MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED MARCH 31, 2018

Budapest – May 8, 2018 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the first quarter of 2018, in accordance with International Financial Reporting Standards (IFRS).

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q1 2017 IAS 18/ IAS 11 Continuing operation	Q1 2018 IAS 18/ IAS 11	Change (%)	Q1 2018 IFRS 9 & 15 effect	Q1 2018 IFRS 9 & 15	Change (%)
Total revenues	**140,507**	**149,597**	**6.5%**	**1,022**	**150,619**	**7.2%**
Operating profit	**12,622**	**15,098**	**19.6%**	**627**	**15,725**	**24.6%**
Profit attributable to:						
Owners of the parent	4,104	8,076	96.8%	628	8,704	112.1%
Non-controlling interests	710	811	n.m.	(1)	810	n.m.
	4,814	**8,887**	**84.6%**	**627**	**9,514**	**97.6%**
Gross profit	87,565	90,532	3.4%	616	91,148	4.1%
EBITDA	38,342	41,928	9.4%	627	42,555	11.0%
EBITDA margin	27.3%	28.0%	n.a.	61.4%	28.3%	n.a.
Free cash flow	250				(9,946)	n.m.
Basic earnings per share (HUF)	**2.83**	**7.78**	**174.9%**	**0.61**	**8.39**	**196.5%**
CAPEX to Sales	**11.0%**	**n.a.**	**n.a.**	**n.a.**	**9.6%**	**n.a.**
Number of employees (closing full equivalent)	**9,067**	**9,230**	**1.8%**	**n.a.**	**9,230**	**1.8%**
	December 31, 2017				**March 31, 2018**	**Change (%)**
Net debt	**309,641**				**318,125**	**2.7%**
Net debt / total capital	**34.8%**				**34.4%**	**n.a.**

- **Continued increase in Group revenue driven by sustained growth in mobile data, equipment and SI/IT sales**
  - **Hungarian service revenue growth thanks to further expansion of the mobile postpaid, fixed broadband and pay TV customer base**
  - **SI/IT revenue growth driven by high volume public sector infrastructure projects**
  - **Macedonian revenue improvement reflecting slowdown in fixed and mobile voice revenue erosion**
- **EBITDA growth driven by higher revenues coupled with savings in other operating expenses and lower utility tax**
- **Free Cash Flow reduction due to unfavourable seasonality in working capital, including higher payments to handset suppliers**
- **Net debt ratio improved to 34.4% driven by changes in retained earnings reflecting IFRS 15 adoption**

Christopher Mattheisen, CEO commented:

"I am pleased to confirm that Magyar Telekom has maintained its momentum from the previous fiscal year to deliver strong growth in both revenue and EBITDA in Q1 2018.
Our continued commitment to meeting customer needs and refreshing our product offering ensured the Hungarian operation continued along the positive trajectory set last year, with revenue increasing across all three major services lines.
In the mobile segment, data services continued to play a significant role in revenue creation with both domestic and visitor data usage increasing. In addition, regulatory changes introduced in 2017 requiring the sale of audiovisual equipment with 2-year loyalty contracts boosted revenue in the equipment line. Pre- to postpaid migration continued in the quarter, leading to a more favorable customer mix and higher altogether mobile ARPU.
In the fixed segment, revenues from equipment sales rose by 70% year-on-year for the period due to successful efforts to develop the network and restructure the broadband offering. As a result, we managed to grow our broadband and TV customer base by over 5% in the quarter and are confident that we are well positioned to capitalize on the positive trends in the segment going forward.
FMC remained a key focus for the quarter as we introduced our 'FMC first' strategy to further expand our FMC customer base while giving customers a complete solution for their communications needs.
Turnaround in Macedonia continued into Q1 2018 with revenue up 2.6% year-on-year, primarily as a result of positive dynamics in the mobile segment. Despite growing competitive pressures, EBITDA increased by 11% as a result of ongoing cost saving measures.
We have had a strong start to the year. Having strengthened our position in several key areas, such as post-paid mobile and fixed broadband, and with our strategic focus on expanding our FMC customer base, we are well placed to deliver another year of growth in 2018. As you probably know I'll be leaving Magyar Telekom at the beginning of July and as such you'll hear the rest of this success story from my successor Tibor Rékasi"

Public guidance

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

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

*** including IFRS 9 & 15 impacts*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

Consolidated Statements of Comprehensive Income (HUF million)	Q1 2017 IAS 18 / IAS 11	Q1 2018 IAS 18 / IAS 11	Change	Change (%)	Q1 2018 IFRS 9 & 15 effect	Q1 2018 IFRS 9 & 15
Revenues						
Mobile revenues	74,250	77,678	3,428	4.6%	594	78,272
Fixed line revenues	47,548	51,162	3,614	7.6%	428	51,590
System Integration/Information Technology revenues	17,129	20,757	3,628	21.2%	0	20,757
Energy service revenues	1,580	0	(1,580)	(100.0%)	0	0
Total revenues	**140,507**	**149,597**	**9,090**	**6.5%**	**1,022**	**150,619**
Direct costs	**(52,942)**	**(59,065)**	**(6,123)**	**(11.6%)**	**(406)**	**(59,471)**
Gross profit	**87,565**	**90,532**	**2,967**	**3.4%**	**616**	**91,148**
Indirect costs	**(49,223)**	**(48,604)**	**619**	**1.3%**	**11**	**(48,593)**
EBITDA	**38,342**	**41,928**	**3,586**	**9.4%**	**627**	**42,555**
Depreciation and amortization	(25,720)	(26,830)	(1,110)	(4.3%)	0	(26,830)
Operating profit	**12,622**	**15,098**	**2,476**	**19.6%**	**627**	**15,725**
Net financial result	(6,050)	(4,311)	1,739	28.7%	0	(4,311)
Share of associates and joint ventures' results	309	395	86	27.8%	0	395
Profit before income tax	**6,881**	**11,182**	**4,301**	**62.5%**	**627**	**11,809**
Income tax	(2,067)	(2,295)	(228)	(11.0%)	0	(2,295)
Profit for the period from continuing operations	**4,814**	**8,887**	**4,073**	**84.6%**	**627**	**9,514**
Profit from discontinued operation	9,526	0	(9,526)	(100.0%)	0	0
Total profit for the period	**14,340**	**8,887**	**(5,453)**	**(38.0%)**	**627**	**9,514**

Total revenues, excluding the impact of IFRS 15 adoption, increased 6.5% year-on-year to HUF 149.6 billion in Q1 2018, largely driven by mobile data and equipment sales, as well as System Integration and IT revenue growth. The adoption of IFRS 15 resulted in additional HUF 1.0 billion revenue in Q1 2018 (for a further detailed breakdown please see section 3.9.)

- **Mobile revenues (excluding IFRS 15 impacts) increased 4.6% year-on-year to HUF 77.7 billion in Q1 2018**, thanks to higher revenues across all service lines.
  - **Voice retail** revenues grew by 1.1% year-on-year to HUF 35.1 billion at the Group level in Q1 2018, thanks to improvements in both countries. In Hungary, a significant increase in the postpaid subscriber base counterbalanced the negative impacts stemming from price pressures and lower roaming revenues. In Macedonia the revenue increase was attributable to higher postpaid customer base and the one-off revenues related to the terminated prepaid loyalty program.
  - **Voice wholesale** revenue increased 1.0% year-on-year, to HUF 2.3 billion in Q1 2018, driven by higher incoming domestic mobile traffic in Hungary, partly offset by lower volumes of incoming international mobile traffic in Macedonia.
  - **Data** revenues grew by 14.4% year-on-year, to HUF 19.7 billion in Q1 2018. This resulted in part from higher number of mobile internet subscribers across the Group, but also reflected the reclassification of mobile handset insurance revenues, from other mobile revenues to mobile content revenues, effective from the beginning of 2018.
  - **SMS** revenues increased by 10.1% year-on-year to HUF 4.6 billion in Q1 2018 reflecting increased residential usage from an expanded postpaid customer base as well as higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenues increased by 7.4% year-on-year to HUF 13.4 billion in Q1 2018, attributable to a higher ratio of more expensive handsets as part of the sales mix, in both countries of operation.
  - **Other mobile** revenues decreased to HUF 2.6 billion in Q1 2018 due to the reclassification of mobile handset insurance revenues to mobile content revenues, effective from the beginning of 2018.
- **Fixed line revenues (excluding IFRS 15 impacts) were 7.6% higher year-on-year at HUF 51.2 billion in Q1 2018.** In Hungary, improvements in broadband and TV revenues, coupled with strong growth in equipment sales, fully offset the erosion of voice revenue, whereas in Macedonia, fixed revenues declined moderately.
  - **Voice-retail** revenues decreased by 5.9% year-on-year to HUF 11.1 billion in Q1 2018, driven by a continued decline in the customer base and average tariff levels, both in Hungary and Macedonia.

