by providing companies, investors and decision-makers with appropriate definitions of the economic activities that can be considered environmentally sustainable. The purpose of the Regulation is to create security for investors, protect private investors from greenwashing, help companies plan for the green transition, and alleviate market fragmentation. Implementation acts of the Regulation, which will also affect the ICT sector, have not yet been completed, but it is expected that the Magyar Telekom Group's sustainability strategy and its implementation may improve the Company's perception among investors factoring in sustainable investing considerations.

8.4 Performance indicators

Emissions below were calculated according to the GHG Protocol Corporate Standard.

Cumulated GHG emission

- 83,060 tCO₂e (tons of greenhouse gas emissions in carbon dioxide equivalent), when purchased renewable was not taken into account (location based emission)
- 18,220 tCO₂e, when purchased renewable was taken into account (market based emission)

Group GHG emission by categories

- Scope 1: 12,767 tCO₂e (at the moment location based equal to market based)
- Scope 2: 70,293 tCO₂e location based
- Scope 2: 5,452 tCO₂e market based

Energy efficiency – bits transmitted / energy consumption – 301 Gbit/kWh

9 CORPORATE COMPLIANCE

When shaping the compliance program of Magyar Telekom Group, the goal was to ensure that Magyar Telekom Group pursues its business activity with maximum awareness of and commitment to compliance with the applicable laws and legal provisions, in accordance with the strictest norms of ethical business conduct. To this end, we issued policy statements addressing the potentially arising compliance-related risks, and we apply the procedures set out in these policy statements and arrange continuous training courses for our employees related to these procedures. We established clear concise processes to report, examine, follow up and correct suspected cases of non-compliance.

The Corporate compliance program is supervised by the Group compliance officer. The Group compliance officer reports directly to the Audit Committee, and cooperates with the Board of Directors, the Supervisory Board and the management. The Corporate compliance program focuses on the Code of Conduct.

The Code of Conduct of Magyar Telekom Group contains the summary of the compliance requirement within the company, sets common values of the Group and is a key to the strong position, reputation and successful future of Telekom. The Code of Conduct applies to everyone within the Magyar Telekom Group from the employees to the members of the Board. In addition, contracted partners of the Magyar Telekom Group also have to know and accept these values, when registering on the procurement website.

In the year 2010, an external independent party audited the implementation of the Compliance program, and we were awarded a certificate of compliance with the external expectations and of the implementation of the system. The program was revised in 2013, including other related areas as well – such as procurement, internal audit, HR, sales. The audit was not aimed only at the implementation and control of the system in the different areas, but it measured the operational efficiency of the control system. We met the expectations and were awarded by a certificate issued by Ernst&Young as independent external party. In 2017, again an external auditor (KPMG) evaluated the effectiveness of the compliance management system of Magyar Telekom, and issued a certification that the program complies with the requirements of the new anti-corruption ISO standard. In 2021 an external advisor (KPMG Germany) reviewed the Compliance program. They found the operation of the program efficient.

The first distance learning course addressing compliance was started in 2008 in the topic of “Conscious recognition of fraud and corruption”. Since then we have been providing a general eLearning course for our new employees, mandatory

for all colleagues joining to the company. The course is completed with the acceptance of the Code of Conduct. Since the start of the program, 95,743 distance learning courses were completed by the employees on group level, related to topics, such as compliance awareness, supplier due diligence, anti-corruption measures, incompatibility or insider trading.

On the top of that, our company has arranged personal training sessions for employees working in professional areas exposed to compliance and abuse related risks – both within the parent company and Hungarian and international subsidiaries – in the topics of organized anti-corruption behavior, screening of contracted partners and rules of giving and accepting gifts.

In 2020 – similarly to the practice of the previous years – risk analyses were conducted with the participation of organizations and subsidiaries of Magyar Telekom Plc. Based on the results of the survey, a comprehensive audit was prepared for the potential compliance and abuse risks, the result of which was submitted to the Audit Committee of the Company.

During the year we check the soundness of the reports submitted to our company in connection with unethical behavior, and if necessary, we act on these reports. In case we identify actual abuses, we take care of the necessary and adequate countermeasures. Magyar Telekom published all cases of corruption and the related countermeasures in accordance with the related applicable laws and legal provisions.

9.1 Fight against bribery and corruption

9.1.1 Policies

Magyar Telekom does not tolerate any attempts of corruption, so numerous procedures and policies were introduced to prevent and fight corruption. Magyar Telekom complies with the anti-corruption rules of the Group, and expects its business partners not to engage in unlawful activities (including breaching the anti-corruption laws) such as utilize any money or other services provided by Magyar Telekom for unlawful purposes. This also includes direct or indirect payments to individual(s) to improve the perception of Magyar Telekom (or any parties acting for Magyar Telekom) or to influence any business decision. Magyar Telekom strictly prohibits any form of corruption including (but not only), receiving personal advantages or monetary gains, accepting or providing bribes or promising facilitating payments. The Group also prohibits employees from making beneficial decisions towards family, friends or close or distant acquaintances. It is not allowed to provide any gift or invitation to an event to third parties if it could potentially influence any business transaction. Magyar Telekom Group does not support morally or financially any political parties, organizations or representatives of these. Magyar Telekom will not start business relations with third parties that violate the anti-corruption clauses of the Compliance Program or the basic principles of the Code of Conduct.

Due Diligence procedures: There are no fixed procedures on how thorough due diligence should be to avoid legal responsibility or any investigation as per the anti-corruption laws. The aim of these procedures is to identify high-risk areas, and to provide indication when further due diligence or review is required.

9.1.2 Result of the policies

During the year, we have verified the plausibility of any complaints we have received about unethical behavior and initiated internal investigations if necessary. If we have identified any misconduct we initiated the necessary measures and actions. Any complaints regarding breaches of internal or external rules can be sent to the Tell Me! portal of Magyar Telekom. Any questions regarding corporate compliance can be asked on the Ask Me! intranet portal.

9.1.3 Risk

The basis and prerequisite of the efficient defense against breaches of laws and policies is the registering and analysis of compliance risks and identifying other compliance relevant cases at Magyar Telekom. The yearly Compliance Risk Assessment (CRA) handles active and passive corruption separately. The risk assessment always includes Magyar Telekom, T-Systems and Makedonski Telekom. Other subsidiaries can be included on a case-by-case basis, based on information originating from internal investigations. The CRA fully covers the abovementioned companies. The Group Compliance Officer informs the Audit Committee, the Board of Directors, and the management about the result of the risk assessment and gives an update about the status of the measures in every quarter.

10 ECONOMIC ENVIRONMENTS, OUTLOOK AND TARGETS

The global environment in 2021 showed dynamic recovery from the recession hitting the worldwide economy in 2020 with the outbreak of the COVID-19 pandemic. The targeted government measures along with the more efficient management of the pandemic led to improved production as well as higher consumption levels. However, the still prevailing pandemic has been reshaping the environment whereas some new economic difficulties has also emerged with global supply chain disturbances and the sharp increase in energy prices witnessed in the second half of 2021.

The telecommunication industry has continued to play a critical role in keeping families connected and businesses and the economy progressing in this changing environment. The need for digitalization, demand for data and the use of online, virtual channels have reached unseen levels, highlighting the integral role of the global telecommunication industry.

10.1 Economic environments and outlooks

Hungary

Similarly to 2020, economic performance in 2021 was heavily impacted by the COVID-19 pandemic. First quarter of the year has been challenging as the emergence of a third wave of pandemic proved to be more severe than previous rounds, with stringent restrictive measures also negatively impacting economic performance. However, from mid-April on, thanks to the increasing vaccination rates, the restrictions were gradually lifted. This, coupled with the supportive governmental measures led to a strong rebound in economic performance witnessed in the outstanding second quarter GDP growth figure. By the third quarter of 2021, all limitations were removed supporting service sector recovery, with particularly positive impact witnessed in tourism. Although Hungary was hit by the fourth wave of pandemic in the autumn, only few limitations were introduced. Consequently, economic performance in the second half of the year continued its positive development, however now paired with strong inflationary pressure stemming both from global raw material and energy price increase as well as from the weakening of the forint.

In 2022, GDP is expected to continue to expand further fueled by domestic demand and expansionary fiscal measures. At the same time, yields are expected to increase further in line with the central bank's rate hike steps and inflation is also forecasted to remain at higher levels with prolonged supply-chain constraints, elevated energy prices and pandemic-related uncertainty posing further risks to economic performance.

With regards to the Hungarian telecommunication sector, the easing of the pandemic related restrictions coupled with strong economic performance, have resulted in a favorable development in the operating environment. However, within the sector we have been witnessing changes in the competitive landscape that warrant attention.

Looking ahead, while there are significant uncertainties related to the economic and business developments, demand for telecommunications services expected to remain strong with digitalization continuing to be of vital importance. To ensure the reliability and security of our networks and our leading position on the market, the management remains committed to invest in our infrastructure and continue with the customer centric operational approach going forward.

North Macedonia

North Macedonia alike was in severe recession in 2020 with significant recovery starting in 2021. A notable rise in domestic consumption coupled with recovering tourism reflecting the easing of the Europe-wide restrictions helped to improve economic performance during the year. These positive developments also had favorable impact on the performance of telecommunication operators with both subscriber and visitor revenues rebounding from the pandemic levels.

Looking ahead, though the economy is set for further expansion, the rising global energy and food prices have already led to higher inflation in 2021 that may continue in 2022, significantly affecting household spending power with considerable part of their consumption consisting of food and energy spending

10.2 Revenue, EBITDA AL and CapexAL targets

With many of the pandemic driven restrictions eased during 2021, Magyar Telekom has successfully leveraged the improving trends in the operating environment. Our excellent network quality coupled with the rising customer satisfaction, have enabled us to successfully monetize strong market demand for our telecommunications and data services and to deliver our 2021 annual revenue and EBITDA AL targets. Recording a continued strong demand for our fiber products, we have further accelerated the pace of our fiber optic rollout program, resulting in higher annual Capex and somewhat lower free cash flow than originally targeted.

Looking ahead, we expect to sustain this positive commercial momentum in 2022, which is likely to lead to revenue growth of 1% to 3%, with EBITDA AL growing by 3% to 5%, supported by cost control measures. Network quality remains a significant differentiator for the Group and to preserve this, we intend to maintain the steady pace of our fiber roll-out and mobile network modernization program. As a result, investment levels are expected to remain broadly stable year-on-year. Free cash flow, excluding spectrum license payments, is forecast to increase to at least HUF 70 billion in 2022, thanks to positive trends in EBITDA AL and working capital.

11 INTERNAL CONTROLS, RISKS AND UNCERTAINTIES

11.1 The presentation of the systems of internal controls and the evaluation of the activity in the relevant period

Magyar Telekom's management is committed to establishing and maintaining an adequate internal control system to ensure the reliability of the financial reports and minimize operating and compliance risks. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

For the business year 2021 we accomplished control documentation and evaluation in the IT supported ICS-Toolⁱ system. Transaction Level Controls describe the controls built into our business processes that have been designed and operated to ensure that material misstatements in each significant financial account and disclosure within the financial statements are prevented or detected in a timely manner.

Complete evaluation of our internal control system is based on the method established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The operation of the internal control system is supported also by the independent internal audit function. Beyond tasks regarding the risk based internal audit work plan, contributes to the enhancement of the internal control processes and to the reduction of existing risks through ad-hoc audits and ICS testing. The Internal Audit area follows up the implementation of the measures defined on the basis of the audits. The Supervisory Board and the Audit Committee inter alia also receive regular reports on the findings of the audits; measures, based on the findings and fulfilment of tasks.

In line with the criteria of the adopted internal control framework, management evaluates the effectiveness of internal control system within each financial year. Management's assessment for 2021 is finished and based on the collected information internal control system has been operating effectively to prevent potential material misstatements in the financial statements, and minimize operating and compliance risks.

The Company's shareholders are being informed about the operation of our internal control system through our public reports.

The management and Board of Directors of Magyar Telekom are committed to conducting all business activities of Magyar Telekom Group according to the highest legal and ethical standards. Based on this commitment, the Board of Directors established the Corporate compliance program of Magyar Telekom.

The Corporate compliance program is applicable to all bodies, organizations, employees of Magyar Telekom Group, and advisors, agents, representatives as well as to all persons and organizations that work on behalf of the Company or its subsidiary.

The Corporate compliance program of Magyar Telekom ensures that the business activities of the Group are conducted observing and in compliance with the relevant laws to the utmost extent, according to the highest standards of training and commitment. It requires the realization of guidelines and processes that manage potential compliance risks and implement specific processes in order to report, investigate, monitor and correct suspected or actual lack of compliance.

ⁱ Internal Control System

11.2 The utilization of financial instruments, risk management and hedging policies

Introduction

As Hungary's leading telecommunications and IT service provider we are subject to uncertainties and changes of the telecommunications and IT industry. To operate successfully in this continuously changing environment risks have to be systematically identified, assessed and managed.

The risk management system is not only needed from a business point of view, but as a company listed in the stock market, we are obliged to operate a risk management system and prepare a risk report to inform our investors.

Upon the establishment of our comprehensive risk management system the Company acts in line with the relevant requirements of the Budapest Stock Exchange, as well as the rules laid down in the applicable international standards.

Our Group level risk management system covers strategic, operational, financial, compliance and legal risks, which is also applicable to our consolidated companies. The objective is to identify, monitor and manage these risks in an early phase.

Risk management guidelines

It is our policy that all disclosures made by us to our shareholders and the investment community, are accurate and complete, and fairly present our financial condition and results of operations in all material respects. Such disclosures should be made on a timely basis as required by applicable laws, rules and regulations. To achieve these objectives, we continuously develop and regularly review the functionality and effectiveness of the elements of our risk management system.

Our risk management includes the identification, assessment and evaluation of risks, the development of necessary action plans, as well as the monitoring of performance and results.

The risk management organization and process:

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Boards of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

Magyar Telekom's Group level risk report is regularly submitted to the Board of Directors, the Audit Committee and the Supervisory Board as well as to Deutsche Telekom's risk management organization.

During the annual planning process the management takes into account potential risks.

The established risk management standard provides a process framework:

- following the identification of risks, they are analyzed, assessed and quantified in details, then they are quantified (by estimating their probability of occurrence and potential impact) according to a predefined methodology. The assessment of risk assessment enables the management to focus more effectively on those risks that have a significant impact on the company's strategic objectives.
- following the assessment, the decision is made on the specific measures to reduce risks,
- the relevant risk owner implements, monitors and evaluates the relevant measures, and
- these steps are repeated as necessary to reflect actual developments and decisions.

For the risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks that we support through Magyar Telekom's regular Group level risk report.

Identification, review and reporting of risks:

Risk items affecting our operations are reviewed regularly throughout the Company. All of our subsidiaries and entities are obliged to identify and report their operational risks on a quarterly basis. After the evaluation of these risks, results are reported to the Company's management, to the Board of Directors, to the Audit Committee and the Supervisory Board. This regular reporting ensures that the most significant risks are monitored, up-to-date risk mitigation measures are implemented and regularly monitored.

Our risk reporting system is complemented with a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the Chief Financial Officer is notified when a new material risk or information is identified.

An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.

The risk assessment is carried out for a two-year period. This is also our forecast period. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Opportunities

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential parts of our annual planning process. This allows us to take these opportunities into account in our forecasts.

11.3 Main risk factors

Our financial condition, results of operations or the trading prices of our shares could be materially adversely affected by any of the risks described below. These risks are not the only risks we face. Additional risks not currently known to us, or risks that we currently regard as immaterial, could also have a material adverse effect on our financial condition, results of operations or the trading prices of our shares.

Regulatory risks

- Magyar Telekom operates within a strictly regulated market environment. Most of the regulatory framework is the result of EU legislation. Hungary implemented the new EU regulatory framework (1972/2018/EU) by end of 2020.
- The regulatory environment in North Macedonia is expected to remain strict, since the regulatory body's (AEK) aim is at widening the scope of wholesale regulation.

Risk management activities:

- We cooperate and maintain an active dialogue with regulators.
- We maintain processes to ensure compliance and provide timely and accurate information to our regulators.

Legal risks

- Regulatory cases and legal disputes with parties could have an effect on our results of operations.

Risk management activities:

- Protecting our interest and values through legal representation, continuous management and monitoring of legal disputes.
- See also the compliance risk management activities.

Financial risks

- For details on financial risks and their management, see Note 5 of the Consolidated Financial Statements.
- Developments in the technology and telecommunications sectors may result in impairment of the book value of certain of our assets.
- Unpredictable changes in the Hungarian tax regulations may have an adverse effect on our results.
- Fluctuations in the currency exchanges rate could have an adverse effect on our results of operations.
- Economic trends in Hungary and in other countries could have an adverse impact on the value of our investments, operating results or financial situation.
- The increasing trend of inflation, with limited predictability could erode Magyar Telekom's results.
- The global energy crisis has emerged recently, with the prices of several major energy commodities and electricity rising sharply, the significant price increasing affecting several products, including natural gas, oil, coal and electricity. Rising energy prices can lead to unexpected costs.

Risk management activities:

- We continuously analyze financial actual data and provide forecasts on financial indicators.
- We carry out sensitivity analyses (e.g. foreign exchange, cash flow).
- We test all key controls on an annual basis.
- We continuously improve our processes, systems for the purpose of automated accounting, reporting and auditing.
- We constantly monitor energy prices to ensure that we purchase energy at a proper price level.

Strategic risks

- We are subject to intense competition in the fixed business due to overlaps with our competitors on more and more locations as a result of the network roll-outs.
- We are subject to intense competition in SI/IT segment, especially on public sector tenders.
- Adaption to new trends and technological changes in the telecommunications market (IoT, Big Data, AI, 5G) might be a serious challenge.
- Our business may be adversely affected by actual or perceived health risks associated with mobile communications technologies, and unsubstantiated and rapidly spreading news about new technologies.
- More intense competition in North Macedonia driven by A1 (formerly VIP) as well as Telekabel being integrated players and Telekom Serbia (MTel), as a new market player entering the North Macedonian telecommunication market.
- Sustainability: information on the Company's approach to sustainability risks and opportunities can be found in Note 7 "Sustainability" of the Consolidated Business Report.

Risk management activities:

- We continuously invest in the development of our network, our objective is to have the best convergent network in Hungary.
- We transform our internal processes to be even better prepared for future challenges.
- We monitor technological developments and our competitors' activities.
- We pursue responsible and sustainable business activities.
- In order to maintain trust and reputation we continuously inform our key stakeholders on our plans, risks and achievements.
- We integrate digital initiatives into our long-term planning and align their technology and business strategies.

Operational risks

- The future of our current operational model is subject to currently unforeseeable changes in the future business environment.

Risk management activities:

- We have a flexible business model. We closely monitor the competitive environment in all markets and respond accordingly to both consumer and business segment needs.
- Our price offers are competitive in the markets where we operate.
- We support our business customers with our innovative products to increase efficiency.
- We transform our internal processes to be even better prepared for future challenges.
- The pandemic continues to make a big impact worldwide and also to our entire risk environment.

Risk management activities:

- Reacting to COVID-19 has become part of our everyday operation. Due to the nature of the telecom industry and the importance of communication services in the pandemic we continuously strengthen our digital strategy.
- Magyar Telekom continues to successfully operate and provide the capacity of its network infrastructure and ensures the health and productivity of employees by enabling teleworking.

- System failures could result in reduced user traffic and revenue, could lead to penalties and could harm our reputation.

Risk management activities:

- We operate network monitoring systems and define recovery goals to minimize service outages.
- We consider it of key importance to inform our customers in a timely manner about service problems thus we operate an advanced information system.

- Loss of key personnel could weaken our business.

Risk management activities:

- Operation of an advanced human resources strategy, for further details see Note 3 (“Social commitments, labor standards, human rights”) of the Consolidated Business Report.

- The number of cyber attacks has increased significantly in the whole world. Cybersecurity risks have worsened due to the pandemic, as work, shopping, social interactions and education have become significantly digitized. The quick change increased the vulnerability of organizations to cyber attacks. Also, teleworking may increase the risk of fraud and misuse of business information and data, as well as unauthorized access, theft and fraudulent use of data. Although Magyar Telekom provides services with highest security-standards and constantly tests and updates its cyber security countermeasures, it cannot be fully excluded that the Company will be subject of a cyber attack. If we fail to manage this effectively, it may have significant customer related, financial, reputational or regulatory consequences.

Risk management activities:

- We perform regular audits on key security risks affecting our business and maintain strategies to identify, prevent and respond to these challenges.
- Our cybersecurity approach focuses on minimizing the risk of cyber security incidents impacting our networks, systems and services.
- We promote conscious conduct among our colleagues via communication, campaigns and training.

- Data protection incidents are punishable with very high fines. Despite mitigating measures and well-designed data protection management structures data protection incidents and compliance deficiencies can not be entirely excluded. There may be problems that can have a negative impact on Magyar Telekom's reputation and may incur costs and sanctions (including fines).

Risk management activities:

- In order to ensure data protection compliance and to avoid sanctions (fines) we must pay special attention to the principle of purpose limitation, privacy by design, privacy by default as well as data security measures to avoid system failures that may impact a large number of subscribers or employees.
- We regularly provide our colleagues data protection and data security trainings and other tools to help them make better and risk-conscious decisions.

- Procurement and supply chain: we cooperate with a wide range of vendors. High risk products and services include hardware, network technology components, and all products and services provided directly to end users. Supply risks cannot be entirely avoided. Epidemics, transportation bottlenecks, price increases, changes in the economic or political environment or the suppliers' product strategies may have a negative impact on our business processes and results. Further risks may arise from dependencies on specific suppliers or from their default.

Risk management activities:

- In order to reduce our exposure to risks we implement organizational, operational and profession-specific procurement strategies. Our procurement processes are planned and are monitored through regular internal and external controls. Key professional factors for managing procurement risks: proactive management of the supplier base, supplier segmentation, risk analysis of strategic and critical suppliers and continuous active contact keeping together with the business areas.

Compliance risks

- Violation of laws may result in loss of trust, financial sanctions, impairment of our shareholder value and other sanctions. Serious violation of laws may lead to criminal proceedings, litigation and regulatory actions.

Risk management activities:

- We operate a compliance framework program for the identification, regular assessment and mitigation of risks.
- We train our employees, run awareness raising programs that explain our ethical norms throughout the organization and help the employees to understand their role in ensuring compliance.
- We support a culture where our colleagues can voice their concerns, so we can identify problems and prevent them from happening again.

11.4 Financial risk management

The classification of the Group's financial instruments is described in detail in Note 4 and the financial risk management of the Group is described in detail in Note 5 of the Consolidated Financial Statements.

12 ANALYSIS OF FINANCIAL RESULTS FOR 2021

Key Performance Indicators	At December 31,	
	2020	2021
Revenue (HUF million).....	673,048	700,120
Mobile revenue.....	364,589	389,387
Fixed line revenue.....	219,004	223,865
System Integration/Information Technology revenue.....	89,455	86,868
EBITDA (HUF million).....	225,844	240,771
EBITDA margin.....	33.6%	34.4%
Profit attributable to owners of the Parent (HUF million).....	42,364	58,997
Capex after lease (HUF million).....	197,631	193,432
Net debt (HUF million).....	417,436	472,886
Net debt to EBITDA ratio.....	1.85	1.96

12.1 Revenues

Total revenues increased from HUF 673.0 billion in 2020 to HUF 700.1 billion in 2021, driven primarily by the growth in mobile data and fixed broadband revenues in Hungary coupled with an improvement in mobile service revenues in North Macedonia.

Mobile revenues increased to HUF 389.4 billion in 2021 compared to HUF 364.6 billion in 2020, reflecting the continued positive momentum in mobile data usage.

- Voice retail revenues declined by 3.8% to HUF 118.7 billion in 2021, reflecting tariff pressure across both operations.
- Voice wholesale revenues rose by 7.2% to HUF 12.8 billion in 2021, reflecting an increase in incoming mobile traffic in Hungary along with higher international incoming traffic in North Macedonia.
- Data revenues grew by 16.7% to HUF 118.8 billion in 2021, driven by the continued growth in subscriber numbers and strong demand for mobile data usage that was amplified by the pandemic induced social distancing measures.
- SMS revenues increased by 17.9% to HUF 24.4 billion in 2021, primarily as a result of further growth in mass messaging revenues in Hungary coupled with higher usage driven by the increasing retail postpaid customer bases in both countries.
- Mobile equipment revenues increased by 7.7% to HUF 103.9 billion in 2021, driven primarily by increase in the average handset prices coupled with higher volume of export sales at the Hungarian operation.

Fixed line revenues increased to HUF 223.9 billion in 2021, up from HUF 219.0 billion in 2020. The significant improvements in broadband and TV revenues, especially pronounced at the Hungarian operation, fully offset the decline in voice revenues.

- Voice retail revenues decreased by 6.3% to HUF 37.1 billion in 2021, primarily due to a further decline in the customer base in Hungary.
- Broadband retail revenues increased by 9.2% to HUF 69.8 billion in 2021, thanks to further growth of the customer bases in both countries that was coupled with continued strong demand for bandwidth upgrade transactions in Hungary. These positive developments fully compensated for the temporary fallout in some of the Hungarian retail broadband revenues for the first half of 2021 due to the mandatory monthly fee allowance introduced for students and teachers to help with online education during the pandemic.
- TV revenues increased by 7.9% to HUF 56.5 billion in 2021, thanks to higher revenues in both Hungary and North Macedonia reflecting the continued expansion of the IPTV customer bases.
- Fixed equipment revenues declined by 13.0% to HUF 19.5 billion in 2021, reflecting lower volume of the equipment sold at the Hungarian operation.
- Data retail revenues rose by 3.7% to HUF 12.7 billion in 2021 thanks to higher revenue from leased line fixed internet services in both countries.
- Wholesale revenues were up by 3.4% to HUF 20.0 billion in 2021 thanks to higher network-related and wholesale data revenues in Hungary coupled with income from the resale of content right licenses in North Macedonia.

System Integration (SI) and IT revenues recorded a decline of 2.9% to HUF 86.9 billion in 2021, compared to HUF 89.5 billion in 2020, primarily driven by the absence of major customized solution projects in North Macedonia coupled with moderately lower project volumes in Hungary.

12.2 Direct costs

Direct costs increased from HUF 297.5 billion in 2020 to HUF 311.7 billion in 2021, primarily due to higher equipment and interconnect costs.

- Interconnect costs grew by 13.0% to HUF 25.0 billion in 2021, as increased off-network mobile voice traffic led to higher payments to domestic mobile operators at the Hungarian operation.
- SI/IT service related costs declined by 2.0% to HUF 62.1 billion in 2021, reflecting lower volume of related projects during the year.
- Bad debt expenses were up by 13.3% to HUF 11.0 billion in 2021 due to a forward-looking impairment recognized in the amount of HUF 3.2 billion reflecting a possible deterioration of the solvency of our customers driven by unfavorable macroeconomic developments coupled with the termination of loan moratorium in Hungary expected for mid-2022. This offset the positive impacts of factoring and favorable aging of mobile receivables at the Hungarian operation.
- Telecom tax was lower by 2.9% at HUF 26.8 billion in 2021, reflecting the absence of a one-off non-recurring adjustment booked in 2020.
- Other direct costs increased by 6.9% to HUF 186.8 billion in 2021, driven primarily by higher equipment costs coupled with an increase in roaming and Hungarian TV content outpayments.

12.3 Gross profit

Gross profit increased to HUF 388.4 billion in 2021, from HUF 375.6 billion in 2020, reflecting the increase in revenues.

12.4 Employee-related expenses

Employee-related expenses improved by 4.0% year-on-year to HUF 75.9 billion in 2021, reflecting the combined impact of the reduction in overall Group headcount and lower severance expenses.

12.5 Other operating expenses

Other operating expenses declined moderately from HUF 76.6 billion in 2020 to HUF 75.7 billion in 2021 thanks to broad based cost saving measures implemented during the year that resulted in lower advisory and maintenance costs. Hungarian utility tax was moderately up at HUF 7.3 billion.

12.6 Other operating income

Other operating income decreased to HUF 4.0 billion in 2021 from HUF 5.8 billion 2020, reflecting primarily lower one-off profits realized from the sale of real estate in Hungary.

12.7 EBITDA

EBITDA grew to HUF 240.8 billion in 2021 versus HUF 225.9 billion in 2020, thanks to higher gross profit in both countries of operation coupled with indirect cost savings in Hungary.

12.8 Depreciation and amortization

Depreciation and amortization (D&A) expenses rose to HUF 148.0 billion in 2021 from HUF 141.1 billion in 2020. In Hungary, higher D&A expenses were related to capitalization and shortened useful life of softwares, while in North Macedonia the increase reflected shortened useful life and accelerated depreciation in relation to the RAN modernization.

12.9 Operating profit

Operating profit rose from HUF 84.8 billion in 2020 to HUF 92.8 billion in 2021 thanks to the improvement in EBITDA partly offset by higher D&A expenses.

12.10 Net financial result

Net financial result improved considerably from HUF 23.8 billion loss in 2020 to HUF 13.7 billion loss in 2021. Although interest expenses increased due to higher spectrum payment liabilities and absence of a one-off interest provision reversal at the North Macedonian operation booked in 2020, more favorable results on the recognition of derivatives at fair value reflecting shifts in the relevant yield curves and the absence of significant negative impacts stemming from the weakening of the forint against the euro during 2020 led to a significant annual improvement.

12.11 Income tax

Income tax expense rose from HUF 14.6 billion in 2020 to HUF 16.3 billion in 2021 driven by the higher profit before tax.

12.12 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests declined moderately from HUF 4.0 billion in 2020 to HUF 3.9 billion in 2021, as higher annual EBITDA was offset by the one-off items in D&A and interest expenses at the North Macedonian subsidiary.

12.13 Group Cash Flows

HUF millions	1-12 months 2020	1-12 months 2021	Change
Net cash generated from operating activities	185,955	194,770	8,815
Net cash used in investing activities	(148,102)	(101,402)	46,700
Less: (Payments for) / Proceeds from other financial assets	2,533	(9,228)	(11,761)
Investing cash flow excluding Payments for / Proceeds from other financial assets - net	(145,569)	(110,630)	34,939
Repayment of lease and other financial liabilities	(25,114)	(28,972)	(3,858)
Total free cash flow	15,272	55,168	39,896
(Payments for) / Proceeds from other financial assets	(2,533)	9,228	11,761
Proceeds from / Repayment of loans and other borrowings - net	(53,589)	(36,737)	16,852
Dividends paid to Owners of the parent and Non-controlling interests	(24,516)	(18,788)	5,728
Proceeds from corporate bonds	70,834	-	(70,834)
Treasury share purchase	(5,218)	(10,215)	(4,997)
Exchange differences on cash and cash equivalents	1,041	118	(923)
Change in cash and cash equivalents	1,291	(1,226)	(2,517)

Free cash flow (FCF) improved to HUF 55.2 billion in 2021 (2020: HUF 15.3 billion), mainly due to the reasons described below.

Operating cash flow

Net cash generated from operating activities amounted to a cash inflow of HUF 194.8 billion in 2021, compared to cash inflow of HUF 186.0 billion in 2020, attributable to the reasons outlined below:

- HUF 14.9 billion positive impact due to higher EBITDA in 2021
- HUF 17.5 billion negative change in active working capital, mainly as a result of:
 - lower decrease in SI/IT receivables (negative impact: ca. HUF 8.2 billion) due to different project seasonality including the effect of 2019 year-end peak in project settlement,
 - unfavorable change in handset inventory balances (negative impact: ca. HUF 2.9 billion) mainly reflecting supply insecurity due to shortage of raw materials (especially chip) caused by COVID-19,
 - higher increase in the balance of telecommunication customer related trade receivables (negative impact: ca. HUF 2.2 billion) mainly caused by higher sales,
 - unfavorable change in advance payment balances in 2021 compared to 2020 (negative impact: ca. HUF 2.7 billion),
 - moderate change in net portfolio of installment receivables in 2021 vs. 2020 (negative impact: ca. HUF 0.9 billion) as a result of higher sales volume and change in expected loss due to loan moratorium risk in 2021.
- HUF 2.0 billion **positive change in provisions**, mainly reflecting reduction in provision for litigation risks and penalties in the base period against some increases in 2021
- HUF 8.0 billion **positive change in passive working capital**, primarily driven by
 - lower payment to handset suppliers (positive impact: ca. HUF 11.1 billion) driven by timing differences in payments complemented with higher purchasing in 2021 in line with higher inventories,
 - favorable change in contract liabilities (positive impact: ca. HUF 1.7 billion) mainly due to change of SI/IT related advance payments received from customers,
 - higher decline in the balances of invoiced and non-invoiced BAU trade creditors (negative impact: HUF 4.2 billion) due to different seasonality.

- HUF 1.8 billion negative change in income tax paid mainly driven by the one-off energy saving investment tax credit disclosed in 2021 under cash flows from investing activities. Accordingly, the utilized tax credit reduced the amount of actually paid tax by HUF 2.3 billion.
- HUF 3.1 billion positive change in other non-cash items, mainly due to the lower net results from real estate sales recorded in 2021 compared to 2020 supplemented with the more significant foreign exchange rate movements leading to FX losses during 2020

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in investing activities amounted to HUF 110.6 billion in 2021, compared to HUF 145.6 billion in 2020, with the lower cash outflow driven mainly by the following:

- HUF 42.2 billion **positive effect** in payments for PPE and intangible assets mainly by the following:
 - HUF 54.6 billion positive change due to the absence payment for spectrum license fees in Hungary,
 - HUF 2.3 billion positive effect of the corporate income tax settlement of energy efficiency tax credit,
 - HUF 8.4 billion negative change reflecting to higher payments to Capex creditors due to different seasonality,
 - HUF 6.3 billion negative change due to higher investment in different areas (e.g. mobile network modernization in Hungary: HUF 4.5 billion negative effect, network technology in North Macedonia: HUF 3.2 billion negative effect, network technology in Hungary: HUF 1.9 billion positive effect).

Repayment of lease and other financial liabilities

Repayment of lease and other financial liabilities increased to HUF 29.0 billion in 2021 from HUF 25.1 billion in 2020, mainly due to higher network related lease payments and higher payment of different long-term supplier invoices.

In 2021 **Cash and cash equivalents** recorded a HUF 1.2 billion negative change compared to a HUF 1.3 billion positive change in 2020. Besides the changes in FCF the deterioration is attributed to the followings:

- **Payments for other financial assets - net** improved by HUF 11.8 billion, primarily due to higher cash inflows from cross currency interest rate (CCIR) swap transactions. The CCIR swap transactions are related to the repayment of two 130.0 million EUR denominated DT loans in Q1 and Q3 2021. This change was supplemented by higher cash inflows from bank deposits over 3 months in net term.
- **Proceeds from loans and other borrowings** decreased by HUF 29.4 billion due to the lower drawdown of DT Group loans partially offset by the periodic increase of proceeds from inhouse DT Group funds. For further information see Note 2.1 Basis of preparation.
- **Repayments of loans and other borrowings** improved by HUF 46.3 billion due the lower repayment of DT Group loans and the periodic decrease of repayments of inhouse DT Group funds. For further information see Note 2.1 Basis of preparation.
- **Dividends paid to Owners of the parent and Non-controlling interests** declined by HUF 5.7 billion mainly due to lower dividend payment from Magyar Telekom as the dividend per share (DPS) was reduced from HUF 20 in 2020 to HUF 15 in 2021.
- **Proceeds from bonds** deteriorated by HUF 70.8 billion due to the bond issuance in 2020.
- **Treasury share purchase** increased by HUF 5.0 billion due to the higher repurchase in 2021.
- **Exchange differences on cash and cash equivalents** declined by HUF 0.9 billion due to the higher MKD/HUF foreign exchange rate movement during 2020.

The financial and operating statistics are available on the following website:

http://www.telekom.hu/about_us/investor_relations/financial

12.14 Statements of Financial Position

The most significant changes in the balances of the Consolidated Statements of Financial Position from December 31, 2020 to December 31, 2021 can be observed in the following lines:

- Other financial assets (current and non-current combined)
- Other intangible assets
- Financial liabilities to related parties (current and non-current combined)
- Other financial liabilities (current and non-current combined)
- Treasury stock

Other financial assets (current and non-current combined) decreased by HUF 23.5 billion from December 31, 2020 to December 31, 2021 mainly as a result of a HUF 19.8 billion decrease in cash pool receivables as well as HUF 4.0 billion decrease of derivative financial instruments contracted with related parties.

Other intangible assets increased by HUF 60.5 billion from December 31, 2020 to December 31, 2021 mainly reflecting the acquisition of spectrum licenses. The present value of the future annual band fees to be paid by Magyar Telekom until 2042 and the one-time spectrum fee to be paid until Q1 2022 were capitalized in March 2021 in the amount of HUF 83.1 billion.

Financial liabilities to related parties (current and non-current combined) decreased by HUF 59.3 billion from December 31, 2020 to December 31, 2021 due to the combined result of repayments and drawdowns of short- and long-term DT Group loans which were partly offset by the increase in cash pool liabilities.

Other financial liabilities (current and non-current combined) increased by HUF 78.3 billion from December 31, 2020 to December 31, 2021, mainly due to the recognition of present value of the future annual band fees and one-time spectrum fee for spectrum licenses.

Treasury stock increased by HUF 10.2 billion from December 31, 2020 to December 31, 2021 as a result of a repurchase of treasury shares.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position in the period from December 31, 2020 to December 31, 2021. 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 2021 and the related explanations provided above in section 12.13 Group Cash Flows.

13 EVENTS AFTER THE REPORTING PERIOD

13.1. Sale of Pan-Inform

T-Systems Magyarország Zrt. signed a sales purchase agreement on the sale of its subsidiary Pan-Inform Kft., the scope of the agreement covers the support and development operations provided for central healthcare services in Hungary and the related hospital information system. The closing of the transaction and the settlement of the HUF 5.5 billion purchase price took place at the end of January 2022.

Budapest, February 23, 2022



Tibor Rékasi
Chief Executive Officer, Board member



Daria Aleksandrovna Dodonova
Chief Financial Officer, Board member

Declaration

We the undersigned declare that

- the attached annual financial statements which have been prepared in accordance with the applicable set of accounting standards and to the best of our knowledge, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Magyar Telekom Plc. and the undertakings included in the consolidation as a whole, and
- the business report gives a fair view of the position, development and performance of Magyar Telekom Plc. and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties of its business.

Budapest, March 8, 2022

Tibor Rékasi
Chief Executive Officer,
Member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer,
Member of the Board



SEPARATE ANNUAL REPORT

OF MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

FOR THE YEAR ENDED DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION

(EU IFRS)

STATEMENT OF FINANCIAL POSITION - ASSETS

(in HUF millions)	Note	At December 31, 2020	At December 31, 2021
ASSETS			
Cash and cash equivalents	4.2.1	738	945
Trade receivables	4.2.2	118,967	121,846
Other assets	12.1	2,626	4,305
Other current financial assets	4.2.3.1	41,720	8,254
Contract assets	18.4	12,006	13,158
Current income tax receivable	6	7	-
Inventories	7	12,643	13,214
		188,707	161,722
Assets held for sale	8	489	115
Total current assets		189,196	161,837
Property, plant and equipment	9	350,141	355,973
Right-of-use assets	9.2	117,945	119,986
Goodwill	1.2, 10.4	173,572	173,572
Other intangible assets	1.2, 10	255,416	317,825
Investments	11	131,610	131,610
Trade receivables over one year	4.2.3.3	16,159	16,664
Other non-current financial assets	4.2.3.2	16,382	23,252
Contract assets	18.4	3,411	3,620
Other non-current assets	12.2	5,012	6,126
Total non-current assets		1,069,648	1,148,628
Total assets		1,258,844	1,310,465

Budapest, February 23, 2022

Tibor Rékasi
Chief Executive Officer, Board member

Daria Aleksandrovna Dodonova
Chief Financial Officer, Board member

The accompanying Notes form an integral part of these Separate Financial Statements.

STATEMENT OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(in HUF millions)	Note	At December 31,	At December 31,
		2020	2021
LIABILITIES			
Financial liabilities to related parties	4.4.1	109,508	46,466
Lease liabilities	4.5.1.2, 17.2.2	20,224	21,332
Trade payables	4.4.4	113,992	119,407
Other financial liabilities	4.4.3	8,471	51,984
Current income tax payable	6	338	1,458
Provisions	13	3,006	2,173
Contract liabilities	18.4	7,660	8,090
Other current liabilities.....	14	17,066	13,993
Total current liabilities		280,265	264,903
Financial liabilities to related parties	4.4.1	89,457	90,405
Lease liabilities	4.5.1.2, 17.2.2	112,785	113,756
Corporate bonds	4.4.2	67,904	68,214
Other financial liabilities	4.4.3	71,443	106,467
Deferred tax liabilities	6.3.2	17,695	16,318
Provisions	13	9,604	12,126
Other non-current liabilities.....	15	2,907	2,474
Total non-current liabilities.....		371,795	409,760
Total liabilities.....		652,060	674,663
EQUITY			
Common stock.....	16	104,274	104,274
Capital reserves.....	16	27,379	27,379
Treasury stock.....	16	(9,351)	(19,566)
Retained earnings	16	484,482	523,715
Total equity		606,784	635,802
Total liabilities and equity		1,258,844	1,310,465

Budapest, February 23, 2022


 Tibor Rékasi
 Chief Executive Officer, Board member


 Daria Aleksandrovna Dodonova
 Chief Financial Officer, Board member

The accompanying Notes form an integral part of these Separate Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in HUF millions, except per share amounts)	Note	For the year ended December 31,	
		2020	2021
Mobile revenue	1.2, 18	328,307	350,003
Fixed line revenue.....	1.2, 18	184,962	187,877
SI/IT revenue	1.2, 18	10,862	10,412
Revenue		524,131	548,292
Interconnect costs	1.2	(16,826)	(19,237)
SI/IT service related costs	1.2	(9,305)	(8,575)
Bad debt expense	1.2, 4.2.2.2	(8,609)	(9,837)
Telecom tax.....	1.2, 19.1	(27,572)	(26,785)
Other direct costs.....	1.2, 19.2	(158,652)	(168,899)
Direct costs		(220,964)	(233,333)
Employee-related expenses	20	(58,019)	(56,100)
Depreciation and amortization	9, 10	(116,872)	(122,729)
Other operating expenses	21	(64,895)	(63,725)
Operating expenses.....		(460,750)	(475,887)
Other operating income	22	5,040	3,261
Operating profit.....		68,421	75,666
Interest income	23	1,102	615
Interest expense	24	(12,190)	(13,710)
Other finance expense - net.....	25	(12,478)	113
Net financial result.....		(23,566)	(12,982)
Results from investments	26	8,924	5,728
Profit before income tax.....		53,779	68,412
Income tax	6.2	(12,227)	(13,868)
Profit for the period.....		41,552	54,544
Total comprehensive income for the period.....		41,552	54,544
Earnings per share (EPS) information:			
Profit attributable to the owners of the Company.....	27	42,364	58,997
Weighted average number of common stock outstanding used for basic/diluted EPS		1,027,117,481	1,007,460,789
Basic / diluted earnings per share (HUF)	27	41.25	58.56

Budapest, February 23, 2022

Tibor Rékasi
Chief Executive Officer, Board member

Daria Aleksandrova Dodonova
Chief Financial Officer, Board member

The accompanying Notes form an integral part of these Separate Financial Statements.



STATEMENT OF CASH FLOWS

(in HUF millions)	Note	For the year ended December 31.	
		2020	2021
Cash flows from operating activities			
Profit for the period		41,552	54,544
Depreciation and amortization	9, 10	116,872	122,729
Income tax expense	6.2	12,227	13,868
Net financial result		14,642	7,254
Change in assets carried as working capital.....		6,437	(7,929)
Change in provisions.....		(832)	823
Change in liabilities carried as working capital		(8,984)	6,002
Income tax paid	6.4	(9,311)	(11,724)
Dividend received.....	26	8,471	5,679
Interest and other financial charges paid.....		(19,602)	(19,731)
Interest received		820	669
Other non-cash items		(3,617)	(299)
Net cash generated from operating activities		158,675	171,885
Cash flows from investing activities			
Payments for property plant and equipment (PPE) and intangible assets	28	(138,523)	(92,343)
Proceeds from disposal of PPE and intangible assets		6,749	1,360
Proceeds from disposal of subsidiaries and business units		290	-
Payments for other financial assets.....		(3,201)	(96)
Proceeds from other financial assets.....		1,241	12,443
Net cash used in investing activities.....		(133,444)	(78,636)
Cash flows from financing activities			
Dividends paid to Owners of the parent	4.4.3.3	(20,853)	(15,312)
Proceeds from loans and other borrowings	4.4.3.3	239,009	219,915
Repayment of loans and other borrowings	4.4.3.3	(280,950)	(260,257)
Proceeds from corporate bonds	4.4.3.3	70,834	-
Repayment of lease and other financial liabilities	4.4.3.3	(28,240)	(27,173)
Treasury share purchase	4.4.3.3	(5,218)	(10,215)
Net cash used in financing activities.....		(25,418)	(93,042)
Change in cash and cash equivalents		(187)	207
Cash and cash equivalents, beginning of period	4.2.1	925	738
Cash and cash equivalents, end of period	4.2.1	738	945

The accompanying Notes form an integral part of these Separate Financial Statements.



STATEMENT OF CHANGES IN EQUITY

	pieces	in HUF millions				
	Shares of common stock (a)	Common stock (a)	Capital reserves (b)	Treasury stock (c)	Retained earnings (d)	Total Equity
Balance at January 1, 2020	1,042,742,543	104,274	27,379	(4,133)	463,785	591,305
Dividend (e)	-	-	-	-	(20,855)	(20,855)
Treasury share purchase (f)	-	-	-	(5,218)	-	(5,218)
Transactions with owners in their capacity as owners	-	-	-	(5,218)	(20,855)	(26,073)
Profit or loss	-	-	-	-	41,552	41,552
Balance at December 31, 2020	1,042,742,543	104,274	27,379	(9,351)	484,482	606,784
Dividend (e)	-	-	-	-	(15,311)	(15,311)
Treasury share purchase (f)	-	-	-	(10,215)	-	(10,215)
Transactions with owners in their capacity as owners	-	-	-	(10,215)	(15,311)	(25,526)
Profit or loss	-	-	-	-	54,544	54,544
Balance at December 31, 2021	1,042,742,543	104,274	27,379	(19,566)	523,715	635,802
Of which treasury stock	(45,777,539)					
Shares of common stock outstanding	996,965,004					

The accompanying Notes form an integral part of these Separate Financial Statements.

NOTES TO THE SEPARATE STATEMENT OF CHANGES IN EQUITY

- (a) The total amount of issued shares of common stock of 1,042,742,543 (each with a nominal value of HUF 100) is fully paid as at December 31, 2021. The number of authorized ordinary shares on December 31, 2021 is 1,042,742,543.

Voting Rights and Voting

The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of Magyar Telekom Telecommunications Public Limited Company (the Company or Magyar Telekom). The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in the Articles of Association, which shall require at least a three-quarters majority of the votes cast. There is no limitation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the ordinary shares. There is no limitation of voting rights for ordinary shares in the Articles of Association. The Company has no shares assigned with special management rights.

Transfer of Shares

In order to transfer dematerialized shares, there must be a contract for transfer or other legal title is required and, in that context, the transferor's securities account must be debited and the new holder's securities account must be credited with the transferred dematerialized shares. The holder of dematerialized share shall be considered the holder of the securities account on which the dematerialized shares are recorded.

The transfer of any Series "A" ordinary shares is not bound to any restriction or attainment of agreement.

- (b) Additional paid-in capital represents the amount exceeding the nominal value of the shares that was received by the Company during capital increases.
- (c) Treasury stock represents the cost of the Company's own shares repurchased. When the Company purchases its equity shares, the consideration transferred, including any attributable incremental external costs, are deducted from the Equity of the owners of the parent as Treasury stock until they are re-sold or canceled. When such shares are subsequently sold, the treasury share balance decreases by the original cost of the shares, thereby increasing equity, while any gains or losses are also recognized in equity (Retained earnings). Treasury stock transactions are recorded on the transaction date. The number of treasury stock on December 31, 2021 is 45,777,539 (on December 31, 2020 is 21,982,747).
- (d) Retained earnings include the accumulated and undistributed profit of the Company. The distributable reserves of the Company at December 31, 2021 amounted to approximately HUF 524 billion (HUF 484 billion at December 31, 2020). Untied retained earnings is available for the payment of dividends which contains retained earnings from the last financial year (Note 16).
- (e) Dividends payable to the Company's shareholders are recognized as a liability and debited against Retained earnings in the period in which the dividends are approved by the shareholders.
- (f) The Company repurchased own shares for HUF 10.2 billion through a share buyback auction on June 10, 2021 for the purpose of shareholders' remuneration as approved by the Company's Board of Directors on May 10, 2021 (in 2020 HUF 5.2 billion own shares were repurchased). The Company concluded repurchase transactions for 23,794,792 Magyar Telekom ordinary shares at an average price of HUF 429 per share. Following the execution of the transactions, Magyar Telekom holds 45,777,539 treasury shares.

Together with the approval of these financial statements for issue, the Board of Directors of the Company proposes a dividend distribution in total HUF 15,000 million to be approved by the Annual General Meeting of the Company in April 2022. In 2021 due to the situation caused by the coronavirus pandemic (COVID-19) the Board of Directors of Magyar Telekom approved HUF 15,311 million dividend based on the authorization set out in Section 9.§ (2) of Government Decree no. 502/2020. (XI.16.).

The accompanying Notes form an integral part of these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

1.1 About the Company

Magyar Telekom is the principal provider of telecommunications services in Hungary. These services are subject to various telecommunications regulations.

The Company was incorporated in Hungary on December 31, 1991 and commenced business on January 1, 1992. The Company's registered office is Könyves Kálmán körút 36., 1097 Budapest, Hungary. Name of the Court of Registration and the registration number of the Company: Registry Court of the Budapest-Capital Regional Court, Cg.01-10-041928.

Magyar Telekom is listed on the Budapest Stock Exchange and its shares are traded on the Budapest Stock Exchange. Magyar Telekom's American Depositary Shares (ADSs) each representing five ordinary shares were also traded on the New York Stock Exchange until November 12, 2010, when the ADSs were delisted. Magyar Telekom terminated the registration of its ADSs in the US in February 2012. The Company maintains its American Depositary Receipt program on a Level I basis.

The ultimate controlling parent of the Company is Deutsche Telekom AG (DT or DT AG) who fully consolidates Magyar Telekom Group. Deutsche Telekom Europe B.V. (Stationsplein 8, 6221 BT Maastricht, the Netherlands), a member of the Deutsche Telekom Group, is the direct owner of 59.21% of the Company's issued shares.

The Consolidated Financial Statements of DT AG are available at DT AG's website (www.telekom.com/en).

The Separate Financial Statements are prepared and presented in millions of HUF, unless stated otherwise, as the Company's presentation currency is the Hungarian Forint.

The Company's Board of Directors (the Board) accepted the submission of these Separate Financial Statements of the Company on February 23, 2022 to the Annual General Meeting (AGM) of the owners, which is authorized to approve these financial statements, but also has the right to require amendments before approval. As the controlling shareholders are represented in the Board of the Company that accepted the submission of these financial statements, the probability of any potential change required by the AGM is remote and has never happened in the past.

Persons authorized to sign the annual report:

Tibor Rékasi - Chief Executive Officer, member of the Board (residence: Szentendre)

Daria Aleksandrovna Dodonova - Chief Financial Officer, member of the Board (residence: Budapest)

In Magyar Telekom, the accounting services are coordinated by Melinda Modok (certificate number: 18128. Area of speciality: IFRS entrepreneurial activity. Status: registered. Registration number: MK 199521. Residence: Budapest).

The Company is subject to compulsory audit. The Company's auditor is PricewaterhouseCoopers Könyvvizsgáló Kft. (its register number is 01-09-063022, its taxation number is 10256161-2-44), the responsible person for carrying out the audit is Zoltán Bárdy (membership number at Chamber of Hungarian Auditors: 007346).

The Separate Financial Statements of Magyar Telekom and the Consolidated Financial Statements of Magyar Telekom Group are available at the Company's registered office and on its corporate website.

Magyar Telekom's corporate website is: www.telekom.hu

1.2 Revised presentation of financial report's hierarchy

In 2021 in order to follow the general industry practice the management has conducted the revision of the presentation hierarchy of the annual financial report to give the investors more transparent information about economic resources of the Company, claims against the Company, and their changes. As a result of the harmonization, the amount of goodwill is separated from other intangible assets in the Statements of Financial Position, revenue is disaggregated to mobile, fixed line and SI/IT (System integration and Information technology) business lines revenue data, direct costs are disaggregated to interconnect costs, SI/IT service related costs, bad debt expense, telecom tax and other direct costs in the Statements of Profit or Loss Statement. In the Statement of Cash Flow some minor adjustments in the order and wording were made.

With the changes described above, the information provided by the financial report is remained the same, all comparative information in this report was presented in the preceding years accordingly. Management believes these changes ensure more transparent and consistent financial information to the investors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Separate Financial Statements of Magyar Telekom have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). All standards and interpretations endorsed by the EU are effective as at December 31, 2021 and applicable to Magyar Telekom had been adopted. These Separate Financial Statements also comply with the Hungarian Accounting Act on Separate Financial Statements, which refers to the IFRS as endorsed by the EU.

The Company as parent company also prepared consolidated financial statements in accordance with IFRS as endorsed by the EU which were approved by the Company's Board of Directors on February 23, 2022.

The preparation of financial statements according to IFRS requires the use of certain critical accounting estimates. It also requires management judgement to apply the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas in which assumptions and estimates are significant to the Separate Financial Statements, are disclosed in Note 3.

Financial statements are prepared under going concern assumptions, which means it is assumed the Company will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities.

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

The table below summarizes the Standards amended and the subject of the amendments effective on or after January 1, 2021 that could have an impact on Magyar Telekom's accounting policies.

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 4	Insurance Contracts - Deferral of IFRS 9	Jan 1, 2021	Deferral of first-time application of IFRS 9 for insurance companies.	Not applicable.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	Jan 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of the IBOR reform, hedge accounting requirements, and the accompanying disclosures.	No impact based on internal assessment.
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021	April 1, 2021*	Extension of practical expedient until June 30, 2022 for lessee accounting of rent concessions granted due to the COVID-19 pandemic.	Not applied.

* Earlier application is permissible. Magyar Telekom already decided in the 2020 financial year not to apply the practical expedient.

2.1.2 Standards, amendments and interpretations that are not yet effective as at December 31, 2021 and have not been adopted early by the Company and other expected changes for 2022 and 2023.

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
Standards endorsed by the EU				
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 is expected.
IFRS 17 and Amendments to IFRS 17	Insurance Contracts	Jan 1, 2023	IFRS 17 governs the accounting for insurance contracts and replaces IFRS 4. Deferral of first-time application of IFRS 17 to January 1, 2023. The amendments refer to specific topics helping entities to implement the standard and avoiding a significant loss of useful information.	No material impact is expected.
Standards not yet endorsed by the EU*				
Amendments to IAS 1	Presentation of Financial Statements	Jan 1, 2023	Classification of Liabilities as Current or Non-current and Deferral of Effective Date.	No material impact is expected.
Amendments to IAS 1	Presentation of Financial Statements	Jan 1, 2023	Disclosure of material accounting policy information instead of significant accounting policies. In addition, IFRS Practice Statement 2 has been amended.	No material impact is expected.
Amendments to IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Jan 1, 2023	Introduced a definition of 'accounting estimates' and included other amendments to help entities distinguish changes in accounting policies from changes in accounting estimates.	No material impact is expected.
Amendments to IAS 12	Income Taxes	Jan 1, 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	No material impact is expected.
Amendments to IFRS 17 Insurance contracts	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan 1, 2023	Transition option relating to comparative information about financial assets presented on initial application of IFRS 17, helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.	Not applicable.

* For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

2.1.3 COVID-19 impact on the business and on the financial statements

After 2020, which was drastically impacted globally by the outbreak of the COVID-19 pandemic, 2021 was featured by a general recovery worldwide as the targeted government measures along with the more efficient management of the pandemic led to improved production as well as higher consumption levels.

However, the still prevailing pandemic has been reshaping the environment whereas some new economic difficulties has also emerged with global supply chain disturbances and the sharp increase in energy prices witnessed in the second half of 2021.

The telecommunication industry has continued to play a critical role in keeping families connected and businesses and the economy progressing in this changing environment.

The Company could also leverage from these developments with both revenues and profitability improving in 2021. Although we continued to face lower SI/IT project demand and decided to recognize forward-looking impairment in bad debt expense for possible deterioration of our customer base's solvency position in relation to the termination of the loan moratorium and upcoming economic difficulties, thanks to the continued improvement in telecommunication service performance reflecting continued upward trend in customer demand, both annual gross profit, EBITDA and net income exceeded previous year's levels.

The need for digitalization, demand for data and the use of online, virtual channels have reached unseen levels, highlighting the integral role of the telecommunication industry.

To reflect to these changes and to ensure the reliability and security of our networks, we continued to invest in our infrastructure. The rollout of our fiber network remained a key priority and we dedicated significant amount of capital expenditures to the expansion of our network during 2021. Furthermore, we continued with the radio access network modernization commenced in 2020 to be able to meet the sharply rising mobile data capacity demand.

Beyond the changes on the market we closely monitor the recoverability of our assets, therefore the Company has conducted the goodwill impairment test more frequently during the year and paid more attention to monitor the solvency of customers, taking into account the potential negative impacts of COVID-19. See details in Notes 3.2 and 3.3.

2.2. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates, that is the Hungarian forint (HUF), which is the functional currency of the Company.

Foreign currency transactions are translated into HUF using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit for the year (Other finance expense – net).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

3.1 Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. Management believes that this is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and heavily dependent on the investment plans of the Company. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these

assumptions can be material to the financial position of the Company, and results of operations. See Notes 9 and 10 for the changes made to useful lives in 2021.

The Company is constantly introducing a number of new services or platforms. In the frame of that, Magyar Telekom focuses on the development of 4G and 5G platforms while does not make any further developments in 3G network. Services in that platform will be ceased from second half of 2022, useful life of assets related to this technology had been revised and shortened in prior years, accordingly. Furthermore, Magyar Telekom continues the acceleration of its fiber rollout, the modernization of its ED3 network, a migration to Gigabit capable networks and the retirement of its copper networks. In the case of that, the Company conducts a revision of useful lives of the already existing platforms, but in the vast majority of the cases these new services or assets are designed to co-exist with the existing platforms, not necessarily resulting in no change-over to the new technology. Consequently, the useful lives of the existing platforms usually do not require shortening.

3.2 Estimated impairment of goodwill and investments

3.2.1 Goodwill

Goodwill is not amortized but tested for impairment annually in the last quarter of the year and in the other quarters quicktests are executed. Due to COVID-19, during the preparation of interim financial reports of 2021 the management updated its goodwill impairment test in every quarter by considering updated information on inputs like book values, foreign exchange rates and weighted average cost of capital. No impairment needed to be recognized in 2021.

On Magyar Telekom Group (“Group”) level, the Company has a considerable portion of assets and liabilities presented in the MT-Hungary segment as well as contributing a significant proportion to the result of the MT-Hungary segment. The Group’s segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, the Chief Executive Officer (CEO) and the other Chief Officers (Chief Officers). They together fulfill the Chief Operating Decision Maker (CODM) function in the Group. The goodwill presented in the Company was tested as the considerable part of this segment when MT-Hungary segment was examined.

Since the Company as a whole is a non-separable part of the MT-Hungary segment, therefore the impairment test presented below is in reference to the MT-Hungary segment of the Magyar Telekom Group. The recoverable amounts of the operating segments are calculated based on fair value less cost of disposal (FVLCD) determined by the discounted projected cash flows of the operating segments over the next ten years with a terminal value. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate. The Company has an implemented policy to make the impairment test based on a 10-year cash flow projection on reasonable and supportable assumptions that present the management’s best estimate on market participants’ assumptions and expectations. The MT-Hungary segment uses 10-year cash flow projections as the payback period of our investments in the telecommunications operations often exceeds five years.

The recoverable amounts of the operating segments are determined by the operating segments’ fair values less cost of disposal. In the calculations, Magyar Telekom uses weighted average cost of capital (WACC) and estimated perpetual growth rate (PGR). The WACCs are determined based on the capital asset pricing model (CAPM) using the average betas of the peer group, 10-year zero-coupon yields and a debt ratio in line with the usual indebtedness of listed peer telecommunications companies, while the PGRs used are in line with the long-term average growth rate for the particular segment.

Costs of certain central functions that are not cross charged are also considered in the fair value calculations when conducting the goodwill impairment tests. The costs of these central functions are allocated to the operating segments based on the segments’ revenue share of the Group’s total revenue.

The fair value less cost of disposal of the MT-Hungary segment far exceeds its carrying amount and Magyar Telekom represents a non-separable but significant part of the MT-Hungary segment therefore impairment of goodwill did not need to be recognized either in 2021 or in 2020. See Note 10.4 for details of carrying amount of goodwill allocated to segments.

The following tables show the WACCs and PGRs used in the fair value calculations of the Group’s operating segments for the goodwill impairment test conducted in 2020 and 2021. The tables below also include sensitivity analyses that show how much impairment would have been recognized as at December 31, 2020 or 2021 for the goodwill allocated to the operating segments if we changed the sensitive parameters in the calculations.

In 2021 we disclose what impact a 4 (2020: 4) percentage point increase of the WACC would have on the goodwill. Regarding the PGRs, we disclose what impact a 9 (2020: 10) percentage point decrease of the PGR would have on the goodwill. Regarding the cash flow projections, we disclose what impact a 20% or a 32% (2020: 20% or 44%) lower than projected cash flow stream would have on the goodwill.

	2020	2021
	MT-Hungary	
WACC		
Used in the calculation.....	5.68%	7.95%
If changed to.....	9.68%	11.95%
Potential impairment (HUF million)	41,909	49,140
PGR		
Used in the calculation.....	1.0%	1.0%
If changed to.....	(9.0%)	(8.0%)
Potential impairment (HUF million)	23,476	7,746
Cash flow		
If changed by.....	(20%)	(20%)
Potential impairment (HUF million)	-	-
If changed by.....	(44%)	(32%)
Potential impairment (HUF million)	12,754	10,828

The table below shows what changes can be observed in the 10-year plans prepared in 2020 following to those prepared in 2021.

	MT-Hungary
Cumulative average annual change rate of revenue during the 10 years compared to 2021	0.3%
Cumulative average annual change rate of revenue during the 10 years compared to 2020	0.5%
Cumulative average annual change rate of EBITDA during the 10 years compared to 2021	0.7%
Cumulative average annual change rate of EBITDA during the 10 years compared to 2020	0.6%
Cumulative average annual change rate of Capex during the 10 years compared to 2021	(a) (4.2%)
Cumulative average annual change rate of Capex during the 10 years compared to 2020	(a) (5.0%)

(a) In 2020 and 2021, the Company acquired frequency usage rights represented significant amount and, as a result, the average Capex for the next 10 years shows declining tendency. Magyar Telekom's management believes that preparing the value in use (VIU) calculation was unnecessary, since it would have resulted in a lower value than the FVLCD. The VIU method assumes a model without future investments, meaning that additional capex and related revenue and gains to be recognized in the future cannot be considered in the calculations. Assuring the revenue for the long term in a telecom business very much depends on future investments. Due to technological changes it is obvious that these capital expenditures are essentials for long term revenue generation and a necessity for the growth of business.

3.2.2 Investments

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses. Cost of an investment is the fair value of consideration given, including contingent considerations and transaction costs incurred during the acquisition process.

The Company examines whether an investment may or may not be impaired by using internal and external information.

Magyar Telekom implemented the requirements of the IAS 36 standard as follows:

If the carrying amount of investment exceeds HUF 20 billion then its recoverable amount is always analyzed using a DCF model (irrespective of whether there is any indication of impairment or not).

In 2021, the Company investigated the recoverable amount in the case of T-Systems Magyarország Zrt. and Stonebridge A.D.

Magyar Telekom has a 100% share in Stonebridge A.D and in T-Systems Magyarország Zrt. The Stonebridge A.D. is the owner of the 51 percent of the Makedonski Telekom A.D.'s equity, and its main activity is managing this capital. Accordingly, the Magyar Telekom uses the DCF model of Makedonski Telekom A.D for the estimation of recoverable amount of Stonebridge A.D.

The table below shows the net income and equity of the subsidiaries investigated. The figures on T-Systems Magyarország Zrt. are presented according to Act C of 2000 on Accounting (HAR) while figures on Stonebridge A.D. according to IFRS.

	12.31.2020		12.31.2021	
	Profit after tax (unaudited)	Equity (unaudited)	Profit after tax (unaudited)	Equity (unaudited)
T-Systems Magyarország Zrt.	2,389	36,756	1,738	38,494
Stonebridge A.D.	4,247	1,148	4,555	1,518

In DCF model Magyar Telekom uses weighted average cost of capital (WACC) and estimated perpetual growth rate (PGR). The WACCs are determined based on the capital asset pricing model (CAPM) using the average betas of the peer group, 10 year zero-coupon yields and a debt ratio in line with the usual indebtedness of listed peer telecommunications companies, while the PGRs used are in line with the long-term average growth rate for the particular segment.

