EGYÜTT. VELED

MAGYAR TELEKOM

HALF YEARLY REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED JUNE 30, 2017

Budapest – Aug 2, 2017 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the second quarter and first half of 2017, in accordance with International Financial Reporting Standards (IFRS).

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STRONG REVENUE INCREASE FROM SI/IT PROJECT UPTAKE

1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q2 2016 Continuing operation (restated, unaudited)	Q2 2017 Continuing operation (unaudited)	Change (%)	1-6 months 2016 Continuing operation (restated, unaudited)	1-6 months 2017 Continuing operation (unaudited)	Change (%)
Total revenues	**140,987**	**153,521**	**8.9%**	**279,313**	**294,028**	**5.3%**
Operating profit	**21,864**	**20,282**	**(7.2%)**	**42,491**	**32,904**	**(22.6%)**
Profit attributable to:						
Owners of the parent	10,682	10,320	(3.4%)	20,734	14,424	(30.4%)
Non-controlling interests	25	608	n.m.	578	1,318	128.0%
	10,707	**10,928**	**2.1%**	**21,312**	**15,742**	**(26.1%)**
Gross profit	92,188	90,847	(1.5%)	180,826	178,412	(1.3%)
EBITDA	48,735	47,856	(1.8%)	94,670	86,198	(8.9%)
EBITDA margin	34.6%	31.2%	n.a.	33.9%	29.3%	n.a.
Free cash flow				21,320	10,749	(49.6%)
Basic earnings per share (HUF)	**10.91**	**9.90**	**(9.3%)**	**21.19**	**22.93**	**8.2%**
CAPEX to Sales				**12.0%**	**12.8%**	**n.a.**
Number of employees (closing full equivalent)				**9,590**	**9,226**	**(3.8%)**
				December 31, 2016 Continuing operation	**June 30, 2017** Continuing operation	**Change (%)**
Net debt				**376,557**	**357,422**	**(5.1%)**
Net debt / total capital				**39.3%**	**39.1%**	**n.a.**

Strategic highlights:

- **Increase in Group revenue[1] primarily driven by higher SI/IT revenues boosted by EU funded projects**
  - **Mobile service revenues continued to increase as growth in mobile data revenues offset voice revenue erosion driven by competitive pressures**
  - **Growth of mobile equipment revenues continued, driven by higher volumes of smartphone sales, mainly in Hungary**
  - **Lower fixed broadband revenues resulted from competitive pressures, adding to the fixed line revenue decline**
- **Gross profit decline as increase in lower margin equipment heavy sales could just partially compensate for high margin voice revenue fallout**
- **EBITDA decline due to lower gross profit, partly mitigated through cost enhancing measures**
- **Reduction in Free Cash Flow from continuing operations reflects the one-off gains (from the sale of Origo and Infopark Building G) of HUF 11.3 billion supporting H1 2016 results**
- **Net transaction price of HUF 36.4 billion received on the disposal of Crnogorski Telekom in Q1 2017**
- **Net debt ratio stood at 39.1% at the end of June 2017; increasing during the quarter due to dividend payment**

[1] Excluding Crnogorski Telekom results

Christopher Mattheisen, CEO commented:

"Group revenues continued to grow strongly in the second quarter of 2017, up by 8.9% compared to the same period last year. However, EBITDA declined 1.8%, as successfully implemented cost saving measures did not fully offset gross profit pressures. Nevertheless, there were a number of notable achievements in the period that I would like to bring to your attention.

Within our Hungarian operations, our new postpaid mobile portfolio, launched at the end of March, has been well received by the market; in excess of 300,000 subscribers have migrated over to this new plan. Amongst these early movers, we have witnessed significantly higher data allowance subscriptions that have helped to drive average usage levels up by around 50% and led to an increase in overall ARPU levels. Thanks to the flexibility provided by this new scheme combined with increased retention activities in relation to prepaid registration, 50% more of our prepaid customers migrated to postpaid packages in the second quarter compared to previous quarters. Our performance in the prepaid registration process has exceeded our original expectations; we have secured over 95% of our prepaid revenues.

During the quarter, we continued the roll-out of the Company's high speed internet network that now reaches over 2.9 million Hungarian households. As a direct consequence of the various initiatives introduced to increase fixed service subscriber numbers and capitalize on our upgraded network, we now have more than 600 thousand customers connected to our high speed internet network, whilst the number of TV customers exceeds 1 million. One example of such an initiative is the launch of a new brand, 'Flip', which is available in certain areas in Hungary where Magyar Telekom is typically not the preferred choice. Flip offers one very attractively priced 3Play package without any loyalty contract in exchange for simplified, online and self-care focused customer service.