- **Broadband retail** revenues increased 8.2% year-on-year, to HUF 13.1 billion in Q1 2018, attributable to the improvement in Hungary, where the expansion of the customer base more than compensated for prevailing competitive price pressures. In Macedonia, the positive impact of the higher customer base was offset by a decline in price levels.
- **TV** revenues rose by 9.2% year-on-year to HUF 12.1 billion in Q1 2018, thanks to the growing IPTV subscriber base and higher ARPUs in both countries of operation.
- **Fixed equipment** revenues grew to HUF 3.3 billion in Q1 2018, due to the significant increase in the volume of equipment sold in connection to fixed service contracts.
- **Wholesale** revenues increased by 4.3% year-on-year to HUF 4.8 billion in Q1 2018. Lower wholesale revenues at the Macedonian operation, caused by lower fixed incoming domestic and international traffic, was offset by higher wholesale revenues in Hungary due to onetime correction related to wholesale internet revenues.
- **Other fixed line** revenues rose by 19.3% to HUF 4.4 billion, reflecting higher revenues in relation to operated shared service centers, increased usage of Video on Demand and higher late payment fees in Hungary.

- **System Integration (SI) and IT revenues grew by 21.2% year-on-year to HUF 20.8 billion in Q1 2018**, thanks to significant public sector asset sales coupled with license deliveries for the health care sector in Hungary. In Macedonia, SI/IT revenues returned to modest growth, after falling temporarily during 2017.
- **Energy Services** were ceased following the exit from the residential segment of the electricity market, which came into effect on November 1, 2017.

Direct costs, excluding IFRS 9 and 15 impacts, increased by 11.6% year-on-year, to HUF 59.1 billion in Q1 2018. This was driven by higher SI/IT and equipment costs, in line with the growth delivered in the related revenue lines. The adoption of IFRS 9 and 15 resulted in additional HUF 0.4 billion direct costs in Q1 2018 (for a more detailed breakdown please see section 3.9.)

- **Interconnect costs** increased to HUF 4.7 billion in Q1 2018, reflecting increased mobile traffic in Hungary which led to higher payments to domestic mobile operators, whereas interconnect costs in Macedonia remained broadly unchanged.
- **SI/IT service related costs** increased by 31.1% year-on-year to HUF 14.0 billion in Q1 2018, driven by an increase in related revenue and a higher ratio of infrastructure delivery projects in the sales mix.
- **Bad debt expenses** improved by HUF 0.5 billion year-on-year falling to HUF 1.1 billion in Q1 2018. This was primarily thanks to a positive effect from improvements in the aging structure of our receivables, in addition to temporarily favourable results related to factored trade receivables in Hungary.
- **Telecom tax** rose by 5.3% year-on-year to HUF 6.2billion in Q1 2018, as a result of increased mobile traffic in Hungary, both in the retail and business segments.
- **Other direct costs** increased by 14.9% year-on-year, to HUF 33.1 billion in Q1 2018, due to an increase in the cost of equipment sales resulting from higher smartphone sales and an increase in Hungarian roaming outpayments.

Gross profit (excluding IFRS 9 and 15 impacts) grew by 3.4% year-on-year to HUF 90.5 billion in Q1 2018. Higher revenues, coupled with reduced bad debt expenses, more than offset the increase in equipment subsidies and margin deterioration in SI/IT services. The adoption of IFRS 9 and 15 resulted in an additional HUF 0.6 billion of gross profit in Q1 2018 (for a more detailed breakdown please see section 3.9.)

Indirect costs, excluding IFRS 9 and 15 impacts, improved by 1.3% year-on-year to HUF 48.6 billion in Q1 2018, thanks to lower utility tax expenses coupled with some savings in other operating expenses and higher other operating income.

- **Employee-related expenses** increased moderately by 0.8% year-on-year to HUF 19.5 billion. This was driven by the insourcing of trainees in the Hungarian operations, which resulted in the related wage costs being booked as employee expenses, rather than being reported among other operating expenses in the base period. At the same time, the negative impact of the 5% average wage increase at the Company was counterbalanced by a lower average regular employee headcount.
- **Hungarian utility tax** in Q1 2018 was HUF 7.2 billion, HUF 0.3 billion lower than in Q1 2017. This reflects the positive effects of Magyar Telekom's tax credit relating to new network investments and upgrades which enable internet access of at least 100 Mbps.
- **Other operating expenses** improved moderately, falling 0.9% year-on-year to HUF 22.9 billion in Q1 2018. Savings in energy costs and advisory fees compensated for higher fees related to the rental of local state-of-the-art cable networks and a temporary increase in marketing expenses.
- **Other operating income** increased to HUF 1.0 billion in Q1 2018, reflecting one-off accrual reversals related to lapsed unbilled liabilities.

EBITDA, excluding IFRS 9 and 15 impacts, grew by 9.4% year-on-year to HUF 41.9 billion in Q1 2018, following an increase in gross profit, in addition to some indirect cost savings. The adoption of IFRS 9 and 15 resulted in an additional HUF 0.6 billion of EBITDA in Q1 2018 (for a more detailed breakdown please see section 3.9.)

Depreciation and amortization expenses increased by 4.3% year-on-year to HUF 26.8 billion, reflecting higher capitalization of software and physical equipment during 2017.

Profit for the period from continuing operations, excluding IFRS 9 and 15 impacts, grew by HUF 4.1 billion to HUF 8.9 billion in Q1 2018 compared to Q1 2017, as the increase in EBITDA was coupled with lower financial expenses that more than offset the increase in D&A expenses.

- **Net financial expenses** improved by 28.7% year-on-year to HUF 4.3 billion in Q1 2018. This was thanks to lower losses on the fair valuation of derivatives compared to Q1 2017, due to different EUR-HUF exchange rates and yield developments during the two quarters.
- **Income tax** expenses increased by 11.0% year-on-year, to HUF 2.3 billion in Q1 2018, reflecting the increase in profit before income tax.

Profit attributable to non-controlling interests from continuing operations excluding IFRS 9 and 15 impacts, increased by 14.2% year-on-year to HUF 0.8 billion in Q1 2018, as the increase in the Macedonian EBITDA outweighed higher D&A expenses.

Profit from discontinued operation

- In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale of the Company's entire 76.53% shareholding in Crnogorski Telekom A.D., for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017. Consequently, in accordance with IFRS5, the results and cash flows of the Montenegrin operations are presented as discontinued operations for both the comparative and the current period. (For further details please see section 2.2.3)

Net debt increased from HUF 309.6 billion at the end of 2017 to HUF 318.1 billion by the end of March 2018. At the same time, the net debt ratio (net debt to total capital) fall from 34.8% to 34.4%, reflecting the increase in retained earnings caused by IFRS 9 and 15 implementation (for further details please see section 3.9.).

