LIFE IS FOR SHARING.

Magyar Telekom

Half yearly report

Analysis of the Financial Statements for the second quarter ended June 30, 2013

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LIFE IS FOR SHARING.

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Bundling strategy and retention efforts bearing fruit

Budapest – August 8, 2013 – 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 2013, in accordance with International Financial Reporting Standards (IFRS).

1. Highlights

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except per share amounts and margins)	**Q2 2012** (Unaudited)	**Q2 2013** (Unaudited)	change %	**1-6. months, 2012** (Unaudited)	**1-6. months, 2013** (Unaudited)	change %
Total revenues	**145,462**	**156,907**	**7.9%**	**292,110**	**313,516**	**7.3%**
Operating profit	**23,497**	**24,237**	**3.1%**	**49,761**	**38,485**	**(22.7%)**
Profit attributable to:						
Owners of the parent	10,679	12,207	14.3%	23,697	13,902	(41.3%)
Non-controlling interest	2,392	1,630	(31.9%)	4,314	2,864	(33.6%)
	13,071	13,837	5.9%	28,011	16,766	(40.1%)
EBITDA	49,625	49,751	0.3%	101,201	88,778	(12.3%)
EBITDA margin	34.1%	31.7%	n.a.	34.6%	28.3%	n.a.
Basic and diluted earnings per share (HUF)	**10.25**	**11.71**	**14.2%**	**22.73**	**13.34**	**(41.3%)**
CAPEX to Sales				**13.8%**	**12.0%**	**n.a.**
Annualized ROA				**4.4%**	**2.7%**	**n.a.**
Annualized ROE				**10.1%**	**6.2%**	**n.a.**
Net debt				**324 179**	**342 580**	**5.7%**
Net debt / (Equity + Net debt)				**39.3%**	**41.8%**	**n.a.**
Number of employees (closing full equivalent)				**11,773**	**11,378**	**(3.4%)**

- **Revenues increased by 7.9% in the second quarter of 2013 compared to the same period of 2012, from HUF 145.5 billion to HUF 156.9 billion.** Revenue development reflects the significant increase in revenues both from energy services and mobile equipment sales, the growing revenues from SI/IT services and the improving underlying performance of Telekom Hungary.

- **EBITDA increased slightly by 0.3%, from HUF 49.6 billion to HUF 49.8 billion,** while **EBITDA margin was 31.7%** compared to 34.1% in the same period last year. The margin decline reflects the increasing contribution of the lower margin retail energy, equipment sale and SI/IT revenues, partially offset by lower operating costs and operating taxes.

Details of special, telecom and utility taxes (HUF billion)*	**Q2 2012**	**Q2 2013**	**1-6 months 2012**	**1-6 months 2013**
Special tax	6.1		12.2	
Telecom tax		5.3		10.9
Utility tax				7.3
Total	**6.1**	**5.3**	**12.2**	**18.2**

**Differences might occur due to rounding*

- **Employee-related expenses increased by HUF 0.5 billion in the second quarter** compared to the same period last year primarily driven by the more intense workload with less holidays taken. At the same time, the impact of the average 4% wage increase at Telekom Hungary effective from April this year was offset by the lower headcount.

- **Income tax expense increased from HUF 3.1 billion in Q2 2012 to HUF 3.9 billion in Q2 2013.** Higher income taxes were the result of higher operating profit and also the recognition of additional deferred tax liabilities related to our Macedonian holding subsidiary, Stonebridge, as its liquidation procedure is expected to be ceased, due to the currently existing unfavourable tax impacts of liquidations in Macedonia.

- Profit attributable to the owners of the parent company (**net income**) **increased from HUF 10.7 billion to HUF 12.2 billion** primarily due to lower financial expenses and lower depreciation and amortization expenses driven by the lower fixed asset base. Financial expenses declined from HUF 7.3 billion in Q2 2012 to HUF 6.5 billion in Q2 2013 primarily driven by lower FX losses and lower interest rates that offset the increase in our net debt level.

- **Net cash generated from operating activities decreased by HUF 22.1 billion year-on-year, from HUF 63.6 billion in H1 2012 to HUF 41.5 billion in H1 2013**. The deterioration is driven by the HUF 12.4 billion lower EBITDA year-on-year mainly reflecting the HUF 7.3 billion utility tax expense booked in Q1 2013 coupled with unfavourable movements in working capital. Although working capital was hit by the HUF 20.7 billion settlement charge in connection with the SEC and DOJ investigations in H1 2012, this impact was counterbalanced by a number of items adversely impacting working capital in H1 2013. These are the deferred payment options offered for equipment contracts, lower amount of unpaid special, telecom and utility tax as well as higher outpayments to suppliers. The decline was partially mitigated by the decline in interest payments that was due to the HUF 1.4 billion one-off payment in Q1 2012 in relation to the SEC and DOJ fine and lower interest payments on our loans.

- **Excluding the 900 MHz spectrum license fee (paid in Q1 2012 amounting to HUF 10.9 billion), investment in tangible and intangible assets (CAPEX) increased by HUF 11.3 billion in the first half, from HUF 29.3 billion to HUF 40.6 billion.** The increase is due principally to the higher investments in relation to the integrated CRM and billing system development as well as the change in the rented IPTV set-top box contracts from operating to financial lease resulting in HUF 7.2 billion increase in CAPEX. The latter, however, was coupled with the same amount of improvement in adjustments to cash purchases thus overall neutral on the cash flow. In H1 2013, Telekom Hungary accounted for HUF 33.9 billion of total CAPEX and T-Systems Hungary HUF 1.0 billion. In Macedonia and Montenegro, CAPEX was HUF 4.4 billion and HUF 1.3 billion, respectively.

- **Free cash flow** (operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets) **deteriorated by HUF 4.1 billion in H1 2013 from HUF 8.0 billion to HUF 3.8 billion** as the lower operating cash flow was partly mitigated by the lower cash CAPEX. The latter is the combined impact of slightly higher book capex offset by the significant improvement in adjustments to cash purchases.

- Net **debt rose from HUF 324.2 billion** at the end of H1 2012 to **HUF 342.6 billion** at the end of H1 2013. The **net debt ratio** (net debt to total capital) rose to **41.8%** during the quarter, reflecting the dividend payment in May.

Christopher Mattheisen, CEO commented:

"I am very proud of our performance in the second quarter of 2013, as we continue to benefit from sustained growth. In Hungary, besides further strengthening our market position across all key segments, thanks to our retention efforts, we have managed to minimize churn in the high margin fixed voice segment and limit ARPU erosion in the mobile business. We strongly believe that these developments in some of our most important KPIs validate our strategy of bundling various services and equipment with core telecommunication services. These operational improvements are reflected in our financial results: we saw an 8 per cent increase in Group revenues year-on-year thanks to continued strong results in equipment sales, energy services and SI/IT revenues.

Our profitability also reflects improving results for the Hungarian residential business, where both direct margin and EBITDA have increased in the second quarter. This promising trend, coupled with our continued cost discipline, has led to a stable Group EBITDA performance in the second quarter of 2013 compared to a year earlier.

Market conditions in Macedonia remain challenging, with the aggressive pricing practices of our competitors continuing to put pressure on our revenues and profitability. That being said, we have seen some recent positive developments in this market: despite the competition, we have been successful in stabilizing our mobile voice market share at above 48%, while our Macedonian subsidiary successfully acquired new frequency blocks on 800 MHz and 1800 MHz spectrums for a total of EUR 10.3 million. This is a very important investment in the future, as it will enable us to provide superfast mobile data services through 4G technology to our customers in Macedonia from the end of 2013.

In recent quarters, we have faced EBITDA margin dilution driven by increasing demand for lower margin SI/IT services and a strong take-up of equipment bundles. As these services continue to both boost revenues and support overall profitability, it is a strategy we plan to pursue going forward. Consequently, for the full year, we expect revenues to increase compared to our previous guidance of flat performance. Regarding our EBITDA guidance, we reiterate the 9-12 per cent decline that was announced following the modification in the telecommunication tax at the end of June, while we are still aiming for a CAPEX (excluding any spectrum acquisition costs) of approximately 5 per cent less than last year."