The fair value less cost of disposal (FVLCD) of these investments exceeds their carrying amount therefore impairment of these investments did not need to be recognized neither in 2021 nor in 2020. See Note 11 for details of carrying amount of investments.

The table below shows the WACCs and PGRs used in the fair value calculations of these investments conducted in 2020 and 2021.

	T-Systems Magyarország Zrt.		Stonebridge A.D.	
	2020	2021	2020	2021
Perpetual growth rate of CF.....	0.00%	0.00%	1.00%	1.00%
WACC (post tax incl. local taxes)	8.08%	9.65%	4.75%	4.84%

3.3 Estimated impairment of trade and other receivables

We calculate impairment for accounts receivable based on estimated losses resulting from the inability of our customers to make required payments. The loss allowance is recognized in respect of not only losses already incurred as of the reporting date (incurred losses) but also losses which have not yet been incurred as of the reporting date, but which are expected to be incurred in the future (expected losses). For the largest customers and other telecommunications service providers, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the aging of our accounts receivable balance and our historical write-off experience, customer credit-worthiness and recent and expected changes in our customer payment terms and forward-looking information. In addition, we also consider the nature of the business (residential, business, fixed line, mobile, internet, cable TV, etc.) and the environment in which the Company's entities operate in the various markets.

The above factors of impairment calculation are reviewed annually, and changes are made to the calculations when necessary. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected impairment is considered as a critical estimate.

In 2020, coronavirus spread globally, and it has gained significant negative impact both socially and economically. In 2021 the global economic outlook started to improve thanks to the emergence of vaccinations, but the further waves of the pandemic and further economic events evoke uncertainties regarding the recovery. Current changes in market trends and the volatility in the economic conditions in Hungary as the post effect of COVID-19 pandemic has impact on the creditworthiness of our debtors and related estimates may differ materially from the prior periods.

According to the best estimation based on the reassessment of factors (particularly macroeconomic tendencies, current market conditions, the termination of the loan moratorium) significant impact has been concluded on the credit risk of the Company particularly on trade receivables in installment payments for telecommunications equipment sold. Consequently, forward-looking impairment increased by HUF 3.2 billion on this sub-group of debtors. The annual revision also revealed that no other asset classes have been impacted materially. The management concluded there is no reason to modify the bad debt ratios used previously for the portfolios.

A sensitivity analysis had also been prepared that shows how much impairment would have been recognized on trade receivables in instalment payments as at December 31, 2021 if we changed the estimated non-payment rate. According to this, the financial effect of 1% and 2% improvement (-) and deterioration (+) of the applied estimated non-payment rate would increase or decrease by HUF 0.8 billion and by HUF 1.5 billion on the carrying value of these trade receivables (current and non-current part).

If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

The management pays particular attention to the continuous monitoring of the solvency of the customers in the future and would take additional corrective actions if it is necessary. Please see further information Notes 4 and 5.1.2.

3.4 Contracts with customers

The Company applies the guidance to a group of contracts with similar characteristics instead of to a single contract with a customer. The characteristics considered include mainly the business segment of the customer, business model of the contract, and whether the contract is committed or not.

Contract assets are recognized for unbilled amounts typically resulting from sales under long-term contracts when revenue recognized exceeds the amount billed to the customer in that period. This is a temporary difference so that revenue recognized and revenue billed are the same by the end of the commitment term. The amount of the contract assets is determined considering the estimated churn rate of the relevant group of contracts. The time frame for reclassification of contract assets to a receivable is the minimum contract term of the relevant group of contracts.

Furthermore, the Company recognizes assets for costs incurred in connection with the signing of customer contracts which would not have been incurred if the customer contract had not been concluded (contract cost). Capitalization is subject to the expectation that those costs will be recovered by future revenue resulting from the contract.

Costs of obtaining a contract with a customer generally include sales commissions both direct and indirect distribution channels.

Capitalizing incremental costs of obtaining a contract does not only refer to contracts concluded with a new customer but also to contract renewals. Accounting treatment of acquisition- and retention-related contract costs is the same.

Costs of obtaining a contract with a customer are amortized on a portfolio basis over the period that the related goods or services are transferred to the customer which is

- based on historical customer retention data and past experiences in that business segment in the case of uncommitted contracts (e.g. prepaid)
- and in the case of committed contracts the commitment period is considered as amortization period.

The Company decided not to use the practical expedient of expensing the incremental costs of obtaining a contract immediately, which are amortized over a period of one year or less.

See Note 18.4 for the amount of contract assets, contract liabilities and contract costs.

3.5 Annual fees of mobile licenses

Magyar Telekom's primary activities are the fixed-line and mobile operations in Hungary. These services are in most cases regulated by the Hungarian laws or other legislation. These services in most cases require the acquisition of a license or concession, which usually requires a one-off fee and annual payments. It is judgmental whether the management considers the annual fees to be reliably estimable or not. If the management considers that these annual fees can be estimated reliably, the present value of those are capitalized as part of the cost of the license with corresponding current and non-current financial liabilities, otherwise these are recognized as costs in the period they relate to.

The management considered that the annual band fees related to frequency usage right acquired in 2021 can be reliably estimated, the present value of those are recognized as part of the cost of the license. For further information see Notes 4.4.3.1, 10.2, 10.5, 28 and 34.2.

3.6 Leases – Estimating the incremental borrowing rate and assessment of extension and termination options

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. This discount rate reflects the main risks of the lease arrangements in a specific country and is provided for each year up to a maturity of 30 years. A change in the interest rate is only applicable when after initial recognition the contract is modified, or a reassessment is necessary which causes a change in the interest rate.

Magyar Telekom uses the lessee's incremental borrowing rate.

Magyar Telekom never uses negative interest rates. Any negative interest rates will be capped at an amount of zero.

In 2021, the range of used discount rates is 2.48%-4.41% (2.87%-5.31% in 2020). It was calculated as the average of the borrowing rates weighted by the discounted lease liability.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets of the Company include cash and cash equivalents, equity instruments of another entity and contractual rights to receive cash (trade receivables) or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity (derivatives) a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Financial liabilities of the Company include liabilities that originate from contractual obligations to deliver cash or another financial asset to another entity (non-derivatives); or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity (derivatives) or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

4.1 Financial assets – accounting policies

The Company classifies its financial assets on the basis of both:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset in the following categories:
 - at amortized cost if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
 - at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
 - at fair value through profit or loss (FVTPL) unless it is classified in the previous categories.

For the purpose of the above classification:

- principal is the fair value of the financial asset at initial recognition
- interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Standard purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the Profit for the year.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred. Financial assets have been transferred when the contractual rights to receive cash flows of the financial assets have been transferred or the contractual rights to receive cash flows of the financial assets have been retained but

there is a contractual obligation to pay the cash flows to one or more recipients in an arrangement compliant with the conditions set out by IFRS 9. Any gains or losses on derecognition are recognized in Profit for the year and are calculated as the difference between (a) the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income and (b) the carrying amount derecognized.

4.1.1 Impairment of financial assets

Depending on the business model of the Company and the characteristics of the contractual cash flows of the financial assets, financial assets are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

A loss allowance must be recognized for financial assets measured at amortized cost and at fair value through other comprehensive income. The loss allowance must be recognized through profit or loss and reduces the carrying amount of the relevant financial asset; in the case of financial assets measured at fair value through other comprehensive income, the corresponding offsetting entry is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Loss allowances must also be recognized for lease receivables as defined in IFRS 16, contract assets as defined in IFRS 15, financial guarantee contracts and loan commitments relating to loans bearing an off-market interest rate.

Loss allowance was recognized in respect of not only losses already incurred as of the reporting date (incurred losses) but also losses which have not been incurred yet as of the reporting date, but which were expected to be incurred in the future (expected losses).

Based on the changes in credit risk, it must be assessed at each reporting date whether the current loss allowance must be measured at an amount equal to the lifetime expected credit losses or at an amount equal to the 12-month expected credit losses. If it is not possible to assess whether the credit risk has increased significantly based on the individual financial asset, it must be assessed at the portfolio level.

The simplified and the general approaches are to be applied to assess and account for credit losses.

- **Simplified approach**

All financial instruments underlying simplified approach are measured with lifetime expected credit loss. Therefore, except for insolvency, neither any indicators for increase in credit risk nor any default events are relevant within the simplified approach.

The simplified approach is applicable for trade receivables, contract assets and lease receivables without a significant financial component. The Company has chosen the right to use the simplified approach for these receivables with a significant financial component as well.

- **General approach**

According to the expected credit loss model the financial instruments are classified into three buckets. The classification into the three buckets is based upon the changes of the credit risk for the financial asset. A relative credit risk model is used for the evaluation of an increased credit risk. The increase of credit risk in comparison to the initial recognition is reflected in the transfer of the financial instrument between the buckets.

According to the expected credit risk model the impairment is determined differently for the three buckets. The impairment for financial instruments in bucket 1 is calculated based upon the 12-month expected credit loss. The impairment for financial instruments in bucket 2 and 3 is calculated based upon the lifetime expected credit losses. Once a long-term asset is moved to bucket 3, the effective interest method has to be applied to reach net value after impairment.

The general approach is applied for bank accounts, factoring receivables, other financial receivables and employee loans.

4.1.2 Financial assets measured at amortized cost

The following items are assigned to this category:

- cash and cash equivalents;

- deposits over three months;
- trade receivables;
- other receivables.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method (relevant only for the receivables with long-term maturity).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, and all highly liquid deposits and securities with original maturities of three months or less and exclude all overdrafts.

Trade receivables

If there is a significant increase in the credit risk of trade receivables carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition). In the case of short-term trade receivables estimation is made on the amount of expected future cash inflows and compared to the carrying amount, the difference is accounted for as allowance for trade receivables. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized as Bad debt expense.

When it is determined that there is no significant increase in the credit risk for an individually assessed accounts receivable, the item should be included in a group of accounts receivables with similar credit risk characteristics and assessed collectively for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

There are three categories for calculating impairment loss of trade receivables:

- for invoices which are overdue
- for invoices which are not yet due
- for unbilled revenue.

In the case of collective assessment there is significant increase in the credit risk if there are overdue items in a group of receivables. An ageing list is prepared on overdue receivables and the amount of impairment is calculated by multiplying impairment rates based on historical loss experience with the amount of receivables.

Impairment rates are calculated based on historical loss experience, however it is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. During the impairment calculation forward-looking information is also considered. Such information can be, for example, internal changes in the billing and dunning processes and external extreme changes e.g. in unemployment rates, credit crisis etc.

When a trade receivable is established to be uncollectible, it is written off against Trade receivables. Impairment and subsequent recoveries of amounts previously written off are accounted for against the period's Direct costs.

4.1.3 Financial assets at fair value through other comprehensive income (FVOCI)

The "financial assets at fair value through other comprehensive income" measurement category includes the following financial assets:

- listed and unlisted equity instruments;
- debt instruments within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at fair value through other comprehensive income are initially recognized at fair value and are also subsequently carried at fair value. The unrealized changes in the fair value of financial assets at fair value through other comprehensive income are recognized in equity, in the Revaluation reserve for FVOCI financial assets for both equity instruments and debt instruments.

When securities classified as financial assets at fair value through other comprehensive income are sold, the accumulated fair value adjustments recognized in equity before are recognized in the profit or loss except for equity instruments, where it will be recognized directly to retained earnings.

The Company assesses at each balance sheet date whether there is significant increase in the credit risk. There is significant increase in the credit risk of a financial asset as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

If any such evidence exists for FVOCI financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

4.1.4 Financial assets at fair value through profit or loss (FVTPL)

Debt instruments which do not meet the conditions set out to be initially classified either at amortized cost or at fair value through other comprehensive income must be measured at fair value through profit or loss.

The “financial assets at fair value through profit or loss” measurement category includes the following financial assets:

- Debt instruments that are designated as “at fair value through profit or loss” using the fair value option.
- Equity instruments acquired for the purpose of selling immediately or in the near term and thus classified as “held for trading” and equity instruments not held for trading where the OCI option has not been applied.
- Derivative financial assets.
- Debt instruments not fulfilling conditions of either financial assets at amortized cost or financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognized in the profit or loss in the period in which they arise.

4.2 Financial assets in the statements of financial position

4.2.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, and all highly liquid deposits and securities with original maturities of three months or less and exclude all overdrafts. These financial assets are exposed to credit risks, for which see more details in Note 5.1.2. No impairment had to be recognized for any of these balances in the reported years.

Cash and cash equivalents	12.31.2020	12.31.2021
Cash on hand.....	58	40
Cash in bank (demand deposits).....	680	905
Total.....	738	945

Average interest rates	12.31.2020	12.31.2021
Cash on hand.....	0.00%	0.00%
Cash in bank (demand deposits).....	0.00%	0.00%
Average interest rate.....	0.00%	0.00%

Cash and cash equivalents by currency	12.31.2020	12.31.2021
EUR.....	-	-
HUF.....	738	945
USD	-	-
Total.....	738	945



4.2.2 Trade receivables

4.2.2.1 Trade receivables – carrying amount

	12.31.2020	12.31.2021
Trade receivables from third parties.....	111,834	117,122
Trade receivables from subsidiaries.....	3,092	1,601
Trade receivables from associates and joint ventures.....	1	-
Trade receivables from other related parties.....	4,040	3,123
Total trade receivables.....	118,967	121,846

Age profile of trade receivables

The following tables show the age profile of the Company's trade receivables by days outstanding (past due). The carrying amounts of receivables are shown net of impairment losses charged as of the financial statement dates.

	12.31.2020	12.31.2021
Not past due	105,984	104,525
Past due by		
less than 30 days.....	9,908	14,037
30–60 days.....	1,679	1,845
61–90 days.....	460	455
91–180 days	478	428
181–360 days.....	336	373
over 360 days	122	183
Carrying amount	118,967	121,846

Vast majority of trade receivables is impaired on a portfolio basis using the simplified approach. Vast majority of past due trade receivables is partly or fully impaired depending mainly on the period of delay of payments.



The Company uses the following rates for impairment:

Overdue	Rate of impairment*
Not due yet	0%-8%
1-30 days.....	0%-15%
31-60 days	0%-50%
61-90 days	0%-65%
91-180 days.....	0%-80%
181-360 days.....	0%-90%
361-720 days.....	50%-100%
more than 720 days	50%-100%
Customers in state of bankruptcy	100%

*The Company uses different impairment rates for different groups of customers within overdue terms based on the previous years' payment experiments. Considering the basis of impairment the installment receivables from equipment sales is treated as a separate group of customers and the rates of impairment used are generally in the higher sections of the indicated intervals.

4.2.2.2 Impairment losses of trade receivables and contract assets

The table below shows the impairment losses and changes for trade receivables therein for 2020 and 2021.

	2020	2021
Impairment loss, beginning of period.....	18,143	15,358
Charged to expense – net (included in Direct costs).....	6,540	8,671
Utilized..... (a)	(9,325)	(6,163)
Impairment loss, end of period	15,358	17,866

The table below shows the impairment losses and changes for contract assets therein for 2020 and 2021.

	2020	2021
Impairment loss, beginning of period.....	1,200	1,615
Charged to expense – net (included in Direct costs).....	2,069	1,166
Utilized..... (a)	(1,654)	(1,182)
Impairment loss, end of period	1,615	1,599

(a) Utilized means reversed on derecognition (settlement, write-off or factoring).
See also Note 5.1.2 for further analysis of credit risks related to Trade receivables.

4.2.3 Other financial assets

Other financial assets include receivables due within 12 months (current) and due after 12 months (non-current) from the end of the reporting period (financial statements date). These financial assets are exposed to credit risks, for which see more details in Note 5.1.2. The impairment loss recognized or reversed for other current and non-current financial assets is not material.

4.2.3.1 Other current financial assets

		12.31.2020	12.31.2021
Receivables from asset-related grants	(a)	4,794	3,507
Loans to related parties		1,622	1,765
Cashpool receivables.....	(b)	20,419	1,258
Finance lease receivable.....	(c)	417	443
Derivative financial instruments contracted with related parties	(d)	13,818	300
Other.....		650	981
Total.....		41,720	8,254

For the explanations of (a)-(d) see Note 4.2.3.2.

4.2.3.2 Other non-current financial assets

		12.31.2020	12.31.2021
Derivative financial instruments contracted with related parties.....	(d)	6,878	16,415
Finance lease receivable	(c)	5,409	5,028
Borrowings from related parties.....		2,150	-
Equity instruments.....	(e)	1,193	1,182
Other.....		752	627
Total.....		16,382	23,252

(a) Starting from 2016 HUF 11.7 billion of EU funds were utilized by Magyar Telekom. The first and second rounds of a tender aimed at the developing digital networks nationwide to cover households in Western and Eastern parts of Hungary with a fixed network capable of reaching speed of at least 30 Mbps. The Company received HUF 8.2 billion grant related to EU fund in advance from which HUF 12 million has not been used yet. The Company accomplished a number of investments which complied with the condition of the related EU Funding Contracts. With respect to these completed investments the amount of the grant which has not been financially settled yet is presented as receivable. For those investments where the conditions have not been satisfied yet, the advances received are shown as part of Other current liabilities (Unused advance payments for asset related grants).

	12.31.2020	12.31.2021
Accumulated grant recognized in PPE	11,599	11,683
Accumulated advance payments received (Note 14)	6,826	8,188
Unused advance payments for asset-related grants (Note 14) ...	21	12
Receivables from asset-related grants	4,794	3,507

(b) The following tables show the currency breakdown.

12.31.2020	Carrying amount	Borrower	Currency	Interest rate (%)	Fixed / floating
	14,480	DT AG	HUF	0.50	floating
	5,553	DT AG	EUR	0.00	floating
	(265)	DT AG	USD	0.34	floating
	651	KalászNet Kft.	HUF	1.76	floating
Due within 1 year	20,419				

12.31.2021	Carrying amount	Borrower	Currency	Interest rate (%)	Fixed / floating
	1,258	KalászNet Kft.	HUF	4.35	floating
Due within 1 year	1,258				

(c) See Note 17.2 for more information on Finance lease receivable.

(d) Derivative financial instruments contracted with related parties include the fair value of open currency forwards and cross-currency interest rate swaps (see more details in Notes 4.5.1.1, 5.1.1.1 and 5.1.1.2).

(e) Equity instruments include investment in E2 Hungary Zrt. based on the agreement with MET Holding AG (see Note 11 for more information).

4.2.3.3 Trade receivables over one year

Trade receivables over one year (HUF 16,664 million as at December 31, 2021 and HUF 16,159 million as at December 31, 2020) mainly includes receivables from customers paying over one to two years in installments for telecommunications equipment sold. The impairment on trade receivables over one year was HUF 2,273 million as of December 31, 2021 (HUF 1,378 million in 2020). For further information see Note 3.3.

4.3 Financial liabilities – accounting policies

There are two measurement categories for financial liabilities used by the Company:

- Financial liabilities carried at amortized cost
- Financial liabilities at fair value through profit or loss

No reclassification between categories has been made in the past and no reclassifications are expected in the future. Both types of financial liabilities are initially recognized at fair value, while subsequent measurements are different (see below). A financial liability is derecognized (or a part of a financial liability) from the Statements of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.3.1 Financial liabilities carried at amortized cost

The measurement category for “financial liabilities measured at amortized cost” includes all financial liabilities not classified as “at fair value through profit or loss”.

Loans and other financial liabilities

Loans and other financial liabilities are recognized initially at fair value less transaction costs, and subsequently measured at amortized costs using the effective interest rate method. The effective interest is recognized in the Profit for the year (Interest expense) over the period of the liabilities.

Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Bonds

Bonds are recognized initially at fair value less transaction cost and subsequently measured at amortized cost using the effective interest rate method under IFRS 9.

4.3.2 Financial liabilities at fair value through profit or loss

Derivative financial instruments and call option of MET Holding AG are classified to this category. The Company currently has no intention of measuring non-derivative financial liabilities at fair value.

The Company does not apply hedge accounting, therefore, all derivatives are measured at fair value through profit or loss.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and their fair values are re-measured at subsequent financial statements dates. The Company does not apply hedge accounting for its financial instruments, therefore all gains and losses are recognized in the Profit for the year (Other finance expense – net).

4.4 Financial liabilities in the statements of financial position

4.4.1 Financial liabilities to related parties

Financial liabilities to related parties include HUF- and EUR-denominated loans taken from Deutsche Telekom International Finance B.V. (DTIF), Deutsche Telekom AG (DTAG) and the Company's subsidiaries and cashpool liabilities. For the whole nominal amount and interest payment of loans denominated in EUR granted by DTIF or DTAG we have cross-currency interest rate swap agreements in place (with DTAG) so that Magyar Telekom's exposure in fact remains in HUF. The loans and the related swap agreements are accounted for and disclosed on a gross basis.

The tables below show the details of the financial liabilities towards related parties as at December 31, 2020 and 2021.

	12.31.2020						
	Carrying amount	Lender	Currency	Effective interest rate (%)	Fixed / floating	Maturity	Original Term (Year/s)
	47,473	DTIF	EUR	1.99	fixed	Jan 2021	9
	48,491	DTIF	EUR	1.60	fixed	July 2021	8
	50	TNM*	HUF	1.16	floating	March 2021	8
	840	Combridge	EUR	1.43	floating	March 2021	9
	50	TNM*	HUF	1.15	floating	March 2021	9
	200	TNM*	HUF	1.50	floating	March 2021	8
	1,626	Investel Zrt.	HUF	1.26	floating	Cashpool	N/A
	(674)	TSM Zrt.	USD	1.29	floating	Cashpool	N/A
	6,362	TSM Zrt.	EUR	1.17	floating	Cashpool	N/A
	2,754	TSM Zrt.	HUF	1.26	floating	Cashpool	N/A
Due within 1 year	107,172						
Accrued interest.....	2,317						
Other financial liabilities	6						
Derivatives	13						
Total current	109,508						
	43,816	DTAG	EUR	0.41	floating	May 2024	5
	45,641	DTAG	EUR	0.58	floating	Jan 2025	5
Total non-current.....	89,457						

*Telekom New Media Zrt.



	12.31.2021							
	Carrying amount	Lender	Currency	Effective interest rate (%)	Fixed / floating	Maturity	Original Term (Year/s)	
	29,520	DT AG	EUR	0.00	floating	July 2022	1	
	50	TNM*	HUF	3.15	floating	March 2022	10	
	554	Combridge	EUR	0.80	floating	March 2022	9	
	295	Combridge	EUR	0.80	floating	March 2022	9	
	50	TNM*	HUF	2.57	floating	March 2022	10	
	200	TNM*	HUF	3.59	floating	March 2022	10	
	1,579	DT AG	USD	0.34	floating	Cashpool	N/A	
	5,596	DT AG	HUF	1.98	floating	Cashpool	N/A	
	1,158	DT AG	EUR	0.27	floating	Cashpool	N/A	
	(4,042)	TSM Zrt.	USD	1.10	floating	Cashpool	N/A	
	737	TSM Zrt.	EUR	0.85	floating	Cashpool	N/A	
	9,925	TSM Zrt.	HUF	3.95	floating	Cashpool	N/A	
	635	Investel Zrt	HUF	3.95	floating	Cashpool	N/A	
Due within 1 year	46,257							
Accrued interest.....	158							
Other financial liabilities	31							
Derivatives	20							
Total current	46,466							
	44,280	DT AG	EUR	0.30	floating	May 2024	5	
	46,125	DT AG	EUR	0.52	floating	Jan 2025	5	
Total non-current.....	90,405							

*Telekom New Media Zrt.

As at December 31, 2021 current liabilities exceed current assets by HUF 103,066 million, primarily due to frequency fees payable together with the short-term loan facilities received from DT AG that were taken to finance working capital and daily ongoing activities. Management believes that short-term liabilities from DT AG will be refinanced in a similar manner to previous years. Financing needs will also be covered by cash flows generated by operating activities and third-party credit line facilities (see Note 5.1.3).

The table below shows the carrying amounts and fair values of the related-party loans.

	12.31.2020		12.31.2021	
	Book Value	Fair Value	Book Value	Fair Value
HUF denominated loans				
At fixed rate.....	-	-	-	-
At floating rate.....	4,680	4,680	16,456	16,456
	4,680	4,680	16,456	16,456
EUR denominated loans				
At fixed rate.....	95,964	95,964	-	-
At floating rate.....	96,659	96,659	122,669	122,669
	192,623	192,623	122,669	122,669
USD denominated loans				
At fixed rate.....	-	-	-	-
At floating rate.....	(674)	(674)	(2,463)	(2,463)
	(674)	(674)	(2,463)	(2,463)
Accrued interest	2,317	2,317	158	158
Other financial liabilities	6	6	31	31
Derivatives.....	13	13	20	20
Total related-party financial liabilities.....	198,965	198,965	136,871	136,871

The weighted-average interest rate on related-party loans was 0.65% in 2021 (1.17% in 2020). Any decrease in market interest rates will result in an increase in the fair value of the fixed interest rate liabilities.

Borrowings subject to floating interest rates are exposed to cash flow risks. If interest rates rise, it will result in higher cash outflows through interest payments.

Derivatives contracted with related parties include cross-currency interest rate swaps and FX forwards concluded with DT AG to change the Company's exposure to HUF in the case of the EUR-denominated loans and to cover FX needs of expected future foreign currency outflows.

There were no defaults or breaches in connection with the financial liabilities to related parties.

4.4.2 Bonds

In 2020 Magyar Telekom has initiated a review of its external funding framework in order to diversify and enhance the maturity profile of the Company's debt portfolio. Accordingly, the Company participated in the Bond Funding for Growth Scheme ("Scheme" or "BGS") of the Central Bank of Hungary ("MNB") and obtained funding sources with competitive pricing.

In order to increase the liquidity of the corporate bond market, the MNB launched Scheme from July 1, 2019, supplementing its unconventional monetary policy tools and the fixed Growth Loan Program. The proceeds of the bonds are used to fund investments into the fixed and mobile network roll-out and modernization (including the acquisition of new frequencies).

The issued bonds amounted to HUF 70 billion at face value and were purchased for a total purchase price of HUF 70.83 billion by the attendees at the closed auction on November 24, 2020. The total purchase price was transferred to the Company by the attendees on November 26, 2020. Subsequently Magyar Telekom 2027 HUF Bonds were listed on the BSE XBond multilateral trading platform on December 17, 2020 and are available for trading in the XBond platform from December 21, 2020 (first trading day).



The table below shows the main parameters.

Bond code	Magyar Telekom 2027 HUF Bond	
Bond expiries	HUF 35 billion	November 26, 2026
	HUF 35 billion	November 26, 2027
Interest type	Fixed interest	
Coupon (Nominal interest rate)	1.45%	
Yield	1.2579%	
Effective interest rate.....	1.95%	

At December 31, 2021 the carrying amount of bonds HUF 68,214 million (at December 31, 2020 HUF 67,904 million).

For further information see Notes 4.4.3.3 and 15.

4.4.3 Other financial liabilities

4.4.3.1 Other financial liabilities - Balances

The tables below show the current and non-current balances of Other financial liabilities.

	12.31.2020	12.31.2021
Frequency fees payable..... (a)	4,771	49,759
Debtor overpayment.....	1,309	1,394
Other.....	2,391	831
Total other financial liabilities – current.....	8,471	51,984

	12.31.2020	12.31.2021
Frequency fees payable..... (a)	71,313	106,323
Other.....	130	144
Total other financial liabilities – non-current.....	71,443	106,467

There were no defaults or breaches in connection with other financial liabilities.

(a) The present value of the future annual band fees payable is recognized as part of the carrying amount of the licenses as intangible assets, with corresponding current and non-current financial liabilities. New frequency blocks were acquired in January 2021 which entitled Magyar Telekom for the usage of these from April 2022 until March 2042. A one-time spectrum fee amounted to HUF 44.22 billion is required to pay for these frequency blocks, and this payment is due in the first quarter of 2022, the present value of this fee (HUF 44.04 billion) is also disclosed among frequency fees payable. For further information see also Notes 3.5, 10.2, 10.5 and 34.2.

4.4.3.2 Proceeds/repayments of loans and other borrowings

Cash proceeds/payments for related-party loans are included in the Proceeds from loans and other borrowings/Repayment of loans and other borrowings line of the Statements of cash flows.

4.4.3.3 Additional disclosure about changes in liabilities arising from financing activities

The following tables include changes in net debt reconciled with their effects on the Statements of cash flows in order to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Changes in financial liabilities without cash movement are mainly due to the increase in liability related to annual band fees (see Note 10.2), lease liabilities (see Note 9.2) and the FX effects of financial liabilities denominated mainly in EUR and transactions where future cash flows are recognized at the present value of the annual fees payable.



	Opening Balance at January 1, 2020	Changes in cash and cash equivalents	Changes that effect the cash flows from operating activities	Addition to financial liabilities without cash movement	Changes that effect the cash flows from investing activities	Changes that effect the cash flows from financing activities					Closing Balance at December 31, 2020
						Proceeds from loans and borrowings	Repayments of loans and other borrowings	Proceeds from bonds	Repayments of other financial liabilities	Other	
Related-party loans.....	209,918	-	(8,316)	25,688	(200)	252,812	(280,950)	-	-	-	198,952
Derivatives from related parties.....	1,890	-	-	850	(2,727)	-	-	-	-	-	13
Frequency fees payable	42,744	-	(3,235)	40,629	-	-	-	-	(4,054)	-	76,084
Lease liabilities	111,297	-	(5,096)	50,994	-	-	-	-	(24,186)	-	133,009
Bonds.....	-	-	-	(2,930)	-	-	-	70,834	-	-	67,904
Debtors overpayment.....	1,324	-	(15)	-	-	-	-	-	-	-	1,309
Other financial liabilities.....	586	-	668	135	1,132	-	-	-	-	-	2,521
-Less cash and cash equivalents	(925)	187	-	-	-	-	-	-	-	-	(738)
-Less other current financial assets	(13,283)	-	1,365	(20,488)	4,489	(13,803)	-	-	-	-	(41,720)
Net debt	353,551	187	(14,629)	94,878	2,694	239,009	(280,950)	70,834	(28,240)	-	437,334
Treasury share purchase										(5,218)	
Dividend paid										(20,853)	
Net cash used in financing activities.....										(25,418)	



	Opening Balance at January 1, 2021	Changes in cash and cash equivalents	Changes that effect the cash flows from operating activities	Addition to financial liabilities without cash movement	Changes that effect the cash flows from investing activities	Changes that effect the cash flows from financing activities					Closing Balance at December 31, 2021
						Proceeds from loans and borrowings	Repayments of loans and other borrowings	Proceeds from bonds	Repayments of other financial liabilities	Other	
Related-party loans	198,952	-	(5,060)	2,512	(50)	200,754	(260,257)	-	-	-	136,851
Derivatives from related parties.....	13	-	-	741	(734)	-	-	-	-	-	20
Frequency fees payable	76,084	-	(3,464)	88,143	-	-	-	-	(4,681)	-	156,082
Lease liabilities	133,009	-	(4,446)	27,660	-	-	-	-	(21,135)	-	135,088
Bonds.....	67,904	-	(1,015)	1,325	-	-	-	-	-	-	68,214
Debtors overpayment.....	1,309	-	85	-	-	-	-	-	-	-	1,394
Other financial liabilities.....	2,521	-	(180)	(9)	-	-	-	-	(1,357)	-	975
-Less cash and cash equivalents	(738)	(207)	-	-	-	-	-	-	-	-	(945)
-Less other current financial assets	(41,720)	-	(1,705)	1,288	14,722	19,161	-	-	-	-	(8,254)
Net debt	437,334	(207)	(15,785)	121,660	13,938	219,915	(260,257)	-	(27,173)	-	489,425
Treasury share purchase										(10,215)	
Dividend paid										(15,312)	
Net cash used in financing activities.....										(93,042)	



4.4.4 Trade payables

	12.31.2020	12.31.2021
Payable to subsidiaries.....	8,129	10,332
Payable to other related parties.....	7,836	9,283
Payable to non-related parties.....	98,027	99,792
Total.....	113,992	119,407

4.5 Additional disclosures on financial instruments

4.5.1 Financial assets and liabilities

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 observable for the asset or liability, either directly or indirectly (Level 2)
- inputs for the asset or liability that are not based on observable market data (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety.

There was no transfer between Level 1 and Level 2 financial instruments.

Most of the financial assets and most of the financial liabilities are measured at amortized cost, but fair value information is also provided for these. The fair values of these assets and liabilities were determined using Level 3 type information, except for bonds. The initial fair value of the MT2027 bond was calculated based on Level 2 information as the bonds did not have an active market. The discount rate was determined based on relevant BIRS rates and a margin estimation based on commercial bank offers during the auction. The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques, mainly by applying the discounted cash flow method. The cash flow estimations are based on the relevant underlying contracts and the discount rates are calculated based on the interest rate benchmarks applicable for the relevant maturities and currencies (BUBOR, BIRS, EURIBOR, EUR swap yields). Foreign exchange conversion is made based on central bank FX fixings (preferably that of the Central Bank of Hungary).

Level 2 information is available to determine derivatives assets and liabilities. Liabilities on call options (where it is applicable under IFRS 9) are carried at fair value where the fair value was determined using Level 3 type information.

The tables below include the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2021 and 2020.



4.5.1.1 Financial assets – Carrying amounts and fair values

Carrying amounts, fair values and fair value hierarchy of financial assets are the following:

12.31.2020	Carrying amount					Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Cash and cash equivalents	738	-	-	-	738	738
Clearing receivables from related parties	20,419	-	-	-	20,419	20,419
Trade receivables within one year from thirds parties	111,835	-	-	-	111,835	111,835
Trade receivables within one year from related parties	7,132	-	-	-	7,132	7,132
Trade receivables over one year	16,159	-	-	-	16,159	15,872
Derivative financial instruments contracted with related parties.....	-	-	20,696	-	20,696	20,696
Loans given to related parties.....	3,772	-	-	-	3,772	3,721
Equity instruments	-	1	-	1,193	1,194	1,194
Finance lease receivable from third parties	577	-	-	-	577	605
Finance lease receivable from related parties	5,249	-	-	-	5,249	7,131
Receivables from asset-related grants..	4,794	-	-	-	4,794	4,794
Other current receivables.....	651	-	-	-	651	651
Other non-current receivables.....	751	-	-	-	751	773
Total	172,077	1	20,696	1,193	193,967	195,561

12.31.2021	Carrying amount					Fair value
	Amortized cost	FVOCI (Level 1)	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Cash and cash equivalents	945	-	-	-	945	945
Clearing receivables from related parties	1,258	-	-	-	1,258	1,258
Trade receivables within one year from third parties	117,122	-	-	-	117,122	117,122
Trade receivables within one year from related parties	4,724	-	-	-	4,724	4,724
Trade receivables over one year	16,664	-	-	-	16,664	15,581
Derivative financial instruments contracted with related parties.....	-	-	16,715	-	16,715	16,715
Loans given to related parties.....	1,765	-	-	-	1,765	1,765
Equity instruments	-	1	-	1,181	1,182	1,182
Finance lease receivable from third parties	476	-	-	-	476	429
Finance lease receivable from related parties	4,994	-	-	-	4,994	5,152
Receivables from asset-related grants....	3,507	-	-	-	3,507	3,507
Other current receivables.....	981	-	-	-	981	981
Other non-current receivables.....	627	-	-	-	627	590
Total	153,063	1	16,715	1,181	170,960	169,951

Fair value through profit or loss assets (Level 2) include derivatives, the two classes of which are forward deals (HUF 300 million) and cross currency and interest rate swaps (HUF 16,415 million).



The fair values of those instruments are based on a discounted cash flow method. The calculation is prepared by Magyar Telekom based on money market interest rate curves, basis swap points and spot FX rates from Reuters database published on the last working day of the reporting period. The present value of the expected future cash flows is discounted to the reporting date using money market interest rates and basis swap points in the specific currency from Reuters and exchanged to HUF using the spot FX rate.

The HUF present value of the payable and receivable is accounted for as assets or liabilities.

Fair value through profit or loss financial assets (Level 3) include the investment in E2 Hungary Zrt. in 2020 and 2021.

The carrying values of assets measured at amortized cost with short times to maturity approximate their fair values.

4.5.1.2 Financial liabilities

Carrying amounts, fair values and fair value hierarchy of financial liabilities are the following:

12.31.2020	Carrying amount				Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Financial liabilities to related parties	198,952	13	-	198,965	198,965
Trade payables to third parties.....	98,026	-	-	98,026	98,026
Trade payables to related parties	15,965	-	-	15,965	15,965
Frequency fee payable	76,083	-	-	76,083	85,200
Lease liabilities to third parties	124,729	-	-	124,729	133,595
Lease liabilities to related parties	8,280	-	-	8,280	8,428
Bonds.....	67,904	-	-	67,904	68,053
Debtors' overpayment.....	1,309	-	-	1,309	1,309
Other current liabilities.....	2,393	-	-	2,393	2,393
Other non-current liabilities.....	-	-	130	130	130
Total	593,641	13	130	593,784	612,064

12.31.2021	Carrying amount				Fair value
	Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	
Financial liabilities to related parties	136,851	20	-	136,871	136,871
Trade payables to third parties.....	99,753	-	-	99,753	99,753
Trade payables to related parties	19,653	-	-	19,653	19,653
Frequency fee payable	156,082	-	-	156,082	145,425
Lease liabilities to third parties	126,490	-	-	126,490	125,103
Lease liabilities to related parties	8,596	-	-	8,596	7,846
Bonds.....	68,214	-	-	68,214	58,070
Debtors' overpayment.....	1,394	-	-	1,394	1,394
Other current liabilities.....	831	-	-	831	831
Other non-current liabilities.....	-	-	144	144	144
Total	617,864	20	144	618,028	595,090

See additional fair value information on financial liabilities in Note 4.4.1.



The carrying values of the current financial liabilities measured at amortized cost approximate their fair values.

4.5.1.3 Financial liabilities carried at fair value determined using Level 3 type information

Financial instruments which are carried at fair value where the fair value was determined using Level 3 type information is the liability pertaining to the call option under IFRS 9. The table below includes the movements of this liability.

	2021
Opening balance at January 1	130
Increase arising on call option	-
(Gains) or losses for the period on remeasurement	-
- recognized in profit or loss (net financial result)	14
Closing balance at December 31	144

4.5.2 Items of net gains and losses arising on financial instruments

The tables below include net gains/losses arising on financial instruments in 2020 and 2021.

2020	From Interest	From subsequent measurement			From derecognition	From fee expense	Total net gain / (loss)
		Change in fair value	FX gain/ (loss)	Impairment loss			
FVTPL financial instruments (Level 2)	-	19,663	-	-	2,441	-	22,104
FVTPL financial instruments (Level 3)	-	9	-	-	-	-	9
Financial assets measured at amortized cost	296	-	(998)	(8,609)	3	(4,797)	(14,105)
Financial liabilities measured at amortized cost	(11,785)	-	(24,577)	-	-	(30)	(36,392)
Equity instruments measured at FVTPL (Level 3)	-	38	-	-	-	-	38
Net gain/(loss) on financial instruments	(11,489)	19,710	(25,575)	(8,609)	2,444	(4,827)	(28,346)

(a) The data for the year 2020 have been supplemented with FVTPL financial instruments (Level 3).



2021	From Interest	From subsequent measurement			From derecognition	From fee expense	Total net gain / (loss)
		Change in fair value	FX gain/ (loss)	Impairment loss			
FVTPL financial instruments (Level 2).....	-	(3,988)	-	-	10,960	-	6,972
FVTPL financial instruments (Level 3).....	-	(13)	-	-	-	-	(13)
Financial assets measured at amortized cost.....	614	-	(698)	(9,837)	-	(4,875)	(14,796)
Financial liabilities measured at amortized cost.....	(13,188)	-	(521)	-	-	(49)	(13,758)
Equity instruments measured at FVTPL (Level 3).....	-	(12)	-	-	-	-	(12)
Net gain/(loss) on financial instruments	(12,574)	(4,013)	(1,219)	(9,837)	10,960	(4,924)	(21,607)

The tables above include the amounts before capitalization of borrowing costs (See Note 24).

Impairment losses on financial assets measured at amortized cost includes all expenses incurred or expected to be incurred in relation to the default of our customers and presented as a direct cost in the Statement of profit or loss and other comprehensive income. Before writing off or factoring, we impair the receivables to their recoverable amounts through the use of an impairment allowance account, as a result of which the actual write-off or factoring of these receivables results in no derecognition gains or losses.

The amount of Fee expense is mainly connected to transactional fees on financial realization of income (like white check acceptance fee of Hungarian Post, VPOS relevant cost and other various commissions) and other bank charges type fees.

4.5.3 Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable netting arrangements, each agreement between the Company and the counterparty (typically roaming and interconnect partners) allows for net settlement of the relevant trade receivable and payable.

The following trade receivables and trade payables are subject to offsetting agreements and are presented after netting in the Statements of financial position.

	12.31.2020		12.31.2021	
	Trade receivables	Trade payables	Trade receivables	Trade payables
Gross amounts of recognized financial instruments	119,075	114,100	122,038	119,599
Gross amounts of financial instruments set off	(108)	(108)	(192)	(192)
Net amounts of recognized financial instruments presented in the statements of financial position.....	118,967	113,992	121,846	119,407

4.5.4 Other disclosures about financial instruments

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 (2020: HUF 14.8 billion). 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. The guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Company's certain contractual or tender related obligations. The Company 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. Such utilization of the bank guarantees happened in an amount of HUF 133



million in January 2022 which is not related and has no significant effect on the solvency of the Company. For more information see note 4.4.3.1.

Magyar Telekom does not hold any collateral in which case it is permitted to sell or repledge in the absence of default by the owner of the collateral.

There were no other financial assets or liabilities which were reclassified into another financial instrument category.

The Company does not have compound financial instruments with multiple embedded derivatives.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Magyar Telekom is primarily exposed to credit risks related to its financial assets. In addition, the Company is also exposed to risks from movements in exchange rates interest rates that affect the fair value and/or the cash flows arising from financial assets and liabilities.

Financial risk management aims to limit these risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are also used for this purpose, depending on the risk assessment. Magyar Telekom only hedges the risks that affect the Company's cash flows, no hedges are concluded to hedge fair values. Derivatives are exclusively used as hedging instruments, i.e., not for trading or other speculative purposes. To reduce the counterparty risk, derivatives are generally only concluded with leading Hungarian or international financial institutions or Deutsche Telekom. Nevertheless, hedge accounting is not applied to such transactions.

The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. These sensitivity analyses calculate with reasonably possible changes in the relevant risk variables and their impact on profit before tax. The impacts disclosed below for the reported periods are subject to an average effective income tax rate of approximately 25%, i.e. the impact on Profit for the year would be approximately 75% of the pre tax amount in a year that is free from significant one-off non-deductible pre-tax impacts and significant changes in tax legislation. The potential impacts disclosed (less tax) would be the same on the Company's Equity.

There were no major changes in these risks compared to the previous reporting period.

5.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- foreign currency risk
- interest rate risk
- price risk.

The fundamentals of Magyar Telekom's financing strategy are established each year by the Board of Directors. The Company's policy is to borrow centrally using a balanced combination of medium-term and short-term loans, and fixed and floating interest rates on those liabilities. The Board of Directors has approved two debt protection ratio KPIs, and monitors their fulfillment annually. At the end of 2021 Magyar Telekom Group fulfilled both criteria; Total Debt to EBITDA ratio of 2.15 in 2021 (2020: 2.10), while the allowed maximum can be 2.8 and EBITDA to Net financial result ratio of 17.58 in 2021, (2020: 9.47), while the allowed minimum can be 3.0. The Company during the implementation of the finance policy and ongoing financial risk management, determine and continuously monitor the foreign exchange, liquidity and counterparty risk management guidelines.

Magyar Telekom is exposed to interest and foreign exchange (FX) rate risk associated with its interest bearing assets and liabilities and anticipated transactions. The functional currency of Magyar Telekom is HUF, consequently, Magyar Telekom's objective is to minimize the level of its financial risk applying HUF terms.

For the presentation of market risks, sensitivity analyses are also provided that show the effects of hypothetical changes of relevant risk variables on Profit before tax and Equity. These hypothetical changes were modeled to present a reasonably possible change in the relevant risk variables. The periodic effects are determined by relating the hypothetical



changes in the risk variables to the balance of financial instruments at the end of the latest reporting period (2021) and the preceding reporting period (2020). The balances at the end of the reporting period are usually representative for the year as a whole; therefore, the impacts are calculated using the year end balances. The methods and assumptions used in the sensitivity calculations did not change significantly compared to the previous period. As a result of the still rather volatile international capital and securities markets, higher fluctuations of the FX and interest rates are also possible.

5.1.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in FX rates. Currency risks arise on financial instruments denominated in currencies other than the functional currency of the Company. Relevant risk variables are generally all non-functional currencies in which Magyar Telekom has financial instruments.

The Hungarian Forint depreciated by approx. 1% against the euro in 2021. In 2019 and 2020 the forint was fluctuating in a 8-12% range against the EUR, in 2021 this range narrowed slightly to approx. 7%.

In order to mitigate FX risk in the case of FX denominated financial instruments, Magyar Telekom minimized its foreign currency borrowings in the past years or covered them with derivative instruments to substantially reduce FX risk. The corporate bond is HUF denominated and thus no foreign currency exposure arises related to this instrument.

FX risks arising on loans and related swaps with DT AG

Several related-party loans taken to finance general corporate needs from Deutsche Telekom AG (DT AG) and the financing vehicle of Deutsche Telekom, Deutsche Telekom International Finance B.V. (DTIF) are denominated in EUR, while, at the same time, cross-currency interest rate swaps are concluded with Deutsche Telekom AG to fix the actual cash flows of Magyar Telekom in HUF. Even though the Company does not apply hedge accounting, the change in the HUF/EUR exchange rate has limited (net) impact on profit or loss and equity related to the hedged loans and the swaps together.

Sensitivity analysis

A reasonably possible strengthening or weakening of the EUR in the table below against HUF as at December 31 would have affected the measurement of loans denominated in a foreign currency and increased (+)/ decreased (-) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

	Profit or loss	
	Strengthening	Weakening
12.31.2020		
EUR/HUF (15% movement)		
Loan.....	(27,813)	27,813
Swap agreements	28,747	(28,747)
Net effect	934	(934)
12.31.2021		
EUR/HUF (10% movement)		
Loan.....	(11,993)	11,993
Swap agreements	12,242	(12,242)
Net effect	249	(249)

Other FX exposure

The Company's remaining FX exposure is mostly related to (i) cash balances held by the Company in foreign currency, and (ii) operating activities through revenue from, and payments to, international telecommunications operators as well as (iii) capital and operating expenditure contracted with vendors in foreign currency. In line with currency hedging policy, the Company holds sufficient amounts of foreign currencies on its bank accounts or buys foreign currencies through FX



forward transactions, the amounts of which are determined considering the balance of short-term FX denominated trade and leases payables and trade receivables in the next period in order to hedge the currency risk arising in connection with those assets and liabilities. The Company's foreign currency (EUR and USD) denominated liabilities (other than the above described loans) exceed the Company's foreign currency (EUR and USD) denominated assets, therefore changes in the functional currencies' exchange rates would have impact on the profit of the Company.

In order to reduce the above exposure, Magyar Telekom occasionally enters into derivative contracts. The positive fair value of the open short-term forward positions was HUF 0.2 billion (asset) as of December 31, 2021 (2020: HUF 0.5 billion asset). These positions were opened to mitigate the FX risks of future FX payments exceeding FX income.

Sensitivity analysis

A reasonably possible strengthening or weakening of the currencies in the table below against HUF as at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and increased (+)/decreased (-) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

	Profit or loss	
	Strengthening	Weakening
12.31.2020		
EUR/HUF (15% movement)		
Net balance of FX trade payables, trade and financial receivables plus bank deposits.....	(5,089)	5,089
Connected forward deals.....	3,173	(3,173)
Net effect	(1,916)	1,916
USD/HUF (15% movement)		
Net balance of FX trade payables, trade and financial receivables plus bank deposits.....	(65)	65
Connected forward deals.....	1,978	(1,978)
Net effect	1,913	(1,913)
12.31.2021		
EUR/HUF (10% movement)		
Net balance of FX trade payables, trade and financial receivables plus bank deposits.....	(4,004)	4,004
Connected forward deals.....	4,356	(4,356)
Net effect	352	(352)
USD/HUF (15% movement)		
Net balance of FX trade payables, trade and financial receivables plus bank deposits.....	(440)	440
Connected forward deals.....	722	(722)
Net effect	282	(282)

As a result of the volatile international capital and securities markets, even a more than 10% fluctuation of the functional currency HUF against EUR and a more than 15% against USD is possible as extraordinary market conditions may cause extreme volatility on FX markets.



5.1.1.2 Interest rate risk

Magyar Telekom is also exposed to interest rate fluctuations. This is due to the fact that changing interest rates affect the fair value of the fixed-rate instruments and also affect the cash flows through the floating rate instruments.

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates does not affect Profit for the year because none of them are measured at fair value through profit or loss. On the other hand, all financial instruments with fixed interest rates (which are carried at amortized cost) are not subject to cash flow interest rate risk.

Changes in the market interest rate of interest rate derivatives (interest rate swaps, cross-currency swaps) that are not part of a hedging relationship as set out in IFRS 9 affect Other finance expense - net (net gain/loss from re-measurement of the financial assets to fair value).

Changes in market interest rates affect the interest income or expense of non-derivative floating-interest financial instruments for which no cash flow hedges are in place.

Financial assets

Excess cash of the Company's Hungarian operations is primarily used to repay loans, so it has no significant bank deposits.

Financial liabilities

Financial liabilities exposed to interest rate risk are primarily the related-party (DTIF, DT AG) and the related swap agreements in place. These loans are almost exclusively taken by the Company as the financing of the Company is managed centrally. The analysis below describes the Company's net exposure to the net interest rate risks related to the loans and the related swap agreements.

As the vast majority of the debt portfolio is denominated in HUF, or swap agreements are in place so that the loans payable are exposed to changes in HUF interest rates, the Company is mostly exposed to the HUF interest rate fluctuations for its financial liabilities. To control this interest rate risk, a combination of fixed and floating rate debt is used. Fixed interest-bearing debts (including loans swapped to fixed interest and excluding loans swapped to floating interest) made up 76% of the Company's total debt as of December 31, 2021 (2020: 95%).

Cash flow sensitivity analysis for variable rate instruments

Floating interest-bearing debts (including loans swapped to floating interest and excluding loans swapped to fixed interest) made up 24% of the Company's total debt as of December 31, 2021 (2020: 5%).

A reasonably possible change of 300 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. As the profit or loss effect would be the same as the equity effect, only the former is disclosed.

	Profit or loss	
	300 bp increase	300 bp decrease
12.31.2020		
Floating rate instrument.....	(3,048)	3,048
Interest rate swap.....	2,684	(2,684)
Cash flow sensitivity (net).....	(364)	364
12.31.2021		
Floating rate instrument.....	(4,221)	4,221
Interest rate swap.....	2,712	(2,712)
Cash flow sensitivity (net).....	(1,509)	1,509



5.1.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk as at the end of the reporting period are represented by the carrying amounts of the financial assets in the Statements of financial position. Guarantee agreements reducing the maximum exposure to credit risk as at the end of the reporting period are described later in this section.

The vast majority of credit risks may arise in respect of Cash and cash equivalents, Bank deposits with original maturities over three months and Trade receivables, most of which have short-term maturities.

In line with the Company's risk management policy, Magyar Telekom deposits the vast majority of excess cash in banks rated at least BBB+ (or equivalent) or make efforts to get guarantees for these fixed-term deposits from banks rated at least BBB+. We, however, also have current accounts in banks with lower ratings than this. Moreover, Magyar Telekom prefers to deposit in banks that grant loans to Magyar Telekom to make the compensation of deposits and loans possible in case the bank defaults.

In the case of Cash and cash equivalents and Bank deposits with maturities over 3 months, credit risk is limited, as Magyar Telekom places its cash in Hungary with substantial credit institutions. Further, excess HUF cash is also used for repayment of the HUF-denominated loans and borrowings or is deposited at partner banks which grant loans to Magyar Telekom, therefore, the credit risk related to cash held in HUF is very limited.

Concentrations of credit risk relating to trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographic areas and industries.

The annual bad debt expense of the Company in 2021 was 1.8% (2020: 1.6%) of revenue. For further information see Note 3.3.

There are varying credit checking practices applied as described below.

Credit checking at the time of the service request is carried out automatically by the credit checking application. A variety of checks including checking the bankruptcy list, the internal database of risky installation locations, the collection history of the past six months, the outstanding debt and the joint database of debtors of the Hungarian mobile operators are performed depending on the service to be used. The Fraud Detecting System monitors extreme usage and fraudulent behavior of customers for mobile, fixed-line and Internet services. In the case of business customers, account managers check if the customer has outstanding debts.

Dunning procedures are run automatically by the billing systems and include various reminder tools like SMS, reminder message via Telekom APP, telephone calls, reminder letters, restricted service, termination letters and disconnections. In the case of medium and large enterprises the dunning process starts manually (first reminder letter). After the first step, this process is also automated. Based on the effective laws and regulations and over a minimum overdue amount the Company applies varying and customized reminder procedures with specific deadlines to the different customer groups. After the termination of the contract and depending on the expected success of the process, we combine the different collection steps of involving external partners, selling the outstanding debt or initiating legal proceedings. All parts of the process are regulated by internal directives.



5.1.3 Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient Cash and cash equivalents and Bank deposits as well as available funding through an adequate amount of committed credit lines. The Company's finance management aims to maintain flexibility in funding by keeping committed credit lines available. The undrawn bank credit lines amounted to HUF 43.5 billion as at December 31, 2021 (2020: HUF 41.1 billion).

The following two tables summarize the maturity structure of Magyar Telekom's financial liabilities including the interest payable on those liabilities (undiscounted amounts) as of December 31, 2021 and 2020. As the majority of the financial liabilities are paid from the cash generated from ongoing operations, the maturity analysis of the financial assets as at the end of the reporting periods (in comparison with the financial liabilities) would not be useful, therefore, is not included in the following tables.

	12.31.2020			
	Total	within 1 year	1 to 5 years	after 5 years
Trade payables to third parties.....	98,027	98,027	-	-
Trade payables to related parties.....	15,965	15,965	-	-
Financial liabilities to related parties.....	202,031	111,273	90,758	-
Lease liabilities to third parties.....	153,438	23,900	68,362	61,176
Lease liabilities to related parties.....	9,115	1,964	7,149	2
Bonds	74,502	1,015	4,060	69,427
Frequency fees payables	106,631	8,145	26,704	71,782
Other financial liabilities.....	3,831	3,701	130	-
Total cash outflows.....	663,540	263,990	197,163	202,387
Open swap positions' cash flows				
Gross cash inflow in EUR million.....	520	271	249	-
Gross cash inflow in HUF million (at spot rate).....	189,618	98,820	90,798	-
Gross cash outflow in HUF million.....	174,480	87,505	86,975	-
Net cash inflow in HUF million.....	15,138	11,315	3,823	-
Open forward positions' cash flows				
Gross cash inflow in EUR million.....	58	58	-	-
Gross cash inflow in USD million.....	44	44	-	-
Total gross cash inflow in HUF million (at spot rate)	34,261	34,261	-	-
Gross cash outflow in HUF million.....	33,851	33,851	-	-
Net cash inflow in HUF million.....	410	410	-	-



	12.31.2021			
	Total	within 1 year	1 to 5 years	after 5 years
Trade payables to third parties.....	99,753	99,753	-	-
Trade payables to related parties.....	19,653	19,653	-	-
Financial liabilities to related parties.....	138,807	46,699	92,108	-
Lease liabilities to third parties.....	151,546	24,852	66,595	60,099
Lease liabilities to related parties.....	9,193	1,497	7,678	18
Bonds	73,797	1,015	38,167	34,615
Frequency fees payables	199,103	54,447	35,885	108,771
Other financial liabilities.....	2,273	2,129	144	-
Total cash outflows.....	694,125	250,045	240,577	203,503
Open swap positions' cash flows				
Gross cash inflow in EUR million.....	251	1	250	-
Gross cash inflow in HUF million (at spot rate).....	92,619	369	92,250	-
Gross cash outflow in HUF million.....	86,974	1,910	85,064	-
Net cash inflow / (outflow) in HUFmillion.....	5,645	(1,541)	7,186	-
Open forward positions' cash flows				
Gross cash inflow in EUR million.....	198	198	-	-
Gross cash inflow in USD million.....	15	15	-	-
Total gross cash inflow in HUF million (at spot rate)	77,948	77,948	-	-
Gross cash outflow in HUF million.....	78,542	78,542	-	-
Net cash inflow / (outflow) in HUFmillion.....	(594)	(594)	-	-

The average maturity of Magyar Telekom's debt portfolio was 3.07 years as at December 31, 2021 (2020: 3.14 years). The floating interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2021 and 2020. Actual cash flows may be different if the floating interest rate changes in future periods. For further information see Note 4.4.1.

5.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's management proposes to the owners (through the Board) of the Company to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Company. This can be achieved primarily by adjusting the amount of dividends paid to shareholders, or alternatively, by returning capital to shareholders by capital reductions, selling or buying own shares.

In 2021 the Board of Directors of Magyar Telekom approved HUF 15,311 million dividend (HUF 20,855 million dividend in 2020), and the Company's Board recommends to declare a HUF 15,000 million dividend at the April 2022 Annual General Meeting.

In addition to the above, according to the Hungarian Civil Code (2013. V.), Magyar Telekom has to ensure that the Company's Equity in the Separate Financial Statements does not fall below two thirds of its Common stock, i.e. the total of the reserves should not be negative. The Company is in compliance with this regulation.

The equity capital, which the Company manages, amounted to HUF 636 billion on December 31, 2021 (2020: HUF 607 billion), see Note 16.



6 INCOME TAXES

6.1 Income taxes – accounting policies

Income tax expense comprises current and deferred tax. It is recognized in Profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

6.1.1 Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Income taxes are comprised of corporate income taxes and other income taxes.

6.1.1.1 Corporate income taxes

Corporate income taxes are payable to the central tax authorities. The basis of the tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items. The withholding tax relating to the dividend received is also reported in corporate income taxes. From January 1, 2017 a flat corporate income tax rate of 9% has been enacted.

As Magyar Telekom is listed on the Budapest Stock Exchange, it was obliged to adopt IFRSs in its statutory financial statements from 2017 in accordance with the Act C of 2000 on Accounting (HAR).

6.1.1.2 Other income taxes

Other income taxes include certain local and central taxes levied in Hungary on the companies' net margins, usually determined at a substantially higher level than the corporate tax base but applying a significantly lower tax rate. Other income taxes include local business tax and innovation fee.

6.1.2 Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognized

- if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit,
- if it arises from the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized. Deferred tax assets, which are not recognized, should be re-evaluated as of the financial statements date and recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for temporary differences relating to the subsidiaries and investments to the extent that it is probable that the temporary difference will reverse in the near future, and a future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences relating to the subsidiaries and investment, except for the case that the Company controls the timing of the reverse of these temporary differences, and it is likely that the relevant temporary differences will not reverse in the near future.

Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse using income tax rates enacted or substantively enacted at the reporting date.



In the Company's statements of financial position, deferred tax assets and liabilities are offset and disclosed as deferred tax asset or deferred tax liability based on their net balance.

6.2 Income taxes in the Statements of profit or loss and other comprehensive income

The table below shows the income tax expenses charged in the Profit for the year.

Income tax expense	12.31.2020	12.31.2021
Corporate income tax	1,211	2,032
Other income taxes.....	8,336	8,570
Deferred tax expense	2,680	3,266
Total.....	12,227	13,868

6.2.1 Tax expense reconciliation

The reconciliation between the reported income tax expense and the theoretical amount arising from applying the statutory income tax rates is as follows:

	12.31.2020	12.31.2021
Profit before income tax	53,779	68,412
Calculated amount of tax 9%	(4,840)	(6,157)
Tax shield of items not subject to income tax..... (a)	863	640
Tax impact of non deductible items	(679)	(561)
Other income taxes..... (c)	(8,336)	(8,570)
Impact of tax deductibility of other income taxes..... (d)	750	771
Investment tax credit accretion	15	9
Income tax expense.....	(12,227)	(13,868)
Effective tax rate	22.74%	20.27%

For explanations (a)-(e) see as follows.

- (a) This line of the reconciliation primarily includes the tax shield impact of expenses, which are not included in the profit before tax, but deductible when determining the separate corporate income tax base. These items include the depreciation of assets (or additional values of assets) which are not included in the assets of the statements of financial position, and which are not considered in the deferred tax calculation.
- (b) This line of the reconciliation includes the negative tax impact of the expenses included in the profit and loss, but non deductible when determining the corporate income tax base. These items primarily include the non deductible receivable impairment and write-downs and penalties.
- (c) Other income taxes include certain local and central taxes levied in Hungary. Other income taxes include the local business tax and the innovation tax, levied in Hungary on the companies' net margins, determined usually at a substantially higher level than the corporate tax base, but with substantially lower tax rates (max 2%). As the first line of the reconciliation calculates theoretical tax expense calculated using the corporate tax rate, the Hungarian local business tax and the innovation fee impose additional income tax expenses on the Company, included in this line of the reconciliation.
- (d) The Hungarian local business tax and innovation fee are deductible expenses for corporate tax purposes, the positive tax impact of which is included in this line of the reconciliation.
- (e) Investment tax credit accretion includes the increase of the net present value of the investment tax credit deriving from the utilization of the tax credits in periods subsequent to the year of recognition. For further information see Note 6.3.2.1.



6.3 Income taxes in the Statements of financial position

6.3.1 Current taxes in the Statements of financial position

Current tax assets and liabilities in the Statements of financial position represent the amount of corporate and other income taxes receivable from, and payable to the Hungarian tax authorities.

6.3.2 Deferred taxes in the Statements of financial position

Magyar Telekom's deferred tax balances are as follows:

	Balance at December 31, 2019	Effect on profit	Other movements	Balance at December 31, 2020	Effect on profit	Other movements	Balance at December 31, 2021
Deferred tax assets and (liabilities)							
Investment tax credits (Note 6.3.2.1) ...	858	(3,108)	2,752	502	(4,258)	4,642	886
Impairment of receivables and inventory	1,360	(217)	-	1,143	173	-	1,316
PPE and intangible assets	(6,857)	552	-	(6,305)	575	-	(5,730)
Goodwill.....	(14,481)	-	-	(14,481)	-	-	(14,481)
Provisions for liabilities and charges	1,353	93	-	1,446	245	-	1,691
Total net deferred tax	(17,767)	(2,680)	2,752	(17,695)	(3,265)	4,642	(16,318)
Of which deferred tax liabilities.....	(21,338)			(20,786)			(20,211)
Of which deferred tax assets.....	3,571			3,091			3,893

The Other movements column includes the increase in investment tax credit improves energy efficiency recognized in 2021 and 2020.

Deferred tax assets arising from investment tax credits are recognized against the capitalized cost of the related asset acquisition.

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities or assets have not been recognized amounted to a net liability of HUF 20,799 million at December 31, 2021 (HUF 20,799 million was the temporary difference not recognized at December 31, 2020).

Deferred tax liability on goodwill is related to the goodwill arising from the acquisition of subsidiaries (Emitel Zrt. and T-Mobile) in the Company's Separate Financial Statements, which had merged into Magyar Telekom. The amortization of goodwill is a tax deductible expense in corporate income tax, while under IFRSs there is no amortization accounted in the books. The difference deriving from the two types of accounting is represented by the deferred tax liability.

6.3.2.1 Investment tax credits

In 2020 and 2021 Magyar Telekom accomplished a new tax credit program in order to increase energy effectiveness. In order to utilize these tax credits, the Company had to meet certain audit requirements set out in the relevant tax regulations and independent external auditors stated that the investments fulfill the criteria of energy effectiveness. The investment tax credit is booked as a decrease from the investment costs of the assets, as well as a deferred tax asset of the whole tax credit amount is booked accordingly. The Company utilizes HUF 4,267 million tax credit in the 2021 corporate tax return, while the remaining HUF 886 million tax credit remains as deferred tax asset in the Company's books. The Company expects that the tax credit carried forward can be utilized in the 2022 corporate tax return.



The following table shows the details of the energy saving investment tax credits as of December 31, 2020:

Earned in year	Amount of qualifying investment	Amount of tax credit earned	Accretion recognized in tax expense	Tax credit utilized	Tax credit carried forward 12.31.2020	Expires in year
2020	7,650	2,752	-	(2,250)	502	2025

The following table shows the details of the energy saving investment tax credits as of December 31, 2021:

Earned in year	Amount of qualifying investment	Amount of tax credit earned	Accretion recognized in tax expense	Tax credit utilized	Tax credit carried forward 12.31.2021	Expires in year
2020	7,650	2,752	9	(2,761)	-	2025
2021	12,614	4,642	-	(3,756)	886	2026
Total	20,264	7,394	9	(6,517)	886	

In order to utilize the tax credits and certain tax deductibility opportunities earned by the Company, they had to comply with strict requirements as set out in the relevant tax regulations. The Company fulfilled all requirements connecting energy effective investment programs.