2.1.2 Group Cash Flows

HUF millions	1-3 months 2017	1-3 months 2018	Change
Operating cash flow	27,639	10,091	(17,548)
Investing cash flow	(28,138)	(19,646)	8,492
Less: Proceeds from other financial assets - net	2,723	1,219	(1,504)
Investing cash flow excluding Proceeds from other financial assets – net	(25,415)	(18,427)	6,988
Repayment of other financial liabilities	(1,974)	(1,610)	364
Free cash flow from continuing operation	**250**	**(9,946)**	**(10,196)**
Net cash generated from/(used in) operating activities from discontinued operation	(25)	0	25
Net cash (used in)/generated from investing activities from discontinued operation*	36,292	0	(36,292)
Repayment of other financial liabilities from discontinued operation	0	0	0
Free cash flow from discontinued operation	**36,267**	**0**	**(36,267)**
Total free cash flow	**36,517**	**(9,946)**	**(46,463)**
Proceeds from other financial assets - net	(2,723)	(1,219)	1,504
Proceeds from/Repayment of loans and other borrowings - net	(37,594)	12,745	50,339
Dividend paid to shareholders and Non-controlling interests	0	(3)	(3)
Repurchase of treasury shares	0	(363)	(363)
Net cash (used in)/generated from financing activities from discontinued operation	2,041	0	(2,041)
Exchange differences on cash and cash equivalents	(47)	28	75
Exchange differences on cash and cash equivalents from discontinued operation	0	0	0
Change in cash and cash equivalents	**(1,806)**	**1,242**	**3,048**

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

Free cash flow from continuing operations (FCF) overall decreased from an inflow of HUF 0.3 billion in Q1 2017 to an outflow of HUF 9.9 billion in Q1 2018 due to the reasons described below:

Operating cash flow from continuing operations

Net cash generated from operating activities amounted to HUF 10.1 billion in Q1 2018, compared to HUF 27.6 billion in Q1 2017. Main reasons for the decrease of HUF 17.5 billion were the following:

- HUF 4.2 billion **positive change** due to the higher **EBITDA** recorded in Q1 2018 compared to Q1 2017
- HUF 4.3 billion **negative change in active working capital,** mainly as a result of the following impacts:

- higher increase in core business receivables compared to the corresponding period in Q1 2017 in line with the increased core business sales volumes (negative impact: ca. HUF 3.0 billion)
- higher increase in instalment receivables in line with these higher sales volumes (negative impact: ca. HUF 2.1 billion)
- reduction in SI/IT related advance payments, reflecting different project timings (positive impact: ca. HUF 2.1 billion)
- increase in the recognition of Contract assets and Contract costs (excl. the effect of cumulative catch-up adjustments) following the implementation of the new IFRS 9 and IFRS 15 standards, with effect from 1 January 2018 (negative net impact: ca. HUF 0.4 billion)

- HUF 0.6 billion **positive change in provisions, principally due to lower net payments of legal provisions in Q1 2018 than in Q1 2017**
- HUF 18.1 billion **negative change in passive working capital,** primarily driven by the following factors:
  - lower equipment creditors balance in Q1 2018 compared to Q1 2017 following the changes in payment terms agreed with handset suppliers (negative impact: HUF 23.8 billion)
  - lower payments to SI/IT services related suppliers in Q1 2018 (positive impact: HUF 3.8 billion)
  - lower HR related personnel expense payments in Q1 2018 (positive impact: HUF 1.8 billion)
  - decrease in Contract liabilities (excl. the effect of cumulative catch-up adjustments) due to implementation of the new IFRS 15 standard with effect from 1 January 2018 (negative impact: ca. HUF 0.2 billion)

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

Net cash used in regular investing activities amounted to HUF 18.4 billion in Q1 2018, compared to HUF 25.4 billion in Q1 2017. Main reasons for the HUF 7.0 billion lower cash outflow were the following:

- HUF 1.0 billion **positive effect** due to lower **CAPEX** in Q1 2018 than in Q1 2017
- HUF 4.6 billion **positive change** due to lower payments to **CAPEX creditors** in Q1 2018 compared to Q1 2017
- HUF 1.1 billion **positive change** which is the combined effect of the lower volume of business combinations (**ServerInfo-Ingatlan Kft** vs **ITGen Kft**) and the lower volume **of cable TV operation acquisitions** in Q1 2018 compared to Q1 2017
- HUF 0.4 billion **negative change** due to the effect of the **cash acquired** through the acquisitions
- HUF 0.4 billion **positive change** related to the **disposal of PPE** mainly reflecting a number of real estate disposals in Q1 2018

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF 2.0 billion in Q1 2017 to HUF 1.6 billion in Q1 2018, mainly due to HUF 0.6 billion **positive change** caused by the **termination of certain finance lease contracts, resulting in lower** lease payments in Q1 2018 compared to Q1 2017

Free cash flow from discontinued operations (FCF) overall decreased by HUF 36.3 billion mainly due to the sale of Crnogorski Telekom A.D. (disclosed within discontinued operations) in Q1 2017

Proceeds from other financial assets - net improved by HUF 1.5 billion, primarily due to the HUF 2.0 billion lower amount of Maktel's cash invested as bank deposit over 3 months in Q1 2018 in net terms

Repayment of loans and other borrowings – net was higher by HUF 50.3 billion, due to the reimbursement of parent company (DT AG) loans from the sale proceeds of the Crnogorski Telekom A.D disposal in Q1 2017, along with a higher drawdown of short term Group funds in Q1 2018

Repurchase of treasury shares was higher by HUF 0.3 billion due to the higher repurchase of treasury shares for ESOP (Employee Share Ownership Program) in Q1 2018 compared to Q1 2017

Net cash (used in)/generated from financing activities from discontinued operations recorded a HUF 2.0 billion negative change due to the repayment of the loan from Crnogorski Telekom A.D. to Magyar Telekom in Q1 2017 following its sale

Exchange differences on cash and cash equivalents both from continuing and discontinued operation had no significant effect in Q1 2018 compared to Q1 2017

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

2.1.3 Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2017 to March 31, 2018 can be observed in the following lines:

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

Trade receivables and other assets increased by HUF 11.7 billion from December 31, 2017 to March 31, 2018. This change is mainly caused by the adoption of IFRS 9 and 15 standards. The total impact of the opening adjustment comes to HUF 9.5 billion related to the catch-up adjustment and HUF ca. 4.0 billion as result of reclassification mainly from construction contract receivables under IAS 11 and the discount given to customers of unbilled receivables under IAS 18 to Contract assets within the same line. The closing balance of Contract assets is HUF 16.0 billion.

Property plant and equipment (PPE) and intangible assets (including Goodwill) together decreased by HUF 11.1 billion from December 31, 2017 to March 31, 2018, as the depreciation and scrapping of assets exceeded the capital expenditure for the quarter.

Financial liabilities to related parties (current and non-current combined) increased by HUF 9.5 billion from December 31, 2017 to March 31, 2018, mainly due to the additional drawdown of short-term Group funds in 2018.

Trade payables decreased by HUF 25.9 billion from December 31, 2017 to March 31, 2018, largely a reflection of the decrease in the balances outstanding to handset suppliers.

Other current liabilities increased by HUF 2.9 billion from December 31, 2017 to March 31, 2018. The closing balance of Other current liabilities includes HUF 11.5 billion Contract liabilities mainly as a result of reclassification from advance payments received from customers and from deferred revenue within the same line.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position from December 31, 2017 to March 31, 2018; other less significant changes can largely be attributable to the impacts of implementation of IFRS 9 and 15 as presented in Section 3.9. In terms of the Consolidated Statement of Cash Flows for Q1 2018, the related explanations can be found above in Section 2.1.2.

2.1.4 Related party transactions

There have not been any significant changes in related party transactions during Q1 2018 since the most recent annual financial reports.

2.1.5 Contingencies and commitments

Contingent assets

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

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

Contingent liabilities

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

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees that in aggregation amounted to a nominal amount of HUF 10.7 billion as at December 31, 2017. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual obligations. The Group has to date been delivering on its contractual obligations and expects to continue to do so in the future; consequently, there have been no significant drawdown of the guarantees in the first quarter 2018 and this is expected to continue being the case going forward.

Commitments

There has not been any material change in the nature and amount of our commitments in Q1 2018.

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2.1.6 Significant events

For any significant events happened between the end of the quarter (March 31, 2018) and the date publishing of the "Interim financial report" please see our Investor Relations website:

http://www.telekom.hu/about_us/investor_relations/investor_news

2.2. Segment reports

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

The MT-Hungary segment operates in Hungary, providing mobile and fixed line telecommunications, TV distribution, information communication and system integration services to millions of residential and business customers under the Telekom and T-Systems brands. Residential customers are served by the Telekom brand, while business customers (corporate and public sector customers) are served by the T-Systems brand. The MT-Hungary segment is also responsible for the wholesale of mobile and fixed line services within Hungary, and performs strategic and cross-divisional management, as well as support functions on behalf of the Group, including Procurement, Treasury, Real Estate, Accounting, Tax, Legal and Internal Audit. This segment is also responsible for the Group's points of presence in Bulgaria and Romania, where it primarily provides wholesale services to local companies and operators. The Macedonian segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in Macedonia.

