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MAGYAR TELEKOM

HALF YEARLY REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED JUNE 30, 2015

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Budapest – August 5, 2015 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the second quarter and first half of 2015, in accordance with International Financial Reporting Standards (IFRS).

1. HIGHLIGHTS

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except ratios)	**Q2** **2014** (Unaudited)	**Q2** **2015** (Unaudited)	**Change** **(%)**	**1-6 months** **2014** (Unaudited)	**1-6 months** **2015** (Unaudited)	**Change** **(%)**
Total revenues	**151,786**	**158,495**	**4.4%**	**303,679**	**315,452**	**3.9%**
Operating profit	**25,102**	**25,474**	**1.5%**	**41,196**	**40,272**	**(2.2%)**
Profit attributable to:						
Owners of the parent	11,583	12,520	8.1%	16,411	15,026	(8.4%)
Non-controlling interests	1,004	1,009	0.5%	1,166	1,825	56.5%
	12,587	**13,529**	**7.5%**	**17,577**	**16,851**	**(4.1%)**
Gross margin	101,544	102,413	0.9%	199,558	201,593	1.0%
EBITDA	49,613	52,177	5.2%	90,141	94,643	5.0%
EBITDA margin	32.7%	32.9%	n.a.	29.7%	30.0%	n.a.
Free cash flow				657	(1,403)	n.m.
Basic and diluted earnings per share (HUF)	**11.11**	**12.01**	**8.1%**	**15.74**	**14.42**	**(8.4%)**
CAPEX to Sales				**11.0%**	**11.1%**	**n.a.**
Net debt				**374,583**	**447,213**	**19.4%**
Net debt / total capital				**42.5%**	**45.6%**	**n.a.**
Number of employees (closing full equivalent)				**11,129**	**10,694**	**(3.9%)**

- **Revenues in the second quarter of 2015 rose by 4.4% year-on-year from HUF 151.8 billion to HUF 158.5 billion,** mostly driven by higher SI/IT and energy revenues, but fixed revenues increased as well. Increased equipment and mobile data revenues driven by Group-wide 4G push were offset by lower mobile retail and wholesale voice revenues resulting from the sharp decrease in Mobile Termination Rates (MTRs) in Hungary as of April 1, 2015. Energy revenue growth was due to increased electricity and gas sales volumes in the business segment. Fixed broadband and TV revenue increases were driven by successful customer acquisitions and up-selling campaigns as well. SI/IT revenues increased across all segments of the Group and a couple of major project wins at T-Systems resulted in a 14% increase in SI/IT revenues.

  As for the Hungarian operations, total revenues in both segments increased in the second quarter and the consolidation of GTS Hungary's revenues from April 1, 2015 also contributed to the outstanding performance on the fixed side. In Macedonia, the merger of T-Mobile Macedonia and Makedonski Telekom gained approval in June and we continue seeing positive signs in the continued slowdown in revenue decline during the second quarter. Regulatory pressure and intense competition were mostly responsible for declines in mobile and fixed line revenues in Montenegro.

- **Total direct costs increased in the second quarter of 2015 by 11.6% to HUF 56.1 billion**, largely due to higher SI/IT and energy service related costs, as well as increased cost of equipment sold (included in other direct costs). At the same time, interconnection costs were down by close to 40% due to the MTR cut in Hungary from HUF 7.06 to HUF 1.71 per minute. The Hungarian fixed High Speed Internet roll-out program has been launched but the vast majority of the planned spending is still ahead of us.

  Gross margin increased slightly, from HUF 101.5 billion in the second quarter of 2014 to HUF 102.4 billion in the second quarter of 2015, reflecting ARPU increases in mobile (excl. MTR effect), fixed line broadband and TV driven by successful up-selling activities and price increases.

- **EBITDA in Q2 2015 improved by 5.2% year-on-year to HUF 52.2 billion,** driven by higher gross margins, savings in employee-related expenses and increased other operating income thanks to higher income from customer overpayments.

Details of special taxes* (HUF billion)	Q2 2014	Q2 2015
Telecom tax	6.4	6.5
Utility tax	0.0	0.0
Total	**6.4**	**6.5**

- **Depreciation and amortization expenses went up by 8.9% to HUF 26.7 billion,** driven by the amortization of telecom licenses related to the new frequency usage rights acquired in October 2014 and the activation of the new billing system related software.
- **Net financial expenses improved from HUF 7.8 billion to HUF 6.8 billion,** as a result of gains on the fair valuation of derivatives, driven by a 5.32% weakening of the HUF against the EUR in the reporting period compared to a 1.02% weakening in the same quarter of 2014. On the other hand, due to FX rate fluctuations we realized losses on foreign exchange translation, partially counterbalancing the gain on the fair valuation of derivatives.
- **Income tax expense slightly increased from HUF 4.8 billion to HUF 5.1 billion in the second quarter of 2015**. Both higher corporate income taxes and higher Hungarian local business tax are in line with the increased profit before tax level of the period compared to the same quarter of last year. Average effective tax rate remained unchanged at 30%.
- **Profit attributable to the owners of the parent company (net income) increased from HUF 11.6 billion to HUF 12.5 billion,** thanks to the significant improvement in EBITDA and net financial results, partly offset by a rise in depreciation and amortization.
- **Investments in tangible and intangible assets (CAPEX) increased by HUF 1.8 billion to HUF 35.1 billion in the first half of 2015,** driven by additional spending on the Hungarian fixed High Speed Internet roll-out program and higher investment relating to the PSTN migration. In the first half of 2015, Telekom Hungary accounted for HUF 30.1 billion of the total CAPEX, while HUF 1.9 billion was associated with T-Systems Hungary. The Macedonian and Montenegrin operations accounted for HUF 1.8 billion and HUF 1.3 billion of the investments, respectively.
- **Free cash flow** (FCF defined as operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets and repayment of other financial liabilities) **declined from HUF 0.7 billion in the first half of 2014 to HUF -1.4 billion in the same period of 2015**. Operating cash flow and repayment of other financial liabilities improved, however, the significant increase in investing cash flow driven by the acquisition of GTS Hungary (HUF 14.2 billion with HUF 1.8 billion cash included in the company) offset this additional net cash amount in the first half of 2015.
- **Net debt rose from HUF 374.6 billion** at the end of the second quarter of 2014 to **HUF 447.2 billion** at the end of June 2015, but remained broadly stable compared to year-end 2014. The year-on-year increase primarily reflects the frequency license payments and the capitalization of the present value of the future annual frequency fees in Q4 2014. The **net debt ratio** (net debt to total capital) was **45.6% at the end of the second quarter of 2015.**

Christopher Mattheisen, CEO commented:

"I am delighted to report that the positive trends in our operations achieved during 2014 have continued into the first half of 2015. Our Group revenues increased by 3.9% compared to the first half of last year, driven by continued improvement in all of our major revenue streams. Our mobile revenue is up by an overall 2% following the Group-wide 4G push. We saw a slight increase in fixed line revenues due to our continued focus on triple play customers and network improvement. System integration and IT revenues grew in every segment, altogether by 11% in line with our strategy. Our EBITDA performance improved by 5% year on year in the first half of this year, thanks to an increase in gross margin and significant savings in employee related expenses. The Group Capex for the first half of 2015 was only 5% higher compared to the same period of 2014, despite the commencement of the Hungarian fixed High Speed Internet roll-out program. However, the vast majority of the planned investment is still ahead of us and we expect a significant pick-up in Capex in the second half of this year.

Drilling down into the details of our operations, both Hungarian segments increased their revenues despite the 76% cut in mobile termination rates effective from April 1, 2015. Revenues at Telekom Hungary for the second quarter were up by almost 4%, driven by a strong fixed line performance and a significant increase in energy revenues driven by the business sub-segment. On the mobile side, strong broadband and equipment sales were almost enough to compensate for the sharp MTR cut. The increase in our contracted mobile RPC was driven by lower churn and higher prepaid to postpaid migration underpinned by strong demand for mobile data. Magyar Telekom's 4G outdoor population coverage in Hungary has now surpassed 90% penetration which puts us ahead of many of our European peers. We managed to achieve significant growth in both fixed broadband and TV revenues thanks to the ever larger customer bases and higher ARPUs. Higher fixed wholesale and data revenues were largely a reflection of the GTS acquisition. Our focus has remained to offer quality home services on superior networks, as we initiated our extensive High Speed Internet network roll-out program. The erosion in our fixed voice customer base has decreased to less than 1% this quarter thanks to the smart bundling strategy we have executed. Our very good results in the residential and SME sub-segments were coupled with a 3% revenue improvement at T-Systems Hungary. We won a couple of large projects within the government and healthcare segments, resulting in a HUF 2 billion increase in system integration and IT revenues, which more than helped to offset revenue weakness in telco, which was principally for regulatory reasons.

Concerning our foreign operations, the merger of T-Mobile Macedonia and Makedonski Telekom has been approved. Our revenue fell by 5% and EBITDA decline was 3% in forint terms. As the mobile market continues to show signs of stabilization, the competition office approved the merger of the country's other two mobile players into one integrated player, as both of them had previously acquired fixed line assets. In Montenegro, a steep increase in SI/IT revenues almost compensated for the decline in messaging and prepaid mobile revenues, which when combined with the continuing regulatory pressures within fixed voice and broadband, resulted in a marginal decline of 1% in overall revenue and a 7% drop in EBITDA.

In terms of our Group financial targets, we maintain our revenue, EBITDA and Capex guidance."

2015 public guidance:

	2014	Public guidance 2015
Revenue	HUF 626.4 billion	roughly stable*
EBITDA	HUF 181.2 billion	0-3% decline
Capex**	HUF 86.8 billion	ca. HUF 105 billion

**modified from 0-3% increase*
***excluding spectrum acquisitions and annual frequency fee capitalization*

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2. CONSOLIDATED IFRS FINANCIAL STATEMENTS

2.1. Consolidated Statements of Financial Position

MAGYAR TELEKOM Consolidated Statements of Financial Position (HUF million)	Dec 31, 2014 (Audited)	Jun 30, 2015 (Unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	14,625	12,812	(1,813)	(12.4%)
Trade and other receivables	144,266	157,754	13,488	9.3%
Other current financial assets	23,690	7,313	(16,377)	(69.1%)
Current income tax receivable	899	355	(544)	(60.5%)
Inventories	13,749	15,778	2,029	14.8%
Non current assets held for sale	668	409	(259)	(38.8%)
Total current assets	**197,897**	**194,421**	**(3,476)**	**(1.8%)**
Non current assets				
Property, plant and equipment	487,778	482,082	(5,696)	(1.2%)
Intangible assets	259,984	259,108	(876)	(0.3%)
Goodwill	218,502	218,457	(45)	(0.0%)
Deferred tax assets	155	80	(75)	(48.4%)
Other non current financial assets	25,243	25,395	152	0.6%
Other non current assets	1,217	919	(298)	(24.5%)
Total non current assets	**992,879**	**986,041**	**(6,838)**	**(0.7%)**
Total assets	**1,190,776**	**1,180,462**	**(10,314)**	**(0.9%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	110,858	65,691	(45,167)	(40.7%)
Other financial liabilities	65,131	48,659	(16,472)	(25.3%)
Trade payables	110,361	100,012	(10,349)	(9.4%)
Current income tax payable	1,778	1,034	(744)	(41.8%)
Provisions	5,579	3,699	(1,880)	(33.7%)
Other current liabilities	36,129	40,386	4,257	11.8%
Total current liabilities	**329,836**	**259,481**	**(70,355)**	**(21.3%)**
Non current liabilities				
Financial liabilities to related parties	245,071	297,317	52,246	21.3%
Other financial liabilities	59,422	55,671	(3,751)	(6.3%)
Deferred tax liabilities	22,064	23,958	1,894	8.6%
Provisions	8,816	9,327	511	5.8%
Other non current liabilities	1,169	1,148	(21)	(1.8%)
Total non current liabilities	**336,542**	**387,421**	**50,879**	**15.1%**
Total liabilities	**666,378**	**646,902**	**(19,476)**	**(2.9%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,396	27,406	10	0.0%
Treasury stock	(307)	(307)	0	0.0%
Retained earnings	310,406	324,324	13,918	4.5%
Accumulated other comprehensive income	32,184	32,195	11	0.0%
Total Equity of the owners of the parent	**473,954**	**487,893**	**13,939**	**2.9%**
Non-controlling interests	50,444	45,667	(4,777)	(9.5%)
Total equity	**524,398**	**533,560**	**9,162**	**1.7%**
Total liabilities and equity	**1,190,776**	**1,180,462**	**(10,314)**	**(0.9%)**

