MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2018

Budapest – February 20, 2019 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the fourth quarter and full year of 2018, in accordance with International Financial Reporting Standards (IFRS).

TABLE OF CONTENTS

1. HIGHLIGHTS 3
2. MANAGEMENT REPORT 5
  2.1. Consolidated IFRS Group Results 5
    2.1.1 Group Profit and Loss 5
    2.1.2 Group Cash Flows 7
    2.1.3 Statements of Financial Position 9
    2.1.4 Related party transactions 10
    2.1.5 Contingencies and commitments 10
    2.1.6 Significant events after the reporting period 10
  2.2. Segment reports 11
    2.2.1 MT-Hungary 11
    2.2.2 Macedonia 13
    2.2.3 Montenegro (discontinued operation) 14
3. APPENDIX 16
  3.1. Basis of preparation 16
  3.2. Standards issued but not yet applied 18
  3.3. Consolidated Statements of Profit or loss and other comprehensive income – quarterly year-on-year comparison 19
  3.4. Consolidated Statements of Profit or loss and other comprehensive income – year-to-date comparison 21
  3.5. Consolidated Statements of Financial Position 23
  3.6. Consolidated Statements of Cash Flows 24
  3.7. Net debt reconciliation to changes in Statements of Cash Flows 25
  3.8. Consolidated Statements of Changes in Equity 26
  3.9. Exchange rate information 27
  3.10. Segment information 28
  3.11. Impact of IFRS 9 and IFRS 15 29
  3.12. Statements of Profit or loss for the Segments – full year year-on-year comparison 34
4. DECLARATION 35

Company name:	Magyar Telekom Plc.	Company address: e-mail address:	H-1097 Budapest Könyves Kálmán krt. 36. investor.relations@telekom.hu
IR contacts:	Position:	Telephone:	E-mail address:
Péter Bauer Rita Walfisch Gabriella Pászti	Head of Investor Relations IR manager IR manager	+36-1-481-7676 +36-1-457-6084 +36-1-458-0332	bauer.peter@telekom.hu walfisch.rita@telekom.hu paszti.gabriella@telekom.hu

1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q4 2017 IAS 18/ IAS 11 Continuing operation	Q4 2018 IAS 18/ IAS 11	Change (%)	Q4 2018 IFRS 9 & 15 effect	Q4 2018 IFRS 9 & 15	Change (%)
Total revenues	161,442	173,997	7.8%	1,137	175,134	8.5%
Operating profit	14,413	16,507	14.5%	465	16,972	17.8%
Profit attributable to:						
Owners of the parent	4,686	7,090	51.3%	375	7,465	59.3%
Non-controlling interests	477	149	(68.8%)	90	239	n.m.
	5,163	7,239	40.2%	465	7,704	49.2%
Gross profit	89,348	92,396	3.4%	498	92,894	4.0%
EBITDA	42,252	46,242	9.4%	465	46,707	10.5%
EBITDA margin	26.2%	26.6%	n.a.	n.m.	26.7%	n.a.
Basic earnings per share (HUF)	4.53	6.87	51.7%	0.36	7.23	59.6%
	1-12 months 2017				1-12 months 2018	Change (%)
Free cash flow	58,440				67,963	16.3%
CAPEX to Sales	14.1%				16.4%	n.a.
Number of employees (closing full equivalent)	9,154				8,948	(2.3%)
	Dec 31, 2017				Dec 31, 2018	Change (%)
Net debt	309,641				272,805	(11.9%)
Net debt / total capital	34.8%				30.7%	n.a.

- Continued increase in Group revenues driven by growth in equipment and SI/IT sales coupled with an improvement in service revenues
- Improvement in Gross profit reflecting an increase in service revenues
- EBITDA growth thanks to higher gross profit and a one-off profit realized on real-estate sales
- One-off capex of HUF 15.3 billion booked in relation to the prolongation of the 2100 MHz frequency usage rights
- Increase in Free cash flow as higher EBITDA, declining acquisition costs and one-off income from real-estate sales offset higher working capital and capex payments
- After 2018 results, HUF 25 dividend per share proposed for approval at the Annual General Meeting

Tibor Rékasi, CEO commented:

"The Group has maintained strong earnings momentum throughout 2018, delivering revenue growth of 7.6% for the year. We outperformed our guidance, for both revenues, which reached HUF 657.1 billion, and EBITDA, which amounted to HUF 192.5 billion. The factors behind the EBITDA growth were the higher gross profit and one-off profit realized by the sale of real estates. We also exceeded our free cash flow target, which reached HUF 68 billion in 2018 thanks to a higher EBITDA, declining acquisition costs and the one-off income from the real-estate sales, while CAPEX stood at HUF 91.8 billion. Furthermore, through our continuous focus on our core business and meeting customer needs, and by constantly refreshing our product offering, we regained or maintained our leading position in all key market segments, including post-paid mobile, TV and fixed broadband.
In Hungary, positive business trends continued throughout the year, with revenue growth across all three major business lines.
In the mobile segment, demand for mobile data continued to grow as more customers used our state-of-the-art 4G network, significantly supporting revenue generation. This was reinforced by our ongoing strategy for equipment sales and the migration of pre-paid customers into post-paid packages. We delivered moderate growth in our customer base, while also increasing mobile ARPU in Q4, with growth of 6.8% achieved in the full year.
In the fixed market, we maintained our strong focus on growing our fixed network, providing nearly 300,000 new households with 100+ MBs internet connectivity, and bringing us closer to our goal of providing gigabit internet connectivity across the whole country. We continued to see the positive results of this strategy in the growth of fixed line revenue, where – despite the industry-wide trend of declining voice revenues – we grew revenues by 5.5% year-on-year and by 4.9% in the final quarter. Furthermore, broadband and TV revenues and fixed line equipment revenues maintained strong growth, reaching 95.9% year-on-year, thanks to a strong fourth quarter performance helped by Black Friday and Christmas promotions.
With the strong performance of both our fixed and mobile business lines, we were able to focus on the third pillar of our core business strategy, the FMC customer base. In 2018 we remained the only truly integrated player in Hungary and we took action to reinforce our leading position in this market. While in the second quarter we doubled the mobile data allowance, in the third quarter we unified our offering, giving our Magenta1 customers the ability to secure a 30% discount on all related services. Building on this we were able to continuously grow our Magenta1 customer base, by offering a simpler and more attractive package. We also looked for new ways to reach our customers and strengthened our online channels. Over 40% of our customers now use our Telekom app and over 20% of all sales occur via our online channels.
In the System Integration and IT segment we had a strong year, achieving 22.4% growth versus 2017. Once again, the growth was attributable to a high volume of software and hardware projects with lower profit margins. Our strategy is to continue focusing on these deals, to build long-term relationships with our business partners, and over time convert these relationships to higher margin service contracts.
Group performance during the year was further supported by the continued turnaround in Macedonia. Both revenues and EBITDA improved, thanks to a solid performance across all business lines, positive trends in service revenues, and outstanding growth in System Integration and IT revenues.
Looking forward we expect revenues to moderately decline in 2019, whilst EBITDA is expected to increase by 1%-2% on a comparable basis thanks to a reduction in indirect costs. Capital expenditures are expected to remain stable (excluding the increase driven by IFRS 16 implementation and any possible spectrum costs) as spending on the fixed network will continue to reflect the acceleration of the fiber-rollout program. Continuing the successful turnaround in profitability, we expect free cash flow (excluding spectrum license fees) to continue increase by around 5%. Based on the current operating and regulatory environment and outlook, we expect the Company to pay HUF 27 dividend per share in relation to 2019 earnings. This is subject to the Board of Directors' future proposal to the General Meeting which will be submitted in due course, once all necessary information is available and all prerequisites to making such a proposal are met"

Public guidance:

	2018 Actual	Public guidance for 2019[2]
Revenue	HUF 657 billion	slight decline
EBITDA	HUF 193 billion	increasing at 1%-2%
Capex[1]	HUF 92 billion	broadly stable
FCF[1]	HUF 68 billion	increasing at ca 5%
Dividend	HUF 25 per share[3]	HUF 27 per share

[1] *excluding spectrum license fees*
[2] *on a comparable basis*
[3] *subject to approval by the General Meeting*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Change	Change (%)	Q4 2018 IFRS 9 & 15 effect	Q4 2018 IFRS 9 & 15
Revenues						
Mobile revenues	83,258	90,537	7,279	8.7%	1,008	91,545
Fixed line revenues	51,488	53,865	2,377	4.6%	129	53,994
System Integration/Information Technology revenues	26,368	29,595	3,227	12.2%	0	29,595
Energy service revenues	328	0	(328)	(100.0%)	0	0
Total revenues	**161,442**	**173,997**	**12,555**	**7.8%**	**1,137**	**175,134**
Direct costs	**(72,094)**	**(81,601)**	**(9,507)**	**(13.2%)**	**(639)**	**(82,240)**
Gross profit	**89,348**	**92,396**	**3,048**	**3.4%**	**498**	**92,894**
Indirect costs	**(47,096)**	**(46,154)**	**942**	**2.0%**	**(33)**	**(46,187)**
EBITDA	**42,252**	**46,242**	**3,990**	**9.4%**	**465**	**46,707**
Depreciation and amortization	(27,839)	(29,735)	(1,896)	(6.8%)	0	(29,735)
Operating profit	**14,413**	**16,507**	**2,094**	**14.5%**	**465**	**16,972**
Net financial result	(4,701)	(5,177)	(476)	(10.1%)	0	(5,177)
Share of associates and joint ventures' results	159	258	99	62.3%	0	258
Profit before income tax	**9,871**	**11,588**	**1,717**	**17.4%**	**465**	**12,053**
Income tax	(4,708)	(4,349)	359	7.6%	0	(4,349)
Profit for the period	**5,163**	**7,239**	**2,076**	**40.2%**	**465**	**7,704**
Profit attributable to non-controlling interests	477	149	(328)	(68.8%)	90	239
Profit attributable to owners of the parent	**4,686**	**7,090**	**2,404**	**51.3%**	**375**	**7,465**

Total revenues (excluding the impact of IFRS 15 adoption) increased by 7.8% year-on-year to HUF 174.0 billion in Q4 2018 and by 7.2% year-on-year to HUF 655.1 billion in FY 2018. Revenue growth continued to be primarily driven by a strong increase in SI/IT revenues, along with higher equipment sales and mobile data usage.