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

2.2.1 MT-Hungary

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

HUF million	Q1 2017 IAS 18 / IAS 11	Q1 2018 IAS 18 / IAS 11	Change	Change (%)	Q1 2018 IFRS 9 & 15 effect	Q1 2018 IFRS 9 & 15
Voice	32,917	33,194	277	0.8%	(2,025)	31,169
Non-voice	19,522	22,181	2,659	13.6%	(842)	21,339
Equipment	11,451	12,185	734	6.4%	3,360	15,545
Other	3,032	2,352	(680)	(22.4%)	0	2,352
Total mobile revenues	**66,922**	**69,912**	**2,990**	**4.5%**	**493**	**70,405**
Voice retail	10,480	9,857	(623)	(5.9%)	(40)	9,817
Broadband - retail	10,783	11,840	1,057	9.8%	(176)	11,664
TV	10,296	11,175	879	8.5%	(117)	11,058
Equipment	1,820	3,169	1,349	74.1%	806	3,975
Other	9,307	10,396	1,089	11.7%	25	10,421
Fixed line revenues	**42,686**	**46,437**	**3,751**	**8.8%**	**498**	**46,935**
SI/IT revenues	**16,938**	**20,543**	**3,605**	**21.3%**	**0**	**20,543**
Revenue from Energy services	**1,580**	**0**	**(1,580)**	**(100.0%)**	**0**	**0**
Total revenues	**128,126**	**136,892**	**8,766**	**6.8%**	**991**	**137,883**
Direct costs	**(49,314)**	**(55,390)**	**(6,076)**	**(12.3%)**	**(354)**	**(55,744)**
Gross profit	**78,812**	**81,502**	**2,690**	**3.4%**	**637**	**82,139**
Indirect costs	**(45,719)**	**(44,893)**	**826**	**1.8%**	**(7)**	**(44,900)**
EBITDA	**33,093**	**36,609**	**3,516**	**10.6%**	**630**	**37,239**
Segment Capex	**14,636**	**13,371**	**(1,265)**	**(8.6%)**	**0**	**13,371**

Operational statistics – access numbers	Mar 31, 2017	Mar 31, 2018	Change (%)
Number of mobile customers (RPC)	5,304,361	5,297,842	(0.1%)
Postpaid share in the RPC base	60.1%	64,8%	n.a.
Total fixed voice access	1,423,761	1,401,632	(1.6%)
Total retail fixed broadband customers	1,030,145	1,088,513	5.7%
Total TV customers	984,974	1,038,871	5.5%

Operational statistics – ARPU (HUF)	Q1 2017 IAS 18 / IAS 11	Q1 2018 IAS 18 / IAS 11	Change (%)	Q1 2018 IFRS 9 & 15
Mobile ARPU	3,289	3,488	6.1%	3,303
Postpaid ARPU	4,817	4,853	0.7%	4,574
Prepaid ARPU	1,031	998	(3.2%)	998
Blended fixed voice ARPU	2,455	2,337	(4.8%)	2,327
Blended retail fixed broadband ARPU	3,484	3,546	1.8%	3,494
Blended TV ARPU	3,512	3,606	2.7%	3,568

Total revenues (excluding the impact of IFRS 15 adoption) for the MT-Hungary segment increased by 6.8% year-on-year in Q1 2018, primarily due to significantly higher SI/IT revenues and increased mobile data and equipment sales.

- **Mobile revenues** (excluding the impact of IFRS 15 adoption) grew by 4.5% year-on-year in Q1 2018 to HUF 69.9 billion. These increases were due to growth in all revenue lines, most notably in mobile data and equipment sales. The flexible and customizable postpaid tariff system, launched in 2017, continued to grow, attracting almost 1 million customers by the end of Q1. Demand for higher data packages along with a 9% growth in mobile broadband subscriptions positively impacted mobile ARPU, leading to a 6.1% increase year-on-year for the quarter. The reclassification of mobile handset insurance revenues to mobile content revenues also positively influenced the figures reported for the period.
  - Mobile service revenue increased by 5.6% year-on-year to HUF 55.4 billion in Q1 2018 as growth in mobile data revenues continued, supported by our new data plans and customer upgrades to higher packages. These rising mobile data revenues, coupled with a slight increase in mobile voice and SMS revenues, were attained in spite of growing competitive pressures in the retail segment.
  - Mobile Equipment revenue increased by 6.4% year-on-year to HUF 12.2 billion in Q1 2018, attributable to the higher ratio of expensive handsets in the sales mix.
  - Other revenues decreased by 22.4% year-on-year to HUF 2.4 billion in the first quarter due to the reclassification of mobile handset insurance revenues to mobile content revenues, effective from the beginning of 2018.
- **Fixed line revenues** (excluding the impact of IFRS 15 adoption) increased by 8.8% year-on-year in Q1 2018 to HUF 46.4 billion as growth in fixed broadband, TV and equipment revenues more than offset the continued structural decline in voice retail revenues. The exceptional growth of 74.1% in equipment sales was a result of regulatory changes in 2017 which meant that all 2-year loyalty contracts be coupled with equipment sales. These changes positively affected the fixed equipment revenue line which had a relatively low base for prior year comparison.
  - Voice retail revenues decreased by 5.9% year-on-year in Q1 2018 as a consequence of the decline in the customer base and tariff levels.
  - Broadband retail revenues were up by 9.8% year-on-year to HUF 11.8 billion in Q1 2018, driven by a 5.7% increase in the number of broadband subscribers as well as a growing percentage of customers with fiber optic connections opting for higher bandwidth.
  - TV revenues rose by 8.5% year-on-year in Q1 2018 as the customer base expanded and ARPU levels increased.
  - Equipment revenues increased by 74.1% year-on-year to HUF 3.2 billion due to a higher number of equipment being sold in relation to fixed contracts.
  - Other fixed line revenues increased by 11.7% year-on-year in Q1 2018 to HUF 10.4 billion, driven by higher revenues in relation to operated shared service centers, increased usage of Video on Demand and higher late payment fees.
- **SI/IT revenues** increased by 21.3% year-on-year to HUF 20.5 billion in the first quarter of 2018 as market demand for hardware and software deliveries remained strong. These projects, however, typically have lower profit margins and hence a dilutive effect on the gross margin.
- **The energy services** operation was discontinued on the 1st November 2017, as such no revenue was realized in this line.

EBITDA (excluding the impact of IFRS 9 and 15 adoption) in Q1 2018 increased by 10.6% year-on-year to HUF 36.6 billion, driven by an increase in gross profit and savings on other operating expenses.

- Gross profit increased by 3.4% year-on-year in Q1 2018, reflecting the increasing need for broadband internet both in mobile and fixed lines and also the lower bad debt expense level. However, these were somewhat offset by higher equipment sales costs versus Q1 2017.

- Employee-related expenses increased moderately by 1.3% year-on-year to HUF 18.3 billion in Q1 2018 as a result of insourcing trainees and a 5% average monthly wage increase, though this was offset by the lower average employee headcount.
- Other operating expenses (net) decreased by 3.9% year-on-year in Q1 2018 with savings on energy cost and advisory expenses.

Capex decreased by 8.6% year-on-year in Q1 2018, to HUF13.4 billion, as a consequence of reduced spending on 4G network expansion.

