MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2017

Budapest – February 21, 2018 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the fourth quarter and the full year of 2017, in accordance with International Financial Reporting Standards (IFRS).

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q4 2016 Continuing operation (restated, unaudited)	Q4 2017 Continuing operation (unaudited)	Change (%)	1-12 months 2016 Continuing operation (restated, audited)	1-12 months 2017 Continuing operation (unaudited)	Change (%)
Total revenues	**151,857**	**161,442**	**6.3%**	**574,035**	**610,851**	**6.4%**
Operating profit	**10,957**	**14,413**	**31.5%**	**76,185**	**77,488**	**1.7%**
Profit attributable to:						
Owners of the parent	19,512	4,686	(76.0%)	51,876	37,239	(28.2%)
Non-controlling interests	702	477	n.m.	2,244	3,007	34.0%
	20,214	**5,163**	**(74.5%)**	**54,120**	**40,246**	**(25.6%)**
Gross profit	89,076	89,348	0.3%	361,638	365,074	1.0%
EBITDA	41,768	42,252	1.2%	187,495	185,662	(1.0%)
EBITDA margin	27.5%	26.2%	n.a.	32.7%	30.4%	n.a.
Free cash flow				57,297	58,440	2.0%
Basic earnings per share (HUF)	**18.74**	**4.53**	**(75.8%)**	**49.79**	**35.82**	**(28.1%)**
CAPEX to Sales				**17.0%**	**14.1%**	**n.a.**
Number of employees (closing full equivalent)				**9,432**	**9,154**	**(2.9%)**
				December 31, 2016 Continuing operation	**December 31, 2017** Continuing operation	**Change** **(%)**
Net debt				**376,557**	**309,641**	**(17.8%)**
Net debt / total capital				**39.3%**	**34.8%**	**n.a.**

- **Group revenues continued to increase driven by sustained growth in SI/IT, equipment and mobile data revenues**
  - **Improvement in Hungary thanks to enlarged customer base in key areas with favorable ARPU trends**
  - **Decline in reported number of mobile customers driven by prepaid registration requirement in Hungary**
  - **Macedonian performance negatively affected by intensifying competition resulting in price erosion and slowdown in customer base expansion**
- **Gross profit improvement achieved despite changing revenue mix in favour of lower-margin services**
- **Q4 2017 EBITDA year-on-year increase driven by savings in other operating expense**
- **Despite improvement in gross profit and positive impact of cost optimization measures, FY 2017 EBITDA down due to the absence of one-off gains realized in 2016 (Origo and Infopark building G sales)**
- **Increase in Free Cash Flow from continuing operations to HUF 58.4 billion reflects lower interest payments and Capex spending**
- **Net debt ratio decreased to 34.8% by end-2017**

Christopher Mattheisen, CEO commented:

"Magyar Telekom continued to deliver strong performance in 2017. The revenue growth recorded by the Group in the first nine months of 2017 continued into Q4 2017, resulting in a 6% revenue rise for the full year. At the same time, despite the absence of the considerable one-off profits recorded in 2016, we managed to maintain EBITDA at 2016 levels, leaving us well positioned for the year ahead. This also means that we have outperformed our previously announced guidance both on revenues and EBITDA, which reached HUF 611 billion and HUF 186 billion respectively, against our guidance of HUF 580 billion and HUF 182 billion. We managed to surpass our FCF goals by HUF 3 billion, finishing the year with HUF 58 billion, while CAPEX stood at HUF 87 billion. Furthermore, thanks to our continued commitment to meeting customer needs and constantly refreshing our product offering, we have strengthened our position in the Hungarian market in several key areas including post-paid mobile, TV and fixed broadband.

The Hungarian operation continued on the positive trajectory set earlier this year as revenue increased across all three major services lines.

In the mobile segment, data services continued to play a significant role in revenue creation with both domestic and visitor data usage increasing. The growth in mobile revenues was supported by the introduction of unlimited packages and a new mobile service portfolio structure. These proved successful both financially and in terms of increasing customer satisfaction, as over 700,000 customers signed up to these packages throughout the year. These innovations, coupled with our ongoing efforts aimed at migrating prepaid customers to post-paid packages, led to a higher ARPU for the year. In the prepaid segment, we took decisive action to address the challenges brought about by the new obligatory customer registration and we used this as an opportunity to accelerate subscriber migration to post-paid.

In the fixed line segment, our focus was on network development and the restructuring of our broadband offering to enhance our competitiveness. Significantly, 2017 marked the introduction of the first 2Gbps package in the Hungarian market. Through such initiatives, we managed to grow our customer base by over 5%, both in broadband and the TV segment, and are confident that we are well positioned to capitalize on this growth going forward. Our efforts were also supported by Flip, our new brand, which offers one very attractively priced 3Play package that was well received by the market.

In October, we faced a significant regulatory change which meant we are only able to offer 2-year loyalty contracts with equipment sales attached. In line with our objective of pursuing differentiation through our device offering, and to mitigate any negative effects of the new regulation, we strengthened our equipment offering across both mobile and fixed segments.

FMC (fixed-mobile convergence) remains one of our core focuses as we strongly believe that the key to long term success lies in the ability to offer truly integrated solutions to our customers. In line with this, we have extended our Magenta1 offer according to our customers' requirements, including the possibility to swap fixed voice for mobile data in the package. This helped us to further expand our FMC subscriber base.

In the SI/IT segment we significantly increased our income. This was primarily attributable to the acceleration of the inflow of EU funds into Hungary, and though many projects were low margin deals, the focus remains on pursuing higher margin projects.

In Macedonia, total revenues registered an annual decline in 2017 as competition in the fixed segment remained strong, and these same competitive pressures emerged in the fourth quarter in the mobile segment. SI/IT revenues fell as a number of major projects were postponed in 2017. Despite these competitive pressures, we achieved year-on-year EBITDA growth through the successful implementation of ongoing cost saving measures.

Looking ahead to 2018, we will place even greater focus on the FMC segment where we are currently in a unique position to meet the full range of communication requirements of Hungarian households. In Macedonia, we are confident that, in spite of challenging market conditions, the EBITDA turnaround is sustainable. Consequently, we expect a slight year-on-year decline in our revenues to approximately HUF 600 billion for 2018, on account of the exit of our energy business and lower equipment sales revenues. However, these are not expected to affect 2018 EBITDA, which we anticipate will increase to approximately HUF 190 billion for the year thanks to planned group-wide efficiency improvements. We expect a slight increase in our CAPEX to around HUF 90 billion as we continue to invest in our fixed networks in Hungary. Our Free Cash Flow will receive a slight boost in 2018 from upcoming real-estate sales ahead of our move into new headquarters, and should total around HUF 60 billion. Based on the current operating and regulatory environment and outlook, we expect the Company to pay HUF 25 dividend per share in relation to 2018 earnings. This is subject to the Board of Directors' future proposal to the General Meeting which will be submitted in due course, once all necessary information is available and all prerequisites to making such a proposal are met."

Public guidance*:

	2017 Actual	Public guidance for 2018
Revenue	HUF 611 billion	around HUF 600 billion
EBITDA	HUF 186 billion	around HUF 190 billion
Capex	HUF 86 billion	around HUF 90 billion
FCF	HUF 58 billion	around HUF 60 billion
Dividend	HUF 25 per share**	HUF 25 per share

**excluding Crnogorski Telekom financials and the transaction price of the disposal of the majority ownership*

***BoD proposal to the AGM*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit or Loss

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q4 2016 (restated, unaudited)	Q4 2017 (unaudited)	Change	Change (%)	1-12 months 2016 (restated, unaudited)	1-12 months 2017 (unaudited)	Change	Change (%)
Revenues								
Mobile revenues	78,656	83,258	4,602	5.9%	306,207	322,656	16,449	5.4%
Fixed line revenues	48,888	51,488	2,600	5.3%	193,761	196,108	2,347	1.2%
System Integration/Information Technology revenues	22,797	26,368	3,571	15.7%	67,289	87,485	20,196	30.0%
Energy service revenues	1,516	328	(1,188)	(78.4%)	6,778	4,602	(2,176)	(32.1%)
Total revenues	**151,857**	**161,442**	**9,585**	**6.3%**	**574,035**	**610,851**	**36,816**	**6.4%**
Direct costs	**(62,781)**	**(72,094)**	**(9,313)**	**(14.8%)**	**(212,397)**	**(245,777)**	**(33,380)**	**(15.7%)**
Gross profit	**89,076**	**89,348**	**272**	**0.3%**	**361,638**	**365,074**	**3,436**	**1.0%**
Indirect costs	**(47,308)**	**(47,096)**	**212**	**0.4%**	**(174,143)**	**(179,412)**	**(5,269)**	**(3.0%)**
EBITDA	**41,768**	**42,252**	**484**	**1.2%**	**187,495**	**185,662**	**(1,833)**	**(1.0%)**
Depreciation and amortization	(30,811)	(27,839)	2,972	9.6%	(111,310)	(108,174)	3,136	2.8%
Operating profit	**10,957**	**14,413**	**3,456**	**31.5%**	**76,185**	**77,488**	**1,303**	**1.7%**
Net financial result	(7,633)	(4,701)	2,932	38.4%	(27,002)	(21,627)	5,375	19.9%
Share of associates and joint ventures' results	32	159	127	396.9%	78	343	265	339.7%
Profit before income tax	**3,356**	**9,871**	**6,515**	**194.1%**	**49,261**	**56,204**	**6,943**	**14.1%**
Income tax	16,858	(4,708)	(21,566)	n.m.	4,859	(15,958)	(20,817)	n.m.
Profit for the period from continuing operations	**20,214**	**5,163**	**(15,051)**	**(74.5%)**	**54,120**	**40,246**	**(13,874)**	**(25.6%)**
Profit from discontinued operation	307	0	(307)	(100.0%)	3,103	9,526	6,423	207.0%
Total profit for the period	**20,521**	**5,163**	**(15,358)**	**(74.8%)**	**57,223**	**49,772**	**(7,451)**	**(13.0%)**

Total revenues for Q4 2017 increased by 6.3% year-on-year to HUF 161.4 billion, attributable to the significant growth in SI/IT, equipment and mobile data revenues that more than offset the decline in fixed and mobile retail voice and energy revenues. Factors driving these movements were similar to those behind the 6.4% increase in total revenues to HUF 610.9 billion for the full year 2017. A breakdown by geography shows revenue for the full year 2017 grew by 7.3% in Hungary, while the Macedonian operation witnessed a 3.0% decline.