In 2020 Magyar Telekom utilized investment tax credit in the amount of HUF 858 million relevant to the “large investment tax credit programs” commenced in 2013.

6.4 Income taxes in the Statements of Cash Flows

The company identifies its tax settlement of energy saving investment tax credit as an investing activity in the Statements of Cash Flows.

The table below shows how the total cash flows from income tax are allocated over the activities:

Activities in the Statements of Cash Flows	Tax paid
Cash flows from operating activities (presented on the line income tax paid)	(11,724)
Cash flows from investing activities (investment tax credit utilized in 2021)	2,249
Cash flows from financing activities	-
Total cash flows from income tax.....	(9,475)

Magyar Telekom made investments concerning energy saving for the first time in 2020, based on this the payment of the reduced income tax was settled in 2021.

6.5 Tax reviews

The tax authorities may at any time inspect the books and records within five years from the end of the year when tax declarations were submitted and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

6.6 Dividends paid by Magyar Telekom

The dividends paid and payable by Magyar Telekom to its owners may be subject to withholding or income taxes of the owners, which do not have any impact on the amount of the dividend declared or on the Company’s tax expense as these taxes – if any – are levied on the owners.



7 INVENTORIES

7.1 Inventories – Accounting policies

Inventories are stated at the lower of cost or net realizable value using the historical cost method of accounting and are valued on a weighted average basis. The cost of inventories comprises all costs of purchase, cost of construction and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment losses on Inventories are recognized in Other operating expenses.

7.2 Inventories in the statements of financial position

	12.31.2020	12.31.2021
Inventory for resale.....	12,109	12,620
Other inventory.....	537	596
Subtotal.....	12,646	13,216
Impairment.....	(3)	(2)
Total.....	12,643	13,214

The Company has no inventory pledged as security as at December 31, 2020 or December 31, 2021.

Impairment and its reversal are not significant, so no impairment movement table is presented.

8 ASSETS AND LIABILITIES HELD FOR SALE

8.1 Assets and liabilities held for sale – Accounting policies

An asset (typically properties and closely related other assets) is classified as held for sale if it is no longer needed for the future operations of the Company, and has been designated for sale, which is highly likely to take place within 12 months, and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets. These assets are measured at the lower of their carrying amount and fair value less cost of disposal. Depreciation is discontinued from the date of designation to the held-for-sale status. When an item of PPE or intangible assets is designated for sale, and the fair value less cost of disposal is determined to be lower than the carrying amount, the difference is recognized in the Profit for the year (Depreciation and amortization) as an impairment loss.

8.2 Assets held for sale in the statement of financial position

The assets and liabilities classified as held for sale are disclosed below.

	12.31.2020	12.31.2021
Property, plant and equipment.....	489	115
Total assets held for sale.....	489	115

Assets held for sale include primarily land and buildings that have been determined to be sold within 12 months, as a result of the continuing improvement of utilization of properties.



9 PROPERTY, PLANT AND EQUIPMENT (PPE)

9.1 PPE – Accounting policies

Property, plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the costs if the obligation incurred is recognized as a provision (see Note 13).

Government grants relating to the purchase of PPE are deducted from the original cost of the items and are recognized in the Profit for the year through the reduced amount of depreciation of the related assets over their useful lives. Investment tax credits relating to qualifying investment projects (Note 6.3.2.1) are also recognized in this manner.

Cost, in the case of telecommunications equipment, comprises all expenditures including the cabling within customers' premises and borrowing costs of related loans and corporate bonds.

Subsequent expenditure on an asset is capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Maintenance and repairs are recognized as an expense in the Profit for the year when incurred.

When assets are scrapped, the cost and accumulated depreciation are removed from the accounts and the loss is recognized in the Profit for the year (Depreciation and amortization).

When assets are sold, the cost and accumulated depreciation are removed from the accounts and any related gain or loss is recognized in the Profit for the year (Other operating income/expense).

Depreciation is calculated on a straight-line basis from the time the assets are deployed and charged over their economic useful lives. On an annual basis, Magyar Telekom reviews the useful lives and residual values for consistency with current development plans and advances in technology. For further details on the groups of assets impacted by the most recent useful life revisions refer to Note 9.3. The annual revisions are conducted in the second quarter of the year and the resulting changes are applied from the third quarter of the year. In addition to the regular revisions, any investment decisions made throughout the year may also result in a change of useful life of a group of assets in any period of the year.

The estimated useful lives assigned to different classes of property, plant and equipment are as follows:

	Years
Buildings	5-50
Duct, cable and plant.....	3-38
Other telecommunications equipment.....	2-25
Other equipment	2-50

Useful lives of property, plant and equipment in operation may increase if the asset is refurbished. Useful life change is not automatic, only if it is significantly increased as a result of the investment, which is based on well-founded technical experts' decision performed on individual basis.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less cost of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGUs).



The fair values of the individual items of property, plant and equipment of the Company in most cases cannot be determined, as individual assets do not generate cash flows. Therefore, the Company determines the impairment of separate assets on CGU level. From this point of view, the whole Company is considered as one CGU. The Company determines fair values at CGU level, primarily by using discounted cash flow analyses. For further information see Note 3.2.

The impairment losses of PPE assets are accounted for in the Depreciation and amortization line of the Statements of profit or loss and other comprehensive income.



9.2 PPE in the statements of financial position

	Land and buildings (a)	Telecom equipment	Other equipment	Total
01.01.2020				
Gross value.....	98,211	879,775	73,187	1,051,173
Accumulated depreciation.....	(43,742)	(602,480)	(60,591)	(706,813)
Carrying amount.....	54,469	277,295	12,596	344,360
Of which held for sale				(656)
				343,704
Carrying amount - 01.01.2020.....	54,469	277,295	12,596	344,360
Investments.....	1,160	69,045	2,517	72,722
Changes due to revisions of asset, retirement obligations	127	-	-	127
Disposals.....	(4,797)	(337)	(222)	(5,356)
Depreciation charge.....	(2,940)	(53,158)	(5,125)	(61,223)
Reclassifications.....	629	(2,146)	1,517	-
Carrying amount - 12.31.2020.....	48,648	290,699	11,283	350,630
12.31.2020				
Gross value.....	88,615	926,459	72,862	1,087,936
Accumulated depreciation	(39,967)	(635,760)	(61,579)	(737,306)
Carrying amount.....	48,648	290,699	11,283	350,630
Of which held for sale				(489)
				350,141
Carrying amount - 01.01.2021.....	48,648	290,699	11,283	350,630
Investments.....	555	63,193	2,526	66,274
Changes due to revisions of asset, retirement obligations	254	-	-	254
Disposals.....	(680)	(416)	(242)	(1,338)
Depreciation charge.....	(2,851)	(55,006)	(4,242)	(62,099)
Reclassifications.....	533	1,569	265	2,367
Carrying amount - 12.31.2021.....	46,459	300,039	9,590	356,088
12.31.2021				
Gross value.....	88,984	937,463	70,087	1,096,534
Accumulated depreciation	(42,525)	(637,424)	(60,497)	(740,446)
Carrying amount.....	46,459	300,039	9,590	356,088
Of which held for sale				(115)
				355,973



The right-of-use assets by class of underlying asset are listed in the table below. For further information see Note 17.

	Land and Buildings (a)	Telecom equipment	Other equipment	Total
01.01.2020				
Gross value.....	64,696	41,855	5,639	112,190
Accumulated depreciation.....	(9,405)	(4,776)	(1,906)	(16,087)
Carrying amount - 01.01.2020.....	55,291	37,079	3,733	96,103
Investments.....	26,889	12,184	2,712	41,785
Disposals.....	(402)	(1,995)	(102)	(2,499)
Depreciation charge.....	(10,065)	(5,202)	(2,177)	(17,444)
Carrying amount - 12.31.2020.....	71,713	42,066	4,166	117,945
12.31.2020				
Gross value.....	90,991	50,739	7,791	149,521
Accumulated depreciation.....	(19,278)	(8,673)	(3,625)	(31,576)
Carrying amount.....	71,713	42,066	4,166	117,945
Carrying amount - 01.01.2021.....	71,713	42,066	4,166	117,945
Investments.....	8,529	13,808	1,893	24,230
Disposals.....	(962)	(439)	(69)	(1,470)
Depreciation charge.....	(10,399)	(6,247)	(1,868)	(18,514)
Reclassifications.....	-	(2,205)	-	(2,205)
Carrying amount - 12.31.2021.....	68,881	46,983	4,122	119,986
12.31.2021				
Gross value.....	97,524	61,325	8,636	167,485
Accumulated depreciation.....	(28,643)	(14,342)	(4,514)	(47,499)
Carrying amount.....	68,881	46,983	4,122	119,986

(a) The classes of land and buildings were reviewed, and it was concluded that they are similar in use in Magyar Telekom's operations, therefore their aggregated balance is disclosed in a single column. This presentation is also in line with industry practice. Comparative information is presented accordingly.

The closing balance of Property, plant and equipment (PPE) includes assets under construction in an amount of HUF 44,910 million as at December 31, 2021 (2020: HUF 52,622 million). In the table above, the assets under construction are shown in the categories where the asset is expected to be classified when placed into service.

Changes due to revisions of asset retirement obligations represent the adjustments of the carrying amounts of the assets against a provision for asset retirement obligation (see also Note 13.2.4).

The amount of reclassifications and its effect on depreciation are not significant.

Investments represent the regular investing activity in PPE assets.

No impairment was identified in 2020 and 2021.

The Company has no PPE with restricted titles or pledged as security as at December 31, 2021 or December 31, 2020.



9.3 Review of useful lives

Reviews of the useful lives (and residual values) of property, plant and equipment based on the strategic directions and accepted annual development plans conducted in 2021 affected the useful lives of a large number of assets. The revisions resulted in the following change in the original trend of depreciation in the current and future years.

	2021	2022	2023	2024	After 2024
Increase / (decrease) in depreciation expense ..	(360)	742	874	62	(1,318)

Reviews of the useful lives (and residual values) of property, plant and equipment based on the strategic directions and accepted annual development plans conducted in 2020 affected the useful lives of a large number of assets. The shortened useful life of copper network elements is driven by preparations to the copper retirement program. The revisions resulted in the following change in the original trend of depreciation in the current and future years.

	2020	2021	2022	2023	After 2023
Increase / (decrease) in depreciation expense ..	6,495	2,685	(1,176)	(1,283)	(6,721)

10 INTANGIBLE ASSETS

10.1 Intangible assets – Accounting policies

Intangible assets (excluding goodwill) are measured at historical cost less accumulated amortization and any accumulated impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use. These costs are amortized over the estimated useful life of the software. Costs associated with developing or maintaining computer software programs are generally recognized as an expense as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee-related costs and an appropriate portion of relevant overhead and borrowing costs.

Computer software development costs recognized as assets are amortized over their estimated useful lives. Most computer software capitalized include acquired elements representing the majority of the cost and own costs incurred to a lesser extent. These are considered non self developed software. Computer software fully developed by own resources represent an immaterial portion of all software, therefore these are not disclosed separately.

Costs associated with the acquisition of long-term frequency licenses are recognized as an intangible asset when the Company receives a right to charge users of the service provided under the license. The present value of the future annual payments for the use of the frequencies are also capitalized if these payments can be estimated reliably, or otherwise recognized as Other operating expenses in the year the payment obligation refers to. The useful lives of concessions and licenses are determined based on the underlying agreements and are amortized on a straight line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. Renewal periods are considered in the determination of useful life only if the Company estimates that it will be realized without further consideration to be transferred.

Amortization of intangible assets is calculated on a straight-line basis from the time the assets are deployed and charged over their economic useful lives. Other than goodwill, the Company has no intangible assets with indefinite useful life. The amortization expense is presented in the depreciation and amortization line of the Statements of profit or loss and other comprehensive income.

On an annual basis, Magyar Telekom reviews the useful lives for consistency with current development and replacement plans and advances in technology. For further details on the groups of assets impacted by the most recent useful life revisions refer to Note 10.3. The annual revisions are conducted in the second quarter of the year and the resulting changes are applied from the third quarter of the year. In addition to the regular revisions, any investment decisions made throughout the year may also result in a change of useful life of a group of assets in any period of the year. The estimated useful lives of intangible assets other than goodwill are as follows:



	Years
Software.....	2-24
Concessions and licenses.....	3-25
Other intangible assets.....	3-10

At the date of transition to IFRS (January 1, 2016) the Company recognized goodwill on those investments that merged into the Company after their acquisition but before the date of transition to IFRS in its separate statements of financial position.

Goodwill represents the amount by which the cost of an acquisition exceeds over the fair value of the Company's share of the net assets and contingent liabilities of the acquired business at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses. Impairment testing is carried out on an annual basis for all goodwill based on the carrying values as at December 31. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity or business include the carrying amount of goodwill allocated to the entity or business sold.

In determining whether an asset that incorporates both intangible and tangible elements should be accounted for as property, plant and equipment or as an intangible asset, management uses judgement to assess which element is more significant and recognizes the assets accordingly.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less cost of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGUs).

The fair values of the individual intangible assets of the Company in most cases cannot be determined as individual assets and do not generate cash flows. Instead, the Company determines CGUs to which the individual assets are allocated and the fair values can only be determined at CGU level, primarily by using discounted cash flow analyses. See also Note 3.2. Corporate assets which have the distinctive characteristics of not generating cash inflows independently of other assets or groups of assets are allocated to CGUs when conducting impairment tests.



10.2 Intangible assets in the statements of financial position

	Goodwill	Concessions and licenses	Software	Other	Total
01.01.2020					
Gross value.....	173,572	191,343	284,798	10,600	660,313
Accumulated amortization.....	-	(86,404)	(210,606)	(4,263)	(301,273)
Carrying amount.....	173,572	104,939	74,192	6,337	359,040
Carrying amount – 01.01.2020	173,572	104,939	74,192	6,337	359,040
Investments.....	-	92,583	12,707	2,863	108,153
Amortization charge.....	-	(17,286)	(18,889)	(2,030)	(38,205)
Reclassification.....	-	-	-	-	-
Carrying amount – 31.12.2020	173,572	180,236	68,010	7,170	428,988
12.31.2020					
Gross value.....	173,572	281,733	292,953	13,463	761,721
Accumulated amortization.....	-	(101,497)	(224,943)	(6,293)	(332,733)
Carrying amount.....	173,572	180,236	68,010	7,170	428,988
Carrying amount – 01.01.2021	173,572	180,236	68,010	7,170	428,988
Investments.....	-	83,090	18,763	2,839	104,692
Disposals.....	-	-	(4)	-	(4)
Amortization charge.....	-	(19,271)	(19,812)	(3,033)	(42,116)
Reclassifications.....	-	-	-	(163)	(163)
Carrying amount – 31.12.2021	173,572	244,055	66,957	6,813	491,397
12.31.2021					
Gross value.....	173,572	343,512	282,740	15,724	815,548
Accumulated amortization.....	-	(99,457)	(215,783)	(8,911)	(324,151)
Carrying amount.....	173,572	244,055	66,957	6,813	491,397

The amortization expense, as well as the impairment losses of intangible assets, including also goodwill, is accounted for in the Depreciation and amortization line of the Statements of profit or loss and other comprehensive income. The amount of reclassifications and its effect on depreciation are not significant.

Investments represent the regular investing activity in intangible assets and the new frequencies were acquired in 2021 that significantly increased the book value of concessions and licenses. HUF 83.1 billion was recognized consisting of the one-time spectrum fee and the present value of annual band fees related to 900 MHz, 1800 MHz spectrums. The useful life of these frequencies and the present value calculations are based on the term of rights of use for these frequencies. For further information see Notes 3.5, 4.4.3.1, 10.5, 28 and 34.2

The Company has no intangible assets with restricted title or pledged as security as at December 31, 2021 or December 31, 2020.



10.3 Useful lives

The reviews of the useful lives of intangible assets based on the strategic direction and accepted annual development plans during 2020 and 2021 affected the useful lives of a large number of assets primarily software. The revisions resulted in the following change in the original trend of amortization in the current and future years.

	2021	2022	2023	2024	After 2024
Increase / (decrease) in depreciation expense	(1,135)	261	948	138	(212)

	2020	2021	2022	2023	After 2023
Increase / (decrease) in depreciation expense	(510)	352	171	94	(107)

10.4 Goodwill

At the date of transition to IFRS (January 1, 2016) the Company recognized goodwill on investments that merged into the Company after their acquisition but before the date of transition to IFRS in its separate statements of financial position.

The Company recognizes goodwill for the following merged investments:

	12.31.2020	12.31.2021
T-Mobile.....	161,374	161,374
KTV/T-Kábel.....	4,408	4,408
T-Online.....	54	54
Emitel Zrt.	6,471	6,471
Dél-Vonal Kft.	100	100
Cable TV acquisitions	462	462
Modultechnika Kft.	703	703
Total.....	173,572	173,572

The Company is a considerable part of the MT-Hungary segment on Magyar Telekom Group level. The goodwill presented in the Company was tested as the considerable portion of this segment. The recoverable amount of the MT Hungary segment significantly exceeds the carrying amount, therefore there is no indication that the goodwill presented in the Company may be impaired.

For the goodwill impairment tests, the total amount of goodwill was allocated to the operating segments of the Group and the recoverable amounts of the operating segments were determined based on fair values less costs of disposal based on Level 3 inputs in the fair value calculations (Note 4.5.1). The recoverable amounts of the segments disclosed in the table below exclude net debts, which are not allocated to the segments. For further information, please also see Note 3.2.

	12.31.2020			12.31.2021		
	Carrying amount of		Recoverable amount of operating segment	Carrying amount of		Recoverable amount of operating segment
	goodwill allocated	operating segment (incl. goodwill)		goodwill allocated	operating segment (incl. goodwill)	
MT-Hungary.....	192,938	957,766	1,687,521	192,314	1,035,769	1,507,266

The Group regularly carries out an impairment test on goodwill in the last quarter of the financial years, while a simplified goodwill impairment test is conducted quarterly based on the main input changes. During the impairment tests



conducted in 2020 and 2021 no goodwill impairment was established for any goodwill.

10.5 Significant individual intangible assets

The Company's most significant individual intangible assets are the mobile licenses. The carrying values and remaining amortization periods of the significant licenses are listed in the table below. For further information on these assets, please see Note 34.2.

	12.31.2020		12.31.2021	
	Carrying amount	Remaining amortization period (years)	Carrying amount	Remaining amortization period (years)
700 MHz.....	40,554	19	38,447	18
800 MHz.....	29,660	13	27,463	12
900 MHz.....	8,441	13	39,584	12-21
1800 MHz.....	24,989	13	67,774	12-21
2100 MHz.....	32,505	6-19	29,047	5-18
2600 MHz.....	13,347	13	12,358	12
26 GHz.....	339	3-6	242	2-5
3600 MHz.....	30,025	19	28,905	18
Other.....	376	1-6	235	5
Total concessions and licenses.....	180,236		244,055	

11 INVESTMENTS

11.1 Investments – accounting policies

Investments in subsidiaries, associates and joint ventures are measured at cost less any accumulated impairment losses. Cost of an investment is the fair value of consideration given, including contingent considerations and transaction costs incurred during the acquisition process.

The Company examines whether an investment may or may not be impaired by using internal and external information.

Magyar Telekom implemented the requirements of the IAS 36 standard as follows:

If the carrying amount of investment exceeds HUF 20 billion then its recoverable amount is always analyzed using a DCF model (irrespective of whether there is any indication of impairment or not).

If the carrying amount of an investment does not exceed HUF 20 billion then the Company examines, considering the following, whether there were any changes related to these investments which requires the preparation of impairment assessment based on the DCF model:

- 1) The Company examines whether during the period there were or whether there are expected to be any significant adverse changes in the market or in the technological, economic and legal environment of the investment.
- 2) The company examines the forecasted results of its investments.
- 3) If subsidiaries, joint ventures or associates pay dividend then it has to be examined whether the investments' carrying amount in the Company's Separate Financial Statements exceeds the carrying amount of the investee's net assets (including goodwill) recognized in the consolidated financial statements. In addition, it has to be examined in the period the dividend was declared whether the dividend exceeds the total comprehensive income accumulated since the acquisition of the control which is subjectable for declaration as a dividend.

If any of the above three examinations indicates that the market value of the investment declines below its carrying amount then the Company prepares the impairment assessment based on a DCF model also for that investment where the carrying amount does not exceed HUF 20 billion.



If the carrying amount of the investment exceeds its recoverable amount, the Company recognizes the necessary impairment loss. If the recoverable amount of the investment exceeds its carrying amount, no impairment is necessary. When the estimates used to determine an asset's or a CGU's recoverable amount have improved since the last impairment loss was recognized, the impairment loss that was previously recognized for the asset, other than goodwill, is reversed.

In this case the carrying amount of an assets shall not be increased above the lower of:

- its recoverable amount and
- the carrying amount that would have been determined without any prior impairment loss.

For further information see Note 3.2.2.

11.2 Investments

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power over the entity. The existence and effect of potential voting rights that are presently exercisable or presently convertible are also considered when assessing whether the Company controls another entity.

As December 31, 2020 and 2021, the Company's investments in subsidiaries are summarized as follows.

	01.01.2020 Opening balance	Changes in 2020	12.31.2020 Carrying amounts	Changes in 2021	12.31.2021 Carrying amounts
Stonebridge A.D.	77,999	-	77,999	-	77,999
T-Systems Magyarország Zrt.	41,984	-	41,984	-	41,984
Combridge S.R.L.	2,544	-	2,544	-	2,544
Novatel E.O.O.D.	1,999	-	1,999	-	1,999
Investel Zrt.	1,658	-	1,658	-	1,658
Other.....	5,480	(54)	5,426	-	5,426
Total.....	131,665	(54)	131,610	-	131,610

The Company examined the indicators mentioned in Note 11.1 and carried out the tests as necessary which did not result into any impairment in 2021.

The ESOP (Employee Share Ownership Program) Organization was a special organization of Magyar Telekom which was controlled by the Company without any shares in it. The voluntary liquidation of the ESOP Organization ended in 2021.

Short descriptions of companies in which Magyar Telekom has significant shares:

Stonebridge Communications A.D. Skopje (Stonebridge A.D.)

In December 2000, Magyar Telekom, on behalf of a consortium, reached an agreement with the government of the Republic of North Macedonia to purchase 51 percent of Makedonski Telekom A.D., the leading telecommunication provider of North Macedonia. The 51 percent ownership acquired by Magyar Telekom was contributed in 2001 to a newly established Macedonian holding company, Stonebridge A.D. residing in Skopje which is owned 100% by Magyar Telekom.

T-Systems Magyarország Zrt. (TSM Zrt.)

In 2006 Magyar Telekom purchased the 100% ownership in KFKI Zrt. (the predecessor of T-Systems Magyarország Zrt.). In the course of the years the company acquired several firms which subsequently merged into the company.

In December 2021, the Magyar Telekom Group signed an agreement for the sale of the total of its 100% shareholding in Pan-Infom Kft. by its sole owner of TSM Zrt. The scope of the agreement covers the support and development operations provided for central digital healthcare services in Hungary and for the related hospital information system, that partially had been involved in the operation of TSM Zrt. at year-end 2021. This transaction did not affect the value of the investment.



Combridge S.R.L.

The company is an alternative telecommunication service provider of Romania. Its main activities are: international and domestic leased line connection, international internet access, international IPVPN services, roaming services and international VoIP call termination. Magyar Telekom has a 100% share in Combridge S.R.L.

Novatel E.O.O.D.

The company was established in 2004 with headquarters in Bulgaria. The company's main activities are: international and domestic leased line connection, international internet access and IPVPN services, roaming services, infocommunication business solutions and international call termination. Magyar Telekom has a 100% share in Novatel E.O.O.D.

The Company had no investment in associates at December 31, 2020 and 2021.

A joint arrangement is an arrangement whereby two or more parties have joint control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are entities over which the Company has significant influence but not control, generally reflecting a voting right between 20% and 50%.

The Company lost the joint control and significant influence over E2 Hungary Zrt. in February 2020 based on the agreement with MET Holding AG and after the approval of various competent authorities.

Following the loss of joint control and significant influence the investment in E2 Hungary Zrt. is accounted for as an equity investment measured at fair value through Profit or Loss under IFRS 9 and disclosed in Other non-current financial assets. The transaction did not generate a cash movement (see also Note 4.2.3.2).

As a result, HUF 1,000 million was disposed from the investment in the joint venture on the date of the loss of the joint control and significant influence. At the same time HUF 1,155 million was initially recognized in the other non-current financial asset, and HUF 139 million was recognized as a financial liability under IFRS 9 pertaining to the call option of MET Holding AG. on this investment, disclosed in Other non-current financial liabilities (see also Note 4.5.1.3) which resulted in a HUF 16 million gain. See subsequent measurement of the call option under Note 4.5.1.2.

The Company had no investment in joint ventures at December 31, 2020 and 2021.

11.3 Joint operations

Magyar Telekom and Telenor Hungary agreed in 2015 to jointly operate and develop their 800 MHz 4G mobile networks in all parts of Hungary except Budapest. The primary goal of the agreement was to accelerate 4G mobile broadband coverage rollout in the countryside and to offer higher bandwidth to the 4G customers, in line with the coverage obligations of the 800 MHz spectrum contract signed in 2014 with the NRA. Based on the agreement, Telenor Hungary maintains sites in West Hungary and Magyar Telekom operates base stations in the eastern region of the country.

The Company assessed the agreement as joint operation as strategic decisions are made jointly by Magyar Telekom and Telenor, and there is no separate vehicle to control the operation of the arrangement. The Company does not share the obligations for liabilities and any returns or expenses beyond the assets included in the agreement.

Therefore, only the assets owned by the Company are recognized while there is no need to present the partner's assets, liabilities, or revenue and expenses. The charges from Magyar Telekom to Telenor and from Telenor to Magyar Telekom are almost equal and settled on a net basis and accounted for in the Statements of profit or loss and other comprehensive income and the effect of this settlement is not significant.

If any of the parties initiates the termination of this contract, in order to ensure the continuous service for the customers the Company might be exposed to additional capital expenditure. The probability is estimated remote by the Management currently.



12 OTHER ASSETS

Other assets usually include current and non-current receivables considered non-financial instruments.

12.1 Other current assets

	12.31.2020	12.31.2021
Accrued income and prepayments for costs and expenses.....	1,861	3,121
Other tax receivable.....	313	858
Other receivables.....	452	326
Total.....	2,626	4,305

12.2 Other non-current assets

Other non-current assets include assets recognized from the costs to obtain contracts with customers (amounting to HUF 6,089 million, see Note 18.4) and HUF 36 million long-term prepaid employee benefits relating to housing loans provided by the Company to employees at lower than market interest rates.

13 PROVISIONS

13.1 Provisions – Accounting policies

Provisions are recognized when Magyar Telekom has a present legal or constructive obligation (excluding executory contracts) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the best estimate of the economic outflow required to settle the present obligation at the reporting date. The estimate can be calculated as the weighted average of estimated potential outcomes or can also be the single most likely outcome.

Provisions expected to fall due after 12 months are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as Interest expense.

Expenses for provisions are recognized in the line item of the Statements of profit or loss and other comprehensive income where the actual expense is expected to be presented. When a provision is released unused, it is released to the same line item of the Statements of profit or loss and other comprehensive income where it was originally provided for. Provisions made for liabilities expected to be incurred in foreign currency are recognized in the functional currency at the spot FX rate, and any change in the provision in the functional currency as a result of a subsequent change in the FX rate is recognized in Other finance expense – net.



13.2 Provisions in the statements of financial position

	Severance payment	Share-based payments	Other employee-related	Total employee-related	Legal cases	ARO	Other	Total
01.01.2020	1,150	1,414	8	2,572	1,292	7,981	1,690	13,535
Reversed	(346)	(121)	-	(467)	(472)	(39)	(888)	(1,866)
Additions.....	4,459	1,486	3	5,948	23	166	1,066	7,203
Interest	-	(3)	-	(3)	(318)	127	-	(194)
Utilized (incl. interest component).....	(3,392)	(915)	(3)	(4,310)	(70)	(25)	(1,663)	(6,068)
12.31.2020	1,871	1,861	8	3,740	455	8,210	205	12,610
Of which current.....	1,655	1,144	-	2,799	-	16	191	3,006
Of which non-current	216	717	8	941	455	8,194	14	9,604
01.01.2021	1,871	1,861	8	3,740	455	8,210	205	12,610
Reversed	(330)	(88)	(1)	(419)	(19)	(8)	(335)	(781)
Additions.....	1,989	1,663	3	3,655	552	262	1,909	6,378
Interest	-	(6)	-	(6)	486	174	-	654
Utilized (incl. interest component).....	(2,914)	(1,133)	(1)	(4,048)	(22)	(42)	(450)	(4,562)
12.31.2021	616	2,297	9	2,922	1,452	8,596	1,329	14,299
Of which current.....	485	1,499	-	1,984	-	24	165	2,173
Of which non-current	131	798	9	938	1,452	8,572	1,164	12,126

The Interest lines in the table above include the subsequent unwinding of the discount applied at initial recognition and the interest element of any provision recognized, as well as the release of the interest / accretion element in the case of reversal of provisions.

Magyar Telekom does not expect any reimbursement with regards to the provisions recognized, therefore no related assets have been recognized in the financial statements.

13.2.1 Severance payment

The majority of the provision for severance as at December 31, 2021 relates to the stand-by-pool and the employee terminations payable in relation to the 2022 efficiency improvement in Magyar Telekom. The stand-by-pool of employees includes people whose legal status is an employee, however, these people do not provide services to the Company any more, but the Company provides a reduced amount of compensation and pays social security expenses for them. This is a manner of severance that is not paid in one lump sum but in monthly installments. The majority of the provision for severance as at December 31, 2020 also related to the stand-by-pool and the employee terminations paid in relation to the 2021 efficiency improvement in Magyar Telekom.

541 employees left the Company in 2021 (2020: 625), related to which termination payments were made. The balance of provision as at December 31, 2021 relates to 96 employees and stand-by-pool of employees (2020: 283).

The total payments made in relation to employee termination in 2021 amounted to HUF 3,178 million (2020: HUF 3,844 million).

13.2.2 Share-based payments

Share-based payments are detailed in Note 20.1.2.



13.2.3 Legal cases

Provisions for legal cases mainly include amounts expected to be paid to regulatory and competition authorities as well as to ex-employees and trading partners as a result of legal disputes. There are numerous legal cases for which provisions were recognized, which are individually not material.

13.2.4 Asset retirement obligations (ARO)

Asset retirement obligations primarily exist in the case of the telecommunications structures constructed on third parties' properties. The Company carries out a revision of the necessary provisions every year. The revisions did not result in material changes in 2021 or 2020.

13.2.5 Other provisions

Other provisions include guarantee obligations, onerous contracts and further other individually small items.

14 OTHER CURRENT LIABILITIES

	12.31.2020	12.31.2021
Other taxes and social security	9,305	7,056
Salaries and wages	5,468	4,828
Deferred revenue and advances received	2,132	2,040
Unused advance payments for asset-related grants..... (a)	21	12
Dividend payable to non controlled interest.....	17	17
Other liabilities	123	40
Total.....	17,066	13,993

(a) For further information see Note 4.2.3.2 (a).

15 OTHER NON-CURRENT LIABILITIES

The table below shows the balances of Other non-current liabilities.

	12.31.2020	12.31.2021
Other financial liabilities – non-current	2,907	2,474

Bonds were initially recognized in 2020 at fair value (HUF 67,875 million) net of transaction costs (HUF 12 million) incurred and increased by premium received (HUF 2,948 million), which resulted in a 1.2579% yield. The bond is subsequently measured at amortized cost under IFRS 9. Any difference between the proceeds (net of transaction cost) and the redemption amount are recognized in profit or loss over the period of the liability using the effective interest method.

For further information please see Note 4.4.2.

16 EQUITY

Equity reconciliation table

In accordance with Act C of 2000 on Accounting (HAR) effective in Hungary, the following equity reconciliation table shows the reconciliation between the components of equity presented in these financial statements (under EU IFRS) and the equity components defined by Section 4 (a) 114/B of HAR. The reconciliation consists of an allocation of equity components under EU IFRS to equity components under HAR and adjustments for differences between the equities determined on different bases



	31.12.2020	31.12.2021
Common stock	104,274	104,274
Reserves	470,309	496,550
Treasury stock.....	(9,351)	(19,566)
Profit or loss for the year	41,552	54,544
Equity in accordance with IFRS (Section 4 114/B)	606,784	635,802
Section 4 (a) 114/B Equity.....	606,784	635,802
Common stock provided for by the articles of association if that qualified as an equity instrument.....	104,274	104,274
Nominal value of own shares repurchased (-).....	(2,198)	(4,578)
Section 4 (b) 114/B Common stock in accordance with IFRS*	102,076	99,696
Section 4 (c) 114/B Subscribed but unpaid capital	-	-
Sum of all part of equity that does not comply with the definitions of common stock, subscribed but unpaid capital, retained earnings, valuation reserve, profit or loss for the year or restricted reserves in accordance with IFRS	20,226	12,390
Section 4 (d) 114/B Capital reserves.....	20,226	12,390
Previous years' profit accumulated and not yet distributed for the owners disclosed in the financial statements in accordance with IFRS that may not include other comprehensive income (±).....	442,931	469,171
Section 4 (e) 114/B Retained earnings.....	442,931	469,171
Section 4 (f) 114/B Valuation reserve	-	-
Profit or loss for ongoing activities disclosed in statement of performance in its own right within the comprehensive income statement or in the separate profit and loss statements.....	41,552	54,544
Section 4 (g) 114/B Profit or loss for the year	41,552	54,544
Section 4 (h) 114/B Restricted reserves	-	-
Section 5 (a) 114/B Reconciliation of the capital registered by the Court of Registry with the subscribed capital under IFRS		
Capital registered by the Court of Registry	104,274	104,274
Subscribed capital under IFRS.....	102,076	99,696
Difference (nominal value of treasury stock repurchased)	2,198	4,578
Section 5 (b) 114/B Untied retained earnings available for the payment of dividends		
Retained earnings (contains profit or loss of the last financial year)	484,482	523,715
Untied retained earnings available for the payment of dividends.....	484,482	523,715

*Common stock shows the value of common stock recorded in article of association in the balance sheet, the table above contains the deduction defined in the relevant sections of the Hungarian Act on Accounting.



17 LEASES

17.1. Leases – Accounting policies

A contract is a lease (or contains a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition exemptions

Short-term leases, low value leases

IFRS 16 includes recognition exemptions available to lessees for short-term leases and leases of low-value items and specifies alternative requirements.

- In the Company, a decision was made not to apply the short-term recognition exemptions to lease contracts, except for some minor and insignificant lease arrangements with a lease term of one month or less. Such very short-term leases and related asset classes are expensed as incurred and no additional quantitative disclosure is required.
- The Company has made the decision not to apply the practical expedient with respect to low-value items. Hence they have to be recognized, measured and presented as lease arrangements in the scope of IFRS 16.

Lease term

The lease term assessment at the commencement date refers to the period for which Magyar Telekom is reasonably certain to maintain the contract under the terms and conditions as originally negotiated. The initial lease term assessment is made at commencement of the lease. When determining the lease term, the shortest reasonably possible, i.e. justifiable, term is always to be used in the case of doubt. The lease term assessment is largely based on management judgement and Magyar Telekom usually use estimates or assumptions (especially in the case of options and indefinite contracts) on asset cluster level.

The commencement date of the lease (commencement date), is the date on which a lessor makes an underlying asset (i.e., the property, plant or equipment that is subject to the lease) available for use to the lessee. At the commencement date, the lease term begins and lease liability and the right-of-use asset is initially recognized and measured.

Options- “Reasonably certain criteria”

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, lessees and lessors shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Lease payments

Lease payments are defined in the same way for both lessees and lessors. Lease payments are defined as payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term. The definition of lease payments, for Magyar Telekom lessees, includes payments for non-lease components as well.

Reassessment of the lease liability

IFRS 16 specifies when the lease liability has to be reassessed. It is important to note that, in terms of IFRS 16, a reassessment of the lease liability only takes place if the change is based on already existing contractual clauses, i.e. those that have been part of the contract since commencement.

A lessee reassesses the lease term, i.e. whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee; and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.



Accounting for lease modifications

A lease modification is defined as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”. Modification can result from a change in consideration only. The effective date of the modification is defined as the date when both parties agree to a lease modification.

A lessee accounts for a lease modification as a separate lease if both of the following conditions are fulfilled:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When these conditions are met, the modification is considered to result in the creation of a new lease that is separate from the original lease. The agreement for the right to use one or more additional assets is accounted for as a separate lease (or leases) to which the requirements of IFRS 16 are applied independently of the original lease.

For a lease modification that is not a separate lease, i.e. that does not meet the conditions outlined above, at the effective date of the modification, the lessee accounts for the lease modification by remeasuring the lease liability using a discount rate determined at that date and:

- for lease modifications that decrease the scope of the lease, the lessee decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes a gain or loss that reflects the proportionate decrease in scope; and
- for all other lease modifications, the lessee makes a corresponding adjustment to the right-of-use asset.

When a lease arrangement is modified, then the revised lease payments will always be discounted with a revised discount rate. This is different from the requirements for a reassessment of the lease, where only in specific cases a revised discount rate is required

Presentation and disclosures for Magyar Telekom as lessee

Statements of financial position

The Company decided to present the right-of-use assets (separately from other assets) as well the lease liabilities as separate line items on the face of the statements of financial position.

Statements of profit or loss and other comprehensive income

In the statements of profit or loss and other comprehensive income Magyar Telekom presents separately interest expense on the lease liability from depreciation for the right-of-use asset. In addition, interest expense on the lease liability is a component of finance costs.

Statements of cash flows

The following items are presented within operating activities in the statements of cash flows:

- cash payments for the interest portion of the lease liability, according to the Company accounting policy to present interest payments in operating cash flows and;
- variable lease payments not included in the lease liability

Cash payments for the principal portion of lease liability are presented within financing activities in the statements of cash flows.



Presentation and disclosures for Magyar Telekom as lessor

Presentation of leases in Statements of profit or loss and other comprehensive income and in Statements of financial position

In the Statements of profit or loss and other comprehensive income, operating lease revenue is not disclosed separately from other revenue. There is only one-line item titled "Revenue".

The operating lease revenue line item in the Notes is titled "Other sources" (see Note 18.3.1).

Magyar Telekom as a Lessor presents assets subject to operating leases in its statements of financial position according to the nature of the underlying asset. In the Company, portions of assets that are physically distinct and are identified as underlying assets (leases) are not presented separately from the whole asset in the statements of financial position.

Other lease topics

Sale and leaseback transactions

Assessing whether the transfer of the asset qualifies as a sale

In the Company, both the short-term and the low value recognition exception have not been elected for any asset class. As a result, Magyar Telekom seller-lessee will always recognize (materiality considered) sale-and-leaseback transactions on-balance sheet. To determine how to account for a sale-and-leaseback transaction, the Company first considers whether the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale. The Company then applies IFRS 15 to determine whether a sale has taken place. This assessment determines the accounting by both the seller-lessee and the buyer-lessor, as follows.

Accounting for sale and leaseback – Transfer of an asset is not a sale

If the transfer of an asset is not a sale, the seller-lessee and the buyer-lessor account for the transaction as financing.

Accounting for sale and leaseback – Transfer of an asset is a sale

If control passes as defined in IFRS 15 (sale), the seller-lessee must recognize an asset at an amount equalling the pro-rata carrying amount arising from the pro-rata right-of-use retained. Any gains or losses from this transaction are also only recognized proportionately. Hence, the seller-lessee restricts the gain that it recognizes on the sale to the amount that relates to the portion of the underlying asset that has been transferred, i.e. to the buyer-lessor's residual interest in the underlying asset.

Sale and leaseback transactions have no material effect on financial statements of Magyar Telekom.

Subleases

A sublease is defined as a transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.

In classifying a sublease, Magyar Telekom, as the intermediate lessor, should classify the sublease as a finance lease or an operating lease in the same manner as any other lease using the criteria discussed in IFRS 16.61.

Sublease is a finance lease

If Magyar Telekom classifies the sublease as a finance lease, the lease is entered into the following:

- derecognize the right-of-use asset relating to the head lease that it transfers to the sublessee and recognizes the net investment in the sublease;
- recognize any difference between the right-of-use asset and the net investment (finance lease receivable) in the sublease in profit or loss; and



- retain the lease liability relating to the head lease in its statements of financial position, which represents the lease payments owed to the head lessor.

At the commencement date of the sublease, if Magyar Telekom cannot readily determine the rate implicit in the sublease, then it uses the discount rate that it uses for the head lease to account for the sublease, adjusted for any initial direct costs associated with the sublease.

Presentation and disclosures for subleases

No sublease-specific balance sheet and income statements presentation rules apply to subleases. Magyar Telekom applies the respective presentation rules that apply to other finance and operating leases.

Magyar Telekom does not offset assets and liabilities arising from a head lease and a sublease of the same underlying asset, unless the financial instruments requirements for offsetting are met. The same applies to lease income and lease expenses relating to a head lease and a sublease of the same underlying asset, unless the requirements for offsetting in IAS 1 are met.

Under IFRS 16 the head lease and a sublease are two separate contracts that are accounted for under the lessee and lessor models, respectively. The general disclosure rules equally apply for the head lease and for subleases, either disclosures for finance sub-lessors or operating sub-lessors.

Lessor accounting

Finance lease – Definition

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The nature of finance lease arrangement are akin to financing the sale of an asset. The presentation in the financial statements departs from the legal lease form of the transaction and is based on the economic substance (i.e. as if the underlying lease asset was sold by the lessor to the lessee).

Operating lease – Definition

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. There is a typically simple short-term hire arrangement (an operating lease), whereby rental payments received are dealt with in profit or loss with the primary impact on the balance sheet relating to the timing of lease payments.

17.2 Finance lease

17.2.1 Finance lease – Company as lessor

Future lease receivables under finance leases at December 31, 2020 and 2021 are as follows:

	12.31.2020			12.31.2021		
	Present value	Interest component	Minimum lease receipt	Present value	Interest component	Minimum lease receipt
Within 1 year	417	306	723	443	289	732
1–2 years	431	286	717	437	267	704
2–3 years	425	264	689	376	246	622
3–4 years	366	244	610	397	225	622
4–5 years	386	223	609	412	203	615
After 5 years.....	3,779	888	4,667	3,406	694	4,100
Total.....	5,804	2,211	8,015	5,471	1,924	7,395

The interest component represents the unearned finance income. The present value due within one year is included in



Other current financial assets, while the present value after one year is included in Other non-current financial assets. The finance income accruing to the Company over the lease term is recognized in the Profit for the year (Interest income). See Note 23.

The unguaranteed residual values accruing to the benefit of the Company are insignificant.

17.2.2 Lease – Company as lessee

Leases are mainly in respect of the rental of the new headquarters, mobile cell sites and sale and lease back of spaces in buildings accommodating telephone exchanges, and to a lesser extent, related to other buildings, network and other telecommunications facilities, equipment and vehicle.

In most cases the contracts are denominated in HUF and EUR, the term of the leases is 4–14 years, and the contracts include renewal options but no purchase options.

Leases of buildings generally have lease terms between four and thirteen years, in the case of telecom equipment four and nine years, while these terms are between one and four years for motor vehicles and other equipment. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

The maturity analysis of lease liabilities is disclosed in Note 5.1.3.

The following are the amounts recognized in profit or loss:

	2020	2021
Depreciation expense of right-of-use assets.....	17,444	18,514
Interest expense on lease liabilities.....	5,397	4,446
Foreign exchange loss on lease liabilities.....	5,014	465
Gains or losses arising from sale and leaseback transactions.....	1,984	-

The Company had total cash outflows for leases of HUF 21,136 million in 2021 (HUF 24,685 million in 2020). The Company has various lease contracts that have not yet commenced as at December 31, 2021. The future lease payments for these non-cancellable lease contracts are HUF 10,446 million (HUF 8,995 million in 2020).

The amount of undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term is HUF 13,825 million (HUF 13,144 million in 2020). The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Company does not expect to pay anything under the guarantees.

As at December 31, 2021, the amount of residual value guarantees to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities is HUF 88 million (HUF 123 million in 2020), which is not expected to be payable.

17.3 Operating leases – Company as lessor

The following tables include the future minimum lease payments receivable by the Company for the operating leases of mobile tower sections, network, dark fiber, buildings and from 2021 customer premise equipment where Magyar Telekom is the lessor.



	12.31.2020	12.31.2021
Within 1 year	3,011	4,533
1–2 years	2,833	4,139
2–3 years	2,699	3,887
3–4 years	2,583	3,782
4–5 years	2,171	3,233
After 5 years.....	5,214	6,267
Total.....	18,511	25,841

The Company has no lease income relating to variable lease payments that do not depend on an index or rate.

The following table disaggregates class of property, plant and equipment into assets subject to operating leases:

	Building	Telecom equipment	Total
01.01.2020			
Gross value.....	3,831	1,370	5,201
Accumulated depreciation	(1,538)	(754)	(2,292)
Carrying amount 01.01.2020.....	2,293	616	2,909
Carrying amount 01.01.2020.....	2,293	616	2,909
Additions.....	166	311	477
Depreciation charge	(141)	(120)	(261)
Carrying amount 12.31.2020.....	2,318	807	3,125
12.31.2020			
Gross value.....	3,997	1,681	5,678
Accumulated depreciation	(1,679)	(874)	(2,553)
Carrying amount 12.31.2020.....	2,318	807	3,125
Carrying amount 01.01.2021.....	2,318	807	3,125
Additions.....	83	1,128	1,211
Disposal.....	(136)	(159)	(295)
Depreciation charge	(123)	(334)	(457)
Carrying amount 12.31.2021.....	2,142	1,442	3,584
12.31.2021			
Gross value.....	3,782	2,493	6,275
Accumulated depreciation	(1,640)	(1,051)	(2,691)
Carrying amount 12.31.2021.....	2,142	1,442	3,584

18 REVENUE

18.1 Revenue – accounting policies

18.1.1 Sale of goods and Rendering of services

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services.



Revenue should be recognized if it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. If the Company determines that collectability is no longer ensured (e.g. because subsequently the customer's ability or intent to pay significantly deteriorates), the Company must apply cash accounting for the remainder of the contract, i.e. for the outstanding goods and services to be provided. This reassessment does not affect recorded assets and revenue relating to performance obligations already satisfied.

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control either transfers over time or at a point in time, which affects when revenue is recorded.

As a practical expedient, the Company applies the guidance to a group of contracts with similar characteristics instead of to a single contract with a customer. A portfolio approach is acceptable if the Company can reasonably expect that the effect of applying a portfolio approach to a group of contracts or group of performance obligations would not differ materially from considering each contract or performance obligation separately. This implies that a portfolio of contracts with similar characteristics does not necessarily need to refer to homogenous products being included in these contracts.

Main principles

- If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company shall present the contract as a Contract asset, excluding any amounts presented as a receivable. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.
- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the Statements of Financial Position.
- Expenses for sales commissions (customer acquisition costs) must be capitalized in the Contract costs line of the Statements of Financial Position and recognized over the estimated customer retention period.
- Later recognition of revenue appears in cases where “material rights” are granted, such as offering additional discounts for future purchases of further products.
- Contract liabilities are netted off against the contract assets for each customer contract.
- The Company presents the revenue on gross basis (as principal) when it controls the specified goods or services before they are transferred to the customer, and it must be transferred by the Company.
- In case of the Company resells the services of another party towards the customer, but does not control them, all related revenue and expenses are presented on gross basis, if both of the below conditions are met:
 - the Company has entered into a distribution agreement with the supplier under which an enforceable right was received to resell a limited or unlimited number of the agreed-upon services to the Company's customers at predefined prices any time upon request; and
 - the Company has discretion in setting the selling prices or determining the price of the service package where another party's service is already included.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- If the promise to grant a license is distinct from the other promised goods or services in the contract then the promise to grant the license is a separate performance obligation and the Company shall determine whether the license transfers to a customer is either at a point in time or over time.

18.1.2 Revenue from operating leases

Revenue from operating leases is recognized as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. For further information, please see Note 17.3.



18.2 Revenue from major service lines

18.2.1 Mobile and fixed-line telecommunications revenue

Revenue is primarily derived from services provided to Magyar Telekom's customer subscribers and other third parties using Magyar Telekom's telecommunications network and equipment sales.

Customer subscriber arrangements typically include an equipment sale, subscription fee and charge for the actual voice, internet, data or multimedia services used.

Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenue is recognized in the period they relate to. Usage-based consideration (e.g. airtime) is generally not part of the transaction price as the Company does not have the right to consideration at contract inception.

The Company provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks.

Advertising revenue is recognized in the period that the advertisements are exhibited.

Revenue from premium rate services is recognized on a gross basis when the delivery of the service over Magyar Telekom's network is the responsibility of the Company, the Company determines the prices of these services and bears their substantial risks; otherwise this revenue is presented on a net basis.

Customers may also purchase prepaid mobile, public phone and internet credits (cards) which allow those customers to use Magyar Telekom's telecommunications network for a selected amount of time. Customers must pay for such services at the date when the card is purchased. Revenue from the sale of cards is recognized when they are used by the customers or when the credits expire with unused traffic.

Third parties using Magyar Telekom's telecommunications network include roaming customers of other service providers and other telecommunications providers which terminate or transit calls on Magyar Telekom's network. These wholesale (incoming) traffic revenue is recognized in the period of related usage. A proportion of the revenue received is often paid to other operators (interconnect) for the use of their networks, where applicable. The revenue and costs of these transit calls are stated gross in the Financial statements as the Company is the principal supplier of these services using its own network freely defining the pricing of the services and recognized in the period of related usage.

Contracts are frequently sold to customers containing a cross subsidy between two or more components. A typical example is where a mobile phone is sold at a price significantly below its market value in a bundle with a service contract for a period of 12 or 24 months. From a commercial point of view, the subsidy on the mobile phone is compensated via the service fee.

With this adjustment requirement (also termed as "basic adjustment") a cross-subsidy or an overall bundle discount must be allocated to the individual components of the bundle so that revenue generally reflects the fair value of the good and/or service with a bundle discount being appropriately distributed among the affected items.

The revenue is determined for every component by distributing the transaction price to the individual components in proportion to their relevant standalone selling prices.

18.2.2 System integration (SI) and IT revenue

Contracts for network services, which consist of the installation and operation of communication networks for customers, have an average duration of 2-3 years.

Revenue from outsourcing contracts reflects the extent of actual services delivered in the period in accordance with the terms of the contract. The contracts are analyzed based on the IFRS 16 requirements – determining whether an



Arrangement contains a Lease, and if they include embedded lease elements, the revenue attributable to these is recognized according to IFRS 16 – Leases as described in Note 17.

Revenue from system integration contracts requiring the delivery of customized products and/or services is generally covered by one of the following types of contracts: fixed-price or time and material-based.

Magyar Telekom transfers control of goods and services over time therefore satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a customer simultaneously receives and consumes the benefit provided by Magyar Telekom's performance as Magyar Telekom performs
- Magyar Telekom's performance creates or enhances assets that the customer controls as the asset is created or enhanced
- Magyar Telekom's performance does not create an asset with an alternative use to Magyar Telekom and Magyar Telekom has an enforceable right to payment for performance completed to date.

If the performance obligation is not satisfied over time, Magyar Telekom satisfies the performance obligation at a point in time.

Revenue from maintenance services (generally fixed fee per month) is recognized over time. Revenue from repairs, which are not part of the maintenance contract, billed on the basis of time and material used is recognized at point in time.

Revenue from hardware sales or sales-type leases is recognized when the customer obtains the control over the product.

To determine the progress of performance, Magyar Telekom applies the Input method. Magyar Telekom recognizes revenue based on its efforts or inputs to satisfaction of a performance obligation (resources consumed, labor hours expended, cost incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of the performance obligation.



18.3 Revenue in the Statements of profit or loss and other comprehensive income

18.3.1 Disaggregation of revenue from contracts with customers

	2020	2021
Mobile revenue		
Voice retail	110,725	105,910
Voice wholesale	8,373	8,917
Data	92,934	108,814
SMS	19,268	22,599
Equipment	88,077	94,525
Other mobile revenue	8,930	9,238
Total Mobile revenue.....	328,307	350,003
Fixed line revenue		
Voice retail	34,151	31,742
Broadband retail*	48,026	53,133
TV	42,783	46,691
Equipment	21,588	18,658
Data retail*	9,918	10,202
Wholesale.....	13,191	12,882
Other fixed-line revenue.....	15,305	14,569
Total fixed-line revenue	184,962	187,877
System integration and IT revenue	10,862	10,412
Total revenue.....	524,131	548,292
Of which:		
Revenue from contracts with customers	520,852	544,419
Other sources.....	3,279	3,873

*In the case of 2020 data, HUF 2,378 million has been reclassified from Broadband retail to Data retail for ensuring comparability.

Other sources of revenue include real estate and network rental fees which are presented above in the Fixed-line wholesale and Fixed-line other revenue lines.

Equipment revenue is recognized at a point in time while service revenue is recognized over time.

None of the Company's customers represent a significant source of revenue individually. Revenue from transactions with a single external customer (or group of entities that – knowingly to us – are under common control of a third party or government) do not exceed 10% of the Company's revenue.

Regarding geographical segmentation of revenue please see Note 33.

18.4 Assets and liabilities related to contracts with customers

Contract assets of the Company consist of unbilled amounts typically resulting from sales under long-term contracts when revenue recognized exceeds the amount billed to the customer.

Contract liabilities consist of advance payments and billings in excess of costs incurred and deferred revenue.



	12.31.2020	12.31.2021
Contract assets – current	12,006	13,158
Contract assets – non-current.....	3,411	3,620
Contract liabilities – current.....	(7,660)	(8,090)
Net contract assets (liabilities)	7,757	8,688
Revenue recognized in the reporting period from amounts included in contract liability at the beginning of the period	5,780	6,751
Asset recognized from the costs to obtain contracts with customers	4,951	6,089
Amortization recognized as cost of obtaining contracts during the period	(5,255)	(6,068)

Impairment losses recognized on contract assets are disclosed together with trade receivables in Note 4.2.2.2. and amounted to HUF 1,598 million as at December 31, 2021 (HUF 1,615 million in 2020).

As of December 31, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligation is HUF 175,330 million and the Company will recognize this revenue as services are rendered, which is expected to occur over the next 13-24 months.

19 DIRECT COSTS

19.1 Telecom tax

Telecom tax was introduced in Hungary for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012. The tax imposed on fixed and mobile usage amounts to HUF 2 per minute and HUF 2 per SMS/MMS for private individual subscribers' subscriptions and to HUF 3 per minute and HUF 3 per SMS/MMS for non-private individual subscribers' subscriptions. The tax is capped at HUF 700 and HUF 5,000 per month per calling number for private and non-private individuals' subscriptions, respectively.

19.2 Other direct costs

Other direct costs include costs of mobile and fixed devices, accessories and other equipment, agent commissions and non-voice direct costs.

20 EMPLOYEE-RELATED EXPENSES

20.1 Employee-related expenses – Accounting policies

20.1.1 Short-term employee benefits

Short-term employee benefits are recognized as a current expense in the period when employees render their services. These include wages, social security contributions, bonuses, paid holidays, discounted telephone bills, meal and holiday contributions and other fringe benefits and the tax charges thereon.

Payments to defined contribution pension and other welfare plans are recognized as an expense in the period in which the service is rendered by the employees.

20.1.2 Share-based payments

Magyar Telekom recognizes the costs of services received from its employees in a Share-based payment transaction when services are received. Magyar Telekom recognizes a corresponding increase in its equity reserves (Reserve for equity-settled share-based transactions) if the services are received in an equity-settled share-based payment transaction. When the share-based compensation program is completed, i.e. the shares are transferred to the employees' ownership or the share options have forfeited, the respective reserve is derecognized. If the services are received in a



cash-settled share-based payment transaction, the Company recognizes the expense against a liability, re-measured to fair value at each financial statement date.

Bonuses tied to the long-term performance of the Magyar Telekom and Deutsche Telekom shares are recognized in the Profit for the year at their time-proportioned fair value against an accumulating balance in liabilities.

20.1.2.1 Share Matching Plan of Deutsche Telekom Group

As of July 1, 2015, Magyar Telekom implemented a Share Matching Plan for all executives (ca. 40). Participation in the program is voluntary, with the exception of the CEO.

The participant can invest a minimum of 10% of his/her gross annual bonus in Deutsche Telekom shares, with an option to voluntarily increase this amount to a maximum of 50% (personal investment). These shares must be kept for at least for four years (the lock-up period), the participant is granted matching shares upon expiry of the lock-up period. The share allocation ratio of the program (1:1 or 1:2) depends on the participant's individual Management Group (MG). Deutsche Telekom grants the matching shares to the participant based on the Deutsche Telekom shares acquired by the participant within the framework of the program. The program starts annually if the free cash flow target of Deutsche Telekom Group was met in the previous year.

The program initiated by DT is settled in DT shares with the participants, meanwhile Magyar Telekom has to settle it with DT AG in cash at the same time participants are granted the DT shares therefore the closing balance of the program is presented as a related-party financial liability in the Separate statements of financial positions as it is settled in cash from the perspective of Magyar Telekom and is due to be paid to DT AG.

In 2021 HUF 31 million was recognized (2020: HUF 28 million) as expense for the program.

20.1.2.2 Long-term incentive program (LTI)

As of January 1, 2015, Magyar Telekom Company changed its existing LTI program, which turned it into a share-based compensation program. The 2021 LTI program is a global, Deutsche Telekom Group-wide incentive program.

Approximately 40 executives may participate in the program. The CEO's participation is unconditional, while other executives may participate only if the evaluation of the participant's performance in the previous year meets the requirements.

LTI is payable in cash tied to the achievement of four key strategic indicators. In the framework of the program, in each year a new four-year tranche is to be launched. Payment is due after the end of the program term depending on the evaluation of the achievement of the pre-set targets (0 to 150%).

At the beginning of the program, the relevant incentive amount is converted into a number of virtual shares of DT AG and awarded to the plan participant in the form of virtual shares (basic number). The annual level of target achievement is determined at the end of each year. This target achievement level is multiplied on a pro rata basis by the basic number of virtual shares awarded. The number of virtual shares calculated using this method shall then be "fixed" for the plan participant as the binding result for that specific year ("annual result"). At the end of the plan term, the four binding annual results shall be added together. The resulting total number of virtual shares shall be converted into cash applying the prevailing price of DT AG shares at that time, which is paid to the plan participants. For dividend payments during the plan term, the virtual shares shall be treated as real shares. The dividends shall be taken into account as follows: The first/second/third dividend payments shall be "reinvested" into virtual shares when the actual dividends are paid on real shares. The fourth (and last) dividend payment shall not be reinvested but paid in cash together with the plan payment following the DT AG shareholders' meeting at which a decision is made regarding this dividend payment. The plan currency is euro.

In 2021, HUF 446 million was recognized as expenses for the program (2020: HUF 573 million).

20.1.3. Repeated Performance Incentive (RPI)

The RPI honors repeated, extraordinary collective performance, which is measured by the overachievement of a defined bonus KPI. The group-wide relevant bonus KPI is EBITDA unadjusted. RPI is for a defined group of Executives (including Business Leaders) at Deutsche Telekom Group.



It was a four-year plan, running from 2018 to 2021. If the target achievement was met in two consecutive years as defined in the policy regarding the RPI, the first year was only considered as the year of eligibility. HUF 975 million was recognized as expenses on RPI in 2021 (2020: HUF 651 million). The amount of the bonus payout depended on Management level, target achievement of the segment and the number of years of consecutive overperformance.

20.1.4 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the nominal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

20.2 Employee-related expenses in the Statements of profit or loss and other comprehensive income

	2020	2021
Short-term benefits (Note 20.1.1).....	57,648	56,871
Termination benefits (Note 20.1.4).....	4,584	1,927
Equity-settled share-based compensations (Note 20.1.2.1).....	28	31
Cash-settled share-based compensations (LTI) (Note 20.1.2.2).....	573	446
Cash-settled share-based compensation (RPI) (Note 20.1.3).....	651	975
Total before capitalization.....	63,484	60,250
Expenses capitalized.....	(5,465)	(4,150)
Total.....	58,019	56,100
Total costs expensed in relation to defined contributions (including social security contribution).....	9,192	8,208
Average number of employees (full time equivalent).....	5,278	5,042
Closing number of employees (full time equivalent).....	5,149	4,947

21 OTHER OPERATING EXPENSES

	2020	2021
Cost of other purchased services..... (a)	37,352	35,327
Utility tax.....	7,211	7,187
Marketing expenses.....	6,501	6,737
Energy costs.....	6,714	5,819
Other operating expenses.....	7,117	8,655
Total.....	64,895	63,725

Research as well as marketing costs are expensed as incurred. The Company did not recognize research and development among other operating expenses in 2020 and 2021.

(a) Audit costs included in other purchased services

Cost of other purchased services, among others, include expenses incurred in relation to the audit of the separate and consolidated financial statements of the Company as well as other services provided by PricewaterhouseCoopers Könyvvizsgáló Kft. (PwC) as follows.



	2020	2021
Audit of the financial statements	313	313
Other audit-related fees.....	2	5
Other non-audit-related fees.....	81	105
Total expenses payable to PwC.....	396	423

Audit of the financial statements is the aggregate fees of PwC in connection with the audit of our annual financial statements and services performed in relation to legal obligations and submissions required by regulatory provisions. Review of the quarterly financial statements is also included, as well as information systems and procedural reviews and testing to understand and place reliance on the systems of internal control.

Other audit-related services mainly include other professional auditing services provided by the Auditor beyond the audit of the financial statements, as well as other audit procedures necessary for meeting the reporting requirements arising from relevant legislation and internal regulations.

Other non-audit related fees are fees of PwC primarily related to consulting services and services like participation by Magyar Telekom employees in conferences and training sessions organized by PwC.

22 OTHER OPERATING INCOME

	2020	2021
Gain on the sale of PPE, Intangible assets and assets held for sale - net....	1,860	474
Income received for the relocation of our own network.....	796	901
Other	2,384	1,886
Total.....	5,040	3,261

23 INTEREST INCOME

	2020	2021
Interest income on loans and receivables	295	326
Unwinding of the interest component of provisions.....	362	-
Interest income from leases	445	289
Total.....	1,102	615

24 INTEREST EXPENSES

	2020	2021
Interest expense payable on loans to related parties.....	3,246	1,078
Other interest expense	3,589	6,439
Interest expense on lease liabilities	5,396	5,696
Accretion / interest on provisions	168	654
Borrowing costs capitalized	(209)	(157)
Total.....	12,190	13,710

Borrowing costs include interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. The borrowing costs eligible for capitalization of general borrowings that are used for the purpose



of obtaining qualifying assets are capitalized applying the weighted average of the borrowing costs applicable to the general borrowings of the Company that are outstanding during the period. For further information see Note 2.1.1. A qualifying asset is an asset that necessarily takes a substantial period of time, in general over 12 months, to get ready for its intended use. Other borrowing costs are recognized as an expense.

Total Interest expenses are shown net of borrowing costs capitalized using average borrowing rates of 0.47%-1.14% in 2021 (2020: 0.92%-1.59%). When calculating the borrowing rates, Other finance expenses (included in Note 25) are also considered.

25 OTHER FINANCE EXPENSES – NET

	2020	2021
Net foreign exchange losses / (gains) on financial instruments.....	25,582	1,219
Other net foreign exchange losses / (gains).....	4,223	692
Fee expense.....	4,730	4,923
Losses / (gains) on the subsequent measurement of financial assets fair value through profit and loss (other than derivatives)	38	11
Losses / (gains) on the subsequent measurement of financial liabilities at fair value through profit and loss (other than derivatives)	9	14
Losses/(gains) on the subsequent measurement of derivatives contracted with related parties.....	(19,663)	3,988
Losses/(gains) on the derecognition of derivatives contracted with related parties	(2,441)	(10,960)
Total.....	12,478	(113)

The high amount of Losses / (gains) on the subsequent measurement of derivatives contracted with related parties in 2020 was mainly due to the significant weakening of HUF exchange rates. During 2021 the market condition changes are different, as HUF exchange rate has lower volatility and strengthened against EUR, however the HUF interest rates are growing continuously, furthermore in 2021 the volume of derivatives was different. The realized gains on the derecognition of derivatives contracted with related parties are higher in 2021, which is mainly due to expiring of two Cross Currency Interest Rate Swap deals.

26 RESULTS OF INVESTMENTS

26.1 Results of investments in subsidiaries

Dividends receivable by the Company are recognized as a receivable and income in the period in which the dividends are approved by the general meeting of the investees.

The following table shows dividends received from the Company's investments related to years 2020 and 2021:

	2020	2021
Stonebridge A.D.	4,938	4,085
Investel Kft.	-	1,000
Other.....	3,734	643
Total.....	8,672	5,728

26.2 Results of investments in associated companies and joint ventures

The Company lost the joint control and significant influence over E2 Hungary Zrt. in February 2020 (see Note 11).



27 EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing profit attributable to the owners of the Company for the period by the weighted average number of common stocks outstanding. All figures are presented in the Statements of profit or loss and other comprehensive income.

There was no transaction resulting dilutive shares in the reported periods therefore the presented basic and diluted EPS are equal in 2020 and 2021.