In System Integration and IT, we have almost doubled our revenues year-on-year. This was primarily driven by the material uptick in the number of EU funded projects, which tend to be hardware and software heavy contracts, albeit at significantly lower profit margins. However, we expect that these projects will be the catalysts to capture a number of higher margin IT contracts going forward, as we build upon these newly established customer relationships and fixed asset investments.

In Macedonia, positive trends witnessed in the previous quarters continued. In the mobile segment, despite the cut in mobile termination rates, ARPU continued to improve, thanks to expansion of the postpaid subscriber base coupled with significant uptake in mobile broadband usage. Stripping out the impact of the severance expense booked in Q2 2016, EBITDA stabilised in the second quarter this year.

Based on the encouraging trends we have observed in the first half of the year, including strong performance of the Hungarian SI/IT segment and the high demand for fixed and mobile equipment, we envisage that revenue for the full year 2017 will be higher than originally guided, at around 580 billion forint. All other elements of the original guidance remain unchanged as the increase in revenue is largely due to additional revenue streams that are lower margin, serving to establish and consolidate customer relationships rather than result in an immediate return."

Public guidance*:

	2016	Public guidance for 2017
Revenue	HUF 574 billion	around HUF 580 billion**
EBITDA	HUF 187 billion	around HUF 182 billion
Capex	HUF 98 billion	around HUF 85 billion
FCF	HUF 57 billion	around HUF 55 billion
Dividend	HUF 25 per share	HUF 25 per share

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

*** changed from around HUF 560 billion*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit or Loss

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q2 2016 (restated, unaudited)	Q2 2017 (unaudited)	Change	Change (%)	1-6 months 2016 (restated, unaudited)	1-6 months 2017 (unaudited)	Change	Change (%)
Revenues								
Mobile revenues	76,454	79,617	3,163	4.1%	148,741	153,867	5,126	3.4%
Fixed line revenues	49,191	48,159	(1,032)	(2.1%)	97,537	95,707	(1,830)	(1.9%)
System Integration/Information Technology revenues	13,852	24,398	10,546	76.1%	29,232	41,527	12,295	42.1%
Energy service revenues	1,490	1,347	(143)	(9.6%)	3,803	2,927	(876)	(23.0%)
Total revenues	**140,987**	**153,521**	**12,534**	**8.9%**	**279,313**	**294,028**	**14,715**	**5.3%**
Direct costs	**(48,799)**	**(62,674)**	**(13,875)**	**(28.4%)**	**(98,487)**	**(115,616)**	**(17,129)**	**(17.4%)**
Gross profit	**92,188**	**90,847**	**(1,341)**	**(1.5%)**	**180,826**	**178,412**	**(2,414)**	**(1.3%)**
Indirect costs	**(43,453)**	**(42,991)**	**462**	**1.1%**	**(86,156)**	**(92,214)**	**(6,058)**	**(7.0%)**
EBITDA	**48,735**	**47,856**	**(879)**	**(1.8%)**	**94,670**	**86,198**	**(8,472)**	**(8.9%)**
Depreciation and amortization	(26,871)	(27,574)	(703)	(2.6%)	(52,179)	(53,294)	(1,115)	(2.1%)
Operating profit	**21,864**	**20,282**	**(1,582)**	**(7.2%)**	**42,491**	**32,904**	**(9,587)**	**(22.6%)**
Net financial result	(5,933)	(5,480)	453	7.6%	(12,540)	(11,530)	1,010	8.1%
Share of associates and joint ventures' results	102	(2)	(104)	n.m.	78	307	229	293.6%
Profit before income tax	**16,033**	**14,800**	**(1,233)**	**(7.7%)**	**30,029**	**21,681**	**(8,348)**	**(27.8%)**
Income tax	(5,326)	(3,872)	1,454	27.3%	(8,717)	(5,939)	2,778	31.9%
Profit for the period from continuing operations	**10,707**	**10,928**	**221**	**2.1%**	**21,312**	**15,742**	**(5,570)**	**(26.1%)**
Profit from discontinued operation	889	0	(889)	(100.0%)	1,749	9,526	7,777	444.7%
Total profit for the period	**11,596**	**10,928**	**(668)**	**(5.8%)**	**23,061**	**25,268**	**2,207**	**9.6%**

Total revenues increased by 8.9% year-on-year[2] to HUF 153.5 billion in Q2 2017 (Q2 2016: HUF 141.0 billion). This is largely due to strong growth in SI/IT revenues coupled with higher equipment sales. These factors are also behind the 5.3% revenue rise to HUF 294.0 billion in H1 2017 vs. H1 2016.