- **Mobile revenues (excluding IFRS 15 impacts) increased by 8.7% year-on-year to HUF 90.5 billion in Q4 2018** and by 6.0% year-on-year to HUF 342.1 billion in FY 2018, primarily driven by the growth in equipment sales and a continued increase in mobile data revenues.
  - **Voice retail** revenues rose by 1.4% year-on-year to HUF 35.4 billion at the Group level in Q4 2018, as the significant expansion of the postpaid customer base in both countries offset the negative impact of prevailing price pressures.
  - **Voice wholesale** revenue decreased by 8.3 % year-on-year to HUF 2.5 billion in Q4 2018, due to the absence of a positive one-off item recorded in Q4 2017 with respect to termination rate settlements in Hungary. This was exacerbated by lower volumes of incoming international mobile traffic in Macedonia.
  - **Data** revenues grew 14.3% year-on-year, to HUF 21.9 billion in Q4 2018. This reflected a higher number of mobile internet subscribers across the Group, as well as 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 11.0% year-on-year to HUF 5.0 billion in Q4 2018, reflecting increased residential usage by a growing postpaid customer base, together with higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenues increased by 25.2% year-on-year to HUF 22.8 billion in Q4 2018, attributable to the higher volume of handset sales, along with a growing proportion of higher-end handsets within the sales mix in both countries. The high growth rate comes off a relatively lower base, as sales in Q4 2017 experienced a temporary slowdown resulting from the change in loyalty regulation in Hungary.
  - **Other mobile** revenues decreased to HUF 3.0 billion in Q4 2018 due to the reclassification of mobile handset insurance revenues as mobile content revenues, effective from the beginning of 2018.
- **Fixed line revenues (excluding IFRS 15 impacts) rose by 4.6% year-on-year to HUF 53.9 billion in Q4 2018** and by 5.0% to HUF 205.9 billion in FY 2018. This growth was attributable to rising equipment sales as well as higher TV and broadband retail service revenues.
  - **Voice retail** revenues declined by 13.8% year-on-year to HUF 9.7 billion in Q4 2018, reflecting the continued decline in usage levels in both counties, a one-time correction related to value-added services in Hungary and a shift in the timing of the booking of the annual refund for Universal Service Obligation net costs compared to 2017 in Macedonia.

- **Broadband retail** revenues increased by 8.0% year-on-year, to HUF 13.5 billion in Q4 2018, attributable to revenue growth in both countries. In Hungary, higher customer numbers were coupled with a positive trend in ARPU, whilst in Macedonia the positive impact of the expansion of the subscriber base was partly offset by a decline in price levels.
- **TV** revenues rose by 6.4% year-on-year to HUF 12.2 billion in Q4 2018, thanks to the growing IPTV subscriber base in both countries of operation.
- **Fixed equipment** revenues grew to HUF 5.5 billion in Q4 2018, reflecting a further increase in the volume of equipment sold in relation to fixed service contracts in Hungary.
- **Data retail** revenues declined by 5.4% year-on-year to HUF 2.3 billion, reflecting the general price pressure in the Hungarian business segment.
- **Wholesale** revenues increased moderately year-on-year to HUF 5.1 billion in Q4 2018, reflecting higher wholesale voice transit revenues in Hungary.
- **Other fixed line** revenues rose by 21.4% year-on-year to HUF 5.6 billion in Q4 2018, reflecting reclassification related to value added services revenues in Hungary.

- **System Integration (SI) and IT revenues grew by 12.2% year-on-year to HUF 29.6 billion in Q4 2018**, resulting in year-on-year annual revenue growth of 22.4% in FY 2018. Growth continued to be primarily driven by public sector projects, while deliveries of instant payment solutions to the banking sector also contributed to the increase in Hungary in Q4 2018. In Macedonia, the growth in SI/IT revenues was fuelled by a higher volume of customized solutions projects.
- **Energy Services** were discontinued as of November 1, 2017, following the exit from the residential segment of the electricity market.

Direct costs (excluding IFRS 9 and 15 impacts) increased by 13.2% year-on-year, to HUF 81.6 billion in Q4 2018 and by 15.9% year-on-year to HUF 284.9 billion in FY 2018. This was driven by higher SI/IT and equipment costs, in line with the growth delivered in related revenue lines, coupled with higher bad debt expenses.

- **Interconnect costs** increased by 5.7% year-on-year to HUF 5.2 billion in Q4 2018, reflecting increased mobile traffic in both countries that led to higher payments to domestic mobile operators.
- **SI/IT service related costs** increased by 8.2% year-on-year to HUF 20.2 billion in Q4 2018, driven by a higher volume of related projects.
- **Bad debt expenses** deteriorated by HUF 2.2 billion year-on-year to HUF 3.2 billion in Q4 2018. This was driven primarily by higher bad debt expense in Hungary. This resulted from the strong growth in revenues, as well as the absence of the positive one-off impact recorded in 2017 that stemmed from the application of lower impairment rates. In Macedonia, bad debt expense (excluding the impact of IFRS adoption) declined thanks to lower impairment levels related to mobile sales.
- **Telecom tax** declined slightly by 3.1% year-on-year to HUF 6.3 billion in Q4 2018, as lower residential fixed voice usage outweighed the increase in mobile traffic in Hungary. Telecom tax for the full year rose by a moderate 1.6% year-on-year to HUF 25.5 billion, reflecting higher mobile traffic in Hungary, both in the retail and business segments.
- **Other direct costs** increased by 15.8% year-on-year, to HUF 46.7 billion in Q4 2018, primarily due to an increase in the cost of equipment sales, in line with higher sales and an increase in TV outpayments.

Gross profit (excluding IFRS 9 and 15 impacts) increased by 3.4% year-on-year to HUF 92.4 billion in Q4 2018 and by 1.4% to HUF 370.2 billion in FY 2018, as the strong increase in revenues outweighed the impact of the increasing weight of lower margin services in the sales mix.

Indirect costs (excluding IFRS 9 and 15 impacts) improved by 2.0% year-on-year to HUF 46.2 billion in Q4 2018, as higher other operating income fully offset higher employee related and other operating expenses. Indirect costs for the full year declined by 1.1% year-on-year to HUF 177.4 billion, as higher other operating income, coupled with savings in other operating expenses outweighed the rise in employee related expenses.

- **Employee-related expenses** rose by 4.3% year-on-year to HUF 23.0 billion in Q4 2018 as a combined result of changed trainee employment form in Hungary, a 5% average wage increase at the Company and higher severance-related expenses in Macedonia.
- **Other operating expenses** were 6.6% higher year-on-year at HUF 29.3 billion in Q4 2018, driven by higher marketing expenses and an increase in rental fees in relation to the new headquarters. Other operating expenses for the full year improved by 1.8% year-on-year to HUF 96.7 billion as lower HR-related, IT maintenance and energy costs more than offset increased rental fees and maintenance costs in Hungary. Other operating expenses in Macedonia improved moderately thanks to lower marketing and maintenance expenses.
- **Other operating income** rose by HUF 3.7 billion year-on-year to HUF 6.2 billion in Q4 2018, reflecting the one-off profits realized from the sale of the old headquarters in Hungary.

EBITDA (excluding IFRS 9 and 15 impacts) increased by 9.4% year-on-year to HUF 46.2 billion in Q4 2018 reflecting the combined impact of higher gross profit and higher other operating income in Hungary, which fully offset the temporary EBITDA decline in Macedonia. EBITDA for the full year improved by 3.8% year-on-year to HUF 192.8 billion thanks to the combined impact of improvements in gross profit and indirect costs.

Depreciation and amortization (D&A) expenses increased by 6.8% year-on-year to HUF 29.7 billion in Q4 2018 and by 6.8% to HUF 115.5 billion in FY 2018, driven by the shortening of the useful lives of certain network equipment related to customer connections.

Profit for the period from continuing operations (excluding IFRS 9 and 15 impacts) increased by 40.2% year-on-year to HUF 7.2 billion in Q4 2018, as higher EBITDA and a slight decline in income tax expense, more than offset the increase in D&A and net financial expenses. In FY 2018, profit for the period from continuing operations increased by 16.1% to HUF 46.7 billion, thanks to higher EBITDA and savings in financial and income tax expenses.

- **Net financial expenses** were 10.1% higher year-on-year at HUF 5.2 billion in Q4 2018, as higher losses on the fair valuation of derivates stemming from the weakening of the forint against the euro, offset the positive impact of lower interest expense associated with the declining debt level. In FY 2018, net financial expenses improved by 17.8% year-on-year to HUF 17.8 billion, thanks to the lower average debt level, as well as a reduction in losses on the fair valuation of derivatives versus 2017. This occurred due to different EUR-HUF exchange rate and yield developments between the two periods.
- **Income tax** expense decreased from HUF 4.7 billion in Q4 2017 to HUF 4.3 billion in Q4 2018 reflecting the decrease in deferred tax expense deriving from the booking of one-offs in Q4 2017 relating to previous periods.

Profit attributable to non-controlling interests (excluding IFRS 9 and 15 impacts), decreased from HUF 0.5 billion in Q4 2017 to HUF 0.1 billion in Q4 2018, as lower EBITDA was combined with higher D&A expenses at the Macedonian operations. In FY 2018, profit attributable to non-controlling interests increased moderately to HUF 3.1 billion, thanks to the improved performance of our Macedonian operation.

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 IFRS 5, the results and cash flows of the Montenegrin operations are presented as discontinued operations for both the comparative and the current period. (For further details please see section 2.2.3)

Net debt at the end of 2018 declined to HUF 272.8 billion, from HUF 309.6 billion at the end of 2017, with the net debt ratio (net debt to total capital) decreasing to 30.7%.

2.1.2 Group Cash Flows

HUF millions	1-12 months 2017	1-12 months 2018	Change
Operating cash flow	157,411	159,098	1,687
Investing cash flow	(94,353)	(83,092)	11,261
Less: Payments for / Proceeds from other financial assets - net	2,867	(2,055)	(4,922)
Investing cash flow excluding Proceeds from other financial assets – net	(91,486)	(85,147)	6,339
Repayment of other financial liabilities	(7,485)	(5,988)	1,497
Free cash flow from continuing operation	**58,440**	**67,963**	**9,523**
Net cash used in operating activities from discontinued operation	(23)	0	23
Net cash generated from investing activities from discontinued operation*	36,292	0	(36,292)
Free cash flow from discontinued operation	**36,269**	**0**	**(36,269)**
Total free cash flow	**94,709**	**67,963**	**(26,746)**
Payments for /Proceeds from other financial assets - net	(2,867)	2,055	4,922
Repayment of loans and other borrowings - net	(67,732)	(36,974)	30,758
Dividend paid to shareholders and Non-controlling interests	(29,403)	(29,547)	(144)
Repurchase of treasury shares	(2,139)	(1,822)	317
Net cash generated in financing activities from discontinued operation	2,041	0	(2,041)
Exchange differences on cash and cash equivalents	(15)	130	145
Change in cash and cash equivalents	**(5,406)**	**1,805**	**7,211**

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

Free cash flow from continuing operations (FCF) increased from HUF 58.4 billion in 2017 to HUF 68.0 billion in 2018 due to the reasons described below.