2.2. Consolidated Statements of Profit or loss and other comprehensive income – quarter over quarter

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q2 2014 (Unaudited)	Q2 2015 (Unaudited)	Change	Change (%)
Revenues				
Voice retail	39,926	39,450	(476)	(1.2%)
Voice wholesale	7,093	2,874	(4,219)	(59.5%)
Data	12,918	14,725	1,807	14.0%
SMS	4,703	4,603	(100)	(2.1%)
Equipment	9,311	11,735	2,424	26.0%
Other mobile revenues	3,744	3,486	(258)	(6.9%)
Mobile revenues	**77,695**	**76,873**	**(822)**	**(1.1%)**
Voice retail	16,234	15,028	(1,206)	(7.4%)
Broadband retail	11,809	13,215	1,406	11.9%
TV	9,532	10,596	1,064	11.2%
Equipment	1,147	1,648	501	43.7%
Data retail	2,981	2,728	(253)	(8.5%)
Wholesale	4,906	5,403	497	10.1%
Other fixed line revenues	4,601	4,027	(574)	(12.5%)
Fixed line revenues	**51,210**	**52,645**	**1,435**	**2.8%**
System Integration/Information Technology revenues	14,785	18,534	3,749	25.4%
Energy service revenues	8,096	10,443	2,347	29.0%
Total revenues	**151,786**	**158,495**	**6,709**	**4.4%**
Direct costs				
Interconnect costs	(8,178)	(4,950)	3,228	39.5%
SI/IT service related costs	(8,851)	(12,056)	(3,205)	(36.2%)
Energy service related costs	(7,615)	(10,113)	(2,498)	(32.8%)
Bad debt expense	(2,114)	(2,235)	(121)	(5.7%)
Other direct costs	(23,484)	(26,728)	(3,244)	(13.8%)
Direct costs	**(50,242)**	**(56,082)**	**(5,840)**	**(11.6%)**
Gross margin	**101,544**	**102,413**	**869**	**0.9%**
Employee-related expenses	(23,143)	(22,334)	809	3.5%
Hungarian sector specific special taxes	(6,425)	(6,486)	(61)	(0.9%)
Other operating expenses	(23,157)	(23,123)	34	0.1%
Other operating income	794	1,707	913	115.0%
EBITDA	**49,613**	**52,177**	**2,564**	**5.2%**
Depreciation and amortization	(24,511)	(26,703)	(2,192)	(8.9%)
Operating profit	**25,102**	**25,474**	**372**	**1.5%**
Net financial result	(7,767)	(6,816)	951	12.2%
Share of associates' and joint ventures' profits	9	0	(9)	(100.0%)
Profit before income tax	**17,344**	**18,658**	**1,314**	**7.6%**
Income tax	(4,757)	(5,129)	(372)	(7.8%)
Profit for the period	**12,587**	**13,529**	**942**	**7.5%**
Change in exchange differences on translating foreign operations	1,732	7,025	5,293	305.6%
Revaluation of available-for-sale financial assets	29	(16)	(45)	n.m.
Other comprehensive income for the period	1,761	7,009	5,248	298.0%
Total comprehensive income for the period	**14,348**	**20,538**	**6,190**	**43.1%**
Profit attributable to:				
Owners of the parent	11,583	12,520	937	8.1%
Non-controlling interests	1,004	1,009	5	0.5%
	12,587	**13,529**	**942**	**7.5%**
Total comprehensive income attributable to:				
Owners of the parent	12,884	17,229	4,345	33.7%
Non-controlling interests	1,464	3,309	1,845	126.0%
	14,348	**20,538**	**6,190**	**43.1%**
Basic and diluted earnings per share (HUF)	**11.11**	**12.01**	**0.90**	**8.1%**

2.3. Consolidated Statements of Profit or loss and other comprehensive income – year over year

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-6 months 2014 (Unaudited)	1-6 months 2015 (Unaudited)	Change	Change (%)
Revenues				
Voice retail	78,680	77,687	(993)	(1.3%)
Voice wholesale	13,623	9,708	(3,915)	(28.7%)
Data	25,068	28,618	3,550	14.2%
SMS	9,470	9,127	(343)	(3.6%)
Equipment	17,338	21,757	4,419	25.5%
Other mobile revenues	7,132	6,914	(218)	(3.1%)
Mobile revenues	**151,311**	**153,811**	**2,500**	**1.7%**
Voice - retail	32,729	30,235	(2,494)	(7.6%)
Broadband retail	23,508	25,466	1,958	8.3%
TV	18,892	20,934	2,042	10.8%
Equipment	2,846	3,553	707	24.8%
Data retail	5,896	5,297	(599)	(10.2%)
Wholesale	10,053	10,039	(14)	(0.1%)
Other fixed line revenues	8,865	7,770	(1,095)	(12.4%)
Fixed line revenues	**102,789**	**103,294**	**505**	**0.5%**
System Integration/Information Technology revenues	27,974	31,115	3,141	11.2%
Energy service revenues	21,605	27,232	5,627	26.0%
Total revenues	**303,679**	**315,452**	**11,773**	**3.9%**
Direct costs				
Interconnect costs	(16,038)	(12,999)	3,039	18.9%
SI/IT service related costs	(15,821)	(18,929)	(3,108)	(19.6%)
Energy service related costs	(20,846)	(25,882)	(5,036)	(24.2%)
Bad debt expense	(5,352)	(4,127)	1,225	22.9%
Other direct costs	(46,064)	(51,922)	(5,858)	(12.7%)
Direct costs	**(104,121)**	**(113,859)**	**(9,738)**	**(9.4%)**
Gross margin	**199,558**	**201,593**	**2,035**	**1.0%**
Employee-related expenses	(45,706)	(44,232)	1,474	3.2%
Hungarian sector specific special taxes	(20,337)	(20,361)	(24)	(0.1%)
Other operating expenses	(44,635)	(44,834)	(199)	(0.4%)
Other operating income	1,261	2,477	1,216	96.4%
EBITDA	**90,141**	**94,643**	**4,502**	**5.0%**
Depreciation and amortization	(48,945)	(54,371)	(5,426)	(11.1%)
Operating profit	**41,196**	**40,272**	**(924)**	**(2.2%)**
Net financial result	(13,813)	(15,429)	(1,616)	(11.7%)
Share of associates' and joint ventures' profits	9	0	(9)	(100.0%)
Profit before income tax	**27,392**	**24,843**	**(2,549)**	**(9.3%)**
Income tax	(9,815)	(7,992)	1,823	18.6%
Profit for the period	**17,577**	**16,851**	**(726)**	**(4.1%)**
Change in exchange differences on translating foreign operations	7,838	(140)	(7,978)	n.m.
Revaluation of available-for-sale financial assets	24	(28)	(52)	n.m.
Other comprehensive income for the period	7,862	(168)	(8,030)	n.m.
Total comprehensive income for the period	**25,439**	**16,683**	**(8,756)**	**(34.4%)**
Profit attributable to:				
Owners of the parent	16,411	15,026	(1,385)	(8.4%)
Non-controlling interests	1,166	1,825	659	56.5%
	17,577	**16,851**	**(726)**	**(4.1%)**
Total comprehensive income attributable to:				
Owners of the parent	22,137	15,037	(7,100)	(32.1%)
Non-controlling interests	3,302	1,646	(1,656)	(50.2%)
	25,439	**16,683**	**(8,756)**	**(34.4%)**
Basic and diluted earnings per share (HUF)	**15.74**	**14.42**	**(1.32)**	**(8.4%)**

2.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-6 months 2014 (Unaudited)	1-6 months 2015 (Unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	17,577	16,851	(726)	(4.1%)
Depreciation and amortization	48,945	54,371	5,426	11.1%
Income tax expense	9,815	7,992	(1,823)	(18.6%)
Net financial result	13,813	15,429	1,616	11.7%
Share of associates' and joint ventures' loss	(9)	0	9	100.0%
Change in assets carried as working capital	(2,441)	(13,688)	(11,247)	(460.8%)
Change in provisions	(495)	(1,571)	(1,076)	(217.4%)
Change in liabilities carried as working capital	(8,580)	715	9,295	n.m.
Income tax paid	(8,986)	(6,196)	2,790	31.0%
Interest and other financial charges paid	(14,654)	(14,877)	(223)	(1.5%)
Interest received	593	503	(90)	(15.2%)
Other cashflows from operations	638	(1,050)	(1,688)	n.m.
Net cash generated from operating activities	**56,216**	**58,479**	**2,263**	**4.0%**
Cash flows from investing activities				
Investments in tangible and intangible assets	(33,330)	(35,088)	(1,758)	(5.3%)
Adjustments to cash purchases	(9,390)	(6,201)	3,189	34.0%
Purchase of subsidiaries and business units	(428)	(15,773)	(15,345)	n.m.
Cash acquired through business combinations	0	1,815	1,815	n.a.
Proceeds from other financial assets - net	17,526	17,075	(451)	(2.6%)
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	1,616	737	(879)	(54.4%)
Net cash used in investing activities	**(24,006)**	**(37,435)**	**(13,429)**	**(55.9%)**
Cash flows from financing activities				
Dividends paid to shareholders and Non-controlling interests	(6,411)	(6,158)	253	3.9%
Repayment of loans and other borrowings -net	(12,828)	(11,317)	1,511	11.8%
Repayment of other financial liabilities	(14,027)	(5,372)	8,655	61.7%
Net cash used in financing activities	**(33,266)**	**(22,847)**	**10,419**	**31.3%**
Exchange differences on cash and cash equivalents	390	(10)	(400)	n.m.
Change in cash and cash equivalents	**(666)**	**(1,813)**	**(1,147)**	**(172.2%)**
Cash and cash equivalents, beginning of period	14,633	14,625	(8)	(0.1%)
Cash and cash equivalents, end of period	13,967	12,812	(1,155)	(8.3%)
Change in cash and cash equivalents	**(666)**	**(1,813)**	**(1,147)**	**(172.2%)**

2.5. 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, 2013	1,042,742,543	104,275	27,379	8	(307)	281,795	24,425	(107)	437,468	52,108	489,576
Dividend declared to Non-controlling interests									0	(6,822)	(6,822)
Equity settled share-based transactions				5					5		5
Capital reduction									0	(1,247)	(1,247)
Total comprehensive income						16,411	5,712	14	22,137	3,302	25,439
Balance at June 30, 2014	1,042,742,543	104,275	27,379	13	(307)	298,206	30,137	(93)	459,610	47,341	506,951
Equity settled share-based transactions				4					4		4
Deconsolidation effect									0	(10)	(10)
Total comprehensive income						12,200	2,139	1	14,340	3,113	17,453
Balance at December 31, 2014	1,042,742,543	104,275	27,379	17	(307)	310,406	32,276	(92)	473,954	50,444	524,398
Dividend declared to Non-controlling interests									0	(6,423)	(6,423)
Equity settled share-based transactions				10					10		10
Acquisition of GTS Hungary						(1,108)			(1,108)		(1,108)
Total comprehensive income						15,026	28	(17)	15,037	1,646	16,683
Balance at June 30, 2015	1,042,742,543	104,275	27,379	27	(307)	324,324	32,304	(109)	487,893	45,667	533,560

2.6. About Magyar Telekom

Magyar Telekom Telecommunications Public Limited Company (the Company or Magyar Telekom Plc.) with its subsidiaries form Magyar Telekom Group (Magyar Telekom or the Group). Magyar Telekom is the principal provider of telecommunications services in Hungary, Macedonia and Montenegro and alternative service provider in Bulgaria and Romania. These services are subject to various telecommunications regulations depending on the countries of operations.

The Company was incorporated in Hungary on December 31, 1991 and commenced business on January 1, 1992. The Company's registered office is Krisztina körút 55., 1013 Budapest, Hungary.

Magyar Telekom Plc. is listed on the Budapest Stock Exchange where its shares are traded. 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 Depositary Receipt program on a Level I basis.