- **Mobile revenues in Q4 2017 increased by 5.9% year-on-year to HUF 83.3 billion** as higher mobile data and equipment revenues more than offset the decline in voice revenues both in Hungary and Macedonia. With regards to the full year 2017 results, mobile revenues increased by 5.4% to HUF 322.7 billion for similar reasons.
  - **Voice revenues** were lower in both Hungary and Macedonia in Q4 2017, down by 3.0% year-on-year to HUF 37.6 billion at the Group level. In Hungary, the positive effects of the expanding postpaid customer base and higher wholesale voice revenues reflection of the increased traffic resulting from the growing share of flat rate packages were offset by a combination of an intensification in competitive pricing pressures and lower roaming revenues as a result of EU regulation. In Macedonia, the benefits of an absolute increase in postpaid customers and a higher postpaid ratio, were counterbalanced by lower prepaid customer numbers, strong downward tariff pressures across all segments and a decline in wholesale voice revenues driven by the circa 30% lower regulated mobile termination rate (MTR) that came into effect in December 2016.
  - **Data revenues in Q4 2017** grew by 19.2% year-on-year to HUF 19.1 billion as a result of higher subscriber numbers and increased data usage in both countries.
  - **SMS revenues** increased moderately to HUF 4.5 billion for Q4 2017 driven by growth in Hungarian mass messaging revenues and a slight increase in residential SMS usage in both Hungary and Macedonia, linked to the growing proportion of flat rate packages subscribed to.
  - **Mobile equipment revenues** increased by 12.1% year-on-year to HUF 18.2 billion in Q4 2017, due to higher accessories and third-party export sales in Hungary, coupled with the higher volume of smartphones sold in Macedonia.
  - **Other mobile revenues** increased by 17.4% year-on-year to HUF 3.8 billion primarily driven by higher visitor revenues in Hungary.
- **Fixed line revenues increased by 5.3% year-on-year to HUF 51.5 billion in Q4 2017** at the Group level. The improvement was driven by the Hungarian operations' results where higher equipment and TV revenues more than offset the continuing structural decline in voice revenues. In Macedonia, the sustained positive momentum in TV was offset by declines elsewhere (voice, broadband, equipment and wholesale revenues). With regards to the full year 2017, fixed line revenues increased to HUF 196.1 billion, up from HUF 193.8 billion in 2016 for similar reasons.
  - **Voice retail revenues** continued their decline, down by 8.1% year-on-year to HUF 11.3 billion in Q4 2017, primarily due to the continued impact of erosion of the customer base, along with a reduction in average tariff levels in both countries.

- **Broadband retail revenues** increased by 2.0% year-on-year to HUF 12.5 billion in Q4 2017 as the improvement in the Hungarian operations was partly offset by lower broadband revenues in Macedonia. In Hungary, the expansion of the customer base more than compensated for the moderate declines in ARPU levels; whereas in Macedonia, the intense competition led to tariff erosion whilst the customer base increased moderately. Group broadband revenues for 2017 remained largely flat at HUF 49.3 billion as the moderate increase in Hungarian operations was fully offset by lower broadband revenues in Macedonia.
- **TV revenues** increased by 8.1% year-on-year to HUF 11.4 billion in Q4 2017, thanks to an enlarged customer base and improving ARPUs in both Hungary and Macedonia.
- **Fixed equipment revenues** rose to HUF 4.2 billion in Q4 2017, from HUF 2.1 billion in Q4 2016, due to a significant increase in sales of TV sets, tablets and laptops to retail customers in Hungary; whilst in Macedonia, equipment sales declined as a result of reverse trends.
- **Data retail revenues** increased by 3.5% year-on-year, to HUF 2.4 billion in Q4 2017 as the underlying declining trend was offset by impact some one-time adjustment. On a full year basis, revenue increased by 12.2% primarily due to higher revenues in Hungary driven by a major project related to the 2017 Swimming World Championship (FINA), whereas in Macedonia revenues were rather subdued, due to a lower contribution from leased line services.
- **Wholesale revenues** increased by 2.5% year-on-year to HUF 5.0 billion in Q4 2017 due to a one time correction related to wholesale internet revenues. In terms of the 2017 full year performance, revenues declined by 5.5% to HUF 19.1 billion in 2017, reflecting lower fixed incoming domestic and international traffic levels in Macedonia and the termination of part of our wholesale activity at our Romanian subsidiary.
- **Other fixed line revenues** increased by 4.1% year-on-year to HUF 4.6 billion in Q4 2017, thanks to higher value-added services as well as increased usage of Video on Demand. In full year 2017, other fixed line revenues declined by 4.2% to HUF 16.6 billion due to a decline in late payment fees in Hungary.

- **SI/IT revenues increased by 15.7% year-on-year to HUF 26.4 billion in Q4 2017,** and by 30.0% to HUF 87.5 billion in full year 2017. The increase was primarily driven by the acceleration of EU fund inflows into Hungary after the temporary drop witnessed in 2016, leading to strong growth at the Hungarian operation. At the same time, System Integration and IT revenues fell in Macedonia as a number of major public sector projects witnessed some delays following a period of political uncertainty.
- **Energy Service revenues decreased by 78.4% year-on-year to HUF 0.3 billion in Q4 2017** and by 32.1% to HUF 4.6 billion in full year 2017. The sharp decline reflects the expiry of the last remaining gas universal contracts and the exit from the residential segment of the electricity market which came into effect on November 1, 2017.

Direct costs increased by 14.8% for Q4 2017 year-on-year to HUF 72.1 billion, primarily due to higher SI/IT and equipment sales costs which were in line with rises in the related revenue. The same drivers led to the 15.7% increase in direct costs for the full year 2017 to HUF 245.8 billion, from HUF 212.4 billion in 2016.

- **Interconnection costs** remained broadly unchanged at HUF 4.9 billion in Q4 2017 as higher mobile traffic which led to increased payments to domestic mobile operators in Hungary was offset by lower interconnection expenses in Macedonia reflecting the MTR cuts in December 2016. For the full year 2017, interconnection costs declined by 3.8% to HUF 18.9 billion, as the above impacts were coupled with a decline in outpayments related to the termination of some wholesale activities at our Romanian subsidiary.
- **SI/IT service related costs** increased by 33.2% to HUF 18.7 billion in Q4 2017, in line with the related revenue increases.
- **Energy service related costs** decreased by 57.9% to HUF 0.7 billion in Q4 2017, as a result of the exit from the residential segment of the electricity market with effect of November 1, 2017.
- **Bad debt expenses** were lower by 49.5% at HUF 0.9 billion in Q4 2017, reflecting the lower rates of impairment applied to the Hungarian mobile operations due to the improved rates of collection.
- **Other direct costs** increased by 17.3% to HUF 40.3 billion in Q4 2017 primarily due to the higher costs of mobile equipment, accessories and other equipment sales, in line with the higher sales volumes recorded in both Hungary and Macedonia, together with an increase in Hungarian roaming outpayments.

Gross profit improved marginally to HUF 89.3 billion in Q4 2017 year-on-year as the improvement in the level of bad debt expenses was mostly offset by the lower SI/IT gross margin and higher equipment and roaming related outpayments. For the full year 2017, gross profit improved 1.0% to HUF 365.1 billion, from HUF 361.6 billion in 2016, as the strong increase in revenues more than offset the decline in overall gross margin.

Indirect costs declined slightly by 0.4% to HUF 47.1 billion in Q4 2017year-on-year, as the decline in other operating expenses compensated for the higher severance costs. For the full year 2017, indirect costs were 3.0% higher year-on-year, at HUF 179.4 billion, due to the absence of positive one-off items (the sale of Origo and Infopark Building G) that occurred in 2016.

- **Employee related expenses** increased by 7.6% to HUF 22.1 billion in Q4 2017 due to higher severance expense relating to the Hungarian headcount reduction coupled with an increase in the average number of Group employees resulting in higher wage costs.