Operating cash flow from continuing operations

Net cash generated from operating activities amounted to HUF 159.1 billion in 2018, compared to HUF 157.4 billion in 2017, as a result of the following trends:

- HUF 6.8 billion **positive impact of** higher **EBITDA** recorded in 2018 compared to 2017

- HUF 12.3 billion **negative change in active working capital,** mainly as a result of the following factors:
  - higher increase in instalment receivables compared to the corresponding period in 2017 in line with the increased corresponding sales volumes (negative impact: ca. HUF 5.8 billion)
  - higher increase in SI/IT receivables in 2018 compared to 2017 (negative impact: ca. HUF 2.6 billion)
  - lower SI/IT related advance payment as well as higher advance payment settlement in 2018 compared to 2017 due to different project seasonality (positive impact: ca. HUF 1.7 billion)
  - no decrease in energy receivables in 2018 as the energy services were discontinued following the exit from the residential segment of the electricity market, as of November 1, 2017 (negative impact: ca. HUF 1.2 billion)
  - higher increase in SI/IT related inventory balances in 2018 against a sharp decrease in 2017 due to different project timings, combined with a decrease in equipment inventories during 2018 due to higher sales (negative impact: ca. HUF 0.8 billion)
  - decrease in the total balance of contract assets and contract costs (excl. the effect of cumulative catch-up adjustments and reclassifications) following the implementation of IFRS 9 and IFRS 15 accounting standards, with effect from 1 January 2018 (positive net impact: ca. HUF 0.3 billion)

- HUF 3.0 billion **positive change in provisions,** due to lower payments of legal provisions and a higher net addition to severance provision in 2018 versus 2017

- HUF 8.0 billion **positive change in passive working capital,** primarily driven by the following factors:

  - lower payment related to SI/IT services in 2018 than in 2017 (positive impact: HUF 6.9 billion)
  - higher HR-related personnel expense payments in 2018 than in 2017 due to different timing of salary payments (negative impact: HUF 3.0 billion)
  - the slower growth in the balance of equipment creditors resulting from changes in payment terms agreed with handset suppliers was more than offset by the higher increase in the balances of invoiced and non-invoiced other creditors due to improved vendor management in 2018 compared to 2017(positive impact: HUF 2.7 billion)
  - the customer loyalty programme in Hungary was terminated in 2017, and there was no movement in the relating balances of deferred income in 2018 (positive impact: HUF 2.1 billion)
  - lower SI/IT related advance payment received during 2018 compared to 2017 (negative impact: HUF 1.1 billion)
  - no decrease in the volume of energy suppliers in 2018 compared to 2017 as the energy services were discontinued following the exit from the residential segment of the electricity market, as of November 1, 2017 (positive impact: HUF 0.4 billion)
  - decrease in contract liabilities (excl. the effect of cumulative catch-up adjustments and reclassification) due to the implementation of the IFRS 15 accounting standard with effect from 1 January 2018 (negative impact: ca. HUF 0.1 billion)

- HUF 1.5 billion **negative change** due to overpayment of **local business and innovation tax paid** in 2017, as well as higher payment in 2018 than in 2017 due to the transition impact of IFRS 15
- HUF 0.4 billion **positive change** due to the **higher dividend received** from the E2 energy joint venture in 2018 versus 2017
- HUF 1.1 billion **positive change** due to lower levels of **interest expense paid** as well as lower levels of postal and bank charges paid in 2018 than in 2017
- HUF 3.9 billion **negative change** mainly due to the **one-off non-cash gains** resulting from the sale of the old headquarters recorded in 2018 which was partly offset by a real estate sale in 2017

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

Net cash used in regular investing activities amounted to HUF 85.1 billion in 2018, compared to HUF 91.5 billion in 2017, with the lower cash outflow driven by the following:

- HUF 21.3 billion **negative effect** due to higher **CAPEX** in 2018 than in 2017 mainly due to the HUF 15.7 billion higher spectrum licence purchase in 2018
- HUF 18.5 billion **positive change** due to lower payments to **CAPEX creditors** in 2018 compared to 2017
- HUF 1.7 billion **positive impact** from lower cash outflows for business combinations in 2018 versus 2017 (**ITGen Kft.** in 2018 **and ServerInfo-Ingatlan Kft.** in 2017, and the lower volume **of cable TV operation acquisitions** in 2018)
- HUF 0.4 billion **negative impact** due to the lower amount of **cash acquired** through acquisitions
- HUF 7.8 billion **positive change** related to the **disposal of PPE,** mainly reflecting the sale of the old headquarters in 2018 which was partly offset by a real estate sale in 2017

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF 7.5 billion in 2017 to HUF 6.0 billion in 2018, mainly due to the following:

- HUF 1.1 billion **positive change** caused by the termination of certain finance lease contracts, resulting in lower lease payments in 2018 compared to 2017
- HUF 0.9 billion **positive impact** of the absence of a repayment instalment relating to the financing of the Macedonian headquarters building in 2017

- HUF 0.3 billion **negative change** due to higher content right payments in 2018 compared to 2017

Free cash flow from discontinued operations (FCF) 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 4.9 billion, primarily due to a lower amount of 3-month bank deposits at Maktel in net terms compared to 2017 as well as higher cash inflows from derivatives in 2018 than in 2017.

Repayment of loans and other borrowings – net improved by HUF 30.8 billion, due to lower reimbursement of parent company (DT AG) loans in 2018 mainly due to the reimbursement from the sale proceeds of the Crnogorski Telekom A.D disposal in 2017.

Dividends paid to owners of the parent and non-controlling interests increased by HUF 0.1 billion mainly due to the higher dividend payment from MT Group to its non-controlling interests in 2018 compared to 2017.

Repurchase of treasury shares decreased by HUF 0.3 billion due to lower repurchase of treasury shares for ESOP (Employee Stock Ownership Program) in 2018 than in 2017.

Net cash generated from financing activities from discontinued operations declined by HUF 2.0 billion due to the positive impact in 2017 of a loan repayment by Crnogorski Telekom A.D. to Magyar Telekom in 2017 following its disposal.

Exchange differences on cash and cash equivalents from continuing operations improved by HUF 0.1 billion due to more favourable foreign exchange rate movements in 2018 compared to 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 changes in the balances of the Statements of Financial Position from December 31, 2017 to December 31, 2018 can be observed in the following lines:

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

Trade receivables and other assets increased by HUF 37.5 billion from December 31, 2017 to December 31, 2018, driven by the increase in current installment receivables (ca. HUF 18.5 billion) and the adoption of IFRS 9 and IFRS 15 accounting standards. The total impact of the opening adjustment comes to HUF 9.5 billion related to the catch-up adjustment and ca. HUF 4.0 billion resulting from the reclassification of 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 current contract assets amounted to HUF 17.8 billion.

Property plant and equipment (PPE) and intangible assets (including Goodwill) together decreased by HUF 8.7 billion from December 31, 2017 to December 31, 2018, as depreciation and scrapping of assets exceeded capital expenditure for the period.

Other non-current financial assets increased by HUF 5.7 billion from December 31, 2017 to December 31, 2018, mainly due to the adoption of IFRS 9 and IFRS 15 accounting standards. The closing balance of non-current contract assets amounted to HUF 3.6 billion.

Other non-current assets increased by HUF 4.9 billion from December 31, 2017 to December 31, 2018 as a result of the adoption of IFRS 9 and IFRS 15 accounting standards. The closing balance of contract costs amounted to HUF 4.5 billion.

Financial liabilities to related parties (current and non-current combined) decreased by HUF 32.3. billion from December 31, 2017 to December 31, 2018 mainly due to the repayment of DT group loans in 2018.

Trade payables increased by HUF 39.9 billion from December 31, 2017 to December 31, 2018, largely a reflection of the increase in the balances outstanding to handset, SI/IT and CAPEX suppliers.

Other current liabilities decreased by HUF 2.2 billion from December 31, 2017 to December 31, 2018. The closing balance of Other current liabilities includes HUF 12.4 billion of contract liabilities mainly due to the reclassification of advance payments received from customers and of 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 December 31, 2018; other less significant changes can largely be attributable to the impacts of the implementation of IFRS 9 and IFRS 15 accounting standards, as presented in Section 3.9. In terms of the Consolidated Statement of Cash Flows for 2018, the related explanations can be found above in Section 13.14.

2.1.4 Related party transactions

There have not been any significant changes in related party transactions since the most recent annual financial report

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 14.1 billion as at December 31, 2018. 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 2018 and this is expected to continue to be the case going forward.

Commitments

Following the transfer of possession of the new Magyar Telekom Nyrt. headquarters, the Group is exposed to a HUF 56 billion rental fee commitment. There has not been any other material change in the nature and amount of our commitments in 2018.

2.1.6 Significant events after the reporting period

Cable TV network and operations

In December 2018, the Group signed a Share Purchase Agreement to acquire a cable TV business for a purchase price of HUF 789 million. The closing of the transaction took place in February 2019.

Sale of Szerémi-Kaposvár buildings

In January 2019, the sale of Szerémi-Kaposvár buildings was completed, representing the last remaining transaction of the comprehensive real estate agreement signed with WING Group on May 19, 2015. The sales price amounted to EUR 11.3 million.

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 continuous high contribution from SI/IT and strong equipment demand

HUF million	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Change	Change (%)	Q4 2018 IFRS 9 & 15 effect	Q4 2018 IFRS 9 & 15
Voice	33,519	33,699	180	0.5%	(1,971)	31,728
Non-voice	21,697	24,707	3,010	13.9%	(963)	23,744
Equipment	16,812	21,126	4,314	25.7%	3,544	24,670
Other	3,443	2,667	(776)	(22.5%)	0	2,667
Total mobile revenues	**75,471**	**82,199**	**6,728**	**8.9%**	**610**	**82,809**
Voice retail	9,942	8,528	(1,414)	(14.2%)	(61)	8,467
Broadband - retail	11,203	12,119	916	8.2%	(293)	11,826
TV	10,525	11,104	579	5.5%	(214)	10,890
Equipment	4,115	5,360	1,245	30.3%	769	6,129
Other	10,799	11,697	898	8.3%	29	11,726
Fixed line revenues	**46,584**	**48,808**	**2,224**	**4.8%**	**230**	**49,038**
SI/IT revenues	**26,021**	**29,056**	**3,035**	**11.7%**	**0**	**29,056**
Revenue from Energy services	**328**	**0**	**(328)**	**(100.0%)**	**0**	**0**
Total revenues	**148,404**	**160,063**	**11,659**	**7.9%**	**840**	**160,903**
Direct costs	**(67,512)**	**(76,458)**	**(8,946)**	**(13.3%)**	**(526)**	**(76,984)**
Gross profit	**80,892**	**83,605**	**2,713**	**3.4%**	**314**	**83,919**
Indirect costs	**(43,067)**	**(41,865)**	**1,202**	**2.8%**	**(57)**	**(41,922)**
EBITDA	**37,825**	**41,740**	**3,915**	**10.4%**	**257**	**41,997**
Segment Capex	**23,255**	**36,300**	**13,045**	**56.1%**	**0**	**36,300**
Hungarian frequency licenses	0	15,255	15,255	n.a.	0	15,255

Operational statistics – access numbers	Dec 31, 2017	Dec 31, 2018	Change (%)
Number of mobile customers (RPC)	5,293,328	5,329,996	0.7%
Postpaid share in the RPC base	64.5%	67.2%	n.a.
Total fixed voice access	1,411,972	1,383,293	(2.0%)
Total retail fixed broadband customers	1,073,583	1,147,728	6.9%
Total TV customers	1,026,532	1,087,724	6.0%

Operational statistics – ARPU (HUF)	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Change (%)	1-12 months 2017	1-12 months 2018	Change (%)
Mobile ARPU	3,467	3,662	5.6%	3,392	3,624	6.8%
Postpaid ARPU	4,799	4,938	2.9%	4,833	4,950	2.4%
Prepaid ARPU	1,096	1,085	(1.0%)	1,073	1,078	0.5%
Blended fixed voice ARPU	2,340	2,054	(12.2%)	2,395	2,267	(5.3%)
Blended fixed broadband ARPU	3,494	3,562	1.9%	3,497	3,537	1.1%
Blended TV ARPU	3,437	3,437	0.0%	3,480	3,479	(0.0%)

Total revenues (excluding the impact of IFRS 15 adoption) **for the MT-Hungary segment** increased by 7.9% year-on-year to HUF 160.1 billion in Q4 2018, and by 7.4% year-on-year to 600.8 billion in FY 2018. The increase was primarily due to the maintenance of a high level of SI/IT revenues and equipment sales in both the mobile and fixed segments. The focus on our Magenta1 offering was maintained in 2018 and we ended the year with a strong performance in Q4. Following the product re-structuring undertaken in Q3 we consistently converted customers into Magenta1 customers. Thanks to this initiative we have sustained ARPU growth levels while delivering value to our customers.