The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DTAG). 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 and voting rights.

2.7. Basis of preparation and audit of the interim financial report

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, 2014, 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, 2014 have been filed with the Budapest Stock Exchange and the Hungarian National Bank. The statutory accounts for December 31, 2014 were audited and the audit report was unqualified.

2.8. Accounting policies

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, 2014.

3. CONSOLIDATED MANAGEMENT REPORT

3.1. Operating and financial review – Group

3.1.1 Exchange rate information

Exchange rate	Q2 2014	Q2 2015	Change	1-6 months 2014	1-6 months 2015	Change
HUF/EUR beginning of period	307.06	299.14	(2.6%)	296.91	314.89	6.1%
HUF/EUR period-end	310.19	315.04	1.6%	310.19	315.04	1.6%
HUF/EUR cumulative monthly average	307.09	306.75	(0.1%)	307.09	306.75	(0.1%)
HUF/MKD beginning of period	4.98	4.86	(2.4%)	4.83	5.12	6.0%
HUF/MKD period-end	5.03	5.11	1.6%	5.03	5.11	1.6%
HUF/MKD cumulative monthly average	4.98	4.98	0.0%	4.98	4.98	0.0%

Compared to Q2 2014, the changes in foreign exchange rates had no significant effect on the Q2 2015 revenue and expense lines of our foreign subsidiaries expressed in HUF as these are translated at the cumulative average rates.

3.1.2 Revenues

Total revenues increased by 3.9% from HUF 303.7 billion in H1 2014 to HUF 315.5 billion in H1 2015. Reasons for movements of the half yearly results usually correspond with the explanations relating to the second quarter. If the reason for the movement is different in the two periods compared, the analysis of the change in the half yearly result is highlighted and analyzed separately.

Total revenues amounted to HUF 158.5 billion in Q2 2015 compared to HUF 151.8 billion in Q2 2014. Revenues increased at both Hungarian segments and the decline at our foreign subsidiaries were moderate. Telekom Hungary segment's contribution to the revenue increase amounted HUF 4.8 billion. Total group revenue increased by 4.4% quarter over quarter caused by the following:

Mobile revenues amounted to HUF 76.9 billion in Q2 2015, compared to HUF 77.7 billion in the same period of the previous year representing a 1.1% decrease. Lower mobile voice and SMS revenues were only partly offset by the higher mobile equipment and data revenues.

On a year-to-date basis, mobile revenues increased by 1.7% to HUF 153.8 billion. Lower mobile voice and SMS revenues were more than offset by the higher mobile equipment and data revenues.

Voice-retail revenues decreased by 1.2% to HUF 39.5 billion in Q2 2015. This was mainly due to lower mobile voice-retail revenues in Macedonia despite the increased volume of outgoing minutes quarter over quarter, as the average price per minute decreased. However, the ARPU decline is lower than in earlier quarters. In Montenegro, lower voice-retail revenues were driven by the decrease in outgoing traffic and lower number of customers especially in the prepaid segment. Average tariff was lower due to mostly regulatory reasons. In Hungary, outgoing mobile voice revenues increased as the growth in the postpaid segment due to the combined effect of higher minutes of use (MOU), higher customer base and lower average price per minutes, was only partly offset by the decrease in prepaid segment. In the prepaid segment both MOU and the number of customers decreased, partly offset by higher prepaid outgoing tariff. Lower roaming revenues were caused by EU regulated average tariff erosion, effective from July 1, 2014.

Voice-wholesale revenues dropped by 59.5% and amounted to HUF 2.9 billion in Q2 2015, mainly due to the 76% lower regulated mobile termination rate in Hungary, as of April 1, 2015. In Macedonia, lower mobile termination rates (MTR) applicable from September 1, 2014 and decrease in international incoming traffic caused lower voice-wholesale revenues. The drop in the Hungarian wholesale prices had a lower negative impact in H1 2015 – due to unchanged prices in Q1 – therefore total mobile revenues increased in H1 2015 compared to H1 2014.

Data revenues amounted to HUF 14.7 billion in Q2 2015, compared to HUF 12.9 billion in Q2 2014, representing a 14.0% increase. Higher revenues primarily came from higher mobile Internet revenues in Hungary, as both subscriber numbers and usage increased in Q2 2015.

SMS revenues amounted to HUF 4.6 billion in Q2 2015, compared to HUF 4.7 billion in Q2 2014, representing a 2.1% decrease, primarily due to the lower number of SMSs sent mostly at our foreign subsidiaries while SMS revenues increased in Hungary.

Mobile equipment revenues increased by 26.0% to HUF 11.7 billion in Q2 2015 compared to HUF 9.3 billion in Q2 2014, mostly attributable to our Hungarian operation. Higher revenues were driven by the increase in sales volume of handsets and wearable accessories and the higher average handset prices in Q2 2015 versus Q2 2014.

Fixed line revenues amounted to HUF 52.6 billion in Q2 2015, compared to HUF 51.2 billion in the same period of the previous year, representing a 2.8% growth. The increase was driven by higher broadband, TV, equipment and wholesale revenues partly offset by falling voice retail, data and other revenues.

Voice-retail revenues decreased by 7.4% to HUF 15.0 billion in Q2 2015 compared to HUF 16.2 billion in Q2 2014, mainly driven by the continuous decline in the number of fixed voice lines, lower usage and decreased average tariff levels. Customer migration from PSTN to IP platforms has been continued.

Broadband retail revenues increased from HUF 11.8 billion in Q2 2014 to HUF 13.2 billion in Q2 2015, representing a 11.9% growth. In Hungary, DSL connections increased together with cablenet and fiber optic connections and blended fixed Broadband ARPU increased by 6%, resulting in higher revenues. Consolidation of GTS Hungary Kft. (GTS) revenues from April 1, 2015 also had positive effect on Broadband retail revenues.

TV revenues amounted to HUF 10.6 billion in Q2 2015 compared to HUF 9.5 billion in Q2 2014, representing an increase of 11.2%. This increase is mainly attributable to higher IPTV revenues driven by the growing IPTV subscriber base, both in Hungary and at our foreign subsidiaries. The fast growth of the IPTV customer base demonstrates the increasing popularity of interactive television. Blended TV ARPU increased by 7% in Hungary mainly due to IPTV migration and price increases. Growth in satellite TV revenues was due to the higher subscription fees in Hungary in Q2 2015 compared to the same quarter last year. These increases were partly offset by lower Cable TV revenues owing to the migration to IPTV services in Hungary.

Fixed equipment revenues amounted to HUF 1.6 billion in Q2 2015 compared to HUF 1.1 billion in Q2 2014. The increase was mainly owing to the higher sale of TV sets in Hungary and in Montenegro.

Data retail revenues amounted to HUF 2.7 billion in Q2 2015 as compared to HUF 3.0 billion in Q2 2014. The decrease was mainly deriving from the lower number of domestic and international leased line customers both in Hungary and at our foreign subsidiaries in Q2 2015.

Wholesale revenues increased by 10.1% to HUF 5.4 billion in Q2 2015. Higher network and infrastructure services revenues were mainly due to the consolidation effect of GTS Hungary in Q2 2015. In Montenegro, higher infrastructure services caused the revenue increase. Data and Broadband wholesale revenues decreased in Hungary due to price erosion, and the number of wholesale DSL connections declined significantly partly due to GTS Hungary, which became a consolidated entity in Q2 2015. Voice wholesale revenues decreased owing to lower incoming traffic generated in Hungary and at our foreign subsidiaries in Q2 2015. Lower mobile termination rates also negatively affected the voice wholesale revenues.

Other fixed line revenues decreased by 12.5% in Q2 2015 compared to the same period previous year, and amounted to HUF 4.0 billion. The decrease was mainly due to lower revenues derived from fixed voice related value added services and lower revenues from satellite capacity rental. These decreases were partly offset by higher dunning fees in Q2 2015.

System Integration (SI) and IT revenues increased by 25.4% from HUF 14.8 billion in Q2 2014 to HUF 18.5 billion in the same period of 2015. Higher revenues were owing to new major projects in Hungary and in Macedonia in Q2 2015. In Montenegro, the higher number of ICT customers resulted in higher SI/IT revenues.

Energy Services revenues increased to HUF 10.4 billion in Q2 2015 compared to HUF 8.1 billion in Q2 2014. The main reason behind the 29% growth in energy sales is the revenue increase from the business sub-segment. As at June 30, 2015 the number of electricity points of delivery increased to 108,676 while gas points of delivery decreased to 65,406. The consumption was higher quarter over quarter, but the universal service price reduction from September 2014 had a negative effect on the revenues.

3.1.3 Direct costs

Direct costs increased by 9.4% in H1 2015 from HUF 104.1 billion in H1 2014 to HUF 113.9 billion in H1 2015. Reasons of movements usually correspond with the explanations relating to the second quarter. If the reason of the movement is different in the two periods compared, those are highlighted and analyzed separately.

Quarter over quarter direct costs increased by 11.6%, and amounted to HUF 56.1 billion in Q2 2015.

Interconnect costs decreased by 39.5% in Q2 2015 quarter over quarter, and amounted to HUF 5.0 billion. There was a significant decrease in the voice network access charges in Hungary due to lower regulated mobile termination rates (from HUF 7.06 to 1.71) from April 1, 2015.

More infrastructure projects at T-Systems Hungary caused SI/IT service related costs to increase by 36.2% from HUF 8.9 billion in Q2 2014 to HUF 12.1 billion in Q2 2015.

Energy service related costs in Hungary increased from HUF 7.6 billion in Q2 2014 to HUF 10.1 billion in Q2 2015 primarily driven by higher volume of electricity and gas consumption. This was partly counterbalanced by decreased purchase prices in Q2 2015.

Bad debt expenses increased slightly by 5.7% from HUF 2.1 billion in Q2 2014 to HUF 2.2 billion in Q2 2015, mainly owing to the slightly higher amount of impairment loss charged in Q2 2015 on receivables from equipment sales on installments in Hungary. Bad debt expenses decreased by 22.9% from HUF 5.4 billion in H1 2014 to HUF 4.1 billion in H1 2015, mainly due to the significantly higher impairment loss charged in Q1 2014 on receivables from equipment sales on installments in Hungary.

Other direct costs increased from HUF 23.5 billion in Q2 2014 to HUF 26.7 billion in Q2 2015 primarily due to higher cost of equipment sales as a result of the higher number and unit cost of equipment sold, due to the higher portion of smartphone sales.

3.1.4 Gross margin

Gross margin increased slightly from HUF 101.5 billion in Q2 2014 to HUF 102.4 billion in Q2 2015, as direct costs in nominal terms increased to a lesser extent than revenues quarter over quarter.

3.1.5 Employee-related expenses

Employee-related expenses decreased by 3.5% from HUF 23.1 billion in Q2 2014 to HUF 22.3 billion in Q2 2015, owing to the 3.4% decrease in average employee figure quarter over quarter driven by Telekom Hungary segment.

3.1.6 Hungarian sector specific special taxes

Hungarian sector specific special taxes slightly increased to HUF 6.5 billion quarter over quarter, representing only telecom tax as there was no utility tax in the second quarter.

3.1.7 Other operating expenses

Other operating expenses remained stable at HUF 23.1 billion quarter over quarter.

3.1.8 Other operating income

Other operating income increased from HUF 0.8 billion to HUF 1.7 billion quarter over quarter, primarily due to higher income from customer overpayments.

3.1.9 EBITDA

EBITDA increased by 5.2% from HUF 49.6 billion in Q2 2014 to HUF 52.2 billion in Q2 2015, primarily due to higher gross margin coupled with lower employee related expenses and higher other operating income in Q2 2015. The 9% EBITDA growth at Telekom Hungary segment was mitigated by all the other segments.

3.1.10 Depreciation and amortization

Depreciation and amortization expenses increased by 8.9% from HUF 24.5 billion in Q2 2014 to HUF 26.7 billion in Q2 2015, mainly due to the increase in the amortization of telecom licenses due to the new frequency usage rights acquired in Q4 2014. Software activation related to the new billing system caused higher depreciation costs in 2015.

3.1.11 Operating profit

Operating profit increased from HUF 25.1 billion in Q2 2014 to HUF 25.5 billion in Q2 2015 for the reasons described above.