2.2.2 Macedonia

Growing customer base leading to service revenue trend improvements

HUF million	Q1 2017 IAS 18 / IAS 11	Q1 2018 IAS 18 / IAS 11	Change	Change (%)	Q1 2018 IFRS 9 & 15 effect	Q1 2018 IFRS 9 & 15
Voice	4,137	4,262	125	3.0%	(308)	3,954
Non-voice	1,817	2,060	243	13.4%	(136)	1,924
Equipment	1,024	1,212	188	18.4%	545	1,757
Other	350	232	(118)	(33.7%)	0	232
Total mobile revenues	**7,328**	**7,766**	**438**	**6.0%**	**101**	**7,867**
Voice retail	1,274	1,205	(69)	(5.4%)	(7)	1,198
Broadband - retail	1,366	1,300	(66)	(4.8%)	(29)	1,271
TV	806	943	137	17.0%	(27)	916
Equipment	124	132	8	6.5%	(7)*	125
Other	1,333	1,189	(144)	(10.8%)	0	1,189
Fixed line revenues	**4,903**	**4,769**	**(134)**	**(2.7%)**	**(70)**	**4,699**
SI/IT revenues	191	214	23	12.0%	0	214
Total revenues	**12,422**	**12,749**	**327**	**2.6%**	**31**	**12,780**
Direct cost s	**(3,656)**	**(3,717)**	**(61)**	**(1.7%)**	**(52)**	**(3,769)**
Gross profit	**8,766**	**9,032**	**266**	**3.0%**	**(21)**	**9,011**
Indirect costs	**(3,988)**	**(3,730)**	**258**	**6.5%**	**20**	**(3,710)**
EBITDA	**4,778**	**5,302**	**524**	**11.0%**	**(1)**	**5,301**
Segment Capex	**824**	**1,133**	**309**	**37.5%**	**0**	**1,133**

*this amount also includes translation and rounding difference

Operational statistics – access numbers	Mar 31, 2017	Mar 31, 2018	Change (%)
Number of mobile customers	1,232,970	1,174,266	(4.8%)
Postpaid share in the customer base	44.4%	48.9%	n.a.
Total fixed voice access	213,938	209,039	(2.3%)
Total fixed broadband access	189,020	187,718	(0.7%)
Total TV customers	110,797	119,094	7.5%

Total revenues in Macedonia (excluding IFRS 15 impacts) increased by 2.6% year-on-year to HUF 12.7 billion in Q1 2018, largely due to improvement in service revenue trends and increased mobile equipment sales.

- **Mobile revenues** (excluding IFRS 15 impacts) grew by 6.0% in Q1 2018 as the continued focus on improving smartphone sales, generated an increase in mobile broadband and equipment sales revenues. The implementation of IFRS 15 had an overall HUF 0.1 billion positive effect on mobile revenues.
  - Voice revenues rose by 3.0% year-on-year in Q1 2018, as higher retail revenues, driven by higher usage coupled with the one-off revenues related to the terminated prepaid loyalty program, compensated for lower international mobile termination revenues.
  - Non-voice revenues increased by 13.4% year-on-year in Q1 2018 as the mobile broadband customer base expanded further, leading the dynamic mobile data revenue growth.
  - Mobile equipment revenues were 18.4% higher year-on-year in Q1 2018, driven by the higher average handset prices and higher revenue from accessories sales.
  - Other mobile revenues declined by 33.7% year-on-year in Q1 2018, reflecting lower revenues from late payment fees.
- **The fixed line revenue** decline decelerated to 2.7% year-on-year in Q1 2018 (excluding IFRS 15 impacts). The decline lessened thanks to continued strong growth in TV revenues while voice and broadband revenue erosion slowed.
  - Voice retail revenues decreased by 5.4% year-on-year in Q1 2018, reflecting lower traffic levels and a decrease in the customer base.

- Broadband retail revenues declined by 4.8% year-on-year in Q1 2018 as the increase in the customer base could not offset the price erosion driven by 3Play competition.
- TV revenues grew by 17.0% year-on-year in Q1 2018, as both the IPTV subscriber base and ARPUs continued to increase.
- Other fixed revenues declined 10.8% year-on-year in Q1 2018 due to the negative impact of lower domestic and international incoming traffic revenues, as well as lower wholesale broadband revenue.

- **SI/IT revenues** rose by 12.0% year-on-year in Q1 2018, reflecting the temporary political uncertainties that led to a decline in the comparative base period of Q1 2017.

EBITDA (excluding IFRS 9 and 15 impacts) rose by 11.0% year-on-year to HUF 5.3 billion as revenue increase was coupled with savings in operating expenses.

- Direct costs increased moderately due to higher equipment costs in line with higher mobile handset sales.
- Indirect costs improvement was driven by savings in marketing, HR-related material and consultancy costs.

Capex in Q1 2018 increased by 37.5% year-on-year, driven by TV content capitalization and higher amount spent on set top boxes and customer connections in line with the increasing number of 2Play and 3Play customers.

2.2.3 Montenegro (discontinued operation)

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

a) Results from discontinued operation

HUF millions	Q1 2017
Revenue	2,027
Direct costs	(533)
Employee related expenses	(332)
Depreciation and amortization	(517)
Other operating expenses	(525)
Operating expenses	(1,907)
Other operating income	73
Operating profit	193
Net financial result	7
Income tax from discontinued operations	(23)
Profit after tax from discontinued operations	**177**
Gain on sale from discontinued operation	10,504
Of which reclassification of cumulative amount of the exchange differences relating to foreign operation sold from equity to profit or loss	9,690
Income tax on gain on sale from discontinued operation	(1,155)
Profit for the year from discontinued operations	**9,526**
Other comprehensive income from discontinued operations	(12,512)
Total comprehensive income from discontinued operations	**(2,986)**

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

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

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. This consolidated interim financial information has not been audited. The statutory accounts for December 31, 2017 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary. The statutory accounts for December 31, 2017 were audited and the audit report was unqualified.

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2017 with the following exceptions.

As of January 1, 2018, the Group adopted the following IFRS Standards, amendments and interpretations:

IFRS 9 and its amendments – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2011, November 2013 and July 2014, the IASB amended the standard in order to make further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments completed the new financial instruments standard.

The adoption of the new standard and its amendments did not result in material changes in the financial statements of the Group. The new provisions on the classification of financial assets gave rise to changes in measurement and presentation of certain debt instruments failing to meet the" solely payments of principal and interest" (SPPI) criterion.

The new provisions on the accounting of impairment losses led to expected losses having to be expensed earlier in some cases. Application of the simplified approach for financial assets with a significant financing component also led to a minor increase in impairment losses (HUF 0.8 billion). The impairment losses on contract assets recognized for the first time as of January 1, 2018 in accordance with IFRS 15 is disclosed within the effects of IFRS 15.

IFRS 15 – Revenue from Contracts with Customers

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also resulted in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and new guidance for multiple-element arrangements.

The adoption of the new standard resulted in significant changes to the financial statements of the Group, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of obtaining a contract with a customer and contract fulfilment costs.

- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This lead to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the Consolidated Statement of Financial Position.
- At the same time, it resulted in higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services.
- Expenses for sales commissions (customer acquisition costs) must now be capitalized in the Contract costs line of the Consolidated Statement of Financial Position and recognized over the estimated customer retention period.
- On first-time application of the standard, both total assets and shareholders' equity increased due to the capitalization of contract assets and customer acquisition costs.
- Later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past) are now netted off against the contract assets for each customer contract.
- For the purposes of determining whether Magyar Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there was no material change.
- Magyar Telekom utilized the option for simplified initial application, i.e., contracts that were not completed by January 1, 2018 were accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition (catch-up) was recognized as an adjustment to the opening balance of equity in 2018. Prior-year comparatives were not adjusted; however, an explanation of the reasons for the changes in items in the statement of financial position and the income statement for the current period are provided as a result of applying IFRS 15 for the first time. The effects were analyzed in a Group-wide project on implementation of the new standard. The changeover to the new standard resulted in a cumulative increase in retained earnings of HUF 19 billion before taxes. As a consequence, HUF 2 billion income tax arose. This effect was mainly attributable to the first-time recognition of

   - Contract assets (HUF 18 billion) that, under IFRS 15, led to the earlier recognition of revenue from the sale of goods and merchandise, and
   - Deferred customer acquisition costs (HUF 6 billion) that, under IFRS 15, resulted in the later recognition of selling expenses.
- As regards to the new standard's impact on the Consolidated Statement of Income, Magyar Telekom's share of overall revenue from the provision of services decreased, whilst the overall share of revenue from the sale of goods and merchandise increased by about 3 percentage points. As described, IFRS 15 means revenue is recognized earlier and expenses are recognized later for contracts not yet concluded by January 1, 2018. However, as the accounting effects of the changeover to the new standard were recognized directly in equity, the only effects on the Consolidated Statement of Income in 2018 were related to changes in the point in time at which revenue and expenses are realized. On the assumption that business development remains unchanged, this means for a mass market characterized by a large number of customer contracts that are being concluded at different points in time the following:
- For existing contracts, lower service revenues and higher selling expenses from the amortization of capitalized contract assets and customer acquisition costs are largely compensated for by higher revenue, on the conclusion of new contracts, from the sale of goods and lower selling expenses from the capitalization of contract assets and customer acquisition costs. Compared with the previous accounting method, major effects on earnings thus arise only if business development changes, for example, if volumes or prices change or if there are changes to business models or products offered.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.
For further details regarding the effect of the accounting policy change please see section 3.9.