- **Mobile revenues** (excluding the impact of IFRS 15 adoption) grew by 8.9% year-on-year in Q4 2018 to HUF 82.2 billion and by 6.1% in FY 2018 to HUF 309.3 billion. The increase in Q4, consistent with the rest of 2018, was primarily driven by growth in mobile data and equipment sales. In addition, SMS revenues also continued to grow in Q4, rising by 11.1% to reach HUF 4.7 billion and HUF 17.9 in the full year. Continued growth in demand for higher data packages, supported by a moderate increase in mobile subscriber numbers, also had a positive effect on mobile ARPU. Blended ARPU grew by 6.8% year-on-year thanks to our customizable postpaid tariff system and our continuing efforts to secure pre-to postpaid migration.
  - **Mobile service** revenue increased by 5.8% year-on-year to HUF 58.4 billion in Q4 2018, and by 6.0% year-on-year in FY 2018, as growth in mobile data revenues continued, supported by data plans renewed in Q3 and customer upgrades to more expensive packages. These rising mobile data revenues, along with a moderate increase in mobile voice revenues and a significant rise in SMS revenues, were facilitated by our focus on the FMC segment.
  - **Mobile equipment** revenue increased by 25.7% year-on-year to HUF 21.1 billion in Q4 2018, and by 13.4% in FY 2018 to HUF 67.7 billion. This resulted from the higher ratio of high-end handsets in the sales mix and a strong Q4, where our Black Friday and Christmas offers were well received by customers.
  - **Other** revenues decreased by 22.5% year-on-year in Q4 2018 to HUF 2.7 billion, and by 22.9% in FY 2018, 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 4.8% year-on-year in Q4 2018 to HUF 48.8 billion and by 5.2% year-on-year to HUF 186.0 billion in FY 2018, as growth in fixed broadband, TV and equipment revenues more than offset the continued structural decline in voice retail revenues. Continued strong growth of 30.3% in equipment sales in Q4 2018 resulted from the launch of our most attractive offer in the quarter. Customers responded positively to the deal which made it possible to select mobile devices when signing fixed contracts and vice versa. These changes positively influenced the fixed equipment revenue line which had a relatively low base for the prior year comparison.

  - **Voice retail** revenues decreased by 14.2% year-on-year in Q4 2018 and by 7.2% in FY 2018 due to a decline in the customer base and tariff levels.
  - **Broadband retail** revenues increased by 8.2% year-on-year to HUF 12.1 billion in Q4 2018, and by 7.1% to HUF 47.1 billion in FY 2018, driven by a 6.9% increase in the number of broadband subscribers, combined with our efforts to provide more and more households with gigabit internet connections, providing opportunities for upselling to our customer base.
  - **TV** revenues rose by 5.5% year-on-year in Q4 2018 and by 5.0% to HUF 43.9 billion in FY 2018. Supporting revenue growth was the 6.0% expansion of the customer base, combined with flat ARPU levels.
  - **Equipment** revenues increased by 30.3% year-on-year to HUF 5.4 billion due to a greater amount of equipment being sold in relation to fixed contracts. Commensurately, revenue increased by 65.0% on the prior year to HUF 14.6 billion in FY 2018.
  - **Other** fixed line revenues increased by 8.3% year-on-year in Q4 2018 to HUF 11.7 billion, and by 3.1% in FY 2018 to HUF 42.5 billion, primarily due to growing Video on Demand revenues.

SI/IT revenues increased by 11.7% year-on-year to HUF 29.0 billion in Q4 2018, and by 22.1% to HUF 105.5 billion in FY 2018, as demand for hardware and software deliveries remained strong. These projects typically have lower profit margins and hence a dilutive effect on the gross margin but form the basis of our strategy in this area.

- **The energy services** operation was discontinued on November 1, 2017 and as such no revenue was realized in this line.
- **EBITDA (**excluding the impact of IFRS 9 and IFRS 15 adoption) in Q4 2018 increased by 10.4% year-on-year to HUF 41.7 billion and grew by 3.6% in FY 2018 to HUF 171.0 billion. This was driven by an increase in revenues from SI/IT services and equipment sales.
  - **Gross profit** increased by 3.4% year-on-year in Q4 2018 to HUF 83.6 billion and by 1.1% to HUF 332.6 billion in FY 2018. These figures reflect the growing ratio of lower margin equipment and SI/IT revenues in the sales mix.

- **Employee-related expenses** increased by 2.2% year-on-year to HUF 21.3 billion in Q4 2018 and by 2.7% to HUF 76.8 billion as a combined result of changes to the trainee employment form in Hungary, a 5% average wage increase at the Company and higher severance-related expenses.
- **Other operating expenses (net)** decreased by 7.5% year-on-year in Q4 2018, due to cost saving measures implemented in the year resulting in lower IT maintenance and energy costs, offsetting increased rental fees.

Capex (excluding frequency) increased by 10.0% from HUF 73.9 billion in 2017 to HUF 81.3 billion in the same period in 2018 as a result of higher IT related spending.

Outlook: As still the only fully integrated operator on the Hungarian market, we believe that our **continuous commitment to the FMC business** still provides us an advantage **both in the fixed and the mobile market**. This combined with our focus on our state-of-the-art network – both 4G on mobile and fibre-optics on fixed – keeps us well positioned to leverage our **competitive advantage as a market leader**.

2.2.2 Macedonia

Continued revenue and gross profit growth

HUF million	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Change	Change (%)	Q4 2018 IFRS 9 & 15 effect	Q4 2018 IFRS 9 & 15
Voice	4,096	4,174	78	1.9%	(304)	3,870
Non-voice	1,927	2,140	213	11.1%	(173)	1,967
Equipment	1,400	1,677	277	19.8%	875	2,552
Other	369	347	(22)	(6.0%)	0	347
Total mobile revenues	**7,792**	**8,338**	**546**	**7.0%**	**398**	**8,736**
Voice retail	1,361	1,219	(142)	(10.4%)	(30)	1,189
Broadband - retail	1,311	1,398	87	6.6%	(36)	1,362
TV	902	1,052	150	16.6%	(34)	1,018
Equipment	102	123	21	20.6%	(1)	122
Other	1,274	1,309	35	2.7%	0	1,309
Fixed line revenues	**4,950**	**5,101**	**151**	**3.1%**	**(101)**	**5,000**
SI/IT revenues	**347**	**539**	**192**	**55.3%**	**0**	**539**
Total revenues	**13,089**	**13,978**	**889**	**6.8%**	**297**	**14,275**
Direct costs	**(4,623)**	**(5,182)**	**(559)**	**(12.1%)**	**(113)**	**(5,295)**
Gross profit	**8,466**	**8,796**	**330**	**3.9%**	**184**	**8,980**
Indirect costs	**(4,035)**	**(4,658)**	**(623)**	**(15.4%)**	**27**	**(4,631)**
EBITDA	**4,431**	**4,138**	**(293)**	**(6.6%)**	**211**	**4,349**
Segment Capex	**6,536**	**4,229**	**(2,307)**	**(35.3%)**	**0**	**4,229**

Operational statistics – access numbers	Dec 31, 2017	Dec 31, 2018	Change (%)
Number of mobile customers	1,203,228	1,205,728	0.2%
Postpaid share in the customer base	47.2%	50.3%	n.a.
Total fixed voice access	210,889	212,345	0.7%
Total fixed retail broadband access	168,552	178,760	6.1%
Total TV customers	117,481	128,406	9.3%

Total revenues in Macedonia (excluding IFRS 15 impacts) increased by 6.8% year-on-year to HUF 14.0 billion in Q4 2018 and by 5.2% to HUF 54.5 billion in FY 2018. This growth was largely attributable to sustained positive developments in both fixed and mobile service revenues and a strong increase in System integration revenues (for full details, please see Appendix 3.12.). These trends were further supported by favourable exchange rate movements (the average HUF/MKD rate was 4.0% weaker in Q4 2018 and 3.4% weaker in FY 2018 versus the prior year).

- **Mobile revenues** (excluding IFRS 15 impacts) improved by 7.0% year-on-year in Q4 2018 (by 5.3% in full year 2018), as a result of continued growth in data, voice retail and equipment sales revenues.
  - **Voice** revenues increased moderately in Q4 2018, up by 1.9% year-on-year, due to a growing postpaid customer base and higher usage levels. This, combined with a positive exchange rate impact, offset the impact of lower international mobile termination revenues.
  - **Non-voice** revenues increased by 11.1% year-on-year in Q4 2018, as the mobile broadband customer base expanded by a further 10%, with a sustained increase in mobile data traffic driving dynamic mobile data revenue growth.

- **Mobile equipment** revenues were up 19.8% year-on-year in Q4 2018, driven by an increase in the number of handsets sold and higher average handset prices.
- **Other** mobile revenues declined by 6.0% year-on-year in Q4 2018, due to lower visitor and late payment revenues.

- **Fixed line revenue** trends continued to improve and, supported by positive exchange rate impacts, increased by 3.1% year-on-year in Q4 2018 (excluding IFRS 15 impacts). Higher TV, retail broadband and equipment sales revenues, were partly offset by a temporary decline in voice revenue, caused by a shift in the timing of the booking of the annual refund for Universal Service Obligation net costs. For the full year 2018, fixed revenues increased by 2.7% year-on-year, as growth in TV, retail broadband and equipment revenues compensated for lower wholesale revenues.
  - **Voice** retail revenues declined by 10.4% year-on-year in Q4 2018 as the annual refund for Universal Service Obligation net costs was booked in the third quarter in 2018, as opposed to Q4 in 2017. In FY 2018, voice revenues remained stable year-on-year as the continued migration to triple-play packages promoted by attractive offers helped to limit the structural decline.
  - **Broadband** retail revenues were 6.6% higher year-on-year in Q4 2018 as the continued growth of the retail customer base offset price erosion driven by the competitive environment.
  - **TV** revenues grew by 16.6% year-on-year in Q4 2018, thanks to the dynamic expansion of the IPTV subscriber base.
  - Fixed **equipment** revenues rose by 20.6% year-on-year in Q4 2018, driven by temporary increase in TV sets sold during year-end promotions.
  - **Other** fixed revenues were 2.7% higher year-on-year in Q4 2018 but declined 4.1% year-on-year in FY 2018 as a result of lower wholesale revenues.
- **SI/IT revenues** rose by 55.3% year-on-year in Q4 2018 and by 46.6% in FY 2018, thanks to increased revenues from customized solution projects, such as integrated infrastructure management in the City of Skopje.