- **Other operating expenses** improved by 6.2%, amounting to HUF 27.5 billion in Q4 2017, thanks to cost saving measures implemented during the year resulting in lower HR-related, material and marketing costs. For the full year 2017 however, other operating expenses remained broadly stable at HUF 98.5 billion as the positive impacts from these cost saving measures were matched by an increase in rental fees and maintenance costs.
- **Other operating income** remained stable at HUF 2.5 billion in Q4 2017 as lower income from real estate sales was compensated by higher brand fee income emanating from the E2 energy joint venture. However, for the full year 2017, other operating income declined to HUF 6.7 billion from HUF 10.9 billion in 2016 owing to HUF 5.1 billion of one-off profits realized on the Infopark Building G and the Origo sales in Q1 2016.

EBITDA for the Group improved by 1.2% year-on-year to HUF 42.3 billion in Q4 2017, as the marginally higher gross profit was coupled with a degree of improvement in indirect costs. A breakdown by geography for the quarter shows that in Hungary, the higher gross profit more than compensated for the increased severance expense leading to moderately higher EBITDA year-on-year; whilst in Macedonia, despite the improvement in indirect costs, overall EBITDA declined reflecting the pressures on gross profit. For the full year 2017, Group EBITDA declined by 1.0% overall to HUF 185.7 billion as the improvements recorded in the Hungarian gross profit along with EBITDA improvement in Macedonia were counterbalanced by higher severance expenses and a decline in other operating income in Hungary.

Depreciation and amortization expenses declined by 9.6% year-on-year in Q4 2017 and by 2.8% year-on-year to HUF 108.2 billion for the full year 2017. In Hungary, the lower D&A expense was driven by extensions to the useful lives of a number of assets; whereas in Macedonia, the lower D&A reflected the smaller asset base.

Profit for the period from continuing operations was HUF 5.2 billion in Q4 2017 compared to HUF 20.2 billion in Q4 2016, reflecting the significant one-off income tax gain booked in the last quarter of 2016. For the full year 2017, net profit was 25.6% lower year-on-year at HUF 40.2 billion as the improvement in operating profit and net financial expenses was offset by the impact of the one-off tax gain booked in Q4 2016.

- **Net financial expense declined** to HUF 4.7 billion in Q4 2017 from HUF 7.6 billion in Q4 2016, driven by a lower average level of loans outstanding and more favorable financing rates.
- **Income tax reversed** from an income of HUF 16.9 billion that was recorded in Q4 2016 to an expense of HUF 4.7 billion in Q4 2017. The primary reason for this movement was the reduction in the corporate income tax rate from 19% to a flat rate of 9% as of 1 January 2017 that resulted in a change of the deferred tax position being recognised as a one-off tax gain in Q4 2016. Furthermore, the changes in the tax calculation methodology relating to the transition to standalone IFRS were finalized at year end 2017 resulting in a one-off increase in the effective tax rate in Q4 2017.

Profit attributable to non-controlling interests from continuing operations decreased by 32.1% year-on-year to HUF 0.5 billion in Q4 2017 due to the lower level of net profit recorded in Macedonia for the quarter. This contrasts with the full year 2017, where profit attributable to non-controlling interests from continuing operations increased by 34.0%, a reflection of the improved profitability of the Macedonian subsidiary over the year.

Profit from discontinued operations

- In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale of the Company's entire 76.53% shareholding in Crnogorski Telekom A.D., for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017. Consequently, in accordance with IFRS 5, the results and cash flows of the Montenegrin operations are presented as discontinued operations for both the comparative and the current period. (For further details please see section 2.2.3)

Net debt stood at HUF 309.6 billion at 31 December 2017, a decrease of 17.8% year-on-year (end 2016: HUF 376.6 billion) with a net debt ratio (net debt to total capital) of 34.8%.

2.1.2 Group Cash Flow

HUF millions	1-12 months 2016 (restated)	1-12 months 2017	Change
Operating cash flow	148,782	157,411	8,629
Investing cash flow	(83,226)	(94,353)	(11,127)
Less: Proceeds from other financial assets - net	88	2,867	2,779
Investing cash flow excluding Proceeds from other financial assets – net	(83,138)	(91,486)	(8,348)
Repayment of other financial liabilities	(8,347)	(7,485)	862
Free cash flow from continuing operation	**57,297**	**58,440**	**1,143**
Net cash generated from/(used in) operating activities from discontinued operation	6,043	(23)	(6,066)
Net cash (used in)/generated from investing activities from discontinued operation*	(13,001)	36,292	49,293
Repayment of other financial liabilities from discontinued operation	(329)	0	329
Free cash flow from discontinued operation	**(7,287)**	**36,269**	**43,556**
Total free cash flow	**50,010**	**94,709**	**44,699**
Proceeds from other financial assets - net	6,940	(2,867)	(9,807)
Proceeds from/Repayment of loans and other borrowings - net	(40,423)	(67,732)	(27,309)
Dividend paid to shareholders and Non-controlling interests	(21,312)	(29,403)	(8,091)
Repurchase of treasury shares	(550)	(2,139)	(1,589)
Net cash (used in)/generated from financing activities from discontinued operation	(1,374)	2,041	3,415
Exchange differences on cash and cash equivalents	(26)	(15)	11
Exchange differences on cash and cash equivalents from discontinued operation	(18)	0	18
Change in cash and cash equivalents	**(6,753)**	**(5,406)**	**1,347**

* Less: Proceeds from other financial assets - net from discontinued operation

Free cash flow from continuing operation (FCF) overall increased from HUF 57.3 billion in 2016 to HUF 58.4 billion in 2017 due to the reasons described below:

Operating cash flow from continuing operation

Net cash generated from operating activities amounted to HUF 157.4 billion in 2017, compared to HUF 148.8 billion in 2016. Main reasons for the increase of HUF 8.6 billion were the following:

- HUF 1.8 billion **negative change** due to the lower **EBITDA** in 2017 than in 2016
- HUF 21.6 billion **negative change in active working capital** mainly as a result of the following impacts:
  - lower reduction of energy receivables compared to the corresponding period in 2016 due to the transfer of the energy services for business customers to E2 at the beginning of 2016 and the termination of the remaining residential services in 2017 (negative impact: ca. HUF 7.2 billion)
  - higher increase in SI/IT receivables in 2017 compared to 2016, reflecting different timings of projects (negative impact: ca. HUF 2.2 billion)
  - extension of the instalment periods and the lower upfront payment relating to equipment sales, leading to a rise in outstanding balances in 2017 (negative impact: ca. HUF 12.6 billion)
- HUF 1.5 billion **positive change in provision** mostly due to the following impacts:
  - HUF 1.6 billion positive change mostly due to lower net payments of severance provision in 2017 than in 2016
  - HUF 1.8 billion positive change mostly due to higher net addition to severance provision in 2017 than in 2016
  - HUF 0.6 billion negative change mostly due to higher net payments of legal provision in 2017 than in 2016
  - HUF 0.6 billion negative change mostly due to lower net addition to legal provision in 2017 than in 2016
- HUF 19.6 billion **positive change in passive working capital** primarily driven by the following factors:
  - higher payment to SI/IT services related suppliers in 2017 (negative impact: HUF 1.3 billion)
  - improved equipment and OPEX creditors vendor management in 2017 (positive impact: HUF 19.3 billion)
  - HUF 1.0 billion positive change in passive working capital due to MTR debtor overpayments (invoiced and collected using old rate, accounted at new rate as revenue) in 2016
  - HUF 6.1 billion lower HR related personnel expense payments in 2017 than in 2016
  - HUF 2.3 billion negative change due to the termination of the Customer Loyalty Program

- HUF 1.3 billion positive change in income tax paid mainly due to the lower corporate income tax rate in 2017 and due to the self-revision and higher payment relating to local business tax in 2016

- HUF 4.1 billion **positive change** due to the lower levels of **interest expense paid** reflecting continued easing in the wider interest rate environment and refinancing of certain loans on more favourable credit terms and due to the decreased average loan amount
- HUF 5.3 billion **positive change in other non-cash items** mainly due to the booking of one-off non-cash gains resulting from the sale of Origo Zrt and Infopark G building which was partly offset by the accounting net results from the real estate sales recorded in 2017

Investing cash flow from continuing operation excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF 91.5 billion in 2017, compared to HUF 83.1 billion in 2016. Main reasons for the HUF 8.3 billion higher cash outflow were the following:

- HUF 11.5 billion **positive effect** due to lower **CAPEX** in 2017 than in 2016
- HUF 1.8 billion **negative change** due to higher amount of **CAPEX creditors** paid in 2017 than in 2016 which was further boosted by the net effect of lower inflows and higher utilized amount of EU government grant
- HUF 1.0 billion **negative change** due to the **acquisition of ServerInfo-Ingatlan Kft** (purchase price vs. cash acquired through the acquisition)
- HUF 2.3 billion **negative change** due to higher volumes **of cable TV operation acquisition** in 2017 than in 2016
- HUF 3.4 billion **negative change** in **disposal of subsidiaries** due to the sale of Origo Zrt in 2016
- HUF 7.3 billion **negative change** related to the **disposal of PPE** mainly reflecting the sale of Infopark G building and other real estate sales in 2016 (HUF 8.8 billion negative change) and the real estate sales in 2017 (HUF 1.7 billion positive change)