- **Mobile revenues grew by 4.1% year-on-year to HUF 79.6 billion in Q2 2017**, as increased mobile data and equipment revenues in both Hungary and Macedonia offset the decline in voice revenues. These trends resulted in a 3.4% increase in mobile revenues in the first half of 2017 compared to H1 2016.
  - **Voice revenues** declined by 3.9% year-on-year to HUF 38.0 billion in Q2 2017. In Hungary, voice revenues were 3.9% lower, as an increase in the subscriber base coupled with improvement in the customer mix only partly offset price erosion resulting from competitive pressure in all segments. In Macedonia, while voice retail revenues increased slightly, voice wholesale revenues showed a 25.0% decline due to lower volume of international incoming mobile traffic and the cut in mobile termination rates in December 2016.
  - **Data revenues** grew by 14.6% year-on-year to HUF 17.8 billion in Q2 2017, due to increased subscriber numbers and usage in both Hungary and Macedonia.
  - **SMS revenues** increased by 2.5% year-on-year to HUF 4.3 billion in Q2 2017 as higher revenues from mass messaging in Hungary and higher usage thanks to favorable offers in Macedonia offset the decline in Hungarian residential usage.
  - **Mobile equipment revenues** increased by 15.5% year-on-year to HUF 15.6 billion in Q2 2017, due to higher handset prices coupled with increased sales volumes in Hungary.
  - **Other mobile revenues** were 7.1% higher, amounting to HUF 4.0 billion driven by further increase in the handset insurance revenues.
- **Fixed line revenues declined by 2.1% year-on-year to HUF 48.2 billion in Q2 2017** and by 1.9% to HUF 95.7 billion in H1 2017 compared to the first half of 2016, as higher TV and equipment revenues were offset by the decline in voice retail and broadband retail revenues.
  - **Voice retail revenues** were HUF 11.5 billion in Q2 2017, representing a decline of 10.4% year-on-year, driven by the continued decline in the customer base and average tariff levels both in Hungary and Macedonia.
  - **Broadband retail revenues** decreased by 3.0% year-on-year, amounting to HUF 12.3 billion in Q2 2017. Despite continued customer base expansion, competitive pressures led to accelerated ARPU erosion in both countries of operation.

[2] Excluding Crnogorski Telekom results

- **TV revenues** increased by 5.4% year-on-year to HUF 11.3 billion in Q2 2017, thanks to the growing IPTV subscriber base coupled with higher ARPUs.
- **Fixed equipment revenues** rose to HUF 1.4 billion in Q2 2017, mainly owing to our efforts to expand the multiplay customer base which resulted in higher sales of TV sets and laptops in Hungary.
- **Data retail revenues** increased by 8.5% year-on-year, amounting to HUF 2.7 billion in Q2 2017, primarily thanks to projects related to the FINA World Championships.
- **Wholesale revenues** declined by 2.5% year-on-year to HUF 4.9 billion in Q2 2017, due to termination of part of our wholesale activity at our Romanian subsidiary, Combridge, and lower fixed incoming domestic and international traffic at our Macedonian operations.
- **Other fixed line revenues** decreased by 8.4% year-on-year to HUF 4.1 billion in Q2 2017, reflecting lower revenues from device rental and lower late payment fees.

- **System Integration and IT (SI/IT) revenues rose sharply to HUF 24.4 billion in Q2 2017** (up by HUF 10.5 billion year-on-year) due to the acceleration of EU fund inflows to Hungary boosting typically high volume software and hardware delivery projects. This also resulted in SI/IT revenues of HUF 41.5 billion in the first half of 2017 (increase of HUF 12.3 billion vs. H1 2016).
- **Energy service revenues decreased by 9.6% year-on-year to HUF 1.3 billion in Q2 2017** due to the lower electricity customer base and expiry of remaining gas universal contracts. Driven by the same factors, H1 2017 energy service revenues declined to HUF 2.9 billion (down 23.0% compared to H1 2016). As announced on July 31, 2017, the Company has decided to exit from the residential segment of the electricity market with effect from November 1, 2017.

Direct costs increased by 28.4% year-on-year to HUF 62.7 billion, mostly owing to the significant increase in SI/IT and equipment sales costs, in parallel to the related revenue rises. This also resulted in a 17.4% increase in direct costs in the first half of 2017 (to HUF 115.6 billion) vs. H1 2016.