The Company is subject to preparation of a consolidated annual report so disclosures related to the EPS indicator (based on IAS 33) are shown based on consolidated financial statements.

28 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The table below shows the reconciliation of investments in property, plant and equipment and intangible assets and the cash payments made for these investments. Capitalized borrowing costs are included in the Investments in PPE and intangible assets, where applicable.

		12.31.2020	12.31.2021
Investments in property, plant and equipment (Note 9).....		72,722	66,274
Investments in Right-of-use assets.....	(a)	41,785	24,230
Investments in intangible assets (Note 10)		108,153	104,692
Total investments in PPE and intangible assets		222,660	195,196
Capitalized asset-related grant	(b)	1,313	(1,279)
Capitalized frequency fee payable	(c)	(37,343)	(83,075)
Change in Right-of-use assets.....		(43,875)	(24,230)
Change in trade payables relating to capital expenditures	(d)	(6,984)	3,338
Recognition / (Derecognition) of investment tax credit.....	(e)	2,752	2,393
Cash payments for purchases of PPE and intangible assets.....		138,523	92,343

(a) For further information, please see Notes 9.2, 17.

(b) In 2021 HUF 1,287 million is paid by the government. It is presented in Notes 4.2.3.2 and see also Notes 9 and 14 for government grants relating to the purchase of PPE.

(c) The present value of the frequency fees is capitalized as part of the intangible asset (Licenses) if the future payments can be reliably estimated, however, these fees are paid in cash in subsequent periods. The cash payments on the discounted liability are included in the Repayment of lease and other financial liabilities line of the Financing cash flow, while the interest payments accruing on the discounted liability are included in the Interest and other financial charges paid line of the Operating cash flow. The significant license acquisitions are described in Notes 10.5 and 34.2.

(d) Change in payables relating to capital expenditures includes the effect that the actual cash settlement of the vendor invoices is made subsequent to the recognition of the investment.

(e) For further information see Note 6.

29 PURCHASE OF SUBSIDIARIES

There were no payments on acquisitions considered as a subsidiary or a business combination in 2020 and 2021.



30 CONTINGENT ASSETS AND LIABILITIES

30.1 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 Company. These assets are not recognized in the statements of financial position.

The Company has no contingencies where the inflow of economic benefits would be probable and material.

30.2 Contingent liabilities

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events (excluding executory contracts) not wholly within the control of the Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The most significant contingent liabilities of the Company are described below. 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 or the amount of the obligation cannot be measured with sufficient reliability.

30.2.1 Guarantees

Magyar Telekom is exposed to risks that arise from the possible drawdown of guarantees, for which see more details in Note 4.5.4.

31 PURCHASE COMMITMENTS

31.1 Property, plant and equipment and intangible assets

The table below summarizes Magyar Telekom's contractual purchase commitments for property, plant and equipment and intangible assets with the majority falling due within two years.

	12.31.2020	12.31.2021
Property, plant and equipment.....	808	739
Intangible assets.....	4,012	3,725
Total.....	4,820	4,464

31.2 Investments

As at December 31, 2021 and 2020 the Company had no committed business combinations.

32 RELATED-PARTY TRANSACTIONS

Related parties of the Company include legal entities and persons that are related to the Company. A person or a close member of that person's family is related to the Company if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.



An entity is related to a reporting entity if any of the following conditions apply:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person related to the entity or such a person holds a key position in the reporting entity.
- The reporting, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The transactions with related parties are priced at arm's lengths basis, if the conditions are met.

32.1 Related-party transactions in the Statements of financial position

The tables below summarize the carrying amount of assets and liabilities arising from the significant transactions with related parties as of December 31, 2020 and 2021:

12.31.2020	Trade receivables	Other receivables (advances)	Loans given	Swap receivables	Lease receivables	Loans received	Lease liabilities	Dividends payables
Parent	2,300	-	19,768	20,696	-	(89,675)	-	(12,454)
Subsidiaries	3,035	39	4,423	-	5,249	(11,218)	(8,246)	-
Associates and joint ventures	1	-	-	-	-	-	-	-
Other related parties (a)	1,796	301	-	-	-	(98,058)	1	-
Total.....	7,132	340	24,191	20,696	5,249	(198,951)	(8,245)	(12,454)

12.31.2021	Trade receivables	Other receivables (advances)	Loans given	Swap receivables	Lease receivables	Loans received	Lease liabilities	Dividends payables
Parent	1,658	11	-	16,715	-	(128,445)	-	(9,262)
Subsidiaries	1,596	154	3,023	-	4,994	(8,432)	(8,570)	-
Associates and joint ventures	-	-	-	-	-	-	-	-
Other related parties (a)	1,470	47	-	-	-	27	-	-
Total.....	4,724	212	3,023	16,715	4,994	(136,850)	(8,570)	(9,262)

(a) A significant part of Other related parties is related to DTIF.

No impairment was recognized for receivables from related parties in the reported years.

Lease receivables include the lease of a part of the Magyar Telekom headquarters to T-Systems Magyarország Zrt.



32.2 Related-party transactions in the Statements of profit or loss and other comprehensive income

The tables below summarize the significant transactions with related parties as of December 31, 2020 and 2021:

12.31.2020	Revenue from services	Cost of services	Dividend received	Interest expense	Swap	FX loss/gain	Dividend paid
Parent.....	3,298	(5,177)	-	(1,438)	22,110	(10,604)	(12,454)
Subsidiaries.....	4,950	(13,783)	8,671	(402)	(6)	-	-
Associates and joint ventures	29	(716)	-	-	-	-	-
Other related parties (a)	8,261	(9,436)	-	(1,706)	-	(9,311)	-
Total	16,538	(29,112)	8,671	(3,546)	22,104	(19,915)	(12,454)

12.31.2021	Revenue from services	Cost of services	Dividend received	Interest expense	Swap	FX loss/gain	Dividend paid
Parent.....	4,225	(6,116)	-	(455)	6,972	(1,348)	(9,262)
Subsidiaries.....	4,549	(12,730)	5,728	(482)	-	(46)	-
Associates and joint ventures	2	-	-	-	-	-	-
Other related parties (a)	8,014	(9,966)	-	(487)	-	1,045	-
Total	16,790	(28,812)	5,728	(1,424)	6,972	(349)	(9,262)

(a) A significant part of Other related parties is related to DTIF.

32.3 Transactions with Deutsche Telekom Group and the Federal Republic of Germany

32.3.1 Deutsche Telekom Group

Deutsche Telekom AG is the ultimate (indirect) controlling owner of Magyar Telekom, holding 59.21% of the Company's shares. Deutsche Telekom Group has a number of fixed-line, mobile and IT service provider subsidiaries worldwide, with whom Magyar Telekom has regular transactions.

Deutsche Telekom International Finance B.V. (DTIF) the subsidiary of DTAG is the treasury center of DT Group, which typically provides loan financing across the DT Group including Magyar Telekom as an intercompany partner.

32.3.2 The Federal Republic of Germany

The Federal Republic of Germany is both a direct and an indirect shareholder and holds approximately 32 percent of the share capital of DT AG. Due to the average attendance at the shareholders' meetings, the Federal Republic of Germany represents a solid majority at the shareholders' meetings of DT AG, although it only has a minority shareholding, making DT AG a dependent company of the Federal Republic. Therefore, the Federal Republic and the companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence are classified as related parties of DT AG, and consequently of Magyar Telekom as well.

DT AG and Magyar Telekom did not execute, as part of its normal business activities, any transactions that were individually material in the 2021 or 2020 financial year with companies controlled by the Federal Republic or companies over which the Federal Republic can exercise a significant influence.



32.4 Board and Supervisory Board members

	12.31.2020	12.31.2021
Remuneration of the members of the Board of Directors	28	22
Remuneration of the members of the Supervisory Board.....	44	37
Loans granted to the members of the Board of Directors	-	-
Loans granted to the members of the Supervisory Board	-	-

32.5 Key management personnel

Key management has been identified as the members of the Company's Chief Officers. The Chief Executive Officer (CEO) and the other Chief Officers (Chief Officers) together fulfill the Chief Operating Decision Maker (CODM) function in the Company.

The table below shows, in total, the compensation expenses (including social security and other payroll-related taxes) incurred by the Company in relation to the key management.

	12.31.2020	12.31.2021
Salaries and other employee benefits.....	712	1,152
Contractual termination expense.....	150	-
Share-based payments (Note 20).....	24	20
	886	1,172
Costs expensed in relation to defined contribution plans (including social security contribution)	152	157

The Company did not provide loans or guarantees to its key management.

32.6. Guarantees provided by the Company for liabilities of related parties and guarantees provided by related parties for liabilities of the Company

32.6.1 Bank guarantees

Bank guarantees for subsidiaries issued by Magyar Telekom in the name of the subsidiaries and it pays the related fees for the bank. In the case of guarantee drawdown the Magyar Telekom's bank account shall be debited with the amount drawdown/paid. Fees paid by Magyar Telekom invoiced within the group.

The following table presents the guarantees provided by the Company for liabilities of related parties:

Type of the guarantee	31.12.2020	31.12.2021
Bank guarantee.....	1,731	1,726

For further information see Note 4.5.4.

33 REPORTABLE SEGMENTS AND INFORMATION ABOUT GEOGRAPHICAL AREAS

33.1 General information

The Group's segments are reported in a manner consistent with the internal reporting provided to the CODM, the key management of Magyar Telekom Plc. The CODM of Magyar Telekom is responsible for allocating resources to, and



assessing the performance of, the operating segments on a monthly basis. The Chief Officers assess the performance of the Company and make their decisions.

Magyar Telekom's operating segments are: MT-Hungary and North Macedonia.

Magyar Telekom operates in Hungary providing mobile and fixed-line telecommunications and TV distribution services to millions of residential and small businesses customers mainly under the "Telekom" or "T" brand. Magyar Telekom is also responsible for the wholesale mobile and fixed-line services in Hungary and performs strategic and cross-divisional management and support functions including Procurement, Treasury, Real estate, Accounting, Tax, Legal, Internal Audit and similar shared services and other central functions of the Company. For details on revenue please refer to Note 18.

33.2 Information about geographical areas

Considering that Magyar Telekom provides its services within the boundaries of Hungary and the base of geographical classification is the headquarters of the Company, all the realized revenue by the Company is in the category of Hungary. In a similar manner all tangible assets of the Company are classified as Hungary considering geographical areas.

33.3 Information about revenue for group of products and services

Revenue from customers for group of similar products and services is disclosed in Note 18.3.

33.4 Information about revenue from major customers

None of the Company's customers represent a significant source of revenue. Revenue from transactions with a single external customer (or group of entities that – knowingly to us – are under common control of a third party or government) do not exceed 10 per cent of the Company's revenue.

34 REGULATED MARKETS AND PROCEDURES

Magyar Telekom's primary activities are the fixed-line and mobile operations in Hungary. These services are regulated by European and Hungarian legislation.

The most important features of the regulation of these services are described below.

The regulation of the Hungarian telecommunications markets is primarily based on Act C of 2003 on Electronic Communications (Eht.) and the decrees issued by the President of the National Media and Communications Authority (NRA). The NRA is an independent regulatory body which, in addition to its law enforcement activities, also legislates on the basis of legal authority.

Hungary implemented Directive 1972/2018 / EU (EECC) partially by December 21, 2020 (with Section 16 of the Electronic Communications Act being applicable June 30, 2021). The EECC regulates fix and mobile call termination rates in the whole EU/EEA by a Delegated Act, but the legal framework for formerly regulated markets remains largely unaffected by the EECC.

34.1 Access regulation

Regulated markets are governed by EU Commission's recommendations. Parallel to the EECC, the Commission produced a new recommendation replacing Recommendation 2014/710 / EU: 2020/2245/EU. The new recommendation only covers two markets:

- Wholesale access for mass-market products
- Wholesale high-quality access at a fixed location

National NRA's, nonetheless, have the power to diverge from this recommendation. The former Hungarian regulation designates 4 regulated markets, Magyar Telekom is currently designated as an SMP operator (a service provider with significant market power) on all of these.

M1: With regards the fix networks' regulated interconnection (M1) the NRA published its fifth-round market analysis procedure's resolution on May 15, 2018. The resolution's FTR (fix termination rate) proposal - that is based on a pure BU-LRIC model - is 0.26 HUF/min. The new fee had to be applied symmetrically with an effect from end of the second quarter



of 2018 altogether for 144 operators. Previous regulation of fix origination, also carrier selection and call-by-call obligation was terminated with this last resolution.

The latest MARIO and supplementary interconnection service fees came into force on January 1, 2020.

M2: The Company is designated as an SMP operator (a service provider with significant market power) in the mobile wholesale call termination market and subject to regulatory obligations regarding the termination charge of calls into its network, mobile termination rate (MTR). The last mobile market resolution was published in two folds: one resolution only contains the SMP designation, with the obligations, such as the n MTR of 1.71 HUF/min net cost-based fee remaining untouched, while with regards to obligations, the NRA delivered a separate resolution.

M3: Magyar Telekom is Hungary's leading fixed-line broadband service provider in the wholesale market and one of the leading ones in the retail market. In accordance with the effective resolution, all retail fixed products shall be 'reproducible' by competitors based on the wholesale service. Consequently, the full retail portfolio shall have a wholesale equivalent. Previous regulation defined a retail minus price setting.

The NRA published the latest *resolutions* with regards to markets 3a (M3a) and 3b (M3b) on December 15, 2017. SMP operators are obliged to prepare reference unbundling offer for access to (physical) passive network infrastructure (RUO) and to provide these services when there is a request for them by other telecommunications service providers. The reference offer of each SMP operator must be approved by the NRA. The latest market resolution introduced the geographical segmentation, thus relieving the company of obligations in certain competing settlements. Magyar Telekom was designated as an SMP in both 3a and 3b markets. Service fee calculation for all relevant regulated services – both markets 3a (resolution PC/17915-66/2017.) and 3b (resolution PC/17920-66/2017.) - are with a BU-LRIC+ model. New fees had to be applied as of January 1, 2019.

As a novelty the geographically segmented regulation was implemented with the last resolution. As a result, in those settlements where competition bases, Magyar Telekom's SMP was withdrawn. In the M3a resolution a new service obligation has been introduced, the L2-WAP (Layer 2 Wholesale Access Service) obligation. The NRA has published the latest reference unbundling offer – containing the L2WAP service – through its resolution PC/16593-31/2018. on November 6, 2019. The revised reference offer entered into force on December 1, 2019. The L2-WAP service is to be offered six months after the entry into force of the revised reference offer, i.e. June 1, 2020.

M4: In the high-quality broadband market (M4) the NRA published its resolution (PC/12186-44/2018.) on February 27, 2019. Magyar Telekom has been designated as the SMP for the "Ethernet leased line termination segment service". According to the resolution Magyar Telekom is subject to SMP obligations throughout Hungary, providing high-quality access at a regulated cost-based price.

34.2 Spectrum procedures

In June 2012, the Hungarian Parliament adopted the modification of the Electronic Communications Law extending the scope of competence and tasks of the NRA. Pursuant to the amendment, all spectrum-related issues are dealt with by the NRA.

On December 7, 2004, the Company obtained the spectrum usage right of certain frequency blocks in the 2100 MHz band for the deployment and operation of an IMT2000/UMTS mobile telecommunications system (3G system). The duration of the spectrum license was 15 years (until December 7, 2019) that was extended for another 7.5 years in December 2018 for a one-time fee of HUF 11 billion.

The Company won a tender for a spectrum usage right for a 26 GHz block on April 30, 2009. On May 14, 2012 the NRA granted spectrum license to Magyar Telekom for four pieces of basic spectrum blocks (4 x 2 x 28 MHz each) in the 26 GHz band. Furthermore, Telekom acquired GTS Hungary Ltd's two blocks in the 26 GHz band for HUF 114.6 million HUF net, and has a usage right for it from November 1, 2016. Blocks purchased in 2009 were extended in 2018.

The Company filed an auction bid in December 2011 with the NRA for the right of use of unused spectrum in the 900 MHz frequency band, related to the provision of mobile telecommunications services. The spectrum can be utilized in a technology-neutral manner. The NRA announced its first-instance decision on the result of the 900 MHz auction (Auction) on January 30, 2012. Magyar Telekom won the right of use of two duplex frequency blocks of 1 MHz each for a period of 15 years.

On September 6, 2013 Magyar Telekom and the NRA signed the modification of the Authority Contract on the use of the 900 MHz and 1800 MHz frequency bands. The main stipulations of the modification are the following:



On May 22, 2014, the NRA published the “Documentation for the tender announced in the subject of spectrum licenses for broadband services”. Blocks in 800 MHz / 900 MHz / 1800 MHz / 2600 MHz and 26 GHz frequency bands were auctioned.

On September 29, 2014 the NRA published the tender results so that Magyar Telekom acquired the following frequencies for an aggregate amount of HUF 58,650 million:

- 2 x 10 MHz in 800 MHz
- 2 x 2 MHz in 900 MHz
- 2 x 30 MHz in 2600 MHz
- 2 x 10 MHz in 1800 MHz.

On October 15, 2014 Magyar Telekom and the NRA signed the Authority Contract on the use of the 800MHz, 900 MHz and 1800 MHz frequency bands that came into force right on that day. For the new bands the frequency license and radio permission were issued on October 17, 2014 to Magyar Telekom.

As a result of the last tender Magyar Telekom acquired frequency usage rights in the above listed spectrums till June 15, 2029. The Authority Contract can be extended another five years if all requirements defined in the contract are met.

On July 18, 2019, the NRA published the “Documentation for the auction announced in the subject of spectrum licenses for 5G services”. Blocks in the 700 MHz / 2100 MHz / 2600 MHz and 3600 MHz frequency bands were auctioned.

On March 26, 2020 the NRA published the bidding results of the auction so that Magyar Telekom acquired the following frequencies for HUF 54,240 million:

- 2 x 10 MHz in 700 MHz
- 2 x 10 MHz in 2100 MHz
- 1 x 120 MHz in 3600 MHz.

As a result of the auction Magyar Telekom acquired frequency usage rights in the above-listed spectrums till April 3, 2034. The usage rights can be extended another five years if all requirements defined in the documentation are met.

On October 16, 2020, the NRA published the “Documentation for the auction announced in the subject of spectrum licenses for 900 MHz and 1800 MHz bands”. Usage rights shall be valid for 15 years starting from April 2022 and might be extended another five years if all requirements defined in the documentation are met. Magyar Telekom submitted its participation request on November 10, 2020. Six lots of 2 x 5 MHz blocks were sold in the 900 MHz band, and 12 lots of 2 x 5 MHz blocks were sold in the 1800 MHz band.

Magyar Telekom acquired 2 x 8 MHz in the 900 MHz spectrum band while 2 x 20 MHz in the 1800 MHz spectrum band.

34.3. Universal services

Universal services are basic communications services (including access to communication services at a fixed location, public payphones, directory and directory enquiry services) that should be available to all customers at an affordable price. The NRA published its request for voluntary universal service provisioning on January 19, 2018. MT did not bid on any parts of the universal services, so the NRA designated MT to offer the following universal services from January 1, 2019: public payphones, access on fixed location and for national directory enquiry service. As a result of the procedure MT lost two primary areas to serve (Szekszárd – nr74 and Paks – nr75) and received a new one (Szeged - nr62).

The EECC brings a new framework in universal services as well – MT will likely be able to let go of some of the obscure obligations of the past, while Hungary will have to ensure affordable and available internet access to consumers. This obligation is still to be investigated by the NRA.

34.4. End-user rights

Since June 30, 2007, an EU regulation has been regulating international roaming tariffs for wholesale and retail customers on the basis of a price cap system. The first EU roaming regulation prescribed a glide-path that mandated annual reductions of wholesale and retail prices. (EU Roaming Regulation I.)



As of July 2009, the EU also introduced regulated tariffs for SMS and data roaming similarly to the regulation of voice roaming. (EU Roaming Regulation II.)

As of July 1, 2012, the EU further broadened the European roaming regulation with a new regulatory measure: separate sales of regulated roaming services. As a result, Magyar Telekom had to implement the technical possibility to host an Alternative Roaming Provider in its network and also it allows its own customers to use Local Break-out solutions within the EU offered by a foreign EU member country's mobile operator from July 1, 2014. (EU Roaming Regulation III.)

The actual EU roaming regulation - "Full Roam Like At Home With Fair Use Policy Possibility" - is applied from June 15, 2017. (EU Roaming Regulation IV.). As a result, European retail roaming price levels for voice, SMS and data are equal to domestic prices since summer 2017. The Commission implementing regulation (EU) 2016/2286 of 15 December 2016 laid down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment.


In addition, the Company has implemented, by the required deadline of May 15, 2019, Regulation (EC) No 2018/1971 of the European Parliament and of the Council supported by BEREC and BEREC Office, and according to the modified Regulation (EU) 2015/2120, taking into account the withdrawal decision of regulation 1211/2009/EC regulation, the reduction of charges for international calls and SMSs to member states of the European Union.

The EECC affected all customer relations of MT – we prepared for compliance with serious IT-developments as well as changes in our processes.

35 EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

Budapest, February 23, 2022



Tibor Rékasi
Chief Executive Officer, Board member



Daria Aleksandrovna Dodonova
Chief Financial Officer, Board member



Declaration

We the undersigned declare that

- the attached annual financial statements which have been prepared in accordance with the applicable set of accounting standards and to the best of our knowledge, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Magyar Telekom Plc. and
- the business report gives a fair view of the position, development and performance of Magyar Telekom Plc., together with a description of the principal risks and uncertainties of its business.

Budapest, March 8, 2022

Tibor Rékasi
Chief Executive Officer,
Member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer,
Member of the Board



EGYÜTT. VELED

MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY

BUSINESS REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



INTRODUCTION

The Company's activities are described in Note 34 of the Financial Statements, while the business report provides additional information on the following topics:

- SUMMARY ON 2021 OPERATIONS
- THE COMPANY'S SHARE CAPITAL, VOTING RIGHTS AND TRANSFER OF SHARES
- CORPORATE GOVERNANCE
- SOCIAL COMMITMENTS, LABOR STANDARDS, HUMAN RIGHTS
- COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD, AND MANAGEMENT
- RESEARCH AND DEVELOPMENT
- REAL ESTATE, SITES OF OPERATION
- SUSTAINABILITY
- ENVIRONMENT PROTECTION
- CORPORATE COMPLIANCE
- ECONOMIC ENVIRONMENT AND OUTLOOK
- INTERNAL CONTROLS, RISKS AND UNCERTAINTIES
- ANALYSIS OF FINANCIAL RESULTS FOR 2021
- EVENTS AFTER THE REPORTING PERIOD



SUMMARY ON 2021 OPERATIONS

Since the Company is the parent company of Magyar Telekom Group, therefore the Summary on 2021 operations related to Magyar Telekom Group is presented below.

Financials

Magyar Telekom delivered revenue and EBITDA AL results overperforming the targets communicated for 2021 thanks to the improving operating environment coupled with the successful monetization of our quality networks and appealing service offerings. Group revenue rose by 4.0% year-on-year to HUF 700.1 billion and EBITDA AL reached HUF 216.3 billion representing a 6.7% increase year-on-year.

We recorded a 4.1% rise in our investments in 2021, CAPEX after lease excluding spectrum licenses grew to HUF 109.3 billion, reflecting the further acceleration in network related investments to meet customer demand. As a result of that and some unfavorable changes in working capital development, cash flow excluding spectrum licenses amounted to HUF 56.2 billion in 2021.

Network

In 2021, we continued our flagship investments in Hungary which aim to provide our customers with an outstanding network that they require and appreciate, whether they are at home or on the move.

Thanks to our fiber rollout program and the highest ever annual expansion of over 440 thousand further gigabit capable access points, we were able to provide gigabit speed at more than 3 million access points in Hungary by the end of the year. This translates to over two-thirds of our fixed infrastructure, with over 1 million customers choosing to connect via gigabit technology to our fixed network.

We also proceeded with the comprehensive 3-year mobile radio network modernization project, allowing us to meet the surging mobile data demand as well as to steadily expand 5G coverage, reaching over 10% based on the Hungarian population by the end of 2021.

Magyar Telekom also secured critical spectrum on the 900 and 1800 MHz frequency bands in 2021, a significant milestone which will allow our customers to continue to enjoy superior mobile services and innovative solutions going forward.

Customers

Our efforts to provide outstanding infrastructure are reflected in the continued positive momentum in our customer base: fixed broadband subscriber base expanded by 7% and by now one out of four broadband customers is subscribed to a Gigabit speed. On the mobile side, we recorded the highest data traffic ever, whilst the average monthly mobile data usage per customer rose by over 30% year-on-year, supporting value creation.

Furthermore, the excellent service and tailor-made solutions to our customers, were reflected in the continued increase in customer satisfaction, reflected also in the improvement of Magyar Telekom's TRIM index scores measured among residential and SOHO customers.

Resilience

We also progressed with the implementation of internal efficiency measures, which have in combination with our digitization agenda positioned us well to generate higher profitability and reinforce our resilience to external challenges that may result from our rapidly changing environment.

We received further recognition of these efforts and progress by Scope Rating, which has affirmed our BBB+ issuer credit rating with a stable outlook, and specifically emphasized the Company's strong market position and resilient operational structure.

The results of Magyar Telekom's latest sustainability cycle spanning the 2016-2020 period were presented, detailing our strategy with respect to digital sustainability, climate protection, equal opportunity and diversity. In addition, Magyar Telekom's position as a constituent of the FTSE4Good Index Series was confirmed following an index review, receiving a 99 percentile rank in the telecommunications investment universe.



1 THE COMPANY'S SHARE CAPITAL, VOTING RIGHTS AND TRANSFER OF SHARES

As of December 31, 2021, the share capital of Magyar Telekom Plc. was HUF 104,274,254,300, consisting of 1,042,742,543 Series "A" dematerialized ordinary shares. All Series "A" ordinary shares have a nominal value of HUF 100. Rights and obligations related to Series "A" ordinary shares are described in detail in Section 4 of the Articles of Association (http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents).

Information concerning our ownership structure as of December 31, 2021 is described in the following table:

Shareholder	Number of shares	Percentage of share capital
Deutsche Telekom Europe B.V	617,436,759	59.21
Publicly traded.....	379,528,245	36.40
Treasury shares	45,777,539	4.39
	1,042,742,543	100.00

Deutsche Telekom Europe B.V. owning 61.93% of the Company's voting rights is a member of the Deutsche Telekom Group. The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DT AG).

Deutsche Telekom Europe B.V. does not have different voting rights than our other shareholders and, as with our other shareholders, Deutsche Telekom Europe B.V. is entitled to one vote per each ordinary share that it owns.

1.1 Voting Rights and Voting

The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of the Company. The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in the Articles of Association, which shall require at least a three-quarters majority of the votes cast. There is no limitation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the ordinary shares. There is no limitation of voting rights for ordinary shares in the Articles of Association. The Company has no shares assigned with special management rights.

1.2 Transfer of Shares

For the transfer of dematerialized shares, a contract for transfer or other legal title is required and, in that context, the transferor's securities account shall be debited and the new holder's securities account shall be credited with the transferred dematerialized shares. The holder of dematerialized shares shall be considered the holder of the securities account on which the dematerialized shares are recorded.

The transfer of any Series "A" ordinary shares is not bound to any restriction or attainment of agreement.

2 CORPORATE GOVERNANCE

2.1 Annual General Meeting

The General Meeting has the exclusive right to approve and amend the Articles of Association (section 5.2. (a)) unless otherwise provided by law or the Articles of Association. According to the Articles of Association, the Board of Directors is entitled to make decisions regarding any change in the registered seat, sites, branch offices and – except for the main activity – the scope of activities of the Company and in relation to this, to modify the Articles of Association (section 6.4.(p)).



2.2 Board of Directors

The Board of Directors operates based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors).

The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by the Articles of Association or by the laws. The Board of Directors draws up, at the end of each business year, a report for the General Meeting and quarterly to the Supervisory Board on the management of the Company, the assets of the Company, the financial situation of the Company and the business policy of the Company.

The rules of competence regarding the capital increase and purchase of treasury shares are detailed in Sections 5.2 (b) and (p) as well as 6.4. (l) and (m) of the Articles of Association. The Board of Directors¹ with its Resolution No. 2/5 (04.16.2021) adopted an authorization to purchase Magyar Telekom ordinary shares for 18 months starting from the date of approval of the resolution. The relevant resolution is available on the General Meetings section of the Company's website.

Pursuant to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of eleven members elected by the General Meeting for a term of three years, unless otherwise provided by the General Meeting. On December 31, 2021, there were eight members of the Board of Directors.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of at least the majority of the members for a quorum. Each member of the Board of Directors has one vote. The Board of Directors passes resolutions by a simple majority vote.

On December 31, 2021, members of the Board of Directors, their principal occupation and the years of their original election were as follows:

Name	Born	Principal Occupation	Member since
Dr. Robert Hauber.....	1971	Senior Vice President Finance & Performance Management Europe, DT AG, Chairperson of the Board of Directors of Magyar Telekom Plc.	2017
Daria Aleksandrovna Dodonova	1976	Chief Financial Officer of Magyar Telekom Plc.	2020
Gábor Fekete.....	1950	Consultant	2020
Ralf Nejedl.....	1970	Senior Vice President B2B Europe, Deutsche Telekom AG	2016
Frank Odzuck.....	1959	Chief Executive Officer of Zwack Unicum Plc.	2006
Péter Ratatics.....	1982	Chief Operating Officer of MOL	2019
Tibor Rékasi.....	1973	Chief Executive Officer of Magyar Telekom Plc.	2018
Éva Somorjai-Tamássy.....	1966	Senior Vice President Special Transformation Projects Europe, Deutsche Telekom AG	2019

The members' assignment lasts until May 31, 2022.

¹ Based on Government Decree no. 502/2020. (XI. 16.) the Board of Directors of the Company decided in the matters set on the published agenda of the Annual General Meeting.

2.3 Management

As part of the corporate governance simplification initiative, the Board of Directors of Magyar Telekom resolved to cease the activity of the Management Committee established in 2000 as a formal corporate decision-making body with effect from January 1, 2020. The tasks and responsibilities of the Management Committee have been re-allocated to the Chief Officers and to the Board of Directors of the Company. As a result of this change, the Management Committee transformed into an agile „Leadership Squad”.

On December 31, 2021, the members of the Management and the years of their original election were as follows:

Name	Born	Current position	Member since
Tibor Rékasi.....	1973	Chief Executive Officer of Magyar Telekom Plc.	2013
Daria Aleksandrovna Dodonova.....	1976	Chief Financial Officer	2020
Melinda Szabó.....	1971	Chief Commercial Officer	2018
Zsuzsanna Friedl.....	1977	Chief People Officer	2017
Gábor Gonda.....	1976	Chief Commercial Officer Enterprise, Chief Executive Officer of T-Systems Hungary Ltd.	2020
Lubor Zlatko.....	1974	Chief Technology and IT Officer	2019

2.4 Supervisory Board

The Supervisory Board carries out its activities based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board).

The Supervisory Board shall examine all submissions to be submitted to the General Meeting and present its opinion thereof at the General Meeting. The General Meeting may pass a resolution on a report pursuant to the Accounting Act and the use of the profit after income tax only upon receipt of the written report of the Supervisory Board. The Supervisory Board makes a proposal directly to the General Meeting regarding the election, remuneration and removal of the Statutory Auditor.

Pursuant to the Company’s Articles of Association, the Supervisory Board consists of five members (three independent members and two employee representatives) elected by the General Meeting for a term of three years, unless otherwise provided by the General Meeting. The employee representatives in the Supervisory Board shall be nominated by the Central Workers’ Council. Meetings of the Supervisory Board have a quorum if two-thirds of the elected members but at least three members are present.

On December 31, 2021, the members of the Supervisory Board, their principal occupation and the years of their original election were as follows:

Name	Born	Principal Occupation	Member since
Prof. Dr. Attila Borbély.....	1951	Professor Emeritus of University of Debrecen, Faculty of Economics and Business, Chairperson of the Supervisory Board of Magyar Telekom Plc.	2020
Krisztina Dorogházi.....	1972	Senior Vice President Chief Accounting Officer and Controller, TechnipFMC	2020
Tamás Lichnovszky.....	1962	Expert, People Unit, Magyar Telekom Plc.	2010
András Szakonyi.....	1973	Senior Vice President - Europe, Middle East and Africa, Iron Mountain	2020
Zsoltné Varga.....	1969	Chairwoman of the Central Functions Workers Council, Magyar Telekom Plc.	2008

The members’ assignment lasts until May 31, 2022.



2.5 Audit Committee

The Audit Committee operates based on its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee).

The members of the Audit Committee have been elected by the General Meeting from the independent members of the Supervisory Board for the same period as their membership in the Supervisory Board.

On December 31, 2021, the members of the Audit Committee were as follows:

- Prof. Dr. Attila Borbély
- Krisztina Dorogházi
- András Szakonyi

2.6 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is established by the Board of Directors of the Company to support the Board of Directors of the Company regarding the remuneration and certain nomination related issues of the members of the corporate bodies and the top executives of the Company in accordance with its Rules of Procedure (https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation).

The Remuneration and Nomination Committee, among others, makes recommendations to the Board of Directors on the establishment and/or termination of employment, and the modification of the employment contract of the Chief Executive Officer and the Chief Officers, and defines the remuneration of the Chief Executive Officer and the Chief Officers of the Company.

The Remuneration and Nomination Committee consists of three members. The members are elected by the Board of Directors from among its members. The Remuneration and Nomination Committee holds at least two meetings each year.

On December 31, 2021, the members of the Remuneration and Nomination Committee were as follows:

- Dr. Robert Hauber
- Ralf Nejedl
- Frank Odzuck

2.7 Corporate Governance and Management Report

Magyar Telekom Plc. is a public limited company listed on the Budapest Stock Exchange. In 2004, the Budapest Stock Exchange issued its Corporate Governance Recommendations (the Recommendations) containing recommendations related to the corporate governance practice of companies listed on the Budapest Stock Exchange, taking account of the most commonly used international principles, of experiences gathered in Hungary, and of the characteristics of the Hungarian market as well as the Companies Act. The Recommendations were updated in 2007, 2008, 2012, 2018 and in 2021. The Recommendations effective from time to time is available at the website of the Budapest Stock Exchange:

<https://bse.hu/Issuers/corporate-governance-recommendations/Corporate-Governance-Recommendations>

In line with the current regulations, the Board of Directors of Magyar Telekom approved the Corporate Governance and Management Report of the Company (report) prepared in accordance with the Corporate Governance Recommendations and submitted it to the General Meeting. The report – along with other corporate governance related documents - is published in the Corporate Governance section of the website of the Company:

http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents

Companies listed on the stock exchange are required to express their views on their corporate governance practices in two ways. In the first part of the report they have to give account of the corporate governance practices applied by their company in the given business year, including their corporate governance policy, and a description of any unusual circumstances. In the second part of the report, the issuers should give an account on their compliance with each point of the Recommendations in accordance with the "comply or explain" principle, including any reasons for derogating from a

specific recommendation and/or proposal. When an issuer does not apply a recommendation or applies it in a different way, they should explain where the differences are and offer a reason for such derogation ('comply or explain' principle). This method allows issuers to consider their unique, industry-specific etc. idiosyncrasies and to inform shareholders and market players about their derogations from general corporate governance principles and to provide an explanation. Operating on the same principle, issuers can also explain any derogations from the proposals.

Sections 1 to 5 of the above report include the description and operation of the Board of Directors, the Supervisory Board, the relevant committees and executive management. Section 6 of the report includes a description of the internal controls and risk management procedures, while Section 8 of the report describes the disclosure policies and insider trading guidelines. In Sections 9 to 10 the method of exercising shareholders' right and the rules on conducting the General Meeting is summarized, while Section 11 contains the Remuneration Policy. The Company complies with the vast majority of the 72 recommendations and proposals, however in the business year of 2021 in case of 1 proposal it has not or not completely complied with due to the organizational structure or processes of the Company.

In 2021, the Magyar Telekom's disclosure processes were evaluated in the ICS (Internal Control System) by the relevant organizational units and were tested by the internal audit area. The disclosure controls and procedures of Magyar Telekom were effective and designed to ensure a proper basis for the timely and accurate disclosures to the market participants required under the respective accounting, capital markets and company law regulations.

3 SOCIAL COMMITMENTS, LABOR STANDARDS, HUMAN RIGHTS

Some of the key challenges of the sustainability strategy come from the area of human resources management. That is why human resources management has a crucial part in the achievement of our sustainability targets. Our vision is to operate in a corporate environment that is livable, likeable and successful. This set of values strengthens the commitment and satisfaction of our employees and is also attractive on the job market.

3.1 People focus

The business strategy of Magyar Telekom is centered around the realization of a digital business model that is based on utilizing new technologies in service of consumer relationship management in order to build trust and drive value creation. To achieve this goal, the human resources organization has been transformed to an even more efficient, agile, customer-focused People Unit in support of the corporate business strategy. In 2021 we added the following targets to our existing strategic priorities: rapid and safe management of the challenges posed by the pandemic, protection of the health of our employees and customers, and adjusting to the changes in the way we work and our working environment. Magyar Telekom adapted its measures to the pandemic situation i.e. ordering general home office for every position that allows working remotely, offered PCR testing, reduction of working hours on vaccination days, providing safety masks and regular disinfection on all company sites and stores.

Key objectives and key results of people services in 2021:

Enhance digital employee experience

We continued to further develop and simplify our employee mobile application (MagentApp) introducing a new backend platform and making login authentication easier. As a result, the number of regular users increased. delivering further IT system and process developments on a quarterly basis resulted in additional improvement of employee and manager related UX/process/device experience. Along this process a new ATC (Applicant Tracking System) got introduced and our employee self-service platform Reflex got upgraded and renewed. Next to these developments we have introduced further IT tools that supports people managers in total workforce management planning and modelling.

Healthy and Happy

The company group considers the health and wellbeing of its employees paramount to sustainable and successful operations. There has been an increased effort in monitoring and safeguarding the health of employees throughout the pandemic. We have introduced all necessary measures to minimize the risk of infection and further our related initiatives, actions and available services relying on employee feedback we receive through the quarterly wellbeing pulse survey.

The pandemic has changed the way we work in the office and from home. As a result, the company has continued to draw on conclusions and prepare for a resilient way of work by rolling out a methodology for a hybrid way of work in all roles that allow such flexibility. In these cases, employees can independently design and decide on the proportion and frequency of their office and home-based work.



Energized workforce is key to business success. We rely on ourselves and each other to maintain our physical, mental and emotional wellbeing and we cooperate as partners. Thus, the company invests in communicating regularly and openly about the importance of maintaining a healthy life balance, and a sustainable and healthy way of life. Employees could attend free health screenings of their choice and company offered regular health and wellbeing expert webinars. We also continue to offer employee health and life insurance and have introduced an Employee Assistance Program (EAP) offering 3 hours of free counseling per individual life crisis or pressing issue from legal and financial, to family management or health related issues.

Learning is cool, growing is value

In accordance with employee feedback Telekom witnessed and expansion in the growing and development portfolio offered to employees in 2021. As an employer Telekom grants dedicated L&D time for employees who are being supported by a rich variety of development courses through a single digital gateway platform. Nearly all development courses are being conducted online, considering efficient outreach and engagement opportunities in times of pandemic. The development opportunities are being designed to meet the criteria detected and suggested along the employee competence development evaluation feedback sessions. We continue to offer a renewed portfolio of online learning materials, our coachbank and mentoring, online best practice sharing sessions all of which are also available for parental leavers throughout their leaves.

+1 Tackling issues caused by COVID-19 pandemic

Continuing with its purpose in 2021 the Magenta Alliance Foundation supports employees facing financial insecurities due to the pandemic crisis. The Foundation is open for applications and accepts donations from all Magyar Telekom and T-Systems employees. By the end of 2021, more than HUF 18 million in donations had been granted to more than 200 employees and their families.

In addition to the above, the following people management perspectives continued to be emphasized in 2021:

Employer brand building – we create a livable and likeable workplace, which is satisfactory for our employees and offers an attractive perspective in the labor market through its future oriented methods of work. We put greater emphasis on using social media solutions in building the brand.

Recruitment-selection – We use segment-based online recruitment channels and means to select the best candidate for the specific positions. During the selection process, we seek the inclusive attitude and personal traits defined as requirements for future Telekom employees.

Remuneration – We have a transparent, simpler and consistent job grading model, which reflects primarily the respective values of jobs, and provides for market comparison, as a basis for a competitive remuneration policy.

3.1.1 Headcount

The following table provides information on the number of employees, including full-time equivalents, of Magyar Telekom Plc.:

	2020	2021
Magyar Telekom Plc.	5,149	4,947

3.2 Policies

3.2.1 Policies and agreements

Code of Conduct

[Microsoft Word - 426-M1_eng_7_0.doc_új \(telekom.hu\)](#)

The Code of Conduct provides the framework of orientation for all employees of Deutsche Telekom Group and Magyar Telekom Group. Additionally, it applies to people to who are viewed as equivalent to employees in functional terms, e. g. to temporary agency employees. It combines the joint requirement of compliance with legal obligations and acting with integrity and thus ensures that Deutsche Telekom and Magyar Telekom remain transparent and traceable enterprises for everybody. Deutsche Telekom and Magyar Telekom expect their suppliers and consultants to comply with the rules of



behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Code of Human Rights and Social Principles

<https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf>

The Code of Human Rights and Social Principles as well as the company groups Equal Opportunities Plan in force defines the groups general human rights principles and the provisions for the implementation of these principles. Decision makers of Magyar Telekom Group are aware that employee diversity is the prerequisite of sustainable and equitable operations enhancing business efficiency and contributing to competitive advantage.

Group Diversity, Equity and Inclusion Policy

[CSOPORT POLITIKA A SOKSZÍNŰSÉGRŐL, AZ ESÉLYEGYENLŐSÉGRŐL ÉS A BEFOGADÁSRÓL \(telekom.hu\)](#)

As part of the Deutsche Telekom Group, Magyar Telekom Group has renewed its Diversity, Equity and Inclusion (DE&I) Policy in December 2021. The renewed policy defines our global understanding of what characterizes the approach to diversity, equity and inclusion in our interactions with employees. It aims to ensure a consistent work experience, learning and development for every member of the company group, strengthening the sense of belonging and involvement. The framework of the renewed policy details and clarifies our understanding of DE&I through a set of key elements and covers aspects of the work-life cycle that are relevant to the company culture. It addresses social and business responsibility in providing an equitable and inclusive workplace locally within its global framework but respecting local legislation of diverse cultures and local needs.

Group Policy on Employee Relations

[Telekom_Group_policy_on_employee_relations.pdf](#)

The opening up of markets, digitalization and globalization have led to an increasingly knowledge-based working world. New forms of networking are changing communication, public impact, reputation and compliance challenges and other key elements of company management. Thus, we realized a need to renew our definition of how we understand the shared characteristics of our employee relations to ensure consistent working experience for every employee. As part of the Deutsche Telekom Group, Magyar Telekom Group has renewed its Group Policy on Employee Relations in December 2021. It specifies the key elements of our people policy and describes what we stand for in our relationships with employees, that are characterized by our shared values and derive from a set of values as well as from other group policies. The policy covers all aspects of work life that are relevant to industrial relations and informed by sustainability as a key driver.

Suppliers' Compliance: Magyar Telekom Group is committed to respect and protect human rights and it expects its suppliers to comply with these rules of behavior. Prior to becoming authorized suppliers of Magyar Telekom and T-Systems our suppliers must register their enterprises at our vendors' registration site.

https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/registration_vendor.vm

As an obligatory part of the registration process vendors are obliged to understand and accept our Suppliers Code of Conduct that among other policies, entails our Code of Conduct, Social Charter and Diversity Policy. Our suppliers must understand and accept these policies and obligatory frameworks for their behaviors as well.

Equal Opportunities Plan

[Telekom_Equal_opportunities_plan.pdf](#)

Anti-discrimination and the safeguarding of equal opportunities is a key priority to Magyar Telekom Group. According to the act CXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities, and the corporate protocol in place since 2010 Magyar Telekom Group has accepted its 5th Equal Opportunities Plan in order to secure the practices of equal treatment, the advancement of equal opportunities and the monitoring an improvement of the labor positions of particular disadvantaged employee groups. The Equal Opportunities plan currently in force is valid between 2021 and 2025 and has been developed in close cooperation with the employee representative bodies.

The Diversity Charter of the European Union – Hungary has joined the Diversity Charter of the European Union in 2016 and, among 50 signatory companies Magyar Telekom has also underscored its dedication to safeguard diversity as a



fundamental value. Magyar Telekom has been among the signatory companies in the forthcoming years as well as in 2021.

UN Guiding Principles on Business and Human Rights – According to the dedication of Magyar Telekom Group to safeguard and protect human rights along its operations as stated in the UN Guiding Principles of Business and Human Rights, the company considers the rights and guidelines stated in the Universal Declaration of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights at Work to be mandatory in its own practices.

UN Human Rights Treaties ratified by Hungary – Magyar Telekom Group as a corporation legally registered in Hungary is carrying out its entire operations and business practices in full accordance with the nationally ratified UN Human Rights Treaties.

http://tbinternet.ohchr.org/_layouts/TreatyBodyExternal/Treaty.aspx?CountryID=77&Lang=EN

3.2.2 Monitoring and auditing practices

The group-level coordination of corporate sustainability operations that also incorporate labor standards, social issues and the protection of human rights is being coordinated under the auspices of the Sustainability Committee (SC) from 2021 (previously: Group Sustainability Coordination Council) on the levels of strategy development, governance and operative execution.

The SC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders. According to the directive, the SC meets regularly, at least quarterly, to coordinate company and group sustainability tasks effectively, with decisions taken by SC members through voting. The SC provides regular reports and presentations to the Chief Executive Officer (CEO) and the Chief People Officer, on the basis of which they set the main direction of the Magyar Telekom Group's sustainability activities and make decisions in related topics, with the input of the members of the Leadership Squad. The operations of the SC are being detailed in the Corporate Governance section of the annual Sustainability Report.

Magyar Telekom Group's Code of Conduct covers the requirements of corporate compliance and states our collective set of values, and thus stands as an affirmation of Magyar Telekom's strong reputation, solid position and future success. The Code of Conduct applies to all board members of Magyar Telekom Group from employees to managing directors, executives and board members. Furthermore, Magyar Telekom Group expects its suppliers and consultants to comply with the rules of behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. The Compliance Program involves the Group Compliance Manager and compliance representatives of particular functional areas of operation, who are working together as members of the Group Compliance Committee. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations.

External audits could be conducted as part of the control process carried out by the Hungarian Labor Inspectorate. The Inspectorate has the right to issue such an auditing process in case of public complaints or issued requests. The Inspectorate also provides counseling to the corporations in support of legal compliance.

3.3 Results of Policies

3.3.1 Diversity and Equal Opportunities

As one of the largest employers in the Hungarian ICT sector we believe that diversity contributes to the success of businesses and all kinds of organizations to a large extent. This value is also at the core when it comes to the increase of creativity and innovation, to the involvement of new partners, experts and clients, to the quick adaptation to changes and most of all, to the compliance with the legal obligations of non-discrimination in all corporate operations.

Magyar Telekom and the employee representative bodies have accepted the 5th Equal Opportunities Plan of Magyar Telekom Group for the period 2021-2025. The corporate Equal Opportunities Plan addresses actions and procedures to improve the labor conditions and career perspectives of vulnerable employee groups such as women, employees with families, employees on child-care leave, employees living with disabilities, recent graduates and 50+ employees. The



corporate diversity and inclusion expert and the employee representatives discuss the conducts and results of the action plan annually. Several employee surveys contribute to the development and the adjustment of the actions each year, allowing the rollout of the equal opportunities plan to adapt to employee needs.

The principles of justice and equal treatment of Magyar Telekom are being defined by our Code of Conduct. Ways of non-typical employment such as Telework, flexible working hours, part-time work, employment of people living with disabilities allow the company to realize the principle of equal treatment in practice. These measures are further assisted by several measures implemented in corporate day-to-day operations, such as the large office spaces that are designed to support Teleworking in the new headquarters of Magyar Telekom. The success of the process of dealing with the pandemic in 2020 was largely determined by Telekom's long-standing telework culture and the stable availability of work tools for digital work. In 2020 and 2021, due to the pandemic situation, 100% teleworking of the entire call center area also took place.

In accordance with Hungarian labor legislations we provide our employees with extra days off after their children, and after blood donation. In case of more than 40% health damage we provide our employees with extra five days off annually for rehabilitation. On top of these we also credit the voluntary work of our employees by providing days off, the proportion of which is strictly regulated in internal directives.

One of the key objectives of the new group level corporate sustainability strategy 2021-2030 among climate protection and digital inclusion is the improvement of diversity and inclusion experience on both customer and employee side. It was launched in 2021 and is in effect until the end of 2030. The details of the Sustainability strategy 2021-2030 are going to be presented in detail in the Sustainability report being published in first half of 2022.

In 2021 the company continued with practices securing equal opportunities for all employee groups. Following the process developed in 2020 we continued to monitor our gender pay gap along 9 indicators identifying multilayered action plan to tackle the detected inequalities and further reduce the overall gap between male and female general workforce. In 2021 we have joined the „One step closer” initiative of Amnesty International with our commitment to reduce our gender wage gap by at least one percent annually.

In the first half of 2021 we have launched our B@ck to Work Café online workshop sessions to our colleagues on parental leave, we managed to reopen our on-campus childcare facility in the summer and fall school holiday season thus supporting parents in the difficult family management periods. Before the Christmas holidays all of our parent colleagues raising children between the ages of 3-10 were gifted with our very own children's book (My Mummy/Daddy Works at Telekom). The storybook offers a playful introduction to the magical world of telecommunication for the preschool and elementary school aged children and offers examples on how to develop family rules for conscious screen time and internet use.

3.3.2 Anti-discrimination and labor-market integration actions

As an employer, Magyar Telekom has issued the following actions in 2021 to improve the conditions of the employee groups marked in the 2021–2025 Equal Opportunities plan.

As a mentor company Telekom supports roma workforce integration programs Integrom and HRom to contribute to the equal labor market opportunities. The program participants are being supported with job application counselling, job interview-practices, CV writing and editing skill practices. Our inclusive recruitment practices include dedicated recruiter tracking support for program participants throughout their application process, providing detailed evaluation and feedback, and company mentoring upon request. Starting from the fall of 2021 Telekom joined the HBLF Romaster initiative supporting two talented roma students for 4 years with scholarship funding and mentoring.

For the first time in the history of the company group the LGBTQ & allies employee group of Magyar Telekom, T-Systems Hungary and Deutsche Telekom IT Solutions Hungary have attended the Budapest Pride March. We have continued to work on and improve our LGBTQ inclusive workplace initiatives as well.

The Gold Class of the Disability-Friendly Workplace award was granted in 2020 but we were only able to receive it on a formal awarding ceremony in 2021. The award is being granted by the Salva Vita Foundation, the American Chamber of Commerce, the Association of Excellence Public Benefit Association, and the Hungarian Ministry of Human Capacities. Following up on manager-nominations four Telekom employees with disabilities were awarded with DFW Role-Model awards and our diversity and inclusion expert was awarded with a DFW Disability Ally award. In order to secure the equal opportunities of our current and future colleagues living with disabilities, we are using a special module on our online job-application site (<http://www.telekom.hu/rolunk/karrier>) since 2010, where our applicants are encouraged to state any



accessibility requests they might have in order to attend the selection process. Apart from workplace accessibility we support the workplace integration and enablement of our entrants and their welcoming teams by education materials with modules for basic attitudes and inclusive behavior with colleagues with visual or hearing impairments, colleagues facing physical or mental difficulties to work independently within the team. We also provide workshops on demand.

3.3.3 Respect of Human Rights, actions against child labor and all kinds of forced labor

As disclosed in the Code of Human Rights and Social Principles the company rejects child labor and all kinds of forced or compulsory labor and fights against all kinds of human trafficking and modern-day slavery by all means at its disposal. As the parent company of Magyar Telekom Deutsche Telekom Group is responsible for supply chain compliance auditing and management on a global level. More detailed information about the methodology and results of the global supply chain management at <https://www.telekom.com/en/corporate-responsibility/assume-responsibility/assume-responsibility/supply-chain-management-355304>

New employees of Magyar Telekom Group as part of their orientation process in their first two months receive compulsory education about the company principles, guidelines and practices concerning social issues, labor standards and human rights. All employees must understand and accept these guidelines as the fundamentals of their own professional behavior and operations and they are also obliged to complete the Telekom unconscious bias e-Learning course during the onboarding period.

In line with the Code of Human Rights and Social Principles, all Magyar Telekom Group employees and all partners closely related to our brand representation attended trainings regarding human rights. From the end of 2018 the training is part of the compulsory trainings of Magyar Telekom.

Moreover, the company is aware of the fact that there could be situations in which it is harder to tell appropriate from inappropriate. In order to assist employees in making the right choices in these situations, the company offers secure internal whistleblower channels, operated by the Corporate Compliance Department. "Kérdezz!" ("Ask me!") advice portal has been set up to help resolve uncertainties as far as compliance-relevant behavior is concerned. Serious misconduct must be announced for prevention purposes and for appropriate sanctions. For this reason, the "Tell me!" whistleblower portal has been established. The main principles and the detailed description of the internal inspection process is detailed in employee directives available on all employees on the shared intranet platform. Throughout the inspection process the whistleblowers' anonymity, personal and data privacy are guaranteed and handled with utmost discretion.

3.3.4 Relationship of management and employees

At present two unions (Telecommunications Trade Union (TÁVSZAK) and T-Net Trade Union) and workers' council operate at Magyar Telekom, communication with them runs on two levels. Central decisions concerning the whole Company, when the employee representation bodies need to be consulted, are deliberated with the Central Workers Council and the representatives delegated by the trade unions, either in the frame of joint consultation (Interest Reconciliation Council), or separately, depending on the nature of the matter discussed. Central communication is managed both verbally (negotiation) and in writing. The Chief People Officer and the accredited HR business partner are responsible for central level communication with the employee representation bodies. Interest enforcement issues concerning a given governance area are also discussed locally with the representatives of the trade unions and the local workers' council. The HR Business Partners of the governance area are responsible for communication with the local employee representation bodies.

Trade union and the workers' council (Central Workers Council) must be consulted and their opinion solicited on significant decisions resulting in organizational changes or changes affecting a large group of employees. In organization restructuring decisions the collective bargaining bodies have 7 days to submit their comments, in other cases 15 days. The measure in question may not be implemented during this 15-day period. Trade unions and workers' councils (Central Workers Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.

Under the Act V of 2013 on the Civil Code one third of the Supervisory Board shall consist of employee representatives. The employee representatives in the Supervisory Board are nominated by the Central Workers' Council considering the opinion of the trade unions operating at the Company. Persons nominated by the Central Workers' Council shall be elected by the General Meeting to the member of the Supervisory Board, except if disqualifications exist in respect of the nominated persons. On December 31, 2021, there were two members of the Supervisory Board were employee representatives. These members were Tamás Lichnovszky and Zsoltné Varga.



3.3.5 Freedom of organization and collective bargaining

Magyar Telekom Group acknowledges the basic rights to freedom of organization and collective agreement in its Social Charter. In line with an openness and trust that relies on a constructive social dialogue, Magyar Telekom Group declares its support to cooperation with the legitimate representatives of the employees in order to establish a balance of interests.

The Social Charter together with the long history of mutual respect and cooperation of the management and employee representative councils are the guarantees that these rights are being fully and thoroughly respected. 100% of the employment contracts of Magyar Telekom Group employees operating in Hungary fall under collective bargaining agreements developed with the Hungarian Telecommunications Trade Unions (Távközlési Szakszervezet, TÁVSZAK and Magyar Távközlési Ágazati Szakszervezet, MATÁSZ). The agreement, which can be terminated by either party with three months' notice, applies to all Magyar Telekom Plc. employees except the CEO, regardless of their union membership status. Wage terms in the collective bargaining agreement must be renegotiated annually. If the employment is terminated due to reasons related to the employer's operation, employees are entitled to a specific amount of severance pay surplus, which depends on the tenure of the employee.

In addition to the collective bargaining agreement, employees of our Hungarian operations are generally covered by the Act I of 2012 on the Labor Code, which imposes various restrictions on the involuntary termination of employment. The Labor Code protects employee interests through two different labor organizations: the Trade Union and the Workers' Council.

The Trade Union, as the official representative of employee interests in negotiations relating to the terms of employment, has the right to be informed of all corporate measures that may significantly affect the interests of employees and to commence legal action against the Company for employment-related conduct that infringes an employment rule. In addition, the Workers' Council directly represents employee interests in dealings with management and decides jointly with management on matters involving employee welfare funds and institutions. The Workers' Council must be informed semi-annually on issues affecting our economic performance and changes in wages, employment conditions and working hours. The Workers' Council must also be consulted on corporate measures affecting employees.

We believe that our relations with our employees are good. We have not experienced any labor strikes or disruptions since our formation.

3.3.6 Workforce Reduction and Redeployment

Magyar Telekom – in order to ensure the resources related to the Company's strategic objectives - has reached an agreement with the trade unions in 2021 on headcount reduction and wage increase measures for 2022.

According to the terms of the agreement, there was no company-initiated downsizing, nevertheless the company did offer an opportunity for the employees to leave in a voluntary program. Majority of employees that entered the program left the company by November 1, 2021. The company provides active job search, labor market training and one-on-one counselling to the colleagues laid off, in the framework of Program Chance, which has proven its success in the past years, and trusts that the above support these highly-trained employees of up-to-date professional expertise in finding employment elsewhere as soon as possible.

It is planned to reinvest a significant proportion of the expected employee cost savings in resources related to the Company's strategic objectives.

3.3.7 Benefit Programs

Magyar Telekom's welfare and social benefits constitute an exceedingly wide-ranging pool. A part of them is granted to every employee, while others are available on certain conditions or are of an insurance nature. In case of certain benefits, employee's individual contribution is a prerequisite of the employer's contribution. The way social benefits and discretionary benefits are granted is set out in the Collective Agreement and related regulations.

We provide employees with telecommunication allowances, fringe benefits life and health insurance benefits and health screening packages.



3.4 Risk management

3.4.1 Providing educational and professional background

The educational pillar of Magyar Telekom's Sustainability Strategy aims to improve the digital competencies of the clients and the wider public. It also aims to contribute to the development of industrial succession knowing that a potential throwback in the amount of available highly qualified professionals in the industry could mean a serious risk to maintaining, improvement and development of the quality of our services. In order to secure the highest quality service to our clients we need work with the best professionals. To be able to have them a competitive industrial educational background is necessary.

Upon the initiative and by funding of T-Labs (Telekom Innovation Laboratories, Berlin) the faculty Data Science and Engineering began to operate at Eötvös Loránd University from September 2016 as the first pillar of the EU Labs researcher network. The role of Magyar Telekom is in the support of the teaching and research capacities.

Our colleagues are in close relationship with several higher education institutes and we help the universities with consultancy for writing theses, expert education and giving lectures.

We have signed a strategic partnership with the Budapest Technology EC Puskás Tivadar Technical School for Telecommunications and IT, the Miskolc EC Kandó Kálmán Technical School for IT Technology and the Székesfehérvár EC Technical School. The aim of the partnership is to offer professional support in keeping the curriculum up-to-date with the latest technological realities of the industry and help our partner institutions in promoting telecommunication related careers. In addition to these we also offer student work opportunities for students of these education centers. We have given several career orientation lectures in the fall of 2021, along which the students could gain an in-depth insight in the everyday challenges and opportunities of present day telecommunications. We have also signed a partnership with Szent István University, in order to offer the training practice pillar of the electric engineer dual major. 2021 December also witnessed the formation of the "Deutsche Telekom Group remote IT Faculty" at Óbuda University which is the joint education platform of Deutsche Telekom IT Solutions, T-Systems Hungary and Magyar Telekom.

90% of the first Kickstart-class, 18 trainees have continued to work in junior positions at Magyar Telekom following their trainee year. In 2021 22 senior year university students joined Magyar Telekom as the second generation of Kickstart trainees. During the one-year program, the trainees received professional, soft-skill and design thinking trainings. Kickstart trainees who work in a variety of areas throughout the company gather up for a half term agile project assignment strengthening their ability to work in a cross-functional team. The joint project task is based on real business needs, thus strengthening the importance of the program in parallel with the development of MT.

Launched in March 2020, MagentaKraft helps young visionaries with trainings and events on their journey to develop their inventions and projects. The KraftRoad program supports young talents with workshops and events in the development, elaboration and improvement of their innovation projects. In 2021 Telekom Kraft was home to 9 innovation projects. Apart from individual projects the participants can also join Telekom in contributing to selected projects and thus gaining professional training. As an example of such collaboration, one of the Krafters designed the wall-art in one of our stores and later became one of the graphic designers of Telekom. Other examples include representation of talented young video artists and directors in the Kraft video series. We have opened the KraftLab in Debrecen in September 2021, where all the technology and the lab space is given for the Krafters from video-studios, to podcast studios and robotic limbs.

3.4.2 Employee expectations and equal opportunities

The pillars of our People Focus are based on the aim to meet the needs of our employees, and to live up to the challenges of maintaining our company status as a highly competitive and future oriented employer. Our employees require security, stability, opportunities for advancement and competitive compensations. Magyar Telekom, as a company committed to provide equal opportunities to its employees, finds it especially important to harmonize wages and to terminate unjust wage gaps. Our tiered wage system, built on Hay methodology, serves the above purpose. Our remuneration system is fully transparent thus our base wage tables and the relevant policies are available for all employees. In addition, we have renewed our internal position system in 2021 to become a more transparent and simple organization. The dimensions of the position system are being developed at the intersections of the Hay-system and the competence-based position levels of our agile organizations. We pay extraordinary attention not to differ unreasonably the wages of the employees performing the same tasks and that the wage differences between the employees reflect real work differences. As a responsible company, we are aware of the social phenomenon of the gender pay gap and are committed to eliminating its root causes within our own business environment. Since July 2020, we conduct regular and complex gender pay gap



analysis, during which we define our equal opportunities action plan to reduce the possibilities of inequalities such as the 'motherhood penalty' and the female career gap.

As an employer dedicated to diversity as a core value, Magyar Telekom finds it important to raise the amount of women in leadership positions. One of the key objectives of the Diversity pillar of our Sustainability strategy is to reach at least 35% of female leadership by 2025. From May 2020, for the first time in the company's history, we have achieved a balanced 50% gender ratio in our senior management which we continued to maintain in 2021. The proportion of female leadership in the overall management was 25.85%.

Magyar Telekom considers stress, overload and burnout related risk-reduction as its priority duty in relation to its employees. In order to take charge of these risks by securing an empowering environment to develop and maintain a healthy lifestyle, employees are also provided with coaching and training opportunities and the availability of the Employee Assistance Program all of which help in maintaining a sustainable life balance. Efficient work-life balance of employees with families is further supported by our child-friendly offices and the available, tax-free nursery and/or kindergarten support that could be selected from our cafeteria benefit scheme, thus contributing to the reduction of expenses. Taking notice of the special conditions of employees (ex. illness or the longer-term domestic care of a relative) a longer period of unpaid leave is also available. In the changed situation caused by the pandemic, we also supported the physical and mental health of our employees by providing online gym exercise sessions and coaching opportunities.

3.5 Performance indicators

Non-typical employment at Magyar Telekom Group

- No. of Part-time employees in 2021: 123
- No. of Flexi-time employees in 2021: 1,202
- No. of Teleworking employees in 2021: 3,909

More women in leadership positions at Magyar Telekom Plc.

- Percentage of women in overall workforce: 35.5%
- Percentage of women in senior management: 25.85%
- Percentage of women in Leadership Squad: 50%

Volunteer work benefits at Magyar Telekom Group

- No. of volunteer working hours (blood donation): 3,290
- No. of volunteer employees (blood donation): 183

4 COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD, AND MANAGEMENT

The aggregate compensation of the members of the Board of Directors in their capacity as Board members was HUF 22 million in 2021.

The aggregate compensation of the members of the Supervisory Board in their capacity as Supervisory Board members was HUF 37 million in 2021.

The total compensation expenses (including social security and other payroll-related taxes as well as contractual termination expenses) of the members of the Leadership Squad (LS) was HUF 1,329 million in 2021.

On December 31, 2021, four members of the LS have an employment contract with indefinite and two members with definite duration. The notice period is two months for three of the indefinite contracts, and three months for one. The severance payment usually is in accordance with the Labor Code and the Collective Agreement, for the contracts the severance payment is usually between 3 and 16 months.

In addition to the above, the affected persons are bound by the non-compete clause, under which the employee is barred from entering into employment with any Hungarian or international competitor of Magyar Telekom and is required to refrain from providing direct or indirect services or activities of any kind to such companies for a definite period (not longer than one year) upon termination of his/her employment. Furthermore, such employee is barred from any action aimed to recruit employees of Magyar Telekom for any other company. This limitation entails certain compensation which is proportional with the above obligation. If the employee is in breach of the agreement, he/she will reimburse the net amount of compensation to the employer. In addition, the employee will be liable for a payment of compensation to the employer.



LS members from foreign countries may be entitled to housing subsidies. There are two members affected by this entitlement.