2013 public guidance:

HUF billion	2012	Public guidance 2013
Revenue	607.1	Increasing**
EBITDA	194.8	9-12% decline
CAPEX*	92.4	ca. 5% decline

**excluding spectrum acquisitions*
***modified from flat*

2. Consolidated IFRS Financial Statements

2.1. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2012 (Audited)	June 30, 2013 (Unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	15,211	15,118	(93)	(0.6%)
Trade and other receivables	130,709	134,217	3,508	2.7%
Other current financial assets	53,966	31,009	(22,957)	(42.5%)
Current income tax receivable	821	870	49	6.0%
Inventories	12,400	14,250	1,850	14.9%
Non current assets held for sale	2,816	193	(2,623)	(93.1%)
Total current assets	**215,923**	**195,657**	**(20,266)**	**(9.4%)**
Non current assets				
Property, plant and equipment	510,962	501,989	(8,973)	(1.8%)
Intangible assets	311,066	314,211	3,145	1.0%
Deferred tax assets	532	321	(211)	(39.7%)
Non current financial assets	18,862	25,163	6,301	33.4%
Other non current assets	499	722	223	44.7%
Total non current assets	**841,921**	**842,406**	**485**	**0.1%**
Total assets	**1,057,844**	**1,038,063**	**(19,781)**	**(1.9%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	35,344	48,187	12,843	36.3%
Other financial liabilities	40,341	68,482	28,141	69.8%
Trade payables	115,723	98,733	(16,990)	(14.7%)
Current income tax payable	762	1,055	293	38.5%
Provisions	5,668	4,754	(914)	(16.1%)
Other current liabilities	37,069	40,013	2,944	7.9%
Total current liabilities	**234,907**	**261,224**	**26,317**	**11.2%**
Non current liabilities				
Financial liabilities to related parties	261,126	237,024	(24,102)	(9.2%)
Other financial liabilities	5,498	35,014	29,516	n.m.
Deferred tax liabilities	22,428	19,508	(2,920)	(13.0%)
Provisions	10,858	8,097	(2,761)	(25.4%)
Other non current liabilities	944	970	26	2.8%
Total non current liabilities	**300,854**	**300,613**	**(241)**	**(0.1%)**
Total liabilities	**535,761**	**561,837**	**26,076**	**4.9%**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,383	27,385	2	0.0%
Treasury stock	(307)	(307)	0	0.0%
Retained earnings	310,452	272,237	(38,215)	(12.3%)
Accumulated other comprehensive income	21,253	23,420	2,167	10.2%
Total Equity of the owners of the parent	**463,056**	**427,010**	**(36,046)**	**(7.8%)**
Non-controlling interests	59,027	49,216	(9,811)	(16.6%)
Total equity	**522,083**	**476,226**	**(45,857)**	**(8.8%)**
Total liabilities and equity	**1,057,844**	**1,038,063**	**(19,781)**	**(1.9%)**

2.2. Consolidated Statements of Comprehensive Income – quarter over quarter

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q2 2012 (Unaudited)	Q2 2013 (Unaudited)	Change	Change (%)
Revenues				
Voice - retail	42,822	41,903	(919)	(2.1%)
Voice - wholesale(1)	8,240	7,036	(1,204)	(14.6%)
Voice - visitor	923	631	(292)	(31.6%)
Non-voice	15,844	16,444	600	3.8%
Equipment	6,110	10,919	4,809	78.7%
Other mobile revenues	2,031	2,006	(25)	(1.2%)
Mobile revenues	**75,970**	**78,939**	**2,969**	**3.9%**
Voice - retail	20,499	18,350	(2,149)	(10.5%)
Voice - wholesale(1)	3,778	3,369	(409)	(10.8%)
Internet	13,089	12,833	(256)	(2.0%)
Data	5,778	4,955	(823)	(14.2%)
TV	8,470	9,216	746	8.8%
Equipment	744	1,624	880	118.3%
Other fixed line revenues	1,642	3,175	1,533	93.4%
Fixed line revenues	**54,000**	**53,522**	**(478)**	**(0.9%)**
System Integration/Information Technology revenues	12,436	15,191	2,755	22.2%
Revenue from Energy Services	3,056	9,255	6,199	202.8%
Total revenues	**145,462**	**156,907**	**11,445**	**7.9%**
Expenses				
Mobile revenue-related payments	(18,936)	(21,251)	(2,315)	(12.2%)
Fixed line revenue-related payments	(9,409)	(10,484)	(1,075)	(11.4%)
SI/IT revenue-related payments	(7,233)	(9,379)	(2,146)	(29.7%)
Energy revenue-related payments	(3,094)	(9,593)	(6,499)	(210.1%)
Agent commissions	(2,473)	(2,914)	(441)	(17.8%)
Bad debt expense	(1,638)	(1,913)	(275)	(16.8%)
Direct costs	**(42,783)**	**(55,534)**	**(12,751)**	**(29.8%)**
Employee-related expenses	(23,161)	(23,683)	(522)	(2.3%)
Depreciation and amortization	(26,128)	(25,514)	614	2.3%
Other operating expenses	(31,021)	(28,446)	2,575	8.3%
Total operating expenses	**(123,093)**	**(133,177)**	**(10,084)**	**(8.2%)**
Other operating income	1,128	507	(621)	(55.1%)
Operating profit	**23,497**	**24,237**	**740**	**3.1%**
Net financial result	(7,313)	(6,549)	764	10.4%
Profit before income tax	**16,184**	**17,688**	**1,504**	**9.3%**
Income tax	(3,113)	(3,851)	(738)	(23.7%)
Profit for the period	**13,071**	**13,837**	**766**	**5.9%**
Change in exchange differences on translating foreign operations	(5,066)	(5,862)	(796)	(15.7%)
Revaluation of available-for-sale financial assets	1	(36)	(37)	n.m.
Other comprehensive income for the period	(5,065)	(5,898)	(833)	(16.4%)
Total comprehensive income for the period	**8,006**	**7,939**	**(67)**	**(0.8%)**
Profit attributable to:				
Owners of the parent	10,679	12,207	1,528	14.3%
Non-controlling interests	2,392	1,630	(762)	(31.9%)
	13,071	**13,837**	**766**	**5.9%**
Total comprehensive income attributable to:				
Owners of the parent	7,075	7,895	820	11.6%
Non-controlling interests	931	44	(887)	(95.3%)
	8,006	**7,939**	**(67)**	**(0.8%)**
Basic and diluted earnings per share (HUF)	**10.25**	**11.71**	**1.46**	**14.2%**

(1) Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items were reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

2.3. Consolidated Statements of Comprehensive Income – year over year

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-6. months, 2012 (Unaudited)	1-6. months, 2013 (Unaudited)	Change	Change (%)
Revenues				
Voice - retail	84,783	81,574	(3,209)	(3.8%)
Voice - wholesale(1)	16,101	13,454	(2,647)	(16.4%)
Voice - visitor	1,465	1,128	(337)	(23.0%)
Non-voice	31,223	32,866	1,643	5.3%
Equipment	11,940	19,454	7,514	62.9%
Other mobile revenues	4,044	3,676	(368)	(9.1%)
Mobile revenues	**149,556**	**152,152**	**2,596**	**1.7%**
Voice - retail	41,668	36,845	(4,823)	(11.6%)
Voice - wholesale(1)	7,262	6,721	(541)	(7.4%)
Internet	26,491	25,885	(606)	(2.3%)
Data	11,795	10,057	(1,738)	(14.7%)
TV	16,957	18,196	1,239	7.3%
Equipment	1,418	3,953	2,535	178.8%
Other fixed line revenues	3,858	5,912	2,054	53.2%
Fixed line revenues	**109,449**	**107,569**	**(1,880)**	**(1.7%)**
System Integration/Information Technology revenues	24,092	29,203	5,111	21.2%
Revenue from Energy Services	9,013	24,592	15,579	172.9%
Total revenues	**292,110**	**313,516**	**21,406**	**7.3%**
Expenses				
Mobile revenue-related payments	(36,658)	(40,498)	(3,840)	(10.5%)
Fixed line revenue-related payments	(18,482)	(21,411)	(2,929)	(15.8%)
SI/IT revenue-related payments	(13,337)	(17,948)	(4,611)	(34.6%)
Energy revenue-related payments	(8,744)	(26,108)	(17,364)	(198.6%)
Agent commissions	(4,864)	(5,457)	(593)	(12.2%)
Bad debt expense	(3,704)	(3,616)	88	2.4%
Direct costs	**(85,789)**	**(115,038)**	**(29,249)**	**(34.1%)**
Employee-related expenses	(44,379)	(46,284)	(1,905)	(4.3%)
Depreciation and amortization	(51,440)	(50,293)	1,147	2.2%
Other operating expenses	(62,668)	(64,779)	(2,111)	(3.4%)
Total operating expenses	**(244,276)**	**(276,394)**	**(32,118)**	**(13.1%)**
Other operating income	1,927	1,363	(564)	(29.3%)
Operating profit	**49,761**	**38,485**	**(11,276)**	**(22.7%)**
Net financial result	(14,913)	(14,294)	619	4.2%
Profit before income tax	**34,848**	**24,191**	**(10,657)**	**(30.6%)**
Income tax	(6,837)	(7,425)	(588)	(8.6%)
Profit for the period	**28,011**	**16,766**	**(11,245)**	**(40.1%)**
Change in exchange differences on translating foreign operations	(16,345)	2,818	19,163	n.m.
Revaluation of available-for-sale financial assets	1	(14)	(15)	n.m.
Other comprehensive income for the period	(16,344)	2,804	19,148	n.m.
Total comprehensive income for the period	**11,667**	**19,570**	**7,903**	**67.7%**
Profit attributable to:				
Owners of the parent	23,697	13,902	(9,795)	(41.3%)
Non-controlling interests	4,314	2,864	(1,450)	(33.6%)
	28,011	**16,766**	**(11,245)**	**(40.1%)**
Total comprehensive income attributable to:				
Owners of the parent	12,195	16,069	3,874	31.8%
Non-controlling interests	(528)	3,501	4,029	n.m.
	11,667	**19,570**	**7,903**	**67.7%**
Basic and diluted earnings per share (HUF)	**22.73**	**13.34**	**(9.39)**	**(41.3%)**