3.1.12 Net financial result

The net financial result deteriorated by 11.7% in H1 2015 from HUF 13.8 billion in H1 2014 to HUF 15.4 billion in H1 2015. The net financial result improved by 12.2% from HUF 7.8 billion in Q2 2014 to HUF 6.8 billion Q2 2015. Both changes were primarily due to the hectic movement of the HUF/EUR exchange rate resulting in fluctuating FX gains and losses and fair valuation gains and losses of our derivatives partly compensating the FX fluctuations.

3.1.13 Income tax

Income tax expense increased from HUF 4.8 billion in Q2 2014 to HUF 5.1 billion in Q2 2015. The slight increase in corporate taxes is in line with the higher profit before tax. The increase in other income taxes is mostly due to the higher Hungarian local business tax which is in line with improving revenues / direct margin.

Year over year, Income tax expense decreased from HUF 9.8 billion in H1 2014 to HUF 8.0 billion in H1 2015. The main reason of the decrease is the HUF 1.1 billion income tax expense upon dividend declaration in Macedonia in H1 2014. (This tax effect was offset in the profit attributable to non controlling interests in the same amount having no net impact on the profit attributable to the owners of MT.) In addition, the HUF 2.5 billion lower profit before tax in H1 2015 also had a corresponding decreasing impact on income tax expenses in an approximate amount of HUF 0.7 billion calculating with an average effective tax rate of 30%.

3.1.14 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests remained unchanged from Q2 2014 to Q2 2015.

Year over year, the profit attributable to non-controlling interests increased from HUF 1.2 billion in H1 2014 to HUF 1.8 billion in H1 2015. At Makedonski Telekom HUF 1.1 billion negative profit attributable to non-controlling interests was recognized in H1 2014 as a result of the amended tax law, which introduced the income tax liability on all dividend declarations from January 2014. This one-off effect was slightly offset by the improving results of our Macedonian operations which resulted in a higher profit attributable to non-controlling interest in H1 2015. At Crnogorski Telekom the lower profits resulted in lower profit attributable to non-controlling interests in H1 2015.

3.1.15 Cash flows

HUF millions	1-6 months 2014	1-6 months 2015	Change
Operating cash flow	56 216	58 479	2 263
Investing cash flow	(24 006)	(37 435)	(13 429)
Less: Proceeds from other financial assets - net	(17 526)	(17 075)	451
Investing cash flow excluding Proceeds from other financial assets – net	(41 532)	(54 510)	(12 978)
Repayment of other financial liabilities	(14 027)	(5 372)	8 655
Free cash flow	**657**	**(1 403)**	**(2 060)**
Proceeds from other financial assets - net	17 526	17 075	(451)
Repayment of loans and other borrowings - net	(12 828)	(11 317)	1 511
Dividend paid to shareholders and Non-controlling interests	(6 411)	(6 158)	253
Exchange gains on cash and cash equivalents	390	(10)	(400)
Change in cash and cash equivalents	**(666)**	**(1 813)**	**(1 147)**

Free cash flow (FCF)

Operating cash flow

Net cash generated from operating activities amounted to HUF 58.5 billion in 2015, compared to HUF 56.2 billion in 2014. Main reasons for the increase of HUF 2.3 billion were the following:

- HUF 4.5 billion positive change due to the higher EBITDA in 2015 than in 2014
- HUF -3 billion negative change in active working capital due to increase in installment receivables in 2015 as opposed to unchanged balance in 2014 due to higher investment in the market in 2015.
- HUF -1 billion negative change in provisions due to higher payment of severance and legal provisions in 2015 than in 2014
- HUF 3 billion positive change due to lower tax payments in Macedonia in 2015 due to the changes of the tax law in 2014, which brought the payment of the dividend related taxes earlier in 2014
- HUF -1 billion negative change due to higher interest paid on capitalized annual frequency fees in 2015 due to the new frequencies acquired in Q4 2014

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF -54.5 billion in 2015, compared to HUF -41.5 billion in 2014. Main reasons for the HUF 13 billion higher cash outflow were the following:

- HUF -14 billion more spending due to acquisition of GTS Hungary in Q2 2015
- HUF 2 billion positive change due to cash acquired through GTS Hungary acquisition
- HUF -2 billion more spending in 2015 mainly due to higher investment in Digital Hungary and PSTN replacement in 2015
- HUF 3 billion positive change due to the lower amount of Capex creditors paid in 2015 than in 2014

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF -14 billion in 2014 to HUF -5 billion in 2015. Main reasons for the lower payments of HUF 9 billion were the following:

- HUF 10 billion lower payment due to the Q1 2014 payments on vendor invoices reverse factored in Q4 2013
- HUF -1 billion higher payment on annual frequency fees in 2015 than in 2014, due to the new frequencies acquired in Q4 2014

Free cash flow overall decreased from HUF 0.7 billion in 2014 to HUF -1.4 billion in 2015 due to the reasons described above.

Proceeds from other financial assets - net

Proceeds from other financial assets - net decreased by HUF 0.5 billion. Main reasons for the decrease were the following:

- HUF 5 billion net cash inflows from derivatives in 2015 as opposed to
- HUF 1 billion net cash outflows from derivatives in 2014;
- HUF -5 billion higher amount of CT's cash was invested as bank deposits over 3 months in H1 2015 in net terms

Repayment of loans and other borrowings - net

Repayment of other borrowings - net decreased by HUF 2 billion as a result of the changing financing needs imposed by the changes described above.

Dividend paid to shareholders and Non-controlling interest

Dividend paid to shareholders and Non-controlling interest decreased by HUF 0.3 billion. Main reasons for the decrease were the following:

- HUF 0.4 billion - Maktel dividend paid to minority owners was lower in 2015
- HUF -0.1 billion - CT dividend paid to minority owners was slightly higher in 2015

Exchange losses on cash and cash equivalents

The exchange loss on cash and cash equivalent is due to depreciating HUF in 2014 as opposed to unchanged HUF in 2015.

3.1.16 Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2014 to June 30, 2015 can be observed in the following lines:

- Trade and other receivables
- Other current financial assets
- Property, plant and equipment
- Financial liabilities to related parties
- Other financial liabilities – current portion
- Trade payables

Trade and other receivables increased by HUF 13 billion from December 31, 2014 to June 30, 2015. The main reason for the increase is the intensified investment in equipment sales on 24 months of installments.

Other current financial assets decreased by HUF 16 billion from December 31, 2014 to June 30, 2015. The main reason for the decrease is that the Group's Macedonian and Montenegrin subsidiaries cashed in their bank deposits to pay dividends to their minority owners and Magyar Telekom Plc., which used the proceeds to repay external loans and other borrowings.

Property, plant and equipment (PPE) decreased by HUF 6 billion from December 31, 2014 to June 30, 2015. The main reason for the decrease is that the depreciation and scrapping of the assets exceeded the capital expenditure in H1 2015.

Financial liabilities to related parties increased by HUF 7 billion from December 31, 2014 to June 30, 2015. The main reason for the increase is that certain short term bank loans were refinanced by DT group loans.

The current portion of Other financial liabilities decreased by HUF 16 billion from December 31, 2014 to June 30, 2015. The main reason for the decrease is that certain short term bank loans were refinanced by DT group loans, while others were repaid from the free cash flows.

Trade payables decreased by HUF 10 billion from December 31, 2014 to June 30, 2015. The main reason for the decrease is that capex, equipment and energy sales pick up in the last quarter of the year, the vendors of which are usually paid in the first quarter of the following year.

There has not been any other material change in the items of the Consolidated Statement of Financial Position from December 31, 2014 to June 30, 2015. 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 H1 2015 and the related explanations provided above in section 3.1.15 Cash flows.

3.1.17 Key Performance Indicators / Key operating statistics

The financial and operating statistics are available on the following website:

http://www.telekom.hu/investor_relations/financial

3.2. Segment information

3.2.1 Description of segments

The Group's operating segments are Telekom Hungary, T-Systems Hungary, Macedonia and Montenegro.

The Telekom Hungary segment operates in Hungary providing mobile and fixed line telecommunications and TV distribution and energy retail services to millions of residential and small and medium business customers mainly under the Telekom brand. The Telekom Hungary segment 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 Group's management. This segment is also responsible for the Group's points of presence in Bulgaria and Romania providing mainly wholesale services to local companies and operators.

T-Systems Hungary operates in Hungary providing mobile and fixed line telecommunications, infocommunications and system integration services under the T-Systems brand to key business customers (large corporate and public sector customers).

The Group also has full-scale mobile and fixed line telecommunications operations in Macedonia and Montenegro, which represent two additional operating segments of the Group.

Information regularly provided to the Management Committee

The following tables present the information by reportable segment regularly provided to the Management Committee (MC) of the Company, reconciled to the corresponding Group numbers. The information regularly provided to the MC includes several measures of profit which are considered for the purposes of assessing performance and allocating resources. These items vary year-over-year in nature and magnitude. Management believes that Revenue, EBITDA and Capex are the segment measures that are most consistent with the measurement principles used in measuring the corresponding amounts in these financial statements.

HUF millions	Q2 2014	Q2 2015	1-6 months 2014	1-6 months 2015
Total Telekom Hungary revenues	110,820	115,590	224,476	237,095
Less: Telekom Hungary revenues from other segments	(6,080)	(5,506)	(12,592)	(11,684)
Telekom Hungary revenues from external customers	**104,740**	**110,084**	**211,884**	**225,411**
Total T-Systems Hungary revenues	27,916	28,853	55,216	52,365
Less: T-Systems Hungary revenues from other segments	(2,422)	(1,313)	(5,896)	(2,650)
T-Systems Hungary revenues from external customers	**25,494**	**27,540**	**49,320**	**49,715**
Total Macedonia revenues	13,545	12,928	26,937	25,432
Less: Macedonia revenues from other segments	(31)	(18)	(52)	(33)
Macedonia revenues from external customers	**13,514**	**12,910**	**26,885**	**25,399**
Total Montenegro revenues	8,037	7,959	15,592	14,933
Less: Montenegro revenues from other segments	(10)	2	(15)	(6)
Montenegro revenues from external customers	**8,027**	**7,961**	**15,577**	**14,927**
Total consolidated revenue of the segments	151,775	158,495	303,666	315,452
Measurement/rounding differences to Group revenue	11	0	13	0
Total revenue of the Group	**151,786**	**158,495**	**303,679**	**315,452**
Segment results (EBITDA)				
Telekom Hungary	37,422	40,824	66,572	73,337
T-Systems Hungary	3,788	3,405	6,983	6,052
Macedonia	5,143	4,977	10,570	10,024
Montenegro	3,378	3,160	6,084	5,580
Total EBITDA of the segments	**49,731**	**52,366**	**90,209**	**94,993**
Measurement/rounding differences to Group EBITDA	(128)	(189)	(78)	(350)
Total EBITDA of the Group	**49,603**	**52,177**	**90,131**	**94,643**

3.2.2 Telekom Hungary

HUF millions	Q2 2014	Q2 2015	Change	Change (%)	1-6 month 2014	1-6 month 2015	Change	Change (%)
Voice	36,029	32,713	(3,316)	(9.2%)	70,692	68,397	(2,295)	(3.2%)
Non-voice	13,233	14,631	1,398	10.6%	25,852	28,713	2,861	11.1%
Other	11,797	13,386	1,589	13.5%	22,210	25,622	3,412	15.4%
Total mobile revenues	**61,059**	**60,730**	**(329)**	**(0.5%)**	**118,754**	**122,732**	**3,978**	**3.3%**
Voice retail	11,143	10,669	(474)	(4.3%)	22,489	21,388	(1,101)	(4.9%)
Broadband - retail	8,935	10,590	1,655	18.5%	17,763	20,217	2,454	13.8%
TV	8,356	9,255	899	10.8%	16,572	18,282	1,710	10.3%
Other	12,800	13,145	345	2.7%	26,453	26,050	(403)	(1.5%)
Fixed line revenues	**41,234**	**43,659**	**2,425**	**5.9%**	**83,277**	**85,937**	**2,660**	**3.2%**
SI/IT revenues	431	757	326	75.6%	840	1,192	352	41.9%
Revenue from Energy services	8,096	10,444	2,348	29.0%	21,605	27,234	5,629	26.1%
Total revenues	**110,820**	**115,590**	**4,770**	**4.3%**	**224,476**	**237,095**	**12,619**	**5.6%**
Direct cost	**(35,184)**	**(37,967)**	**(2,783)**	**(7.9%)**	**(75,345)**	**(83,408)**	**(8,063)**	**(10.7%)**
Gross margin	**75,636**	**77,623**	**1,987**	**2.6%**	**149,131**	**153,687**	**4,556**	**3.1%**
Telecom tax	(5,112)	(5,273)	(161)	(3.1%)	(10,244)	(10,305)	(61)	(0.6%)
Utility tax	0	0	0	n.a.	(6,950)	(7,107)	(157)	(2.3%)
Other operating expenses (net)	(33,102)	(31,526)	1,576	4.8%	(65,365)	(62,938)	2,427	3.7%
EBITDA	**37,422**	**40,824**	**3,402**	**9.1%**	**66,572**	**73,337**	**6,765**	**10.2%**
Segment Capex	**14,132**	**19,418**	**5,286**	**37.4%**	**29,317**	**30,093**	**776**	**2.6%**

Revenues

Total revenues in the Telekom Hungary segment increased by 4.3% in Q2 2015 compared with the same quarter in the previous year. The overall revenue increases were mitigated by lower mobile and fixed voice revenues. On a year-to-date basis, other fixed line revenues decreased as well, driven by the lower wholesale revenues in Q1 2015. In Q2 2015, the consolidation of GTS revenues turned the wholesale revenues into increase.