EBITDA (excluding IFRS 9 and 15 impacts) of HUF 4.1 billion was 6.6% lower year-on-year in Q4 2018, as growth in revenues and gross profit was offset by an increase in employee expenses, driven by severance expenses incurred and the absence of real-estate sales income. In FY 2018, EBITDA grew 5.8% to HUF 21.4 billion, thanks to the increase in gross profit that outweighed higher employee expenses, while net other operating expenses remained broadly stable.

Capex in FY 2018 was 15.7% lower year-on-year at HUF 10.6 billion, reflecting lower TV content fee capitalizations.

Outlook: We do see market competition rising in Macedonia, which will put pressure on our revenue producing capabilities in 2019. However a strong performance in the SI/IT segment should balance out these effects.

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 consolidated 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 IFRS 9 and its amendments and IFRS 15. As a result of the adoption of the new standards, the following extracts from the accounting policy were applied by the Group:

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 fi nancial instruments standard.

The adoption of the new standard and its amendments did not result in material changes in the consolidated 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.

On January 1, 2018 (the date of initial application of IFRS 9), Magyar Telekom Group's management assessed which business models apply to the financial assets held by the group and classified its financial instruments into the appropriate IFRS 9 categories. The effects resulting from this reclassification are disclosed in 3.9.

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The new provisions on the accounting of impairment losses led to expected losses having to be expensed earlier in case of trade receivables. 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.

The cumulative effect arising from the transition is recognized as adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted.

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, provides 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.

- Magyar Telekom applied the modified retrospective method, 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 Retained earnings in 2018. Prior-year comparatives were not adjusted; however, an explanation of the reasons for the changes in items in the consolidated statement of financial position and the consolidated 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 including also reclassifications of HUF 5 billion that resulted mainly from construction contract receivables under IAS 11 and the discount given to customers of unbilled receivables under IAS 18) 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. 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.
- 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.
- 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 and with the transition reclassified) 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.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

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 sections 2.1.3 and 3.9.

3.2. Standards issued but not yet applied

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "Leases." The standard will be effective for the first time for financial years beginning on or after January 1, 2019. From the date of first-time adoption, the new lease standard will have a material effect on Magyar Telekom Group's consolidated financial statements, as disclosed in the consolidated annual financial statements for the year ended December 31, 2017 particularly on the results of operations, net cash from operating activities, total assets, and the presentation of the financial position.

Magyar Telekom applied the modified retrospective approach. The Group mainly leases cell sites, rooftops, office buildings and retail shops, network assets, space on masts or towers and cars that will be affected by the new standard. IFRS 16 standard will have a significant effect on the consolidated financial statements and introduces a single lease accounting model by taking right-of-use assets and lease liabilities on the balance sheet. The transitional effect on both right-of-use assets and lease liabilities will be in the range of HUF 92.7 and 114.3 billion (excluding the finance leases recognized as at December 31, 2018 under IAS 17, prior to the transition). As a result of adopting IFRS 16, the 2018 operating lease expenses will be presented as depreciation and interest expense from January 1, 2019. For the agreements already concluded by the end of 2018, the transition effect on profit or loss is expected to be between HUF 17.1 and 20.9 billion in 2019 that includes the depreciation and interest expense excluding the leases which were previously accounted for as finance leases under IAS 17. On the lessor side, MT Group mainly analyzes the revised definition of leases including the head and sublease constructions. Other than that, MT Group does not expect a considerable impact on the financial statements of the Group at this time, as lessor accounting itself is not changing significantly through the introduction of IFRS 16.

Regarding the transition to IFRS 16, MT Group decided:

- not to apply the practical expedient in IFRS 16.C3 ("Grandfathering approach"). As a result, a re-assessment was performed whether existing contracts are or contain a lease at the date of initial application, i.e. as of January 1, 2019.
- not to use the low value exemption,
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) as a lessee,
- not to apply the practical expedient regarding short-term leases except for some minor and insignificant lease arrangements with a lease term of one month or less,
- to use hindsight such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2017 (unaudited)	Q4 2018 (unaudited)	Change	Change (%)
Revenues				
Voice retail	34,882	33,093	(1,789)	(5.1%)
Voice wholesale	2,733	2,505	(228)	(8.3%)
Data	19,144	20,757	1,613	8.4%
SMS	4,480	4,954	474	10.6%
Equipment	18,212	27,222	9,010	49.5%
Other mobile revenues	3,807	3,014	(793)	(20.8%)
Mobile revenues	**83,258**	**91,545**	**8,287**	**10.0%**
Voice retail	11,303	9,656	(1,647)	(14.6%)
Broadband retail	12,514	13,188	674	5.4%
TV	11,427	11,908	481	4.2%
Equipment	4,217	6,251	2,034	48.2%
Data retail	2,448	2,315	(133)	(5.4%)
Wholesale (voice, broadband, data)	4,975	5,056	81	1.6%
Other fixed line revenues	4,604	5,620	1,016	22.1%
Fixed line revenues	**51,488**	**53,994**	**2,506**	**4.9%**
System Integration/Information Technology revenues	26,368	29,595	3,227	12.2%
Energy service revenues	328	0	(328)	(100.0%)
Total revenues	**161,442**	**175,134**	**13,692**	**8.5%**
Direct costs				
Interconnect costs	(4,939)	(5,220)	(281)	(5.7%)
SI/IT service related costs	(18,680)	(20,219)	(1,539)	(8.2%)
Energy service related costs	(693)	0	693	100.0%
Bad debt expense	(934)	(3,552)	(2,618)	(280.3%)
Telecom tax	(6,541)	(6,335)	206	3.1%
Other direct costs	(40,307)	(46,914)	(6,607)	(16.4%)
Direct costs	**(72,094)**	**(82,240)**	**(10,146)**	**(14.1%)**
Gross profit	**89,348**	**92,894**	**3,546**	**4.0%**
Employee related expenses	(22,068)	(23,050)	(982)	(4.4%)
Utility tax	0	0	0	n.a.
Other operating expenses	(27,514)	(29,326)	(1,812)	(6.6%)
Other operating income	2,486	6,189	3,703	149.0%
EBITDA	**42,252**	**46,707**	**4,455**	**10.5%**
Depreciation and amortization	(27,839)	(29,735)	(1,896)	(6.8%)
Operating profit	**14,413**	**16,972**	**2,559**	**17.8%**
Net financial result	(4,701)	(5,177)	(476)	(10.1%)
Share of associates' and joint ventures' results	159	258	99	62.3%
Profit before income tax	**9,871**	**12,053**	**2,182**	**22.1%**
Income tax	(4,708)	(4,349)	359	7.6%
Profit for the period from continuing operations	**5,163**	**7,704**	**2,541**	**49.2%**
Profit for the period from discontinued operations	0	0	0	n.a.
Profit for the period	**5,163**	**7,704**	**2,541**	**49.2%**
Change in exchange differences on translating foreign operations	(292)	(626)	(334)	(114.4%)
Revaluation of available-for-sale financial assets	(12)	(14)	(2)	(16.7%)
Other comprehensive income for the period from continuing operations	(304)	(640)	(336)	(110.5%)
Other comprehensive income for the period from discontinued operations	0	0	0	n.a.
Other comprehensive income for the period	**(304)**	**(640)**	**(336)**	**(110.5%)**
Total comprehensive income for the period from continuing operations	4,859	7,064	2,205	45.4%
Total comprehensive income for the period from discontinued operations	0	0	0	n.a.
Total comprehensive income for the period	**4,859**	**7,064**	**2,205**	**45.4%**
Profit attributable to:				
Owners of the parent	4,686	7,465	2,779	59.3%
From continuing operations	4,686	7,465	2,779	59.3%
From discontinued operations	0	0	0	n.a.
Non-controlling interests	477	239	(238)	(49.9%)
From continuing operations	477	239	(238)	(49.9%)
From discontinued operations	0	0	0	n.a.
	5,163	**7,704**	**2,541**	**49.2%**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2017 (unaudited)	Q4 2018 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	4,505	7,077	2,572	57.1%
From continuing operations	4,505	7,077	2,572	57.1%
From discontinued operations	0	0	0	n.a.
Non-controlling interests	354	(13)	(367)	n.m.
From continuing operations	354	(13)	(367)	n.m.
From discontinued operations	0	0	0	n.a.
	4,859	**7,064**	**2,205**	**45.4%**
Basic earnings per share (HUF)	**4.53**	**7.23**	**2.70**	**59.6%**
From continuing operations	4.53	7.23	2.70	59.6%
From discontinued operations	0.00	0.00	0.00	n.a.
Diluted earnings per share (HUF)	**4.53**	**6.98**	**2.45**	**54.1%**
From continuing operations	4.53	6.98	2.45	54.1%
From discontinued operations	0.00	0.00	0.00	n.a.