(1) Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items were reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

2.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-6. months, 2012 (Unaudited)	1-6. months, 2013 (Unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	28,011	16,766	(11,245)	(40.1%)
Depreciation and amortization	51,440	50,293	(1,147)	(2.2%)
Income tax expense	6,837	7,425	588	8.6%
Net financial result	14,913	14,294	(619)	(4.2%)
Change in assets carried as working capital	5,154	(10,298)	(15,452)	n.m.
Change in provisions	(2,060)	(3,490)	(1,430)	(69.4%)
Change in liabilities carried as working capital	(17,789)	(12,595)	5,194	29.2%
Income tax paid	(6,830)	(7,320)	(490)	(7.2%)
Dividend received	16	0	(16)	(100.0%)
Interest and other financial charges paid	(17,079)	(14,492)	2,587	15.1%
Interest received	1,848	803	(1,045)	(56.5%)
Other cashflows from operations	(902)	82	984	n.m.
Net cash generated from operating activities	**63,559**	**41,468**	**(22,091)**	**(34.8%)**
Cash flows from investing activities				
Investments in tangible and intangible assets	(40,181)	(40,620)	(439)	(1.1%)
Adjustments to cash purchases	(13,881)	2,758	16,639	n.m.
Purchase of subsidiaries and business units	(2,173)	(100)	2,073	95.4%
Cash acquired through business combinations	108	0	(108)	(100.0%)
Proceeds from other financial assets - net	22,591	20,765	(1,826)	(8.1%)
Proceeds from disposal of subsidiaries and associates	84	0	(84)	(100.0%)
Proceeds from disposal of property, plant and equipment (PPE) and intangible	435	336	(99)	(22.8%)
Net cash used in investing activities	**(33,017)**	**(16,861)**	**16,156**	**48.9%**
Cash flows from financing activities				
Dividends paid to shareholders and Non-controlling interest	(65,954)	(65,174)	780	1.2%
Receipts of loans and other borrowings - net	33,459	40,368	6,909	20.6%
Net cash used in financing activities	**(32,495)**	**(24,806)**	**7,689**	**23.7%**
Exchange gains/(losses) on translation of cash and cash equivalents	(506)	106	612	n.m.
Change in cash and cash equivalents	**(2,459)**	**(93)**	**2,366**	**96.2%**
Cash and cash equivalents, beginning of period	14,451	15,211	760	5.3%
Cash and cash equivalents, end of period	11,992	15,118	3,126	26.1%
Change in cash and cash equivalents	**(2,459)**	**(93)**	**2,366**	**96.2%**

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, 2011	1,042,742,543	104,275	27,379	0	(307)	325,709	31,022	(63)	488,015	68,076	556,091
Dividend						(52,116)			(52,116)		(52,116)
Dividend declared to Non-controlling interests									0	(13,951)	(13,951)
Equity settled share-based transactions				1					1		1
Total comprehensive income						23,697	(11,503)		12,194	(528)	11,666
Balance at June 30, 2012	1,042,742,543	104,275	27,379	1	(307)	297,290	19,519	(63)	448,094	53,597	501,691
Disposal of subsidiaries									0	(12)	(12)
Equity settled share-based transactions				3					3		3
Total comprehensive income						13,162	1,816	(19)	14,959	5,442	20,401
Balance at December 31, 2012	1,042,742,543	104,275	27,379	4	(307)	310,452	21,335	(82)	463,056	59,027	522,083
Dividend						(52,117)			(52,117)		(52,117)
Dividend declared to Non-controlling interests									0	(13,312)	(13,312)
Equity settled share-based transactions				2					2		2
Total comprehensive income						13,902	2,173	(6)	16,069	3,501	19,570
Balance at June 30, 2013	1,042,742,543	104,275	27,379	6	(307)	272,237	23,508	(88)	427,010	49,216	476,226

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

The immediate controlling shareholder of the Company is MagyarCom GmbH (MagyarCom) owning 59.21% of the issued shares, while the ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DTAG).

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

This condensed consolidated preliminary 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, 2012, 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.

This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2012 have been filed with the Budapest Stock Exchange and Hungarian Financial Supervisory Authority. The statutory accounts for December 31, 2012 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, 2012.

3. Consolidated management report

3.1. Operating and financial review – Group

3.1.1 Exchange rate information

Exchange rate	Q2 2012	Q2 2013	Change	1-6. months, 2012	1-6 months, 2013	Change
HUF/EUR beginning of period	295.60	304.30	2.9%	311.13	291.29	(6.4%)
HUF/EUR period-end	288.22	295.16	2.4%	288.22	295.16	2.4%
HUF/EUR cumulative monthly average	293.30	298.80	1.9%	294.48	297.14	0.9%
HUF/MKD beginning of period	4.81	4.94	2.7%	5.06	4.74	(6.3%)
HUF/MKD period-end	4.68	4.79	2.4%	4.68	4.79	2.4%
HUF/MKD cumulative monthly average	4.76	4.85	1.9%	4.79	4.82	0.6%

In Q2 2013, foreign exchange rates had no significant effect on the 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 7.3% from HUF 292.1 billion in H1 2012 to HUF 313.5 billion in H1 2013. Reasons for movements of 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 156.9 billion in Q2 2013 compared to HUF 145.5 billion in Q2 2012, representing a 7.9% increase quarter over previous year same quarter caused by the following:

Mobile revenues increased by 3.9% to HUF 78.9 billion in Q2 2013 from HUF 76.0 billion in Q2 2012. Higher mobile equipment revenues and increased Internet revenues more than offset the lower mobile voice revenues.

Within mobile telecommunications services, voice revenues represent the largest portion of revenues. Mobile voice revenues declined by 4.6% to HUF 49.6 billion in Q2 2013 compared to HUF 52.0 billion in Q2 2012.

Voice-retail revenues decreased by 2.1% to HUF 41.9 billion in Q2 2013, mainly due to lower outgoing mobile voice revenues in Macedonia resulted from the lower customer number and decreased average price per minute owing to strong competition in the market. These decreases were only partly offset by higher outgoing minutes of use (MOU). In Montenegro, voice-retail revenues declined due to decreased average monthly revenue per user (ARPU), although usage and average customer base were higher quarter over quarter. In Hungary, outgoing voice revenues increased as growth in the postpaid average customer base exceeded the decline in MOU and the slight decrease in tariffs. In the prepaid segment, revenue declined as both MOU and the number of customers decreased.

Voice-wholesale revenues were down by 14.6% and amounted to HUF 7.0 billion in Q2 2013, mainly due to mobile termination rate cuts in Hungary and Montenegro.

Non-voice revenues amounted to HUF 16.4 billion in Q2 2013 compared to HUF 15.8 in Q2 2012, representing a 3.8% increase. Higher non-voice revenues primarily came from higher mobile Internet revenues in Hungary and at our foreign subsidiaries, as both subscriber numbers and usage increased in Q2 2013. By June 30, 2013, the number of mobile broadband subscriptions was 1,617,413, which means a 33.6% increase in the customer base in Hungary. Our market share in Hungary based on total number of subscriptions was 45.6% in the mobile broadband market.

Mobile equipment revenues increased significantly by 78.7% to HUF 10.9 billion in Q2 2013 compared to HUF 6.1 billion in Q2 2012, mainly attributable to our Hungarian operations. Higher revenues were driven by the growing average handset prices owing to the increased sales ratio of higher priced smartphones. In Macedonia, growth in equipment revenues was mainly due to the higher number of handsets sold with a higher average price per handset, predominantly in retention in Q2 2013. In Montenegro, mobile equipment revenue increased due to intensive marketing campaigns carried out in the second quarter of 2013.

Other mobile revenues remained stable in Q2 2013 compared to the same quarter last year and amounted to HUF 2.0 billion.

Fixed line revenues amounted to HUF 53.5 billion in Q2 2013, compared to HUF 54.0 billion in the same period of the previous year representing a 0.9% decline. The slight decrease was driven by falling voice, data and Internet revenues, largely offset by increasing equipment, TV and other revenues.

Voice-retail revenues decreased by 10.5% to HUF 18.4 billion in Q2 2013 compared to HUF 20.5 billion in Q2 2012, mainly driven by the continuous decline in the number of revenue producing fixed lines and lower average tariff levels.

Voice-wholesale revenues decreased by 10.8% to HUF 3.4 billion in Q2 2013, mainly due to lower average settlement rates and decreased volume of incoming international minutes.

Internet revenues decreased from HUF 13.1 billion in Q2 2012 to HUF 12.8 in Q2 2013, representing a 2.0% decline. In Hungary, although the 1.7% decrease in our ADSL connections was compensated by higher cablenet and fiber optic connections, lower ARPU caused by lower prices due to strong competition and by the migration towards Telekom double- and triple-play packages, resulted in this decrease in Internet revenues. In Macedonia, Internet revenues increased due to 10.0% growth in the number of ADSL accesses. In Montenegro, Internet revenues remained stable quarter over quarter.

Data revenues amounted to HUF 5.0 billion in Q2 2013 compared to HUF 5.8 billion in Q2 2012. The decrease in both broadband and narrowband revenues mainly derived from lower number of leased lines and decrease in narrowband data traffic at T-Systems in Q2 2013.