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF 8.3 billion in 2016 to HUF 7.5 billion in 2017, mainly due to the following:

- HUF 0.5 billion **negative change** due to the **repayment of a loan** related to the sale of Origo Zrt. in 2016
- HUF 2.1 billion **positive change** due to **termination of certain finance lease contracts** primarily affected 2017 compared to 2016
  HUF 0.9 million **negative change** due to the bringing forward of the last repayment **instalment** relating to the financing for the Macedonian headquarters building in 2017

Free cash flow from discontinued operation (FCF) overall increased by HUF 43.6 billion mainly due to the sale of Crnogorski Telekom A.D. (disclosed within discontinued operations)

Proceeds from other financial assets - net decreased by HUF 9.8 billion, primarily due to the following:

- HUF 1.6 billion **higher amount** of Maktel's cash was invested as bank deposits over 3 months in 2017 in net terms
- HUF 7.5 billion **more amount** of TCG's cash was cashed in from bank deposits over 3 months in 2016 in net terms and no such equivalent item is appeared during 2017

Repayment of loans and other borrowings – net increased by HUF 27.3 billion, due to the reimbursement of parent company (DT AG) and certain bank loans from the sale proceeds of the Crnogorski Telekom A.D disposal in 2017

Dividends paid to Owners of the parent and Non-controlling interests increased by HUF 8.1 billion mainly due to the higher dividend payment of MT to its Owner and Non-controlling interest as DPS (dividend per share) has risen from 15 HUF in 2016 to 25 HUF in 2017

Repurchase of treasury shares increased by HUF 1.6 billion due to the higher repurchase of treasury shares for ESOP (Employee Stock Ownership Program) in 2017, than in 2016

Net cash (used in)/generated from financing activities from discontinued operation recorded a HUF 3.4 billion positive change made up mainly of the following:

- HUF 2.0 billion **positive impact** following the sale of Crnogorski Telekom A.D. in 9M 2017, relating to the repayment of its loan with Magyar Telekom; and
- HUF 1.4 billion **positive impact** relating to Crnogorski Telekom A.D. dividend payments, as there was no such equivalent payment in 2017

Exchange differences on cash and cash equivalents both from continuing and discontinued operation had no significant effect in 2017 compared to 2016

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

2.1.3 Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2016 to December 31, 2017 can be observed in the following lines:

- Trade and other receivables
- Property plant and equipment and Intangible assets (including Goodwill)
- Financial liabilities to related parties (current and non current parts)
- Other current financial liabilities
- Trade payables

Trade and other receivables increased by HUF 0.1 billion from December 31, 2016 to December 31, 2017. This change is mainly caused by two opposite effects. The decrease is due to the deconsolidation of the sold Montenegrin subsidiary, Crnogorski Telekom A.D. in the amount of HUF 8.9 billion of derecognized receivables. The increase in SI/IT receivables had an opposing effect.

Property plant and equipment (PPE) and intangible assets (including Goodwill) together decreased by HUF 61.6 billion from December 31, 2016 to December 31, 2017. The decrease is mainly due to the deconsolidation of the sold Montenegrin subsidiary, Crnogorski Telekom A.D. in the amount of HUF 46.1 billion of derecognized assets. Further decrease is caused by the depreciation and scrapping of assets exceeded the capital expenditure of assets.

The current and non current parts of Financial liabilities to related parties together decreased by HUF 52.9 billion from December 31, 2016 to December 31, 2017. The change mainly results from the repayment of DT group loans with the consideration received for the sale of the Montenegrin subsidiary.

Other current financial liabilities decreased by HUF 13.8 billion from December 31, 2016 to December 31, 2017. The decrease is mainly due to certain bank loans repayments.

Trade payables decreased by HUF 1.2 billion from December 31, 2016 to December 31, 2017. This change is mainly caused by two opposite effects. The decrease is partly due to the deconsolidation of the sold Montenegrin subsidiary, Crnogorski Telekom A.D. in the amount of HUF 9.3 billion of derecognized liabilities. The increase is mainly due to the change in the balance of Handset suppliers.

There has not been any other material change in the items of the Consolidated Statement of Financial Position from December 31, 2016 to December 31, 2017. 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 2017 and the related explanations provided above in section 2.1.2 Cash flows.

2.1.4 Related party transactions

In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale of the Company's entire 76.53% shareholding in Crnogorski Telekom A.D., for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017. (For further details please see section 2.2.3). Furthermore, there have not been any significant changes in related party transactions during 2017 since the most recent annual financial reports.

2.1.5 Contingencies and commitments

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not within the control of the Group. These assets are not recognized in the statement of financial position.

The Group has no contingencies where the inflow of economic benefits would be probable and material.

Contingent liabilities

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

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees in a nominal amount of HUF 10.7 billion as at December 31, 2017. (2016: HUF 10.2 billion) These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual obligations. The Group has been delivering on its contractual obligations and expects to continue doing so in the future, therefore no significant drawdown of the guarantees happened in 2017 or 2016, and is not expected to happen in the future.

Commitments

There has not been any material change in the nature and amount of our commitments in 2017.

2.1.6 Significant events

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, for a purchase price plus a potential earnout payment totalling to a maximum of HUF 1.2 billion, dependent on 2018, 2019 and 2020 financial performance. In 2016, ITgen delivered revenues of around HUF 0.8 billion and EBITDA of HUF 0.3 billion. The closing of the transaction took place in January 2018.

2.2. Segment reports

Magyar Telekom disposed of its majority stake in Crnogorski Telekom A.D. in January, 2017, and as such, the Montenegrin segment is no longer part of the Group's consolidated results. As of Q1 2017, Magyar Telekom's operating segments are MT-Hungary and Macedonia. MT-Hungary includes the former T-Hungary segment (residential and small and medium business (SMB) customers) and former T-Systems (enterprise segment).

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 and 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, which mainly provide wholesale services to local companies and operators. The Macedonian segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in Macedonia.

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

2.2.1 MT-Hungary

Continued growth in revenue driven by strong equipment demand and mobile data usage

HUF million	Q4 2016 (restated)	Q4 2017	Change	Change (%)	1-12 months 2016 (restated)	1-12 months 2017	Change	Change (%)
Voice	34,289	33,519	(770)	(2.2%)	139,050	134,060	(4,990)	(3.6%)
Non-voice	18,700	21,697	2,997	16.0%	73,126	83,381	10,255	14.0%
Other	17,882	20,255	2,373	13.3%	63,420	74,072	10,652	16.8%
Total mobile revenues	**70,871**	**75,471**	**4,600**	**6.5%**	**275,596**	**291,513**	**15,917**	**5.8%**
Voice retail	10,768	9,942	(826)	(7.7%)	44,488	40,858	(3,630)	(8.2%)
Broadband retail	10,879	11,203	324	3.0%	43,675	43,995	320	0.7%
TV	9,779	10,525	746	7.6%	38,833	41,798	2,965	7.6%
Other	12,188	14,914	2,726	22.4%	46,133	50,070	3,937	8.5%
Fixed line revenues	**43,614**	**46,584**	**2,970**	**6.8%**	**173,129**	**176,721**	**3,592**	**2.1%**
SI/IT revenues	**22,486**	**26,021**	**3,535**	**15.7%**	**65,491**	**86,412**	**20,921**	**31.9%**
Revenue from Energy services	**1,516**	**328**	**(1,188)**	**(78.4%)**	**6,778**	**4,602**	**(2,176)**	**(32.1%)**
Total revenues	**138,487**	**148,404**	**9,917**	**7.2%**	**520,994**	**559,248**	**38,254**	**7.3%**
Direct costs	**(58,779)**	**(67,512)**	**(8,733)**	**(14.9%)**	**(196,044)**	**(230,094)**	**(34,050)**	**(17.4%)**
Gross profit	**79,708**	**80,892**	**1,184**	**1.5%**	**324,950**	**329,154**	**4,204**	**1.3%**
Indirect costs (net)	**(42,119)**	**(43,067)**	**(948)**	**(2.3%)**	**(156,030)**	**(164,186)**	**(8,156)**	**(5.2%)**
EBITDA	**37,589**	**37,825**	**236**	**0.6%**	**168,920**	**164,968**	**(3,952)**	**(2.3%)**
Segment Capex	**36,500**	**23,255**	**(13,245)**	**(36.3%)**	**87,572**	**73,936**	**(13,636)**	**(15.6%)**

Operational statistics – access numbers	Dec 31, 2016	Dec 31, 2017	Change (%)
Number of mobile customers (RPC)	5,331,986	5,293,328	(0.7%)
Postpaid share in the RPC base	59.2%	64.5%	n.a.
Total fixed voice access	1,422,589	1,411,972	(0.7%)
Total retail fixed broadband customers	1,015,516	1,073,583	5.7%
Total TV customers	969,013	1,026,532	5.9%

Operational statistics – ARPU (HUF)	Q4 2016	Q4 2017	Change (%)	1-12 months 2016	1-12 months 2017	Change (%)
Mobile ARPU	3,326	3,467	4.2%	3,302	3,392	2.7%
Postpaid ARPU	4,882	4,799	(1.7%)	4,873	4,833	(0.8%)
Prepaid ARPU	1,085	1,096	1.0%	1,119	1,073	(4.1%)
Blended fixed voice ARPU	2,502	2,340	(6.5%)	2,569	2,395	(6.8%)
Blended retail fixed broadband ARPU	3,557	3,494	(1.8%)	3,612	3,497	(3.2%)
Blended TV ARPU	3,325	3,437	3.4%	3,332	3,480	4.4%

Total revenues for the MT-Hungary segment **increased by 7.2% year-on-year in Q4 2017 and by 7.3% year-on-year in 2017**, primarily due to significantly higher SI/IT revenues and increased mobile data and equipment sales.