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q1 2017 (unaudited)	Q1 2018 (unaudited)	Change	Change (%)
Revenues				
Voice retail	34,741	32,786	(1,955)	(5.6%)
Voice wholesale	2,313	2,337	24	1.0%
Data	17,192	18,714	1,522	8.9%
SMS	4,147	4,549	402	9.7%
Equipment	12,475	17,302	4,827	38.7%
Other mobile revenues	3,382	2,584	(798)	(23.6%)
Mobile revenues	**74,250**	**78,272**	**4,022**	**5.4%**
Voice retail	11,754	11,001	(753)	(6.4%)
Broadband retail	12,149	12,935	786	6.5%
TV	11,102	11,974	872	7.9%
Equipment	1,944	4,114	2,170	111.6%
Data retail	2,286	2,314	28	1.2%
Wholesale (voice, broadband, data)	4,601	4,797	196	4.3%
Other fixed line revenues	3,712	4,455	743	20.0%
Fixed line revenues	**47,548**	**51,590**	**4,042**	**8.5%**
System Integration/Information Technology revenues	17,129	20,757	3,628	21.2%
Energy service revenues	1,580	0	(1,580)	(100.0%)
Total revenues	**140,507**	**150,619**	**10,112**	**7.2%**
Direct costs				
Interconnect costs	(4,430)	(4,667)	(237)	(5.3%)
SI/IT service related costs	(10,709)	(14,041)	(3,332)	(31.1%)
Energy service related costs	(1,517)	0	1,517	100.0%
Bad debt expense	(1,656)	(1,435)	221	13.3%
Telecom tax	(5,854)	(6,163)	(309)	(5.3%)
Other direct costs	(28,776)	(33,165)	(4,389)	(15.3%)
Direct costs	**(52,942)**	**(59,471)**	**(6,529)**	**(12.3%)**
Gross profit	**87,565**	**91,148**	**3,583**	**4.1%**
Employee related expenses	(19,385)	(19,511)	(126)	(0.6%)
Utility tax	(7,418)	(7,159)	259	3.5%
Other operating expenses	(23,152)	(22,961)	191	0.8%
Other operating income	732	1,038	306	41.8%
EBITDA	**38,342**	**42,555**	**4,213**	**11.0%**
Depreciation and amortization	(25,720)	(26,830)	(1,110)	(4.3%)
Operating profit	**12,622**	**15,725**	**3,103**	**24.6%**
Net financial result	(6,050)	(4,311)	1,739	28.7%
Share of associates' and joint ventures' results	309	395	86	27.8%
Profit before income tax	**6,881**	**11,809**	**4,928**	**71.6%**
Income tax	(2,067)	(2,295)	(228)	(11.0%)
Profit for the period from continuing operations	**4,814**	**9,514**	**4,700**	**97.6%**
Profit for the period from discontinued operations	9,526	0	(9,526)	(100.0%)
Profit for the period	**14,340**	**9,514**	**(4,826)**	**(33.7%)**
Change in exchange differences on translating foreign operations	(953)	670	1,623	n.m.
Revaluation of available-for-sale financial assets	(1)	75	76	n.m.
Other comprehensive income for the period from continuing operations	(954)	745	1,699	n.m.
Other comprehensive income for the period from discontinued operations	(12,512)	0	12,512	100.0%
Other comprehensive income for the period	**(13,466)**	**745**	**14,211**	**n.m.**
Total comprehensive income for the period from continuing operations	3,860	10,259	6,399	165.8%
Total comprehensive income for the period from discontinued operations	(2,986)	0	2,986	100.0%
Total comprehensive income for the period	**874**	**10,259**	**9,385**	**n.m.**
Profit attributable to:				
Owners of the parent	13,592	8,704	(4,888)	(36.0%)
From continuing operations	4,104	8,704	4,600	112.1%
From discontinued operations	9,488	0	(9,488)	(100.0%)
Non-controlling interests	748	810	62	8.3%
From continuing operations	710	810	100	14.1%
From discontinued operations	38	0	(38)	(100.0%)
	14,340	**9,514**	**(4,826)**	**(33.7%)**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q1 2017 (unaudited)	Q1 2018 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	3,336	9,149	5,813	174.3%
From continuing operations	3,542	9,149	5,607	158.3%
From discontinued operations	(206)	0	206	100.0%
Non-controlling interests	(2,462)	1,110	3,572	n.m.
From continuing operations	318	1,110	792	249.1%
From discontinued operations	(2,780)	0	2,780	100.0%
	874	**10,259**	**9,385**	**n.m.**
Basic earnings per share (HUF)	**13.05**	**8.39**	**(4.66)**	**(35.7%)**
From continuing operations	2.83	8.39	5.56	196.5%
From discontinued operations	10.22	0.00	(10.22)	(100.0%)
Diluted earnings per share (HUF)	**13.04**	**8.39**	**(4.65)**	**(35.7%)**
From continuing operations	2.83	8.39	5.56	196.5%
From discontinued operations	10.21	0.00	(10.21)	(100.0%)

3.3. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2017 (audited)	Mar 31, 2018 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	5,399	6,641	1,242	23.0%
Trade receivables and other assets	157,745	169,487	11,742	7.4%
Other current financial assets	8,162	8,220	58	0.7%
Current income tax receivable	384	1,492	1,108	288.5%
Inventories	17,175	19,280	2,105	12.3%
	188,865	205,120	16,255	8.6%
Assets held for sale	162	359	197	121.6%
Total current assets	**189,027**	**205,479**	**16,452**	**8.7%**
Non current assets				
Property, plant and equipment	458,343	454,050	(4,293)	(0.9%)
Intangible assets	229,174	221,902	(7,272)	(3.2%)
Goodwill	212,284	212,700	416	0.2%
Investments in associates and joint ventures	1,324	1,719	395	29.8%
Deferred tax assets	59	67	8	13.6%
Other non current financial assets	19,323	22,330	3,007	15.6%
Other non current assets	127	5,625	5,498	n.m.
Total non current assets	**920,634**	**918,393**	**(2,241)**	**(0.2%)**
Total assets	**1,109,661**	**1,123,872**	**14,211**	**1.3%**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	35,191	81,110	45,919	130.5%
Other financial liabilities	8,757	10,561	1,804	20.6%
Trade payables	135,446	109,516	(25,930)	(19.1%)
Current income tax payable	324	847	523	161.4%
Provisions	3,267	3,029	(238)	(7.3%)
Other current liabilities	43,596	46,545	2,949	6.8%
	226,581	251,608	25,027	11.0%
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**226,581**	**251,608**	**25,027**	**11.0%**
Non current liabilities				
Financial liabilities to related parties	231,646	195,202	(36,444)	(15.7%)
Other financial liabilities	47,608	46,113	(1,495)	(3.1%)
Deferred tax liabilities	13,743	14,826	1,083	7.9%
Provisions	9,231	9,335	104	1.1%
Other non current liabilities	779	424	(355)	(45.6%)
Total non current liabilities	**303,007**	**265,900**	**(37,107)**	**(12.2%)**
Total liabilities	**529,588**	**517,508**	**(12,080)**	**(2.3%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,282	27,264	(18)	(0.1%)
Treasury stock	(2,187)	(2,532)	(345)	(15.8%)
Retained earnings	396,320	420,760	24,440	6.2%
Accumulated other comprehensive income	21,505	21,938	433	2.0%
Total Equity of the owners of the parent	**547,195**	**571,705**	**24,510**	**4.5%**
Non-controlling interests	32,878	34,659	1,781	5.4%
Total equity	**580,073**	**606,364**	**26,291**	**4.5%**