TV revenues amounted to HUF 9.2 billion in Q2 2013 compared to HUF 8.5 billion in Q2 2012, representing an increase of 8.8%. 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, helped by the development of our high speed Internet network, demonstrates the increasing popularity of interactive television. Growth in satellite TV revenues was also due to the higher number of customers compared to the same quarter last year. These increases were partly offset by lower Cable TV revenues owing to the fact that an increasing number of existing subscribers have been migrating over to IPTV services in Hungary.

Fixed equipment revenues amounted to HUF 1.6 billion in Q2 2013 compared to HUF 0.7 in Q2 2012. The significant increase is mainly owing to the higher sale of TV sets in Hungary and in Montenegro. In Hungary, tablet sales also increased significantly in Q2 2013. In Macedonia, the increase in fixed equipment revenues was driven by the sale of set top boxes to the Macedonian National Television in Q2 2013 as part of the rollout of digital broadcasting.

Other fixed line revenues increased considerably by 93.4% in Q2 2013 compared to the same period last year and amounted to HUF 3.2 billion. The increase was mainly driven by higher revenues derived from dunning and penalty charges in Hungary, in Q2 2013.

System Integration ("SI") and IT revenues increased by 22.2% from HUF 12.4 billion in Q2 2012 to HUF 15.2 billion in the same period of 2013. Increased revenues are due to higher infrastructure and application revenues owing to several significant projects in the second quarter of 2013.

Revenue from **Energy Services** increased significantly to HUF 9.3 billion in Q2 2013 compared to HUF 3.1 billion in Q2 2012. The considerable growth resulted from the increasing demand for our energy retail services (introduced in 2010). As at June 30, 2013, the number of electricity points of delivery had reached 106,239 while the number of gas points of delivery amounted to 68,700.

3.1.3 Operating expenses

Total operating expenses increased by 13.1% from HUF 244.3 billion in H1 2012 to HUF 276.4 billion in H1 2013. 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. Total operating expenses increased by 8.2% quarter over quarter last year.

Mobile services-related payments increased by 12.2% in Q2 2013 compared to Q2 2012 and amounted to HUF 21.3 billion. Increased mobile equipment costs owing to the higher ratio of smartphones and tablets sold were partly offset by decreased mobile voice payments.

Fixed line-related payments increased by 11.4% to HUF 10.5 billion in Q2 2013, from HUF 9.4 billion in Q2 2012. The increase is mainly driven by the higher TV payments in Hungary and in Macedonia, owing to the increasing subscriber base quarter over quarter. Furthermore, cost of equipment sales increased significantly as well, mainly due to the remarkable increase in tablet, notebook and TV-set sales.

SI/IT-related payments increased from HUF 7.2 billion in Q2 2012 to HUF 9.4 billion in Q2 2013 in line with higher SI/IT revenues caused by several large infrastructure and application projects.

Energy-related payments in Hungary have been growing (from HUF 3.1 billion in Q2 2012 to HUF 9.6 billion in Q2 2013) in line with the increasing customer base.

Agent commissions increased by 17.8% from Q2 2012 to Q2 2013, as a result of higher commissions on Telekom products, and higher sales at non-exclusive shops.

Employee-related expenses in Q2 2013 amounted to HUF 23.7 billion compared to HUF 23.2 billion in Q2 2012. The 2.3% increase was mainly attributable to the greater intensity in workload with less holidays taken, and to higher bonus expenses in Hungary and in Macedonia. The 4% average salary increase in Hungary also contributed to the increase, however this was largely counterbalanced by the 3.4% fall in average employee figure, and by lower severance-related costs quarter over quarter.

Depreciation and amortization (D&A) decreased slightly from HUF 26.1 billion in Q2 2012 to 25.5 billion in Q2 2013. In Macedonia and Montenegro, D&A decreased mainly due to the RAN modernization projects, where the useful life of affected equipment was shortened in 2011 resulting in an increased depreciation charge in Q2 2012.

Special "crisis" taxes on telecommunications services, retail sales and energy sales as of January 1, 2010 were enacted for a defined period 2010-2012, and therefore Magyar Telekom is no longer subject to this tax liability in 2013. However, a tax ("telecom tax") was introduced in Hungary for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012. The tax imposed on fixed and mobile usage amounts to HUF 2 per minute and HUF 2 per SMS/MMS. The tax is capped at HUF 700 per month per calling number for private individuals' subscriptions and HUF 2,500 per month per calling number for other subscriptions in H1 2013. Besides this, on November 20, 2012 the Hungarian Parliament adopted an act imposing a tax on utility networks, effective from January 1, 2013 for an indefinite period of time. The tax expense and liability was recognized in the first quarter of 2013, as the full annual tax liability is payable based on the taxable infrastructure in place on January 1, 2013. Payments are made in two equal instalments in March and September this year. Telecommunication and utility taxes were recognized among other operating expenses.

Other operating expenses were down by 8.3%, from HUF 31.0 billion in Q2 2012 to HUF 28.4 billion in Q2 2013. The decrease is mainly owing to the curtailment of the crisis tax (HUF 6.1 billion in Q2 2012), and to lower consultancy fees. Consultancy fees are lower in Q2 2013, as there was higher spending in Q2 2012 relating to an internal organisation restructuring project, and to legal consulting charges. These decreases were partly counterbalanced by the amount of telecom tax in Q2 2013.
On a year-to-date basis, other operating expenses increased from HUF 62.7 billion in H1 2012 to HUF 64.8 billion in H1 2013. The increase is attributable to the telecom tax (introduced in July 2012), and to the utility tax. The termination of crisis tax could not fully offset these significant increases.

3.1.4 Other operating income

Other operating income saw an immaterial decrease of HUF 0.6 billion quarter over quarter, from HUF 1.1 billion to HUF 0.5 billion.

3.1.5 Operating profit

Operating profit decreased from HUF 49.8 billion in H1 2012 to HUF 38.5 billion in H1 2013, while quarter over quarter, operating profit increased slightly from HUF 23.5 billion in Q2 2012 to HUF 24.2 billion in Q2 2013 for the reasons described above.

3.1.6 Net financial result

Net financial result improved by 10.4%, from HUF 7.3 billion in Q2 2012 to HUF 6.5 billion in Q2 2013. The improvement was primarily due to the lower net loss on foreign exchange translation and hedges, as the HUF strengthened by 3% against the EUR in Q2 2013 compared to a 2.5% strengthening in Q2 2012. Interest paid decreased due to the lower average interest rate, although our net debt level increased quarter over quarter. These improvements were partly offset by decreased interest income, reflecting the lower average balance of bank deposits together with a lower average interest rate quarter over quarter.

3.1.7 Income tax

The income tax expense increased from HUF 3.1 billion in Q2 2012 to HUF 3.9 billion in Q2 2013. Higher tax expense is mostly due to the recognition of additional deferred tax liabilities on our investment in Macedonia because the liquidation of Stonebridge, the Macedonian holding company, is expected to be ceased, due to the currently existing unfavourable tax impacts of liquidations. The increase is also partly owing to the 9.3% higher profit before tax in Q2 2013. On a year-to-date basis, beyond the Stonebridge related deferred tax effect, the significantly lower profit before tax (PBT) in H1 2013 did not result in a significant decrease of income tax as the local business tax by being based on the gross margin is thus generally quite stable and represents a higher proportion of income tax in periods with lower PBT.

3.1.8 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests in Q2 2013 decreased by 31.9% compared to the same period in 2012. The decrease was predominantly due to the weaker results of the Macedonian subsidiaries, resulting from the 34.8% lower operating profit in MKD terms. In Montenegro, operating profit increased by 24.7% in EUR terms quarter over quarter.

3.1.9 Cash flows

Net cash generated from operating activities amounted to HUF 41.5 billion in H1 2013, compared to HUF 63.6 billion in H1 2012. Despite the HUF 22.1 billion paid out in January 2012 with respect to the settlements with the DOJ and the SEC among other changes, the HUF 12.4 billion lower EBITDA resulted in lower operating cashflow in H1 2013. One of these changes is the increase of receivables in H1 2013 mainly due to increasing equipment sales (smartphones, TV, tablet, etc.) on installments - as opposed to decrease of receivables in H1 2012. In addition, changes in payables related to the crisis, telco and utility taxes resulted in a less positive cash flow impact in H1 2013, which also contributed to the lower net cash generated from operating activities. Higher payments of employee costs in H1 2013 due to different timing of payments also contributed to the lower cash flows.

Net cash used in investing activities amounted to HUF 16.9 billion in H1 2013, compared to HUF 33.0 billion in the same period previous year. The lower net Investing cash outflow is mainly due to the payment for the 900 MHz spectrum license in Hungary amounting toHUF 10.9 billion in the first quarter of 2012. In addition, payment to Capex creditors was less in H1 2013 compared to H1 2012. Higher cash deposited in Montenegro in H1 2013 resulted in a significant net Investing cash outflow, which was partly counterbalanced by the higher amount of bank deposits converted into cash in Macedonia to finance the dividend distribution in 2013.

Free cash flow, defined as operating cash flow and investing cash flow excluding payments for / proceeds from other net financial assets, decreased from HUF 8.0 billion in H1 2012 to HUF 3.8 billion in H1 2013 due to the reasons described above.