- **Interconnect costs** decreased by 3.8% year-on-year to HUF 4.7 billion in Q2 2017 due to lower fixed traffic in both Hungary and Macedonia as well as the cut in Macedonian mobile termination rates.
- **SI/IT service related costs** rose to HUF 18.0 billion in Q2 2017, from 7.4 billion in Q2 2016, in line with the related revenue increases.
- **Bad debt expenses** improved by 29.7% year-on-year to HUF 1.5 billion in Q2 2017, thanks to enhanced Hungarian collection and credit check processes.
- **Telecom tax** increased by 3.9% year-on-year to HUF 6.4 billion in Q2 2017, driven by higher fixed and mobile voice traffic, encouraged by the growing popularity of flat packages in both segments.
- **Other direct costs** went up by HUF 4.1 billion year-on-year to HUF 30.9 billion in Q2 2017, due to an increase in the cost of equipment sales in Hungary (in line with a higher volume of smartphone and TV set sales) and higher Hungarian TV content related costs, mainly attributable to the new content fee introduced in July 2016.

Gross profit declined by 1.5% year-on-year in Q2 2017 to HUF 90.8 billion and by 1.3% in H1 2017 compared to H1 2016 to HUF 178.4 billion, due to a shift in revenue mix towards lower gross margin services.

Indirect costs improved by 1.1% year-on-year to HUF 43.0 billion in the second quarter of 2017, thanks to savings in other operating expenses. In H1 2017, indirect costs increased by 7.0% to HUF 92.2 billion compared to H1 2016 figures, due to the absence of positive one-off items (the sale of Origo and Infopark Building G).

- **Employee related expenses** remained stable year-on-year at HUF 20.1 billion in Q2 2017. Higher employee numbers resulted in increased employee related expenses at the Hungarian operations. However, in Macedonia there was a decline with similar volume due to the absence of one-off severance costs compared to Q2 2016, in relation to outsourcing of the network operation to Ericsson. H1 2017 employee related expenses decreased by 1.0% vs. H1 2016 to HUF 39.5 billion as the higher expenses in Hungary were offset by the lower severance expenses and savings related to the Macedonian network operation outsourcing.
- **Other operating expenses** were 1.5% lower year-on-year, amounting to HUF 24.2 billion in Q2 2017, thanks to cost saving measures resulting in lower advisory, HR-related and material costs. However, comparing H1 2017 to H1 2016, other operating expenses increased by 1.4% to HUF 47.3 billion, as in the first quarter, cost saving initiatives did not fully offset increased rental fees related to the sale and subsequent leaseback of Infopark (Building G) and rental of local state-of-the-art cable networks which did not impact the comparison from the second quarter onwards.
- **Other operating income** increased by 8.0% to HUF 1.3 billion in Q2 2017 thanks to higher income from brand fee received from the E2 energy joint venture. H1 2017 other operating income declined by HUF 5.7 billion compared to H1 2016, owing to the HUF 5.1 billion one-off profits realized on the Infopark and the Origo sale in Q1 2016.

EBITDA decreased by 1.8% to HUF 47.9 billion in Q2 2017, driven by the decline in gross profit that was partly mitigated by an improvement in indirect costs. For H1 2017, the decline was 8.9%, as the gross profit decline was coupled with the absence of one-off gains related to sale of Origo and Infopark (Building G) realized in Q1 2016.

Depreciation and amortization expenses increased by 2.6% year-on-year in Q2 2017 and by 2.1% in H1 2017 vs. H1 2016 to HUF 27.6 billion and HUF 53.3 billion, respectively. The increase is related to software activation related to the new billing and CRM system in Hungary.

Profit for the period from continuing operations improved by 2.1% year-on-year to HUF 10.9 billion in Q2 2017, as lower operating profit was offset by a decline in net financial and income tax expenses. For H1 2017, profit for the period from continuing operations declined by 26.1% to HUF 15.7 billion compared to H1 2016, reflecting the absence of one-off profit items which boosted Q1 2016 results.

- **Operating profit** declined to HUF 20.3 billion in Q2 2017, reflecting lower EBITDA coupled with higher depreciation and amortization expenses.
- **Net financial results** improved by 7.6% year-on-year to a loss of HUF 5.5 billion in Q2 2017, driven by a decline in interest expense thanks to lower average interest rates and lower total amount of loans outstanding. The lower interest expense was partly offset by higher losses on the fair valuation of derivatives; during Q2 2017 the HUF remained mostly unchanged against the EUR, compared to a 0.64% weakening during Q2 2016.
- **Income tax expense** declined by 27.3% year-on-year to HUF 3.9 billion in Q2 2017 reflecting the reduction in the Hungarian corporate income tax rate as well as the lower withholding tax related to the dividend declaration of Stonebridge.