In line with the Company's remuneration guidelines, the Company provides contribution-based personal pension scheme, personal insurance scheme and health insurance scheme for the LS members. In addition, the LS members are entitled to the use of company cars.

For information about the Share Based Compensation programs, see Note 20.1.2 of the Financial Statements.

5 RESEARCH AND DEVELOPMENT

In addition to innovative Hungarian SMEs, the research and development tasks are performed by the internal researchers as well as the product and services development staff of Magyar Telekom Group. In addition, the Company also takes advantage of the synergistic effect of the internal and external knowledge base and seeks partnerships with well-known innovation centers and higher education institutions. Our main partners are well-known Hungarian universities and research institutes. In December 2021, "Deutsche Telekom Group IT" Off-site Department was formed at Óbuda University, which was founded by Deutsche Telekom IT Solutions, T-Systems Hungary and Magyar Telekom. The first courses will be held in the field of DevOps within the scope of the new educational program in the spring semester at Óbuda University, which is expected to be expanded with further subjects in the future.

Exploiting the potential of new technologies, including research and development of the fifth-generation mobile technology, is crucial for Magyar Telekom Group. Therefore, beyond those presented in the previous year, in 2021 MagentaKraft continued its activities. MagentaKraft is Telekom's innovative youth platform, which aims at providing new value for the young generations. MagentaKraft provides an opportunity for those who already have a big or little idea in their mind, but don't have the necessary tools (infrastructure, environment, team). Further details in Note 3.4.1.

6 REAL ESTATE, SITES OF OPERATION

We have one of the largest real estate holdings in Hungary. We use substantially all of these properties for telecommunications installations, offices, warehouses, garages and shops. Our equipment and machinery primarily consist of switches, communication towers and other telecommunications equipment. In order to increase the utilization of real estates and increase efficiency, we make efforts to sell our surplus properties.

6.1 The registered office of the Company:

- 1097 Budapest, Könyves Kálmán körút 36.

6.2 Sites of the Company:

- 1073 Budapest, Dob u. 76-78.
- 1106 Budapest, Őrs vezér tere 25. 1. em.
- 1138 Budapest, Váci út 178.
- 1195 Budapest, Üllői út 201.
- 1191 Budapest, Vak Bottyán u. 75. a-c.
- 1024 Budapest, Lövház u. 2-6. 2. em.
- 1123 Budapest, Alkotás út 53.
- 1062 Budapest, Váci út 1-3.
- 1117 Budapest, Október huszonharmadika utca 8-10.
- 1033 Budapest, Huszti út 32.
- 1098 Budapest, Távíró utca 3-5.
- 1156 Budapest, Száraznád utca 1-3.
- 1211 Budapest, Rákóczi Ferenc út 154-170.
- 1087 Budapest, Kerepesi út 9.
- 1119 Budapest, Hadak útja 1.



Out of the 1,624 buildings on the 1,459 sites of Magyar Telekom Plc, 44% are owned by the company, 5% are jointly owned and the rest 51% are leased. These figures do not contain the technology sites, of these types of sites we have 6,295.

The total area of properties used by Magyar Telekom Plc. as of December 31, 2021 was 599,707 m². The majority of sites used in our operations are smaller than 100 m². The largest site is our headquarters building (leased) located at Könyves Kálmán krt. 36 in Budapest, with floor space of over 55,000 m².

7 SUSTAINABILITY

Magyar Telekom has been addressing the sustainability implications of its operations for close to twenty years, and for more than 15 years its sustainability activities are characterized by comprehensive, long-term plans, and the Company started its fifth five-year sustainability strategy (2021-2025-2030) in 2021.

Magyar Telekom has committed to support the ten principles set forth by the UN Global Compact since 2009 in the areas of human rights, environment and anti-corruption, the results of which are also addressed by its Sustainability Reports.

In 2015, the UN adopted its sustainable development blueprint to be implemented by 2030. These 17 goals and 169 targets determine the main direction towards resolving the most urgent problems posing a threat to humanity and the planet. Magyar Telekom elaborated its Sustainability Strategy encompassing the period from 2016 through 2020 and from 2021 through 2030 as well along these SDGs. The company's contribution to the priority goals originated from its business is presented in a separate assessment linked to the Sustainability Report yearly.

Magyar Telekom's sustainability activities and achievements are comprehensively discussed in the annual Sustainability Reports, which aim to make the Group's environmental, social and economic activities transparent to everyone.

The present report includes reference only to certain key topics of our sustainability approach, namely human rights, employees, environment protection and compliance.

7.1 Sustainability strategy

In 2021, Magyar Telekom Group started its current ten-year sustainability strategic cycle, 2021-2030.

In addition to the results of our Sustainability Strategy 2016-2020, the goals and tasks defined for the period through the end of 2030 have been determined by the goals and directions applied internationally in terms of sustainable development (SDG, CDP, TCFD). When identifying the priorities, the company has focused on the expectations of the responsible investors monitoring our company and the current corporate trends. Of course, local market conditions, as well as consumer behavior and demand have also been taken into account, with a proactive and awareness raising attitude.

When identifying strategic goals, it was kept in mind that the Group's sustainable operation has a significant impact on the society, the economy and the environment. In addition to playing an important role for the livable future of several million customers and several thousand employees, as a market leading ICT provider and a large enterprise of regional proportions, Magyar Telekom is aware that our business and operational decisions influence the economy and the society of the future, too. It is its firm belief that Telekom, as a company, is responsible for all the groups of people whom it can enable by ICT solutions, and that it is inevitable to engrain social, economic and environmental responsibility as part of its corporate DNA thus promote sustainable development and opportunities for future generations. Along this, the new strategy defines its priorities in two main approaches: internal operational objectives and a catalytic role in the market by empowering others.

The main objective set forth by the fifth Sustainability strategy defined in 2021 is to ensure that Magyar Telekom Group maintains its position as a leading sustainable company through digitization: a catalyst of growth for people, families, communities and businesses, and an accelerator of environment. Such goal can only be achieved if considering all three pillars of sustainability such as social, economic and environmental dimensions, the company approached these factors in a comprehensive, credible and innovative manner. Until the end of 2030, climate protection, digitization and diversity are in the focal point of the strategy.



Climate protection

Magyar Telekom Group keep the direct and indirect emissions (scope 1+2) at net zero by an 84% decrease and reduce the part of the emissions of suppliers and customers attributable to the company (scope 3) by 30%. Our customers take climate action and reduce emissions by providing ICT services applicable as climate protection (i.e. smart) solutions. At least half of our revenues come from services that support climate protection by 2030.

Digitization

100% of customers of Magyar Telekom throughout the country will be provided with gigabit access and 6 million people will achieve responsible digital maturity.

Diversity

In the previous period, diversity and equal opportunities have already been in the focal of the Magyar Telekom's Sustainability Strategy. In the new strategy (2021-2030) Magyar Telekom's goal is to create a 100% inclusive workplace and to create a 100% accessible UX for customers with disabilities.

The details of the Sustainability strategy 2021-2030 is going to be presented in detail in the Sustainability report being published in first half of 2022.

Awards and sustainability recognitions achieved in 2021 and continuously relevant recognitions:

- FTSE4Good Index membership, FTSE Russel ESG Ratings
- CECE SRI sustainability index membership
- MSCI ESG rating AA (scale: CCC-AAA)
- ISS ESG B Prime rating (scale: D – A+)
- Disability-friendly Workplace title, gold grade
- Family-friendly Workplace certificate, bronze grade – initiating organization: Családbarát Ország Nonprofit Közhasznú Kft.
- Family-friendly Mentor Company – initiating organization: Három Királyfi, Három Királynő Mozgalom
- As a Family-friendly Mentor Company, Magyar Telekom founded the "Vándordíj" Award
- Most Attractive Telco Workplace of the Year 2021 – initiating organization: PwC
- Magyar Telekom has been included in the Zynern 2021: Most Attractive Employers list
- Most Attractive Workplace in Telco sector 2021 – initiating organization: Randstad
- External Communication of Employer Brand: Grand Prix Hungary

7.2 Initiatives concerning stakeholders

In order to successfully operate the Company, it is essential to have strong relations with stakeholders.

Below you will find a list of our key activities the details of which are elaborated in the respective chapters of the [Sustainability Report](#):

- Investors – investor (and responsible investor) assessment
- Customers – sustainable products and services, child protection
- Employees – community solar project, family friendly services, diversity contents
- Regulators – conformity, regulatory relations
- Local communities – Telekom Community Gardens, Superfast Internet Program (SZIP), network development
- Non-profit organizations – Magenta 1 Business/Nonprofit
- Suppliers – sustainable supply chain management
- Media
- Future generations – Become! part of generation NOW, Forum "Most", Magenta Podcast

Stakeholders can express their expectations online towards Magyar Telekom. The company then takes them into account in course of pursuing our sustainability activities.

Activities related to more stakeholder groups

As part of our 2018 Diversity&Inclusion plan, Magyar Telekom is striving towards an inclusive, open and safe working environment for employees from all backgrounds. In order to promote a working culture of inclusion and non-discrimination, the company has developed the first Hungarian language unconscious bias e-learning material and



launched it as a mandatory course for all employees, 92% of whom have successfully completed it by the end of October, 2019. The e-learning is now part of the onboarding curriculum and is mandatory for all new entrants. The aim was not only to support the development of its own working culture but to provide accessible and easily adaptable learning material for all Hungarian enterprises and thus contribute to the promotion of anti-discrimination in the society at large. Telekom was one of the corporations that supported the background research and white paper publication of Egenlítő Foundation offering guidance to large corporations in female executive selection.

Recognizing the importance of plastic pollution, Magyar Telekom set a new goal to significantly reducing the amount of single-used plastics generated during our operations. Within the Plastic Free Telekom initiative, first we removed these plastics from the headquarters operation in 2019. We provided our colleagues filtered water and jugs to reduce the amount of PET bottles. In 2020, the company introduced additional plastic removal steps, however, at the time of the pandemic, it was not possible to assess plastic use and remove PET bottles. In 2021, the pandemic continued to severely limit the progress of the project. As the majority of colleagues continued to work from home, it was not possible to record the volume of PET bottles in any meaningful way in the latter period. If the colleagues return to the offices – expected in spring 2022 – the Plastic Free Telekom project will be reactivated.

Investors

Magyar Telekom remained to be a constituent in the FTSE4Good Index Series in 2021. The US based MSCI rated Magyar Telekom into the category 'AA' on the scale CCC-AAA. The German ISS at its ESG assessment gave the B Prime rating to the company. Magyar Telekom continued to disclose climate related data and information via the CDP platform. Magyar Telekom remained a constituent in the CECE SRI (formerly CEERIUS) Index on the Wiener Börse as well.

Customers

Magyar Telekom would like to offer the choice to its customers who consider it as important as the company do to fight against climate change to pick a service that serves the purpose of protecting the climate. That is why Telekom came up with the ExtraNet Green 1GB option in 2019. In 2021, by choosing the ExtraNet Green 1GB data extension option, Magyar Telekom guarantees to generate the same amount of energy as the one required to transmit 1GB data using our solar power plants installed on the top of the Kékvirág street facility and on the top of two facilities in Szeged.

The children's protection website of Magyar Telekom is dedicated to threats caused by children's media consumption. The website provides information to parents not only about ICT technologies, devices and content, but also about threats caused by their usage and consumption, as well as possible preventive measures. More details are available on:

http://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children

Employees

In March 2021 Magyar Telekom announced again its community solar project. During the program employees had the opportunity to adopt a solar panel. 200 solar panels had been adopted in less than an hour.

In 2021 Telekom continued its work on the improvement of diversity and equity based on the results of the 2020 employee survey. It offered 6 B@ck to work Café online sessions in the first half of the year, providing guidance to for parental leavers who are planning their return and promoting the development, career planning and contact keeping tools that are available. Telekom and T-Systems established its first LGBTQ resource group which initiated actions and process development initiatives to further the inclusion of LGBTQ workforce. Since November, 2021 the company joined the corporate donors of HBLF Romaster initiative and committed to support support of two roma students for 4 years.

For the first time in the history of the company, gender ratio in Magyar Telekom's top management became balanced in 2020 and a number of measures were taken to further improve the proportion of female executives in the entire management team. The company continued with the monitoring of its gender pay gap, along which further developments are being initiated. Magyar Telekom Group joined the "One step closer" initiative of Amnesty International in 2021 with its commitment to close the gap with at least one percent each year.

In July, the management of Magyar Telekom set up the Magenta Alliance Foundation to help colleagues in a difficult situation due to the pandemic. By the end of December 2020, nearly HUF 6 million was donated by employees. The company's board of trustees provided support to employees in 100 cases distributing more than HUF 15,5 million. In



2021, the pandemic continued, so the Magenta Alliance Foundation continued to operate. In 2021, the Foundation provided more than HUF 18 million in support for the more than 200 employees and their families.

Local communities

Magyar Telekom and the Hungarian Contemporary Architecture Centre continued to run community gardens in 2021, too. Gardening works are still ongoing at Csárdás Garden. Although, the Kerthatár Community Garden has been closed due to the sale of real estate, a new community garden was created in Pomáz.

For Telekom it is utmost important that no one is left behind without accessing the opportunities and benefits of the digital world. Within the framework of the Digital Welfare Program, Magyar Telekom has launched its fixed and mobile Digital Welfare Program package providing quality internet service for users seeking to subscribe at most affordable rates, furthermore by introducing the Digital First Aid Program providing free of charge internet access for several hospitals pediatric ward nationwide. Where the fixed internet network is not yet available, the SZIP Mobile internet tariff package can be ordered for the addresses defined in the SuperFast Internet Program (SZIP).

Non-profit organizations

In 2021 Magyar Telekom announced a tender among non-governmental organizations. As part of the Magenta 1 Business / Nonprofit offer, the company provides mobile and fixed services to 38 organizations free of charge for 12 months.

Suppliers

In the framework of the sustainable supply chain management process Magyar Telekom assesses the sustainability performance of its suppliers each year. This will be done independently by Magyar Telekom, in addition to the suppliers that are shared with Deutsche Telekom but are not assessed in the Ecovadis system. In 2021 through completing a web audit questionnaire – that contains questions on general, environmental, social and business ethical topics – 20 suppliers were assessed and so 56,92% of the total purchase value has been covered by valid web audit assessments.

Future generations

One of the main objectives set forth by Magyar Telekom's Sustainability Strategy launched in 2016 is to achieve improvement of qualification of 1 million people in Hungary by 2020. The target has been achieved, among other things, by industry-specific succession development programs like Be an IT Professional!, educational events like the NOW Forum and digital education programs like Be a Member of the NOW Generation! In view of the COVID-19 virus and the changes in the education system and communication habits, Magyar Telekom's programs have also been renewed and moved to a new interface.

The education and digital inclusion are also an integral part of the new (2021-2030) sustainability strategy. Accordingly, programs launched in previous years will continue.

On The "LEGYÉLTEIS!" site, the company shared information about internet security which are understandable and followable for both children and parents.

The digital education of the older generation continued, and the company started a representative research to explore the internet-using habits of the under-18s. The research was launched in the professional partnership of the Híntalóvön Children's Rights Foundation.

The company also appealed to the younger age group with the launch of the Magenta Podcast channel in March 2020, which covers media consumption, diversity, online education, mental health, technological innovation, cultural and economic topics, but expert guests will also speak on topics such as the home office, digital family or just the COVID-19 pandemic. In 2021, the Podcast was continued to provide regular entertainment and professional content on topics such as digital parenthood, climate protection, fintech, safe internet usage and the Telekom MobilDonor program. A key aspect in the production of the Podcast is to ensure that the guests and experts invited are well-known figures among the younger generations, thus supporting the success of reaching out to this age group.

Charters and initiatives of cooperation accepted and signed by Magyar Telekom Group

Besides professional challenges, the Group also seeks cooperation opportunities for the solution of social and environmental problems.



Magyar Telekom has been an active member of ETNO's (European Telecommunications Network Operators Association) Sustainability Workgroup for years. The members work closely towards solving all kinds of sustainability-related programs.

Magyar Telekom has been the first among the Hungarian companies to accept OECD Guidelines for Multinational Enterprises and set them up as mandatory guidelines for its operations.

European Union's Diversity Charter has been signed by the company and considered as a mandatory guideline.

UN Global Compact has been signed by the company and the "Communication on progress" report on achievements in the 10 principles is published yearly.

Magyar Telekom has acknowledged the UN Sustainable Development Goals (SDG) and through incorporating the priority ones in its Sustainability strategy 2016-2020, and Sustainability Strategy 2021-2030 the company finds the contribution to the goals a mandatory element of its operations.

Magyar Telekom discloses data and information on its climate related activities through the CDP (Carbon Disclosure Project) platform.

Magyar Telekom has been the first Hungarian company to join the Science Based Target Initiative (SBTi) and has emission reduction targets approved by SBTi.

Magyar Telekom has joined the UNFCCC Climate Neutral Now initiative.

Thanks to the United Nations Global Compact and emission reduction targets approved by the Science Based Target Initiative - by achieving the latter, the company can contribute to keep the global temperature rise of the Earth below 1.5 °C – Magyar Telekom became the only Hungarian participant in the UNFCCC Race to Zero campaign in 2020. Since then, 7 more Hungarian companies joined the campaign, but only Magyar Telekom Plc. is still participating.

List of the main memberships:

- European Telecommunications Network Operators Associations (ETNO)
- GSMA Association
- Joint Venture Association (JVSZ)
- German-Hungarian Chamber of Industry and Commerce
- Telecommunication Advocacy Council
- ICT Association of Hungary
- Hungarian Association of International Companies
- Hungarian Competition Law Association
- Employer's Equal Opportunities Forum
- Hungarian Logistics, Procurement and Inventory Management Association
- Hungarian Marketing Association
- Hungarian Advertising Association

Quality guarantees in the Magyar Telekom Group can be found:

https://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees

7.3 Annual Sustainability Report

Magyar Telekom Group has committed, among other things, to publish reports about its sustainability performance annually. When the reports are compiled the GRI (Global Reporting Initiative) guidelines and standards are applied, thus ensuring compliance with the principle that the reports have to be the cornerstones ensuring transparency and international comparability. The Sustainability report about 2007 was the first report in Hungary which was prepared according to the GRI G3 A+ compliance level, this meant the highest level of application of the GRI G3 guidelines at the time. Since then, Magyar Telekom has produced an annual report with the highest compliance with international guidelines, the 2013 Sustainability Report was the seventh to meet the requirements of the GRI A+ application level.

The 2014 and 2015 Sustainability Report was compiled along the Fourth-Generation Principles set forth by the Global Reporting Initiative (GRI G4), while since 2016 Sustainability reports have been compiled along the newest requirement, the GRI Standard on “Comprehensive” level. The independent assurance and certification of compliance with the GRI Standard criteria was conducted by PricewaterhouseCoopers along the ISAE 3000 international standard. Further details on the sustainability performance of the Company can be found in the annual reports available on:

https://www.telekom.hu/about_us/society_and_environment/sustainability_reports

The 2021 Sustainability Report is going to be published in the first half of 2022.

8 ENVIRONMENT PROTECTION

8.1 Policies

Magyar Telekom Group upholds its commitment to sustainable development and environment protection first in the environmental policy. The policy contains obligations for the members of Magyar Telekom Group both individually and as a Group:

https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf

In addition to the policy, it has also issued an environmental directive, which sets out in more detail the company's areas of commitment and expectations:

<https://www.telekom.hu/static-tr/sw/file/magyar-telekom-environment-protection-policy-guidelines.pdf>

The Group-level coordination was continued to be implemented under the auspices of the Sustainability Committee (SC) in 2021, as well. The levels of development and management of the corporate sustainability strategy are separated from the operative implementation level within the operation of the SC, thus the process of implementing sustainability activities is divided to the following levels:

1. Strategy development and strategy management level operating under the auspices of the SC: development of strategic concepts, implementation of the strategy, relevant communication with national and international organizations.
2. Operative implementation level managed by relevant organizations of the governance areas and business units, actual operative activities, task management, data provision etc.

The SC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders.

The operative management of Magyar Telekom Group, the Management receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and other ongoing significant sustainability activities, results, potential exposures and opportunities.

The Management is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The Management keeps contact with the stakeholders through the SC. Incoming inquiries are received by the respective professional areas and critical comments regarding sustainability are transferred to the responsible staff members by the SC members. According to the relevant group directive the strategic tasks are allocated to the respective Chief Officers.

In 2021, Magyar Telekom's Leadership Squad decided that, in line with its agile operations, the company would manage sustainability coordination in the form of a squad in the future. Therefore, the role of the Sustainability Committee will be taken over by the Sustainability Squad from 2022 onwards.

8.2 Results of the policies

As a leading provider of info-communications services in the region, Magyar Telekom's commitment to sustainable development with a focus on preserving the environment lies at the center of its mission. 2021 was spent developing a long-term strategy, the company outlined a 5 + 5 year vision instead of the previous 5-year perspectives. Climate protection remains a key priority in the new sustainability strategy. The company's emission reduction commitments pledged in 2018, which was approved by the Science Based Target Initiative (SBTi), were replaced by more ambitious targets in 2019 in response to the IPCC's 1.5 °C report, have come into the main focus of the strategy. The company is working to achieve the following goals by 2030:

- reduce absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions 84% from a 2015 base year;
- reduce absolute Scope 3 GHG emissions 30% from a 2017 base year.

The European Green Deal also prioritizes energy use and emissions of the ICT sector, recognizing that the sector can make a significant contribution to achieving 2050 climate neutrality through 5G, artificial intelligence, IoT and cloud services, but it can also increase its own energy consumption. As a first step, the European Union aims to increase energy efficiency in data centers and achieve climate neutrality by 2030. This is also one of the main pillars of Magyar Telekom's new climate strategy, despite the fact that the Group's total electricity consumption, including data centers, has been covered by renewable energy for many years (since 2016 at Plc., since 2018 in Hungary), which has been set by Deutsche Telekom as a requirement for its member companies on a group-wide basis from 2021 onwards.

In 2021 Magyar Telekom continued its carbon neutral² project. The company spent half of the income of the company car policy regulated bonus-malus system to financial implementation of the project. To achieve the carbon neutrality in 2021 - for the seventh year in a row - Magyar Telekom Group used 99% - the Hungarian member companies 100% - renewable energy for electricity consumption and offset the rest of its emissions, by purchasing and retiring 18,220 CER (Certified Emission Reduction) units from a Chinese green project. In 2021 Magyar Telekom purchased 200,000 MWh of renewable energy with Guarantee of Origin. Our additional highlighted environmental and operational ecoefficiency goals are:

- Increase the energy efficiency of buildings
- Decrease fleet consumption, promotion travel replacement solutions, and dematerialization solutions
- Introduction of sustainable and climate-friendly products and services
- Mapping and quantifying enablement effects in other sectors as a result of the services offered by the company
- Waste management: reduction of waste (increased recycling-rate)
- Measure the climate footprint of customers and suppliers
- Development of a circular economy for appliances provided to customers

8.3 Risks

Based on the Business Continuity Management System (BCM) the company has identified the critical climate risks (floods, heat waves) that might affect our operations and we have prepared action plans for possible risk management. According to the annual assessment the rate of climate damage in the network did not reach the level of intervention (HUF 50 million damage/ month). In 2021, 546 cases had to be investigated due to different problems caused by the weather. During heatwaves, the company allows its colleagues to work remotely and increases the core temperature of datacenters and base stations in order to reduce the energy consumption.

In setting the emission reduction targets, Magyar Telekom has considered the current Paris Climate Agreement and EU standards, as well as the IPCC's 1.5 °C goals, but it is assumed that regulators will set stronger emission reduction targets in the future, which may involve financial risks. Current forecasts predict an increase in the energy consumption of mobile networks with the spread of 5G. However, one of the EU's goals is to significantly reduce energy consumption and plans to regulate data centers as a first step. Thanks to Magyar Telekom's forward-looking climate strategy, it enjoys an advantage over its competitors, even with stricter regulations.

² carbon neutral means net zero GHG emissions

Opportunities

In addition to its energy efficiency investments and carbon neutral operations, the company considers the use of renewable energies to be one of the most effective tools for combating climate change. Its long-term goal is to ensure the supply of electricity to the network as much as possible from renewable energy sources, therefore it has implemented the installation of solar systems in its own buildings in several stages. Magyar Telekom also provides an opportunity for its customers, who also consider combating climate change, to be able to choose a service that contributes to climate protection. That's why in 2019 Magyar Telekom created the world's unique ExtraNet Green 1GB 30-day option. Although the measures taken during the pandemic in 2020 reduced turnover after its success in 2019, the company still retains the option for its customers. In 2021, higher proportion of customers chose this expansion option out of the 1GB options than in previous years.

In 2020, the European Union created the Taxonomy Regulation, which lists environmentally sustainable economic activities. It is an important tool for increasing sustainable investment and implementing the European Green Deal, in particular by providing companies, investors and decision-makers with appropriate definitions of the economic activities that can be considered environmentally sustainable. The purpose of the Regulation is to create security for investors, protect private investors from greenwashing, help companies plan for the green transition, and alleviate market fragmentation. Implementation acts of the Regulation, which will also affect the ICT sector, have not yet been completed, but it is expected that the Magyar Telekom Group's sustainability strategy and its implementation may improve the Company's perception among investors factoring in sustainable investing considerations.

8.4 Performance indicators

Emissions below were calculated according to the GHG Protocol Corporate Standard.

Cumulated GHG emission

- 83,060 tCO₂e (tons of greenhouse gas emissions in carbon dioxide equivalent), when purchased renewable was not taken into account (location based emission)
- 18,220 tCO₂e, when purchased renewable was taken into account (market based emission)

Group GHG emission by categories

- Scope 1: 12,767 tCO₂e (at the moment location based equal to market based)
- Scope 2: 70,293 tCO₂e location based
- Scope 2: 5,452 tCO₂e market based

Energy efficiency – bits transmitted / energy consumption – 301 Gbit/kWh

9 CORPORATE COMPLIANCE

When shaping the compliance program of Magyar Telekom Group, the goal was to ensure that Magyar Telekom Group pursues its business activity with maximum awareness of and commitment to compliance with the applicable laws and legal provisions, in accordance with the strictest norms of ethical business conduct. To this end, we issued policy statements addressing the potentially arising compliance-related risks, and we apply the procedures set out in these policy statements and arrange continuous training courses for our employees related to these procedures. We established clear concise processes to report, examine, follow up and correct suspected cases of non-compliance.

The Corporate compliance program is supervised by the Group compliance officer. The Group compliance officer reports directly to the Audit Committee, and cooperates with the Board of Directors, the Supervisory Board and the management. The Corporate compliance program focuses on the Code of Conduct.

The Code of Conduct of Magyar Telekom Group contains the summary of the compliance requirement within the company, sets common values of the Group and is a key to the strong position, reputation and successful future of Telekom. The Code of Conduct applies to everyone within the Magyar Telekom Group from the employees to the members of the Board. In addition, contracted partners of the Magyar Telekom Group also have to know and accept these values, when registering on the procurement website.

In the year 2010, an external independent party audited the implementation of the Compliance program, and we were awarded a certificate of compliance with the external expectations and of the implementation of the system. The program was revised in 2013, including other related areas as well – such as procurement, internal audit, HR, sales. The audit was not aimed only at the implementation and control of the system in the different areas, but it measured the operational efficiency of the control system. We met the expectations and were awarded by a certificate issued by Ernst&Young as independent external party. In 2017, again an external auditor (KPMG) evaluated the effectiveness of the compliance management system of Magyar Telekom, and issued a certification that the program complies with the requirements of the new anti-corruption ISO standard. In 2021 an external advisor (KPMG Germany) reviewed the Compliance program. They found the operation of the program efficient.

The first distance learning course addressing compliance was started in 2008 in the topic of “Conscious recognition of fraud and corruption”. Since then we have been providing a general eLearning course for our new employees, mandatory for all colleagues joining to the company. The course is completed with the acceptance of the Code of Conduct. Since the start of the program, 95,743 distance learning courses were completed by the employees on group level, related to topics, such as compliance awareness, supplier due diligence, anti-corruption measures, incompatibility or insider trading.

On the top of that, our company has arranged personal training sessions for employees working in professional areas exposed to compliance and abuse related risks – both within the parent company and Hungarian and international subsidiaries – in the topics of organized anti-corruption behavior, screening of contracted partners and rules of giving and accepting gifts.

In 2020 – similarly to the practice of the previous years – risk analyses were conducted with the participation of organizations and subsidiaries of Magyar Telekom Plc. Based on the results of the survey, a comprehensive audit was prepared for the potential compliance and abuse risks, the result of which was submitted to the Audit Committee of the Company.

During the year we check the soundness of the reports submitted to our company in connection with unethical behavior, and if necessary, we act on these reports. In case we identify actual abuses, we take care of the necessary and adequate countermeasures. Magyar Telekom published all cases of corruption and the related countermeasures in accordance with the related applicable laws and legal provisions.

9.1 Fight against bribery and corruption

9.1.1 Policies

Magyar Telekom does not tolerate any attempts of corruption, so numerous procedures and policies were introduced to prevent and fight corruption. Magyar Telekom complies with the anti-corruption rules of the Group, and expects its business partners not to engage in unlawful activities (including breaching the anti-corruption laws) such as utilize any money or other services provided by Magyar Telekom for unlawful purposes. This also includes direct or indirect payments to individual(s) to improve the perception of Magyar Telekom (or any parties acting for Magyar Telekom) or to influence any business decision. Magyar Telekom strictly prohibits any form of corruption including (but not only), receiving personal advantages or monetary gains, accepting or providing bribes or promising facilitating payments. The Group also prohibits employees from making beneficial decisions towards family, friends or close or distant acquaintances. It is not allowed to provide any gift or invitation to an event to third parties if it could potentially influence any business transaction. Magyar Telekom Group does not support morally or financially any political parties, organizations or representatives of these. Magyar Telekom will not start business relations with third parties that violate the anti-corruption clauses of the Compliance Program or the basic principles of the Code of Conduct.

Due Diligence procedures: There are no fixed procedures on how thorough due diligence should be to avoid legal responsibility or any investigation as per the anti-corruption laws. The aim of these procedures is to identify high-risk areas, and to provide indication when further due diligence or review is required.

9.1.2 Result of the policies

During the year, we have verified the plausibility of any complaints we have received about unethical behavior and initiated internal investigations if necessary. If we have identified any misconduct we initiated the necessary measures and actions. Any complaints regarding breaches of internal or external rules can be sent to the Tell Me! portal of Magyar Telekom. Any questions regarding corporate compliance can be asked on the Ask Me! intranet portal.

9.1.3 Risk

The basis and prerequisite of the efficient defense against breaches of laws and policies is the registering and analysis of compliance risks and identifying other compliance relevant cases at Magyar Telekom. The yearly Compliance Risk Assessment (CRA) handles active and passive corruption separately. The risk assessment always includes Magyar Telekom, T-Systems and Makedonski Telekom. Other subsidiaries can be included on a case-by-case basis, based on information originating from internal investigations. The CRA fully covers the abovementioned companies. The Group Compliance Officer informs the Audit Committee, the Board of Directors, and the management about the result of the risk assessment and gives an update about the status of the measures in every quarter.

10 ECONOMIC ENVIRONMENT AND OUTLOOK

The global environment in 2021 showed dynamic recovery from the recession hitting the worldwide economy in 2020 with the outbreak of the COVID-19 pandemic. The targeted government measures along with the more efficient management of the pandemic led to improved production as well as higher consumption levels. However, the still prevailing pandemic has been reshaping the environment whereas some new economic difficulties has also emerged with global supply chain disturbances and the sharp increase in energy prices witnessed in the second half of 2021.

The telecommunication industry has continued to play a critical role in keeping families connected and businesses and the economy progressing in this changing environment. The need for digitalization, demand for data and the use of online, virtual channels have reached unseen levels, highlighting the integral role of the global telecommunication industry.

10.1 Economic environment and outlook

Similarly to 2020, economic performance in 2021 was heavily impacted by the COVID-19 pandemic. First quarter of the year has been challenging as the emergence of a third wave of pandemic proved to be more severe than previous rounds, with stringent restrictive measures also negatively impacting economic performance. However, from mid-April on, thanks to the increasing vaccination rates, the restrictions were gradually lifted. This, coupled with the supportive governmental measures led to a strong rebound in economic performance witnessed in the outstanding second quarter GDP growth figure. By the third quarter of 2021, all limitations were removed supporting service sector recovery, with particularly positive impact witnessed in tourism. Although Hungary was hit by the fourth wave of pandemic in the autumn, only few limitations were introduced. Consequently, economic performance in the second half of the year continued its positive development, however now paired with strong inflationary pressure stemming both from global raw material and energy price increase as well as from the weakening of the forint.

In 2022, GDP is expected to continue to expand further fueled by domestic demand and expansionary fiscal measures. At the same time, yields are expected to increase further in line with the central bank's rate hike steps and inflation is also forecasted to remain at higher levels with prolonged supply-chain constraints, elevated energy prices and pandemic-related uncertainty posing further risks to economic performance.

With regards to the Hungarian telecommunication sector, the easing of the pandemic related restrictions coupled with strong economic performance, have resulted in a favorable development in the operating environment. However, within the sector we have been witnessing changes in the competitive landscape that warrant attention.

Looking ahead, while there are significant uncertainties related to the economic and business developments, demand for telecommunications services expected to remain strong with digitalization continuing to be of vital importance. To ensure the reliability and security of our networks and our leading position on the market, the management remains committed to invest in our infrastructure and continue with the customer centric operational approach going forward.

11 INTERNAL CONTROLS, RISKS AND UNCERTAINTIES

11.1 The presentation of the systems of internal controls and the evaluation of the activity in the relevant period

Magyar Telekom's management is committed to establishing and maintaining an adequate internal control system to ensure the reliability of the financial reports and minimize operating and compliance risks. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.



For the business year 2021 we accomplished control documentation and evaluation in the IT supported ICS-Toolⁱ system. Transaction Level Controls describe the controls built into our business processes that have been designed and operated to ensure that material misstatements in each significant financial account and disclosure within the financial statements are prevented or detected in a timely manner.

Complete evaluation of our internal control system is based on the method established in “Internal Control—Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The operation of the internal control system is supported also by the independent internal audit function. Beyond tasks regarding the risk based internal audit work plan, contributes to the enhancement of the internal control processes and to the reduction of existing risks through ad-hoc audits and ICS testing. The Internal Audit area follows up the implementation of the measures defined on the basis of the audits. The Supervisory Board and the Audit Committee inter alia also receive regular reports on the findings of the audits; measures, based on the findings and fulfilment of tasks.

In line with the criteria of the adopted internal control framework, management evaluates the effectiveness of internal control system within each financial year. Management’s assessment for 2021 is finished and based on the collected information internal control system has been operating effectively to prevent potential material misstatements in the financial statements, and minimize operating and compliance risks.

The Company’s shareholders are being informed about the operation of our internal control system through our public reports.

The management and Board of Directors of Magyar Telekom are committed to conducting all business activities of Magyar Telekom Group according to the highest legal and ethical standards. Based on this commitment, the Board of Directors established the Corporate compliance program of Magyar Telekom.

The Corporate compliance program is applicable to all bodies, organizations, employees of Magyar Telekom Group, and advisors, agents, representatives as well as to all persons and organizations that work on behalf of the Company or its subsidiary.

The Corporate compliance program of Magyar Telekom ensures that the business activities of the Group are conducted observing and in compliance with the relevant laws to the utmost extent, according to the highest standards of training and commitment. It requires the realization of guidelines and processes that manage potential compliance risks and implement specific processes in order to report, investigate, monitor and correct suspected or actual lack of compliance.

11.2 The utilization of financial instruments, risk management and hedging policies

Introduction

As Hungary's leading telecommunications and IT service provider we are subject to uncertainties and changes of the telecommunications and IT industry. To operate successfully in this continuously changing environment risks have to be systematically identified, assessed and managed.

The risk management system is not only needed from a business point of view, but as a company listed in the stock market, we are obliged to operate a risk management system and prepare a risk report to inform our investors.

Upon the establishment of our comprehensive risk management system the Company acts in line with the relevant requirements of the Budapest Stock Exchange, as well as the rules laid down in the applicable international standards.

Our Group level risk management system covers strategic, operational, financial, compliance and legal risks, which is also applicable to our consolidated companies. The objective is to identify, monitor and manage these risks in an early phase.

Risk management guidelines

It is our policy that all disclosures made by us to our shareholders and the investment community, are accurate and complete, and fairly present our financial condition and results of operations in all material respects. Such disclosures should be made on a timely basis as required by applicable laws, rules and regulations. To achieve these objectives, we continuously develop and regularly review the functionality and effectiveness of the elements of our risk management system.

ⁱ Internal Control System



Our risk management includes the identification, assessment and evaluation of risks, the development of necessary action plans, as well as the monitoring of performance and results.

The risk management organization and process:

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Boards of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

Magyar Telekom's Group level risk report is regularly submitted to the Board of Directors, the Audit Committee and the Supervisory Board as well as to Deutsche Telekom's risk management organization.

During the annual planning process the management takes into account potential risks.

The established risk management standard provides a process framework:

- following the identification of risks, they are analyzed, assessed and quantified in details, then they are quantified (by estimating their probability of occurrence and potential impact) according to a predefined methodology. The assessment of risk assessment enables the management to focus more effectively on those risks that have a significant impact on the company's strategic objectives.
- following the assessment, the decision is made on the specific measures to reduce risks,
- the relevant risk owner implements, monitors and evaluates the relevant measures, and
- these steps are repeated as necessary to reflect actual developments and decisions.

For the risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks that we support through Magyar Telekom's regular Group level risk report.

Identification, review and reporting of risks:

Risk items affecting our operations are reviewed regularly throughout the Company. All of our subsidiaries and entities are obliged to identify and report their operational risks on a quarterly basis. After the evaluation of these risks, results are reported to the Company's management, to the Board of Directors, to the Audit Committee and the Supervisory Board. This regular reporting ensures that the most significant risks are monitored, up-to-date risk mitigation measures are implemented and regularly monitored.

Our risk reporting system is complemented with a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the Chief Financial Officer is notified when a new material risk or information is identified.

An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.

The risk assessment is carried out for a two-year period. This is also our forecast period. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Opportunities

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential parts of our annual planning process. This allows us to take these opportunities into account in our forecasts.

11.3 Main risk factors

Our financial condition, results of operations or the trading prices of our shares could be materially adversely affected by any of the risks described below. These risks are not the only risks we face. Additional risks not currently known to us, or risks that we currently regard as immaterial, could also have a material adverse effect on our financial condition, results of operations or the trading prices of our shares.

Regulatory risks

- Magyar Telekom operates within a strictly regulated market environment. Most of the regulatory framework is the result of EU legislation. Hungary implemented the new EU regulatory framework (1972/2018/EU) by end of 2020.

Risk management activities:

- We cooperate and maintain an active dialogue with regulators.
- We maintain processes to ensure compliance and provide timely and accurate information to our regulators.

Legal risks

- Regulatory cases and legal disputes with parties could have an effect on our results of operations.

Risk management activities:

- Protecting our interest and values through legal representation, continuous management and monitoring of legal disputes.
- See also the compliance risk management activities.

Financial risks

- For details on financial risks and their management, see Note 5 of the Financial Statements.
- Developments in the technology and telecommunications sectors may result in impairment of the book value of certain of our assets.
- Unpredictable changes in the Hungarian tax regulations may have an adverse effect on our results.
- Fluctuations in the currency exchanges rate could have an adverse effect on our results of operations.
- Economic trends in Hungary and in other countries could have an adverse impact on the value of our investments, operating results or financial situation.
- The increasing trend of inflation, with limited predictability could erode Magyar Telekom's results.
- The global energy crisis has emerged recently, with the prices of several major energy commodities and electricity rising sharply, the significant price increasing affecting several products, including natural gas, oil, coal and electricity. Rising energy prices can lead to unexpected costs.

Risk management activities:

- We continuously analyze financial actual data and provide forecasts on financial indicators.
- We carry out sensitivity analyses (e.g. foreign exchange, cash flow).
- We test all key controls on an annual basis.
- We continuously improve our processes, systems for the purpose of automated accounting, reporting and auditing.
- We constantly monitor energy prices to ensure that we purchase energy at a proper price level.

Strategic risks

- We are subject to intense competition in the fixed business due to overlaps with our competitors on more and more locations as a result of the network roll-outs.
- We are subject to intense competition in SI/IT segment, especially on public sector tenders.
- Adaption to new trends and technological changes in the telecommunications market (IoT, Big Data, AI, 5G) might be a serious challenge.
- Our business may be adversely affected by actual or perceived health risks associated with mobile communications technologies, and unsubstantiated and rapidly spreading news about new technologies.
- Sustainability: information on the Company's approach to sustainability risks and opportunities can be found in Note 7 "Sustainability" of the Business Report.

Risk management activities:

- We continuously invest in the development of our network, our objective is to have the best convergent network in Hungary.
- We transform our internal processes to be even better prepared for future challenges.
- We monitor technological developments and our competitors' activities.
- We pursue responsible and sustainable business activities.



- In order to maintain trust and reputation we continuously inform our key stakeholders on our plans, risks and achievements.
- We integrate digital initiatives into our long-term planning and align their technology and business strategies.

Operational risks

- The future of our current operational model is subject to currently unforeseeable changes in the future business environment.

Risk management activities:

- We have a flexible business model. We closely monitor the competitive environment in all markets and respond accordingly to both consumer and business segment needs.
- Our price offers are competitive in the markets where we operate.
- We support our business customers with our innovative products to increase efficiency.
- We transform our internal processes to be even better prepared for future challenges.
- The pandemic continues to make a big impact worldwide and also to our entire risk environment.

Risk management activities:

- Reacting to COVID-19 has become part of our everyday operation. Due to the nature of the telecom industry and the importance of communication services in the pandemic we continuously strengthen our digital strategy.
- Magyar Telekom continues to successfully operate and provide the capacity of its network infrastructure and ensures the health and productivity of employees by enabling teleworking.
- System failures could result in reduced user traffic and revenue, could lead to penalties and could harm our reputation.

Risk management activities:

- We operate network monitoring systems and define recovery goals to minimize service outages.
- We consider it of key importance to inform our customers in a timely manner about service problems thus we operate an advanced information system.
- Loss of key personnel could weaken our business.

Risk management activities:

- Operation of an advanced human resources strategy, for further details see Note 3 (“Social commitments, labor standards, human rights”) of the Business Report.
- The number of cyber attacks has increased significantly in the whole world. Cybersecurity risks have worsened due to the pandemic, as work, shopping, social interactions and education have become significantly digitized. The quick change increased the vulnerability of organizations to cyber attacks. Also, teleworking may increase the risk of fraud and misuse of business information and data, as well as unauthorized access, theft and fraudulent use of data. Although Magyar Telekom provides services with highest security-standards and constantly tests and updates its cyber security countermeasures, it cannot be fully excluded that the Company will be subject of a cyber attack. If we fail to manage this effectively, it may have significant customer related, financial, reputational or regulatory consequences.

Risk management activities:

- We perform regular audits on key security risks affecting our business and maintain strategies to identify, prevent and respond to these challenges.
- Our cybersecurity approach focuses on minimizing the risk of cyber security incidents impacting our networks, systems and services.
- We promote conscious conduct among our colleagues via communication, campaigns and training.

- Data protection incidents are punishable with very high fines. Despite mitigating measures and well-designed data protection management structures data protection incidents and compliance deficiencies cannot be entirely excluded. There may be problems that can have a negative impact on Magyar Telekom's reputation and may incur costs and sanctions (including fines).

Risk management activities:

- In order to ensure data protection compliance and to avoid sanctions (fines) we must pay special attention to the principle of purpose limitation, privacy by design, privacy by default as well as data security measures to avoid system failures that may impact a large number of subscribers or employees.
- We regularly provide our colleagues data protection and data security trainings and other tools to help them make better and risk-conscious decisions.
- Procurement and supply chain: we cooperate with a wide range of vendors. High risk products and services include hardware, network technology components, and all products and services provided directly to end users. Supply risks cannot be entirely avoided. Epidemics, transportation bottlenecks, price increases, changes in the economic or political environment or the suppliers' product strategies may have a negative impact on our business processes and results. Further risks may arise from dependencies on specific suppliers or from their default.

Risk management activities:

- In order to reduce our exposure to risks we implement organizational, operational and profession-specific procurement strategies. Our procurement processes are planned and are monitored through regular internal and external controls. Key professional factors for managing procurement risks: proactive management of the supplier base, supplier segmentation, risk analysis of strategic and critical suppliers and continuous active contact keeping together with the business areas.

Compliance risks

- Violation of laws may result in loss of trust, financial sanctions, impairment of our shareholder value and other sanctions. Serious violation of laws may lead to criminal proceedings, litigation and regulatory actions.

Risk management activities:

- We operate a compliance framework program for the identification, regular assessment and mitigation of risks.
- We train our employees, run awareness raising programs that explain our ethical norms throughout the organization and help the employees to understand their role in ensuring compliance.
- We support a culture where our colleagues can voice their concerns, so we can identify problems and prevent them from happening again.

11.4 Financial risk management

The classification of the Company's financial instruments is described in detail in Note 4 and the financial risk management of the Company is described in detail in Note 5 of the Financial Statements.

12 ANALYSIS OF FINANCIAL RESULTS FOR 2021

12.1 Revenues

Total revenues increased from HUF 524.1 billion in 2020 to HUF 548.3 billion in 2021, driven primarily by the growth in mobile data and fixed broadband revenues.

Mobile revenues increased to HUF 350.0 billion in 2021 compared to HUF 328.3 billion in 2020, reflecting the continued positive momentum in mobile data usage.

- Voice retail revenues declined by 4.3% to HUF 105.9 billion in 2021, reflecting tariff pressure.

- Voice wholesale revenues rose by 6.5% to HUF 8.9 billion in 2021, reflecting an increase in incoming mobile traffic.
- Data revenues grew by 17.1% to HUF 108.8 billion in 2021, driven by the continued growth in subscriber numbers and strong demand for mobile data usage that was amplified by the pandemic induced social distancing measures.
- SMS revenues increased by 17.3% to HUF 22.6 billion in 2021, primarily as a result of further growth in mass messaging revenues coupled with higher usage driven by the increasing retail postpaid customer bases.
- Mobile equipment revenues increased by 7.3% to HUF 94.5 billion in 2021, driven primarily by increase in the average handset prices coupled with higher volume of export sales.

Fixed line revenues increased to HUF 187.9 billion in 2021, up from HUF 185.0 billion in 2020. The significant improvements in broadband and TV revenues fully offset the decline in voice revenues.

- Voice retail revenues decreased by 7.1% to HUF 31.2 billion in 2021, primarily due to a further decline in the customer base.
- Broadband retail revenues increased by 10.6% to HUF 53.1 billion in 2021, thanks to further growth of the customer base that was coupled with continued strong demand for bandwidth upgrade transactions. These positive developments fully compensated for the temporary fallout in some of the retail broadband revenues for the first half of 2021 due to the mandatory monthly fee allowance introduced for students and teachers to help with online education during the pandemic.
- TV revenues increased by 9.1% to HUF 46.7 billion in 2021, thanks to higher revenues reflecting the continued expansion of the IPTV customer bases.
- Fixed equipment revenues declined by 13.6% to HUF 18.7 billion in 2021, reflecting lower volume of the equipment sold.
- Data retail revenues rose by 2.9% to HUF 10.2 billion in 2021 thanks to higher revenue from leased line fixed internet services.
- Wholesale revenues were down by 2.3% to HUF 12.8 billion in 2021 reflecting lower voice services revenue partly offset by higher network-related revenue.

System Integration (SI) and IT revenues recorded a decline of 4.1% to HUF 10.4 billion in 2021, compared to HUF 10.9 billion in 2020, driven by moderately lower project volumes in Hungary.

12.2 Direct costs

Direct costs increased from HUF 221.0 billion in 2020 to HUF 233.3 billion in 2021, primarily due to higher equipment and interconnect costs.

- Interconnect costs grew by 14.3% to HUF 19.2 billion in 2021, as increased off-network mobile voice traffic led to higher payments to domestic mobile operators.
- SI/IT service related costs declined by 7.8% to HUF 8.6 billion in 2021, reflecting lower volume of related projects during the year.
- Bad debt expenses were up by 14.3% to HUF 9.8 billion in 2021 due to a forward-looking impairment recognized in the amount of HUF 3.2 billion reflecting a possible deterioration of the solvency of our customers driven by unfavorable macroeconomic developments coupled with the termination of loan moratorium in Hungary expected for mid-2022. This offset the positive impacts of factoring and favorable aging of mobile receivables.
- Telecom tax was lower by 2.9% at HUF 26.8 billion in 2021, reflecting the absence of a one-off non-recurring adjustment booked in 2020.
- Other direct costs increased by 6.5% to HUF 168.9 billion in 2021, driven primarily by higher equipment costs coupled with an increase in roaming and TV content outpayments.

12.3 Gross profit

Gross profit increased to HUF 315.0 billion in 2021, from HUF 303.2 billion in 2020, reflecting the increase in revenues.

12.4 Employee-related expenses

Employee-related expenses improved by 3.3% year-on-year to HUF 56.1 billion in 2021, reflecting the combined impact of the reduction in overall headcount and lower severance expenses.

12.5 Other operating expenses

Other operating expenses declined moderately from HUF 64.9 billion in 2020 to HUF 63.7 billion in 2021 thanks to broad based cost saving measures implemented during the year that resulted in lower advisory and maintenance costs. Hungarian utility tax was broadly stable at HUF 7.2 billion.

12.6 Other operating income

Other operating income decreased to HUF 3.3 billion in 2021 from HUF 5.0 billion 2020, reflecting primarily lower one-off profits realized from the sale of real estate.

12.7 EBITDA

EBITDA grew to HUF 198.4 billion in 2021 versus HUF 185.3 billion in 2020, thanks to higher gross profit coupled with indirect cost savings.

12.8 Depreciation and amortization

Depreciation and amortization (D&A) expenses rose to HUF 122.7 billion in 2021 from HUF 116.9 billion in 2020. Higher D&A expenses were related to capitalization and shortened useful life of softwares.

12.9 Operating profit

Operating profit rose from HUF 68.4 billion in 2020 to HUF 75.7 billion in 2021 thanks to the improvement in EBITDA partly offset by higher D&A expenses.

12.10 Net financial result

Net financial result improved considerably from HUF 23.6 billion loss in 2020 to HUF 13.0 billion loss in 2021. Although interest expenses increased due to higher spectrum payment liabilities, more favorable results on the recognition of derivatives at fair value reflecting shifts in the relevant yield curves and the absence of significant negative impacts stemming from the weakening of the forint against the euro during 2020 led to a significant annual improvement.

12.11 Income tax

Income tax expense rose from HUF 12.2 billion in 2020 to HUF 13.9 billion in 2021 driven by the higher profit before tax.

13 EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

Budapest, February 23, 2022



Tibor Rékasi

Chief Executive Officer, Board member



Daria Aleksandrovna Dodonova

Chief Financial Officer, Board member



Declaration

We the undersigned declare that

- the attached annual financial statements which have been prepared in accordance with the applicable set of accounting standards and to the best of our knowledge, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Magyar Telekom Plc. and
- the business report gives a fair view of the position, development and performance of Magyar Telekom Plc., together with a description of the principal risks and uncertainties of its business.

Budapest, March 8, 2022

Tibor Rékasi
Chief Executive Officer,
Member of the Board

Daria Aleksandrovna Dodonova
Chief Financial Officer,
Member of the Board



REPORT OF THE SUPERVISORY BOARD OF MAGYAR TELEKOM PLC. FOR THE GENERAL MEETING OF THE COMPANY

In 2021, the Supervisory Board of Magyar Telekom Plc. (the “Company”) has performed its work in accordance with the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board, based on its accepted Working Schedule. In 2021, the Supervisory Board held meetings on 4 occasions.

The Supervisory Board kept in regular contact with the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Counsel and the head of the Company's Internal Audit organization (the “Internal Audit organization”).

The Supervisory Board regularly discussed the reports made by the Board of Directors on the management, financial status and the business policy of the Company, the executive financial reports and reviewed the activities of the Internal Audit organization and the Compliance program.

The Supervisory Board reviewed and approved the 2021 Audit Plan of the Internal Audit organization, requested and received regular information on the major findings of all audits, as well as the internal audit measures and the status of their implementation. The questions further occurring in relation to the particular audits were adequately answered by the head of the Internal Audit organization at the Supervisory Board meetings.

In 2021, the Internal Audit organization has completed audits:

- primarily on the integrity of financial reports (e.g.: facility management process review, bad debt management, working capital & cashflow management, review of decision making around outsourcing, vendor selection at Maktel, revenue assurance/ business assurance second line of defense review – and three ICS related audits);
- primarily to improve operational processes (e.g.: Telesales processes, customer friendliness of billing, telecommunication and IT/SI project related customer account management @ MT & TSM, Data Loss Prevention, license management, cloud readiness, customer experience on network quality);
- primarily to strengthen compliance and conformity with regulations (e.g.: OneApp security & process review, sale of used devices to employees, employee awareness on data security & GDPR).

Internal Audit organization completed ad hoc audits (hybrid working model including COVID-19 impact, One.App penetration test, employee's conflict of interest) in addition to the Annual Audit Plan 2021 in order to support the mitigation of risks arising during the year.

As a result of the audits, Internal Audit organization has recommended corrective measures and monitored the implementation of them at the areas concerned. The implemented measures have improved the control environment, and, in addition, several efficiency improving opportunities have been identified.

The Internal Audit organization has also completed ICS audits to support the effective operation and compliance of control environment. As in previous years, Internal Audit organization has also participated in the work of Group Compliance Committee.

The Supervisory Board reviewed the report of the Audit Committee on its activities.

During 2021, there was no shareholder notification submitted to the Supervisory Board, and the Chairperson of the Supervisory Board has had other requests regarding the operations of the Company investigated in all cases.

The Supervisory Board has not discovered anything to disapprove in the Company's activities in 2021, with regard to the Company's compliance with statutory operation.

The Supervisory Board examined the submissions to be submitted to the General Meeting, or, with respect to certain agenda items, ensured their preparation and submission to the General Meeting.

- The Supervisory Board examined the report of the Board of Directors on the management of the Company, on the business operation, on the business policy and on the financial situation of the Company and Magyar Telekom Group in 2021, which the Supervisory Board acknowledged.
- The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Consolidated Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.

- The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Separate Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.

- The Supervisory Board, with the involvement of the Audit Committee, discussed the proposal of the Board of Directors, according to which the Company shall pay a total dividend of HUF 15,000,000,000 to the shareholders from the profit of 2021. The Supervisory Board agrees with the proposal of the Board of Directors and proposes the proposal to the General Meeting for approval.
- The Supervisory Board examined the information of the Board of Directors on the purchase of treasury shares following the Annual General Meeting in 2021 and the proposal of the Board of Directors regarding the authorization to purchase ordinary Magyar Telekom shares, and acknowledged them.
- The Supervisory Board examined the Corporate Governance and Management Report of the Company for the 2021 business year, and with its approval proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission of the Board of Directors on discharging the members of the Board of Directors from liability and agrees with that the General Meeting should discharge the members of the Board of Directors from liability for the business year of 2021 and with that the General Meeting should approve the discharging from liability with respect to the 2019 and 2020 business years.
- The Supervisory Board examined the amendment to the Company's Articles of Association proposed by the Board of Directors and agrees with it.
- The Supervisory Board examined the submission of the Board of Directors on the election of members of the Board of Directors and acknowledged it.
- The Supervisory Board examined the submission on the remuneration of the members of the Board of Directors to be re-submitted to the General Meeting and agrees with it.
- The Supervisory Board examined the submission of the Board of Directors on the election of members of the Supervisory Board and the Audit Committee and acknowledged it.



- The Supervisory Board examined the submission of the Board of Directors on the capital decrease of the Company and in relation to this modification of the Articles of Association, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission prepared by the Remuneration and Nomination Committee submitted to the General Meeting with the agreement of the Board of Directors on the approval of the amended Remuneration Policy, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission prepared by the Board of Directors submitted to the General Meeting with the agreement of the Remuneration and Nomination Committee on the approval of the Remuneration Report, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board, considering and based on the result of the audit rotation tender procedure performed by the Audit Committee, adopted its proposal on the election and determination of the remuneration of the Company's Statutory Auditor, and determination of the contents of the material elements of the contract to be concluded with the Statutory Auditor and submits it to the General Meeting.

The Supervisory Board supplements its report adopted on March 8, 2022, while maintaining its contents, as follows:

With regard to the supplemented agenda and the draft resolutions proposed by the Hold 2000 Nyíltvégű Befektetési Alap, the Hold 2024 Deep Value Nyíltvégű Befektetési Alap, the Hold Columbus Globális Értékalapú Származtatott Befektetési Alap, the Hold Közép-európai Részvény Befektetési Alap, the Hold Részvény Befektetési Alap, and the Hold Rubicon Származtatott Befektetési Alap (the "Shareholders"):

- The Supervisory Board, with the involvement of the Audit Committee, examined the proposal of the Shareholders on the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution", and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submission of the Shareholders on the "Removal of a member of the Board of Directors and election of a new member of the Board of Directors and determining his remuneration" and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submission of the Shareholders on the "Request to the Board of Directors to develop a new Remuneration Policy" and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submissions of the Shareholders on the "Report of the Board of Directors on the assessment of shareholders' proposals on the Company's dividend policy", and the "Request to the Board of Directors to propose a new dividend policy" and agrees that the proposals are submitted to the General Meeting in accordance with the applicable laws.

Budapest, March 21, 2022

In representation of the Supervisory Board of Magyar Telekom Plc.:

Prof. dr. Attila Borbély, Chairperson of the Supervisory Board

REPORT OF THE AUDIT COMMITTEE OF MAGYAR TELEKOM PLC. FOR THE SUPERVISORY BOARD AND THE GENERAL MEETING OF THE COMPANY IN RELATION TO THE APPROVAL OF THE 2021 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), AND THE USE OF THE PROFIT FOR THE YEAR EARNED IN 2021

In 2021, the Audit Committee of Magyar Telekom Plc. (the “Company”) has performed its work in accordance with the Articles of Association of the Company and the Rules of Procedure of the Audit Committee, based on its accepted Working Schedule, and in case of the occurrence of an extraordinary case, with a focus on its review without delay and on the interest of making the appropriate decision. In 2021, the Audit Committee held 4 meetings and 3 extraordinary meetings, furthermore, it adopted resolutions without holding a meeting in writing on 4 occasions.

The Audit Committee kept in continuous contact with the Company’s Chief Financial Officer, the Chief Legal Counsel, the head of the Internal Audit organization, the head of the Compliance organization, and the Statutory Auditor (the “Auditor”).

The Audit Committee adequately supported the Supervisory Board in supervising the financial reporting system, in selecting the Auditor and in cooperating with the Auditor.

The Audit Committee supported the Supervisory Board – inter alia - in the following tasks in 2021:

The Audit Committee regularly monitored the services provided by the Auditor and their fees. The Auditor, with the general or specific pre-approval of the Audit Committee, provided audit of the financial statements, other audit related services and other services for the Company in 2021.

The Audit Committee quarterly reviewed and evaluated the reports on the activities of Internal Audit, furthermore, reviewed the Annual Audit Plan of the Internal Audit organization.

The Audit Committee quarterly reviewed and evaluated the Group Compliance Officer’s reports on

- the progress of the implementation of the Compliance program;
- the reported comments and complaints, the status of the investigations initiated with respect to them, and the proposed remedial actions.

The Audit Committee provided an assistance to the Supervisory Board in supervising the operation of the Internal Control System (“ICS”).



The Audit Committee reviewed and evaluated the financial reports pertaining to those of regular information provision as prescribed by the Capital Markets Act.

The Audit Committee regularly monitored the risk management system of the Magyar Telekom Group, and the quarterly risk management reports which effectively ensure the supervision of the most significant risks and the status, control and monitoring of up-to-date risk mitigation measures.

The Audit Committee conducted an auditor rotation tender procedure in accordance with the EU Audit Regulation¹ and as a result thereof, the Audit Committee submitted its recommendation to the Supervisory Board on the election of the Statutory Auditor of the Company.

There was no shareholder notification to the Audit Committee in 2021.

In relation with the 2022 Annual General Meeting the Audit Committee performed the following tasks:

- The Audit Committee reviewed and evaluated the 2021 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS) to be submitted to the Supervisory Board and the General Meeting by the Board of Directors, the proposal of the Board of Directors for their approval and listened to the relevant report of the Auditor.

The Audit Committee, based on its activities performed during the year and the report of the Auditor, agrees with the content of the Consolidated Financial Statements and the proposal, and submits it to the Supervisory Board. The Audit Committee proposes to the Supervisory Board for agreement of the content of the 2021 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS), and to the General Meeting for approval the Consolidated Financial Statements including Statements of Financial Position Total Assets of HUF 1,400,671 million and Profit for the year 2021 of HUF 62,847 million.

- The Audit Committee reviewed and evaluated the 2021 Separate Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) to be submitted to the Supervisory Board and the General Meeting by the Board of Directors, the proposal of the Board of Directors for their approval and listened to the relevant report of the Auditor.

The Audit Committee, based on its activities performed during the year and the report of the Auditor, agrees with the content of the Separate Financial Statements and the proposal, and submits it to the Supervisory Board. The Audit Committee proposes to the Supervisory Board for agreement of the content of the 2021 Separate Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS), and to the General Meeting for approval the Separate Financial Statements including Statements of Financial Position Total Assets of HUF 1,310,465 million and Profit for the year 2021 of HUF 54,544 million.

- The Audit Committee reviewed and evaluated the proposal of the Board of Directors, according to which a total dividend of HUF 15,000,000,000 shall be paid by the Company to the shareholders from the profit of 2021. According to the review of the Audit Committee, the appropriate coverage for dividend payment is available, the Audit Committee agrees with the proposal. The Audit Committee proposes the proposal to the Supervisory Board for agreement and proposes to the General Meeting for approval. The Audit Committee also reviewed and evaluated the proposal of Hold 2000 Nyíltvégű Befektetési Alap, Hold 2024 Deep Value Nyíltvégű Befektetési Alap, Hold Columbus Globális Értékalapú Származtatott Befektetési Alap, Hold Közép-európai Részvény Befektetési Alap, Hold Részvény Befektetési Alap, and Hold Rubicon Származtatott Befektetési Alap shareholders on the supplemented agenda and the proposed draft resolution regarding the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution".

Budapest, March 21, 2022

In representation of the Audit Committee of Magyar Telekom Plc.:

Prof. dr. Attila Borbély, Chairperson of the Audit Committee

¹ Regulation (Eu) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE USE OF THE PROFIT FOR THE YEAR EARNED IN 2021; PRESENTATION OF THE RELEVANT REPORT OF THE SUPERVISORY BOARD, THE AUDIT COMMITTEE AND THE AUDITOR; USE OF THE PROFIT FOR THE YEAR EARNED IN 2021; *SHAREHOLDERS' PROPOSAL ON THE DECISION ON THE APPROPRIATION OF PROFIT AFTER TAX AND DIVIDEND DETERMINATION OF THE PROFIT DISTRIBUTION*

BUDAPEST, APRIL 12, 2022



A) PROPOSAL OF THE BOARD OF DIRECTORS FOR THE USE OF THE PROFIT FOR THE YEAR EARNED IN 2021; PRESENTATION OF THE RELEVANT REPORT OF THE SUPERVISORY BOARD, THE AUDIT COMMITTEE AND THE AUDITOR; USE OF THE PROFIT FOR THE YEAR EARNED IN 2021

According to Section 3:109 (2) of the Civil Code and Section 5.2. (i) of the Articles of Association deciding on the utilization of after-tax earnings belongs to the exclusive scope of authority of the General Meeting. Those shareholders who are registered on the Share Register at the record date of the dividend payment identification process ordered by the Company shall be entitled to the dividend.

Resolution proposal:

A total dividend of HUF 15,000,000,000 shall be paid by the Company to the shareholders from the profit of 2021, the dividend on treasury shares will be distributed by the Company among the shareholders who are entitled to dividends. The HUF 15,000,000,000 to be disbursed as dividends shall be paid from the profit after tax of HUF 54,544,759,716 based on the Separate Financial Statements figures. The remaining amount of HUF 39,544,759,716 of the profit after tax based on the Separate Financial Statements figures shall be allocated to retained earnings.

May 10, 2022 shall be the first day of dividend disbursement. The record date of the dividend payment shall be April 29, 2022. On April 25, 2022, the Board of Directors of the Company shall publish a detailed announcement on the order of the dividend disbursement on the homepage of the company and the Budapest Stock Exchange.

The dividends shall be paid by KELER Ltd., in compliance with the instructions of the Company.

Relevant part of the Report of the Supervisory Board related to the Board of Directors' submission included in this agenda item:

The Supervisory Board, with the involvement of the Audit Committee, discussed the proposal of the Board of Directors, according to which the Company shall pay a total dividend of HUF 15,000,000,000 to the shareholders from the profit of 2021. The Supervisory Board agrees with the proposal of the Board of Directors and proposes the proposal to the General Meeting for approval.