Net cash outflow from financing activities changed from HUF 32.5 billion in H1 2012 to HUF 24.8 billion in H1 2013, which came from higher net loan proceeds in H1 2013 as a result of lower free cash flows (operating and investing) in H1 2013.

3.1.10 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 brand name will in the future be expanded to cover all services offered to the general public as well as to small and medium-sized companies. 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 wholesale services to local companies and operators.

T-Systems operates in Hungary providing mobile and fixed line telecommunications, infocommunications and system integration services mainly 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 EBITDA is the segment measure that is most consistent with the measurement principles used in measuring the corresponding amounts in these financial statements.

HUF millions	Q2 2012	Q2 2013	1-6. months, 2012	1-6. months, 2013
Total Telekom Hungary revenues	103 156	113 972	207 666	230 546
Less: Telekom Hungary revenues from other segments	(7 142)	(6 873)	(14 346)	(14 255)
Telekom Hungary revenues from external customers	**96 014**	**107 099**	**193 320**	**216 291**
Total T-Systems Hungary revenues	27 597	29 950	55 430	58 033
Less: T-Systems Hungary revenues from other segments	(2 712)	(3 687)	(5 392)	(6 610)
T-Systems Hungary revenues from external customers	**24 885**	**26 263**	**50 038**	**51 423**
Total Macedonia revenues	16 330	15 318	32 659	30 161
Less: Macedonia revenues from other segments	(13)	(7)	(37)	(13)
Macedonia revenues from external customers	**16 317**	**15 311**	**32 622**	**30 148**
Total Montenegro revenues	8 249	8 239	16 119	15 654
Less: Montenegro revenues from other segments	(7)	(5)	(12)	(12)
Montenegro revenues from external customers	**8 242**	**8 234**	**16 107**	**15 642**
Total consolidated revenue of the segments	145 458	156 907	292 087	313 504
Measurement differences to Group revenue	4	0	23	12
Total revenue of the Group	**145 462**	**156 907**	**292 110**	**313 516**
Segment results (EBITDA)				
Telekom Hungary	33 645	36 206	69 349	63 473
T-Systems Hungary	4 269	4 029	9 217	7 493
Macedonia	8 363	6 692	15 985	12 226
Montenegro	3 244	3 324	6 439	6 054
Total EBITDA of the segments	**49 521**	**50 251**	**100 990**	**89 246**
Measurement differences to Group EBITDA	104	(500)	211	(468)
Total EBITDA of the Group	**49 625**	**49 751**	**101 201**	**88 778**
Total depreciation and amortization of the Group	(26 128)	(25 514)	(51 440)	(50 293)
Total operating profit of the Group	**23 497**	**24 237**	**49 761**	**38 485**

Key trend drivers of half yearly segment results - presented in the next four chapters - correspond with those relating to the second quarter. If the reason behind a relative change is different for the two periods, the analysis of the change in the half yearly segment result is highlighted and analyzed separately.

3.2.1 Telekom Hungary

HUF millions	Q2 2012	Q2 2013	Change	Change (%)	1-6. months, 2012	1-6. months, 2013	Change	Change (%)
Voice revenues	40,034	38,014	(2,020)	(5.0%)	77,083	73,864	(3,219)	(4.2%)
Non-voice revenue	12,114	12,312	198	1.6%	23,358	24,613	1,255	5.4%
Other mobile revenues	4,629	11,228	6,599	142.6%	11,359	19,736	8,377	73.7%
Total mobile revenues	**56,777**	**61,554**	**4,777**	**8.4%**	**111,800**	**118,213**	**6,413**	**5.7%**
Voice revenues	15,844	13,584	(2,260)	(14.3%)	31,569	28,409	(3,160)	(10.0%)
Internet revenues	10,304	9,947	(357)	(3.5%)	20,613	20,111	(502)	(2.4%)
TV revenues	7,371	7,892	521	7.1%	14,805	15,633	828	5.6%
Other fixed line revenues	9,138	11,408	2,270	24.8%	18,857	22,941	4,084	21.7%
Total fixed line revenues	**42,657**	**42,831**	**174**	**0.4%**	**85,844**	**87,094**	**1,250**	**1.5%**
SI/IT revenues	666	332	(334)	(50.2%)	1,009	647	(362)	(35.9%)
Revenue from Energy Services	3,056	9,255	6,199	202.8%	9,013	24,592	15,579	172.9%
Total revenues	**103,156**	**113,972**	**10,816**	**10.5%**	**207,666**	**230,546**	**22,880**	**11.0%**
Crisis tax	(5,243)	0	5,243	100.0%	(10,429)	0	10,429	100.0%
Telecom tax	0	(4,495)	(4,495)	n.a.	0	(9,142)	(9,142)	n.a.
Utility tax (net)	0	0	0	n.a.	0	(6,812)	(6,812)	n.a.
Other operating expenses (net)	(64,268)	(73,271)	(9,003)	(14.0%)	(127,888)	(151,119)	(23,231)	(18.2%)
EBITDA	**33,645**	**36,206**	**2,561**	**7.6%**	**69,349**	**63,473**	**(5,876)**	**(8.5%)**
GSM licence	0	0	0	n.a.	10,923	0	(10,923)	(100.0%)
STB lease to finance lease	0	7,225	7,225	n.a.	0	7,225	7,225	n.a.
Other investments in tangible and intangible assets	11,215	13,195	1,980	17.7%	21,116	26,719	5,603	26.5%
Total investments in tangible and intangible assets	**11,215**	**20,420**	**9,205**	**82.1%**	**32,039**	**33,944**	**1,905**	**5.9%**

Total revenues in the Telekom Hungary segment increased in Q2 2013 compared with the same quarter the previous year due to considerably higher revenues from energy services, as well as increased mobile and fixed equipment and TV revenues. These increases were mitigated by lower mobile and fixed voice revenues.

EBITDA of the Telekom Hungary segment increased by 7.6% in Q2 2013 versus Q2 2012 as the increase in revenues exceeded the increase in total expenses.

Investments in tangible and intangible assets increased by HUF 9.2 billion mainly due to the change in the rented IPTV set-top box contracts from operating to financial leases, due to the extension of the contracts, and to the CRM and Billing project in Hungary.

Mobile services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Mobile penetration (1)	115.9%	116.1%	n.a.	115.9%	116.1%	n.a.
Mobile SIM market share (2)	45.8%	46.4%	n.a.	45.8%	46.4%	n.a.
Number of customers (RPC)	**4,820,943**	**4,838,450**	**0.4%**	**4,820,943**	**4,838,450**	**0.4%**
Postpaid share in the RPC base	46.5%	48.0%	n.a.	46.5%	48.0%	n.a.
MOU	**161**	**163**	**1.2%**	**160**	**160**	**0.0%**
ARPU (HUF)	**3,425**	**3,388**	**(1.1%)**	**3,385**	**3,317**	**(2.0%)**
Postpaid	5,689	5,541	(2.6%)	5,648	5,453	(3.5%)
Prepaid	1,380	1,363	(1.2%)	1,361	1,315	(3.4%)
Churn rate	17.0%	18.1%	n.a.	17.0%	18.0%	n.a.
Postpaid	13.4%	12.8%	n.a.	14.4%	14.4%	n.a.
Prepaid	20.2%	22.9%	n.a.	19.3%	21.4%	n.a.
Ratio of non-voice revenues in ARPU	23.3%	25.0%	n.a.	23.3%	25.0%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	6,014	5,376	(10.6%)	5,791	5,569	(3.8%)
Average retention cost (SRC) per retained customer (HUF)	16,476	12,193	(26.0%)	15,126	12,968	(14.3%)
Number of mobile broadband subscriptions	**1,125,712**	**1,518,149**	**34.9%**	**1,125,712**	**1,518,149**	**34.9%**
Mobile broadband market share based on total number of subscriptions (2)	**47.9%**	**45.6%**	**n.a.**	**47.9%**	**45.6%**	**n.a.**
Population-based indoor 3G coverage (2)	70.1%	82.1%	n.a.	70.1%	82.1%	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.

Mobile revenues increased by 8.4% in Q2 2013 versus Q2 2012 due to higher equipment revenues driven by higher average handset prices and by the increase in non-voice revenues due to wider usage of mobile Internet. In addition, the higher other mobile revenues caused by increased amount of penalties charged also contributed to the growth in total mobile revenues.

Fixed line services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Voice services						
Total voice access	1,569,246	1,521,179	(3.1%)	1,569,246	1,521,179	(3.1%)
Total outgoing traffic (thousand minutes)	786,707	767,276	(2.5%)	1,643,844	1,622,925	(1.3%)
Blended MOU (outgoing) (1)	173	178	2.9%	184	187	1.8%
Blended ARPU (HUF) (1)	2,862	2,786	(2.7%)	2,898	2,791	(3.7%)

(1) Including PSTN, VoIP and VoCable.

Fixed line voice-retail revenues declined by 9.4% in the second quarter of 2013 compared to the same quarter in 2012 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 the loss of lines and price discounts reflecting the unfavorable economic environment and competition with VoIP and VoCable operators. The increasing popularity of flat rate packages (e.g. Hoppá) also led to lower ARPU.