- **Mobile revenues grew** by 6.5% year-on-year in Q4 2017 to HUF 75.5 billion, and by 5.8% in 2017 to HUF 291.5 billion. These increases were mainly due to growth in mobile data and equipment sales, which more than offset the decline in mobile voice revenues. The flexible and customizable postpaid tariff system, launched at the end of March 2017, has been well received by the market. Demand for higher data packages and data boosters, along with the higher post-paid ratio positively impacted mobile ARPU, resulting in a 4.2% increase year-on-year in Q4 2017. Our focus on FMC remains unchanged, demonstrated in part by the expansion of our integrated Magenta 1 offer in Q3 2017, which positively impacted our Q4 figures.
  - **Mobile service revenue increased** by 4.2% year-on-year to HUF 55.2 billion in Q4 2017 as growth in mobile data revenues continued, supported by our new data plans and customer upgrades to higher packages. These rising mobile data revenues mitigated the decline in voice revenue as a result of increased competitive pressures in the retail segment.
  - **Other revenues** increased by 13.3% year-on-year to HUF 20.3 billion in the fourth quarter. This was primarily down to significantly higher equipment and accessories sales that were driven by seasonal promotions, as well as by changes in loyalty contracts and an increase in third-party export sales.
- **Fixed line revenues increased** by 6.8% year-on-year in Q4 2017 to HUF 46.6 billion as growth in TV, fixed broadband and equipment revenues more than offset the continued structural decline in voice retail revenues. In 2017, fixed line revenues were higher by 2.1% year-on-year thanks to an increase in TV, fixed data and equipment revenues.
  - **Voice retail revenues** decreased by 7.7% year-on-year in Q4 2017 as a consequence of the decline in the customer base and tariff levels.
  - **Broadband retail revenues** were up by 3.0% year-on-year to HUF 11.2 billion in Q4 2017, bolstered by the introduction of new data tiers earlier in 2017.
  - **TV revenues rose** by 7.6% year-on-year in Q4 2017 as the customer base expanded and ARPU levels increased.
  - **Other fixed line revenues** increased by 22.4% year-on-year in Q4 2017 to HUF 14.9 billion. This was mainly driven by the strong growth of 110.7% year-on-year in equipment sales revenues as seasonal offers and changes in Magyar Telekom's subsidies bolstered the segment. As per the regulatory changes in October, we have put more emphasis on equipment sales in the fixed portfolio in order to be able to conclude 2-year loyalty contracts with customers. We have experienced an exceptional demand in fixed equipment for TV sets, laptops and tablets as a result.

- **SI/IT revenues increased** by 15.7% year-on-year to HUF 26.0 billion in the fourth quarter of 2017, as market demand for hardware and software deliveries remained strong. These projects, however, have typically lower profit margins hence a dilutive effect on the gross margin. These trends combined to push 2017 revenues up by 31.9% to HUF 86.4 billion.

Energy services	Dec 31, 2016	Dec 31, 2017	Change (%)
Electricity points of delivery	92,486	0	(100.0%)
Gas points of delivery	0	0	n.a.

- **The energy services operation was exited** on the 1st November 2017, leading to a drop in related revenues to HUF 0.3 billion in Q4 2017.
- **EBITDA in** Q4 2017 increased by 0.6% year-on-year to HUF 37.8 billion, driven by an increase in gross profit.

- **Gross profit** increased by 1.5% year-on-year in Q4 2017 reflecting the positive effect of the changes in mobile packages along with the improved fixed broadband and TV performance and lower bad debt expense. However, these were somewhat offset by a lower SI/IT margin and higher other direct costs.
- **Employee-related expenses** increased by 9.8% year-on-year to HUF 20.8 billion in Q4 2017 as a growing number of employees and increased severance pay more than offset cost-saving measures.
- **Other operating expenses (net)** decreased by 3.9% year-on-year in Q4 2017 with savings on HR-related, material and marketing costs being the key driver.

Full year 2017 EBITDA declined 2.3% year-on-year as slightly higher gross profit was counterbalanced by lower operating income due to the absence of one-off gains related to sale of Origo and Infopark (Building G) that were realized in Q1 2016.

- **Capex decreased in 2017** from HUF 87.6 billion in 2016 to HUF 73.9 billion, as a consequence of reduced spending on PSTN migration, fixed network roll-out and 4G network expansion.

Outlook: As the only fully integrated operator in Hungary, we believe our **focus on FMC positions us well to address the competitive challenges faced in both the mobile market**, where operators are launching unlimited data offers, **and the fixed segment**, which has been characterized by increasingly competitive 3Play offers. Leveraging this **competitive advantage, we remain focused on maximizing the telecommunication share of the household spending wallet.**

2.2.2 Macedonia

Adverse impacts from competitive pressure mitigated by cost optimization measures

HUF million	Q4 2016	Q4 2017	Change	Change (%)	1-12 months 2016	1-12 months 2017	Change	Change (%)
Voice	4,477	4,096	(381)	(8.5%)	18,261	17,112	(1,149)	(6.3%)
Non-voice	1,701	1,927	226	13.3%	6,571	7,870	1,299	19.8%
Other	1,609	1,769	160	9.9%	5,785	6,168	383	6.6%
Total mobile revenues	**7,787**	**7,792**	**5**	**0.1%**	**30,617**	**31,150**	**533**	**1.7%**
Voice retail	1,534	1,361	(173)	(11.3%)	5,687	5,119	(568)	(10.0%)
Broadband - retail	1,392	1,311	(81)	(5.8%)	5,617	5,339	(278)	(4.9%)
TV	789	902	113	14.3%	3,026	3,390	364	12.0%
Other	1,659	1,376	(283)	(17.1%)	6,647	5,724	(923)	(13.9%)
Fixed line revenues	**5,374**	**4,950**	**(424)**	**(7.9%)**	**20,977**	**19,572**	**(1,405)**	**(6.7%)**
SI/IT revenues	333	347	14	4.2%	1,820	1,073	(747)	(41.0%)
Total revenues	**13,494**	**13,089**	**(405)**	**(3.0%)**	**53,414**	**51,795**	**(1,619)**	**(3.0%)**
Direct costs	**(4,095)**	**(4,623)**	**(528)**	**(12.9%)**	**(16,578)**	**(15,838)**	**740**	**4.5%**
Gross profit	**9,399**	**8,466**	**(933)**	**(9.9%)**	**36,836**	**35,957**	**(879)**	**(2.4%)**
Indirect costs	**(4,720)**	**(4,035)**	**685**	**14.5%**	**(17,674)**	**(15,732)**	**1,942**	**11.0%**
EBITDA	**4,679**	**4,431**	**(248)**	**(5.3%)**	**19,162**	**20,225**	**1,063**	**5.5%**
Segment Capex	**5,678**	**6,536**	**858**	**15.1%**	**10,306**	**12,529**	**2,223**	**21.6%**

Operational statistics – access numbers	Dec 31, 2016	Dec 31, 2017	Change (%)
Number of mobile customers	1,257,887	1,203,228	(4.3%)
Postpaid share in the customer base	41.9%	47.2%	n.a.
Total fixed voice access	216,832	210,889	(2.7%)
Total retail fixed broadband customers	165,770	168,552	1.7%
Total TV customers	107,672	117,481	9.1%

Total revenues declined by 3.0% year-on-year to HUF 13.1 billion for Q4 2017 and HUF 51.8 billion for the full year 2017. This decline was largely attributable to intense competition in the fixed segment throughout 2017, whilst a similar trend affected the mobile segment in the last quarter.