B) Shareholders' proposal: "DECISION ON THE APPROPRIATION OF PROFIT AFTER TAX AND DIVIDEND DETERMINATION OF THE PROFIT DISTRIBUTION"

Submission and resolution proposal of the HOLD 2000 NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD 2024 DEEP VALUE NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD COLUMBUS GLOBÁLIS ÉRTÉKALAPÚ SZÁRMAZTATOTT BEFEKTETÉSI ALAP, the HOLD KÖZÉP-EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP, the HOLD RÉSZVÉNY BEFEKTETÉSI ALAP and HOLD RUBICON SZÁRMAZTATOTT BEFEKTETÉSI ALAP (hereinafter the "Shareholders") on the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution", submitted on March 17, 2022:

Agenda item: *Decision on the appropriation of profit after tax and dividend determination of the profit distribution*

Presentation:

The Company announced in an investor release on February 23, 2022 that the Board of Directors approved the shareholder remuneration policy for the years 2022-2024.

In the investment release, the Board of Directors has submitted the following proposal for approval by the Annual General Meeting:

It proposes a total dividend of HUF 15 billion for the 2021 financial year. Furthermore, the Board of Directors proposes that the value of the buyback should be up to HUF 14.6 billion, specifying that the buyback requires the approval of the General Meeting.

Since the decision on the appropriation of the profit after tax and the determination of the dividend are within the competence of the General Meeting, we kindly ask the Board of Directors to add the following proposal to the agenda:

*We propose a total dividend payment of **HUF 25 billion** for the 2021 financial year. Furthermore, we propose that the value of the buyback should be up to HUF 14.6 billion, specifying that the buyback requires the approval of the General Meeting.*

Regulation (EU) No 2019/2088 of the European Parliament and of the Council ("SFDR") imposes enhanced transparency obligations on financial market participants in the context of corporate governance issues. If the proposed amendments are rejected by the General Meeting, the Company will disregard the interests of minority shareholders, thereby jeopardising the prudent operation of the Company.

Proposed decision:

Resolution No [...]/2022 (IV.12.)

The General Meeting resolves to pay a dividend of HUF 25,000,000,000, i.e. twenty-five billion of Hungarian Forints, to the shareholders in accordance with the proposal of the minority of shareholders, the provisions of Section 3:262 of Act V of 2013 on the Civil Code and the provisions of Section 4.3 of the Articles of Association. The General Meeting although resolves that the value of the buyback is HUF 14,600,000,000, i.e. fourteen billion and six thousand millions of Hungarian Forints."

Relevant part of the Report of the Supervisory Board related to the Shareholders' submission included in this agenda item:

The Supervisory Board, with the involvement of the Audit Committee, examined the proposal of the Shareholders on the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution", and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.



REPORT OF THE SUPERVISORY BOARD OF MAGYAR TELEKOM PLC. FOR THE GENERAL MEETING OF THE COMPANY

In 2021, the Supervisory Board of Magyar Telekom Plc. (the “Company”) has performed its work in accordance with the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board, based on its accepted Working Schedule. In 2021, the Supervisory Board held meetings on 4 occasions.

The Supervisory Board kept in regular contact with the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Counsel and the head of the Company's Internal Audit organization (the “Internal Audit organization”).

The Supervisory Board regularly discussed the reports made by the Board of Directors on the management, financial status and the business policy of the Company, the executive financial reports and reviewed the activities of the Internal Audit organization and the Compliance program.

The Supervisory Board reviewed and approved the 2021 Audit Plan of the Internal Audit organization, requested and received regular information on the major findings of all audits, as well as the internal audit measures and the status of their implementation. The questions further occurring in relation to the particular audits were adequately answered by the head of the Internal Audit organization at the Supervisory Board meetings.

In 2021, the Internal Audit organization has completed audits:

- primarily on the integrity of financial reports (e.g.: facility management process review, bad debt management, working capital & cashflow management, review of decision making around outsourcing, vendor selection at Maktel, revenue assurance/ business assurance second line of defense review – and three ICS related audits);
- primarily to improve operational processes (e.g.: Telesales processes, customer friendliness of billing, telecommunication and IT/SI project related customer account management @ MT & TSM, Data Loss Prevention, license management, cloud readiness, customer experience on network quality);
- primarily to strengthen compliance and conformity with regulations (e.g.: OneApp security & process review, sale of used devices to employees, employee awareness on data security & GDPR).

Internal Audit organization completed ad hoc audits (hybrid working model including COVID-19 impact, One.App penetration test, employee's conflict of interest) in addition to the Annual Audit Plan 2021 in order to support the mitigation of risks arising during the year.

As a result of the audits, Internal Audit organization has recommended corrective measures and monitored the implementation of them at the areas concerned. The implemented measures have improved the control environment, and, in addition, several efficiency improving opportunities have been identified.

The Internal Audit organization has also completed ICS audits to support the effective operation and compliance of control environment. As in previous years, Internal Audit organization has also participated in the work of Group Compliance Committee.

The Supervisory Board reviewed the report of the Audit Committee on its activities.

During 2021, there was no shareholder notification submitted to the Supervisory Board, and the Chairperson of the Supervisory Board has had other requests regarding the operations of the Company investigated in all cases.

The Supervisory Board has not discovered anything to disapprove in the Company's activities in 2021, with regard to the Company's compliance with statutory operation.



The Supervisory Board examined the submissions to be submitted to the General Meeting, or, with respect to certain agenda items, ensured their preparation and submission to the General Meeting.

- The Supervisory Board examined the report of the Board of Directors on the management of the Company, on the business operation, on the business policy and on the financial situation of the Company and Magyar Telekom Group in 2021, which the Supervisory Board acknowledged.
- The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Consolidated Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.

- The Supervisory Board, with the involvement of the Audit Committee and the Statutory Auditor, examined the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS), to be submitted to the General Meeting by the Board of Directors, and the proposal of the Board of Directors for their approval.

In the opinion of the Supervisory Board, the Separate Financial Statements are in compliance with the prescriptions of the law, the Supervisory Board agrees with their content. The Supervisory Board proposes to the General Meeting for approval the 2021 Separate Financial Statements prepared according to International Financial Reporting Standards (IFRS) including Statements of Financial Position Total Assets and Profit for the year in accordance with the proposal of the Board of Directors and the Audit Committee.

- The Supervisory Board, with the involvement of the Audit Committee, discussed the proposal of the Board of Directors, according to which the Company shall pay a total dividend of HUF 15,000,000,000 to the shareholders from the profit of 2021. The Supervisory Board agrees with the proposal of the Board of Directors and proposes the proposal to the General Meeting for approval.
- The Supervisory Board examined the information of the Board of Directors on the purchase of treasury shares following the Annual General Meeting in 2021 and the proposal of the Board of Directors regarding the authorization to purchase ordinary Magyar Telekom shares, and acknowledged them.
- The Supervisory Board examined the Corporate Governance and Management Report of the Company for the 2021 business year, and with its approval proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission of the Board of Directors on discharging the members of the Board of Directors from liability and agrees with that the General Meeting should discharge the members of the Board of Directors from liability for the business year of 2021 and with that the General Meeting should approve the discharging from liability with respect to the 2019 and 2020 business years.
- The Supervisory Board examined the amendment to the Company's Articles of Association proposed by the Board of Directors and agrees with it.
- The Supervisory Board examined the submission of the Board of Directors on the election of members of the Board of Directors and acknowledged it.
- The Supervisory Board examined the submission on the remuneration of the members of the Board of Directors to be re-submitted to the General Meeting and agrees with it.
- The Supervisory Board examined the submission of the Board of Directors on the election of members of the Supervisory Board and the Audit Committee and acknowledged it.



- The Supervisory Board examined the submission of the Board of Directors on the capital decrease of the Company and in relation to this modification of the Articles of Association, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission prepared by the Remuneration and Nomination Committee submitted to the General Meeting with the agreement of the Board of Directors on the approval of the amended Remuneration Policy, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board examined the submission prepared by the Board of Directors submitted to the General Meeting with the agreement of the Remuneration and Nomination Committee on the approval of the Remuneration Report, and with its acknowledgement proposes it to the General Meeting for acceptance.
- The Supervisory Board, considering and based on the result of the audit rotation tender procedure performed by the Audit Committee, adopted its proposal on the election and determination of the remuneration of the Company's Statutory Auditor, and determination of the contents of the material elements of the contract to be concluded with the Statutory Auditor and submits it to the General Meeting.

The Supervisory Board supplements its report adopted on March 8, 2022, while maintaining its contents, as follows:

With regard to the supplemented agenda and the draft resolutions proposed by the Hold 2000 Nyíltvégű Befektetési Alap, the Hold 2024 Deep Value Nyíltvégű Befektetési Alap, the Hold Columbus Globális Értékalapú Származtatott Befektetési Alap, the Hold Közép-európai Részvény Befektetési Alap, the Hold Részvény Befektetési Alap, and the Hold Rubicon Származtatott Befektetési Alap (the "Shareholders"):

- The Supervisory Board, with the involvement of the Audit Committee, examined the proposal of the Shareholders on the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution", and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submission of the Shareholders on the "Removal of a member of the Board of Directors and election of a new member of the Board of Directors and determining his remuneration" and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submission of the Shareholders on the "Request to the Board of Directors to develop a new Remuneration Policy" and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.
- The Supervisory Board examined the submissions of the Shareholders on the "Report of the Board of Directors on the assessment of shareholders' proposals on the Company's dividend policy", and the "Request to the Board of Directors to propose a new dividend policy" and agrees that the proposals are submitted to the General Meeting in accordance with the applicable laws.

Budapest, March 21, 2022

In representation of the Supervisory Board of Magyar Telekom Plc.:

Prof. dr. Attila Borbély, Chairperson of the Supervisory Board



REPORT OF THE AUDIT COMMITTEE OF MAGYAR TELEKOM PLC. FOR THE SUPERVISORY BOARD AND THE GENERAL MEETING OF THE COMPANY IN RELATION TO THE APPROVAL OF THE 2021 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF THE COMPANY PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), AND THE USE OF THE PROFIT FOR THE YEAR EARNED IN 2021

In 2021, the Audit Committee of Magyar Telekom Plc. (the “Company”) has performed its work in accordance with the Articles of Association of the Company and the Rules of Procedure of the Audit Committee, based on its accepted Working Schedule, and in case of the occurrence of an extraordinary case, with a focus on its review without delay and on the interest of making the appropriate decision. In 2021, the Audit Committee held 4 meetings and 3 extraordinary meetings, furthermore, it adopted resolutions without holding a meeting in writing on 4 occasions.

The Audit Committee kept in continuous contact with the Company’s Chief Financial Officer, the Chief Legal Counsel, the head of the Internal Audit organization, the head of the Compliance organization, and the Statutory Auditor (the “Auditor”).

The Audit Committee adequately supported the Supervisory Board in supervising the financial reporting system, in selecting the Auditor and in cooperating with the Auditor.

The Audit Committee supported the Supervisory Board – inter alia - in the following tasks in 2021:

The Audit Committee regularly monitored the services provided by the Auditor and their fees. The Auditor, with the general or specific pre-approval of the Audit Committee, provided audit of the financial statements, other audit related services and other services for the Company in 2021.

The Audit Committee quarterly reviewed and evaluated the reports on the activities of Internal Audit, furthermore, reviewed the Annual Audit Plan of the Internal Audit organization.

The Audit Committee quarterly reviewed and evaluated the Group Compliance Officer’s reports on

- the progress of the implementation of the Compliance program;
- the reported comments and complaints, the status of the investigations initiated with respect to them, and the proposed remedial actions.

The Audit Committee provided an assistance to the Supervisory Board in supervising the operation of the Internal Control System (“ICS”).



The Audit Committee reviewed and evaluated the financial reports pertaining to those of regular information provision as prescribed by the Capital Markets Act.

The Audit Committee regularly monitored the risk management system of the Magyar Telekom Group, and the quarterly risk management reports which effectively ensure the supervision of the most significant risks and the status, control and monitoring of up-to-date risk mitigation measures.

The Audit Committee conducted an auditor rotation tender procedure in accordance with the EU Audit Regulation¹ and as a result thereof, the Audit Committee submitted its recommendation to the Supervisory Board on the election of the Statutory Auditor of the Company.

There was no shareholder notification to the Audit Committee in 2021.

In relation with the 2022 Annual General Meeting the Audit Committee performed the following tasks:

- The Audit Committee reviewed and evaluated the 2021 Consolidated Financial Statements prepared according to International Financial Reporting Standards (IFRS) to be submitted to the Supervisory Board and the General Meeting by the Board of Directors, the proposal of the Board of Directors for their approval and listened to the relevant report of the Auditor.

The Audit Committee, based on its activities performed during the year and the report of the Auditor, agrees with the content of the Consolidated Financial Statements and the proposal, and submits it to the Supervisory Board. The Audit Committee proposes to the Supervisory Board for agreement of the content of the 2021 Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS), and to the General Meeting for approval the Consolidated Financial Statements including Statements of Financial Position Total Assets of HUF 1,400,671 million and Profit for the year 2021 of HUF 62,847 million.

- The Audit Committee reviewed and evaluated the 2021 Separate Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) to be submitted to the Supervisory Board and the General Meeting by the Board of Directors, the proposal of the Board of Directors for their approval and listened to the relevant report of the Auditor.

The Audit Committee, based on its activities performed during the year and the report of the Auditor, agrees with the content of the Separate Financial Statements and the proposal, and submits it to the Supervisory Board. The Audit Committee proposes to the Supervisory Board for agreement of the content of the 2021 Separate Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS), and to the General Meeting for approval the Separate Financial Statements including Statements of Financial Position Total Assets of HUF 1,310,465 million and Profit for the year 2021 of HUF 54,544 million.

- The Audit Committee reviewed and evaluated the proposal of the Board of Directors, according to which a total dividend of HUF 15,000,000,000 shall be paid by the Company to the shareholders from the profit of 2021. According to the review of the Audit Committee, the appropriate coverage for dividend payment is available, the Audit Committee agrees with the proposal. The Audit Committee proposes the proposal to the Supervisory Board for agreement and proposes to the General Meeting for approval. The Audit Committee also reviewed and evaluated the proposal of Hold 2000 Nyíltvégű Befektetési Alap, Hold 2024 Deep Value Nyíltvégű Befektetési Alap, Hold Columbus Globális Értékalapú Származtatott Befektetési Alap, Hold Közép-európai Részvény Befektetési Alap, Hold Részvény Befektetési Alap, and Hold Rubicon Származtatott Befektetési Alap shareholders on the supplemented agenda and the proposed draft resolution regarding the "Decision on the appropriation of profit after tax and dividend determination of the profit distribution".

Budapest, March 21, 2022

In representation of the Audit Committee of Magyar Telekom Plc.:

Prof. dr. Attila Borbély, Chairperson of the Audit Committee

¹ Regulation (Eu) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**INFORMATION OF THE BOARD OF DIRECTORS ON
THE PURCHASE OF TREASURY SHARES
FOLLOWING THE ANNUAL GENERAL MEETING IN
2021; AUTHORIZATION OF THE BOARD OF
DIRECTORS TO PURCHASE ORDINARY MAGYAR
TELEKOM SHARES**

BUDAPEST, APRIL 12, 2022



1) INFORMATION OF THE BOARD OF DIRECTORS ON THE PURCHASE OF TREASURY SHARES FOLLOWING THE AUTHORIZATION PROVIDED IN 2021

The Board of Directors of Magyar Telekom Plc., based on the authorization set out in Section 9 (2) of Government Decree no. 502/2020. (XI. 16.) authorized the Board of Directors with its resolution no. 2/5 (04.16.2021.) to purchase ordinary Magyar Telekom shares for a term of 18 months following the decision.

According to Section 3:223(4) of the Civil Code the Board of Directors shall provide information at the next general meeting about the reasons and type of the treasury share purchase, the total number, the aggregate face value and the proportion of these shares to the Company's share capital, and also the total price paid of the acquired shares.

On April 16, 2021, upon granting the authorization, Magyar Telekom Plc. owned 21,982,747 series "A" ordinary Magyar Telekom shares.

In accordance with the authorization, until February 23, 2022, the Company purchased a total number of 23,794,792 Magyar Telekom ordinary shares with the aggregate face value of HUF 2,379,479,200, which constitute a 2.28% proportion of the share capital, for a total purchase price of HUF 10,207,592,588. The buyback was executed via an auction for the purpose of 2021 shareholder remuneration.

Magyar Telekom Plc. provides written information via extraordinary announcements on a case-by-case basis, as required by the capital market rules on the websites of Magyar Telekom Plc. and the Budapest Stock Exchange, on any potential treasury share purchases based on the authorization, following the disclosure of this submission.

Resolution proposal:

The General Meeting acknowledges the information of the Board of Directors on the purchase of treasury shares following resolution no. 2/5 (04.16.2021.) of the Board of Directors adopted based on the authorization set out in Section 9 (2) of Government Decree no. 502/2020. (XI. 16.).



2) AUTHORIZATION FOR THE BOARD OF DIRECTORS TO PURCHASE TREASURY SHARES

According to Section 3:223(1) of the Civil Code and Section 5.2.(p) of the Articles of Association, the General Meeting may authorize the Board of Directors to purchase treasury shares.

The authorization granted by the Board of Directors of Magyar Telekom Plc., based on the authorization set out in Section 9 (2) of Government Decree no. 502/2020. (XI. 16.), with its resolution no. 2/5 (04.16.2021.) for the Board of Directors to purchase ordinary shares shall expire on October 16, 2022. The Board of Directors hereby requests new authorization from the General Meeting to purchase ordinary Magyar Telekom shares for 18 months following the approval date.

Upon the approval of the new authorization, the authorization granted by resolution no. 2/5 (04.16.2021.) of the Board of Directors shall be repealed.

Resolution proposal:

The General Meeting authorizes the Board of Directors to purchase Magyar Telekom ordinary shares, the purpose of which could be the following:

- to execute shareholder remuneration for 2022 through decrease of the share capital;
- to operate share-based incentive plans.

The authorization will be valid for 18 months starting from the date of approval of this General Meeting resolution. The shares to be purchased on the basis of this authorization together with the treasury shares already held by Magyar Telekom shall not at any time exceed more than 25% of the share capital effective from time to time or the corresponding number of shares (at the date of granting this authorization up to 260,685,635 ordinary shares with a face value of HUF 100) of Magyar Telekom Plc.

The shares can be purchased through the Stock Exchange or on the OTC market. The equivalent value per share paid by Magyar Telekom Plc. may not be more than the value of total capital per share of Magyar Telekom Plc based on the last available separate audited financial statements whereas the minimum value to be paid for one share is HUF 1.

The authorization may be exercised in full or in part, and the purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume has been reached.

Authorization granted to the board of directors, based on the authorization set out in section 9 (2) of government decree no. 502/2020. (xi. 16.), by resolution no. 2/5 (04.16.2021.) Of the board of directors is hereby repealed.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the information of the Board of Directors on the purchase of treasury shares following the Annual General Meeting in 2021 and the proposal of the Board of Directors regarding the authorization to purchase ordinary Magyar Telekom shares, and acknowledged them.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

APPROVAL OF THE CORPORATE GOVERNANCE AND MANAGEMENT REPORT

BUDAPEST, APRIL 12, 2022



Pursuant to Section 3:289 of the Civil Code, the board of directors of public limited companies must submit the corporate governance and management report to the Annual General Meeting of the company with the approval of the Supervisory Board, prepared according to the rules applicable to the persons of the given stock exchange. According to Section 5.2 (j) of the Articles of Association, the approval of the corporate governance and management report is within the exclusive authority of the General Meeting. The report and the declaration attached thereto were prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE) (www.bet.hu).

Resolution proposal:

The General Meeting approves the Corporate Governance and Management Report of the Company for the 2021 business year.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the Corporate Governance and Management Report of the Company for the 2021 business year, and with its approval proposes it to the General Meeting for acceptance.



EGYÜTT. VELED

CORPORATE GOVERNANCE AND MANAGEMENT REPORT OF MAGYAR TELEKOM PLC. FOR THE 2021 BUSINESS YEAR

Approved by the Board of Directors of Magyar Telekom Plc. on February 23, 2022 with Resolution No. 1/14 (02.23.2022) and the Supervisory Board on March 8, 2022 with Resolution No. 1/6 (03.08.2022).

The Corporate Governance and Management Report was approved with Resolution No. [•]/2022 (IV.12.) by the Annual General Meeting of the Company held on April 12, 2022.



INTRODUCTION

The Board of Directors of Magyar Telekom Telecommunications Public Limited Company (hereinafter “Magyar Telekom” or “Company”) based on the Corporate Governance Recommendations of the Budapest Stock Exchange Zrt. (“BSE”), and the provisions of Act V of 2013 on the Civil Code (“Civil Code”), approves and submits to the Annual General Meeting with the approval of the Supervisory Board the below Corporate Governance and Management Report for the 2021 business year.

1. A BRIEF PRESENTATION OF THE OPERATION OF THE BOARD OF DIRECTORS, AND A DESCRIPTION OF THE DIVISION OF RESPONSIBILITY AND DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

Magyar Telekom’s Board of Directors (“Board” or “Board of Directors”) shall be the management body of the Company and shall represent the Company with regard to third parties, in court and before other authorities. The Board of Directors exercises its rights and performs its obligations as an independent body.

The members of the Board of Directors shall conduct the management of the Company by giving primacy of the interests of the Company. The members of the Board of Directors shall be held liable for damages caused to the Company resulting from their management activities in accordance with the rules pertaining to damages for loss caused by breach of contract. The Company shall be held liable for damages caused to a third party by the members of the Board of Directors in connection with their conduct in such capacity. The Board of Directors and the Company shall be held jointly and severally liable, if the damage was caused intentionally by the members of the Board of Directors.

The Board of Directors is not an operative management body, in other words, the Board of Directors is not involved in the Company’s daily business. The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting (“General Meeting”) or to other corporate bodies by the Articles of Association of the Company (“Articles of Association”) or by the law. Among other responsibilities, it approves the Company’s strategy, business plan, major organizational changes and key transactions, concludes employment agreements with and removes the Chief Executive Officer (“CEO”) and the Chief Officers.

2. THE INTRODUCTION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE EXECUTIVE MANAGEMENT (IN THE CASE OF BOARD MEMBERS, INCLUDING THE STATUS OF INDEPENDENCE OF THE DIFFERENT MEMBERS), A DESCRIPTION OF THE STRUCTURE OF COMMITTEES

Introduction of the members of the Board of Directors, the Supervisory Board of Magyar Telekom (“Supervisory Board”) and the management is available at the website of Magyar Telekom:

http://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors

http://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board

https://www.telekom.hu/about_us/investor_relations/corporate_governance/management

The Board of Directors shall be comprised of a minimum of five (5), and a maximum of eleven (11) members. The members of the Board of Directors shall be elected by the General Meeting. On December 31, 2021, the Board of Directors had eight (8) members. The assignment of the members of the Board of Directors, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. The members of the Board of Directors can be removed or re-elected at any time by the General Meeting. Unless otherwise provided by a separate arrangement, the removal of, or failure to re-elect, a member of the Board of Directors shall not affect the employment rights of such person in respect of the Company where such member of the Board of Directors is also an employee of the Company.

The Board of Directors operates based on its Rules of Procedure.

The Civil Code does not include requirements with regard to the independency of the members of the Board of Directors if besides the Board of Directors there is also a supervisory board operating at the company. Independent members of the Board of Directors: Gábor Fekete, Frank Odzuck and Péter Raticics.

According to the Articles of Association the Supervisory Board shall be comprised of five (5) members. The members shall be elected by the General Meeting. The assignment of the members of the Supervisory Board, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 then their assignment lasts until the date thereof. Three members of the Supervisory Board must be independent from time to time in accordance with the applicable provisions of the Civil Code and two members of the Supervisory Board must be employees of the Company. The Supervisory Board carries out its activities based on its Rules of Procedure that is established by the Supervisory Board.

Independent members of the Supervisory Board according to the Civil Code: Prof. dr. Attila Borbély, Krisztina Dorogházi and András Szakonyi.

The detailed rules on the tasks, competences and operation of the Board of Directors and the Supervisory Board are contained in their Rules of Procedures:

https://www.telekom.hu/static-tr/sw/file/20200922_MT_BoD_RoP_ENG.pdf

https://www.telekom.hu/static-tr/sw/file/20210608_MT_SB_RoP.pdf

3. THE NUMBER OF MEETINGS HELD IN THE RELEVANT PERIOD BY THE BOARD OF DIRECTORS, SUPERVISORY BOARD AND COMMITTEES, INCLUDING THE NUMBER OF MEMBERS ATTENDING

Section 5 discusses the work of the individual committees in detail, therefore, we analyzed here the above parameters with regard to the Board of Directors and the Supervisory Board.

In business year 2021 the Board of Directors held four (4) meetings in accordance with its Preliminary Meeting Schedule and held one (1) extraordinary meeting at which the overall rate of attendance of the members (either personally or by means of any electronic communication) was 95%. The Board of Directors adopted resolutions without holding a meeting in writing in two (2) cases.

The most important issues discussed by the Board of Directors in year 2021 were as follows:

- Magyar Telekom Group strategy, Objectives and Key results of the Company;
- business planning for years 2022-2025;
- monitoring financial performance;
- decision in the matters set on the published agenda of the Annual General Meeting, including the proposal to the General Meeting on the approval of the year 2020 financial statements, the use of the profit for the year earned in 2020 and the dividend¹;
- cooperation with Deutsche Telekom AG;
- M&A decisions;
- risk management of Magyar Telekom Group;
- review of the Compliance program;
- review of the activities of the Company's Internal Audit organization.

The Supervisory Board held four (4) meetings in business year 2021 at which the average rate of participation was 95%.

The most important issues discussed by the Supervisory Board in 2021 were as follows:

- submissions on the agenda of the General Meeting;
- Magyar Telekom Group strategy, Objectives and Key results of the Company
- Business Plan of the Magyar Telekom Group 2021-2024;
- report of the Board of Directors on the management, financial status and the business policy of the Company;
- Magyar Telekom Group's Financial Reports;
- reports on the activity of the Company's Internal Audit organization;
- Annual Audit Plan of the Company's Internal Audit organization;
- review of the Compliance program;
- report on the activities performed by the Audit Committee in 2020;
- report on the audit tendering process of Magyar Telekom Nyrt.

¹ Based on Government Decree no. 502/2020. (XI.16.) the Board of Directors of the Company decided in the matters set on the published agenda of the Annual General Meeting.

4. THE PRESENTATION OF VIEWPOINTS CONSIDERED WHEN EVALUATING THE WORK OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD, THE EXECUTIVE MANAGEMENT, AS WELL AS OF THE DIFFERENT MEMBERS. REFERENCE TO WHETHER EVALUATION CARRIED OUT IN THE RELEVANT PERIOD HAS RESULTED IN ANY CHANGES

The year 2021 self assessment of the Board of Directors is published on the web site of the Company. The self assessment primarily focused on:

- the performance of tasks belonging to the scope of authority according to the Articles of Association and the Rules of Procedure of the Board of Directors;
- the shareholder relations;
- the enforcement of the strategic and business plans of the Company;
- compliance; and
- the assessment of the legal and ethical requirements.

The following aspects were considered in assessing the Board of Directors members:

- Dr. Robert Hauber: Master and doctoral degree in business administration. Over 20 years of experience as a senior finance executive. Chairperson of the Board of Directors.
- Daria Dodonova: Master degree in International Finance. Over 15 years of experience in various management positions. Chief Financial Officer of the Company.
- Gábor Fekete: Holds a Mechanical Engineer degree. Thorough his career, he has gained experience in several managerial positions. Independent member of the Board of the Directors.
- Ralf Nejedl: University degree in business administration. Over 15 years of experience in telecommunications in various management positions.
- Frank Odzuck: Degree in economics. Many years of professional experience in the position of managing director of the Hungarian subsidiaries of international corporations. Independent member of the Board of Directors.
- Péter Ratatics: Graduated in economics. Over 10 years of management experience in various positions. Independent member of the Board of Directors.
- Tibor Rékasi: Graduated from the Budapest Foreign Trade College. Over 20 years of experience in various managerial positions. Directed Magyar Telekom's Enterprise (T-Systems Magyarország Zrt.) and Residential businesses as a Chief Officer. Chief Executive Officer of the Company.
- Éva Somorjai-Tamássy: Completed her studies at the College for Commerce and Catering. Over 15 years of experience in the telecommunications industry in various management positions.

Within the framework of the year 2021 performance evaluation of the Supervisory Board the following viewpoints – among others - were taken into account:

- whether the organization and members of the Supervisory Board, the operation of the Supervisory Board was ensured in business year 2021 as prescribed in the Rules of Procedure of the Supervisory Board;
- whether the Supervisory Board, based on its legal status, scope of authorities and responsibilities as included in its Rules of Procedure, properly fulfilled its tasks in business year 2021;
- whether the Supervisory Board deems it necessary to take further actions or follow-up steps in the individually assessed cases.

Within the framework of the evaluation of the year 2021 performance of the Supervisory Board the following viewpoints were taken into account at the assessment of the individual members and also whether based on these viewpoints their relevant competence was ensured:

- Prof. dr. Attila Borbély: Expertise in finance, experience in sales and marketing field, as well as in higher education. Over 20 years of experience in various management positions and as chairman and member of Supervisory Board of many companies. Independent member and chairperson of the Supervisory Board.
- Krisztina Dorogházi: Expertise in finance, experience as audit manager. In her current position at a global company, listed on the New York Stock Exchange, she is responsible for SOX compliance and compiling financial statements prepared according to USGAAP and IFRS. Over 15 years of experience in various management positions. Independent member of the Supervisory Board.

- Tamás Lichnovszky: Expertise in technical and legal field, experience in customer care area, as representative in Workers' Council, as member and chairman of the Central Workers' Council.
- András Szakonyi: Expertise in corporate finance, experience as CFO and financial management positions. Over 15 years of experience in various senior management positions. Independent member of the Supervisory Board.
- Zsoltné Varga: Expertise in technical field, experience in sales and customer care, as employees' representative, as official of the Workers' Council, as member of the Central Workers' Council, as Deputy Chairwoman of European Workers' Council of Deutsche Telekom and as Chairwoman of the Central Functions Workers Council.

5. REPORT ON THE OPERATION OF DIFFERENT COMMITTEES, INCLUDING THE INTRODUCTION OF THE MEMBERS OF THE COMMITTEES (PROFESSIONAL BACKGROUND), THE NUMBER OF MEETINGS HELD, THE NUMBER OF MEMBERS ATTENDING THE MEETINGS, AS WELL AS THE MOST IMPORTANT ISSUES DISCUSSED AT THE MEETINGS AND THE GENERAL OPERATION OF THE COMMITTEE. IF THE BOARD OF DIRECTORS HAS PASSED A RESOLUTION ON AN ISSUE CONTRARY TO THE RECOMMENDATIONS OF THE AUDIT COMMITTEE, THE PRESENTATION OF THE OPERATIONS OF THE AUDIT COMMITTEE SHALL INCLUDE THAT FACT (AS WELL AS THE REASONS OF THE BOARD OF DIRECTORS FOR DOING SO). IT IS RECOMMENDED THAT REFERENCE BE MADE TO THE COMPANY'S WEBSITE, WHERE THE TASKS DELEGATED TO THE COMMITTEES, THE RULES OF PROCEDURE OF THE COMMITTEES AND THE DATE OF APPOINTING THE MEMBERS SHOULD BE DISCLOSED.

Audit Committee of Magyar Telekom ("Audit Committee")

Members of the Audit Committee:

- Prof. dr. Attila Borbély
- Krisztina Dorogházi
- András Szakonyi

Introduction of the members of the Audit Committee is available at the web site of Magyar Telekom:
http://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee

The General Meeting elects a 3-member Audit Committee from the independent members of the Supervisory Board for the same period as the membership of the relevant members in the Supervisory Board.

The purpose of the Audit Committee is to support the Supervisory Board in supervising the financial reporting system, in selecting the statutory Auditor and in cooperating with the statutory Auditor.

The Audit Committee operates based on its Rules of Procedure. The Audit Committee establishes its own Rules of Procedure which is approved by the Supervisory Board.

The Audit Committee held four (4) meetings in accordance with its Preliminary Meeting Schedule and three (3) extraordinary meetings in the previous business year of 2021, with 100% average participation rate. The Audit Committee made further written resolutions without holding a meeting on four (4) occasions.

The Chief Financial Officer, the chief legal counsel of the Company, the head of the Company's Internal Audit organization, the head of the Company's Compliance organization and the representatives of the statutory Auditor, PricewaterhouseCoopers Könyvvizsgáló Kft. ("PwC") participated at the meetings of the Audit Committee – except for the discussion of agenda items discussed within the framework of closed meetings by the decision of the Audit Committee.

The Audit Committee, during the cooperation with the statutory Auditor - inter alia - discussed the below subject matters with the statutory Auditor:

- formal written statement of PwC specifying its relationship with the Company in accordance with the respective law;
- Y2020 financial statements audit;

- independent auditor's report on the Y2020 Consolidated Financial Statements of the Company prepared according to the International Financial Reporting Standards ("IFRS") and the Y2020 Separate Financial Statements of the Company prepared according to the IFRS;
- proposal on the election and, determining the remuneration of the statutory Auditor;
- enforcement of the professional requirements and conflict of interest stipulations towards the Auditor;
- Y2020 Recommendation Letter and the response of the management of the Company;
- work program of the statutory Auditor for Y2021, including Y2021 financial statements audit.

The Audit Committee – inter alia – discussed the below important issues at its meetings:

- the services provided by the statutory Auditor and their fees;
- reports on the activities of the Company's Internal Audit organization;
- Annual Audit Plan of the Company's Internal Audit organization;
- review of the Compliance program;
- Y2020 Consolidated Financial Statements of the Company prepared according to the IFRS and the Y2020 Separate Financial Statements of the Company prepared according to the IFRS, and the proposals for the acceptance of these financial statements;
- the proposal for the use of the profit for the year earned in 2020;
- Internal Control System ("ICS") compliance;
- the risk management system of Magyar Telekom Group;
- consultancy activities used by the Magyar Telekom Group and their fees;
- audit tendering process of Magyar Telekom Nyrt.

The detailed rules on the tasks, competences and operation of the Audit Committee are contained in its Rules of Procedure: https://www.telekom.hu/static-tr/sw/file/20210608_MT_AC_RoP.pdf

Remuneration and Nomination Committee of Magyar Telekom ("Remuneration and Nomination Committee")

Members of the Remuneration and Nomination Committee:

- Dr. Robert Hauber
- Ralf Nejedl
- Frank Odzuck

Introduction of the members of the Remuneration and Nomination Committee is available at the web site of Magyar Telekom:

https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation

The Remuneration and Nomination Committee is comprised of three members elected by the Board of Directors from among its members. The assignment of the members is the same period as their assignment as members of the Board of Directors.

The purpose of the Remuneration and Nomination Committee to function as supporting body of the Board of Directors of the Company regarding the remuneration and certain nomination related issues of the members of the corporate bodies and the top executives of the Company in accordance with its Rules of Procedure.

In 2021 the Remuneration and Nomination Committee held two (2) meetings with 100% average participation rate and adopted resolutions in writing without holding a meeting in one (1) case.

The issues discussed were as follows:

- proposal on the evaluation of the year 2020 bonus targets of Magyar Telekom Group's Top Executives;
- target setting of the year 2021 for Magyar Telekom Group's Top Executives;
- proposal on the evaluation of the year 2020 RPI target of Magyar Telekom Group's Top Executives;
- amendment of the Terms & Conditions of Long-term Incentive program and Share Matching Plan in the framework of Lead to Win motivation concept;
- evaluation of Magyar Telekom Group's Long-term Incentive Program 2017
- revision of the Group Policy Performance Development for Executives in Management Groups MG1-MG3;
- report to the Board of Directors of Magyar Telekom Plc. on the operation of the Remuneration and Nomination Committee in 2020;



The detailed rules on the tasks, competences and operation of the Remuneration and Nomination Committee are contained in its Rules of Procedure:

https://www.telekom.hu/static-tr/sw/file/20200101_MT_RNC_RoP_ENG.pdf

6. THE PRESENTATION OF THE SYSTEM OF INTERNAL CONTROLS AND THE EVALUATION OF THE ACTIVITY IN THE RELEVANT PERIOD. REPORT ON THE EFFICIENCY AND EFFECTIVENESS OF RISK MANAGEMENT PROCEDURES. (INFORMATION ON WHERE THE REPORT ON INTERNAL CONTROLS BY THE BOARD OF DIRECTORS MAY BE VIEWED BY SHAREHOLDERS.)

The presentation of the system of **internal controls**, evaluation of the activity in the relevant period.

Magyar Telekom's management is committed to establish and maintain an adequate internal control system to ensure the reliability of the financial reports, and minimize operating and compliance risks. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

For the business year 2021 we accomplished control documentation and evaluation in the IT supported ICS-Tool system. Transaction Level Controls describe the controls built into our business processes that have been designed and operated to ensure that material misstatements in each significant financial account and disclosure within the financial statements are prevented or detected in a timely manner.

Complete evaluation of our internal control system is based on the method established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The operation of the internal control system is supported also by the independent internal audit function. Beyond tasks regarding the risk based internal audit work plan, contributes to the enhancement of the internal control processes and to the reduction of existing risks through ad-hoc audits and ICS testing. The Internal Audit area follows up the implementation of the measures defined on the basis of the audits. The Supervisory Board and the Audit Committee inter alia also receive regular reports on the findings of the audits; measures, based on the findings and fulfilment of tasks.

In line with the criteria of the adopted internal control framework, management evaluates the effectiveness of internal control system within each financial year. Management's assessment for 2021 is finished and based on the collected information internal control system has been operating effectively to prevent potential material misstatements in the financial statements, and minimize operating and compliance risks.

The Company's shareholders are being informed about the operation of our internal control system through our public reports.

The management and Board of Directors of Magyar Telekom are committed to conduct all business activities of Magyar Telekom Group according to the highest legal and ethical standards. Based on this commitment the Board of Directors established the Corporate compliance program of Magyar Telekom.

The Corporate compliance program is applicable to all bodies, organizations, employees of Magyar Telekom Group, and advisors, agents, representatives as well as to all persons and organizations that work on behalf of the Company or its subsidiary.

The Corporate compliance program of Magyar Telekom ensures that the business activities of the Group are conducted with observing and in compliance with the relevant laws to the outmost extent, according to the highest standards of training and commitment. It requires the realization of guidelines and processes that manage potential compliance risks and implement specific processes in order to report, investigate, monitor and correct suspected or actual lack of compliance.

Risk management policy

Introduction

As Hungary's leading telecommunications and IT service provider we are subject to uncertainties and changes of the telecommunications and IT industry. To operate successfully in this continuously changing environment risks have to be systematically identified, assessed and managed.



The risk management system is not only needed from a business point of view, but as a company listed in the stock market, we are obliged to operate a risk management system and prepare a risk report to inform our investors.

Upon the establishment of our comprehensive risk management system the Company acts in line with the relevant requirements of the Budapest Stock Exchange, as well as the rules laid down in the applicable international standards.

Our Group level risk management system covers strategic, operational, financial, compliance and legal risks, which is also applicable to our consolidated companies. The objective is to identify, monitor and manage these risks in an early phase.

Risk management guidelines

It is our policy that all our disclosures to our shareholders and the investment community be accurate and complete, and fairly present our financial and operational results in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations.

To achieve these objectives, we continuously develop and regularly review the functionality and effectiveness of the elements of our risk management system. Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results.

The risk management organization and process:

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Boards of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

Magyar Telekom's Group level risk report is regularly submitted to the Board of Directors, the Audit Committee and the Supervisory Board as well as to Deutsche Telekom's risk management organization.

During the annual planning process the management takes into account potential risks.

The established risk management standard provides a process framework:

- following the identification of risks, they are analyzed, assessed and quantified in details, then they are quantified (by estimating their probability of occurrence and potential impact) according to a predefined methodology. The assessment of risk assessment enables the management to focus more effectively on those risks that have a significant impact on the company's strategic objectives.
- following the assessment, the decision is made on the specific measures to reduce risks,
- the relevant risk owner implements, monitors and evaluates the relevant measures, and
- these steps are repeated as necessary to reflect actual developments and decisions.

For risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks that we support through Magyar Telekom's regular Group level risk report.

Identification, review and reporting of risks:

Risk items affecting our operations are reviewed regularly throughout the Company. All of our subsidiaries and entities are obliged to identify and report their operational risks. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors, to the Audit Committee and the Supervisory Board. This regular reporting ensures that the most significant risks are monitored, up-to-date risk mitigation measures are implemented and regularly monitored.

Our risk reporting system is complemented by a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the Chief Financial Officer is notified when a new material risk or information is identified. An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.



The risk assessment is carried out for a two-year period. This is also our forecast period. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Opportunities

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential part of our annual planning process. This allows us to take these opportunities into account in our forecasts.

7. INFORMATION ON WHETHER THE AUDITOR HAS CARRIED OUT ANY ACTIVITIES NOT RELATED TO AUDITING

Based on the effective Pre-approval Policy of the Audit Committee the statutory Auditor – upon the general pre-approval or the specific pre-approval of the Audit Committee – provided the below services for the Company in business year 2021 besides the audit of the financial statements types of services:

- other audit related services,
- other services.

8. A DETAILED PRESENTATION OF THE COMPANY'S DISCLOSURE POLICY, AND ITS POLICY ON TRADING BY INSIDERS

Disclosure policy of the Company

The Company is committed that the financial statements disclosed by the Company to its shareholders or the investors should be accurate and complete, and provide a true and fair view of the Company's assets, financial position and results of operations in all important aspects, and such disclosures should be made in time to meet the requirements of the applicable laws and requirements of BSE.

The controls and procedures currently used by the Company are designed to ensure that: regular information required by the laws to be disclosed by the Company as well as any and all other written information that the Company discloses from time to time to the investment community and to the public is recorded, processed, summarized, and reported accurately and on a timely basis as well as that the information is collected and transferred to the management to ensure that timely decisions are made on the disclosure.

Within the framework of the ICS (Internal Control System) the Company reviews its disclosure processes each year.

Material information to the investors and to the public is available at the web site of Magyar Telekom:

www.telekom.hu/about_us/investor_relations

Policy in connection with the prohibition of insider trading

With the aim of ensuring enforcement of all relevant regulations Magyar Telekom created its internal regulation which applies to all organizations of Magyar Telekom, to persons having access to inside information, as well as to persons discharging managerial responsibilities at Magyar Telekom and persons closely associated with them. The regulation prohibits: insider dealing, and the unlawful disclosure of inside information.

The internal regulation of Magyar Telekom defines the scope of inside information, the definition of insider dealing. It also draws up general principles of classification of inside information, handling the information in accordance with the respective security level, the disclosure / delaying of the inside information, as well as specific limitations for trading in securities. It gives advice on the announcement of transactions concluded by persons discharging managerial responsibilities or persons closely associated with them, and determines the fundamental rules of keeping the registry of persons with access to inside information (insider list).

Magyar Telekom basically encourages investment in Magyar Telekom shares by members of the Board of Directors, members of the Supervisory Board and its employees. However, in addition to the aforementioned trading guidelines, in



accordance with the provisions of relevant regulations, Magyar Telekom's internal regulation defines certain limitations for the timing of transactions of persons discharging managerial responsibilities (30 days closed periods before the announcement of annual and quarterly financial reports).

Persons whose names are listed in the insider list may not trade in Magyar Telekom shares from the date of their entry into the list until their deletion from the list or until the list is closed due to any other reason.

In certain cases transactions must be announced to the authority and to the public by the person discharging managerial responsibilities, by persons closely associated with them and by Magyar Telekom in accordance with the relevant laws. In order to support compliance with the announcement obligations persons discharging managerial responsibilities and persons closely associated with them shall, without delay, fill in and send the form specified in the internal regulation to Magyar Telekom, if they concluded a transaction with Magyar Telekom shares and Magyar Telekom shall file the necessary announcements and disclosures required to be made by it. In addition to the above, persons discharging managerial responsibilities and persons closely associated with them shall, without delay, directly inform the authority on transactions concluded by them.

Every person having access to inside information has the individual responsibility to comply with the internal regulation of Magyar Telekom. A person having access to inside information may, from time to time, have to forego a proposed transaction in Magyar Telekom securities even if he or she planned to make the transaction before learning of the inside information and even though the insider person believes he or she may suffer an economic loss or forego anticipated profit by waiting.

9. A DETAILED DEMONSTRATION OF THE METHODS OF EXERCISING SHAREHOLDERS' RIGHTS

Shareholders shall be entitled to exercise shareholders' rights in dealing with the Company based on a certificate of ownership, following their entry into the Share Register. Shareholders whose names have not been entered into the Share Register and shareholders who acquired their shares in violation of the restrictions to the transfer and the acquisition of shares shall not be allowed to exercise their rights attached to such shares vis-à-vis the Company.

The keeper of the Share Register is the Board of Directors of the Company or its agent appointed to be the keeper of the Share Register. The keeper of the Share Register maintains the Share Register of the shareholders, including holders of interim shares, and the nominees, in which the name and the address or registered seat of shareholders, and the nominees, or in the case of jointly owned shares the joint representative, the number of shares or interim shares, and the ownership ratio of shareholders for each series of shares.

Shareholders shall have the right to participate at the General Meeting, and if holding shares with voting rights, to vote. The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of the Company. The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. Shareholders' rights may be exercised at the General Meeting only by the persons whose names are contained in the Share Register at the time it was closed. Transfer of shares prior to the starting date of the General Meeting does not affect the right of persons registered in the Share Register to participate at the General Meeting and to exercise their shareholders' rights thereat.

Shareholders shall have the right to request information, make remarks and motions at the General Meeting. The Board of Directors shall provide the necessary information, at the latest three days before the date of the General Meeting, to all shareholders with respect to the agenda items of the General Meeting, upon written request submitted at least eight days prior to the date of the General Meeting. If shareholders together controlling at least one per cent of the votes in the Company notify the Board of Directors - in accordance with the provisions on setting the items of the agenda - of the supplementation of the agenda, or the resolution proposal with respect to the items on or to be added to the agenda within eight days following the publication of the notice for the convocation of the General Meeting, the Board of Directors publishes a notice on the supplemented agenda and the resolution proposals submitted by shareholders following the receipt of such proposal. The matter published in the notice shall be construed to have been placed on the agenda.

Shareholders shall be entitled to receive a share from the Company's taxed profit that is available and has been ordered for distribution by the General Meeting in proportion with the nominal value of their shares. Shareholders shall be entitled to dividend who are registered in the Share Register at the record date of the dividend payment identification process ordered by the Company.



A group of shareholders together controlling at least one per cent of the votes in the Company shall have entitlement to exercise minority rights.

The detailed rules of exercising shareholder's rights are contained in the Articles of Association:

https://www.telekom.hu/static-tr/sw/file/20210928_Alapszabaly_ENG.pdf

10. A BRIEF PRESENTATION OF RULES ON THE CONDUCTING OF THE GENERAL MEETING

The General Meeting is the highest decision-making body of the Company. The decisions of the General Meeting, which are referred to as resolutions, are binding upon the shareholders, the other organs and the officers of the Company.

The Company shall hold a General Meeting at least once each year (the Annual General Meeting) where the financial statements prepared according to the Accounting Act of the Company are approved. The Annual General Meeting shall be held no later than April 30 of the year immediately subsequent to the business year in question. In addition to the Annual General Meeting, the Company may hold extraordinary General Meetings at any time, if necessary.

Notice of the General Meeting of the Company shall be published in the manner stipulated by the applicable law and these Articles of Association for the publication of the Company's notices and advertisements thirty days prior to the date of the General Meeting, unless otherwise provided by law. The public notice of the General Meeting of the Company shall be published by the body responsible for or entitled to the convocation of the General Meeting either by law or by the Articles of Association.

The General Meeting shall have a quorum if shareholders representing more than half of the shares carrying voting rights are present in person or by proxy at the time stipulated in the public notice convening the General Meeting.

If the General Meeting fails to have a quorum, the reconvened General Meeting shall have a quorum for the issues of the original agenda irrespective of the voting rights represented by those present, if called for a date following the original time by not less than ten days and not more than twenty-one days.

The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in Sections 5.2. (a), (c)-(f), (l), (m) of the Articles of Association which shall require at least a three-quarters majority of the votes of the shareholders present.

The detailed rules of conducting the General Meeting are contained in the Articles of Association:

https://www.telekom.hu/static-tr/sw/file/20210928_Alapszabaly_ENG.pdf

11. REMUNERATION POLICY

Compensation of Members of the Board of Directors, Supervisory Board and the Chief Executive Officer and other Chief Officers of the Company

The Remuneration Policy was approved by the Board of Directors on April 24, 2021 based on Section 9 (2) of Government Decree no. 102/2021. (IV. 10.) pursuant to Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain Acts for EU harmonization purposes.

<https://www.telekom.hu/static-tr/sw/file/2020AGM-Remuneration-Policy.pdf>

The remuneration and evaluation of the work performed by members of the Board of Directors, the Supervisory Board, and the Chief Executive Officer and other Chief Officers of Magyar Telekom Plc. (hereinafter Magyar Telekom or the Company) focusing on the Company's continuous development and growth are conducted along the Remuneration Policy adopted by the Company's General Meeting.

Magyar Telekom aims to achieve leadership position in terms of customer experience, as well as technological and business productivity alike. The Company's Strategy rests upon six pillars:

1. Maintain our position as the number one integrated operator.
2. Build a universal, gigabit-capable fixed network, fit for the future.
3. Provide a flawless digital customer experience, available everywhere.
4. Enhance our efficiency and offering through simplicity.



5. Take timely decisive action as a swift and agile operator.
6. Build a vibrant, beloved Brand.

The pillars serving the purpose of retaining our market leadership position call for continuous transformation and organizational innovation, for which it is indispensable to have efficient bodies and top executives in place with long-term engagement.

The objective of the Remuneration Policy is that a competitive remuneration structure be elaborated for those who fall within the personal scope of the Policy that supports, recognizes and provides motivation for their decisions and measures adopted with the aim to implement the six pillars of the Strategy. The Remuneration Policy promotes the Company's Business Strategy, long-term interests and sustainability through its short and long-term incentive systems. Remuneration paid under the Remuneration Policy may not jeopardize the sustainability of the financial status and the effective operation of Magyar Telekom.

The remuneration paid to members of the Board of Directors and the Supervisory Board is determined by the General Meeting, while the decision about the remuneration of the Chief Executive Officer and other Chief Officers is adopted by the Company's Remuneration and Nomination Committee.

The introduction of a remuneration element not included in this Remuneration Policy or the modification of existing elements may be carried out solely for the purpose of the long-term interests and sustainable operation of the Company upon the proposal by the Remuneration and Nominating Committee of the Company. The amendment should not jeopardise the objectives and principles set out in the Remuneration Policy.

1. Board of Directors

- Members of the Board of Directors are paid remuneration.
- The amount of the remuneration is determined by the General Meeting based on the proposal of the Remuneration and Nomination Committee.
- The amount of the remuneration is determined in line with the Hungarian benchmark.
- The amount of the remuneration can be revised upon the initiative of the Remuneration and Nomination Committee.
- The Board of Directors evaluates its performance along principles determined in advance (strategy, business performance, compliance, efficiency, dividend policy, information flow) each year. As part of the evaluation, the self-evaluation conducted by the specific members of the Board of Directors along predetermined aspects are also reviewed.
- The members of the Board of Directors are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time.
- Insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

2. Supervisory Board

- Members of the Supervisory Board are paid remuneration.
- The amount of the remuneration is determined by the General Meeting based on the proposal of the Remuneration and Nomination Committee.
- The amount of the remuneration is determined in line with the Hungarian benchmark.
- The amount of the remuneration can be revised upon the initiative of the Remuneration and Nomination Committee.
- Upon the itemized review of the tasks defined as part of its Rules of Procedures, the Supervisory Board evaluates the work performed in the specific year aimed at fulfilling the different tasks and determines the performance of which activity/activities must be improved. In the framework of the above, it evaluates the skills and experience of the specific members of the Supervisory Board that are necessary for the performance of the Supervisory Board's work.
- The members of the Supervisory Board are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership in accordance with the applicable internal regulations of the Company effective from time to time.
- Insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

- Those independent members of the Supervisory Board who are member of the Audit Committee of the Company are entitled to remuneration too as members of the Audit Committee, in the amount resolved by the General Meeting of the Company.

Remuneration of Members of the Board of Directors the Supervisory Board and the Audit Committee as of December 31, 2021 are as follows:

The Chairman of the Board of Directors:	HUF 600 000 per month
The Members of the Board of Directors:	HUF 450 000 per month
The Chairman of the Supervisory Board:	HUF 600 000 per month
The Members of the Supervisory Board:	HUF 350 000 per month
The Chairman of the Audit Committee:	HUF 560 000 per month
The Members of the Audit Committee:	HUF 280 000 per month

3. Chief Executive Officer and other Chief Officers

- The size of the components included in the remuneration package are determined by the Remuneration and Nomination Committee upon consideration of the Hungarian remuneration benchmarks.
- The remuneration package is revised once a year.
- The remuneration package consists of the following:

3.1. Annual On-Target Earnings

The annual on-target earnings consist of the (fixed) monthly base wage defined in the employment contract and the bonus determined as a percentage of the base wage the amount of which varies subject to the annual performance. The ratio of the base wage and the bonus within the annual on-target earnings is 57%/43% for the CEO, 55%/45% for other Chief Officers, and 70%/30% in case an agreement is included in the employment contract regarding the different ratio.

a) Annual base wage

The annual base wage is a (fixed) annual amount determined for individual that differs in different positions, and is paid in identical allotments on a monthly basis.

b) Annual bonus

The bonus is a set percentage of the base wage paid proportionately to the performance levels of strategic and financial targets derived from the strategic objectives defined for the specific business year.

The Remuneration and Nomination Committee adopts the annual targets and their performance levels annually in light of the Company's strategic objectives and corporate responsibility principles (our corporate responsibility programs focus on digital education and volunteer work, but we also put emphasis on supporting NGOs by means of tariff packages designed specifically for them).

Bonus advance payments are not made, bonus is paid on a scale of 0-150% subject to the evaluation of the performance of the relevant targets when the financials of the closed business year are final.

After payment is made, the bonus may not be reclaimed.

3.2. Extraordinary, per-case bonus

In case of outstanding performance of targets set forth by the Remuneration Policy, the extra performance demonstrated by individuals may be recognized by per-case bonus.

The amount of the reward shall be fixed by the Remuneration and Nomination Committee.



3.3. Mid-term and long-term incentive programs

Magyar Telekom launches / may launch mid-term and long-term incentive programs, the purpose of which is to provide incentive to management for the long-term and sustainable value increase of the Company, thus bringing the interests of the management and the shareholders into closer harmony.

Such programs may include share purchase (option call) matched/provided by the Company

- dependent on / independent of the share price and/or
- cash-based / share-based and/or
- one-time / recurring and/or
- frozen for a period / not frozen for a period and/or
- based on utilizing a portion of the bonus or
- at a predetermined share price / from a predetermined date.

Program components may include incentive elements offered, sold or granted by an affiliate company Magyar Telekom (i.e. Deutsche Telekom AG).

a) Mid-term incentive plans

Currently, there is no mid-term incentive plan in place at the Company.

b) Long-term Incentive Plan (LTI)

The LTI is a cash-based long-term incentive program that is linked to the performance of four indicators of the mother company considered of special strategic priority. Participation in the program is subject to the performance of the central indicators determined for the previous year, and the achievable amount is 30% of the annual on-target earnings.

As part of the program launched in 2015, a four-year program is introduced each year.

Payment is always made after the program's expiry and the evaluation of the targets' performance levels on a scale of 0-150%.

The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.

c) Share Matching Plan (SMP)

Participation in the program is mandatory for the Company's Chief Executive Officer, and voluntary for other members of the management. The program may be launched, if the previous year's DT Group Free Cash-Flow target is achieved.

Participants must spend a part of their annual bonus on Deutsche Telekom shares. The investment must not exceed 1/2 of their annual bonus (assuming 100% achievement of the previous year's bonus in case of the CEO and that of the specific year in case of other Chief Officers).

Participants must hold their shares for at least 4 years (freeze) and may freely use them upon the expiry of the freeze.

As part of the program Deutsche Telekom grants a certain number of shares to the participants based on the number of Deutsche Telekom shares they purchased.

The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Chief Officers: 1:2.

The program is launched subject to the relevant decision adopted by the Board of Directors.

The detailed rules of the program are determined by the Remuneration and Nomination Committee.

d) Recurring Performance Incentive (RPI)

The purpose of RPI is to provide incentive in the form of additional bonus for recurring, extraordinary, collective performance. The RPI is a four-year program. If the targets defined by the rules are achieved in two consecutive years, the first year is considered as a year of obtaining entitlement only. The achievement of the key performance indicator defined for the program is to be assessed in the context of the financial planning process. The key performance indicator is attached to the unadjusted EBITDA.

Entitlement is determined on each management level separately.



Entitlement is governed by the manager's management level on January 1 of the specific year, but (in case he/she becomes entitled in the first half of the year) at the latest on July 1.

The incentive amount payable is subject to the management level, the performance of Magyar Telekom Group's targets and the number of consecutive years in which targets have been overachieved.

The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.

The rules of participation in the programs are included in the regulation adopted by the Remuneration and Nomination Committee.

3.4. Additional benefits

The additional benefits are elaborated upon consideration of Hungarian benchmarks and in light of cost efficiency reasons, taking into account the form and structure of the benefits granted to employees. Such benefits include the provision of fringe benefits, work-related means, reimbursements and other remuneration (e.g. benefit cars; telecommunication services; business travel costs; insurances such as life and accident-, health-, travel-, liability insurance; education/trainings; business credit card; housing subsidies to expatriates; other expatriate costs etc.).

The additional benefits constitute 5-7% of the annual on-target earning.

The additional benefits are provided by Magyar Telekom as set forth by the relevant employment contracts and the Company's applicable internal policies (e.g. Collective Agreement, car policy, work-related infocommunication services directive, car policy, travel policy, credit card regulation) effective from time to time.

In case of foreign employees employed under expatriate contract the Global Mobility Policy and the Global Compensation Guideline effective from time to time are to be applied.



CORPORATE GOVERNANCE DECLARATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Level of compliance with the Recommendations

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

Yes No

Explanation:

1.1.2. Are the Company's Articles of Association available on the Company's website?

Yes No

Explanation:

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

Yes No

Explanation: The Articles of Association currently does not allow shareholders to exercise their rights in their absence (per mail or electronically). If the Articles of Association was amended in a way that it would allow shareholders to exercise their rights in their absence, then the Company will act in accordance with the recommendation.

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

Yes No

Explanation:

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

Yes No

Explanation:

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

Yes No

Explanation:

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

Yes No

Explanation:

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

Yes No

Explanation:

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

Yes No

Explanation:

1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes No

Explanation:



1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

Yes

No

Explanation:

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes

No

Explanation: The Board of Directors of the Company decided in the matters set on the published agenda of the Annual General Meeting based on Section 9 (2) of Government Decree no. 502/2020. (XI.16.)

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes

No

Explanation:

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes

No

Explanation: No new executive officers or Supervisory Board members were nominated in 2021, but we would do so if they were not nominated by a corporate body of the Company.

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes

No

Explanation:

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes

No

Explanation: The Board of Directors of the Company decided in the matters set on the published agenda of the Annual General Meeting convened for April 16, 2021 based on Section 9 (2) of Government Decree no. 502/2020. (XI.16.), therefore the extract of the Minutes of the Board of Directors has been disclosed.

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes

No

Explanation:

1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

Yes

No

Explanation:

1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

Yes

No

Explanation:

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

Yes

No

Explanation:

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?



<u>Yes</u>	No
Explanation:	
1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?	
<u>Yes</u>	No
Explanation:	
1.6.3. Did the Company publish its annual company event calendar?	
<u>Yes</u>	No
Explanation:	
1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?	
<u>Yes</u>	No
Explanation:	
1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?	
<u>Yes</u>	No
Explanation:	
1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?	
<u>Yes</u>	No
Explanation:	
1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?	
<u>Yes</u>	No
Explanation:	
1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?	
<u>Yes</u>	No
Explanation:	
1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company in the annual report or in some other way?	
<u>Yes</u>	No
Explanation:	
1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?	
<u>Yes</u>	No
Explanation:	
2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?	
<u>Yes</u>	No
Explanation:	
2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?	
<u>Yes</u>	No
Explanation:	
2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members?	
<u>Yes</u>	No
Explanation:	



2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes No

Explanation:

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes No

Explanation:

2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes No

Explanation:

2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes No

Explanation:

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes No

Explanation:

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

Yes No

Explanation:

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes No

Explanation:

2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

Yes No

Explanation:

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes No

Explanation:

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes No

Explanation:

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

Yes No

Explanation:

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?



Yes No
Explanation:

2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes No
Explanation:

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

Yes No
Explanation:

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

Yes No
Explanation:

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

Yes No
Explanation:

2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes No
Explanation:

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes No
Explanation:

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes No
Explanation:

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes No
Explanation:

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes No
Explanation:

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes No
Explanation:

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes No



Explanation:

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

No

Explanation:

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

No

Explanation:

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

No

Explanation:

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

Yes

No

Explanation:

Level of compliance with the Proposals

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes

No

(Explanation:)

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes

No

(Explanation:)

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes

No

(Explanation:)

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes

No

(Explanation:)

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes

No

(Explanation:)

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.

(Answer Yes, if not)

Yes

No

(Explanation:)



1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

Yes

No

(Explanation:)

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes

No

(Explanation:)

1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes

No

(Explanation:)

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes

No

(Explanation:)

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes

No

(Explanation:)

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes

No

(Explanation:)



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

DISCHARGING THE MEMBERS OF THE BOARD OF DIRECTORS FROM LIABILITY

BUDAPEST, APRIL 12, 2022



Pursuant to Section 3:117(1) of the Civil Code, a company's general meeting, simultaneously with the approval of the financial statements, upon request of any corporate law executive officer (i.e., Board member), may discharge such officer from liability and declare that the management activities were carried out in an appropriate manner during the previous business year. According to Section 5.2 (n) of the Articles of Association, the decision on discharging the members of the Board of Directors from liability is within the exclusive scope of authority of the General Meeting.

Discharging from liability with respect to the 2019 and 2020 business year, enclosed, shall become effective upon the approval of the General Meeting in accordance with the respective resolutions of the Board of Directors, therefore it is necessary to be voted thereon.

Resolution proposals:

[1] The General Meeting of Magyar Telekom Plc. declares that the management activities of the Board of Directors members of the Company were carried out in an appropriate manner in the previous business year and decides to discharge the members of the Board of Directors of the Company from liability with respect to the 2021 business year. By discharging them from liability, the General Meeting confirms that the members of the Board of Directors have performed the management of the Company in 2021 by giving primacy of the interests of the Company.

[2] The General Meeting of Magyar Telekom Plc. approves the Resolutions of the Board of Directors Nos. 4/7 through 4/13 (04.24.2020) on discharging the members of the Board of Directors from liability with respect to the 2019 business year.

[3] The General Meeting of Magyar Telekom Plc. approves the Resolutions of the Board of Directors Nos. 2/7 through 2/14 (04.16.2021) on discharging the members of the Board of Directors from liability with respect to the 2020 business year.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the submission of the Board of Directors on discharging the members of the Board of Directors from liability and agrees with that the General Meeting should discharge the members of the Board of Directors from liability for the business year of 2021 and with that the General Meeting should approve the discharging from liability with respect to the 2019 and 2020 business years.



DISCHARGING FROM LIABILITY WITH RESPECT TO THE 2019 BUSINESS YEAR

Resolution of the Board of Directors No 4/7 (04.24.2020)

The Board of Directors declares that the management activities of Dr. Robert Hauber, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge him from liability with respect to the 2019 business year. The discharge from liability confirms that Dr. Robert Hauber has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/8 (04.24.2020)

The Board of Directors declares that the management activities of Ralf Nejedl, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge him from liability with respect to the 2019 business year. The discharge from liability confirms that Ralf Nejedl has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/9 (04.24.2020)

The Board of Directors declares that the management activities of Frank Odzuck, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge him from liability with respect to the 2019 business year. The discharge from liability confirms that Frank Odzuck has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/10 (04.24.2020)

The Board of Directors declares that the management activities of Péter Ratatics, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge him from liability with respect to the 2019 business year. The discharge from liability confirms that Péter Ratatics has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/11 (04.24.2020)

The Board of Directors declares that the management activities of Tibor Rékasi, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge him from liability with respect to the 2019 business year. The discharge from liability confirms that Tibor Rékasi has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/12 (04.24.2020)

The Board of Directors declares that the management activities of Éva Somorjai-Tamássy, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge her from liability with respect to the 2019 business year. The discharge from liability confirms that Éva Somorjai-Tamássy has performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 4/13 (04.24.2020)

The Board of Directors declares that the management activities of Guido Menzel, Mardia Niehaus and Dr. Mihály Patai, former members of the Board of Directors of the Company, were carried out in an appropriate manner in the 2019 business year and decides to discharge them from liability with respect to the 2019 business year. The discharge from liability confirms that Guido Menzel, Mardia Niehaus and Dr. Mihály Patai have performed the management of the Company in 2019 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Each member of the Board of Directors abstained from voting on the resolutions regarding themselves.