Magyar Telekom Plc. offered several price discounts to customers choosing different flat-rate and optional tariff packages. Our Hoppá tariff package was very successful, generating more than 624,500 subscribers by the end of June 2013. The vast majority of customers choosing this package signed a 2-year loyalty contract; therefore, this offer proves to be a very effective tool in decreasing fixed line customer churn in Hungary. Our integrated fixed and mobile offer, the Paletta tariff package, exceeded 54,000 customers as at June 30, 2013.

Internet services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Blended retail broadband market share [(1)]	**36.8%**	**37.2%**	**n.a.**	**36.8%**	**37.2%**	**n.a.**
Number of retail DSL customers	495,858	504,465	1.7%	495,858	504,465	1.7%
Number of cable broadband customers	232,852	260,377	11.8%	232,852	260,377	11.8%
Number of fiber optic connections	37,286	46,788	25.5%	37,286	46,788	25.5%
Total retail broadband customers	**765,996**	**811,630**	**6.0%**	**765,996**	**811,630**	**6.0%**
Blended broadband ARPU (HUF)	3,809	3,519	(7.6%)	3,836	3,610	(5.9%)
Number of wholesale DSL access	97,988	79,031	(19.3%)	97,988	79,031	(19.3%)

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

Internet revenues decreased and amounted to HUF 9.9 billion in Q2 2013. The decrease was mainly owing to lower number of wholesale connections quarter over quarter. Cablenet customer base and the number of fiber connections have been increasing but the retail broadband volume increase could not compensate for the decrease in wholesale connections and the effects of lower ARPU, reflecting lower prices forced by strong competition. The migration towards Telekom double- and triple-play packages also had a negative effect on the blended ARPU level.

TV services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Blended TV market share [(1)]	**25.4%**	**25.7%**	**n.a.**	**25.4%**	**25.7%**	**n.a.**
Number of IPTV customers	276,344	354,242	28.2%	276,344	354,242	28.2%
Number of satellite TV customers	286,374	300,397	4.9%	286,374	300,397	4.9%
Number of cable TV customers	259,483	200,637	(22.7%)	259,483	200,637	(22.7%)
Total TV customers	**822,201**	**855,276**	**4.0%**	**822,201**	**855,276**	**4.0%**
Blended TV ARPU (HUF)	3,038	3,102	2.1%	3,065	3,090	0.8%

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

IPTV and satellite TV revenues increased compared to the same quarter last year; however, this increase was partly offset by lower Cable TV revenues influenced by the significantly lower customer base due to migration from Cable TV to IPTV technology.

Energy services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Electricity points of delivery	47,031	106,239	125.9%	47,031	106,239	125.9%
Gas points of delivery	40,788	68,700	68.4%	40,788	68,700	68.4%

Telekom Hungary has rapidly growing revenues from the retail energy service launched in 2010. Revenues from Energy services increased by HUF 6.2 billion in Q2 2013 versus Q2 2012, due to the significant growth in the number of customers (points of delivery).

3.2.2 T-Systems Hungary

HUF millions	Q2 2012	Q2 2013	Change	Change (%)	1-6. months, 2012	1-6. months, 2013	Change	Change (%)
Mobile voice revenues	3,899	3,646	(253)	(6.5%)	7,774	7,128	(646)	(8.3%)
Non-voice revenue	2,322	2,302	(20)	(0.9%)	4,583	4,508	(75)	(1.6%)
Other mobile revenues	1,746	831	(915)	(52.4%)	3,557	1,681	(1,876)	(52.7%)
Total mobile revenues	**7,967**	**6,779**	**(1,188)**	**(14.9%)**	**15,914**	**13,317**	**(2,597)**	**(16.3%)**
Fixed voice revenues	2,241	2,149	(92)	(4.1%)	4,619	4,288	(331)	(7.2%)
Internet revenues	604	583	(21)	(3.5%)	1,264	1,201	(63)	(5.0%)
Data revenues	2,848	2,313	(535)	(18.8%)	5,855	4,721	(1,134)	(19.4%)
Other fixed line revenues	251	563	312	124.3%	878	1,153	275	31.3%
Total fixed line revenues	**5,944**	**5,608**	**(336)**	**(5.7%)**	**12,616**	**11,363**	**(1,253)**	**(9.9%)**
SI/IT revenues	13,686	17,563	3,877	28.3%	26,900	33,353	6,453	24.0%
Total revenues	**27,597**	**29,950**	**2,353**	**8.5%**	**55,430**	**58,033**	**2,603**	**4.7%**
Crisis tax	(893)	0	893	100.0%	(1,792)	0	1,792	100.0%
Telecom tax	0	(847)	(847)	n.a.	0	(1,729)	(1,729)	n.a.
Utility tax (net)	0	0	0	n.a.	0	(509)	(509)	n.a.
Other operating expenses (net)	(22,435)	(25,074)	(2,639)	(11.8%)	(44,421)	(48,302)	(3,881)	(8.7%)
EBITDA	**4,269**	**4,029**	**(240)**	**(5.6%)**	**9,217**	**7,493**	**(1,724)**	**(18.7%)**
Investments in tangible and intangible assets	1,099	660	(439)	(39.9%)	1,837	971	(866)	(47.1%)

The total revenue of T-Systems Hungary increased in Q2 2013 compared to Q2 2012, as higher SI/IT revenues more than compensated for the decrease in mobile and fixed line revenues.

EBITDA decreased by 5.6%, mainly due to the decrease in high margin fixed line and mobile revenues, which could not be fully compensated for the increase in lower margin SI/IT revenues. The significant decrease in other mobile revenues was mainly due to the absence of Pro-M revenues after the sale of the company in Q3 2012.

Investments in tangible and intangible assets decreased quarter over quarter, as a result of the lower amount of new outsourcing projects requiring higher spending on tangible and intangible assets in Q2 2013.

Mobile services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Number of customers (number or SIM cards)	462,783	493,355	6.6%	462,783	493,355	6.6%
Churn rate	5.1%	4.9%	n.a.	5.5%	7.6%	n.a.
MOU	284	291	2.5%	284	287	1.1%
ARPU (HUF)	4,556	4,071	(10.6%)	4,551	4,016	(11.8%)
Ratio of non-voice revenues in ARPU	37.5%	38.8%	n.a.	37.3%	38.9%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	9,058	4,948	(45.4%)	6,497	3,831	(41.0%)
Number of mobile broadband subscriptions	84,660	99,264	17.3%	84,660	99,264	17.3%

Mobile voice revenues decreased by 6.5% in Q2 2013 versus Q2 2012, predominantly due to lower voice-retail revenues as a result of lower average price per minute partly compensated by higher average customer base and increased MOU.

Fixed line services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Voice services						
Total lines	174,863	169,329	(3.2%)	174,863	169,329	(3.2%)
Total outgoing traffic (thousand minutes)	61,384	59,336	(3.3%)	130,080	119,470	(8.2%)
MOU (outgoing)	166	181	9.0%	182	184	1.1%
ARPU (HUF)	4,301	4,270	(0.7%)	4,438	4,278	(3.6%)
Internet services						
Number of retail broadband access	14,905	15,264	2.4%	14,905	15,264	2.4%
Retail DSL ARPU (HUF)	6,560	7,126	8.6%	7,194	7,314	1.7%

Fixed line voice-retail revenues decreased, caused by the erosion both in the customer base and traffic. Fixed line data revenues were lower, as a result of lower number of leased lines, and lower narrowband data traffic in Q2 2013. Fixed line Internet revenues also declined slightly. Although the number of retail access and ARPU increased, internet revenues from leased lines decreased more significantly resulting in a net decrease in Internet revenues.

SI/IT services

The 28.3 % increase in SI/IT revenues resulted mainly from higher infrastructure and application revenues owing to significantly higher project revenues in Q2 2013.

3.2.3 Macedonia

HUF millions	Q2 2012	Q2 2013	Change	Change (%)	1-6. months, 2012	1-6. months, 2013	Change	Change (%)
Voice revenues[1]	7,765	6,724	(1,041)	(13.4%)	15,102	13,128	(1,974)	(13.1%)
Non-voice revenue	1,319	1,303	(16)	(1.2%)	2,560	2,691	131	5.1%
Other mobile revenues	470	692	222	47.2%	1,012	1,419	407	40.2%
Total mobile revenues	**9,554**	**8,719**	**(835)**	**(8.7%)**	**18,674**	**17,238**	**(1,436)**	**(7.7%)**
Voice revenues[1]	3,982	3,247	(735)	(18.5%)	8,148	6,593	(1,555)	(19.1%)
Internet revenues	1,382	1,458	76	5.5%	2,928	2,893	(35)	(1.2%)
TV revenues	355	548	193	54.4%	686	1,029	343	50.0%
Equipment revenues	319	579	260	81.5%	720	981	261	36.3%
Other fixed line revenues	650	700	50	7.7%	1,339	1,299	(40)	(3.0%)
Total fixed line revenues	**6,688**	**6,532**	**(156)**	**(2.3%)**	**13,821**	**12,795**	**(1,026)**	**(7.4%)**
SI/IT revenues	88	67	(21)	(23.9%)	164	128	(36)	(22.0%)
Total revenues	**16,330**	**15,318**	**(1,012)**	**(6.2%)**	**32,659**	**30,161**	**(2,498)**	**(7.6%)**
EBITDA	**8,363**	**6,692**	**(1,671)**	**(20.0%)**	**15,985**	**12,226**	**(3,759)**	**(23.5%)**
Investments in tangible and intangible assets	2,987	2,079	(908)	(30.4%)	4,339	4,396	57	1.3%

(1) Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items were reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

Revenues of our Macedonian segment decreased by 6.2% in HUF terms quarter over same quarter prior year, mainly driven by the significant decrease in mobile-, and fixed voice revenues.