- **Mobile revenues remained stable** year-on-year in Q4 2017 at HUF 7.8 billion as growth in mobile data and equipment sales revenues was largely offset by lower voice retail and wholesale revenues. In full year 2017, growth in mobile data and equipment sales outpaced the decline in voice wholesale resulting in revenue growth of 1.7% year-on-year to HUF 31.2 billion.
  - Mobile service revenues decreased by 2.5% year-on-year in Q4 2017 as increased competition led to tariff and customer base erosion. Lower wholesale revenues resulting primarily from the ca. 30% MTR cut introduced in December 2016 also contributed to this trend. Non-voice revenues continued to increase in line with international trends thanks to a ca. 15% growth in mobile broadband revenues. In full year 2017, mobile service revenues remained broadly stable as growth in mobile data revenues fully offset the voice revenue decline.
  - Other mobile revenues rose by 9.9% due to increased equipment sales resulting from higher mobile handset sales volumes.
- **Total fixed line revenues decreased by 7.9% year-on-year** to HUF 5.0 billion due to lower voice retail, broadband and wholesale revenues. Total fixed line revenues for the full year declined by 6.7% year-on-year to HUF 19.6 billion, driven by above-mentioned trends.
  - Voice retail revenues declined by 11.3% year-on-year in Q4 2017, driven by lower subscriber numbers and a general decrease in usage.
  - Broadband retail revenues declined by 5.8% year-on-year in Q4 2017 due to fierce competition resulting in lower ARPUs among a slightly increasing customer base.
  - TV revenues continued to grow in Q4 2017, by 14.3% year-on-year, thanks to successful expansion of the IPTV customer base and higher TV ARPU levels.
  - Other fixed revenues declined by 17.1% year-on-year in Q4 2017, primarily driven by lower wholesale revenues as a result of lower domestic incoming traffic, as well as a decline in equipment sales (including TV sets and IT equipment).

- **SI/IT revenues increased moderately year-on-year** in Q4 2017 with revenues for the full year down by 41.0% due to delays to major government projects resulting from the temporary political uncertainty during the first half of 2017.
- **EBITDA in Q4 2017 was 5.3% lower year-on-year at HUF 4.4 billion** as the significant savings in indirect costs could not compensate for the decline in gross profit. The latter was due to lower revenues coupled with higher equipment sales costs reflecting both higher handset sales volumes and some increase in overall subsidies. EBITDA for the full year 2017 improved by 5.5% year-on-year to HUF 20.2 billion driven by above-mentioned factors and a lower severance expense.
- **Capex rose by 21.6% year-on-year to HUF 12.5 billion in 2017** reflecting the capitalization of TV content fees and a higher amount of capex spent on set top boxes driven by strong TV sales.

Outlook: Increased competition in both fixed and mobile segments is expected to put further pressure on Macedonian revenue performance. Nevertheless, thanks to continued cost efficiency measures, we believe **that EBITDA turnaround** which commenced in 2017 remains **sustainable going forward**.

2.2.3 Montenegro

In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale of its 76.53% shareholding in Crnogorski Telekom A.D. for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017.

a) Results from discontinued operation

HUF millions	Q4 2016	Q4 2017	1-12 months 2016	1-12 months 2017
Revenue	6,971	-	28,616	2,027
Direct costs	(2,450)	-	(8,732)	(533)
Employee related expenses	(1,042)	-	(4,449)	(332)
Depreciation and amortization	(1,792)	-	(6,166)	(517)
Other operating expenses	(1,416)	-	(5,970)	(525)
Operating expenses	(6,700)	-	(25,317)	(1,907)
Other operating income	-	-	79	73
Operating profit	271	-	3,378	193
Net financial result	104	-	187	7
Income tax from discontinued operations	(68)	-	(462)	(23)
Profit after tax from discontinued operations	**307**	**-**	**3,103**	**177**
Gain on sale from discontinued operation	-	-	-	10,504
Of which reclassification of cumulative amount of the exchange differences relating to foreign operation sold from equity to profit or loss attributable to the owners of the parent	-	-	-	9,690
Income tax on gain on sale from discontinued operation	-	-	-	(1,155)
Profit for the year from discontinued operations	**307**	**-**	**3,103**	**9,526**
Other comprehensive income from discontinued operations	269	-	(275)	(12,512)
Total comprehensive income from discontinued operations	**576**	**-**	**2,828**	**(2,986)**

b) Effect of disposal on the financial position of the Group

HUF millions	Mar 31, 2017 (unaudited)
Cash and cash equivalents	2,062
Trade and other receivables	8,860
Other current financial assets	452
Other current assets	736
Inventories	558
Property, plant and equipment	24,079
Intangible assets	21,977
Deferred tax assets	718
Other non current financial assets	3,060
Other non current assets	540
Current financial liabilities	(2,826)
Other current liabilities	(1,099)
Trade payables	(9,260)
Current income tax payable	(408)
Provisions - current	(40)
Non current financial liabilities	(590)
Deferred tax liabilities	(1,439)
Provisions - non current	(175)
Net assets and liabilities	**47,205**
Consideration received	38,458
Cash and cash equivalents disposed of	2,062
Net cash inflows	**36,396**

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2016 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary. The statutory accounts for December 31, 2016 were audited and the audit report was unqualified.

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2016 with the following exception.

There were two major changes compared to 2016:

a) as a result of the sale of Crnogorski Telekom (details in Section 2.2.3) the 2016 figures were classified as discontinued operation and re-presented in accordance with IFRS 5 and
b) telecom tax was reclassified from Other operating expenses to Direct costs since Management believes that presenting the new direct cost breakdown the financial data of the Group become more transparent. This change is also reflected on the face of the Consolidated Statements of Comprehensive Income as telecom tax appeared in 2017 as a separate line within Direct costs and utility tax appeared instead of Hungarian sector specific taxes.

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2016 (restated, unaudited)	Q4 2017 (unaudited)	Change	Change (%)
Revenues				
Voice retail	36,214	34,882	(1,332)	(3.7%)
Voice wholesale	2,552	2,733	181	7.1%
Data	16,061	19,144	3,083	19.2%
SMS	4,340	4,480	140	3.2%
Equipment	16,247	18,212	1,965	12.1%
Other mobile revenues	3,242	3,807	565	17.4%
Mobile revenues	**78,656**	**83,258**	**4,602**	**5.9%**
Voice retail	12,302	11,303	(999)	(8.1%)
Broadband retail	12,271	12,514	243	2.0%
TV	10,568	11,427	859	8.1%
Equipment	2,104	4,217	2,113	100.4%
Data retail	2,365	2,448	83	3.5%
Wholesale (voice, broadband, data)	4,856	4,975	119	2.5%
Other fixed line revenues	4,422	4,604	182	4.1%
Fixed line revenues	**48,888**	**51,488**	**2,600**	**5.3%**
System Integration/Information Technology revenues	22,797	26,368	3,571	15.7%
Energy service revenues	1,516	328	(1,188)	(78.4%)
Total revenues	**151,857**	**161,442**	**9,585**	**6.3%**
Direct costs				
Interconnect costs	(4,920)	(4,939)	(19)	(0.4%)
SI/IT service related costs	(14,025)	(18,680)	(4,655)	(33.2%)
Energy service related costs	(1,648)	(693)	955	57.9%
Bad debt expense	(1,851)	(934)	917	49.5%
Telecome tax	(5,984)	(6,541)	(557)	(9.3%)
Other direct costs	(34,353)	(40,307)	(5,954)	(17.3%)
Direct costs	**(62,781)**	**(72,094)**	**(9,313)**	**(14.8%)**
Gross profit	**89,076**	**89,348**	**272**	**0.3%**
Employee related expenses	(20,513)	(22,068)	(1,555)	(7.6%)
Utility tax	0	0	0	n.a.
Other operating expenses	(29,341)	(27,514)	1,827	6.2%
Other operating income	2,546	2,486	(60)	(2.4%)
EBITDA	**41,768**	**42,252**	**484**	**1.2%**
Depreciation and amortization	(30,811)	(27,839)	2,972	9.6%
Operating profit	**10,957**	**14,413**	**3,456**	**31.5%**
Net financial result	(7,633)	(4,701)	2,932	38.4%
Share of associates' and joint ventures' results	32	159	127	396.9%
Profit before income tax	**3,356**	**9,871**	**6,515**	**194.1%**
Income tax	16,858	(4,708)	(21,566)	n.m.
Profit for the period from continuing operations	**20,214**	**5,163**	**(15,051)**	**(74.5%)**
Profit for the period from discontinued operations	307	0	(307)	(100.0%)
Profit for the period	**20,521**	**5,163**	**(15,358)**	**(74.8%)**
Change in exchange differences on translating foreign operations	415	(292)	(707)	n.m.
Revaluation of available-for-sale financial assets	38	(12)	(50)	n.m.
Other comprehensive income for the period from continuing operations	453	(304)	(757)	n.m.
Other comprehensive income for the period from discontinued operations	269		(269)	(100.0%)
Other comprehensive income for the period	**722**	**(304)**	**(1,026)**	**n.m.**
Total comprehensive income for the period from continuing operations	20,667	4,859	(15,808)	(76.5%)
Total comprehensive income for the period from discontinued operations	576	0	(576)	(100.0%)
Total comprehensive income for the period	**21,243**	**4,859**	**(16,384)**	**(77.1%)**
Profit attributable to:				
Owners of the parent	19,754	4,686	(15,068)	(76.3%)
From continuing operations	19,512	4,686	(14,826)	(76.0%)
From discontinued operations	242	0	(242)	(100.0%)
Non-controlling interests	767	477	(290)	(37.8%)
From continuing operations	702	477	(225)	(32.1%)
From discontinued operations	65	0	(65)	(100.0%)
	20,521	**5,163**	**(15,358)**	**(74.8%)**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2016 (restated, unaudited)	Q4 2017 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	20,224	4,505	(15,719)	(77.7%)
From continuing operations	19,768	4,505	(15,263)	(77.2%)
From discontinued operations	456	0	(456)	(100.0%)
Non-controlling interests	1,019	354	(665)	(65.3%)
From continuing operations	900	354	(546)	(60.7%)
From discontinued operations	119	0	(119)	(100.0%)
	21,243	**4,859**	**(16,384)**	**(77.1%)**
Basic earnings per share (HUF)	**18.97**	**4.53**	**(14.44)**	**(76.1%)**
From continuing operations	18.74	4.53	(14.21)	(75.8%)
From discontinued operations	0.23	(0.00)	(0.24)	n.m.
Diluted earnings per share (HUF)	**18.93**	**4.53**	**(14.40)**	**(76.1%)**
From continuing operations	18.70	4.53	(14.17)	(75.8%)
From discontinued operations	0.23	(0.00)	(0.23)	n.m.