DISCHARGING FROM LIABILITY WITH RESPECT TO THE 2020 BUSINESS YEAR

Resolution of the Board of Directors No 2/7 (04.16.2021)

The Board of Directors declares that the management activities of Dodonova Daria Aleksandrovna, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge her from liability with respect to the 2020 business year. The discharge from liability confirms that Dodonova Daria Aleksandrovna, has performed the management of the Company in 2020 by giving primacy of the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/8 (04.16.2021)

The Board of Directors declares that the management activities of Gábor Fekete, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Gábor Fekete has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/9 (04.16.2021)

The Board of Directors declares that the management activities of Dr. Robert Hauber, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Dr. Robert Hauber has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/10 (04.16.2021)

The Board of Directors declares that the management activities of Ralf Nejedl, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Ralf Nejedl has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/11 (04.16.2021)

The Board of Directors declares that the management activities of Frank Odzuck, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Frank Odzuck has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/12 (04.16.2021)

The Board of Directors declares that the management activities of Péter Ratatics, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Péter Ratatics has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/13 (04.16.2021)

The Board of Directors declares that the management activities of Tibor Rékasi, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge him from liability with respect to the 2020 business year. The discharge from liability confirms that Tibor Rékasi has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Resolution of the Board of Directors No 2/14 (04.16.2021)

The Board of Directors declares that the management activities of Éva Somorjai-Tamássy, member of the Board of Directors of the Company, were carried out in an appropriate manner in the 2020 business year and decides to discharge her from



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liability with respect to the 2020 business year. The discharge from liability confirms that Éva Somorjai-Tamássy has performed the management of the Company in 2020 by giving primacy to the interests of the Company. This resolution shall become effective retroactively on the date hereof, conditional upon subsequent approval by the General Meeting of the Company.

Each member of the Board of Directors abstained from voting on the resolutions regarding themselves.



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SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**AMENDMENT OF THE ARTICLES OF
ASSOCIATION** (SECTIONS AFFECTED BY THE
AMENDMENT: 4.4. MINORITY RIGHTS, 5.7.
QUORUM, 10.1. CASES OF THE INCREASE IN THE
REGISTERED CAPITAL, 11. DECREASE OF THE
REGISTERED CAPITAL OF THE COMPANY)

BUDAPEST, APRIL 12, 2022



According to Section 3:276(1) of the Civil Code and Section 5.2. (a) of the Articles of Association, the decision on the amendment of the Articles of Association falls into the exclusive scope of authority of the General Meeting of the Company, unless otherwise provided for by the law or the Articles of Association.

The reasons for amending the Articles of Association are as follows:

Act V of 2013 on the Civil Code was amended with effect from January 1, 2022. Proposed amendments to the Articles of Association arising from the legislative change are the following:

- Section 4.4. Minority rights:
 - In case of requesting a special audit, the costs of the audit shall be advanced by the requesting members instead of the Company in accordance with Section 3:104 (4) of the Civil Code;
 - clarification of the text in accordance with Section 3: 105 of the Civil Code.
- Section 5.7. Quorum:
 - Amendment of Section 3:275 of the Civil Code allows the reconvened general meeting to be held the same day as the general meeting having no quorum

Sections 10.1. and 11.: Increasing and decreasing the registered capital:

- The purpose of the amendment is to facilitate the practical application of the relevant provisions [Sections 3:293. § (2) and 3:309. § (5) of the Civil Code].

The amendments to the Articles of Association are highlighted with track changes in the Annex to this submission as follows: red coloured strikethrough text indicates the deleted text, while blue coloured underlined text indicates the new text.

Resolution proposals:

The General Meeting resolves that the amendments of the Articles of Association shall be decided in a single joint vote.

The General Meeting approves the amendment of Sections 4.4., 5.7., 10.1. and 11. of the Articles of Association according to the submission.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the amendment to the Company's Articles of Association proposed by the Board of Directors and agrees with it.



UNOFFICIAL TRANSLATION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF MAGYAR TELEKOM TELECOMMUNICATIONS PUBLIC LIMITED COMPANY

September 28, 2021 **[*]**, 2022

Amendments effective as of September 28, 2021, based on resolution no. 5/5 (09.28.2021) adopted by the Board of Directors of the Company on September 28, 2021, in accordance with the authorization in Section 6.4. (p) of the Articles of Association are highlighted with bold and italic fonts. Amendments effective as of [], 2022, based on resolution no. [*] adopted by the General Meeting of the Company on [*], 2022, of the Articles of Association are highlighted with bold and italic fonts.*



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1. COMPANY DATA

1.1. Name of the Company

The Name of the Company: Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság
The Abbreviated Name of the Company: Magyar Telekom Nyrt.

1.2. Name of the Company in English

The Name of the Company in English: Magyar Telekom Telecommunications Public Limited Company
The Abbreviated Name of the Company in English: Magyar Telekom Plc.

1.3. Registered Office of the Company

1097 Budapest, Könyves Kálmán krt. 36.

1.4. Sites and Branch Offices of the Company

Sites and Branch Offices of the Company are listed in Annex 1.

1.5. Scope of Activities of the Company

1.5.1. Main activity:

61.10 '08 **Wired telecommunications activities**

1.5.2. Other activities:

Activities of the Company other than the main activity are listed in Annex 2.

2. SHARE CAPITAL AND SHARES OF THE COMPANY

2.1. Share capital and shares

The share capital of the Company is HUF 104,274,254,300 (that is one hundred and four billion two hundred and seventy-four million two hundred and fifty-four thousand three hundred Hungarian forints), comprised of 1,042,742,543 series "A" ordinary shares, each with the face value of HUF 100.

The shares of the Company are dematerialized shares.



2.2. Share Register

2.2.1. The keeper of the Share Register is the Board of Directors of the Company (the Board) or its agent appointed to be the keeper of the Share Register. The keeper of the Share Register maintains the Share Register of the shareholders, including holders of interim shares and nominees, in which the name and the address or registered seat of shareholders and the nominees, or in the case of jointly owned shares the joint representative, the number of shares or interim shares and the ownership ratio of shareholders for each series of shares are registered.

2.2.2. A shareholder who has been formally identified must be registered in the Share Register upon the shareholder's request made to the keeper of the Share Register. A registered shareholder shall be deleted from the Share Register upon the shareholder's request. The keeper of the Share Register may refuse the registration request of a formally identified shareholder if such shareholder has acquired its shares in violation of the regulations on the transfer of shares set out by law or these Articles of Association.

2.2.3. Anyone may inspect the Share Register. The keeper of the Share Register provides access for inspection to the Share Register at its registered office during working hours continuously. Those who are subject of any data, current or deleted, contained in the Share Register may request a copy of the section which pertains to them from the keeper of the Share Register. Such copies shall be supplied free of charge within five days to the entitled.

3. FAILURE TO PROVIDE CONTRIBUTION IN CONSIDERATION FOR SHARES

3.1. Delay in providing contribution

Should a shareholder fail to make the contribution due to be paid to the Company, the Board shall set a 30-day deadline and call on the shareholder for compliance.

3.2. Termination of Shareholders' rights

Should any shareholder fail to observe the 30-day deadline set under Section 3.1., their shareholding status (their shareholder's rights on the share(s) not paid up) shall cease on the day following the expiry of the deadline. The former shareholder shall be held liable for damages caused to the Company by virtue of his failure to provide the contribution in accordance with the rules pertaining to damages caused by breach of contract. If no other person assumes the obligation of the shareholder to provide contribution for the shares undertaken to be subscribed, the share capital of the Company shall be decreased by the amount of the contribution committed by such shareholder in default.

The conditions of assuming such obligation shall be determined at the same time when adopting a General Meeting resolution on capital increase, considering the provisions of Section 10.

The defaulting shareholder is entitled to the value of the contribution when their successor shareholder has paid their contribution in full to the Company or after the decrease of the share capital.

4. SHAREHOLDERS' RIGHTS

Shareholders shall be entitled to exercise shareholders' rights in dealing with the Company based on a certificate of ownership, following their entry into the Share Register.

No certificate of ownership is required for exercising shareholders' rights when this entitlement is verified by way of the identification procedure ordered by the Company.



Where the identification procedure is requested by the Company, the keeper of the Share Register shall delete all data contained in the Share Register at the time of the identification procedure, and shall simultaneously enter the data obtained upon the identification procedure into the Share Register.

Shareholders whose names have not been entered into the Share Register and shareholders who acquired their shares in violation of the restrictions to the transfer and the acquisition of shares shall not be allowed to exercise their rights attached to such shares vis-à-vis the Company.

Shareholders may exercise shareholders' rights through representatives. Members of the Board, the Supervisory Board and the Statutory Auditor may not function as a representative of a shareholder.

A shareholder may appoint a nominee - after being registered in the register of shareholders - to exercise some or all rights of that shareholder before the Company in their own name and for the benefit of the shareholder.

4.1. Participation at the General Meeting, voting rights

Shareholders shall have the right to participate at the General Meeting, and if holding shares with voting rights, to vote.

Shareholders may exercise their shareholders' right in person or through their duly authorized representatives. The proxy given to a duly authorized representative shall be set forth in a notarized document or a private document with full probative force. The proxy, in accordance with the effective law from time to time, shall contain clearly and expressively:

- a) the shareholder's statement for authorization for the representative,
- b) the shareholder as Principal and the representative as proxy,
- c) the proxy is valid for one general meeting or a fixed period of time, but not exceeding twelve months,
- d) whether it covers the resumption of the suspended general meeting and the general meeting re-convened due lack of quorum,
- e) any further possible limitation of the proxy.

Where a shareholder is represented by more than one representatives, and if these representatives are contradicted in their votes or statements, all such votes and statements shall be considered null and void.

The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting.

Shareholders' rights may be exercised at the General Meeting only by the persons whose names are contained in the Share Register at the time it was closed. Transfer of shares prior to the starting date of the General Meeting does not affect the right of persons registered in the Share Register to participate at the General Meeting and to exercise their shareholders' rights thereat.

Shareholders and authorised representatives shall identify themselves during the registration of the General Meeting.

The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting.

Persons who certify their share ownership prior to the General Meeting, during registration by way of a securities account statement, issued to the name of the person but are not registered in the Share Register, may participate at the General Meeting but may not exercise shareholders' rights.

4.2. Rights to information

Shareholders shall have the right to request information, make remarks and motions at the General Meeting.

The Board shall provide the necessary information, at the latest three days before the date of the General Meeting, to all shareholders with respect to the agenda items of the General Meeting, upon written request submitted at least eight days prior to the date of the General Meeting.

The Company shall publish on its web site at least 21 days prior to the General Meeting:



- (a) the total number of shares and voting rights at the date of the convocation (including separate totals for each class of shares);
- (b) submissions relating to the items on the agenda and the related reports of the Supervisory Board, together with the resolution proposals.

Public General Meeting materials may be sent at the time of publication of such General Meeting materials by way of electronic means (only via email) to the shareholders who specifically requested it.

4.3. Dividend

Shareholders shall be entitled to receive a portion from the Company's profit after tax that is available and has been ordered for distribution by the General Meeting in proportion with the nominal value of their shares.

Those shareholders shall be entitled to dividend who are registered in the Share Register at the record date of the dividend payment identification process ordered by the Company. The Company shall publish a notice regarding the dividend and pay the dividend in accordance with the relevant rules of the Budapest Stock Exchange and the KELER Zrt. The Company shall pay dividends to shareholders from the date specified by the relevant resolution of the General Meeting via bank transfer.

Shareholders may claim dividends during the period specified by law (five years). After that time their claim for dividends shall be time barred.

The General Meeting or, by authorization of these Articles of Association, the Board may adopt a decision for the payment of interim dividends between the approval of two consecutive financial reports if:

- (a) according to the interim balance sheet, the Company has sufficient funds to cover such interim dividends;
- (b) the amount distributed does not exceed the amount of untied retained earnings supplemented with the profit after tax shown in the interim financial statement; and
- (c) the payment of such interim dividends may not result in the Company's adjusted equity capital to decrease below its share capital.

Payment of interim dividends may be resolved upon the proposal of the Board. The consent of the Supervisory Board is required to such proposal of the Board.

If according to the annual financial statements prepared after the distribution of interim dividends there was no justification for the payment of dividends, such distribution must be returned by the shareholders when so requested by the Company.

Any dividend that is payable on the Company's own shares shall be taken into account at nominal value as pertaining to shareholders with respect to the dividends payable on their shares.

The Company shall not be liable for interest on dividends.

4.4. Minority rights

Shareholders of the Company together controlling at least one per cent of the voting rights may, at any time, request that the Company's General Meeting be convened, indicating the reason and the purpose thereof. If the Board fails to comply with such request within eight days of the date of receipt, and fails to convene the General Meeting at the earliest possible date, the Court of Registration shall convene the General Meeting at the request of the shareholders making the proposal, or shall empower the requesting shareholders to convene the meeting. The expected costs shall be covered by the requesting shareholders. The Company's General Meeting shall decide in a meeting convened at the request of minority stakeholders whether the costs incurred be borne by the Company or the persons convening such meeting.

If the General Meeting of the Company has refused - or did not present for decision - a proposal that the last financial report, or any economic event which has occurred in connection with the activities of management during the last two years, or any commitment be examined by an auditor to be engaged specifically for this purpose, such examination shall be ordered, and the auditor shall be appointed, at the Company's expense by the Court of Registration upon a request by any one shareholder or shareholders controlling at least one per cent of the votes submitted within a 30-day preclusive period calculated from the General Meeting. The Court of



Registration shall refuse the request in the event of abuse of minority rights by the shareholders presenting the request. The Company's Statutory Auditor may not be appointed to carry out such special audits. The costs of the audit shall be advanced ~~and borne~~ by the ~~Company requesting members. The Company shall be able to charge the costs upon the shareholder affected~~ The costs of the audit shall be borne by the Company, except if requesting the audit was manifestly unfounded.

If the General Meeting of the Company has refused - or did not present for decision - a motion to enforce a claim against s shareholder, members of the Board, the Supervisory Board or against the Statutory Auditor of the Company, any one shareholder or shareholders controlling at least one per cent of the votes may move within a 30-day preclusive period calculated from the General Meeting to enforce such claim themselves ~~on behalf and~~ for the benefit of the Company.

If shareholders together controlling at least one per cent of the votes in the Company notify the Board - in accordance with the provisions on setting the items of the agenda – of the supplementation of the agenda, or the resolution proposal with respect to the items on or to be added to the agenda within eight days following the publication of the notice for the convocation of the General Meeting, the Board publishes a notice on the supplemented agenda and the resolution proposals submitted by shareholders following the receipt of such proposal. The matter published in the notice shall be construed to have been placed on the agenda.

5. THE GENERAL MEETING OF THE COMPANY

5.1. Status of the General Meeting

The General Meeting is the highest decision-making body of the Company. The decisions of the General Meeting, which are referred to as resolutions, are binding upon all shareholders, other bodies and officers of the Company.

5.2. Matters within the Exclusive Scope of Authority of the General Meeting

The following matters shall be within the exclusive scope of authority of the General Meeting:

- (a) to draw up and amend these Articles, unless otherwise provided by law or these Articles;
- (b) the increase of the registered capital of the Company, unless otherwise provided by law;
- (c) the decrease of the registered capital of the Company, unless otherwise provided by law;
- (d) to amend the rights attached to individual series of shares;
- (e) any merger into, consolidation with another company or de-merger of the Company, or any termination, dissolution, liquidation, or transformation of the Company into another operational or corporate form. In the process of transformation if the Board prepares the documents necessary for the transformation, the General Meeting of the Company – according to the applicable law - may adopt a final decision on the transformation with holding only one meeting. In this case, draft terms of transformation including draft transformation asset balance- and asset inventory pertaining to the date specified by the Board, within the preceding six months, and controlled by the auditor, shall be presented for the meeting;
- (f) decision on issuing convertible, equity or subscription right bonds, unless otherwise provided by law;
- (g) to elect, remove and determine the remuneration of the members and substitute members of the Supervisory Board, the Audit Committee and the Board and enforcement of claims for damages against members of the Supervisory Board and the Board;
- (h) to elect, remove and determine the remuneration of the Statutory Auditor of the Company and to define the contents of the essential elements of the contract to be concluded with the Statutory Auditor and enforcement of claims for damages against the Statutory Auditor;
- (i) to approve the financial statements pursuant to the Accounting Act, and to decide on the utilisation of the profit after tax earnings;
- (j) to approve the corporate governance and management report;



- (k) subject to Section 10.3., to appoint the person(s), pursuant to the provisions of law, that are authorized to take over for shares in any private increase of the Company's capital;
- (l) to approve the registration of the Company's shares on a stock exchange with the exception of the transfer of shares admitted to trading belonging to the scope of authority of the Board;
- (m) decision on request to delist the Company's shares from a stock exchange;
- (n) decision on granting relief to the members of the Board;
- (o) decision on the payment of interim dividends, unless otherwise provided by these Articles;
- (p) decision on the acquisition of the Company's own shares, unless otherwise provided by law;
- (q) decision on the exclusion of preference right regarding subscription or commitment for subscription of shares;
- (r) advisory voting on supporting or rejecting the Remuneration Policy and Remuneration Report;
- (s) decision on any other issue that is referred to the authority of the General Meeting by law or these Articles.

5.3. Passing Resolutions

The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in Section 5.2. (a), (c)-(f), (l), (m) which shall require at least a three-quarters majority of the votes of the shareholders present.

5.4. Right to Convene General Meetings

The General Meeting shall be convened by persons authorized by law and these Articles.

5.5. Holding of a General Meeting

The Company shall hold a General Meeting at least once each year (the "Annual General Meeting") where the financial statements prepared according to the Accounting Act of the Company shall be approved. The Annual General Meeting shall be held no later than April 30 of the year immediately subsequent to the business year in question.

In addition to the Annual General Meeting, the Company may hold extraordinary General Meetings at any time, if necessary.

5.6. Convocation of the General Meeting

Notice of the General Meeting of the Company shall be published in the manner stipulated by law and these Articles for the publication of the Company's notices and advertisements thirty days prior to the date of the General Meeting, unless otherwise provided by law. The public notice of the General Meeting of the Company shall be published by the body responsible for or entitled to the convocation of the General Meeting either by law or by these Articles.

The public notice of the General Meeting shall contain

- (a) the name and the registered office of the Company;
- (b) the date and the venue of such General Meeting;
- (c) the way of holding the General Meeting;
- (d) the items on the agenda of such General Meeting;



- (e) the place and the date of the reconvened General Meeting to be held if the General Meeting does not have a quorum;
- (f) the conditions for the exercise of the voting rights at the General Meeting set out in the Articles of Association and the detailed conditions and information regarding the participation at the General Meeting, identification of the shareholders and the certification of the method of the representation;
- (g) the conditions regarding the exercise of the right to supplement to the agenda of the general meeting and the place of the availability of the original and full text of the resolution proposals and documents to be submitted to the General Meeting.

5.7. Quorum

The General Meeting shall have a quorum if shareholders representing more than half of the shares carrying voting rights are present at the General Meeting in person or by proxy at the time stipulated in the public notice convening the General Meeting. If the General Meeting fails to have a quorum, the reconvened General Meeting shall have a quorum for the issues of the original agenda irrespective of the voting rights represented by those present, ~~if called for a date following the original time by not less than ten days and not more than twenty-one days.~~ Such reconvened General Meeting may also be convened for the same day as the General Meeting fails to have a quorum, however, the period between the two general meetings shall not exceed twenty-one days.

5.8. Opening of the General Meeting

The Chairperson of the General Meeting shall be elected by the General Meeting on the basis of the submission of the Board. Until the election of the Chairperson of the General Meeting, the person proposed to be the Chairperson in the Board's submission shall chair the General Meeting.

5.9. Chairperson of the General Meeting

The Chairperson of the General Meeting:

- (a) shall determine the quorum;
- (b) shall make recommendations for the minute keeper of the General Meeting, for the shareholder, or its proxy to certify the minutes, and, in the event of non-computerised voting, for the tellers. In the event of computerised voting, the Chairperson of the General Meeting shall act as teller;
- (c) shall have the General Meeting adopt the sequence in which items on the agenda, including items duly added to the agenda, shall be discussed;
- (d) shall chair the General Meeting, its discussions, grant or revoke speakers right to contribute;
- (e) may stipulate a time limit for contributions to the discussion;
- (f) shall state the result of the votes and shall declare the resolution of the General Meeting;
- (g) shall call for breaks;
- (h) may propose the suspension of the General Meeting;
- (i) shall declare the General Meeting closed if each resolution on the agenda has been voted on.

5.10. Election of the Officials of the General Meeting

The General Meeting shall elect the keeper of the minutes, the person who shall certify the minutes, and, in case of non-computerised voting, the tellers, and the Chairperson of the General Meeting based on the proposal of the Board.



5.11. Voting Procedures

5.11.1. At the General Meeting the voting shall be computerised. The Chairperson of the General Meeting may propose that some or all of the items of the agenda be voted upon in lieu of computerised voting by the show of the voting cards. The Chairperson's motion shall be decided by a simple majority vote of the General Meeting.

5.11.2. At the venue of the General Meeting, during registration, the Company shall issue a voting card or provide a voting device for computerised voting to each holder of voting shares after verification that the shareholder is duly registered in the Share Register.

5.11.3 In the event of computerised voting, the tally of the votes shall proceed electronically. Before the voting takes place, the Chairperson or the person designated by the Chairperson shall advise the General Meeting on the technical details of the computerised voting. The shareholders shall be advised of the results of votes by the Chairperson.

5.11.4. In the event of non-computerised voting, each shareholder shall receive a voting card. Voting cards shall set out the name, address or registered seat and the number and series of shares held by the shareholder or the nominee and the number of votes such shareholder is entitled to cast. The voting shall proceed by the show of the voting cards.

6. BOARD OF DIRECTORS

6.1. Status of the Board of Directors

The Board shall be the management body of the Company and the Board shall represent the Company with regard to third parties, in court and before other authorities.

6.2. Members of the Board of Directors

The Board shall be comprised of a minimum of five (5), and a maximum of eleven (11) members. The members of the Board shall be elected by the General Meeting. The mandate of the members of the Board, unless otherwise provided by the General Meeting, lasts for a term of three years until May 31 of the third year subsequent to the date of the said General Meeting with the exception that if the General Meeting in the third year is held prior to May 31 than their mandate lasts until the date thereof. Members of the Board can be removed or re-elected at any time by the General Meeting. Unless otherwise provided by a separate arrangement, the removal of, or failure to re-elect, a member of the Board shall not affect the employment rights of such person with the Company where such member of the Board is also an employee of the Company. The General Meeting has the right to elect substitute member(s) to the Board, whose membership in the Board shall be conditional upon the number of the members of the Board falling below five (5). If more than one substitute members are elected, their substitution ranking shall also be determined. The provisions regarding the expiry of the mandate of the members of the Board shall apply to such substitute member(s) to the Board.

6.3. Rules of Procedure and Chairperson of the Board of Directors

Subject to the provisions of applicable law and these Articles, the Board shall draw up its own Rules of Procedure. The Chairperson [and, if deemed necessary by the Board, the Deputy Chairperson] of the Board shall be elected in accordance with the provisions of the Rules of Procedure of the Board. The Chairperson of the Board shall have the right to delegate permanent invitees to the meetings of the Supervisory Board.

6.4. Scope of authority of the Board of Directors

The Board shall

(a) be responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by these Articles or by law;



- (b) cause the report including the balance sheet and the profit and loss statement of the Company to be prepared pursuant to the Accounting Act together with a proposal on the use of the profit after tax;
- (c) prepare the corporate governance and management report and submit it to the General Meeting;
- (d) have the books of the Company, including among others accounting records and the Shareholders' Register, maintained in compliance with applicable regulations;
- (e) make such filings with the Court of Registration and publish such information as may be required by applicable law and these Articles;
- (f) draw up, at the end of each business year, a report for the General Meeting on the management of the Company, the assets of the Company, the financial situation of the Company and the business policy of the Company;
- (g) adopt the annual business plan of the Company which shall contain specific authorisations to the management that are necessary for the operation of the business of the Company;
- (h) have the authority to create committees of the Board consisting exclusively of Board members and to delegate part of its authority to such committees;
- (i) have the authority to create committees of Board members and non-Board members and to delegate authority to such committees;
- (j) exercise employer's rights towards the employees of the Company pursuant to the Rules of Organisation and Operation as defined by the Board;
- (k) prepare quarterly reports for the Supervisory Board on the management, financial status and the business policy of the Company;
- (l) ensure the purchase of own shares on the basis of the authorization of the General Meeting, and in connection with this approve the interim statement of financial position if necessary, and arrange for the alienation of the Company's own shares;
- (m) on the basis of the authorization of the General Meeting decide on increasing of the registered capital of the Company, and in connection with this approve the interim statement of financial position if necessary, that is allocated to its scope of authority and the related amendment of the Articles;
- (n) contract with the Statutory Auditor to carry out the statutory auditing activities within 90 days following the General Meeting's resolution on the election of the Statutory Auditor;
- (o) decide on termination of trading of shares on a given regulated market by transfer between trading venues;
- (p) make decisions regarding any change in the registered office, sites, branch offices and – except for the main activity – the scope of activities of the Company and in relation to this, to modify these Articles;
- (q) on the basis of the authorization of the General Meeting, decide on interim dividend payment and in connection with this approve the interim statement of financial position if necessary; and
- (r) approve the related party transactions if such approval is required by law.

6.5. Liability of the members of the Board of Directors

Members of the Board shall conduct the management of the Company based on the primacy of the interests of the Company. Members of the Board shall be liable for damages caused to the Company resulting from their management activities in accordance with the rules pertaining to damages for loss caused by breach of contract.

The Company shall be liable for damages caused to a third party by a member of the Board in connection with their conduct in such capacity. A member of the Board and the Company shall be jointly and severally liable if that member of the Board caused the damage intentionally.

7. SUPERVISORY BOARD

7.1. Status of the Supervisory Board

The Supervisory Board oversees the management in order to protect the interests of the Company.

7.2. Members of the Supervisory Board

7.2.1. The Supervisory Board shall be comprised of five (5) members. The members shall be elected by the General Meeting. The mandate of the members of the Supervisory Board, unless otherwise provided by the General Meeting, lasts for a term of three years until May 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their mandate lasts until the date thereof. The General Meeting has the right to elect employee substitute member(s) and independent substitute member(s) to the Supervisory Board, whose membership in the Supervisory Board shall be conditional upon the number of the employee members of the Supervisory Board falling below two (2), and the number of the independent members of the Supervisory Board falling below three (3), respectively. If more than one employee and/or independent substitute members are elected, their substitution ranking shall also be determined. The provisions regarding the expiry of the mandate of the members of the Supervisory Board shall apply to the mandate of such substitute member of the Supervisory Board.

7.2.2. Three members of the Supervisory Board must be independent from time to time in accordance with the provisions of the Civil Code and two members of the Supervisory Board must be employees of the Company

7.2.3. The Supervisory Board member shall not be regarded as an independent member, if

- a) he is an employee or an ex-employee of the Company, in the latter case the conflict of interest exists for five years from the termination of the employment;
- b) provides advisory services or other activities as a retained advisor for the Company or its senior managers in return of remuneration;
- c) he is a shareholder of the Company who either directly or indirectly owns at least 30% of the votes or is a close relative or domestic partner to such person;
- d) he is a close relative or domestic partner of any non-independent executive officer or executive employee of the Company;
- e) on the basis of his membership in the Supervisory Board he is entitled to receive remuneration in case of the profitable operation of the Company or receives any other remuneration besides his fee as a Supervisory Board member from the Company or an affiliated business association to the Company;
- f) he is in a legal relationship with a non-independent member of the Supervisory Board in another business association on the basis of which the non-independent member has controlling or supervisory rights;
- g) he is the Statutory Auditor of the Company or a member or an employee thereof for three years from the termination of this legal relationship;
- h) he is an executive officer or executive employee in a business association whose independent Board member is also an executive officer of the public limited company.

7.2.4. The employee representatives in the Supervisory Board shall be nominated by the Central Workers' Council considering the opinion of the trade unions operating at the Company. Persons nominated by the Central Workers' Council shall be elected by the General Meeting as members of the Supervisory Board, except if a disqualification exist in respect of the nominated persons.

7.3. Rules of Procedure and Chairperson of the Supervisory Board

The Chairperson (and, if deemed necessary by the Supervisory Board, the Deputy Chairperson) of the Supervisory Board shall be elected by the Supervisory Board from among its members in accordance with the provisions of the Rules of Procedure of the Supervisory Board. The Chairperson of the Audit Committee shall be elected by the members of the Supervisory Board out of the members of the Audit Committee. If the Chairperson of the Supervisory Board is also a member of the Audit Committee, the Chairperson of the Supervisory Board shall be deemed to be elected as the Chairperson of the Audit Committee as well. The Supervisory Board and the Audit Committee can hold joint meetings. Permanent invitees delegated by the Chairperson of the Board shall be entitled to attend all meetings of the Supervisory Board and shall be entitled to receive all submissions, preparatory materials and other information that is made available to members of the Supervisory Board. The Supervisory Board shall adopt its own Rules of Procedure, which shall be effective without any further approval. The Chairperson shall perform such duties as described by law, these Articles and the Rules of Procedure of the Supervisory Board.



7.4. Scope of authority of the Supervisory Board

The Supervisory Board shall examine all submissions to be submitted to the General Meeting and present its opinion thereof at the General Meeting. The General Meeting may pass a resolution on a report pursuant to the Accounting Act and the use of the profit after tax only after receipt of the written report of the Supervisory Board. The Supervisory Board shall make a proposal directly to the General Meeting regarding the election, remuneration and removal of the Statutory Auditor.

The Supervisory Board may convene the General Meeting to discuss any issue and to take any necessary decision if, in its opinion, the activities of the management infringe the law, these Articles or the resolutions of the General Meeting, or otherwise interfere with the interests of the Company.

7.5. Liability of Members of the Supervisory Board

Members of the Supervisory Board shall be liable for damages caused to the Company resulting from their omission or inappropriate performance of their supervisory responsibilities in accordance with the rules pertaining to damages caused by breach of contract.

7.6. Audit Committee

7.6.1. The General Meeting shall elect three (3) independent members of the Supervisory Board as members of the Audit Committee for the same period as their mandate in the Supervisory Board. The General Meeting has the right to elect a substitute member(s) to the Audit Committee, whose membership in the Audit Committee shall be conditional upon the number of the members of the Audit Committee falling below three (3) If more than one substitute members are elected, their substitution ranking shall also be determined. The provisions regarding the expiry of the mandate of the members of the Audit Committee shall apply to the mandate of such substitute member of the Audit Committee.

7.6.2. The Audit Committee shall establish its own Rules of Procedure which shall be approved by the Supervisory Board. The Supervisory Board and the Audit Committee can hold joint meetings.

7.6.3. The Audit Committee shall

- a) provide assistance to the Supervisory Board in supervising the financial reporting regime, in selecting Statutory Auditor, and in working with the Statutory Auditor;
- b) monitor the effectiveness of the internal audit and risk management systems and the financial reporting processes of the Company and makes recommendations, if necessary;
- c) monitor the statutory audit of the annual separate and annual consolidated financial statements;
- d) review and monitor the independence of the statutory auditor or the audit firm.

7.6.4. The Audit Committee makes a proposal to the Supervisory Board regarding the election, remuneration and removal of the Statutory Auditor.

8. STATUTORY AUDITOR

8.1. Election of the Statutory Auditor

The General Meeting of the Company shall elect the Statutory Auditor for a definite period not exceeding two years.

8.2. Duties of the Statutory Auditor

The Statutory Auditor shall be responsible for carrying out the audits of accounting documents according to the relevant regulations, and to provide an independent audit report to determine as to whether the financial statements of the Company are in conformity with legal requirements, and whether they provide a true and fair view of the Company's assets and liabilities, financial position and profit or loss.

8.3. The rights and the responsibilities of the Statutory Auditor

In connection with the performance of its duties, the Statutory Auditor:

- (a) shall have access to the documents, accounting books and records of the Company;
- (b) may request information from the members of the Board, the Supervisory Board and from employees of the Company;
- (c) may examine the cash in hand, ledgers, the securities portfolio, the inventory, the contracts and the bank accounts of the Company;
- (d) shall attend the General Meeting that discusses the report of the Company prepared according to the Accounting Act, provided that its absence does not impede the General Meeting;
- (e) if required, may attend meetings of the Board, the Supervisory Board and the Audit Committee with the right to confer;
- (f) shall be obliged to request the Board to convene a General Meeting without delay, if:
 - (i) it detects any changes in the Company's assets that are likely to jeopardize its ability to satisfy claims against the Company; or
 - (ii) it becomes aware of a circumstance that entails the liability of the Board or the Supervisory Board with respect to their activities performed in that capacity;
- (g) in the event of non-compliance with the request set out in subsection (f), the Statutory Auditor shall inform the competent Court of Registration of the relevant circumstances.

9. SIGNATURE ON BEHALF OF THE COMPANY

The Company shall be bound by the signature of (i) two members of the Board, or (ii) a member of the Board and an employee of the Company authorized for this purpose by two members of the Board, or (iii) two employees of the Company authorised for this purpose by two members the Board. Such authorized signatories shall jointly sign their full names under the stamped, hand-written, typed or printed name of the company in the way as such signature appears in their certified specimen of signature deposited with the Court of Registration.

10. INCREASE OF THE REGISTERED CAPITAL

10.1. Cases of the Increase in the Registered Capital

The General Meeting may decide on the increase of the share capital of the Company by means of issue of new shares (including private issue of new shares), from assets other than the share capital, conditional capital increase or through issue of convertible (átváltoztatható) or equity (átváltozó) bonds into shares in accordance with the applicable provisions of the Civil Code.

The General Meeting may authorize the Board to increase the share capital in accordance with applicable provisions of the Civil Code.

For the general meetings' resolution on increasing the share capital to be valid, the holders of dematerialized series "A" ordinary shares each with the face value of HUF 100, as holders of the types or classes of shares which are considered affected by the increase in the capital, shall grant their distinct approval to the proposed share capital increase. The holders of the "A" ordinary shares present at the General Meeting decide on the approval by a simple majority vote. In such event, the provisions on the restriction or exclusion of the voting rights attached to these shares may not be applied, except for the prohibition on exercising voting rights attached to own shares.



10.2. Subscription preference right

10.2.1. Where the share capital is increased by way of contribution of cash, within the Company's shareholders first the holders of shares belonging to the same series of issue, and then the holders of convertible bonds and the holders of bonds with subscription rights in tandem shall be granted preferential rights – in this sequence – for the subscription of shares subject to the conditions laid down in these Articles.

10.2.2. The Board shall inform the shareholders and the holders of convertible bonds and bonds with subscription rights concerning their options and the procedure to exercise the preferential right for the subscription of shares, including the face value or issue price of shares which may be acquired, and the first and last days of the 15 days period during which such right can be exercised.

11. DECREASE OF THE REGISTERED CAPITAL OF THE COMPANY

The Company may decrease its registered capital, in the cases defined in the respective laws reduction of the share capital is mandatory.

For the general meetings' resolution on decreasing the share capital to be valid, the holders of dematerialized series "A" ordinary shares each with the face value of HUF 100, as holders of the types or classes of shares which are considered affected by the decrease of the capital, shall grant their distinct approval in advance to the proposed share capital decrease. The holders of the "A" ordinary shares present at the General Meeting decide on the approval with the three-quarters majority of the votes. In such event, the provisions on the restriction or exclusion of the voting rights attached to these shares may not be applied, except for the prohibition on exercising voting rights attached to own shares.

12. CONFLICT OF INTEREST

Conflict of interest rules set out in Section 3:115 (1) of the Civil Code shall not apply to members of the Board and the Supervisory Board. Instead, the following rules shall be apply to members of the Board and the Supervisory Board.

Members of the Board and the Supervisory Board may not acquire any share - except for the shares of public limited companies – and may not accept executive office or supervisory board membership in such domestic or foreign businesses whose main business activity is the same as the main activity of the Company, unless otherwise provided by law or by these Articles.

Notwithstanding the above paragraph, members of the Board and the Supervisory Board may be elected as executive officers or members of supervisory board in domestic or foreign businesses whose main business activity is the same as the main activity of the Company,

- (i) if such business has a direct or indirect majority influence in the Company, or
- (ii) in which the Company or any person having a direct or indirect majority influence in the Company hold at least 25 % ownership stake and/or voting rights.

13. INDEMNIFICATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

13.1. Indemnification

The Company shall, to the fullest extent permitted by law, indemnify any member or former member of the Board and any member or former member of the Supervisory Board who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative, by reason of the fact of their current or former position at the Company against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably



incurred by them in connection with such action, suit or proceeding if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful.

13.2. Advancing Expenses

Expenses (including reasonable attorney's fees) incurred by a member of the Board or the Supervisory Board in defending any civil, criminal or administrative action, suit or proceeding may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that they are not entitled to be indemnified by the Company pursuant to Section 13.1.

13.3. Insurance

The Company shall have the power to purchase and maintain insurance on behalf of any person who is or was a member of the Board or the Supervisory Board against any liability asserted against them and incurred by them in any such capacity, whether or not the Company would have the right to indemnify them against such liability under the provisions of Sections 13.1. and 13.2. or any other provisions of law.

14. OTHER PROVISIONS

14.1. Notices

Notices, invitations to the shareholders and announcements of the Company shall be published on the web site of the Company (www.telekom.hu) and in the official publication space of the Budapest Stock Exchange and the Official Gazette ("Cégek Közlöny") in cases required by applicable law.

14.2. Miscellaneous

These Articles shall prevail over and replace any former Articles of the Company. Consequently, on the effective date of these Articles, prior version of the Articles shall have no effect. Issues not regulated herein shall be subject to the provisions of the Civil Code and other applicable laws.

*I hereby certify that the amended and restated text of the Articles of Association corresponds to the effective content of the Articles of Association as amended from time to time. The reason for preparing this amended and restated version of the Articles of Association was the amendment of **Annex 1 and Annex 2, Sections 4.4., 5.7., 10.1. and 11. and the amendment of data in Annex 3 [pursuant to Section 51 (2) of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings].***

Amendments effective as of September 28, 2021, based on resolution no. 5/5 (09.28.2021) adopted by the Board of Directors of the Company on September 28, 2021, in accordance with the authorization in Section 6.4. (p) of the Articles of Association are highlighted with bold and italic fonts.

Amendments effective as of [*], 2022, based on resolution no. [*] adopted by the General Meeting of the Company on [*], 2022, and the updated data of Annex 3 are highlighted with bold and italic fonts.

Countersigned in Budapest, on ~~September 28, 2021~~ [*], 2022 by:



ANNEX 1
SITES AND BRANCH OFFICES OF THE COMPANY

(a) Sites of the Company:

1073 Budapest, Dob u. 76-78.
1106 Budapest, Őrs vezér tere 25. 1. em.
1138 Budapest, Váci út 178.
1195 Budapest, Üllői út 201.
1191 Budapest, Vak Bottyán u. 75. a-c.
1024 Budapest, Lövőház u. 2-6. 2. em.
1123 Budapest, Alkotás út 53.
1062 Budapest, Váci út 1-3.
1117 Budapest, Október huszonharmadika utca 8-10.
1033 Budapest, Huszti út 32.
1098 Budapest, Táviró utca 3-5.
1156 Budapest, Száraznád utca 1-3.
1211 Budapest, Rákóczi Ferenc út 154-170.
1087 Budapest, Kerepesi út 9.
1119 Budapest, Hadak útja 1.

(b) Branch Offices of the Company:

4026 Debrecen, Bethlen u. 1.
3525 Miskolc Régiposta u. 9.
9400 Sopron, Széchenyi tér 7-10.
7601 Pécs, Rákóczi út 19.
5600 Békéscsaba, Andrassy u. 44.
6723 Szeged, Etelka sor 1.
7622 Pécs, Bajcsy-Zsilinszky út 11.
7100 Szekszárd, Arany János u. 31.
7400 Kaposvár, Széchenyi tér 1.
8600 Siófok, Szabadság tér 10/A.
8200 Veszprém, Ádám Iván utca 1.
8000 Székesfehérvár, Palotai út 1.
9700 Szombathely, Fő tér 17.
9021 Győr, Budai út 1.
8900 Zalaegerszeg, Kossuth u. 11.
6722 Szeged, Londoni krt. 3.
6000 Kecskemét, Korona utca 2. 2. emelet
5600 Békéscsaba, Andrassy út 37-43.
4025 Debrecen, Piac u. 26.
4400 Nyíregyháza, Nagy Imre tér 1.
3525 Miskolc, Széchenyi u. 36.
3525 Miskolc, Szentpáli u. 2-6.
3300 Eger, Törvényház u. 4.
4029 Debrecen, Csapó u. 30.
4400 Nyíregyháza, Kossuth tér 8-9.
6724 Szeged, Rókusi körút 2-10.
7400 Kaposvár, Bajcsy-Zsilinszky E. u.15.
7621 Pécs, Jókai Mór utca 10.
7632 Pécs, Aidinger J. utca 45.
8000 Székesfehérvár, Petőfi u. 4.
9023 Győr, Verseny utca 11.
5000 Szolnok, Ady Endre út 23.
2800 Tatabánya, Győri út 7-9.
9024 Győr, Vasvári Pál 1/a.
6720 Szeged, Széchenyi tér 16.
4400 Nyíregyháza, Szegfű utca 75.

ANNEX 2
OTHER ACTIVITIES OF THE COMPANY

18.13 '08	Pre-press and pre-media services
18.14 '08	Binding and related services
18.20 '08	Reproduction of recorded media
26.30 '08	Manufacture of communication equipment
33.20 '08	Installation of industrial machinery and equipment
35.11 '08	Production of electricity
35.14. '08	Trade of electricity
35.23 '08	Trade of gas through mains
35.30 '08	Steam and air conditioning supply
41.10 '08	Development of building projects
41.20 '08	Construction of residential and non-residential buildings
42.21 '08	Construction of utility projects for fluids
42.22 '08	Construction of utility projects for electricity and telecommunications
42.99 '08	Construction of other civil engineering projects n.e.c.
43.11 '08	Demolition
43.12 '08	Site preparation
43.21 '08	Electrical installation
43.22 '08	Plumbing, heat and air-conditioning installation
43.29 '08	Other construction installation
43.99 '08	Other specialised construction activities n.e.c.
45.11 '08	Sale of cars and light motor vehicles
45.19 '08	Sale of other motor vehicles
46.14 '08	Agents involved in the sale of machinery, industrial equipment, ships and aircraft
46.43 '08	Wholesale of electrical household appliances
46.49 '08	Wholesale of other household goods
46.52 '08	Wholesale of electronic and telecommunications equipment and parts
46.69 '08	Wholesale of other machinery and equipment
46.90 '08	Non-specialised wholesale trade
47.19 '08	Other retail sale in non-specialised stores
47.41 '08	Retail sale of computers, peripheral units and software in specialised stores
47.42 '08	Retail sale of telecommunications equipment in specialised stores
47.43 '08	Retail sale of audio and video equipment in specialised stores
47.54 '08	Retail sale of electrical household appliances in specialised stores
47.59 '08	Retail sale of furniture, lighting equipment and other household articles in specialised stores
47.61 '08	Retail sale of books in specialised stores
47.62 '08	Retail sale of newspapers and stationery in specialised stores
47.63 '08	Retail sale of music and video recordings in specialised stores
47.65 '08	Retail sale of games and toys in specialised stores
47.75.'08	Retail sale of cosmetic and toilet articles
47.78 '08	Other retail sale of new goods in specialised stores
47.82'08	Retail sale via stalls and markets of textiles, clothing and footwear
47.91 '08	Retail sale via mail order houses or via Internet
47.99 '08	Other retail sale not in stores, stalls or markets
52.10 '08	Warehousing and storage
55.10 '08	Hotels and similar accommodation
55.20 '08	Holiday and other short-stay accommodation
55.90 '08	Other accommodation
56.10 '08	Restaurants and mobile food service activities
56.21 '08	Event catering activities
56.29 '08	Other food service activities
58.11 '08	Book publishing
58.12 '08	Publishing of directories and mailing lists
58.13 '08	Publishing of newspapers
58.14 '08	Publishing of journals and periodicals
58.19 '08	Other publishing activities
58.21 '08	Publishing of computer games
58.29 '08	Other software publishing
59.20 '08	Sound recording and music publishing activities



60.10 '08	Radio broadcasting
60.20 '08	Television programming and broadcasting activities
61.20 '08	Wireless telecommunications activities
61.30 '08	Satellite telecommunications activities
61.90 '08	Other telecommunications activities
62.01 '08	Computer programming activities
62.02 '08	Computer consultancy activities
62.03 '08	Computer facilities management activities
62.09 '08	Other information technology and computer service activities
63.11 '08	Data processing, hosting and related activities
63.12 '08	Web portals
63.99 '08	Other information service activities n.e.c.
64.20 '08	Activities of holding companies
66.19'08	Other activities auxiliary to financial services
66.22'08	Activities of insurance agents and brokers
68.20 '08	Renting and operating of own or leased real estate
68.31 '08	Real estate agencies
68.32 '08	Management of real estate on a fee or contract basis
69.20 '08	Accounting, bookkeeping and auditing activities; tax consultancy
70.21 '08	Public relations and communication activities
70.22 '08	Business and other management consultancy activities
71.11 '08	Architectural activities
71.12 '08	Engineering activities and related technical consultancy
71.20 '08	Technical testing and analysis
72.19 '08	Other research and experimental development on natural sciences and engineering
72.20 '08	Research and experimental development on social sciences and humanities
73.11 '08	Advertising agencies
73.12 '08	Media representation
73.20'08	Market research and public opinion polling
74.10'08	Specialised design activities
74.30 '08	Translation and interpretation activities
74.90 '08	Other professional, scientific and technical activities n.e.c.
77.11 '08	Renting and leasing of cars and light motor vehicles
77.12 '08	Renting and leasing of trucks
77.21 '08	Renting and leasing of recreational and sports goods
77.22 '08	Renting of video tapes and disks
77.29 '08	Renting and leasing of other personal and household goods
77.33 '08	Renting and leasing of office machinery and equipment (including computers)
77.39 '08	Renting and leasing of other machinery, equipment and tangible goods n.e.c.
79.11 '08	Travel agency activities
79.12 '08	Tour operator activities
79.90 '08	Other reservation service and related activities
80.10 '08	Private security activities
80.20 '08	Security systems service activities
81.10 '08	Combined facilities support activities
82.11 '08	Combined office administrative service activities
82.19 '08	Photocopying, document preparation and other specialised office support activities
82.20 '08	Activities of call centres
82.30 '08	Organisation of conventions and trade shows
82.91 '08	Activities of collection agencies and credit bureaus
82.99 '08	Other business support service activities n.e.c.
85.32 '08	Technical and vocational secondary education
85.51 '08	Sports and recreation education
85.59 '08	Other education n.e.c.
85.60 '08	Educational support activities
95.11 '08	Repair of computers and peripheral equipment
95.12 '08	Repair of communication equipment



Annex 3 will be updated based on the decisions of the AGM accordingly

ANNEX 3
INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS, SUPERVISORY BOARD, AUDIT COMMITTEE AND ON THE
STATUTORY AUDITOR OF THE COMPANY

Members of the Board of Directors:

Daria Aleksandrovna Dodonova
Fekete Gábor
Dr. Robert Hauber
Ralf Nejedl
Frank Odzuck
Ratatics Péter
Rékasi Tibor
Somorjai-Tamássy Éva

Members of the Supervisory Board:

Dr. Borbély Attila
Dorogházi Krisztina
Lichnovszky Tamás
Szakonyi András
Varga Zsoltné

Members of the Audit Committee:

Dr. Borbély Attila
Dorogházi Krisztina
Szakonyi András

The Statutory Auditor:

PricewaterhouseCoopers Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: 1055 Budapest, Bajcsy-Zsilinszky út 78.; company registration number: 01-09-063022; registration number: 001464)

Personally responsible registered auditor appointed by the Statutory Auditor: Bárdy Zoltán (chamber membership number: 007346). In the event he is incapacitated, the appointed deputy auditor is: Szabados Szilvia (chamber membership number:005314).



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**ELECTION OF MEMBERS OF THE BOARD OF
DIRECTORS; *REMOVAL OF A MEMBER OF THE
BOARD OF DIRECTORS AND ELECTION OF A NEW
MEMBER OF THE BOARD OF DIRECTORS AND
DETERMINING HIS REMUNERATION***

BUDAPEST, APRIL 12, 2022



The General Meeting shall elect new Board of Directors members as the mandate of the members of the Board of Directors expires on the day of the Annual General Meeting to be held on April 12, 2022.

In accordance with the provisions of the Articles of Association the Board of Directors shall be comprised of a minimum of 5 (five), and a maximum of eleven (11) members.

The Board of Directors, having considered the Remuneration and Nomination Committee's agreement with the nominations, proposes the following persons to be elected by the General Meeting:

1. **Dodonova Daria Aleksandrovna**
2. **Gábor Fekete (independent)**
3. **Elvira Gonzalez**
4. **Dr. Robert Hauber**
5. **Frank Odzuck (independent)**
6. **Péter Ratatics (independent)**
7. **Tibor Rékasi**
8. **Melinda Szabó**

Biography of the nominees:

Daria Dodonova (born in 1976) attended the St. Petersburg State Academy for Engineering and Economy and holds a master's degree in International Finance. She joined Deutsche Telekom Group in 2000 and has been serving the company for more than 19 years. During this period, she held various management positions. At the beginning of her career, she worked as an Accounting Expert and later as a Senior Controller and Senior Controlling Expert. In 2014 she became Head of Capex Controlling, then in January 2017 she was appointed as Vice President Functional Controlling Europe. As of March 1, 2020, she is the Chief Financial Officer of Magyar Telekom.

Gábor Fekete (born in 1950) holds a mechanical engineer degree from Bánki Donát Technical College. He started his long professional career with KFKI (Central Research Institute for Physics) as a laboratory technician than he worked as a calibration engineer for 8 years and for a short period of time worked in this position in Germany at the GDR Academy of Sciences. When returning to Hungary, he continued working at KFKI as a customer service engineer. Between 1980 and 1981 he worked in the USA as a customer engineer. He was a service engineer at Volán Electronics in 1981-82, then at SZÚV Hungary from 1982-1990, where later held the position of the Head of Nationwide computer services department. In 1990 he became the Deputy General Manager of Sysland Ltd., the exclusive Distributor of Unisys in Hungary. He had an active part in establishing and building up Unisys in Hungary. In 1993, he became its Deputy General Manager, and then between 1995 and 2007 he was leading the organisation as General Manager. In 1994 the Unisys Europe & Africa Division rewarded him for his years of service with No 1. Sales Performer of the Year. As of 2002, on top his General Manager role, he also held several regional and global functions. Since 2007 he has been involved in the development of the business model of the previously established Jet Sol Ltd. and in the construction of the business as a co-owner until its sale in 2017. Since then he has been working as a consultant. He was a founding member of AMCHAM and took an active part in its activity for several years.

Elvira Gonzalez (born 1975) is Senior Vice President B2B at Deutsche Telekom AG Europe, in this role she oversees the Group's European B2B Business from March 2022. Before joining Deutsche Telekom Group, she held various management positions at Vodafone Group in London (until March 2022 she was the Global Head of SOHO and SMB Segments at Vodafone Business Group, until December 2020 she was the Global Head of Commercial and Customers Experience). Before this, she held various positions at VodafoneZiggo and Vodafone Netherlands in Amsterdam (Director responsible for Business Product, Head of Commercial Management and Sales for Enterprise Business Unit, Head of Wholesale, Senior interconnect manager). Until 2009 she worked as senior business development manager at Vodafone Group in Newbury, UK. Earlier in her carrier she worked at Vodafone Spain in Madrid and obtained her MBA degree. Elvira first started on her career at Ola Internet S.A. in Madrid after obtaining a university degree in Telecommunication Engineering.

Dr. Robert Hauber (born in 1971) studied at the University of Stuttgart, University of Mainz and at the University of Massachusetts. He holds a Master degree (Dipl. Kfm.) and a doctoral degree (Dr.) - both in business administration. He serves Deutsche Telekom for twenty years as a senior finance executive in several management positions. Before his career with Deutsche Telekom he worked for Hewlett Packard, Procter & Gamble and DaimlerChrysler, where he was involved in the merger between Daimler-Benz & Chrysler. During 2011-2016 he was Chief Financial Officer, Vice Chairman of the



Executive Management Board and Member of the Board of Directors of Slovak Telekom. Since July 2016 Dr. Robert Hauber took over within Deutsche Telekom the position of CFO/Senior Vice President & Head of Performance Management of the Segment Europe.

Frank Odzuck (born in 1959) obtained an economics degree in 1983 in Budapest. He was the managing director of the Hungarian operations of Eduscho and Eduscho-Tchibo for 8 years and later the managing director of Nestlé-Schöller Hungary Ltd. Since 2003, he has been the CEO of Zwack Unicum Plc., listed on the Budapest Stock Exchange. The company, producing and marketing a genuine “Hungaricum”, is one of the best-known international companies in Hungary (Zwack, Underberg, Diageo).

Péter Ratatics (born in 1982) obtained a degree in economics in 2006 in Budapest. He joined MOL Group in 2007 and has held various leadership roles. Among others, he was the Senior Vice President of the Corporate Centre being responsible for MOL Group's procurement, HR and communications activities. From 2016, he became the Chief Operating Officer for Consumer Services of the MOL Group. He became the Executive Vice President for Consumer Services and a member of the MOL Group Executive Board with effect from February 15, 2018. From July 1, 2018, he has been the Chief Operating Officer of MOL responsible for the Hungarian operation. From 2011 to 2018 he was the member of the Board of Directors of the Croatian INA.

Tibor Rékasi (born in 1973) graduated from the Budapest Foreign Trade College, and then participated in additional business trainings to expand his business knowledge. He started his professional career at Integra Kft as account manager. From 1997 he worked for Unisys Hungary as a relationship manager dealing financial business partners and then as Director for Customer Relations. In 2000 he joined Cisco Systems Hungary where first he worked as Key Account Manager and then as Director of the Large Corporations Business Unit. In February 2007 he was appointed as Managing Director of Cisco Systems Hungary, and in this position, he was responsible for the coordination of all domestic sales activities in addition to the operative management of the company. He joined the Magyar Telekom Group in September 2008 as Managing Director of IQSYS Zrt., a subsidiary of the Business Services Business Unit, where he took on the responsibilities of Commercial Director in addition to leading IQSYS Zrt. Between December 2010 and May 2011, he also acted temporarily as Head of Magyar Telekom's Business Services Business Unit (T-Systems), while continuing his work as Managing Director of IQSYS Zrt. From October 2012 until September 30, 2013, he was the chief officer responsible for the Sales Division of T-Systems Magyarország Zrt. From October 1, 2013, he has been Chief Commercial Officer Enterprise of Magyar Telekom and Chief Executive Officer of T-Systems Magyarország Zrt. With effect from January 11, 2017, Tibor Rékasi has been Magyar Telekom's Chief Commercial Officer Residential. As of July 1, 2018, he is the Chief Executive Officer of Magyar Telekom.

Melinda Szabó (born in 1971) received her first diploma in 1994 at the College of Commerce, Catering and Tourism and then she earned a Marketing Economist degree from the Foreign Trade College Budapest in 1997. She also earned an MBA degree from Webster University and Szent István College in 2007. She has started her career in market research, then she joined Westel900 in 1999 where she filled several key managerial positions in the marketing area. From 2005, she worked as T-Mobile's Deputy Marketing Director, then from 2008, she also assumed responsibility for T-Home's Residential Segment. She continued her career at Magyar Telekom as Residential Marketing Director from July 2010. In 2009 she was appointed to the member of the Board of MobiMak at Montenegro and this position held until 2012. She joined Vodafone Hungary in 2015, where she was in charge of the marketing of the entire B2B segment, then became Head of SMB Sales and Marketing in 2016. In July 2018, Melinda Szabó was appointed Chief Commercial Officer Residential Services at Magyar Telekom. As of January 1, 2020 her responsibilities have been expanded with SoHo and SMB segments and she became Chief Commercial Officer of Magyar Telekom.

The Board of Directors, having considered the Remuneration and Nomination Committee's agreement with the nominations, submits the following resolution proposals to the General Meeting:

[1.] The General Meeting elects Dodonova Daria Aleksandrovna as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then her mandate expires on the day of the Annual General Meeting.



[2.] The General Meeting elects Gábor Fekete as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[3.] The General Meeting elects Elvira Gonzalez as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then her mandate expires on the day of the Annual General Meeting.

[4.] The General Meeting elects Dr. Robert Hauber as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[5.] The General Meeting elects Frank Odzuck as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[6.] The General Meeting elects Péter Ratatics as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[7.] The General Meeting elects Tibor Rékasi as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[8.] The General Meeting elects Melinda Szabó as member of the Board of Directors of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then her mandate expires on the day of the Annual General Meeting.

Relevant part of the Report of the Supervisory Board related to the Board of Directors' submission included in this agenda item:

The Supervisory Board examined the submission of the Board of Directors on the election of members of the Board of Directors and acknowledged it.

Submission and resolution proposal of the HOLD 2000 NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD 2024 DEEP VALUE NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD COLUMBUS GLOBÁLIS ÉRTÉKALAPÚ SZÁRMAZTATOTT BEFEKTETÉSI ALAP, the HOLD KÖZÉP-EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP, the HOLD RÉSZVÉNY BEFEKTETÉSI ALAP and HOLD RUBICON SZÁRMAZTATOTT BEFEKTETÉSI ALAP (hereinafter the "Shareholders") on the "Removal of a member of the Board of Directors and election of a new member of the Board of Directors and determining his remuneration", submitted on March 17, 2022:

“Agenda item: *Removal of a member of the Board of Directors and election of a new member of the Board of Directors and determining his remuneration*

Presentation:

As the election, removal and remuneration of the members of the Board of Directors fall within the competence of the General Assembly, we kindly ask the Board of Directors to add to the agenda the following proposal:

*We request the removal of **Frank Odzuck** (address: 1121 Budapest, Csillagvölgyi út 4. F. ép., date of birth: 1959.11.11., mother's name: Irene Watzke) from his position as a member of the Board of Directors. We propose the election of **Gábor Szendrői** (address: 1053 Budapest, Magyar u. 23, II. 27a., place of residence: 1223 Budapest, Őszibarack u. 10., date and place of birth: Budapest 12, 06.06.1976., mother's name: Zsófia Mária Kisbocskói) as a new member of the Board of Directors for a term of 3 (three) years as of the date of the General Meeting, to replace the removed member, as provided for in Article 6.2 of the Articles of Association. The curriculum vitae of Gábor Szendrői is attached as **Annex I** to the request for the addition to the agenda.*

Proposed decision:

Resolution No [...] /2022 (IV.12.)

The General Meeting recalls Frank Odzuck (address: 1121 Budapest, Csillagvölgyi út 4. F. ép., date of birth: 1959.11.11., mother's name: Irene Watzke) from his position as a member of the Board of Directors of the Company.

Resolution No [...] /2022 (IV.12.)

The General Meeting elects Gábor Szendrői (address: 1053 Budapest, Magyar u. 23, II. 27a., place of residence: 1223 Budapest, Őszibarack u. 10., date and place of birth: Budapest 12, 06.06.1976., mother's name: Zsófia Mária Kisbocskói) as a member of the Board of Directors of the Company for a term of 3 (three) years and requests the elected executive officer to declare in a separate document the acceptance of the position, the disqualifications, conflicts of interest and prohibitions related to his person. The Board member shall be entitled to a gross monthly remuneration of HUF 450,000 -, i.e. HUF four hundred and fifty thousand per month.

Reasoning:

The reason for proposing the Resolution is to ensure that the interests of the Minority Shareholders are effectively represented in the governance of the Company, by having a person delegated by the Minority Shareholders to assist the Board of Directors in its work and decision-making.

Gábor Szendrői graduated in 2000 in Budapest with a degree in Finance and Business Valuation, while studying in France and Singapore. Gábor Szendrői's experience and professional qualifications for his position on the Board of Directors are proven by his experience in both the infocommunications sector and corporate governance.”

Relevant part of the Report of the Supervisory Board related to the Shareholders' submission included in this agenda item:

The Supervisory Board examined the submission of the Shareholders on the "Removal of a member of the Board of Directors and election of a new member of the Board of Directors and determining his remuneration" and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.

SZENDRŐI, Gábor

1223 Budapest, Ószibarack utca 10.
Phone: +36 20 326 75 28 E-mail: gabor.szendroi@cmbp.hu

SUMMARY

Experienced management consultant and investment banker, excellent team leader and project manager with 10 years of strategic consulting and 11 years of transaction management experience with leading firms. Based on his broad experiences, great generalist in problem solving and team management. As specialist, best known for his successful projects in the oil and gas, energy, telecom and transportation sectors, with private and public sector clients, mostly in turnaround situations, strategy making, operations improvement and M&A transactions. Capable of cooperation in large variety of business cultures, as it has been proven by his Central-Eastern European, West-European, Russian, Asian and African professional work experiences. Result driven, business focus person with high work ethics.

EDUCATION

2003 – 2004 INSEAD MBA, France-Singapore
1998 – 2000 CEMS Master, HEC, Paris, France
1994 – 2000 BSch in business (Finance and valuation), Corvinus University, Budapest, Hungary

PROFESSIONAL EXPERIENCE

GOPD

2020-to date; Budapest
Non-executive board member

IMAP internation M&A alliance

2019-to date; Barcelona
Global Board Member

Oriens IM – Concorde MP Partners (CMBP)

2011–to date; Budapest
Managing Partner, Head of Corporate Financial Services;
Financial advisory projects in Hungary, Austria, Romania, Bulgaria, Czechia and Poland

Kopint-Datorg, state-owned ICT company (currently called NISZ)

2010 – 2011; Budapest
Chief Strategy Officer

McKinsey & Company

2000-2010; located in Budapest and Singapore Offices (one year transfer in 2007); working in Hungary, Russia, Romania, Croatia, Western Europe, South-East Asia and West Africa

- 2008-2010: Associate Principal; Head of Recruitment; Leader of CEE Oil&Gas Team
- 2004-2007: Associate-Engagement Manager; Core Trainer in McKinsey's Training Team
- 2000-2003: Business Analyst

Société Générale Investment Bank

1999; Paris

Analyst; participation in introducing Aubey Technology onto the Paris Stock Exchange

LANGUAGES

Hungarian: mother tongue
English: professional
French: conversational – can be improved to professional within one month
German: basic – can be improved to conversational within two months

PERSONAL DATA

Date of birth: June 26, 1976
Nationality: Hungarian
Marital status: Married with 4 children



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

BUDAPEST, APRIL 12, 2022



The remuneration of the members of the Board of Directors was last adjusted in 2014.¹

According to Section 2 of the Rules of Procedure of the Remuneration and Nomination Committee of Magyar Telekom Plc., the Remuneration and Nomination Committee makes a proposal to the General Meeting on the compensation of the members of the Board, the Supervisory Board and the Audit Committee.

In 2020, the Remuneration and Nomination Committee proposed to change the remuneration of the members of the Board of Directors (except the remuneration of the Chairperson of the Board of Directors which remains unchanged), the Supervisory Board and the Audit Committee; however, no resolution was passed in 2020 and 2021 on the change to the remuneration of the members of the Board of Directors. Therefore, the following resolution proposal is re-submitted to the General Meeting for adoption:

Resolution proposal:

The General Meeting determines the remuneration of the members of the Board of Directors as follows:

- **Chairperson of the Board of Directors:** HUF 600,000/month,
- **Member of the Board of Directors:** HUF 500,000/month.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the submission on the remuneration of the members of the Board of Directors to be re-submitted to the General Meeting and agrees with it.

¹ Resolution no. 11/2014 (IV.11.) of the General Meeting.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

ELECTION OF MEMBERS OF THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

BUDAPEST, APRIL 12, 2022



The General Meeting shall elect new Supervisory Board and Audit Committee members, as the mandate of the Supervisory Board and Audit Committee members expires on the day of the Annual General Meeting to be held on April 12, 2022.

According to the Articles of Association the Supervisory Board shall be comprised of 5 members.

Three members of the Supervisory Board must be independent and two members must be employees of the Company.

In accordance with the Articles of Association, the employee representatives in the Supervisory Board shall be nominated by the Central Works Council considering the opinion of the trade unions operating at the Company. Persons nominated by the Central Works Council shall be elected by the General Meeting as members of the Supervisory Board, except if a disqualification exists in respect of the nominated persons.

According to the Articles of Association the General Meeting shall elect 3 independent members of the Supervisory Board as members of the Audit Committee for the same period as their mandate in the Supervisory Board.

The Board of Directors, having considered the Remuneration and Nomination Committee's agreement with the nominations, proposes the following persons to be elected by the General Meeting as members of the Supervisory Board and proposes the independent nominees to be elected by the General Meeting as members of the Audit Committee as well:

- 1. Gyula Bereznai (employee representative, upon Central Works Council nomination)**
- 2. Dr. Attila Borbély (independent)**
- 3. Krisztina Dorogházi (independent)**
- 4. András Szakonyi (independent)**
- 5. Endre Szepesi (employee representative, upon Central Works Council nomination)**

According to the Articles of Association the General Meeting has the right to elect employee substitute members to the Supervisory Board and independent substitute members to the Supervisory Board and the Audit Committee.