Mobile services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Mobile penetration [(1) (3)]	116.8%	**n.a.**	n.a.	116.8%	**n.a.**	n.a.
Mobile SIM market share [(2) (3)]	46.3%	**n.a.**	n.a.	46.3%	**n.a.**	n.a.
Number of customers (RPC)	**4,897,647**	**4,937,920**	**0.8%**	**4,897,647**	**4,937,920**	**0.8%**
Postpaid share in the RPC base	49.3%	51.0%	n.a.	49.3%	51.0%	n.a.
MOU	**171**	**187**	**9.3%**	**165**	**183**	**10.8%**
ARPU (HUF)	**3,477**	**3,306**	**(4.9%)**	**3,405**	**3,384**	**(0.6%)**
Postpaid	5,741	5,421	(5.6%)	5,663	5,565	(1.7%)
Prepaid	1,303	1,133	(13.0%)	1,256	1,164	(7.3%)
Churn rate	17.3%	17.8%	n.a.	17.7%	18.1%	n.a.
Postpaid	10.3%	9.9%	n.a.	11.8%	10.9%	n.a.
Prepaid	23.9%	26.0%	n.a.	23.4%	25.3%	n.a.
Ratio of non-voice revenues in ARPU	26.7%	30.9%	n.a.	26.7%	29.6%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	4,975	6,647	33.6%	5,325	6,235	17.1%
Average retention cost (SRC) per retained customer (HUF)	12,826	15,703	22.4%	13,360	15,672	17.3%
Number of mobile broadband subscriptions	**1,826,343**	**2,114,650**	**15.8%**	**1,826,343**	**2,114,650**	**15.8%**
Mobile broadband market share based on total number of subscriptions [(4)]	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Population-based outdoor 3G coverage	83.0%	83.0%	n.a.	83.0%	83.0%	n.a.
Population-based outdoor 4G coverage	50.8%	90.8%	n.a.	50.8%	90.8%	n.a.

(1) Data relates to the mobile penetration in Hungary, including customers of all three service providers.
(2) Data relates to Magyar Telekom Plc. based on NMHH reports.
(3) Available only until June 2014 by NMHH due to definition update.
(4) Available only until January 2014 by NMHH due to definition update.

Mobile revenues decreased by 0.5% in Q2 2015 versus Q2 2014. Voice-wholesale revenues decreased significantly in Q2 2015, mainly due to the 76% lower regulated mobile termination rate in Hungary, applicable from April 1, 2015. Roaming voice revenues decreased mainly due to EU regulation driven average tariff erosion. Voice retail revenues increased owing to higher postpaid revenues mainly due to higher outgoing traffic and higher customer base, partly offset by lower prepaid revenues. Increase in non-voice revenues were driven by wider usage of mobile Broadband. Higher Other revenues were driven by higher number of handsets and accessories sold and the increase in average selling prices in Q2 2015 versus Q2 2014.

On a year-to-date basis, mobile revenues increased by 3.3% due to the significant increase in the first quarter and despite the Hungarian mobile wholesale voice termination fees, which were decreased to HUF 1.71 / min (net of VAT) from April 1, 2015.

Fixed line services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Voice services						
Total voice access	1,421,063	1,408,042	(0.9%)	1,421,063	1,408,042	(0.9%)
Total outgoing traffic (thousand minutes)	683,842	632,884	(7.5%)	1,426,969	1,335,643	(6.4%)
Blended MOU (outgoing) [(1)]	161	151	(6.2%)	167	158	(5.4%)
Blended ARPU (HUF) [(1)]	2,598	2,533	(2.5%)	2,618	2,533	(3.2%)

(1) Including PSTN, VoIP and VoCable.

Fixed line voice retail revenues declined by 4.3% in Q2 2015 compared to Q2 2014 due to lower subscription fee revenues resulting from the decrease in the average number of fixed lines. The decrease was also driven by lower outgoing traffic revenues due to decreased traffic and price discounts reflecting the migration towards multiplay packages and mobile substitution, as well as competition with VoIP and VoCable operators. The slightly decreasing number of customers with flat-rate packages also lowered the bended ARPU.

Internet services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Blended retail broadband market share [(1)]	**37.6%**	**39.2%**	**n.a.**	**37.6%**	**39.2%**	**n.a.**
Number of retail DSL customers	525,773	570,460	8.5%	525,773	570,460	8.5%
Number of cable broadband customers	296,636	327,912	10.5%	296,636	327,912	10.5%
Number of fiber optic connections	54,531	63,033	15.6%	54,531	63,033	15.6%
Total retail broadband customers	**876,940**	**961,405**	**9.6%**	**876,940**	**961,405**	**9.6%**
Blended broadband ARPU (HUF)	3,415	3,606	5.6%	3,418	3,525	3.1%

(1) Data relates to Magyar Telekom Plc. based on NMHH reports for May 2015.

Broadband retail revenues increased by 18.5% and amounted to HUF 10.6 billion in Q2 2015 driven by the higher number of retail broadband customers and the significantly higher ARPU caused by successful upgrade campaigns.

TV services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Blended TV market share [(1)]	**26.3%**	**27.4%**	**n.a.**	**26.3%**	**27.4%**	**n.a.**
Number of IPTV customers	419,351	466,267	11.2%	419,351	466,267	11.2%
Number of satellite TV customers	308,088	305,305	(0.9%)	308,088	305,305	(0.9%)
Number of cable TV customers	179,112	167,596	(6.4%)	179,112	167,596	(6.4%)
Total TV customers	**906,551**	**939,168**	**3.6%**	**906,551**	**939,168**	**3.6%**
Blended TV ARPU (HUF)	3,090	3,295	6.6%	3,079	3,259	5.8%

(1) Data relates to Magyar Telekom Plc. based on NMHH reports for May 2015.

IPTV and satellite TV revenues increased in Q2 2015 compared to the same quarter last year due to higher ARPU and RPC; however, this increase was partly offset by lower Cable TV revenues influenced by the lower customer base primarily due to migration from Cable TV to IPTV. Growth in satellite TV revenues was due to higher subscription fees in Q2 2015 compared to Q2 2014.

Energy services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Electricity points of delivery	106,407	108,676	2.1%	106,407	108,676	2.1%
Gas points of delivery	66,757	65,406	(2.0%)	66,757	65,406	(2.0%)

Energy services revenues increased by HUF 2.3 billion in Q2 2015 versus Q2 2014 owing to the higher number of electricity points of delivery and the increased average consumption quarter over quarter due to the shift towards business customers with higher consumption. The universal service provider price reduction from September 2014 had a partly compensating negative effect on the revenues.

EBITDA

EBITDA of the Telekom Hungary segment increased by 9.1% in Q2 2015 versus Q2 2014, the main reason is that the higher gross margin was coupled with decreased employee-related expenses owing to lower average headcount in Q2 2015.

Segment Capex

Segment Capex increased by HUF 5.3 billion quarter over quarter primarily due to investments in the implementation of Digital Hungary based on the partnership agreement signed with the Government. In Q2 2015, TV platform and broadband network development also contributed to the higher investments in tangible and intangible assets.

3.2.3 T-Systems Hungary

HUF millions	Q2 2014	Q2 2015	Change	Change (%)	1-6 months 2014	1-6 months 2015	Change	Change (%)
Voice	3,657	3,057	(600)	(16.4%)	7,354	6,425	(929)	(12.6%)
Non-voice	2,407	2,550	144	6.0%	4,718	4,944	226	4.8%
Other	797	758	(40)	(5.0%)	1,645	1,468	(177)	(10.8%)
Mobile revenues	**6,861**	**6,365**	**(496)**	**(7.2%)**	**13,717**	**12,837**	**(880)**	**(6.4%)**
Voice retail	1,770	1,505	(265)	(15.0%)	3,485	3,080	(405)	(11.6%)
Broadband-retail	540	444	(96)	(17.8%)	1,093	894	(199)	(18.2%)
Data	2,186	1,781	(405)	(18.5%)	4,271	3,575	(696)	(16.3%)
Other	724	762	38	5.2%	1,389	1,517	128	9.2%
Total fixed line revenues	**5,220**	**4,492**	**(728)**	**(13.9%)**	**10,238**	**9,066**	**(1,172)**	**(11.4%)**
SI/IT revenues	15,835	17,996	2,161	13.6%	31,261	30,462	(799)	(2.6%)
Total revenues	**27,916**	**28,853**	**937**	**3.4%**	**55,216**	**52,365**	**(2,851)**	**(5.2%)**
Direct cost	**(15,601)**	**(17,172)**	**(1,571)**	**(10.1%)**	**(30,942)**	**(29,626)**	**1,316**	**4.3%**
Gross margin	**12,315**	**11,681**	**(634)**	**(5.1%)**	**24,274**	**22,739**	**(1,535)**	**(6.3%)**
Telecom tax	(1,313)	(1,213)	100	7.6%	(2,617)	(2,407)	210	8.0%
Utility tax	0	0	0	n.a.	(526)	(542)	(16)	(3.0%)
Other operating expenses (net)	(7,214)	(7,063)	151	2.1%	(14,148)	(13,738)	410	2.9%
EBITDA	**3,788**	**3,405**	**(383)**	**(10.1%)**	**6,983**	**6,052**	**(931)**	**(13.3%)**
Segment Capex	**421**	**1,162**	**741**	**176.0%**	**1,164**	**1,862**	**698**	**60.0%**

Revenues

Total revenues of T-Systems Hungary increased by 3.4% in Q2 2015 compared to Q2 2014 as the growth in SI/IT revenues exceeded the decrease in mobile and fixed line revenues.

On a year-to-date basis, total revenues of T-Systems Hungary decreased by 5.2% as the lower SI/IT revenues (coming from Q1) were coupled with the mobile and fixed line revenue decrease.

Mobile services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Number of customers (number or SIM cards)	505,885	538,371	6.4%	505,885	538,371	6.4%
Churn rate	18.6%	8.9%	n.a.	16.9%	9.2%	n.a.
MOU	255	223	(12.5%)	255	224	(12.2%)
ARPU (HUF)	3,967	3,564	(10.2%)	3,919	3,644	(7.0%)
Ratio of non-voice revenues in ARPU	39.8%	45.2%	n.a.	39.2%	43.4%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	2,683	1,264	(52.9%)	2,636	1,175	(55.4%)
Number of mobile broadband subscriptions	130,648	142,875	9.4%	130,648	142,875	9.4%

Mobile voice revenues decreased by 16.4% in Q2 2015 versus Q2 2014 mainly due to lower MOU and lower roaming revenues caused by EU regulated average tariff erosion, effective from July 1, 2014. The 6.0% increase in non-voice revenues was driven by higher mobile broadband revenues, reflecting the increased number of mobile broadband subscriptions and higher usage.