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

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Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2016 (restated, audited)	1-12 months 2017 (unaudited)	Change	Change (%)
Revenues				
Voice retail	146,965	141,185	(5,780)	(3.9%)
Voice wholesale	10,346	9,987	(359)	(3.5%)
Data	62,776	73,992	11,216	17.9%
SMS	16,921	17,259	338	2.0%
Equipment	54,950	64,210	9,260	16.9%
Other mobile revenues	14,249	16,023	1,774	12.4%
Mobile revenues	**306,207**	**322,656**	**16,449**	**5.4%**
Voice retail	50,175	45,977	(4,198)	(8.4%)
Broadband retail	49,292	49,334	42	0.1%
TV	41,859	45,188	3,329	8.0%
Equipment	5,421	9,254	3,833	70.7%
Data retail	9,526	10,690	1,164	12.2%
Wholesale (voice, broadband, data)	20,151	19,050	(1,101)	(5.5%)
Other fixed line revenues	17,337	16,615	(722)	(4.2%)
Fixed line revenues	**193,761**	**196,108**	**2,347**	**1.2%**
System Integration/Information Technology revenues	67,289	87,485	20,196	30.0%
Energy service revenues	6,778	4,602	(2,176)	(32.1%)
Total revenues	**574,035**	**610,851**	**36,816**	**6.4%**
Direct costs				
Interconnect costs	(19,629)	(18,885)	744	3.8%
SI/IT service related costs	(39,458)	(60,438)	(20,980)	(53.2%)
Energy service related costs	(6,779)	(4,787)	1,992	29.4%
Bad debt expense	(7,880)	(5,520)	2,360	29.9%
Telecome tax	(24,260)	(25,085)	(825)	(3.4%)
Other direct costs	(114,391)	(131,062)	(16,671)	(14.6%)
Direct costs	**(212,397)**	**(245,777)**	**(33,380)**	**(15.7%)**
Gross profit	**361,638**	**365,074**	**3,436**	**1.0%**
Employee related expenses	(78,878)	(80,240)	(1,362)	(1.7%)
Utility tax	(7,265)	(7,418)	(153)	(2.1%)
Other operating expenses	(98,911)	(98,500)	411	0.4%
Other operating income	10,911	6,746	(4,165)	(38.2%)
EBITDA	**187,495**	**185,662**	**(1,833)**	**(1.0%)**
Depreciation and amortization	(111,310)	(108,174)	3,136	2.8%
Operating profit	**76,185**	**77,488**	**1,303**	**1.7%**
Net financial result	(27,002)	(21,627)	5,375	19.9%
Share of associates' and joint ventures' results	78	343	265	339.7%
Profit before income tax	**49,261**	**56,204**	**6,943**	**14.1%**
Income tax	4,859	(15,958)	(20,817)	n.m.
Profit for the period from continuing operations	**54,120**	**40,246**	**(13,874)**	**(25.6%)**
Profit for the period from discontinued operations	3,103	9,526	6,423	207.0%
Profit for the period	**57,223**	**49,772**	**(7,451)**	**(13.0%)**
Change in exchange differences on translating foreign operations	(287)	(439)	(152)	(53.0%)
Revaluation of available-for-sale financial assets	64	19	(45)	(70.3%)
Other comprehensive income for the period from continuing operations	(223)	(420)	(197)	**(88.3%)**
Other comprehensive income for the period from discontinued operations	(275)	(12,512)	(12,237)	(4,449.8%)
Other comprehensive income for the period	**(498)**	**(12,932)**	**(12,434)**	**(2,496.8%)**
Total comprehensive income for the period from continuing operations	**53,897**	**39,826**	**(14,071)**	**(26.1%)**
Total comprehensive income for the period from discontinued operations	2,828	(2,986)	(5,814)	n.m.
Total comprehensive income for the period	**56,725**	**36,840**	**(19,885)**	**(35.1%)**
Profit attributable to:				
Owners of the parent	54,279	46,727	(7,552)	(13.9%)
From continuing operations	51,876	37,239	(14,637)	(28.2%)
From discontinued operations	2,403	9,488	7,085	294.8%
Non-controlling interests	2,944	3,045	101	3.4%
From continuing operations	2,244	3,007	763	34.0%
From discontinued operations	700	38	(662)	(94.6%)
	57,223	**49,772**	**(7,451)**	**(13.0%)**

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Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2016 (restated, audited)	1-12 months 2017 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	53,945	36,742	(17,203)	(31.9%)
From continuing operations	51,763	36,948	(14,815)	(28.6%)
From discontinued operations	2,182	(206)	(2,388)	n.m.
Non-controlling interests	2,780	98	(2,682)	(96.5%)
From continuing operations	2,134	2,878	744	34.9%
From discontinued operations	646	(2,780)	(3,426)	n.m.
	56,725	**36,840**	**(19,885)**	**(35.1%)**
Basic earnings per share (HUF)	**52.10**	**44.93**	**(7.17)**	**(13.8%)**
From continuing operations	49.79	35.82	(13.97)	(28.1%)
From discontinued operations	2.31	9.11	6.80	294.4%
Diluted earnings per share (HUF)	**52.06**	**44.93**	**(7.13)**	**(13.7%)**
From continuing operations	49.75	35.82	(13.93)	(28.0%)
From discontinued operations	2.31	9.11	6.80	294.4%

3.4. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2016 (audited)	Dec 31, 2017 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	10,805	5,399	(5,406)	(50.0%)
Trade and other receivables	157,645	157,745	100	0.1%
Other current financial assets	5,104	8,162	3,058	59.9%
Current income tax receivable	2,225	384	(1,841)	(82.7%)
Inventories	16,643	17,175	532	3.2%
	192,422	188,865	(3,557)	(1.8%)
Assets held for sale	1,556	162	(1,394)	(89.6%)
Total current assets	**193,978**	**189,027**	**(4,951)**	**(2.6%)**
Non current assets				
Property, plant and equipment	483,174	458,343	(24,831)	(5.1%)
Intangible assets	260,165	229,174	(30,991)	(11.9%)
Goodwill	218,098	212,284	(5,814)	(2.7%)
Investments in associates and joint ventures	1,078	1,324	246	22.8%
Deferred tax assets	73	59	(14)	(19.2%)
Other non current financial assets	18,254	19,323	1,069	5.9%
Other non current assets	709	127	(582)	(82.1%)
Total non current assets	**981,551**	**920,634**	**(60,917)**	**(6.2%)**
Total assets	**1,175,529**	**1,109,661**	**(65,868)**	**(5.6%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	72,589	35,191	(37,398)	(51.5%)
Other financial liabilities	22,600	8,757	(13,843)	(61.3%)
Trade payables	136,623	135,446	(1,177)	(0.9%)
Current income tax payable	719	324	(395)	(54.9%)
Provisions	4,493	3,267	(1,226)	(27.3%)
Other current liabilities	40,537	43,596	3,059	7.5%
	277,561	226,581	(50,980)	(18.4%)
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**277,561**	**226,581**	**(50,980)**	**(18.4%)**
Non current liabilities				
Financial liabilities to related parties	247,179	231,646	(15,533)	(6.3%)
Other financial liabilities	50,098	47,608	(2,490)	(5.0%)
Deferred tax liabilities	8,740	13,743	5,003	57.2%
Provisions	9,528	9,231	(297)	(3.1%)
Other non current liabilities	1,090	779	(311)	(28.5%)
Total non current liabilities	**316,635**	**303,007**	**(13,628)**	**(4.3%)**
Total liabilities	**594,196**	**529,588**	**(64,608)**	**(10.9%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,890	27,282	(608)	(2.2%)
Treasury stock	(825)	(2,187)	(1,362)	(165.1%)
Retained earnings	375,660	396,320	20,660	5.5%
Accumulated other comprehensive income	31,490	21,505	(9,985)	(31.7%)
Total Equity of the owners of the parent	**538,490**	**547,195**	**8,705**	**1.6%**
Non-controlling interests	42,843	32,878	(9,965)	(23.3%)
Total equity	**581,333**	**580,073**	**(1,260)**	**(0.2%)**
Total liabilities and equity	**1,175,529**	**1,109,661**	**(65,868)**	**(5.6%)**