3.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-3 months 2017 (unaudited)	1-3 months 2018 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	4,814	9,514	4,700	97.6%
Depreciation and amortization	25,720	26,830	1,110	4.3%
Income tax expense	2,067	2,295	228	11.0%
Net financial result	6,050	4,311	(1,739)	(28.7%)
Share of associates' and joint ventures' result	(309)	(395)	(86)	(27.8%)
Change in assets carried as working capital	509	(3,756)	(4,265)	n.m.
Change in provisions	(814)	(239)	575	70.6%
Change in liabilities carried as working capital	(173)	(18,225)	(18,052)	n.m.
Income taxes paid	(3,865)	(3,919)	(54)	(1.4%)
Dividends received	0	0	0	n.a.
Interest and other financial charges paid	(6,505)	(6,342)	163	2.5%
Interest received	109	80	(29)	(26.6%)
Other non-cash items	36	(63)	(99)	n.m.
Net cash generated from operating activities (continuing operations)	**27,639**	**10,091**	**(17,548)**	**(63.5%)**
Net cash generated from / (used in) operating activities from discontinued operation	(25)	0	25	100.0%
Net cash generated from operating activities	**27,614**	**10,091**	**(17,523)**	**(63.5%)**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(15,452)	(14,454)	998	6.5%
Adjustments to cash purchases	(8,829)	(3,909)	4,920	55.7%
Purchase of subsidiaries and business units	(1,777)	(719)	1,058	59.5%
Cash acquired through business combinations	475	137	(338)	(71.2%)
(Payments for) / Proceeds from other financial assets - net	(2,723)	(1,219)	1,504	55.2%
Proceeds from disposal of subsidiaries and associates	0	0	0	n.a.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	168	518	350	208.3%
Net cash used in investing activities (continuing operations)	**(28,138)**	**(19,646)**	**8,492**	**30.2%**
Net cash (used in) / generated from investing activities from discontinued operation	36,292	0	(36,292)	(100.0%)
Net cash used in investing activities	**8,154**	**(19,646)**	**(27,800)**	**n.m.**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	0	(3)	(3)	n.a.
Proceeds from/Repayment of loans and other borrowings -net	(37,594)	12,745	50,339	n.m.
Repayment of other financial liabilities	(1,974)	(1,610)	364	18.4%
Repurchase of treasury shares	0	(363)	(363)	n.a.
Net cash used in financing activities (continuing operations)	**(39,568)**	**10,769**	**50,337**	**n.m.**
Net cash (used in) /generated from financing activities from discontinued operation	2,041	0	(2,041)	(100.0%)
Net cash used in financing activities	**(37,527)**	**10,769**	**48,296**	**n.m.**
Exchange differences on cash and cash equivalents	(47)	28	75	n.m.
Exchange differences on cash and cash equivalents from discontinued operation	0	0	0	n.a.
Change in cash and cash equivalents	**(1,806)**	**1,242**	**3,048**	**n.m.**
Cash and cash equivalents, beginning of period	10,805	5,399	(5,406)	(50.0%)
Cash and cash equivalents, end of period	8,999	6,641	(2,358)	(26.2%)
Change in cash and cash equivalents	**(1,806)**	**1,242**	**3,048**	**n.m.**

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

In HUF millions	Opening					Changes affecting cash flows from financing activities				Closing
	Balance at January 1, 2018	Changes in cash and cash equivalents	Changes affecting cash flows from operating activities	Changes in financial liabilities without cash movement	Changes affecting cash flows from investing activities	Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Balance at March 31, 2018
Related party loans	261,225		(4,659)	3,354		12,745				272,665
Derivatives from related parties	5,612			(745)	(1,220)					3,647
Building exchange payable	15			1						16
Frequency fee payable	45,214		(448)	655				(1,058)		44,363
Finance lease liabilities	4,173			22				(229)		3,966
Debtors overpayment	1,110		751	0						1,861
Other financial liabilities	5,853		329	80	529			(323)		6,468
-Less cash and cash equivalent	(5,399)	(1,242)		0						(6,641)
-Less other current financial assets	(8,162)		102	(121)	(39)					(8,220)
Net debt	**309,641**	**(1,242)**	**(3,925)**	**3,246**	**(730)**	**12,745**	**0**	**(1,610)**		**318,125**
Treasury share purchase									(363)	
Dividends paid to Owners of the parent and Non-controlling interest									(3)	
Net Cash used in financing activities									**10,769**	

3.6. 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, 2016	1,042,742,543	104,275	27,379	511	(825)	375,660	31,521	(31)	538,490	42,843	581,333
Equity settled share-based transactions				164					164		164
Total comprehensive income						13,592	(10,255)	(1)	3,336	(2,462)	874
Disposal of subsidiaries									0	(6,743)	(6,743)
Balance at March 31, 2017	1,042,742,543	104,275	27,379	675	(825)	389,252	21,266	(32)	541,990	33,638	575,628
Dividend						(26,067)			(26,067)		(26,067)
Dividend declared to Non-controlling interests									0	(3,320)	(3,320)
Equity settled share-based transactions				(772)	777				5		5
Total comprehensive income						33,135	260	11	33,406	2,560	35,966
Treasury share repurchase					(2,139)				(2,139)		(2,139)
Disposal of subsidiaries									0		0
Balance at December 31, 2017	1,042,742,543	104,275	27,379	(97)	(2,187)	396,320	21,526	(21)	547,195	32,878	580,073
Adoption of new standards (IFRS15, IFRS9)						15,724			15,724	671	16,395
Dividend									0		0
Dividend declared to Non-controlling interests									0		0
Equity settled share-based transactions				(18)	18				0		0
Total comprehensive income						8,716	390	43	9,149	1,110	10,259
Treasury share repurchase					(363)				(363)		(363)
Disposal of subsidiaries									0		0
Balance at March 31, 2018	1,042,742,543	104,275	27,379	(115)	(2,532)	420,760	21,916	22	571,705	34,659	606,364

3.7. Exchange rate information

Exchange rate	Q1 2017	Q1 2018	Change (%)
HUF/EUR beginning of period	311.02	310.14	**(0.3%)**
HUF/EUR period-end	308.70	312.55	**1.2%**
HUF/EUR cumulative monthly average	309.52	312.08	**0.8%**
HUF/MKD beginning of period	5.06	5.04	**(0.4%)**
HUF/MKD period-end	5.00	5.08	**1.6%**
HUF/MKD cumulative monthly average	5.02	5.07	**1.0%**

3.8. Segment information

HUF millions	Q1 2017	Q1 2018	Change	Change (%)
Total MT-Hungary revenues	128,126	137,883	9,757	7.6%
Less: MT-Hungary revenues from other segments	(27)	(27)	0	0.0%
Telekom Hungary revenues from external customers	**128,099**	**137,856**	**9,757**	**7.6%**
Total Macedonia revenues	12,422	12,780	358	2.9%
Less: Macedonia revenues from other segments	(14)	(17)	(3)	(21.4%)
Macedonia revenues from external customers	**12,408**	**12,763**	**355**	**2.9%**
Total consolidated revenue of the segments	140,507	150,619	10,112	7.2%
Measurement/rounding differences to Group revenue	0	0	0	n.a.
Total revenue of the Group from continuing operations	**140,507**	**150,619**	**10,112**	**7.2%**
Total Montenegro revenues	2,023	0	(2,023)	(100.0%)
Less: Montenegro revenues from other segments	4	0	(4)	(100.0%)
Montenegro revenues from external customers	**2,027**	**0**	**(2,027)**	**(100.0%)**
Total revenue from discontinued operations	**2,027**	**0**	**(2,027)**	**(100.0%)**
Segment results (EBITDA)				
MT-Hungary	33,093	37,238	4,145	12.5%
Macedonia	4,778	5,301	523	10.9%
Total EBITDA of the segments	**37,871**	**42,539**	**4,668**	**12.3%**
Measurement/rounding differences to Group EBITDA	471	16	(455)	(96.6%)
Total EBITDA of the Group from continuing operations	**38,342**	**42,555**	**4,213**	**11.0%**
Montenegro	702	0	(702)	(100.0%)
Income from sale of Crnogorski Telekom (segment Montenegro)	10,504	0	(10,504)	(100.0%)
Measurement/rounding differences	8	0	(8)	(100.0%)
Total EBITDA from discontinued operations	**11,214**	**0**	**(11,214)**	**(100.0%)**

3.9. Impact of IFRS 9 and IFRS 15

The following additional tables show the amounts by which each financial statement line item is affected in the current reporting period due to the application of the new standards compared to previous accounting policy applied that was in effect before the change. For further details please see section 3.1