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

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2017 (audited)	1-12 months 2018 (unaudited)	Change	Change (%)
Revenues				
Voice retail	141,185	133,512	(7,673)	(5.4%)
Voice wholesale	9,987	9,845	(142)	(1.4%)
Data	73,992	80,881	6,889	9.3%
SMS	17,259	19,175	1,916	11.1%
Equipment	64,210	87,423	23,213	36.2%
Other mobile revenues	16,023	12,309	(3,714)	(23.2%)
Mobile revenues	**322,656**	**343,145**	**20,489**	**6.4%**
Voice retail	45,977	42,695	(3,282)	(7.1%)
Broadband retail	49,334	51,449	2,115	4.3%
TV	45,188	47,098	1,910	4.2%
Equipment	9,254	18,132	8,878	95.9%
Data retail	10,690	9,367	(1,323)	(12.4%)
Wholesale (voice, broadband, data)	19,050	19,879	829	4.4%
Other fixed line revenues	16,615	18,281	1,666	10.0%
Fixed line revenues	**196,108**	**206,901**	**10,793**	**5.5%**
System Integration/Information Technology revenues	87,485	107,058	19,573	22.4%
Energy service revenues	4,602	0	(4,602)	(100.0%)
Total revenues	**610,851**	**657,104**	**46,253**	**7.6%**
Direct costs				
Interconnect costs	(18,885)	(20,641)	(1,756)	(9.3%)
SI/IT service related costs	(60,438)	(75,849)	(15,411)	(25.5%)
Energy service related costs	(4,787)	0	4,787	100.0%
Bad debt expense	(5,520)	(9,496)	(3,976)	(72.0%)
Telecom tax	(25,085)	(25,487)	(402)	(1.6%)
Other direct costs	(131,062)	(155,458)	(24,396)	(18.6%)
Direct costs	**(245,777)**	**(286,931)**	**(41,154)**	**(16.7%)**
Gross profit	**365,074**	**370,173**	**5,099**	**1.4%**
Employee related expenses	(80,240)	(82,968)	(2,728)	(3.4%)
Utility tax	(7,418)	(7,159)	259	3.5%
Other operating expenses	(98,500)	(96,756)	1,744	1.8%
Other operating income	6,746	9,217	2,471	36.6%
EBITDA	**185,662**	**192,507**	**6,845**	**3.7%**
Depreciation and amortization	(108,174)	(115,529)	(7,355)	(6.8%)
Operating profit	**77,488**	**76,978**	**(510)**	**(0.7%)**
Net financial result	(21,627)	(17,784)	3,843	17.8%
Share of associates' and joint ventures' results	343	588	245	71.4%
Profit before income tax	**56,204**	**59,782**	**3,578**	**6.4%**
Income tax	(15,958)	(13,333)	2,625	16.4%
Profit for the period from continuing operations	**40,246**	**46,449**	**6,203**	**15.4%**
Profit for the period from discontinued operations	9,526	0	(9,526)	(100.0%)
Profit for the period	**49,772**	**46,449**	**(3,323)**	**(6.7%)**
Change in exchange differences on translating foreign operations	(439)	3,169	3,608	n.m.
Revaluation of available-for-sale financial assets	19	219	200	n.m.
Other comprehensive income for the period from continuing operations	(420)	3,388	3,808	**n.m.**
Other comprehensive income for the period from discontinued operations	(12,512)	0	12,512	100.0%
Other comprehensive income for the period	**(12,932)**	**3,388**	**16,320**	**n.m.**
Total comprehensive income for the period from continuing operations	**39,826**	**49,837**	**10,011**	**25.1%**
Total comprehensive income for the period from discontinued operations	(2,986)	0	2,986	100.0%
Total comprehensive income for the period	**36,840**	**49,837**	**12,997**	**35.3%**
Profit attributable to:				
Owners of the parent	46,727	43,318	(3,409)	(7.3%)
From continuing operations	37,239	43,318	6,079	16.3%
From discontinued operations	9,488	0	(9,488)	(100.0%)
Non-controlling interests	3,045	3,131	86	2.8%
From continuing operations	3,007	3,131	124	4.1%
From discontinued operations	38	0	(38)	(100.0%)
	49,772	**46,449**	**(3,323)**	**(6.7%)**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2017 (audited)	1-12 months 2018 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	36,742	45,463	8,721	23.7%
From continuing operations	36,948	45,463	8,515	23.0%
From discontinued operations	(206)	0	206	100.0%
Non-controlling interests	98	4,374	4,276	n.m.
From continuing operations	2,878	4,374	1,496	52.0%
From discontinued operations	(2,780)	0	2,780	100.0%
	36,840	**49,837**	**12,997**	**35.3%**
Basic earnings per share (HUF)	**44.93**	**41.84**	**(3.09)**	**(6.9%)**
From continuing operations	35.82	41.84	6.02	16.8%
From discontinued operations	9.11	0.00	(9.11)	(100.0%)
Diluted earnings per share (HUF)	**44.93**	**41.59**	**(3.34)**	**(7.4%)**
From continuing operations	35.82	41.59	5.77	16.1%
From discontinued operations	9.11	0.00	(9.11)	(100.0%)

3.5. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2017 (audited)	Dec 31, 2018 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	5,399	7,204	1,805	33.4%
Trade receivables and other assets	157,745	195,220	37,475	23.8%
Other current financial assets	8,162	11,631	3,469	42.5%
Current income tax receivable	384	254	(130)	(33.9%)
Inventories	17,175	19,118	1,943	11.3%
	188,865	233,427	44,562	23.6%
Assets held for sale	162	0	(162)	(100.0%)
Total current assets	**189,027**	**233,427**	**44,400**	**23.5%**
Non current assets				
Property, plant and equipment	458,343	443,147	(15,196)	(3.3%)
Intangible assets	229,174	234,848	5,674	2.5%
Goodwill	212,284	213,104	820	0.4%
Investments in associates and joint ventures	1,324	1,393	69	5.2%
Deferred tax assets	59	77	18	30.5%
Other non current financial assets	19,323	24,985	5,662	29.3%
Other non current assets	127	5,015	4,888	n.m.
Total non current assets	**920,634**	**922,569**	**1,935**	**0.2%**
Total assets	**1,109,661**	**1,155,996**	**46,335**	**4.2%**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	35,191	111,144	75,953	215.8%
Other financial liabilities	8,757	9,228	471	5.4%
Trade payables	135,446	175,312	39,866	29.4%
Current income tax payable	324	343	19	5.9%
Provisions	3,267	3,418	151	4.6%
Other current liabilities	43,596	41,395	(2,201)	(5.0%)
	226,581	340,840	114,259	50.4%
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**226,581**	**340,840**	**114,259**	**50.4%**
Non current liabilities				
Financial liabilities to related parties	231,646	123,349	(108,297)	(46.8%)
Other financial liabilities	47,608	47,919	311	0.7%
Deferred tax liabilities	13,743	17,246	3,503	25.5%
Provisions	9,231	11,265	2,034	22.0%
Other non current liabilities	779	445	(334)	(42.9%)
Total non current liabilities	**303,007**	**200,224**	**(102,783)**	**(33.9%)**
Total liabilities	**529,588**	**541,064**	**11,476**	**2.2%**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,282	27,263	(19)	(0.1%)
Treasury stock	(2,187)	(3,991)	(1,804)	(82.5%)
Retained earnings	396,320	429,294	32,974	8.3%
Accumulated other comprehensive income	21,505	23,650	2,145	10.0%
Total equity of the owners of the parent	**547,195**	**580,491**	**33,296**	**6.1%**
Non-controlling interests	32,878	34,441	1,563	4.8%
Total equity	**580,073**	**614,932**	**34,859**	**6.0%**
Total liabilities and equity	**1,109,661**	**1,155,996**	**46,335**	**4.2%**

3.6. Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-12 months 2017 (audited)	1-12 months 2018 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	40,246	46,449	6,203	15.4%
Depreciation and amortization	108,174	115,529	7,355	6.8%
Income tax expense	15,958	13,333	(2,625)	(16.4%)
Net financial result	21,627	17,784	(3,843)	(17.8%)
Share of associates' and joint ventures' result	(343)	(588)	(245)	(71.4%)
Change in assets carried as working capital	(17,959)	(30,237)	(12,278)	(68.4%)
Change in provisions	(1,581)	1,385	2,966	n.m.
Change in liabilities carried as working capital	21,817	29,857	8,040	36.9%
Income taxes paid	(10,425)	(11,953)	(1,528)	(14.7%)
Dividends received	111	535	424	382.0%
Interest and other financial charges paid	(19,949)	(18,810)	1,139	5.7%
Interest received	382	312	(70)	(18.3%)
Other non-cash items	(647)	(4,498)	(3,851)	n.m.
Net cash generated from operating activities (continuing operations)	**157,411**	**159,098**	**1,687**	**1.1%**
Net cash generated from / (used in) operating activities from discontinued operation	(23)	0	23	100.0%
Net cash generated from operating activities	**157,388**	**159,098**	**1,710**	**1.1%**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(86,197)	(107,535)	(21,338)	(24.8%)
Adjustments to cash purchases	(4,603)	13,847	18,450	n.m.
Purchase of subsidiaries and business units	(3,791)	(2,045)	1,746	46.1%
Cash acquired through business combinations	475	137	(338)	(71.2%)
(Payments for) / Proceeds from other financial assets - net	(2,867)	2,055	4,922	n.m.
Proceeds from disposal of subsidiaries and associates	1	0	(1)	(100.0%)
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	2,629	10,449	7,820	297.5%
Net cash used in investing activities (continuing operations)	**(94,353)**	**(83,092)**	**11,261**	**11.9%**
Net cash (used in) / generated from investing activities from discontinued operation	36,292	0	(36,292)	(100.0%)
Net cash used in investing activities	**(58,061)**	**(83,092)**	**(25,031)**	**(43.1%)**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(29,403)	(29,547)	(144)	(0.5%)
Proceeds from/Repayment of loans and other borrowings -net	(67,732)	(36,974)	30,758	45.4%
Repayment of other financial liabilities	(7,485)	(5,988)	1,497	20.0%
Repurchase of treasury shares	(2,139)	(1,822)	317	14.8%
Net cash used in financing activities (continuing operations)	**(106,759)**	**(74,331)**	**32,428**	**30.4%**
Net cash (used in) /generated from financing activities from discontinued operation	2,041	0	(2,041)	(100.0%)
Net cash used in financing activities	**(104,718)**	**(74,331)**	**30,387**	**29.0%**
Exchange differences on cash and cash equivalents	(15)	130	145	n.m.
Exchange differences on cash and cash equivalents from discontinued operation	0	0	0	n.a.
Change in cash and cash equivalents	**(5,406)**	**1,805**	**7,211**	**n.m.**
Cash and cash equivalents, beginning of period	10,805	5,399	(5,406)	(50.0%)
Cash and cash equivalents, end of period	5,399	7,204	1,805	33.4%
Change in cash and cash equivalents	**(5,406)**	**1,805**	**7,211**	**n.m.**

LIFE IS FOR SHARING.

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

In HUF millions	Opening					Changes affecting cash flows from financing activities				Closing
	Balance at Jan 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 Dec 31, 2018
Related party loans	261,225		(12,113)	15,163		72,953	(103,347)			233,881
Derivatives from related parties	5,612			(3,651)	(1,349)					612
Frequency fee payable	45,214		(2,604)	6,924				(3,419)		46,115
Finance lease liabilities	4,173			430				(777)		3,826
Debtors overpayment	1,110		217							1,327
Contingent consideration				708						708
Other financial liabilities	5,868		(572)	1,667				(1,792)		5,171
-Less cash and cash equivalent	(5,399)	(1,805)								(7,204)
-Less other current financial assets	(8,162)		602	(1,304)	3,813	(6,580)				(11,631)
Net debt	**309,641**	**(1,805)**	**(14,470)**	**19,937**	**2,464**	**66,373**	**(103,347)**	**(5,988)**		**272,805**
Treasury share purchase									(1,822)	
Dividends paid to Owners of the parent and Non-controlling interest									(29,547)	
Net Cash used in financing activities									**(74,331)**	

3.8. 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
Dividend						(26,067)			(26,067)		(26,067)
Dividend declared to Non-controlling interests									0	(3,320)	(3,320)
Equity settled share-based transactions				(608)	777				169		169
Total comprehensive income						46,727	(9,995)	10	36,742	98	36,840
Treasury share repurchase					(2,139)				(2,139)		(2,139)
Disposal of subsidiaries									0	(6,743)	(6,743)
Balance at December 31, 2017	1,042,742,543	104,275	27,379	(97)	(2,187)	396,320	21,526	(21)	547,195	32,878	580,073
Adoption of new standards (IFRS15, IFRS9)						15,724			15,724	671	16,395
Dividend						(26,068)			(26,068)		(26,068)
Dividend declared to Non-controlling interests									0	(3,482)	(3,482)
Equity settled share-based transactions				(19)	18				(1)		(1)
Total comprehensive income						43,318	2,021	124	45,463	4,374	49,837
Treasury share repurchase					(1,822)				(1,822)		(1,822)
Disposal of subsidiaries									0		0
Balance at December 31, 2018	1,042,742,543	104,275	27,379	(116)	(3,991)	429,294	23,547	103	580,491	34,441	614,932