3.5. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-12 months 2016 (restated, audited)	1-12 months 2017 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	54,120	40,246	(13,874)	(25.6%)
Depreciation and amortization	111,310	108,174	(3,136)	(2.8%)
Income tax expense	(4,859)	15,958	20,817	n.m.
Net financial result	27,002	21,627	(5,375)	(19.9%)
Share of associates' and joint ventures' result	(78)	(343)	(265)	(339.7%)
Change in assets carried as working capital	3,653	(17,959)	(21,612)	n.m.
Change in provisions	(3,115)	(1,581)	1,534	49.2%
Change in liabilities carried as working capital	2,174	21,817	19,643	n.m.
Income taxes paid	(11,713)	(10,425)	1,288	11.0%
Dividends received	14	111	97	n.m.
Interest and other financial charges paid	(24,252)	(19,949)	4,303	17.7%
Interest received	455	382	(73)	(16.0%)
Other non-cash items	(5,929)	(647)	5,282	89.1%
Net cash generated from operating activities (continuing operations)	**148,782**	**157,411**	**8,629**	**5.8%**
Net cash generated from / (used in) operating activities from discontinued operation	6,043	(23)	(6,066)	n.m.
Net cash generated from operating activities	**154,825**	**157,388**	**2,563**	**1.7%**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(97,723)	(86,197)	11,526	11.8%
Adjustments to cash purchases	1,327	(4,603)	(5,930)	n.m.
Purchase of subsidiaries and business units	(128)	(3,791)	(3,663)	n.m.
Cash acquired through business combinations	0	475	475	n.a.
(Payments for) / Proceeds from other financial assets - net	(88)	(2,867)	(2,779)	n.m.
Proceeds from disposal of subsidiaries and associates	3,484	1	(3,483)	(100.0%)
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	9,902	2,629	(7,273)	(73.4%)
Net cash used in investing activities (continuing operations)	**(83,226)**	**(94,353)**	**(11,127)**	**(13.4%)**
Net cash (used in) / generated from investing activities from discontinued operation	(5,973)	36,292	42,265	n.m.
Net cash used in investing activities	**(89,199)**	**(58,061)**	**31,138**	**34.9%**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(21,312)	(29,403)	(8,091)	(38.0%)
Proceeds from/Repayment of loans and other borrowings -net	(40,423)	(67,732)	(27,309)	(67.6%)
Repayment of other financial liabilities	(8,347)	(7,485)	862	10.3%
Repurchase of treasury shares	(550)	(2,139)	(1,589)	(288.9%)
Net cash used in financing activities (continuing operations)	**(70,632)**	**(106,759)**	**(36,127)**	**(51.1%)**
Net cash (used in) /generated from financing activities from discontinued operation	(1,703)	2,041	3,744	n.m.
Net cash used in financing activities	**(72,335)**	**(104,718)**	**(32,383)**	**(44.8%)**
Exchange differences on cash and cash equivalents	(26)	(15)	11	42.3%
Exchange differences on cash and cash equivalents from discontinued operation	(18)	0	18	100.0%
Change in cash and cash equivalents	**(6,753)**	**(5,406)**	**1,347**	**19.9%**
Cash and cash equivalents, beginning of period	17,558	10,805	(6,753)	(38.5%)
Cash and cash equivalents, end of period	10,805	5,399	(5,406)	(50.0%)
Change in cash and cash equivalents	**(6,753)**	**(5,406)**	**1,347**	**19.9%**

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

In HUF millions	Opening					Changes affecting cash flows from financing activities					Closing
	Balance at January 1, 2017	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	Proceeds from loans and borrowings (continuing operation)	Proceeds from loans and borrowings (discontinued operation)	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Balance at December 31, 2017
Related party loans	316,316		(1,665)	(2,438)		97,516	2,041	(150,545)			261,225
Derivatives from related parties	3,452			5,512	(3,352)						5,612
Bank loans	11,501		(1)	3,203		3,794		(18,497)			0
Building exchange payable	952								(937)		15
Frequency fee payable	48,490		(88)						(3,188)		45,214
Finance lease liabilities	5,822			229					(1,878)		4,173
Debtors overpayment	1,180		(70)								1,110
Other financial liabilities	4,753		(135)	2,717					(1,482)		5,853
-Less cash and cash equivalent	(10,805)	5,406									(5,399)
-Less other current financial assets	(5,104)		564	(3,421)	(201)						(8,162)
Net debt	**376,557**	**5,406**	**(1,395)**	**5,802**	**(3,553)**	**101,310**	**2,041**	**(169,042)**	**(7,485)**		**309,641**
Treasury share purchase										(2,139)	
Dividends paid to Owners of the parent and Non-controlling interest										(29,403)	
Net Cash used in financing activities										**(104,718)**	

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3.7. Consolidated Statements of Changes in Equity

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

	pieces	in HUF millions									
			Capital reserves				Accumulated Other Comprehensive Income				
	Shares of common stock	Common stock	Additional paid in capital	Reserve for equity settled share-based transactions	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2015	**1,042,742,543**	**104,275**	**27,379**	**33**	**(307)**	**337,014**	**31,892**	**(68)**	**500,218**	**44,713**	**544,931**
Dividend						(15,633)			**(15,633)**		**(15,633)**
Dividend declared to Non-controlling interests									**0**	(4,650)	**(4,650)**
Equity settled share-based transactions				478	32				**510**		**510**
Total comprehensive income						54,279	(371)	37	**53,945**	2,780	**56,725**
Treasury share repurchase					(550)				**(550)**		**(550)**
Balance at December 31, 2016	**1,042,742,543**	**104,275**	**27,379**	**511**	**(825)**	**375,660**	**31,521**	**(31)**	**538,490**	**42,843**	**581,333**
Dividend						(26,067)			**(26,067)**		**(26,067)**
Dividend declared to Non-controlling interests									**0**	(3,320)	**(3,320)**
Equity settled share-based transactions				(608)	777				**169**		**169**
Total comprehensive income						46,727	(9,995)	10	**36,742**	98	**36,840**
Treasury share repurchase					(2,139)				**(2,139)**		**(2,139)**
Disposal of subsidiaries									**0**	(6,743)	**(6,743)**
Balance at December 31, 2017	**1,042,742,543**	**104,275**	**27,379**	**(97)**	**(2,187)**	**396,320**	**21,526**	**(21)**	**547,195**	**32,878**	**580,073**

3.8. Exchange rate information

Exchange rate	Q4 2016	Q4 2017	Change (%)	1-12 months 2016	1-12 months 2017	Change (%)
HUF/EUR beginning of period	309.15	311.23	**0.7%**	313.12	311.02	**(0.7%)**
HUF/EUR period-end	311.02	310.14	**(0.3%)**	311.02	310.14	**(0.3%)**
HUF/EUR cumulative monthly average	310.09	311.60	**0.5%**	311.93	309.37	**(0.8%)**
HUF/MKD beginning of period	5.03	5.06	**0.6%**	5.08	5.06	**(0.4%)**
HUF/MKD period-end	5.06	5.04	**(0.4%)**	5.06	5.04	**(0.4%)**
HUF/MKD cumulative monthly average	5.04	5.06	**0.4%**	5.06	5.02	**(0.8%)**

3.9. Segment information

HUF millions	Q4 2016	Q4 2017	1-12 months 2016	1-12 months 2017
Total MT-Hungary revenues	138,487	148,404	520,994	559,248
Less: MT-Hungary revenues from other segments	(94)	(33)	(292)	(127)
Telekom Hungary revenues from external customers	**138,393**	**148,371**	**520,702**	**559,121**
Total Macedonia revenues	13,494	13,089	53,414	51,795
Less: Macedonia revenues from other segments	(30)	(18)	(81)	(65)
Macedonia revenues from external customers	**13,464**	**13,071**	**53,333**	**51,730**
Total consolidated revenue of the segments	151,857	161,442	574,035	610,851
Measurement/rounding differences to Group revenue	0	0	0	0
Total revenue of the Group from continuing operations	**151,857**	**161,442**	**574,035**	**610,851**
Total Montenegro revenues	6,960	0	28,648	2,023
Less: Montenegro revenues from other segments	11	0	(32)	4
Montenegro revenues from external customers	**6,971**	**0**	**28,616**	**2,027**
Total revenue from discontinued operations	**6,971**	**0**	**28,616**	**2,027**
Segment results (EBITDA)				
MT-Hungary	37,589	37,825	168,920	164,968
Macedonia	4,679	4,431	19,162	20,225
Total EBITDA of the segments	**42,268**	**42,256**	**188,082**	**185,193**
Measurement/rounding differences to Group EBITDA	(500)	(4)	(587)	469
Total EBITDA of the Group from continuing operations	**41,768**	**42,252**	**187,495**	**185,662**
Montenegro	2,049	0	9,439	702
Income from sale of Crnogorski Telekom (segment Montenegro)	0	0	0	10,504
Measurement/rounding differences	14	0	105	8
Total EBITDA from discontinued operations	**2,063**	**0**	**9,544**	**11,214**

4. DECLARATION

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

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

Christopher Mattheisen Chief Executive Officer, member of the Board	János Szabó Chief Financial Officer

Budapest, February 21, 2018

This investor news contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore should not have undue reliance placed upon them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our annual financial statements for the year ended December 31, 2016, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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