To ensure a continuous operation of the Supervisory Board and the Audit Committee, for the case in which the number of the employee representative members falls below two or the number of independent members falls below three, it is proposed to elect one employee representative substitute member to the Supervisory Board and one independent substitute member to the Supervisory Board and the Audit Committee.

The Board of Directors proposes the nominees to be elected for a term covering three business years.

The Board of Directors, having considered the Remuneration and Nomination Committee's agreement with the nominations, proposes the following persons to be elected by the General Meeting as substitute members of the Supervisory Board and the independent substitute nominee to be elected by the General Meeting as substitute member of the Audit Committee:

- 1. Júlia Barbara Romhányi (independent)**
- 2. Zsoltné Varga (employee representative, upon Central Works Council nomination)**

Biography of the nominees:

Gyula Bereznai graduated as a teacher in 2005 at the Eszterházy Károly University. He has been working for the Magyar Telekom Group since 2001, and for Magyar Telekom since 2008. For the past 20 years, he has worked in the areas of customer service, marketing, process control, and customer experience. He has more than 15 years of advocacy experience, since 2012 he has been the vice-president of the T-Net Trade Union, an official of the works council since 2011, and the chairman of the Central Works Council since 2021.

Dr. Attila Borbély is a university professor, an executive specialized in insurance business, sport manager and former Olympic frame member. Graduated from Pollack Mihály Technical College, then from Budapest University of Economics as insurance economist, completed his educational background at Phoenix University / US and at Brunel University / London where he accomplished his MBA. He gained his judo coach certification at the College of Physical Education, Budapest. He started his professional career with Aegon Insurance in sales and marketing between 1990 and 1995. Between 1996 and 2001 he assumed the Deputy CEO and Board Member of Allianz Hungária insurance company. In this role, he supervised building up and operating the branch network, assuring information technology background, operation of the life insurance



network. He had under his responsibility Hungária Information Technology Ltd, and Pension Fund Ltd, providing information technology and development services. He was Chairman and CEO of ARAG Legal Protection Insurance Co. between 2001 and 2004. He was Associate Professor and Strategic Director of the Szolnok College between 2006 and 2008, then Professor and Rector of the Wekerle Sándor Business School until 2016. Currently, he is working at the Sport Economics and Management Institute of the Debrecen University Economics Faculty, founded by him and led between 2009 and 2016. He acted as chairman of several supervisory boards: Hungária Wealth Management, ÁPV (State Privatization Co.), MNV (National Asset Management Co.). He was also Member of the Board of MABISZ and Eximbank where he was also acting chairman. He is member of the Supervisory Board of Hungarian Economics Association and founding president of its Sport Economics Section. President and co-President of the Committee on International Affairs of the Hungarian Rector's Conference between 2010-2016. Member of the Public Bodies of the Hungarian Academy of Sciences since 2005. From 1989 until 2011 he was member of the Hungarian Olympic Committee, Honorary Member since 2011. Vice-President of its Supervisory Board between 2005 and 2011.

Krisztina Dorogházi graduated from the College for Foreign Trade, and later accomplished the Chartered CPA certification in Hungary. Between 1993 and 2003 she worked with Arthur Andersen as Audit Manager. She joined MOL Group in 2003 and until 2017 she held several financial management roles in Hungary and abroad: Group Vice-president of Accounting and Tax, co-Chief Executive Officer and Chief Financial Officer of the Italian MOL Company, Chief Financial Officer for the MOL Hungary. In her last position with MOL, she was leading the group financial planning and reporting organisation as Group Senior Vice President. In 2005, she was awarded by the „Young Manager of the Year” prize; took active part in the company's initiative of „Women in MOL”. Between 2014 and 2017 she was Member of the Board of Directors of MOL's Japanese joint venture company. Since 2018, she is working as Senior Vice President Chief Accounting Officer and Controller with TechnipFMC a global leader oil field service company, listed on the New York Stock Exchange, headquartered in London and Houston.

András Szakonyi graduated in 1997 at Corvinus University of Economics, Faculty of finances and economics. After graduating, he worked for GE between 1997 and 2003 in different finance positions in Hungary and in the US. Between 1997 and 1999 he was Senior Financial Analyst with GE Lighting in the USA. After returning to Hungary, he was in the role of Finance Manager of Budapest Bank – GE Capital between 1999 and 2001, participating in preparing the acquisition. Between 2001 and 2003 he worked again in the US, as Finance Manager in GE Capital Corporation, a global diversified financial services company. Since 2003, he has been working for the NY stock exchange listed Iron Mountain based in Boston as Regional Chief Financial Officer, Regional Managing Director, regional vice president and then senior vice president. Currently, he is holding the role of Senior Vice President - Global Data Centers, partly based in Boston and Budapest.

Endre Szepesi graduated from the Strong Current Vocational High School in 1985 as an electrician / electric locksmith. In 1990 he obtained the qualification of a technician in the field of electricity in the Budapest Technical Vocational High School, then in 2000 he graduated from the Gábor Dénes College as an IT engineer. Initially, he worked for the Post Repair Plant and then for TÁVISZ Kft. He has been working for Magyar Telekom and its predecessors since 1994. During his years at Telekom he dealt with electrical safety technology and IT support in the technology area. Since 2011, he has been involved in the testing, qualification and service development of devices entering the fixed network. He has been doing this since 2015 as a work manager and currently as a Stream Lead with his team, for Telekom's business areas. Since 2020, he has been the organization secretary of the Telekom Corporate Organization of the Telecommunications Trade Union (TÁVSZAK) and a member of its board. He has been a member of Magyar Telekom's Works Council since 2021.

Júlia Barbara Romhányi is graduated from the College of Finance and Accounting, holds an MBA of the Budapest University of Economics, as well as brokerage and derivative exams. Between 1991 and 1996, she worked at the Budapest Stock Exchange as Deputy Head of Trading Department, International Client Relationship Manager. Between 1996 and 1999 she was Deputy Head of Custody Department in Budapest Bank / GE Capital. Since 1999, she has been assuming executive level roles in the Global Securities Services of Unicredit Group. In the period of 2011 and 2018, she led the global securities services in the CEE region as Managing Director. Since 2018 she has been managing the function on global level, based in Milan and Budapest. Member of the Board of Directors of Keler Zrt. between 2004-2009, member of the Supervisory Board of Budapest Pension Funds in the period of 1999 and 2008. Winner of „GC Legend”, a global custodian award in 2019.

Zsoltné Varga graduated from the College of Transport and Telecommunications at Győr in 1991. She has been working for Magyar Telekom (and its legal predecessor) since 1991. From 1991 to 1996 she was an engineer in the technical area, later she was head of a T-Pont shop. After that she worked as a quality manager. In 1998 she became an elected member of the Workers' Council and she is also member of the Central Workers' Council. Since 2004 she has been a member and



from 2009 Deputy Chairwoman of Deutsche Telekom's European Workers' Council. Since 2018 she has been the Chairwoman of the Central Functions Workers Council.

The Board of Directors, having considered the Remuneration and Nomination Committee's agreement with the nominations, submits the following resolution proposals to the General Meeting:

[1.] The General Meeting elects Gyula Bereznai as member of the Supervisory Board of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[2.] The General Meeting elects Dr. Attila Borbély as member of the Supervisory Board and as member of the Audit Committee of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[3.] The General Meeting elects Krisztina Dorogházi as member of the Supervisory Board and as member of the Audit Committee of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then her mandate expires on the day of the Annual General Meeting.

[4.] The General Meeting elects András Szakonyi as member of the Supervisory Board and as member of the Audit Committee of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[5.] The General Meeting elects Endre Szepesi as member of the Supervisory Board of Magyar Telekom Plc. until May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then his mandate expires on the day of the Annual General Meeting.

[6.] The General Meeting elects Júlia Barbara Romhányi as independent substitute member of the Supervisory Board and as substitute member of the Audit Committee of Magyar Telekom Plc. Her mandate shall commence with the condition and at the time if and when the number of the independent members of the Supervisory Board and thus the number of the members of the Audit Committee falls below three, and her mandate shall end on May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then the mandate expires on the day of the Annual General Meeting.

[7.] The General Meeting elects Zsoltné Varga as employee representative substitute member of the Supervisory Board of Magyar Telekom Plc. Her mandate shall commence with the condition and at the time if and when the number of the employee representative members of the Supervisory Board falls below two, and her mandate shall end on May 31, 2025, provided that if the 2025 Annual General Meeting is held prior to May 31, 2025, then the mandate expires on the day of the Annual General Meeting.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the submission of the Board of Directors on the election of members of the Supervisory Board and the Audit Committee and acknowledged it.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

DECREASING THE COMPANY'S SHARE CAPITAL AND RELATED MODIFICATION OF THE ARTICLES OF ASSOCIATION

BUDAPEST, APRIL 12, 2022



Pursuant to Section 3:309(1) of the Civil Code and the Articles of Association resolution on the decrease of the share capital shall be adopted by the General Meeting. Pursuant to Section 3:309(4) of the Civil Code the resolution on the decrease of share capital shall also provide for the amendment of the articles of association required by the share capital decrease. Resolution of the General Meeting related to this shall be effective upon compliance with the conditions of the share capital decrease.

According to the Section 3:309(5) of the Civil Code the General Meeting's resolution on the decrease of share capital shall be considered effective if the holders of the types or classes of shares which are considered affected under the articles of association grant their explicit consent to the decrease of the share capital by way of the means specified in the articles of association.

Magyar Telekom purchased totally 36,941,191 pieces of own shares during share buy-back transactions in 2020 and 2021. The aim of these transactions was to execute shareholder remuneration. In line with prevailing capital market practice following such own share transaction, purchased shares held in treasury are cancelled and the share capital is decreased.

Resolution proposals:

[1] The holders of dematerialized series "A" ordinary shares each with the face value of HUF 100 present at the General Meeting grant their approval to the proposed share capital decrease in compliance with Section 3:309 (5) of the Civil Code and Section 11 of the Articles of Association.

[2] The General Meeting decreases the share capital of the Company as follows:

Reason of decreasing the share capital: withdrawal of equity.

Amount of which the share capital is being decreased:

By cancellation of 36,941,191 pieces dematerialized series "A" ordinary shares, each with the face value of HUF 100 owned by the Company (treasury shares), decrease of the share capital with HUF 3,694,119,100 to HUF 100,580,135,200.

Method of implementing the share capital decrease:

Decrease the number of 1,042,742,543 pieces of dematerialized series "A" ordinary shares, each with the face value of HUF 100 with 36,941,191 pieces of shares owned by the Company (treasury shares). Decrease of the share capital shall not affect the shareholders' shareholdings in the sense that the number of shares of the shareholders remain unchanged, while the ownership proportionally increases. There is no compensation to be paid to the shareholders upon cancellation.

Amendment of the Company's Articles of Association is required by decreasing the share capital. The effective date of change is the date of registration by the Court of Registration on the decrease of the share capital. The General Meeting approves the amendment of Section 2.1. of the Articles of Association as follows:

2.1. Share capital and shares

The share capital of the Company is ~~HUF 104,274,254,300 (that is one hundred and four billion two hundred and seventy four million two hundred and fifty four thousand three hundred Hungarian forints)~~ 100,580,135,200 (that is one hundred billion five hundred and eighty million one hundred and thirtyfive thousand and two hundred Hungarian forints), comprised of ~~1,042,742,543~~ 1,005,801,352 series "A" ordinary shares, each with the face value of HUF 100. The shares of the Company are dematerialized shares.

The General Meeting authorizes the Board of Directors to complete the tasks in connection with the implementation of the share capital decrease (share cancellation), particularly the tasks defined in the Civil Code and the Company Registration Act.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the submission of the Board of Directors on the capital decrease of the Company and in relation to this modification of the Articles of Association, and with its acknowledgement proposes it to the General Meeting for acceptance.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**ADVISORY VOTE
ON THE AMENDED REMUNERATION POLICY
PURSUANT TO ACT NO LXVII OF 2019; REQUEST
TO THE BOARD OF DIRECTORS TO DEVELOP A NEW
REMUNERATION POLICY**

BUDAPEST, APRIL 12, 2022



The Remuneration Policy of Magyar Telekom Nyrt., approved by resolution no. 4/26 (04.24.2020) of the Board of Directors¹, shall be amended due to the following reasons:

- Company's strategic pillars has changed as of January 1, 2022,
- changes affecting certain elements of the management remuneration package:
 - the Repeated performance incentive (RPI) ended at the end of 2021,
- inserting procedural rules related to exceptional circumstances,
- minor amendments to enhance clear applicability of the Remuneration Policy.

Pursuant to the Civil Code and the Articles of Association advisory voting on the Remuneration Policy belongs to the exclusive scope of competence of the General Meeting. The Remuneration Policy shall be put on the agenda of the General Meeting in the case of material changes therein or at least every four years.

After the advisory vote (or in case of its rejection, after the repeated vote) on the Remuneration Policy at the General Meeting, the Remuneration Policy, together with the date and the results of the vote, shall be made public without delay on the website of the Company.

The Remuneration and Nomination Committee has prepared the Remuneration Policy of Magyar Telekom Nyrt. pursuant to Act LXVII of 2019, and with the agreement of the Board of Directors, submits it to the General Meeting for an advisory vote.

Annex: amended Remuneration Policy

Resolution proposal:

The General Meeting approves the amended Remuneration Policy of Magyar Telekom Nyrt. pursuant to Act LXVII of 2019 in line with the submission.

Relevant part of the Report of the Supervisory Board related to the Board of Directors' submission included in this agenda item:

The Supervisory Board examined the submission prepared by the Remuneration and Nomination Committee submitted to the General Meeting with the agreement of the Board of Directors on the approval of the amended Remuneration Policy, and with its acknowledgement proposes it to the General Meeting for acceptance.

¹ Based on the authorisation set out in Section 9 (2) of Government Decree no. 502/2020. (XI. 16.).

Submission and resolution proposal of the HOLD 2000 NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD 2024 DEEP VALUE NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD COLUMBUS GLOBÁLIS ÉRTÉKALAPÚ SZÁRMAZTATOTT BEFEKTETÉSI ALAP, the HOLD KÖZÉP-EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP, the HOLD RÉSZVÉNY BEFEKTETÉSI ALAP and HOLD RUBICON SZÁRMAZTATOTT BEFEKTETÉSI ALAP (hereinafter the “Shareholders”) on the “Request to the Board of Directors to develop a new Remuneration Policy”, submitted on March 17, 2022:

“Agenda item: Request to the Board of Directors to develop a new Remuneration Policy

Presentation

According to the Section 3.3 b) and c) of the Company's current Remuneration Policy, the Company makes management's medium and long-term incentives dependent on the development of the price of Deutsche Telekom AG Shares.

As the approval or rejection of a Remuneration Policy falls within the competence of the General Meeting, we kindly ask the Board of Directors to add to the agenda the following proposal:

Within 120 days, the Board of Directors shall develop and submit to the General Meeting for approval a new remuneration policy in which the medium- and long-term incentives of the management are dependent on the development of the share price of Magyar Telekom Plc. instead of the development of the share price of Deutsche Telekom AG.

Proposed decision:

Resolution No [...]/2022 (IV.12.)

The General Meeting resolves that the Board of Directors shall develop a new remuneration policy within 120 days and submit it to the General Meeting for approval within the above deadline. In the new remuneration policy, the Company shall make the medium and long-term incentives of the management dependent on the development of the Magyar Telekom Plc. share price instead of the development of the Deutsche Telekom AG share price.

Reasoning:

Incentives are the basic building blocks of capitalism. People behave how they are incentivized. The management of the Company is now incentivized to maximize shareholder value for Deutsche Telekom AG shareholders, not for Magyar Telekom Plc. (the Company) shareholders. We find this an extremely wrong approach which is not at all in line with ESG principles. Not only the management is not incentivized currently to help Magyar Telekom Plc. share price to reflect the fundamentals, but furthermore it creates a very significant conflict of interest. There are plenty of related party transactions between Deutsche Telekom AG and Magyar Telekom Plc. Majority of external financing of Magyar Telekom Plc. comes from Deutsche Telekom AG at an agreed rate. Both of the companies provide services to each other in IT, roaming, etc. We strongly recommend to terminate this poor governance behaviour and request the Board to work out a new remuneration policy, which incentivizes the management to maximise Magyar Telekom Plc.'s shareholder value!”

Relevant part of the Report of the Supervisory Board related to the Shareholders' submission included in this agenda item:

The Supervisory Board examined the submission of the Shareholders on the “Request to the Board of Directors to develop a new Remuneration Policy” and agrees that the proposal is submitted to the General Meeting in accordance with the applicable laws.



REMUNERATION POLICY

PURSUANT TO ACT LXVII OF 2019 ON THE ON THE ENCOURAGEMENT OF LONG-TERM SHAREHOLDER ENGAGEMENT AND THE AMENDMENT OF CERTAIN ACTS FOR EU HARMONIZATION PURPOSES

The remuneration and evaluation of the work performed by members of the Board of Directors, the Supervisory Board, and the Chief Executive Officer and other Chief Officers of Magyar Telekom Plc. (hereinafter Magyar Telekom or the Company) focusing on the Company's continuous development and growth are conducted along the Remuneration Policy adopted by the Company's General Meeting.

Magyar Telekom aims to achieve leadership position in terms of customer experience, as well as technological and business productivity alike. The Company's Strategy rests upon ~~six~~four pillars:

- ~~1. Maintain our position as the number one integrated operator.~~
 - ~~2. Build a universal, gigabit-capable fixed network, fit for the future.~~
 - ~~3. Provide a flawless digital customer experience, available everywhere.~~
 - ~~4. Enhance our efficiency and offering through simplicity.~~
 - ~~5. Take timely decisive action as a swift and agile operator.~~
 - ~~6. Build a vibrant, beloved Brand.~~
1. [From a respected brand to one that deeply cares about customers, environment and society](#)
 2. [Digitally native business – true digital business transformation](#)
 3. [Truly “unbreakable” service experience](#)
 4. [Talent magnet employer](#)

The pillars serving the purpose of retaining our market leadership position call for continuous transformation and organizational innovation, for which it is indispensable to have efficient bodies and top executives in place with long-term engagement.

The objective of the Remuneration Policy is that a competitive remuneration structure be elaborated for those who fall within the personal scope of the Policy that supports, recognizes and provides motivation for their decisions and measures adopted with the aim to implement the ~~six~~four pillars of the Strategy, [and also takes into account the responsibilities commensurate with the position](#). The Remuneration Policy promotes the Company's Business Strategy, long-term interests and sustainability through its short and long-term incentive systems. Remuneration paid under the Remuneration Policy may not jeopardize the sustainability of the financial status and the effective operation of Magyar Telekom.

The relative value and composition of the components included in the Remuneration Policy are determined on the basis of market benchmarks, which is an identical methodology to the one applied in determining the compensation system for the employees in general.

The Remuneration Policy is prepared, upon discussion with all other affected areas, and submitted to the Company's Remuneration and Nomination Committee by the Company's People Unit.

The Remuneration and Nomination Committee, with the agreement of the Board of Directors, submits the Remuneration Policy to the General Meeting of the Company for an advisory vote (in Hungarian: *véleménynyilvánító szavazás*).

If the General Meeting rejects the proposed Remuneration Policy, the Company must submit a revised Remuneration Policy at the following General Meeting for an advisory vote.

After the advisory vote (or after the repeated vote due to a potential rejection of a previous proposal) on the Remuneration Policy by the General Meeting, the Remuneration Policy together with the date and the results of the vote must be published on the Company's website without delay.

The remuneration paid to members of the Board of Directors and the Supervisory Board is determined by the General Meeting, while the decision about the remuneration of the Chief Executive Officer and other Chief Officers is adopted by the Company's Remuneration and Nomination Committee.



Potential conflicts of interest situations in connection with the Remuneration Policy shall be handled in accordance with the relevant provisions of the applicable laws, stock exchange recommendations, and internal policies of the Company (Code of Conduct, directive on the regulation of conflicts of interest) effective from time to time.

The Remuneration Policy may be revised upon the initiative of the Remuneration and Nomination Committee. A revised version of the Remuneration Policy must include descriptions of all the material modifications that took place since the last time the General Meeting voted on the Remuneration Policy and their explanation, as well as demonstrate how the revised version incorporates the opinion and votes of the shareholders about the Remuneration Policy and the reports.

The introduction of a remuneration element not included in this Remuneration Policy or the modification of existing elements may be carried out solely for the purpose of the long-term interests and sustainable operation of the Company upon the proposal by the Remuneration and Nominating Committee of the Company. The amendment should not jeopardise the objectives and principles set out in the Remuneration Policy.

The benefits and payments to be made pursuant to the application of the Remuneration Policy are made by Magyar Telekom along its relevant internal policies (e.g. ~~Collective Agreement~~, bonus directive, work related infocommunication services directive, car policy, travel policy) effective from time to time. [Evaluating the performance of measurable criteria, the Company considers the target performance percentage as fulfillment. The Company considers the fulfillment of non-measurable criteria if the given criteria is fully met. The Company may use other reasonable or valuation methods otherwise known or accepted in the market to determine the above conditions. The Company applies no deferral period in respect of the variable remuneration elements.](#)

Derogation from the Remuneration Policy is possible only in exceptional circumstances on a temporary basis. Exceptional circumstances include situations in which the derogation from the Remuneration Policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Deviation from Section III of this Remuneration Policy is possible with the decision of the Remuneration and Nomination Committee, however, the amendment of the Remuneration Policy must be submitted to the following General Meeting with the agreement of the Board of Directors. [Such deviation may be for example, change in the applicable laws, deviation from the remuneration system or its components or the terms governing the remuneration elements or the possibility to introduce new remuneration elements. In such case payment of remuneration is possible. The submission shall include the detailed description and reason of the change.](#)

The Remuneration Policy must be included in the agenda of the General Meeting upon its material amendment, but at least in every four year.

I. PERSONAL SCOPE

1. Members of the Board of Directors
2. Members of the Supervisory Board
3. Chief Executive Officer and other Chief Officers

II. CONTRACTS GOVERNING REMUNERATION

	Form	Duration	Applicable notice period	Contract termination conditions	Benefits due upon termination
Members of the Board of Directors	Resolution of the General Meeting and Mandate Agreement	Mandate duration as defined by the General Meeting resolution on election	-	As defined in the Civil Code (expiry of mandate, date of recall, resignation, death, incapacity, conflict of interest, cause for exclusion)	-
Member of the Supervisory Board	Resolution of the General Meeting	Mandate duration as defined by the General Meeting	-	As defined in the Civil Code (expiry of mandate, date of recall, resignation, death, incapacity, conflict of interest, cause for exclusion)	-

		resolution on election			
Chief Executive Officer and Chief Officers (a)	Employment contract	1-3 years fixed-term or open-ended employment contract as agreed	1-6 months and/or fixed amount in case of employee or employer's termination	Upon expiry of fixed term or emergence of facts or circumstances constituting cause for termination	Non-compete compensation with option to waive. Severance payment: in accordance with the Labour Code in case of a fixed term.
Chief Officers (b)	Intra-group expatriate contract	1-5 years fixed-term contract as agreed	3 months in case of employee or employer's termination	Upon expiry of fixed term or emergence of facts or circumstances constituting cause for termination as agreed	

* Terms and conditions for supplementary retirement or early retirement schemes are not included in the contracts.

III. REMUNERATION PACKAGE COMPONENTS

1. BOARD OF DIRECTORS

- Members of the Board of Directors are paid remuneration.
- The amount of the remuneration is determined by the General Meeting based on the proposal of the Remuneration and Nomination Committee.
- The amount of the remuneration is determined in line with the Hungarian benchmark.
- The amount of the remuneration can be revised upon the initiative of the Remuneration and Nomination Committee.
- The Board of Directors evaluates its performance along principles determined in advance (strategy, business performance, compliance, efficiency, dividend policy, information flow) each year. As part of the evaluation, the self-evaluation conducted by the specific members of the Board of Directors along predetermined aspects are also reviewed.
- The members of the Board of Directors are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time.
- Insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

2. SUPERVISORY BOARD

- Members of the Supervisory Board are paid remuneration.
- The amount of the remuneration is determined by the General Meeting based on the proposal of the Remuneration and Nomination Committee.
- The amount of the remuneration is determined in line with the Hungarian benchmark.
- The amount of the remuneration can be revised upon the initiative of the Remuneration and Nomination Committee.
- Upon the itemized review of the tasks defined as part of its Rules of Procedures, the Supervisory Board evaluates the work performed in the specific year aimed at fulfilling the different tasks and determines the performance of which activity/activities must be improved. In the framework of the above, it evaluates the skills and experience of the specific members of the Supervisory Board that are necessary for the performance of the Supervisory Board's work.
- The members of the Supervisory Board are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership in accordance with the applicable internal regulations of the Company effective from time to time.
- Insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.



- Those independent members of the Supervisory Board who are member of the Audit Committee of the Company are entitled to remuneration too as members of the Audit Committee, in the amount resolved by the General Meeting of the Company.

3. CHIEF EXECUTIVE OFFICER AND OTHER CHIEF OFFICERS

- The size of the components included in the remuneration package are determined by the Remuneration and Nomination Committee upon consideration of the Hungarian remuneration benchmarks.
- The remuneration package is revised ~~once~~ as required and needed but at least in every three a year. [The Company's relevant internal policies are revised once a year by the Company's People Unit.](#)
- The remuneration package consists of the following:

3.1. Annual On-Target Earnings

The annual on-target earnings consist of the (fixed) monthly base wage defined in the employment contract and the bonus determined as a percentage of the base wage the amount of which varies subject to the annual performance. The ratio of the base wage and the bonus within the annual on-target earnings is 57%/43% for the CEO, 55%/45% for other Chief Officers, and 70%/30% in case an agreement is included in the employment contract regarding the different ratio.

a) Annual base wage

The annual base wage is a (fixed) annual amount determined for individual that differs in different positions, and is paid in identical allotments on a monthly basis.

b) Annual bonus

The bonus is a set percentage of the base wage paid proportionately to the performance levels of strategic and financial targets derived from the strategic objectives defined for the specific business year.

The Remuneration and Nomination Committee adopts the annual targets and their performance levels annually in light of the Company's strategic objectives and corporate responsibility principles (our corporate responsibility programs focus on digital education and volunteer work, but we also put emphasis on supporting NGOs by means of tariff packages designed specifically for them).

Bonus advance payments are not made, bonus is paid on a scale of 0-150% subject to the evaluation of the performance of the relevant targets when the financials of the closed business year are final.

After payment is made, the bonus may not be reclaimed.

3.2. Extraordinary, per-case bonus

In case of outstanding performance of targets set forth by the Remuneration Policy, the extra performance demonstrated by individuals may be recognized by per-case bonus.

The amount of the reward shall be fixed by the Remuneration and Nomination Committee.

3.3. Mid-term and long-term incentive programs

Magyar Telekom launches / may launch mid-term and long-term incentive programs, the purpose of which is to provide incentive to management for the long-term and sustainable value increase of the Company, thus bringing the interests of the management and the shareholders into closer harmony.

Such programs may include share purchase (option call) matched/provided by the Company

- dependent on / independent of the share price and/or
- cash-based / share-based and/or
- one-time / recurring and/or
- frozen for a period / not frozen for a period and/or
- based on utilizing a portion of the bonus or
- at a predetermined share price / from a predetermined date.

Program components may include incentive elements offered, sold or granted by an affiliate company Magyar Telekom (i.e. Deutsche Telekom AG).

a) Mid-term incentive plans

Currently, there is no mid-term incentive plan in place at the Company.



b) Long-term Incentive Plan (LTI)

The LTI is a cash-based long-term incentive program that is linked to the performance of four indicators of the mother company considered of special strategic priority. [Performance criteria may not be changed during the term of the program.](#) Participation in the program is subject to the performance of the central indicators determined for the previous year, and the achievable amount is 30% of the annual on-target earnings.

As part of the program launched in 2015, a four-year program is introduced each year.

Payment is always made after the program's expiry and the evaluation of the targets' performance levels on a scale of 0-150%.

The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.

c) Share Matching Plan (SMP)

Participation in the program is mandatory for the Company's Chief Executive Officer, and voluntary for other members of the management. The program may be launched, if the previous year's DT Group Free Cash-Flow target is achieved.

Participants must spend a part of their [gross](#) annual bonus on Deutsche Telekom shares. The investment must not exceed 1/2 of their annual bonus (["personal investment"](#)), assuming 100% achievement of the previous year's bonus in case of the CEO and that of the specific year in case of other Chief Officers).

Participants must hold their shares for at least 4 years (freeze) and may freely use them upon the expiry of the freeze.

As part of the program Deutsche Telekom grants a certain number of shares [free of charge](#) to the participants based on the number of Deutsche Telekom shares they purchased.

The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Chief Officers: 1:2.

The program is launched subject to the relevant decision adopted by the Board of Directors.

The detailed rules of the program are determined by the Remuneration and Nomination Committee.

~~d) Recurring Performance Incentive (RPI)~~

~~The purpose of RPI is to provide incentive in the form of additional bonus for recurring, extraordinary, collective performance. The RPI is a four-year program. If the targets defined by the rules are achieved in two consecutive years, the first year is considered as a year of obtaining entitlement only. The achievement of the key performance indicator defined for the program is to be assessed in the context of the financial planning process. The key performance indicator is attached to the unadjusted EBITDA.~~

~~Entitlement is determined on each management level separately.~~

~~Entitlement is governed by the manager's management level on January 1 of the specific year, but (in case he/she becomes entitled in the first half of the year) at the latest on July 1.~~

~~The incentive amount payable is subject to the management level, the performance of Magyar Telekom Group's targets and the number of consecutive years in which targets have been overachieved.~~

~~The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.~~

~~The rules of participation in the programs are included in the regulation adopted by the Remuneration and Nomination Committee.~~

3.4. Additional benefits

The additional benefits are elaborated upon consideration of Hungarian benchmarks and in light of cost efficiency reasons, taking into account the form and structure of the benefits granted to employees. Such benefits include the provision of fringe benefits, work-related means, reimbursements and other remuneration (e.g. benefit cars; telecommunication services; business travel costs; insurances such as life and accident-, health-, travel-, liability insurance; education/trainings; business credit card; housing subsidies to expatriates; other expatriate costs etc.).

The additional benefits constitute 5-7% of the annual on-target earning, [which may alter in case of foreign employees.](#)

The additional benefits are provided by Magyar Telekom as set forth by the relevant employment contracts and the Company's applicable internal policies (e.g. ~~Collective Agreement~~, car policy, work-related infocommunication services directive, car policy, travel policy, credit card regulation) effective from time to time.

In case of foreign employees employed under expatriate contract the Global Mobility Policy and the Global Compensation Guideline effective from time to time are to be applied.



The ~~Board of Directors based on the authorisation set out in Section 9 (2) of Government Decree no. 102/2020. (IV. 10.)~~ [General Meeting](#) adopted the ~~present~~^s Remuneration Policy in its Resolution No ~~4/26 (04.24.2020)~~¹/~~2022 (IV.12.)~~ with ~~6~~⁶ affirmative (~~100~~¹⁰⁰%), ~~0~~⁰ negative (~~0~~⁰%), and ~~0~~⁰ abstention (~~0~~⁰%) votes.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**ADVISORY VOTE
ON THE REMUNERATION REPORT
PURSUANT TO ACT NO LXVII OF 2019**

BUDAPEST, APRIL 12, 2022



Pursuant to Section 3:268 (2) of the Civil Code and Section 5.2. (r) of the Articles of Association advisory vote on the Remuneration Report belongs to the exclusive scope of authority of the General Meeting. The Remuneration Report was prepared on the basis of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain Acts for EU harmonization purposes („SRD Act”). In line with Section 19(4) of the SRD Act, the statutory auditor of the Company checked that the information required by Section 19 of the SRD Act has been provided.

The Board of Directors, considering the agreement of the Remuneration and Nomination Committee, submits the Remuneration Report for the 2021 business year to the General Meeting for an advisory vote.

Resolution proposal:

The General Meeting approves the Remuneration Report of Magyar Telekom Nyrt. prepared pursuant to Act LXVII of 2019 for the 2021 business year.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the submission prepared by the Board of Directors submitted to the General Meeting with the agreement of the Remuneration and Nomination Committee on the approval of the Remuneration Report, and with its acknowledgement proposes it to the General Meeting for acceptance.

REMUNERATION REPORT 2021

1. INTRODUCTION

The Board of Directors of Magyar Telekom Telecommunications Public Limited Company (hereinafter “Magyar Telekom” or “Company”) based on the Remuneration Policy adopted with its resolution no 4/26 (04.24.2020)¹, and the provisions of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain Acts for EU harmonization purposes (“SRD Act”), approves and submits to the Annual General Meeting the below Remuneration Report for the 2021 business year (“Remuneration Report” or “Report”).

This Remuneration Report is prepared for the first time in accordance with the SRD Act. The Remuneration Policy on which the Report is based was approved by the Company in 2020 and was first applied in the 2021 business year. The Remuneration Policy is available on the website of the Company:

<https://www.telekom.hu/static-tr/sw/file/2020AGM-Remuneration-Policy.pdf>

The Remuneration Report is providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the 2021 business year in accordance with the Remuneration Policy to the members of the Board of Directors, the Supervisory Board, the Chief Executive Officer and Chief Officers of Magyar Telekom (together, based on the SRD Act, “Directors”; the Chief Executive Officer and the Chief Officers together “Executives” or “Management”). The Remuneration Report contains the incomes presented in the Financial Statements as cost independently from its financial performance (payment). There was no personal change regarding the Directors in 2021.

In this Remuneration Report „group” shall have the meaning of the Magyar Telekom Group. All monetary amounts in the Report are presented in gross without duties or taxes levied on the Company.

In the 2021 business year the Company paid remuneration based on the Remuneration Policy, no deviations from the procedure for the implementation of the Remuneration Policy or the possibility to reclaim variable remuneration applied.

Magyar Telekom aims to achieve leadership position in terms of customer experience, as well as technological and business productivity alike, which it is indispensable to have efficient bodies and top executives in place with long-term engagement. Therefore, Magyar Telekom elaborated a competitive remuneration structure that supports, recognizes and provides motivation for the Directors to implement the Company’s aim. The remuneration structure promotes the Company’s business strategy, long-term interests and sustainability through its short and long-term incentive systems. The relative value and composition of the components are determined on the basis of market benchmarks. The Remuneration Policy is prepared by the Company’s People Unit upon discussion with all other affected areas, and submits it to the Company’s Remuneration and Nomination Committee.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

¹ Resolution no 4/26 (04.24.2020) of the Board of Directors (based on Section 9 (2) of Government Decree no. 102/2021. (IV. 10.) the Board of Directors decided on the matters set on the agenda of the AGM).

2. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association the Board of Directors of the Company shall be comprised of a minimum of five (5), and a maximum of eleven (11) members. The members of the Board of Directors shall be elected by the General Meeting. On December 31, 2021, the Board of Directors had eight members.

Members of the Board of Directors of Magyar Telekom, for being in this position at the Company, are paid remuneration on a monthly basis. Their remuneration contains no variable components (therefore, it is not influenced by the Company's operating results in a given part of past or future period and reclaiming variable remuneration is not applicable). The amount of the remuneration is resolved by the General Meeting² based on the proposal of the Remuneration and Nomination Committee.

The Company has a Remuneration and Nomination Committee established by the Board of Directors. The Remuneration and Nomination Committee is comprised of three members elected by the Board of Directors from among its members. The assignment of the members is the same period as their assignment as members of the Board of Directors. Members of the Board of Directors having membership in the Remuneration and Nomination Committee are not entitled to remuneration therefor.

Certain members of the Board of Directors have waived their remuneration. Tibor Rékasi offered his remuneration for his activity as member of the Board of Directors for charity, the net amount thereof is directly transferred by the Company to Magenta Összefogás Alapítvány.

Board of Directors members, Tibor Rékasi and Dodonova Daria Aleksandrovna, are also members of the Company's Management, whose remuneration to be paid for their Management position is presented in Section 4 of this Remuneration Report. There is no other member of the Board of Directors who receives remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. No shares have been granted by the Company to the members of the Board of Directors and currently there is no share option program at the Company.

The members of the Board of Directors are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time. Furthermore, they are entitled to insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

Remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Board of Directors in the business year 2021 in accordance with the Remuneration Policy.

Remuneration of the individual members of the Board of Directors for 2021

	in gross HUF	
members of the Board of Directors	Fixed remuneration (per month)	Total remuneration
Dodonova Daria Aleksandrovna ⁱ	450,000	0
Gábor Fekete, independent	450,000	5,400,000
Dr. Robert Hauber ^{i, ii} , Chairperson	600,000	0
Ralf Nejedl ^{i, ii}	450,000	0
Frank Odzuck ⁱ , Deputy-Chairperson, independent	450,000	5,400,000
Péter Rátatics, independent	450,000	5,400,000
Tibor Rékasi ⁱⁱⁱ	450,000	0

² Resolution no. 11/2014 (IV.11.) of the General Meeting.

Éva Somorjai-Tamássyⁱ	450,000	0
total		16,200,000

ⁱ Members of the Remuneration and Nomination Committee.

ⁱⁱ Waived their remuneration.

ⁱⁱⁱ Offered the remuneration for charity.

3. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

According to the Articles of Association the Supervisory Board shall be comprised of 5 members. Three members of the Supervisory Board must be independent from time to time in accordance with the provisions of the Civil Code and two members of the Supervisory Board must be employees of the Company. The members of the Supervisory Board shall be elected by the General Meeting.

Members of the Supervisory Board of Magyar Telekom, for being in this position at the Company, are paid remuneration on a monthly basis. Their remuneration contains no variable components (therefore, it is not influenced by the Company's operating results in a given part of past or future period and reclaiming variable remuneration is not applicable). Those independent members of the Supervisory Board who are also members of the Audit Committee of the Company are entitled to remuneration too as members of the Audit Committee. The amount of the remuneration is resolved by the General Meeting³ based on the proposal of the Remuneration and Nomination Committee.

Remuneration of the employee representatives of the Supervisory Board, Tamás Lichnovszky and Zsoltné Varga, related to their employment with the Company is not part of this Remuneration Report as they shall be deemed Directors for the activity as members of the Supervisory Board in accordance with the SRD Act. There is no other member of the Supervisory Board beside the employee representatives who receive remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. No shares have been granted by the Company to the members of the Supervisory Board, currently there is no share option program at the Company.

The members of the Supervisory Board are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time. Furthermore, they are entitled to insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

Remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Supervisory Board in the business year 2021 in accordance with the Remuneration Policy.

Remuneration of the individual members of the Supervisory Board for 2021

members of the Supervisory Board	gross in HUF	
	Fixed remuneration (per month)	Total remuneration
Prof. Dr. Attila Borbélyⁱ , Chairperson, independent	600,000	13,920,000
Krisztina Dorogháziⁱⁱ , independent	350,000	7,560,000
Tamás Lichnovszky , employee representative	350,000	4,200,000
András Szakonyiⁱⁱⁱ , independent	350,000	7,560,000
Zsoltné Varga , employee representative	350,000	4,200,000
total		37,440,000

³ Resolution no. 11/2014 (IV.11.) of the General Meeting.

ⁱ Prof. Dr. Attila Borbély, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom, also received remuneration as Chairperson of the Audit Committee amounting to HUF 560,000 per month, totally HUF 6,720,000 in 2021.

ⁱⁱ Krisztina Dorogházi, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom., also received remuneration as member of the Audit Committee amounting to HUF 280,000 per month, totally HUF 3,360,000 in 2021.

ⁱⁱⁱ András Szakonyi, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom, also received remuneration as member of the Audit Committee amounting to HUF 280,000 per month, totally HUF 3,360,000 in 2021.

4. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND OTHER CHIEF OFFICERS

The Management of the Company comprises of the Chief Executive Officer and other Chief Officers. On December 31, 2021, the Management had six members.

Procedures of the Company related to remuneration is regulated by internal regulations.

The Chief Executive Officer and the other Chief Officers perform this activity based on employment contract, while Dodonova Daria Aleksandrovna performs it based on an intra-group expatriate contract.

Chief Executive Officer, Tibor Rékasi, and Chief Financial Officer, Dodonova Daria Aleksandrovna, are also members of the Company's Board of Directors, whose remuneration to be paid for their position in the Board of Directors is presented in Section 2 of this Remuneration Report.

Executives may (have) receive(d) remuneration for holding a position in Magyar Telekom Group companies, in 2021 the affected Executives were:

Tibor Rékasi in addition to the remuneration for this activity as Chief Executive Officer of Magyar Telekom, received no remuneration as member of the Board of Directors (Chairperson) of T-Systems Magyarország Zrt.

Gábor Gonda, has employment relationship with Magyar Telekom as Chief Commercial Officer Enterprise and with T-Systems Magyarország Zrt. as Chief Executive Officer.

Lubor Zatko in addition to the remuneration for this activity as Chief Technology and IT Officer of Magyar Telekom, received remuneration as non-executive member of the Board of Directors of Makedonski Telekom AD amounting to MKD 62,000 (appr. HUF 372,000) per month which of he has waived.

There is no other member of the Management who receive remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. Currently there is no share option program at the Company.

Decision about the remuneration of the Chief Executive Officer and other Chief Officers is adopted by the Company's Remuneration and Nomination Committee (incl. performance management target setting and evaluation, awarding bonuses and other incentives to the Executives, including any stock options and other equity-based compensation plans or determination of the size of the components included in the remuneration package upon consideration of the Hungarian remuneration benchmarks). The remuneration package consists of fixed and variable components.

Executives are entitled to annual on-target earnings, extraordinary, per-case bonus, long-term incentive programs and different additional benefits based on their contracts and the respective internal regulations of the Company, in accordance with the Remuneration Policy. Terms and conditions for supplementary retirement or early retirement schemes are not included in the contracts.

Annual On-Target Earnings

The annual on-target earnings consist of the (fixed) monthly base wage defined in the employment contract and the bonus determined as a percentage of the base wage the amount of which varies subject to the annual performance. The ratio of the base wage and the bonus within the annual on-target earnings is 57%/43% for the CEO, 55%/45% for other Chief Officers, and 70%/30% in case an agreement is included in the employment contract regarding the different ratio.

a) Annual base wage

The annual base wage is a (fixed) annual amount determined for individual that differs in different positions, and is paid in identical allotments on a monthly basis.

b) Annual bonus

The bonus is a set percentage of the base wage paid proportionately to the performance levels of strategic and financial targets (50% financial and 50% strategic) derived from the strategic objectives defined for the specific business year. The Remuneration and Nomination Committee adopts the annual targets and their performance levels annually in light of the Company's strategic objectives and corporate responsibility principles (our corporate responsibility programs focus on

digital education and volunteer work, but we also put emphasis on supporting NGOs by means of tariff packages designed specifically for them). Bonus advance payments are not made, bonus is paid on a scale of 0-150% subject to the evaluation of the performance of the relevant targets when the financials of the closed business year are final. After payment is made, the bonus may not be reclaimed.

The amount of the Executives' bonuses presented in this Remuneration Report is based on the presumption of 137,07% target performance in accordance with the 2021 Financial Statements.

Extraordinary, per-case bonus

In case of outstanding performance of targets set forth by the Remuneration Policy, the extra performance demonstrated by individuals may be recognized by per-case bonus. The amount of the reward shall be fixed by the Remuneration and Nomination Committee.

Currently, there is no mid-term incentive plan in place at the Company.

Long-term incentive programs:

Long-term Incentive Plan (LTI) is a long-term incentive program paid in cash that is linked to the performance of four indicators (ROCE (Return on Capital Employed), Adjusted Earnings per Share, Customer satisfaction and Employee satisfaction) of the mother company considered of special strategic priority. Performance criteria may not be changed during the term of the program. Participation in the program is subject to the performance of the central indicators determined for the previous year, and the achievable amount is 30% of the annual on-target earnings.

The 2021 LTI program is a global, Deutsche Telekom Group-wide incentive program.

At the beginning of the program, the relevant incentive amount is converted into a number of virtual shares of DT AG and awarded to the plan participant in the form of virtual shares (basic number). The annual level of target achievement is determined at the end of each year. This target achievement level is multiplied on a pro rata basis by the basic number of virtual shares awarded. The number of virtual shares calculated using this method shall then be "fixed" for the plan participant as the binding result for that specific year ("annual result"). At the end of the plan term, the four binding annual results shall be added together. The resulting total number of virtual shares shall be converted into cash applying the prevailing price of DT AG shares at that time, which is paid to the plan participants. For dividend payments during the plan term, the virtual shares shall be treated as real shares. The dividends shall be taken into account as follows: The first/second/third dividend payments shall be "reinvested" into virtual shares when the actual dividends are paid on real shares. The fourth (and last) dividend payment shall not be reinvested but paid in cash together with the plan payment following the DTAG shareholders' meeting at which a decision is made regarding this dividend payment. The plan currency is euro.

As part of the program launched in 2015, a four-year program is introduced each year. Payment is always made after the program's expiry and the evaluation of the targets' performance levels on a scale of 0-150%. The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.

Currently LTI 2018, 2019, 2020 and 2021 are available. After payment is made, the LTI may not be reclaimed.

The amount of the Executives' LTIs presented in this Remuneration Report with respect to the 2021 business year is based on the presumption of 100% target performance in accordance with the 2021 Financial Statements.

Share Matching Plan (SMP)

Participation in the program is mandatory for the Company's Chief Executive Officer, and voluntary for other members of the management. The program may be launched, if the previous year's DT Group Free Cash-Flow target is achieved. Participants must spend a part, minimum of 10%, of their gross annual bonus on Deutsche Telekom shares. The investment must not exceed 1/2 of their annual bonus ("personal investment") (assuming 100% achievement of the previous year's bonus in case of the CEO and that of the specific year in case of other Chief Officers). Participants must hold their shares for at least 4 years (freeze) and may freely use them upon the expiry of the freeze. As part of the program Deutsche Telekom grants a certain number of shares free of charge to the participants based on the number of Deutsche Telekom shares they purchased. The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Chief Officers: 1:2. The program is launched subject to the relevant decision adopted by the Board of Directors. The detailed rules of the program are determined by the Remuneration and Nomination Committee.

Currently SMP 2019, 2020 and 2021 are available. After payment is made, the SMP may not be reclaimed.

The amount of the Executives' SMPs presented in this Remuneration Report with respect to the 2021 business year is based on the presumption of 100% target performance in accordance with the 2021 Financial Statements.

Recurring Performance Incentive (RPI)

The purpose of RPI is to provide incentive in the form of additional bonus for recurring, extraordinary, collective performance, which is measured by the overachievement of a defined bonus KPI. The RPI is a four-year program. If the targets defined by the rules are achieved in two consecutive years, the first year is considered as a year of obtaining entitlement only. The achievement of the key performance indicator defined for the program is to be assessed in the context of the financial planning process. The key performance indicator is attached to the unadjusted EBITDA. Entitlement is determined on each management level separately. Entitlement is governed by the manager's management level on January 1 of the specific year, but (in case he/she becomes entitled in the first half of the year) at the latest on July 1. The incentive amount payable is subject to the management level, the performance of Magyar Telekom Group's targets and the number of consecutive years in which targets have been overachieved. The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee. The rules of participation in the programs are included in the regulation adopted by the Remuneration and Nomination Committee

RPI is for a defined group of Executives (incl. Business Leaders) at Deutsche Telekom Group.

The RPI was running from 2018 to 2021, and at the end of 2021 the RPI ended. After payment is made, the RPI may not be reclaimed.

The amount of the Executives' RPI presented in this Remuneration Report is based on the presumption of 140% target performance in accordance with the 2021 Financial Statements.

The Company's 2021 Financial Statements contains information on the accounting policy of the short- and long-term remuneration under Note 20 „Employee-related expenses”. The Financial Statements is available at the website of the Company: https://www.telekom.hu/about_us/investor_relations/financial

The interest of the Magyar Telekom is, to develop a fair, performance-based and consistent remuneration package, which provides competitive remuneration for the Executives to carry out the Company's strategy and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. Through the design of its incentive programs, the Company wishes to ensure that Executive remuneration is aligned with and supports the Company's strategic objectives within a framework that closely aligns the interests of Executives to those of the shareholders.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report 2022 for the first time.

Executives' remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Management in 2021 in accordance with the Remuneration Policy.

Remuneration of the Chief Executive Officer and other Chief Officers is presented as follows:



Remuneration of the Chief Executive Officer and other Chief Officers for 2021

Name of Director, position	Reported financial year	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Any remuneration from undertakings of the same group ⁱ	5 Total remuneration	6 Relative proportion of fixed and variable remuneration (xx%/yy%)
		Base salary	Fringe benefits ⁱ	One-year variable	Multi-year variable				
Dodonova Daria Aleksandrovna Chief Financial Officer	2021	42 942 156	21 065 783	37 909 450	72 244 533	-	-	174 161 922	36,8% / 63,2%
Friedl Zsuzsanna Chief People Officer	2021	42 000 002	5 546 335	47 103 288	77 660 180	-	-	172 309 805	27,6% / 72,4%
Gonda Gábor Chief Commercial Officer Enterprise	2021	48 000 000	5 410 139	53 832 324	42 332 644	12 000 000	-	161 575 107	35,7% / 64,3%
Rékasi Tibor Chief Executive Officer	2021	84 010 532	10 773 819	86 364 925	143 982 347	-	-	325 131 623	29,2% / 70,8%
Szabó Melinda Chief Commercial Officer	2021	47 999 999	5 302 989	53 832 324	71 062 283	-	-	178 197 595	29,9% / 70,1%
Lubor Zatko Chief Technology and IT Officer	2021	43 200 004	13 665 589	48 449 088	55 015 986	-	-	160 330 667	35,5% / 64,5%

ⁱ The amount of fringe benefits include, among others, the cost of company car usage, health insurance, accommodation and expatriate in accordance with the Remuneration Policy.

ⁱⁱ In line with the narrative information.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

**ELECTION AND DETERMINATION OF THE
REMUNERATION OF THE COMPANY'S
STATUTORY AUDITOR, AND DETERMINATION OF
THE CONTENTS OF THE MATERIAL ELEMENTS OF
THE CONTRACT TO BE CONCLUDED WITH THE
STATUTORY AUDITOR**

BUDAPEST, APRIL 12, 2022



PROPOSAL OF THE SUPERVISORY BOARD OF MAGYAR TELEKOM PLC. FOR THE GENERAL MEETING OF THE COMPANY IN RELATION TO THE ELECTION AND DETERMINATION OF THE REMUNERATION OF THE COMPANY'S STATUTORY AUDITOR, AND DETERMINATION OF THE CONTENTS OF THE MATERIAL ELEMENTS OF THE CONTRACT TO BE CONCLUDED WITH THE STATUTORY AUDITOR

Pursuant to the EU Audit Regulation¹, the Audit Committee of Magyar Telekom Plc. (the "Company") conducted an auditor rotation tender procedure in 2021. As a result of the selection process, the Supervisory Board, in accordance with the recommendation of the Audit Committee, proposes to the General Meeting the election of Deloitte Auditing and Consulting Ltd. as Statutory Auditor (the "Auditor") of the Company. The Supervisory Board of the Company submits the following resolution proposal to the General Meeting in relation to the election and determination of the remuneration of the Company's Auditor. Furthermore, in relation to this, it proposes the contents of the material elements of the contract to be concluded with the Auditor – in addition to elements set out in the resolution proposal – to be determined with the following content:

- **Scope of the contract:**
The audits of the Separate Financial Statements and the Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS) for the 2022 business year.
- **Billing and payment:**
The fee of the Auditor shall be paid in 12 monthly installments. The Auditor may change the fees reasonably and proportionally if the scope of the work is changed (for example, significant change in Magyar Telekom Group, significant change in business or regulatory circumstances) for an unforeseeable reason, or if excess work arises for a reason attributable to the interests of the Company, provided that the scope and fees of the excess work are mutually agreed in advance by the contracting parties and the Audit Committee pre-approves the same according to its Pre-Approval Policy.
- **Duration of the contract:**
The contract is for the period ending May 31st, 2023 or if the Annual General Meeting closing the 2022 business year will be held prior to May 31st, 2023 then until the date thereof.

¹ Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.



Resolution proposal:

The General Meeting elects as Statutory Auditor of Magyar Telekom Plc. (the “Company”)

Deloitte Auditing and Consulting Ltd. (registered office: 1068 Budapest, Dózsa György út 84/C.; company registration number: 01-09-071057; registration number: 000083)

to perform audit services for the 2022 business year in accordance with the submission, for the period ending May 31st, 2023 or if the Annual General Meeting closing the 2022 business year will be held prior to May 31st, 2023 then on the date thereof.

Personally responsible registered auditor appointed by the Statutory Auditor: Kornél Bodor (chamber membership number: 005343).

In the event he is incapacitated, the appointed deputy auditor is: Gábor Molnár (chamber membership number: 007239).

The General Meeting approves HUF 282,450,300 + VAT to be the Statutory Auditor’s annual compensation to perform audit services for the 2022 business year, covering the audits of the Separate Financial Statements and the Consolidated Financial Statements of the Company prepared according to International Financial Reporting Standards (IFRS).

The General Meeting approves the contents of the material elements of the contract to be concluded with the Statutory Auditor according to the submission.

Budapest, March 8, 2022

For and on behalf of the Supervisory Board of Magyar Telekom Plc.:

Prof. dr. Attila Borbély, Chairperson of the Supervisory Board

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board, considering and based on the result of the audit rotation tender procedure performed by the Audit Committee, adopted its proposal on the election and determination of the remuneration of the Company’s Statutory Auditor, and determination of the contents of the material elements of the contract to be concluded with the Statutory Auditor and submits it to the General Meeting.



EGYÜTT. VELED

SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

*REPORT OF THE BOARD OF DIRECTORS ON THE
ASSESSMENT OF SHAREHOLDERS' PROPOSALS ON
THE COMPANY'S DIVIDEND POLICY; REQUEST TO
THE BOARD OF DIRECTORS TO PROPOSE A NEW
DIVIDEND POLICY*

BUDAPEST, APRIL 12, 2022

Submissions and resolution proposal of the HOLD 2000 NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD 2024 DEEP VALUE NYÍLTVÉGŰ BEFEKTETÉSI ALAP, the HOLD COLUMBUS GLOBÁLIS ÉRTÉKALAPÚ SZÁRMAZTATOTT BEFEKTETÉSI ALAP, the HOLD KÖZÉP-EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP, the HOLD RÉSZVÉNY BEFEKTETÉSI ALAP and HOLD RUBICON SZÁRMAZTATOTT BEFEKTETÉSI ALAP (hereinafter the "Shareholders") on the "Report of the Board of Directors on the assessment of shareholders' proposals on the Company's dividend policy" and "Request to the Board of Directors to propose a new dividend policy", submitted on March 17, 2022:

„Agenda item: *Report of the Board of Directors on the assessment of shareholders' proposals on the Company's dividend policy*

Presentation:

We respectfully request the Board of Directors to add to the agenda the following proposal:

*The Board of Directors is kindly requested to report on how the dividend policy proposal attached as **Annex 1** has been considered, how the members of the Board have personally considered it and how they have voted.*

The Board of Directors is kindly requested to explain why a dividend policy that will repay a significant part of the existing real financial debt in the coming years, while the Company's financial position is already sound compared to its peers in the regional sector, is value-creating for shareholders.

The Board of Directors is kindly requested to report on how the Board of Directors serves the interests of the Company by refusing to set the target debt level:

- a) which the parent company Deutsche Telekom AG is also doing for itself, and*
- b) which would clearly increase predictability for a wide range of investors.*

Reasoning:

According to the latest financial report for 2021Q4, Magyar Telekom Plc.'s Net Debt to EBITDA has fallen below 2.0 times, which is a comfortable level for a telecommunication company. Furthermore, about half of this leverage is solely capitalization of future liabilities. Based on the report, the Company forecasts strong cash generation (FCF) for the next 3 years. Based on the financial report, in our opinion, there is no need for the Company to use the majority of the FCF generated for debt reduction as proposed by the Board of Directors in its dividend policy. Based on our proposal, the Company would allocate approximately 60% of the cash generation to shareholder distributions during 2022. Based on the Company's forecast, our proposal would still lead to a further significant reduction in leverage to around 1.8 times by the end of 2022.

The dividend policy proposal attached as Annex 1 and presented above was rejected by the Board of Directors. In accordance with the provisions of the Article 3:21 (2) of the Civil Code, the Board of Directors shall perform its management activities in the best interests of the Company. However, the rejection of the dividend policy proposed by the Minority Shareholders and the newly established dividend policy by the Board of Directors raises the question whether the Board of Directors does not primarily act in the best interests of the Company in its management activities.

We are hopeful that the report of the Board of Directors based on the above questions will provide a comforting answer to the doubts of Minority Shareholders."

„Agenda item: *Request to the Board of Directors to propose a new dividend policy*

Presentation:

We respectfully request the Board of Directors to add to the agenda the following proposal:

We propose to the Board of Directors of the Company to develop a new dividend policy that takes into account the optimal level of indebtedness of the Company when paying dividends. The dividend policy should reflect the Company's commitment to maintain the level of indebtedness within the optimal range

Proposed decision:

Resolution No [...]/2022 (IV.12.)

The General Meeting resolves that the Board of Directors of the Company shall develop a new dividend policy within 90 days of the date of this Resolution taking into account the following aspects:

- a) takes into account the optimal level of indebtedness of the Company when paying dividends;***
- b) reflects the Company's efforts to keep indebtedness within the optimal range.***

Reasoning:

The Majority owner of Magyar Telekom Plc., Deutsche Telekom AG has a target leverage of 2.25-2.75x Net Debt to EBITDA, but currently it is above that leverage. A significant part of the Minority investors of Magyar Telekom Plc. fear that the dividend policy of Magyar Telekom Plc. is optimized for Deutsche Telekom AG, not for Magyar Telekom Plc. shareholders. Analysts covering Magyar Telekom Plc. also do not expect a meaningful increase in the dividend payout ratio in the following years even though the guided strong FCF generation and the strong financial position. This would lead to a decrease of leverage below optimal level which would destroy shareholder value for Magyar Telekom Plc in our opinion. It also leads to a permanent undervaluation of Magyar Telekom Plc. shares due to the fundamentally insufficient dividend outlook. The newly introduced 3-year dividend policy does not address this problem, as the proposed payout rate would still lead to rapid sub-optimal debt reduction and would continue to reduce debt regardless of the Company's financial situation. Therefore, we recommend for Magyar Telekom Plc. to state and target an optimal leverage, as Deutsche Telekom AG does, and integrate its financial situation (leverage) into the dividend policy.”

Relevant part of the Report of the Supervisory Board related to the Shareholders' submission included in this agenda item:

The Supervisory Board examined the submissions of the Shareholders on the “Report of the Board of Directors on the assessment of shareholders' proposals on the Company's dividend policy”, and the “Request to the Board of Directors to propose a new dividend policy” and agrees that the proposals are submitted to the General Meeting in accordance with the applicable laws.

Open Letter to the Board of Directors of Magyar Telekom

Members of the Board

Magyar Telekom Nyrt.

Subject: Recommendation to improve the company's ESG profile by publishing a reasonable midterm dividend policy which takes into account real financial leverage of Magyar Telekom and a low real interest rate environment

Dear Members of the Board,

HOLD Asset Management as a committed long term value investor is one of the largest minority shareholders of Magyar Telekom (MTEL), currently holding approximately 14,6 million or 3.8% of the publicly traded shares in its mutual funds and significant number of additional shares in accounts it manages for domestic and foreign institutional investors.

In the past, we were patient investors regarding the company's dividend policy, recognizing the fact, that the upcoming 5G frequency auction meant uncertainty and increasing leverage. However, this uncertainty has been concluded in early 2021 and since then the company is on a quick deleveraging path. We think that MTEL's financial strength is already solid, and its mid-term guidance shows strong and stable cash generation. Therefore, we think it is the right time for the company to come up with a new dividend strategy that recognizes its new situation.

Our proposal is for the Board to publish a new midterm dividend policy for MTEL, which links the total shareholder payout (dividend and buyback) to the midterm expected cash generation of the company and to its actual leverage compared to its target leverage level.

Our detailed considerations on the target leverage level are the following:

- **MTEL should state its target leverage** (i.e. a comfort level), similar to how its parent company Deutsche Telekom (DT) does, where it sees maximum value creation for all shareholders.
- Due to the higher Hungarian country risk, it is justifiable to target lower leverage, than DT's 2.25x-2.75x own target. **We recommend 1.75x-2.25x target net debt to EBITDA for MTEL.**
- At the end of 2021, assuming the usual seasonality of cash generation, we expect that MTEL will be within this range, of around 2.0x net debt to EBITDA.
- It is important to differentiate, that out of the 2.0x leverage at yearend, only roughly 1.2x is real financial debt and 0.8x is a pure IFRS accounting measure, the capitalization of future lease liabilities and frequency payables.
- **Targeting a leverage significantly below our recommended 1.75x-2.25x range would practically mean that the company targets close to zero real financial debt.** In the pre-IFRS16 world, the company had on average 2x net debt to EBITDA between 2016 and 2018 without any future liability capitalizations and was still paying a dividend similar to the current one. Therefore we think, **working on eliminating real financial debt would be quite value destructive** for MTEL shareholders in today's negative global real rate environment and we would strongly disagree with.
- MTEL is asset heavy, hence can monetize its tower assets or its fiber network, should a need for quick deleveraging arise, so it is in a strong financial position.
- Central-Eastern-European sector peers, adjusted for asset deals, have a leverage in the 1.7x-2.7x range, while Western European major telcos are mostly in the 2.5x-3.0x range.

Given the low cyclicality and mature state of the telecom sector without significant growth opportunities, we think MTEL should pay out (in the form of dividend or buyback – total shareholder remuneration) majority of its midterm cash generation as long as it is within its target leverage range and should pay out almost all in the case of leverage going below its optimal level.

Our detailed recommendation for total shareholder remuneration are as follows:

- at least 80% payout of midterm cash generation, if leverage is below 1.75x
- 60-80% payout if leverage is in the target range (of 1.75x-2.25x)
- 40-60% payout if leverage is above target, but below 2.75x
- lower payout if leverage is above 2.75x

MTEL in its latest midterm outlook stated that total shareholder remuneration should grow in line with free cashflow (FCF) and net income. If the intention was to indicate that the company is planning to keep the current low payout ratio stable, we think it is a mistake since it would lead to a quick deleveraging, below optimal level.

We have been hearing growing discontent in the investment community about MTEL's dividend policy for the past two years. The market fears that it is highly influenced by DT's financial situation. DT's current leverage is at 3.0x, above its targeted leverage of 2.25x-2.75x net debt to EBITDA. However, DT still pays out around 40% of cash-flow generation as dividend to its shareholders. DT's intention is to get back to its target leverage in the next few years and dividend payment of MTEL works against it by increasing DT's consolidated leverage (albeit insignificantly).

If MTEL is forced to deleverage quickly below optimal level, while DT runs above target leverage, it destructs value for MTEL shareholders **while transferring this positive value of negative real rates to DT shareholders**. Happened to be this the case, we think it would be deeply unethical and would mean very poor governance both in the case of MTEL and DT. We see that **this concern of the investing community leads to significant undervaluation of MTEL shares on the market** and sell side analysts are also referring to this situation as a justification or discount factor for lower valuation of MTEL.

We sincerely hope that these concerns are unfounded as in a world of growing ESG importance (majority of recent fund flows are going into ESG funds), such poor governance could lead to further negative consequence for both companies in the future. **Fortunately, these concerns can easily be addressed by MTEL** by implementing a new dividend policy along the lines we suggest. It would refute market misconceptions and more importantly, would lead to an optimal capital structure of the company, maximizing value for its shareholders, which should be the aim of the Board.

We wrote this letter driven by the hope that we are able to convince decision-makers of MTEL regarding the benefits of a clear midterm dividend policy. Our fiduciary duty is to represent the common interest of our clients and all minority shareholders by nudging the companies we invest in to improve their visibility, governance (ESG profile) in order to enhance value creation.

Budapest, 13th of January, 2022.

Best Regards,


Dániel Móricz

Chief Investment Officer


Tamás Cser

Head of Equity Portfolio Management



HOLD ALAPKEZELŐ ZRT
Alkotás utca 12. Budapest
1125 Budapest, Magyarországon



SUMMARY ABOUT THE NUMBER OF THE SHARES AND VOTING RIGHTS EXISTING AT THE TIME OF CONVENING THE ANNUAL GENERAL MEETING OF MAGYAR TELEKOM PLC. TO BE HELD ON APRIL 12, 2022

Composition of share capital of the Company as of March 10, 2022:

Share series	Nominal value (HUF/share)	Number of shares issued	Total nominal value (HUF)
Series "A" (ordinary shares)	100	1,042,742,543	104,274,254,300
Share capital			104,274,254,300

Number of voting rights attached to the shares as of March 10, 2022:

Share series	Number of shares issued	Number of shares with voting right	Voting right per share	Total number of voting rights	Number of treasury shares
Series "A" (ordinary shares)	1,042,742,543	1,042,742,543	1	1,042,742,543	45,777,539
Total	1,042,742,543	1,042,742,543		1,042,742,543	45,777,539