3.9. Exchange rate information

Exchange rate	Q4 2017	Q4 2018	Change (%)	1-12 months 2017	1-12 months 2018	Change (%)
HUF/EUR beginning of period	311.23	323.78	**4.0%**	311.02	310.14	**(0.3%)**
HUF/EUR period-end	310.14	321.51	**3.7%**	310.14	321.51	**3.7%**
HUF/EUR cumulative monthly average	311.60	323.63	**3.9%**	309.37	319.43	**3.3%**
HUF/MKD beginning of period	5.06	5.27	**4.2%**	5.06	5.04	**(0.4%)**
HUF/MKD period-end	5.04	5.23	**3.8%**	5.04	5.23	**3.8%**
HUF/MKD cumulative monthly average	5.06	5.26	**4.0%**	5.02	5.19	**3.4%**

3.10. Segment information

HUF millions	Q4 2017	Q4 2018	1-12 months 2017	1-12 months 2018
Total MT-Hungary revenues	148,404	160,903	559,248	602,609
Less: MT-Hungary revenues from other segments	(33)	(29)	(127)	(117)
Telekom Hungary revenues from external customers	**148,371**	**160,874**	**559,121**	**602,492**
Total Macedonia revenues	13,089	14,275	51,795	54,680
Less: Macedonia revenues from other segments	(18)	(15)	(65)	(68)
Macedonia revenues from external customers	**13,071**	**14,260**	**51,730**	**54,612**
Total consolidated revenue of the segments	161,442	175,134	610,851	657,104
Measurement/rounding differences to Group revenue	0	0	0	0
Total revenue of the Group from continuing operations	**161,442**	**175,134**	**610,851**	**657,104**
Total Montenegro revenues	0	0	2,023	0
Less: Montenegro revenues from other segments	0	0	4	0
Montenegro revenues from external customers	**0**	**0**	**2,027**	**0**
Total revenue from discontinued operations	**0**	**0**	**2,027**	**0**
Segment results (EBITDA)				
MT-Hungary	37,825	41,997	164,968	170,776
Macedonia	4,431	4,349	20,225	21,365
Total EBITDA of the segments	**42,256**	**46,346**	**185,193**	**192,141**
Measurement/rounding differences to Group EBITDA	(4)	361	469	366
Total EBITDA of the Group from continuing operations	**42,252**	**46,707**	**185,662**	**192,507**
Montenegro	0	0	702	0
Income from sale of Crnogorski Telekom (segment Montenegro)	0	0	10,504	0
Measurement/rounding differences	0	0	8	0
Total EBITDA from discontinued operations	**0**	**0**	**11,214**	**0**

3.11. 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. We show the impact of IFRS 9 and IFRS 15 accounting standards together since that of IFRS 9 accounting standard is not significant. 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	Jan 01, 2018 (unaudited)	IFRS 9 & IFRS 15 effect	Other changes	Dec 31, 2018 (unaudited)	Change	Change (%)
ASSETS								
Current assets								
Cash and cash equivalents	5,399	0	5,399	0	1,805	7,204	1,805	33.4%
Trade receivables and other assets	157,745	9,467	167,212	508	27,500	195,220	37,475	23.8%
Thereof: Contract assets	0	14,286	14,286	508	3,026	17,820	17,820	n.a.
Other current financial assets	8,162	0	8,162	0	3,469	11,631	3,469	42.5%
Current income tax receivable	384	(339)	45	0	209	254	(130)	(33.9%)
Inventories	17,175	0	17,175	0	1,943	19,118	1,943	11.3%
	188,865	9,128	197,993	508	34,926	233,427	44,562	23.6%
Assets held for sale	162	0	162	0	(162)	0	(162)	(100.0%)
Total current assets	**189,027**	**9,128**	**198,155**	**508**	**34,764**	**233,427**	**44,400**	**23.5%**
Non current assets								
Property, plant and equipment	458,343	0	458,343	0	(15,196)	443,147	(15,196)	(3.3%)
Intangible assets	229,174	0	229,174	0	5,674	234,848	5,674	2.5%
Goodwill	212,284	0	212,284	0	820	213,104	820	0.4%
Investments in associates and joint ventures	1,324	0	1,324	0	69	1,393	69	5.2%
Deferred tax assets	59	(43)	16	0	61	77	18	30.5%
Other non current financial assets	19,323	3,365	22,688	195	2,102	24,985	5,662	29.3%
Thereof: Contract assets	0	3,365	3,365	195	0	3,560	3,560	n.a.
Other non current assets	127	5,507	5,634	(975)	356	5,015	4,888	n.m.
Thereof: Contract costs	0	5,507	5,507	(975)	0	4,532	4,532	n.a.
Total non current assets	**920,634**	**8,829**	**929,463**	**(780)**	**(6,114)**	**922,569**	**1,935**	**0.2%**
Total assets	**1,109,661**	**17,957**	**1,127,618**	**(272)**	**28,650**	**1,155,996**	**46,335**	**4.2%**
LIABILITIES								
Current liabilities								
Financial liabilities to related parties	35,191	0	35,191	0	75,953	111,144	75,953	215.8%
Other financial liabilities	8,757	(64)	8,693	0	535	9,228	471	5.4%
Trade payables	135,446	0	135,446	0	39,866	175,312	39,866	29.4%
Current income tax payable	324	356	680	0	(337)	343	19	5.9%
Provisions	3,267	0	3,267	0	151	3,418	151	4.6%
Other current liabilities	43,596	(178)	43,418	(74)	(1,949)	41,395	(2,201)	(5.0%)
Thereof: Contract liabilities	0	11,265	11,265	(74)	1,181	12,372	12,372	n.a.
	226,581	114	226,695	(74)	114,219	340,840	114,259	50.4%
Liabilities held for sale	0	0	0	0	0	0	0	n.a.
Total current liabilities	**226,581**	**114**	**226,695**	**(74)**	**114,219**	**340,840**	**114,259**	**50.4%**
Non current liabilities								
Financial liabilities to related parties	231,646	0	231,646	0	(108,297)	123,349	(108,297)	(46.8%)
Other financial liabilities	47,608	0	47,608	0	311	47,919	311	0.7%
Deferred tax liabilities	13,743	1,393	15,136	0	2,110	17,246	3,503	25.5%
Provisions	9,231	0	9,231	0	2,034	11,265	2,034	22.0%
Other non current liabilities	779	55	834	(54)	(335)	445	(334)	(42.9%)
Thereof: Contract liabilities	0	520	520	(54)	(38)	428	428	n.a.
Total non current liabilities	**303,007**	**1,448**	**304,455**	**(54)**	**(104,177)**	**200,224**	**(102,783)**	**(33.9%)**
Total liabilities	**529,588**	**1,562**	**531,150**	**(128)**	**10,042**	**541,064**	**11,476**	**2.2%**
EQUITY								
Equity of the owners of the parent								
Common stock	104,275	0	104,275	0	0	104,275	0	0.0%
Capital reserves	27,282	0	27,282	0	(19)	27,263	(19)	(0.1%)
Treasury stock	(2,187)	0	(2,187)	0	(1,804)	(3,991)	(1,804)	(82.5%)
Retained earnings	396,320	15,724	412,044	(256)	17,506	429,294	32,974	8.3%
Accumulated other comprehensive income	21,505	0	21,505	128	2,017	23,650	2,145	10.0%
Total Equity of the owners of the parent	**547,195**	**15,724**	**562,919**	**(128)**	**17,700**	**580,491**	**33,296**	**6.1%**
Non-controlling interests	32,878	671	33,549	(16)	908	34,441	1,563	4.8%
Total equity	**580,073**	**16,395**	**596,468**	**(144)**	**18,608**	**614,932**	**34,859**	**6.0%**
Total liabilities and equity	**1,109,661**	**17,957**	**1,127,618**	**(272)**	**28,650**	**1,155,996**	**46,335**	**4.2%**

LIFE IS FOR SHARING.

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Q4 2018 IFRS 9 & IFRS 15 effect	Q4 2018 IFRS 9 & IFRS 15
Revenues				
Voice retail	34,882	35,368	(2,275)	33,093
Voice wholesale	2,733	2,505	0	2,505
Data	19,144	21,873	(1,116)	20,757
SMS	4,480	4,974	(20)	4,954
Equipment	18,212	22,803	4,419	27,222
Other mobile revenues	3,807	3,014	0	3,014
Mobile revenues	**83,258**	**90,537**	**1,008**	**91,545**
Voice retail	11,303	9,747	(91)	9,656
Broadband retail	12,514	13,517	(329)	13,188
TV	11,427	12,156	(248)	11,908
Equipment	4,217	5,483	768	6,251
Data retail	2,448	2,315	0	2,315
Wholesale (voice, broadband, data)	4,975	5,056	0	5,056
Other fixed line revenues	4,604	5,591	29	5,620
Fixed line revenues	**51,488**	**53,865**	**129**	**53,994**
System Integration/Information Technology revenues	26,368	29,595	0	29,595
Energy service revenues	328	0	0	0
Total revenues	**161,442**	**173,997**	**1,137**	**175,134**
Direct costs				
Interconnect costs	(4,939)	(5,220)	0	(5,220)
SI/IT service related costs	(18,680)	(20,219)	0	(20,219)
Energy service related costs	(693)	0	0	0
Bad debt expense	(934)	(3,156)	(396)	(3,552)
Telecom tax	(6,541)	(6,335)	0	(6,335)
Other direct costs	(40,307)	(46,671)	(243)	(46,914)
Direct costs	**(72,094)**	**(81,601)**	**(639)**	**(82,240)**
Gross profit	**89,348**	**92,396**	**498**	**92,894**
Employee related expenses	(22,068)	(23,017)	(33)	(23,050)
Utility tax	0	0	0	0
Other operating expenses	(27,514)	(29,326)	0	(29,326)
Other operating income	2,486	6,189	0	6,189
EBITDA	**42,252**	**46,242**	**465**	**46,707**
Depreciation and amortization	(27,839)	(29,735)	0	(29,735)
Operating profit	**14,413**	**16,507**	**465**	**16,972**
Net financial result	(4,701)	(5,177)	0	(5,177)
Share of associates' and joint ventures' results	159	258	0	258
Profit before income tax	**9,871**	**11,588**	**465**	**12,053**
Income tax	(4,708)	(4,349)	0	(4,349)
Profit for the period from continuing operations	**5,163**	**7,239**	**465**	**7,704**
Profit for the period from discontinued operations	0	**0**	**0**	0
Profit for the period	**5,163**	**7,239**	**465**	**7,704**
Change in exchange differences on translating foreign operations	(292)	(614)	(12)	(626)
Revaluation of available-for-sale financial assets	(12)	(14)	0	(14)
Other comprehensive income for the period from continuing operations	(304)	(628)	(12)	(640)
Other comprehensive income for the period from discontinued operations	0	0	0	0
Other comprehensive income for the period	**(304)**	**(628)**	**(12)**	**(640)**
Total comprehensive income for the period from continuing operations	4,859	6,611	453	7,064
Total comprehensive income for the period from discontinued operations	0	0	0	0
Total comprehensive income for the period	**4,859**	**6,611**	**453**	**7,064**
Profit attributable to:				
Owners of the parent	4,686	7,090	375	7,465
From continuing operations	4,686	7,090	375	7,465
From discontinued operations	0	0	0	0
Non-controlling interests	477	149	90	239
From continuing operations	477	149	90	239
From discontinued operations	0	0	0	0
	5,163	**7,239**	**465**	**7,704**