MAGYAR TELEKOM Consolidated Statements of Financial Position (HUF million)	Dec 31, 2017 (audited)	Catch-up & reclass IFRS 9 & IFRS 15	IFRS 9 & IFRS 15 effect	Other changes	Mar 31, 2018 (unaudited)	Change	Change (%)
ASSETS							
Current assets							
Cash and cash equivalents	5,399	0	0	1,242	6,641	1,242	23.0%
Trade receivables and other assets	157,745	9,467	104	2,171	169,487	11,742	7.4%
Thereof: Contract assets	0	14,286	104	1,609	15,999	15,999	n.a.
Other current financial assets	8,162	0	0	58	8,220	58	0.7%
Current income tax receivable	384	(339)	0	1,447	1,492	1,108	288.5%
Inventories	17,175	0	0	2,105	19,280	2,105	12.3%
	188,865	9,128	104	7,023	205,120	16,255	8.6%
Assets held for sale	162	0	0	197	359	197	121.6%
Total current assets	**189,027**	**9,128**	**104**	**7,220**	**205,479**	**16,452**	**8.7%**
Non current assets							
Property, plant and equipment	458,343	0	0	(4,293)	454,050	(4,293)	(0.9%)
Intangible assets	229,174	0	0	(7,272)	221,902	(7,272)	(3.2%)
Goodwill	212,284	0	0	416	212,700	416	0.2%
Investments in associates and joint ventures	1,324	0	0	395	1,719	395	29.8%
Deferred tax assets	59	(1,264)	0	1,272	67	8	13.6%
Other non current financial assets	19,323	3,365	378	(736)	22,330	3,007	15.6%
Thereof: Contract assets	0	3,365	378	0	3,743	3,743	n.a.
Other non current assets	127	5,507	(67)	58	5,625	5,498	n.m.
Thereof: Contract costs	0	5,507	(67)	0	5,440	5,440	n.a.
Total non current assets	**920,634**	**7,608**	**311**	**(10,160)**	**918,393**	**(2,241)**	**(0.2%)**
Total assets	**1,109,661**	**16,736**	**415**	**(2,940)**	**1,123,872**	**14,211**	**1.3%**
LIABILITIES							
Current liabilities							
Financial liabilities to related parties	35,191	0	0	45,919	81,110	45,919	130.5%
Other financial liabilities	8,757	(64)	0	1,868	10,561	1,804	20.6%
Trade payables	135,446	0	0	(25,930)	109,516	(25,930)	(19.1%)
Current income tax payable	324	356	0	167	847	523	161.4%
Provisions	3,267	0	0	(238)	3,029	(238)	(7.3%)
Other current liabilities	43,596	(178)	(169)	3,296	46,545	2,949	6.8%
Thereof: Contract liabilities	0	11,265	(169)	360	11,456	11,456	n.a.
	226,581	114	(169)	25,082	251,608	25,027	11.0%
Liabilities held for sale	0	0	0	0	0	0	n.a.
Total current liabilities	**226,581**	**114**	**(169)**	**25,082**	**251,608**	**25,027**	**11.0%**
Non current liabilities							
Financial liabilities to related parties	231,646	0	0	(36,444)	195,202	(36,444)	(15.7%)
Other financial liabilities	47,608	0	0	(1,495)	46,113	(1,495)	(3.1%)
Deferred tax liabilities	13,743	172	0	911	14,826	1,083	7.9%
Provisions	9,231	0	0	104	9,335	104	1.1%
Other non current liabilities	779	55	(55)	(355)	424	(355)	(45.6%)
Thereof: Contract liabilities	0	520	(55)	(352)	113	113	n.a.
Total non current liabilities	**303,007**	**227**	**(55)**	**(37,279)**	**265,900**	**(37,107)**	**(12.2%)**
Total liabilities	**529,588**	**341**	**(224)**	**(12,197)**	**517,508**	**(12,080)**	**(2.3%)**
EQUITY							
Equity of the owners of the parent							
Common stock	104,275	0	0	0	104,275	0	0.0%
Capital reserves	27,282	0	0	(18)	27,264	(18)	(0.1%)
Treasury stock	(2,187)	0	0	(345)	(2,532)	(345)	(15.8%)
Retained earnings	396,320	15,724	641	8,075	420,760	24,440	6.2%
Accumulated other comprehensive income	21,505	0	(1)	434	21,938	433	2.0%
Total Equity of the owners of the parent	**547,195**	**15,724**	**640**	**8,146**	**571,705**	**24,510**	**4.5%**
Non-controlling interests	32,878	671	(1)	1,111	34,659	1,781	5.4%
Total equity	**580,073**	**16,395**	**639**	**9,257**	**606,364**	**26,291**	**4.5%**
Total liabilities and equity	**1,109,661**	**16,736**	**415**	**(2,940)**	**1,123,872**	**14,211**	**1.3%**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q1 2017 IAS 18 / IAS 11	Q1 2018 IAS 18 / IAS 11	Q1 2018 IFRS 9 & IFRS 15 effect	Q1 2018 IFRS 9 & IFRS 15
Revenues				
Voice retail	34,741	35,119	(2,333)	32,786
Voice wholesale	2,313	2,337	0	2,337
Data	17,192	19,674	(960)	18,714
SMS	4,147	4,567	(18)	4,549
Equipment	12,475	13,397	3,905	17,302
Other mobile revenues	3,382	2,584	0	2,584
Mobile revenues	**74,250**	**77,678**	**594**	**78,272**
Voice retail	11,754	11,062	(61)	11,001
Broadband retail	12,149	13,140	(205)	12,935
TV	11,102	12,118	(144)	11,974
Equipment	1,944	3,301	813	4,114
Data retail	2,286	2,314	0	2,314
Wholesale (voice, broadband, data)	4,601	4,797	0	4,797
Other fixed line revenues	3,712	4,430	25	4,455
Fixed line revenues	**47,548**	**51,162**	**428**	**51,590**
System Integration/Information Technology revenues	17,129	20,757	0	20,757
Energy service revenues	1,580	0	0	0
Total revenues	**140,507**	**149,597**	**1,022**	**150,619**
Direct costs				
Interconnect costs	(4,430)	(4,667)	0	(4,667)
SI/IT service related costs	(10,709)	(14,041)	0	(14,041)
Energy service related costs	(1,517)	0	0	0
Bad debt expense	(1,656)	(1,119)	(316)	(1,435)
Telecom tax	(5,854)	(6,163)	0	(6,163)
Other direct costs	(28,776)	(33,075)	(90)	(33,165)
Direct costs	**(52,942)**	**(59,065)**	**(406)**	**(59,471)**
Gross profit	**87,565**	**90,532**	**616**	**91,148**
Employee related expenses	(19,385)	(19,539)	28	(19,511)
Utility tax	(7,418)	(7,159)	0	(7,159)
Other operating expenses	(23,152)	(22,944)	(17)	(22,961)
Other operating income	732	1,038	0	1,038
EBITDA	**38,342**	**41,928**	**627**	**42,555**
Depreciation and amortization	(25,720)	(26,830)	0	(26,830)
Operating profit	**12,622**	**15,098**	**627**	**15,725**
Net financial result	(6,050)	(4,311)	0	(4,311)
Share of associates' and joint ventures' results	309	395	0	395
Profit before income tax	**6,881**	**11,182**	**627**	**11,809**
Income tax	(2,067)	(2,295)	0	(2,295)
Profit for the period from continuing operations	**4,814**	**8,887**	**627**	**9,514**
Profit for the period from discontinued operations	9,526	**0**	**0**	0
Profit for the period	**14,340**	**8,887**	**627**	**9,514**
Change in exchange differences on translating foreign operations	(953)	659	11	670
Revaluation of available-for-sale financial assets	(1)	75	0	75
Other comprehensive income for the period from continuing operations	(954)	734	11	745
Other comprehensive income for the period from discontinued operations	(12,512)	0	0	0
Other comprehensive income for the period	**(13,466)**	**734**	**11**	**745**
Total comprehensive income for the period from continuing operations	3,860	9,621	638	10,259
Total comprehensive income for the period from discontinued operations	(2,986)	0	0	0
Total comprehensive income for the period	**874**	**9,621**	**638**	**10,259**

4. DECLARATION

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

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

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

Budapest, May 8, 2018

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

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our annual financial statements for the year ended December 31, 2017, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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