EBITDA of our Macedonian operations decreased by 20.0% in Q2 2013 versus Q2 2012 in HUF terms, derived mainly from lower revenues, higher direct costs and employee related expenses.

Investment in tangible and intangible assets decreased by 30.4% in Q2 2013, mainly due to higher spending in Q2 2012 on New Generation Operations Systems and Software projects and on a New Generation CRM project.

Mobile services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Mobile penetration[1]	107.2%	107.4%	n.a.	107.2%	107.4%	n.a.
Market share of T-Mobile Macedonia[1]	49.9%	48.1%	n.a.	49.9%	48.1%	n.a.
Number of customers (RPC)	1,223,299	1,197,665	(2.1%)	1,223,299	1,197,665	(2.1%)
Postpaid share in the RPC base	31.8%	32.3%	n.a.	31.8%	32.3%	n.a.
MOU	159	189	18.9%	153	184	20.3%
ARPU (HUF)[2]	2,420	2,205	(8.9%)	2,317	2,168	(6.4%)

(1) Restated, according to Agency of Electronic Communications.
(2) Restated, due to change in calculation methodology.

Mobile voice revenues decreased by 13.4% quarter over quarter, driven by lower voice-retail revenues, as higher outgoing minutes could not offset the lower subscription fees as a result of new promotions and offers reflecting the strong competition, and the decline in the postpaid customer base.

Non voice revenues slightly decreased from Q2 2012 to Q2 2013, predominately due to the fact that decreased SMS revenues owing to lower number of SMSs sent and lower revenues from value added services could not be totally offset by the increase in mobile internet revenues.

Other mobile revenues increased by 47.2%, mainly driven by the greater number of higher average price handsets sold, predominately in retention in Q2 2013 compared to Q2 2012.

Fixed line services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Voice services						
Fixed line penetration	15.4%	14.2%	n.a.	15.4%	14.2%	n.a.
Total voice access	296,083	274,234	(7.4%)	296,083	274,234	(7.4%)
Total outgoing traffic (thousand minutes)	168,909	134,265	(20.5%)	356,616	292,471	(18.0%)
Internet and TV services						
Retail DSL market share (estimated)	81.9%	82.6%	n.a.	81.9%	82.6%	n.a.
Number of retail DSL customers	138,163	152,897	10.7%	138,163	152,897	10.7%
Number of wholesale DSL access	25,443	26,998	6.1%	25,443	26,998	6.1%
Number of total DSL access	163,606	179,895	10.0%	163,606	179,895	10.0%
Number of IPTV customers	50,831	80,320	58.0%	50,831	80,320	58.0%

The decrease in total fixed line revenues was primarily the result of a decline of 23.2% in voice-retail revenues reflecting the loss of fixed lines and lower traffic impacted by mobile substitution and competition.

Increasing equipment revenues owing to the sale of set-top-boxes, and higher TV revenues owing to the growing IPTV subscriber base partly mitigated the decrease in fixed line revenues.

3.2.4 Montenegro

HUF millions	Q2 2012	Q2 2013	Change	Change (%)	1-6. months, 2012	1-6. months, 2013	Change	Change (%)
Voice revenues	2,782	2,412	(370)	(13.3%)	5,316	4,372	(944)	(17.8%)
Non-voice revenue	795	936	141	17.7%	1,544	1,851	307	19.9%
Other mobile revenues	110	251	141	128.2%	210	446	236	112.4%
Total mobile revenues	**3,687**	**3,599**	**(88)**	**(2.4%)**	**7,070**	**6,669**	**(401)**	**(5.7%)**
Voice revenues	2,574	2,490	(84)	(3.3%)	5,030	4,810	(220)	(4.4%)
Internet revenues	866	868	2	0.2%	1,816	1,732	(84)	(4.6%)
Data revenues	451	384	(67)	(14.9%)	931	801	(130)	(14.0%)
Other fixed line revenues	594	628	34	5.7%	1,129	1,268	139	12.3%
Total fixed line revenues	**4,485**	**4,370**	**(115)**	**(2.6%)**	**8,906**	**8,611**	**(295)**	**(3.3%)**
SI/IT revenues	77	270	193	250.6%	143	374	231	161.5%
Total revenues	**8,249**	**8,239**	**(10)**	**(0.1%)**	**16,119**	**15,654**	**(465)**	**(2.9%)**
EBITDA	**3,244**	**3,324**	**80**	**2.5%**	**6,439**	**6,054**	**(385)**	**(6.0%)**
Investments in tangible and intangible assets	1,038	772	(266)	(25.6%)	1,965	1,337	(628)	(32.0%)

In HUF terms, total revenue remained broadly stable quarter over quarter, as the decrease in both mobile and fixed line voice revenues was counterbalanced by higher mobile non-voice, mobile equipment and SI/IT revenues.

The EBITDA of our Montenegrin operation increased by 2.5%, due to total operating expenses in Q2 2013. On a year-to-date basis, EBITDA decreased by 6%, as a result of weaker revenue figures in Q1 2013.

Investment in tangible and intangible assets decreased in Q2 2013 compared to the same quarter last year, owing to higher spending in 2012 on base stations as a result of the mobile network modernization project, on local access and on spectrum investments.

Mobile operations	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Mobile penetration [(1)]	164.8%	162.2%	n.a.	164.8%	162.2%	n.a.
Market share of T-Mobile Crna Gora [(1)]	34.4%	35.4%	n.a.	34.4%	35.4%	n.a.
Number of customers (RPC) [(1)]	351,143	355,926	1.4%	351,143	355,926	1.4%
Postpaid share in the RPC base	38.1%	37.6%	n.a.	38.1%	37.6%	n.a.
MOU	165	174	5.5%	158	168	6.3%
ARPU (HUF) [(1)]	3,510	3,024	(13.8%)	3,333	2,884	(13.5%)

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

Compared with the same period last year, mobile revenues in HUF terms decreased in Q2 2013, owing to lower voice revenues. Lower voice-retail revenues were the result of the significantly lower tariff levels that could not be compensated by the increase in total billed minutes. Lower voice-wholesale revenues are the result of the decrease in interconnection tariffs in 2013.

These decreases were largely offset by the increase in non-voice and other mobile revenues. Non-voice revenues increased by 17.7% mainly due to higher Internet subscription revenues driven by the increased number of subscribers, and to higher messaging revenues in the prepaid segment. Other mobile revenues increased as well, mainly owing to higher handset sales due to successful smartphone marketing campaigns in Q2 2013.

Fixed line services	Q2 2012	Q2 2013	change %	1-6. months, 2012	1-6. months, 2013	change %
Voice services						
Fixed line penetration	26.2%	25.7%	n.a.	26.2%	25.7%	n.a.
Total voice access	166,867	163,697	(1.9%)	166,867	163,697	(1.9%)
Total outgoing traffic (thousand minutes)	75,741	68,081	(10.1%)	156,118	138,054	(11.6%)
Internet and TV services						
Retail DSL market share (estimated)	83.4%	82.3%	n.a.	83.4%	82.3%	n.a.
Number of DSL access	77,572	85,450	10.2%	77,572	85,450	10.2%
Number of IPTV customers	50,388	56,677	12.5%	50,388	56,677	12.5%

Total fixed line revenues in HUF terms decreased by 2.6%, mainly due to the decrease in voice-retail and data revenues. Lower voice-retail revenues are due to a decline in outgoing traffic and lower number of accesses. Data revenues decreased, as the number of leased line and IP network customers fell along with prices. These decreases were only partly offset by higher equipment revenues due to the increasing number of TV-set and laptop sales.

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.

Macedonia

Compensation for termination of a service contract by T-Mobile MK

In January 2002, T-Mobile MK signed an agreement with a subcontractor, including a 3-month trial period, for the collection of T-Mobile MK's overdue receivables. After the expiration of the 3-month trial period, T-Mobile MK terminated this contract in April 2002 due to breaches of the contractual obligations by the subcontractor. The subcontractor initiated a lawsuit in April 2003 requesting damage compensation for foregone profit and compensation for services already rendered. Management estimates it unlikely that the subcontractor would win the court case against T-Mobile MK. The potential loss from the claim is approximately HUF 4.6 billion. The first and second instance decisions were in favor of T-Mobile MK, but the plaintiff submitted a revision to the Supreme Court, therefore the timing of the final resolution is uncertain.

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 breaches of certain deadlines for decision upon subscriber's request and related to alleged abuse of dominant market position. The maximum possible fine for each individual case is 4% - 10% of the annual revenue (HUF 38-45 billion) of the companies for the year preceding the misdemeanor, in accordance with the local legislation. Management believes, based on legal advice, that it is not probable that a significant liability will arise from these claims because of unsubstantiated bases for initiating these misdemeanor procedures.