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2017 IAS 18 / IAS 11	Q4 2018 IAS 18 / IAS 11	Q4 2018 IFRS 9 & IFRS 15 effect	Q4 2018 IFRS 9 & IFRS 15
Total comprehensive income attributable to:				
Owners of the parent	4,505	6,714	363	7,077
From continuing operations	4,505	6,714	363	7,077
From discontinued operations	0	0	0	0
Non-controlling interests	354	(103)	90	(13)
From continuing operations	354	(103)	90	(13)
From discontinued operations	0	0	0	0
	4,859	**6,611**	**453**	**7,064**
Basic earnings per share (HUF)	**4.53**	**6.87**	**0.36**	**7.23**
From continuing operations	4.53	6.87	0.36	7.23
From discontinued operations	0.00	0.00	0.00	0.00
Diluted earnings per share (HUF)	**4.53**	**6.62**	**0.36**	**6.98**
From continuing operations	4.53	6.62	0.36	6.98
From discontinued operations	0.00	0.00	0.00	0.00

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	1-12 months 2017 IAS 18 / IAS 11	1-12 months 2018 IAS 18 / IAS 11	1-12 months 2018 IFRS 9 & IFRS 15 effect	1-12 months 2018 IFRS 9 & IFRS 15
Revenues				
Voice retail	141 185	142 708	(9 196)	133 512
Voice wholesale	9 987	9 845	0	9 845
Data	73 992	85 166	(4 285)	80 881
SMS	17 259	19 252	(77)	19 175
Equipment	64 210	72 847	14 576	87 423
Other mobile revenues	16 023	12 309	0	12 309
Mobile revenues	**322 656**	**342 127**	**1 018**	**343 145**
Voice retail	45 977	43 025	(330)	42 695
Broadband retail	49 334	52 550	(1 101)	51 449
TV	45 188	47 902	(804)	47 098
Equipment	9 254	15 023	3 109	18 132
Data retail	10 690	9 367	0	9 367
Wholesale (voice, broadband, data)	19 050	19 879	0	19 879
Other fixed line revenues	16 615	18 173	108	18 281
Fixed line revenues	**196 108**	**205 919**	**982**	**206 901**
System Integration/Information Technology revenues	87 485	107 058	0	107 058
Energy service revenues	4 602	0	0	0
Total revenues	**610 851**	**655 104**	**2 000**	**657 104**
Direct costs				
Interconnect costs	(18 885)	(20 641)	0	(20 641)
SI/IT service related costs	(60 438)	(75 849)	0	(75 849)
Energy service related costs	(4 787)	0	0	0
Bad debt expense	(5 520)	(8 271)	(1 225)	(9 496)
Telecom tax	(25 085)	(25 487)	0	(25 487)
Other direct costs	(131 062)	(154 664)	(794)	(155 458)
Direct costs	**(245 777)**	**(284 912)**	**(2 019)**	**(286 931)**
Gross profit	**365 074**	**370 192**	**(19)**	**370 173**
Employee related expenses	(80 240)	(82 789)	(179)	(82 968)
Utility tax	(7 418)	(7 159)	0	(7 159)
Other operating expenses	(98 500)	(96 683)	(73)	(96 756)
Other operating income	6 746	9 217	0	9 217
EBITDA	**185 662**	**192 778**	**(271)**	**192 507**
Depreciation and amortization	(108 174)	(115 529)	0	(115 529)
Operating profit	**77 488**	**77 249**	**(271)**	**76 978**
Net financial result	(21 627)	(17 784)	0	(17 784)
Share of associates' and joint ventures' results	343	588	0	588
Profit before income tax	**56 204**	**60 053**	**(271)**	**59 782**
Income tax	(15 958)	(13 333)	0	(13 333)
Profit for the period from continuing operations	**40 246**	**46 720**	**(271)**	**46 449**
Profit for the period from discontinued operations	9 526	**0**	**0**	0
Profit for the period	**49 772**	**46 720**	**(271)**	**46 449**
Change in exchange differences on translating foreign operations	(439)	3 041	128	3 169
Revaluation of available-for-sale financial assets	19	219	0	219
Other comprehensive income for the period from continuing operations	(420)	3 260	128	3 388
Other comprehensive income for the period from discontinued operations	(12 512)	0	0	0
Other comprehensive income for the period	**(12 932)**	**3 260**	**128**	**3 388**
Total comprehensive income for the period from continuing operations	**39 826**	49 980	(143)	49 837
Total comprehensive income for the period from discontinued operations	(2 986)	0	0	0
Total comprehensive income for the period	**36 840**	**49 980**	**(143)**	**49 837**
Profit attributable to:				
Owners of the parent	46 727	43 574	(256)	43 318
From continuing operations	37 239	43 574	(256)	43 318
From discontinued operations	9 488	0	0	0
Non-controlling interests	3 045	3 146	(15)	3 131
From continuing operations	3 007	3 146	(15)	3 131
From discontinued operations	38	0	0	0
	49 772	**46 720**	**(271)**	**46 449**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-12 months 2017 IAS 18 / IAS 11	1-12 months 2018 IAS 18 / IAS 11	1-12 months 2018 IFRS 9 & IFRS 15 effect	1-12 months 2018 IFRS 9 & IFRS 15
Total comprehensive income attributable to:				
Owners of the parent	36,742	45,590	(127)	45,463
From continuing operations	36,948	45,590	(127)	45,463
From discontinued operations	(206)	0	0	0
Non-controlling interests	98	4,390	(16)	4,374
From continuing operations	2,878	4,390	(16)	4,374
From discontinued operations	(2,780)	0	0	0
	36,840	**49,980**	**(143)**	**49,837**
Basic earnings per share (HUF)	**44.93**	**42.09**	**(0.25)**	**41.84**
From continuing operations	35.82	42.09	(0.25)	41.84
From discontinued operations	9.11	0.00	0.00	0.00
Diluted earnings per share (HUF)	**44.93**	**41.84**	**(0.25)**	**41.59**
From continuing operations	35.82	41.84	(0.25)	41.59
From discontinued operations	9.11	0.00	0.00	0.00

3.12. Statements of Profit or loss for the Segments – full year year-on-year comparison

MT-Hungary

HUF million	1-12 months 2017 IAS 18 / IAS 11	1-12 months 2018 IAS 18 / IAS 11	Change	Change (%)	1-12 months 2018 IFRS 9 & 15 effect	1-12 months 2018 IFRS 9 & 15
Voice	134,060	135,171	1,111	0.8%	(7,976)	127,195
Non-voice	83,381	95,375	11,994	14.4%	(3,733)	91,642
Equipment	59,751	67,730	7,979	13.4%	12,156	79,886
Other	14,321	11,047	(3,274)	(22.9%)	0	11,047
Total mobile revenues	**291,513**	**309,323**	**17,810**	**6.1%**	**447**	**309,770**
Voice retail	40,858	37,906	(2,952)	(7.2%)	(221)	37,685
Broadband - retail	43,995	47,097	3,102	7.1%	(963)	46,134
TV	41,798	43,889	2,091	5.0%	(677)	43,212
Equipment	8,854	14,608	5,754	65.0%	3,114	17,722
Other	41,216	42,493	1,277	3.1%	108	42,601
Fixed line revenues	**176,721**	**185,993**	**9,272**	**5.2%**	**1,361**	**187,354**
SI/IT revenues	**86,412**	**105,485**	**19,073**	**22.1%**	**0**	**105,485**
Revenue from Energy services	**4,602**	**0**	**(4,602)**	**(100.0%)**	**0**	**0**
Total revenues	**559,248**	**600,801**	**41,553**	**7.4%**	**1,808**	**602,609**
Direct costs	**(230,094)**	**(268,171)**	**(38,077)**	**(16.5%)**	**(1,750)**	**(269,921)**
Gross profit	**329,154**	**332,630**	**3,476**	**1.1%**	**58**	**332,688**
Indirect costs	**(164,186)**	**(161,671)**	**2,515**	**1.5%**	**(241)**	**(161,912)**
EBITDA	**164,968**	**170,959**	**5,991**	**3.6%**	**(183)**	**170,776**
Segment Capex	**73,936**	**81,403**	**7,467**	**10.1%**	**0**	**81,403**
Hungarian frequency licenses	0	15,713	15,713	n.a.	0	15,713

Macedonia

HUF million	1-12 months 2017 IAS 18 / IAS 11	1-12 months 2018 IAS 18 / IAS 11	Change	Change (%)	1-12 months 2018 IFRS 9 & 15 effect	1-12 months 2018 IFRS 9 & 15
Voice	17,112	17,382	270	1.6%	(1,220)	16,162
Non-voice	7,870	9,043	1,173	14.9%	(629)	8,414
Equipment	4,459	5,117	658	14.8%	2,420	7,537
Other	1,709	1,266	(443)	(25.9%)	0	1,266
Total mobile revenues	**31,150**	**32,808**	**1,658**	**5.3%**	**571**	**33,379**
Voice retail	5,119	5,119	0	0.0%	(111)	5,008
Broadband - retail	5,339	5,453	114	2.1%	(138)	5,315
TV	3,390	4,013	623	18.4%	(127)	3,886
Equipment	400	415	15	3.8%	(3)	412
Other	5,324	5,107	(217)	(4.1%)	0	5,107
Fixed line revenues	**19,572**	**20,107**	**535**	**2.7%**	**(379)**	**19,728**
SI/IT revenues	**1,073**	**1,573**	**500**	**46.6%**	**0**	**1,573**
Total revenues	**51,795**	**54,488**	**2,693**	**5.2%**	**192**	**54,680**
Direct cost s	**(15,838)**	**(16,911)**	**(1,073)**	**(6.8%)**	**(269)**	**(17,180)**
Gross profit	**35,957**	**37,577**	**1,620**	**4.5%**	**(77)**	**37,500**
Indirect costs	**(15,732)**	**(16,169)**	**(437)**	**(2.8%)**	**34**	**(16,135)**
EBITDA	**20,225**	**21,408**	**1,183**	**5.8%**	**(43)**	**21,365**
Segment Capex	**12,529**	**10,566**	**(1,963)**	**(15.7%)**	**0**	**10,566**

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.

Tibor Rékasi	János Szabó
Chief Executive Officer, member of the Board of Directors	Chief Financial Officer

Budapest, February 20, 2019

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.