Fixed line services	Q2 2014	Q2 2015	change %	1-6 month 2014	1-6 month 2015	change %
Voice services						
Total voice access	67,983	63,857	(6.1%)	67,983	63,857	(6.1%)
Total outgoing traffic (thousand minutes)	65,582	58,040	(11.5%)	134,938	120,468	(10.7%)
MOU (outgoing)	321	301	(6.2%)	328	311	(5.3%)
ARPU (HUF)	8,656	7,811	(9.8%)	8,481	7,955	(6.2%)
Internet services						
Number of retail broadband access	12,419	8,714	(29.8%)	12,419	8,714	(29.8%)
Blended broadband ARPU (HUF)	15,009	15,939	6.2%	14,904	15,685	5.2%

Fixed line voice retail revenues decreased by 15.0% caused by the erosion both in the customer base and traffic quarter over quarter. Fixed line Broadband retail revenues were down by 17.8% as a result of the lower number of retail broadband access due to customer losses towards the state-owned operator at the beginning of this year, which could not be compensated by the limited broadband ARPU increase. Fixed line data revenues also declined as a result of the lower number of leased lines in Q2 2015.

SI/IT services

The 13.6% increase in SI/IT revenues quarter over quarter resulted mainly from a few new major projects in Q2 2015.

On a year-to-date basis, SI/IT revenues decreased by 2.6% resulted mainly from the lower number of projects in H1 2015 (coming from Q1).

EBITDA

EBITDA decreased by 10.1% in Q2 2015 compared to Q2 2014, due to the continuous shift from the high margin telco services to the generally low margin SI/IT services, which was partly counterbalanced by the lower telecom tax and higher other operating income.

Segment Capex

Segment Capex increased by HUF 741 million in Q2 2015 compared to Q2 2014, as a result of higher amount of new projects requiring spending on tangible and intangible assets.

3.2.4 Macedonia

HUF millions	Q2 2014	Q2 2015	Change	Change (%)	1-6 months 2014	1-6 months 2015	Change	Change (%)
Voice revenues	5,375	4,693	(682)	(12.7%)	10,497	9,208	(1,289)	(12.3%)
Non-voice revenues	1,173	1,340	167	14.2%	2,351	2,615	264	11.2%
Other mobile revenues	1,020	1,156	136	13.3%	1,921	2,133	212	11.0%
Total mobile revenues	**7,568**	**7,189**	**(379)**	**(5.0%)**	**14,769**	**13,956**	**(813)**	**(5.5%)**
Voice-retail	1,802	1,511	(291)	(16.1%)	3,704	3,077	(627)	(16.9%)
Broadband retail	1,386	1,298	(88)	(6.3%)	2,769	2,606	(163)	(5.9%)
TV	616	766	150	24.4%	1,205	1,506	301	25.0%
Other fixed line revenues	2,073	1,827	(246)	(11.9%)	4,300	3,761	(539)	(12.5%)
Total fixed line revenues	**5,877**	**5,402**	**(475)**	**(8.1%)**	**11,978**	**10,950**	**(1,028)**	**(8.6%)**
SI/IT revenues	100	337	237	237.0%	190	526	336	176.8%
Total revenues	**13,545**	**12,928**	**(617)**	**(4.6%)**	**26,937**	**25,432**	**(1,505)**	**(5.6%)**
Direct costs	**(4,026)**	**(3,970)**	**56**	**1.4%**	**(7,715)**	**(7,557)**	**158**	**2.0%**
Gross margin	**9,519**	**8,958**	**(561)**	**(5.9%)**	**19,222**	**17,875**	**(1,347)**	**(7.0%)**
Other operating expenses (net)	(4,376)	(3,981)	395	9.0%	(8,652)	(7,851)	801	9.3%
EBITDA	**5,143**	**4,977**	**(166)**	**(3.2%)**	**10,570**	**10,024**	**(546)**	**(5.2%)**
Segment Capex	**995**	**1,272**	**277**	**27.8%**	**1,747**	**1,829**	**82**	**4.7%**

In Q2 2015, there was no significant change in the HUF/MKD average foreign exchange rates compared with the same quarter last year, which had a neutral impact on the results of the Macedonian segment in HUF terms.

Revenues

Total revenues decreased by 4.6% in HUF terms quarter over quarter, mainly driven by the decrease in mobile and fixed voice revenues, partly mitigated by higher SI/IT revenues.

Mobile services	Q2 2014	Q2 2015	change %	1-6 months 2014	1-6 months 2015	change %
Mobile penetration[1]	107.5%	104.5%	n.a.	107.5%	104.5%	n.a.
Market share of T-Mobile Macedonia[1][2]	46.1%	46.7%	n.a.	46.1%	46.7%	n.a.
Number of customers	1,166,262	1,179,584	1.1%	1,166,262	1,179,584	1.1%
Postpaid share in the customer base	35.0%	36.9%	n.a.	35.0%	36.9%	n.a.
MOU	206	215	4.4%	197	209	6.1%
ARPU (HUF)	1,852	1,690	(8.7%)	1,799	1,650	(8.3%)

(1) Data published by Macedonian Agency for Electronic Communications (AEC)
(2) Calculation based on active customers

Mobile voice revenues decreased by 12.7% quarter over quarter, mainly due to lower voice-retail revenues, driven by lower subscription fees, in spite of the increase in average outgoing minutes. Voice wholesale revenues decreased as well, due to lower international incoming traffic volume terminated in mobile in Q2 2015 compared to Q2 2014.

Non-voice revenues increased by 14.2% quarter over quarter. Mobile internet revenues increased in Q2 2015 mainly due to higher GPRS traffic and increased usage of tariff models with voice-data bundle. Decreased SMS retail revenues owing to lower number of SMS sent in Q2 2015 partly counterbalanced the increased mobile internet revenue.

As part of other mobile revenues, mobile equipment revenues increased due to the higher average selling price in Q2 2015 compared to the same period in 2014.

Fixed line services	Q2 2014	Q2 2015	change %	1-6 months 2014	1-6 months 2015	change %
Voice services						
Fixed line penetration	12.7%	11.7%	n.a.	12.7%	11.7%	n.a.
Total voice access	243,728	229,373	(5.9%)	243,728	229,373	(5.9%)
Total outgoing traffic (thousand minutes)	77,083	54,238	(29.6%)	160,408	114,860	(28.4%)
Internet and TV services						
Retail DSL market share (estimated)	82.4%	82.2%	n.a.	82.4%	82.2%	n.a.
Number of retail DSL customers	164,040	164,491	0.3%	164,040	164,491	0.3%
Number of IPTV customers	95,276	99,638	4.6%	95,276	99,638	4.6%

Fixed line revenues decreased by 8.1% quarter over quarter, mainly driven by lower voice-retail, broadband retail and other fixed line revenues. Voice-retail revenues declined reflecting lower traffic and customer number while the decrease in broadband retail was driven by lower internet ARPU. Other revenues decreased mainly due to lower international incoming revenues as a result of lower volume of traffic in Q2 2015. These decreases were partly counterbalanced by the increase in TV revenues, owing to the growing IPTV subscriber base.

System integration revenues increased significantly quarter over quarter due to increased revenues from customized ICT projects and network equipment sales.

EBITDA

EBITDA of our Macedonian operations decreased by 3.2% in Q2 2014 versus Q2 2015 in HUF terms due to the 5.9% lower gross margin partly offset by the 9.0% lower other operating expenses.

Segment Capex

Segment Capex increased by 27.8% in Q2 2015, mainly due to the higher volume of IT projects.

3.2.5 Montenegro

HUF millions	Q2 2014	Q2 2015	Change	Change (%)	1-6 months 2014	1-6 months 2015	Change	Change (%)
Voice revenues	2,283	1,960	(323)	(14.1%)	4,339	3,880	(459)	(10.6%)
Non-voice revenues	940	946	6	0.6%	1,880	1,733	(147)	(7.8%)
Other mobile revenues	462	520	58	12.6%	783	900	117	14.9%
Total mobile revenues	**3,685**	**3,426**	**(259)**	**(7.0%)**	**7,002**	**6,513**	**(489)**	**(7.0%)**
Voice-retail	1,523	1,344	(179)	(11.8%)	3,060	2,694	(366)	(12.0%)
Broadband retail	966	894	(72)	(7.5%)	1,918	1,772	(146)	(7.6%)
TV	552	564	12	2.2%	1,098	1,125	27	2.5%
Other fixed line revenues	1,015	1,163	148	14.6%	2,018	1,947	(71)	(3.5%)
Total fixed line revenues	**4,056**	**3,965**	**(91)**	**(2.2%)**	**8,094**	**7,538**	**(556)**	**(6.9%)**
SI/IT revenues	296	568	272	91.9%	496	882	386	77.8%
Total revenues	**8,037**	**7,959**	**(78)**	**(1.0%)**	**15,592**	**14,933**	**(659)**	**(4.2%)**
Direct costs	**(2,116)**	**(2,386)**	**(270)**	**(12.8%)**	**(4,167)**	**(4,333)**	**(166)**	**(4.0%)**
Gross margin	**5,921**	**5,573**	**(348)**	**(5.9%)**	**11,425**	**10,600**	**(825)**	**(7.2%)**
Other operating expenses (net)	(2,543)	(2,413)	130	5.1%	(5,341)	(5,020)	321	6.0%
EBITDA	**3,378**	**3,160**	**(218)**	**(6.5%)**	**6,084**	**5,580**	**(504)**	**(8.3%)**
Segment Capex	**536**	**1,057**	**521**	**97.2%**	**1,191**	**1,304**	**113**	**9.5%**

In Q2 2015, there was no significant change in the HUF/EUR average foreign exchange rates compared with the same quarter last year which had a neutral impact on the results of the Montenegrin segment in HUF terms.

Revenues

In HUF terms, total revenues decreased by 1.0% quarter over quarter, mainly due to the decrease in voice revenues.

Mobile services	Q2 2014	Q2 2015	change %	1-6 months 2014	1-6 months 2015	change %
Mobile penetration [(1)]	159.8%	162.7%	n.a.	159.8%	162.7%	n.a.
Market share of T-Mobile Crna Gora [(1)]	34.2%	34.3%	n.a.	34.2%	34.3%	n.a.
Number of customers (RPC) [(1)]	339,344	341,645	0.7%	339,344	341,645	0.7%
Postpaid share in the RPC base	41.8%	44.2%	n.a.	41.8%	44.2%	n.a.
MOU	189	177	(6.3%)	178	169	(5.1%)
ARPU (HUF)	3,194	2,920	(8.6%)	3,071	2,791	(9.1%)

(1) According to data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).

Mobile revenues decreased by 7.0% quarter over quarter. The decrease in voice revenues is primarily the result of the lower ARPU. Decreased tariff level of the voice-wholesale revenues also contributed to the decline.

The above decline was partly counterbalanced by the increase in other mobile revenues owing to higher sales of mobile phones and other mobile accessories in Q2 2015 compared to Q2 2014.

Fixed line services	Q2 2014	Q2 2015	change %	1-6 months 2014	1-6 months 2015	change %
Voice services						
Fixed line penetration	25.1%	23.1%	n.a.	25.1%	23.1%	n.a.
Total voice access	150,177	146,663	(2.3%)	150,177	146,663	(2.3%)
Total outgoing traffic (thousand minutes)	58,533	48,012	(18.0%)	117,932	99,748	(15.4%)
Internet and TV services						
Retail DSL market share (estimated)	81.2%	83.7%	n.a.	81.2%	83.7%	n.a.
Number of DSL access	91,064	94,302	3.6%	91,064	94,302	3.6%
Number of IPTV customers	60,394	61,686	2.1%	60,394	61,686	2.1%

Total fixed line revenues decreased by 2.2% quarter over quarter in HUF terms as lower voice-retail and broadband retail revenues were only partly offset by higher TV and other fixed revenues. Voice-retail revenues decreased owing to lower number of accesses, lower ARPU due to regulatory pressure and less traffic. Broadband retail revenues decreased due to lower average prices as regulated price caps had been introduced.

These decreases were partly offset by an increase in Other fixed revenues due to higher infrastructure service revenues due to the sale of dark fiber capacities in 2015. TV revenues increased slightly owing to the 2.1% increase in the IPTV subscriber base.