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.

Guarantees

Magyar Telekom Plc. is exposed to risks that arise from the possible drawdown of guarantees.

Commitments

There has not been any material change in the nature and amount of our commitments in H1 and Q2 2013.

3.4. Other matters

Investigations 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 totalled 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. 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, totalling 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.

In addition to the DOJ's and the SEC's investigations, the Ministry of Interior of the Republic of Macedonia, the Montenegrin Supreme State Prosecutor, the Hungarian Central Investigating Chief Prosecutor's Office and the First Instance Prosecutor's Office of Athens commenced investigations into certain of the activities that were the subject of the internal investigation. These governmental investigations are continuing, and the Company and/or its relevant subsidiaries continue to cooperate with these investigations.

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

No such events have taken place in Q2 2013.

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. These trends together with local specifics create new set-up in our eco-system both in terms of infrastructure, servicing and new types of business models.

Market delivers moderate growth with strong restructuring between segments that puts pressure on margin levels. We expect that the traditional telecommunications market will no longer deliver sizeable revenue growth in Hungary. The fixed voice market as a major revenue and profit source is declining; mobile is no longer able to compensate this decline. However, we expect that new core segments, especially mobile broadband, broadcasting and IT services will deliver sizable revenue growth in the coming years. The fixed market is characterized by 3Play bundles, with TV being a core element of service offerings, while the mobile market is driven by fierce competition in broadband and content services. An increasing technology platform-based competition can be observed in the domestic market, where our competitors are extensively deploying next-generation countrywide fixed and mobile networks. The battle for customer contacts has pushed prices down. We expect continued consolidation in the fixed arena, especially in the cable market. In mobile, new entrants are expected as virtual network operators (MVNOs), but a new infrastructure player may also enter the market.

Latest macroeconomic forecasts lag significantly behind previous assumptions, especially in terms of residential consumption and public spending. Market development is challenged by significant uncertainties in macroeconomic outlook putting further pressure on market players. The weakness of domestic demand entails negative changes in the economic structure and a decline in services. Decrease in corporate tax rate has not yet generated an increase in either consumption or investments. The new flat personal income tax rate system increased savings at higher income categories. The recently imposed utility tax is impacting telecom operators' investment intensity having a negative effect on overall telecom network development. GDP is expected to reach the pre-crisis level only after 2014.

3.7. Strategy

As a result of our focused strategic efforts, Magyar Telekom has maintained leading positions in its Hungarian fixed line, mobile, Internet and ICT businesses in the first half of 2013. Even under uncertain macroeconomic and market conditions, we managed to deliver a turnaround in revenues, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offering capabilities proactively leveraging various partnering models as well. The evolving external environment continues to drive the need for changes in our approach to our customers and our business.

We continue our transformation on a new basis to become the most highly regarded service company in an extended market of telecommunications and related industries. To accelerate our efforts, we have developed a future-proof business and operating model based on our strategic imperatives to innovate, grow and extend the core business – thus growing revenue whilst becoming a more agile organization. This enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities that secures stable cash generation in the long run. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio and increase process automation. We aim to exploit our abilities to become a leader in all digital services around the home for both consumers and third parties. Our non-core areas, such as energy, e-health, finance and insurance services, support customer retention and new revenue streams.

3.8. Resources and risk factors

- Our operations (both in Hungary and abroad) are subject to substantial government regulation, which can result in adverse consequences for our business and results of operations;
- We are subject to more intense competition;
- 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 and retail energy 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 have resulted and may result in impairments in 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;
- 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 ADRs;
- Fluctuations in the currency exchange rate could have an adverse effect on our results of operations;
- We are continuously involved in disputes and litigation with regulators, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. The results of those procedures may have a material adverse effect on our results of operations and financial condition;

- 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.

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 emerging wireless broadband technologies), customer requirements (e.g., increase in mobile usability of content services and terminal devices, 4Play solutions and the growing need for customized content) 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 its unique business environment, and we are subject to circumstances and events that are unforeseen or beyond our control. The European economy has slowed down and shows signs of recessionary risk in 2013. Major uncertainties surrounding the future of the euro have escalated the debt crisis for several euro-zone members. The Hungarian economy has been impacted heavily by the second wave of the financial crisis. GDP projections for 2013 were reduced significantly, and the Hungarian National Bank forecasts indicate GDP growth of about 0.6 percent for 2013. The unemployment rate remains above ten percent, and the volatility of the Hungarian currency is expected to continue.

In order to balance the government budget, the Hungarian government has implemented several measures to reduce the deficit to 2.8 percent of GDP in 2013. Although the special telecommunications tax, which came into effect in 2010, was terminated in 2013, 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 tax imposed on fixed and mobile usage amounts to HUF 2 per minute and HUF 2 per SMS/MMS. The tax is capped: for 2013, at HUF 700 per month per calling number for private individuals' subscriptions and HUF 2500 per month per calling number for other subscribers' subscriptions. On June 27, 2013, the Parliament of Hungary adopted an act amending the amount of the telecommunication tax, raising the tax measure to HUF 3 per minute and HUF 3 per SMS/MMS for non-private individual subscribers' subscriptions and also raising the cap applicable to these subscriptions to HUF 5,000 per month. These changes are to take effect from August 1, 2013. The telecommunication tax payable by Magyar Telekom for 2013 is estimated at around HUF 25 billion. As disclosed in our press release on November 20, 2012, the Parliament also adopted an act imposing a further tax to be levied on utility networks (e.g.: ducts, cables) from 2013. The tax expense and liability was recognized in the first quarter of 2013 as the full annual tax liability is payable based on the taxable infrastructure in place on January 1, 2013. Our T-Systems Hungary segment is also affected by heavy spending cuts by the government, our largest business customer.

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 2013. As the market is shifting towards multiplay offers, we are combining our product portfolio in order to provide all services for every customer demand on every platform. By having the full range of telecommunications services, we are capable of offering 4Play packages, unique in the Hungarian market. Magyar Telekom - due to unfavourable economic and market trends - has implemented a gradual tariff change effective from September and October 2012. Fixed line inter-connection tariffs are expected to be reduced by 30% in each half year from January of 2013 until January 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 are aiming to expand further our RPC figures in 2013; 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. by offering interactive SAT TV).

In the mobile market, penetration has reached saturation point, and we expect declining voice revenues in 2013. 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. Mobile interconnection tariffs were reduced by 25% in 2013. Mobile termination rates are expected to be reduced further in the future. The market entry of the 4th mobile operator is not likely in 2013.

Magyar Telekom is continuously seeking business opportunities beyond core services. A significant step was made in this direction upon our entrance into the Hungarian retail energy market. This new revenue stream will enable us to compensate for the decrease in our Hungarian revenue in 2013; however, these revenues are associated with lower margins and as such, we expect our overall margins to decline. The Hungarian government has approved a cut in household energy prices by 10% from January 1, 2013, and may approve further cuts in the future.

The move applies to electricity, natural gas and district heating prices. In the future, we intend to shift our business focus and concentrate more on the competitive segment.

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.

In Macedonia, competition is increasing both in the fixed line and mobile market. Our main competitors in the fixed line market are ONE and two major cable TV operators, which target the retail voice market with 3Play offers, aggressive pricing and marketing communication. We also expect more intensive regulatory measures in Macedonia in the future. In the mobile market, competition is also very strong with three players in the market. Mobile voice revenues are expected to decline, only partially offset by the fast growth in mobile broadband based on the new 3G technology.

In Montenegro, we also anticipate a tough environment due to competitive and regulatory pressures in the near future. Fixed wholesale revenues are expected to be the most impacted by regulatory actions (reducing international termination rates to rates at the national level), while mobile revenues are also expected to decline due to gradual termination fee cuts. Growth in fixed and mobile broadband cannot entirely compensate for the losses in the voice market. Competitors are also putting pressure on prices with 2Play and 3Play offers.

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 wage development, headcount reduction and decreases in additional employee allowances at the parent company for 2013. Whilst the terms of the agreement envisaged 500 employee redundancies in 2013, the majority of these employees left the Company by the end of 2012. Although, there was a 4% general increase in the base salary of parent company employees from April 2013, employer contributions to the deferred pension fund will also be reduced by 25%. These measures will reduce our Total Workforce Management (“TWM”) related costs.

In line with global market developments and the liberalization of the Hungarian energy market, we have experienced rapid growth in energy prices above the rate of inflation. We expect energy costs to remain high in 2013, impacting us negatively.

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., LTE, FTTx) remain our key strategic goals although the overall investment level is decreasing. 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 segments will also demand additional investments.

Striving for further improvement in customer orientation, the strategic priority for 2013 and beyond is the successful implementation of a new CRM system in Hungary. We are targeting the complete overhaul of the current customer management system of the Company.

In line with our strategy, we are committed to further strengthening and leveraging our presence in the South-Eastern Europe region. Therefore, we are continuously seeking further value-creating acquisition 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 and its consolidated undertakings. In addition, the report gives a fair view of the position, development and performance of Magyar Telekom 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, Board member	János Szabó Chief Financial Officer

Budapest, August 8, 2013

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, 2012, 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, underlying EBITDA, underlying 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.