EBITDA

The EBITDA of our Montenegrin operations decreased by 6.5% in HUF terms quarter over quarter mainly as a result of the lower gross margin, which was only partly counterbalanced by the 5.1% lower Other operating expenses (net).

Segment Capex

Segment Capex almost doubled in Q2 2015 compared to the same quarter last year, owing to much higher spending mainly on access and Information system developments.

3.3. 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

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.

Hungary

Public lawsuits relating to transaction fee

Two similar lawsuits were launched against the Company by the Hungarian Authority for Consumer Protection and the National Federation of Associations for Consumer Protection claiming that charging customers a transaction fee for invoices to be settled by yellow postal payment orders or in person at the cash-desk was unlawful. The Company is adamant that charging the transaction fee at the time of their introduction was not in breach of any law, while it was subsequently prohibited by a modification of the Act on Electronic Communications. The Company discontinued charging the fee on the effective date of the modification, and continues to comply with the provisions of the Act. In one of the cases, the Court has delivered the second instance court decision, in the other case the appeal of the first instance court decision is still pending. The management believes that it is not probable that a significant liability will arise from these claims.

Macedonia

Alleged breach of certain deadlines

MKT and T-Mobile MK have contingent liabilities in respect of legal and regulatory claims arising in the ordinary course of business. The major part of the contingent liabilities relate to several requests for initiating misdemeanor procedures from regulatory bodies for alleged breach of certain deadlines for decision upon subscriber's request. The maximum possible fine for each individual case is 4% - 10% of the annual revenue (HUF 35-43 billion) of the companies for the year preceding the misdemeanor, in accordance with the previously effective local legislation possibly applicable. Management believes that it is not probable that a significant liability will arise from these claims because of unsubstantial basis for initiating these misdemeanor procedures.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees in a nominal amount of HUF 15.6 billion as at December 31, 2014. 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 2015 or 2014, 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 2014.

3.4. Other matters

Investigation into certain consultancy contracts

As previously disclosed, the Company's Audit Committee conducted an internal investigation regarding certain contracts relating to the activities of the Company and/or its affiliates in Montenegro and Macedonia that totaled more than EUR 31 million. In particular, the internal investigation examined whether the Company and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the FCPA). The Company has previously disclosed the results of the internal investigation. For further information regarding the internal investigation, please see the Company's annual report for the year ended December 31, 2011.

The Company's Audit Committee informed the U.S. Department of Justice (the DOJ) and the U.S. Securities and Exchange Commission (the SEC) of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation.

On December 29, 2011, the Company announced that it had entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to the Company. The settlements concluded the DOJ's and the SEC's investigations. The Company disclosed the key terms of the settlements with the DOJ and the SEC on December 29, 2011. In particular, the Company disclosed that it had entered into a two-year deferred prosecution agreement (the DPA) with the DOJ. The DPA expired on January 5, 2014, and, further to the DOJ's request filed in accordance with the DPA, the U.S. District Court for the Eastern District of Virginia dismissed the charges against the Company on February 5, 2014.

On January 6, 2012 the Company paid a criminal penalty of USD 59.6 million (HUF 14,712 million) pursuant to the settlement with the DOJ and on January 23, 2012 the Company paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest (HUF 7,366 million in total) pursuant to the settlement with the SEC, totaling USD 90.8 million (HUF 22,078 million) paid with respect to the settlements with the DOJ and the SEC.

The aggregate amount of USD 90.8 million payable by the Company in settlement of the DOJ's and SEC's investigations was fully provided for before the end of 2011. No further provisions were made in 2012, 2013, 2014 or 2015 for these cases.

3.5. Significant events between the end of the quarter and the publishing of the "Interim financial report"

No such events have taken place since June 30, 2015 to the publication date of this report.

3.6. Business environment

The telecommunications industry is undergoing a major change globally. Worldwide trends are driving towards an integrated telecommunications, information, media and entertainment market. The increasing need for mobility and interactivity together with local specifics create new set-up in our eco-system both in terms of infrastructure, servicing and new types of business models.

Hungary

The saturating traditional telecommunications market delivers moderate growth in Hungary with strong restructuring between segments that puts pressure on margin levels. The fixed voice market as a major revenue and profit source is declining, mobile is about to follow that trend with stagnant customer base and lower prices. The fixed market is characterized by 3Play bundles, with broadband becoming a core element of service offerings. We expect continued consolidation in the fixed arena and the appearance of new over-the-top (OTT) technologies. An increasing technology platform-based competition is fueled by the government's Digital Hungary program. The extensive development program aims to cover every household in Hungary with high-speed internet access until the end of 2018. The digitalization of technology, services and education are key pillars of the country's competitiveness and the quality of life of its citizens.

Parallel with the fixed network developments, LTE network expansion is accelerated by the competition and more available mobile frequencies. Meanwhile the mobile voice market is characterized by flat rate packages; the appearance of new market players is expected with some impact on the market in mid-term. There is a fierce competition in broadband and content services and the battle for customer contracts has shifted from prices to quality in communication, specially focusing on network coverage and speed. The mobile broadband uptake still fuels the overall mobile market. However, the increasing regulation, in particular the abolishment of roaming fees and the decrease in mobile termination rates, is putting further pressure on market players.

After a 3.4% GDP growth in 2014 we expect a continuously improving economic environment in the second half of 2015. The economic recovery already has a positive effect on the households as well. Despite the increasing household budget, prices will not reach pre-crisis levels. However, operators can find ways to exploit higher household spending – with cross-sell and up-sell opportunities. We expect that the new core segments, especially mobile broadband, pay TV and IT services will deliver revenue growth in the coming years.

Macedonia

Economic performance had a solid GDP growth rate of 3.2% in the first quarter of 2015, lead by the export and investment components. Recent real sector indicators point to some downside risk, there is unfavorable trend in the second quarter of the year, industrial production in the period January- May 2015 decrease of -0.4% (YoY), while employment growth is conversely positive in the industry sector for same period of +2% (YoY). Operating in a highly challenging business environment and declining telecommunication business predictions in short-to-mid term (-8% market decline in 2015 and -3.4% in 2019), strong competition results in the continuation of price drops and value erosion. Continuous mobile substitution in the fixed market, supplemented with increased competition in all fixed and mobile markets.

Expectations for macroeconomic conditions are stable and production from several high-profile foreign investments remains strong, according to the EBRD projections the country's GDP is forecasted at 3.5% in 2015 and 3.7% in 2016. Downside risks mainly stem from internal political disputes.

Montenegro

The Montenegrin telco market is facing strong challenges: macroeconomic conditions are still challenging; competition is growing and merging, while regulatory pressure is still very intensive.

The fixed line market is becoming more competitive with cable operators expanding their geographical footprint. After two acquisitions in 2014 (Telenor bought MNNews; Telemach acquired TV only operator BBM), m:tel acquired local cable operator Cabling in 2015. Also, m:tel announced launch of cable BB/TV services for Q3 2015 and is currently deploying infrastructure. Telemach (SBB) is also intensifying works on developing own fiber network and launch of fixed BB services is expected in the second half of 2015. Orion Telekom, a medium sized Serbian BB&TV operator entered the business market in Montenegro in Q2 2015 and announced plans for expansion in residential areas in Q3 2015.

Activities in the mobile market are focused on promoting 4G network, provided by Telekom and Telenor and acquiring more mobile data customers, both full and confined (m:tel is still lagging behind and offers only 3G).

Regional Roaming Agreement between Montenegro, Serbia, Macedonia and B&H signed in September 2014, came into force and is applied by all three operators as of July 1, 2015.

Montenegro opened 2 new Chapters in the EU accession process in June 2015. NATO accession is in special Government and public focus since NATO membership invitation is expected in 2015.

The European Commission in the Spring Economic forecast improved its prediction for real GDP growth for 2015 to 3.3% instead of 3%. This correction is mainly driven by the construction of the first highway in Montenegro and several important tourism projects. Public debt amounted to 57.8% at the end of Q1 2015 and it is expected that it will rise in following years due to the construction of the first Montenegrin highway. Preparatory works for the construction of the highway are coming to an end and construction should start in September.

This 4-year capital project will have important impact on public finances and demands cautious spending, in order to avoid possible delay in pension and social transfer payments. Private consumption will be affected too, due to imposition of new taxes. Still the Government expects that the construction of the highway will have significant multiplier effects on the rest of the economy, together with works on several large tourism resorts will be key drivers of economic growth and have significant multiplier effects on the rest of the economy.

3.7. Strategy

Hungary

As a result of our focused strategic efforts, Magyar Telekom maintained leading positions in its Hungarian fixed line, fixed broadband, pay TV, mobile and ICT businesses in Q2 2015, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offered capabilities proactively leveraging on various partnering models as well.

We continue our transformation towards a diversified digital service company based on our strategic imperatives to innovate, grow and extend the core business – thus growing free cash flow while becoming a more agile organization. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider we continue to deliver a unique customer experience supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behavior, technological advances, and new business models, we aim to exploit our abilities to become a leader in all digital services around the home for both customers and third parties. We continue to identify and leverage new business opportunities in e-health, cloud, finance and insurance services, support customer retention and new revenue streams both in the residential and business segments. As a result of the changed market environment we decided to exit from the residential gas market. At the same time, we are about to establish a joint venture that will provide energy services for business customers in order to improve and optimize our energy operations.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

Macedonia

In first half of 2015, Makedonski Telekom and T-Mobile MK maintained the leading positions in the fixed line, mobile and PayTV market. Makedonski Telekom and T-Mobile MK as of 1 July officially became one company. The Resolution was adopted on the Shareholders' Assembly held on June 17, 2015 by accepting the Accession Agreement.

Major competition in fix voice services comes predominantly from CaTV operators, which offer BB & TV bundles without monthly fee for voice part. Retail data market reduces due to stronger market competition. Cloud services are being introduced and IT market shows dynamic growth.

Within the next period (2015-2018), following major trends are expected:

- Maintaining moderate GDP growth of 3-4%, decreasing unemployment on the long run, consumption growth between 3-4% and declining telecommunication business forecasted in short-to-mid term (-8% market decline in 2015 and -3,4% in 2019), strong competition results in continuation of price drop and value erosion.
- Continuous mobile substitution in the fixed market, supplemented with consolidation in the fixed and mobile markets.
- Introduction of Cloud services, IT market with dynamic growth; Mobile internet growth expectations, mostly driven by the increase of smart-phone penetration, which cannot substitute market revenue decrease from voice services. Better utilization of different platforms and integrated offerings (FMC opportunities) expected to support planned growth;
- Increase in PayTV users; increase in broadband revenue share; limited growth expected form online services market; System solution steady growth; declining data communication revenues due to strong competition and very high margins.

Addressing local challenges in order to fulfill strategic aspiration, new Ambition Program 2.0 was introduced, as a strategic direction, with final objective of transforming technology into superior customer experience, regaining number 1 position in Mobile and PayTV business, stabilization of the Revenue/EBITDA trend, sustaining the strong market position and becoming new modern, lean and fully converged telco operator. Ambition Program 2.0 consists of more than 60 initiatives aggregated into 14 pillars, covering both structural and operational transformation aspects.

Market consolidation is ongoing. VIP acquired Blizoo in 2014, and VIP informed the Commission for Protection of Competition about the intention to merge with ONE. The Commission approved the merger between VIP and ONE with certain commitments, such as MVNO access offered by the merged entity to interested parties. New merged company ONE.VIP, which will be effective by the end of 2015, put MKT's leading position under threat (in mobile and PayTV). Balkan roaming regulation was applied on time from July 1, 2015 by all three mobile country operators, lower roaming prices in Macedonia, Montenegro, Serbia and BiH will negatively influence the Telco market starting from H2 2015. Local Strategy implementation program - Ambition Program achieved its goal in 2014. Reasonable actions are undertaken to slow down the declining trend of Revenue and EBITDA.

Ambition Program 2.0 for 2015 has been prepared and kicked-off:
- 2015 proclaimed as "Year of Service", i.e. intensive focus on improving customer service at all customer touch-points;
- Mobile market repair: pre-to-postpaid migration and stop price erosion;
- Re-evaluate TV segment to increase profitability;
- Introduce flexible bundles;
- All-IP product innovation and monetization;
- Time2Market improvement;
- Moving towards fully integrated Telco provider and e-company:
  - Improve customer responsiveness and production flexibility by leaner organizational structure and process automation;
  - Revision of core vs non-core activities, possible outsourcing scenarios;
- Further cost reduction based on expected revenue development;
- Billing & DWH consolidation; CRM and OSS implementation.

Montenegro

The vision statement of Crnogorski Telekom (CT) emphasizes CT's ambition to become customers' first choice in a fully digital lifestyle by aspiring to be the best in class.

CT's Corporate Strategy document is based on three main pillars:

- Technology leadership
- Best customer experience
- New businesses

Strategy is translated into ten initiatives implementation program, named "Tesla". Through initiatives implementation CT aims to maintain stable performance, improve the customers' perception and to become more agile and flexible. Initiatives status is monitored monthly in order to follow and support achievement of strategic goals.

3.8. Resources and risk factors

Our financial condition, results of operations or the trading prices of our shares could be materially adversely affected by any of these risks. The risks described below 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.

- Our operations are subject to substantial government regulations, further restrictions related to consumer protection and the price setting methodology of regulated wholesale products are probable, which can result in adverse consequences for our business and results of operations;
- We are subject to more intense competition, the role of the Mobile Virtual Network Operators (MVNOs) is increasing in the mobile market;

- Beyond current market players in Hungary, DIGI also acquired a 10 MHz spectrum block in the 1800 MHz band in the latest frequency auction, and it can enter the mobile market as a new player;
- Our ability to meet our revenue targets will depend in part on our ability to offset the declining voice revenues with TV, Internet, SI/IT revenues;
- We may be unable to adapt to technological changes in the telecommunications market;
- The future of our current operational model is subject to currently unforeseeable changes in the future business environment;
- Developments in the technology and telecommunications sectors may result in impairment of the carrying value of certain of our assets;
- Our business may be adversely affected by actual or perceived health risks associated with mobile communications technologies;
- System failures could result in reduced user traffic and revenue and could harm our reputation;
- Loss of key personnel could weaken our business;
- The regulatory environment in Montenegro and Macedonia is getting stricter, in Montenegro the consolidation of governmental infrastructure could influence our operations unfavorably;
- On September 29, 2014, ministries in charge of electronic communication in Macedonia, Montenegro, Serbia and Bosnia-Herzegovina signed an agreement to decrease roaming prices gradually among these countries from January 2015 in three consecutive years to the level of prices in the EU;
- In Macedonia, the main development is the announcement of the merger of two competitors, ONE and VIP. We expect this transaction to reshape the competitive environment in the Macedonian telecoms market;
- Our share price may be volatile, and your ability to sell our shares may be adversely affected due to the relatively illiquid market for our shares and ADSs;
- The value of our investments, results of operations and financial condition could be adversely affected by economic developments in Hungary and other countries;
- We are subject to unpredictable changes in the Hungarian tax regulations;
- Fluctuations in the currency exchange rate could have an adverse effect on our results of operations;
- Disputes and litigation with regulators, competitors and other parties could have an adverse effect on our results of operations.

3.9. Outlook

The telecommunications industry is undergoing significant changes globally. We have observed several long-term trends which are changing the structure of the telecommunications market. These long-term trends include changes in technology (e.g., IP-based broadband products and solutions, and cloud based solutions), customer requirements (e.g., increase in mobile usability of content services and terminal devices, 4Play solutions and the growing need for mobile applications) and competition and regulation (e.g. low entry barriers, new business models, convergence in the telecommunications and media broadcast industry).

Magyar Telekom's current plans and outlook are based on our best knowledge and expected circumstances. Nevertheless, we cannot predict the behavior of our competitors. Therefore, a stronger than assumed impact of other operators, new market entrants and new solutions in any country where we are present could result in a negative impact on our business performance.

Each of our business segments is affected by their own unique business environment, and we are subject to circumstances and events that are unforeseen or are beyond our control. The global economy recovered from the crisis but it is largely depend on the monetary policy of the FED. The European growth is still fragile. There are major uncertainties surrounding the future of the euro especially in Greece.

Hungary

The Hungarian economy came out of recession in 2013 and the GDP growth in 2014 was 3.6 percent, fueled by export performance, utilization of EU funds and lowered energy prices. The Central Bank of Hungary forecasts indicate that the GDP growth remains high, about 3.3 percent in 2015. The unemployment rate decreased to 7.7 percent, and the volatility of the Hungarian currency is expected to continue.

In order to balance the budget, the Hungarian government has implemented several measures to keep the deficit under 3 percent of GDP in 2014. The Parliament adopted an act imposing telecommunications tax on service providers for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012 for an indefinite period of time. The telecommunication tax payable by Magyar Telekom in 2014 was HUF 25.8 billion. The Parliament also adopted an act imposing a further tax levied on utility networks (e.g.: ducts, cables) from 2013. The tax expense and liability for 2015 were recognized in the first quarter of 2015 as the full annual tax liability (HUF 7.6 billion) is payable based on the taxable infrastructure in place on January 1, 2015. Our T-Systems Hungary segment is also affected by heavy spending cuts by the government, our largest business customer.

In September 2013, frequency usage rights in the 900 MHz and 1800 MHz frequency bands were extended and harmonized until 2022. Magyar Telekom paid a one-off fee of HUF 34 billion for the extension. In September 2014, Magyar Telekom won the rights of use of frequency blocks until June 2034 in the tender of the National Media and Infocommunications Authority in the 800 MHz, 900 MHz, 1800 MHz and 2600 MHz frequency bands. Magyar Telekom paid an initial price of HUF 59 billion for these frequency blocks in Q4 2014.

In 2014, a "Partnership for Digital Hungary" was agreed with the Hungarian Government aiming for full coverage of Hungary with HSI (Highspeed Internet, >30 Mbps) by 2018, in case favorable roll-out conditions are given and EU funds can be utilized.

Magyar Telekom is continuously seeking business opportunities beyond core services.

Macedonia

In Macedonia, competition is increasing both in the fixed line and mobile market. In the mobile market, aggressive price behavior is driven by a single mobile operator, which tries to regain lost market share. This trend is predicted to continue after the announced mobile termination rates (MTR) decline. Albafone also entered the market as an MVNO, only with prepaid portfolio. Semi and full flat rates are dominant in mobile voice. Mobile data market is driven by flat rate packages.

In the fixed line segment bundled offers based on broadband connections are the basis of future services. Digital TV services increase interactivity toward consumers and allow extended applications. In order to become a modern, lean and fully converged telco operator, Macedonski Telekom launched the Ambition Program 2.0.

We also expect more intensive regulatory measures in Macedonia in the future. Pure LRIC for fixed line termination rates (FTR) and IP interconnection is expected. A margin squeeze test is expected for retail optic products in 2015. We also expect obligations for all operators to put their aerial cables in urban areas underground and digital agenda obligation for coverage of households with 30 and 100 Mbps with technical neutrality until 2020. The Balkan roaming regulation decreases the retail and wholesale prices to EU roaming III level. Broadband will be included in Universal Service from 2015.

In June, 2015, the Shareholders' Assembly of Makedonski Telekom AD – Skopje approved the accession of T-Mobile Macedonia to Makedonski Telekom. The effective date of the merger is July 1, 2015.

Montenegro

In Montenegro, we also anticipate a tough environment due to competitive and regulatory pressures in the near future. In the fixed line market Crnogorski Telekom remain dominant, fully exploiting its multi-play, multiscreen and financing capabilities. Fiber roll out will increase broadband penetration, but without premium monetization. Competitors are increasing coverage and service scale through CaTV acquisitions or own new generation network (NGN) investments gaining high-value customers looking for X-Play experience and value-add. In the mobile market, the environment is very competitive and price sensitive. Flat tariffs in the postpaid segment with unlimited on–net traffic and internet are initiated by market followers. Market players are committed to network capacity increase by 4G/NGM rollout. Competitors can build X-Play capabilities by coalition with, or by acquisitions of, CaTV/SatTV operators to be able to offer fixed line services as well.

Regarding the regulatory measures, regional roaming regulation may heavily influence our roaming revenues. Indirectly, it may have negative influence on international MTRs as well. Regulated FTR and MTR decrease is on track in the period of 2013-2016. The cost based regulation on retail prices (access to the network, fix voice and ADSL) will also negatively influence our revenues, especially due to the fact that the LRIC model will be applied for the 2014 regulatory reports. Margin squeeze test for retail products is expected in the second half of 2015. Implementation of the new eLaw and the new bylaws will result in more strict, demanding and expensive obligations for the operators. The State may also decide to utilize its own infrastructure in order to provide telco services (cost optimization).

3.9.1 Revenues

In our fixed line operations, we expect further declines in voice revenues due to continued line reduction and fixed line unit price erosion driven by mobile substitution and increased competition in the fixed line market, including competition from VoIP and VoCable providers. Mobile substitution remains the main driver of churn and we expect that average mobile per minute fees will continue to be lower than average fixed line per minute fees in 2015. Free or low price fixed voice tariffs are taking up fast in bundled services. As the market is shifting towards multiplay offers, we are bundling our product portfolio in order to provide all services for every customer demand on every platform. HSI roll-out is speeding up through partnership agreements as well. Fixed line inter-connection tariff reductions are expected in 2015 and 2016.

In the saturated fixed line market TV remains the key driver. Building on our large variety of platforms (cable, IP, DVB-S), we are targeting to reach those customers who currently have less than three of our services. We reached market leader position in the Hungarian TV market in 2014 and we are aiming to expand further our RPC figures in 2015; however margins are under pressure due to significant competition. To strengthen our position in the TV market, we are continuously innovating our product portfolio (e.g. OTT solutions).

In the mobile market, penetration has reached saturation point, and we expect declining voice revenues. We expect further growth in mobile broadband and future growth potential of value-added and data services, but this positive impact will not offset the decline in voice revenues. Flat uptake is already quite intense (and expected to grow) and prices dropped heavily. Mobile termination rates were decreased to HUF 1.71/minute from April 1, 2015. The market entry of the fourth mobile operator in Hungary is also expected.

Magyar Telekom has regularly reviewed its business model with respect to its energy service offering and our most recent review concluded that maintaining our presence on the residential gas service market would have an adverse financial impact on the Company's profitability. As a result, a decision has been reached to exit from the residential gas market with effect from July 31, 2015.

To sustain our competitiveness in the corporate sector, we are committed to developing further our IT competencies by focusing on complex service offerings through managed services, system integration and outsourcing of consultant services to corporate customers.

3.9.2 Expenses

We are entirely committed to improving internal operational efficiency in all of our business segments. To accomplish our goals despite the intensifying competitive environment, we expect to partially offset decreasing revenue with strict cost control. We will continue our group-wide efforts to increase cost efficiency.

We have reached an agreement with trade unions on headcount reduction and wage increase measures for 2015-2016 at Magyar Telekom Plc. According to the terms of the agreement, the Company plans to make maximum 1700 employees redundant. Approximately 35% left the Company between October 1, 2014 and March 1, 2015 while the remaining 65% is expected to leave by January 1, 2016. Total severance expenses related to the 2-year headcount reduction program will be approximately HUF 12 billion and out of that HUF 4 billion was accounted for in 2014. Meanwhile, in order to keep the wages competitive, there will be a 4% wage increase for employees in lower wage categories as of January 1, 2016 effective retrospectively from July 1, 2015. The above measures are expected to result in net HUF 15 billion cost savings in 2 years, i.e. the program is expected to have a return period of 9 months.

Programming fee payment for previously free to broadcast TV channels remains a possibility in 2015.

3.9.3 Investments in tangible and intangible assets

Compared to previous years, the key priorities of Capex spending have not changed. Investments in new products and platforms (e.g., 4G, HSI) remain our key strategic goals. Broadband expansion is supported by large scale modernization of the mobile network.

We will increase investments in the IT area to reach our goals of becoming an ICT leader in Hungary, while expansion into new market segments will also demand additional investments.

Striving for further improvement in customer orientation, the strategic priority is the successful development and implementation of new CRM systems in Hungary, Macedonia and Montenegro. We are targeting the complete overhaul of the current customer management system of the companies. The successful implementation of the new ERP system is also essential.

We are continuously seeking further value-creating acquisitions and investment targets.

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, August 5, 2015

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, 2014, 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.