Profit attributable to non-controlling interests increased to HUF 0.6 billion in Q2 2017 and to HUF 1.4 billion in H1 2017 thanks to the improvement in profitability in Macedonia.

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 decreased by 5.1% year-to-date to HUF 357.4 billion (end of 2016: HUF 376.6 billion) with a **net debt ratio (net debt to total capital) of 39.1%**, reflecting the payment received from the sale of Crnogorski Telekom in Q1 2017, but also Magyar Telekom's dividend payment in Q2 2017.

2.1.2 Group Cash Flows

HUF millions	1-6 months 2016 (restated)	1-6 months 2017	Change
Operating cash flow	61,225	62,109	884
Investing cash flow	(40,086)	(48,655)	(8,569)
Less: Proceeds from other financial assets - net	4,181	1,801	(2,380)
Investing cash flow excluding Proceeds from other financial assets – net	(35,905)	(46,854)	(10,949)
Repayment of other financial liabilities	(4,000)	(4,506)	(506)
Free cash flow from continuing operation	**21,320**	**10,749**	**(10,571)**
Net cash generated from / (used in) operating activities from discontinued operation	1,144	(23)	(1,167)
Net cash (used in) / generated from investing activities from discontinued operation*	(2,284)	36,292	38,576
Free cash flow from discontinued operation	**(1,140)**	**36,269**	**37,409**
Total free cash flow	**20,180**	**47,018**	**26,838**
Proceeds from other financial assets - net	(1,180)	(1,801)	(621)
Proceeds from/Repayment of loans and other borrowings - net	(3,401)	(22,888)	(19,487)
Dividends paid to Owners of the parent and Non-controlling interests	(18,008)	(26,672)	(8,664)
Repurchase of treasury shares	0	(673)	(673)
Net cash (used in) / generated from financing activities from discontinued operation	(1,216)	2,041	3,257
Exchange differences on cash and cash equivalents	43	(41)	(84)
Exchange differences on cash and cash equivalents from discontinued operation	52	0	(52)
Change in cash and cash equivalents	**(3,530)**	**(3,016)**	**514**

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

Free cash flow from continuing operations decreased from HUF 21.3 billion in H1 2016 to HUF 10.7 billion in H1 2017 due to the reasons described below:

Operating cash flow from continuing operations

Net cash generated from operating activities amounted to HUF 62.1 billion in H1 2017, compared to HUF 61.2 billion in H1 2016. Principal components for this increase of HUF 0.9 billion comprised the following:

- HUF 8.5 billion **negative change** due to lower **EBITDA** in H1 2017 compared to H1 2016
- HUF 24.5 billion **negative change in active working capital** mainly as a result of the following impacts:
  - lower reduction in energy receivables compared to the corresponding period in 2016 due to the transfer of the energy services for business customers to E2 at the beginning of 2016 (negative impact: ca. HUF 7.6 billion)
  - increase in SI/IT receivables in contrast to the decrease recorded in H1 2016 reflecting different timings of projects (negative impact: ca. HUF 11.6 billion)
  - extension of the instalment periods relating to equipment sales, leading to a rise in outstanding balances in 2017 (negative impact: ca. HUF 4.0 billion)
- HUF 2.6 billion **positive change** due to lower net payments of severance **provisions** in H1 2017 than in H1 2016
- HUF 24.5 billion **positive change in passive working capital** primarily driven by the following factors:
  - lower payments made to SI/IT services related suppliers in H1 2017 (positive impact: HUF 8.0 billion)
  - improved equipment vendor management in H1 2017 (positive impact: HUF 8.0 billion)
  - HUF 0.8 billion positive change in passive working capital due to MTR debtor overpayments (invoiced and collected using old rate, accounted for at new rate as revenue) in H1 2016
  - HUF 5.4 billion lower HR related personnel expense payments in H1 2017 than in H1 2016
- HUF 1.7 billion **positive change** due to the lower levels of **interest expense paid** reflecting continued easing in the wider interest rate environment and refinancing of certain loans on more favorable credit terms
- HUF 5.1 billion **positive change in other non-cash items** mainly due to the booking of one-off non-cash gains resulting from the sales of Origo Zrt and Infopark Building G in H1 2016

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

Net cash used in regular investing activities amounted to HUF 46.9 billion in H1 2017, compared to HUF 35.9 billion in H1 2016. The main reasons for the HUF 10.9 billion higher cash outflow include:

- HUF 4.1 billion **negative effect** due to higher **CAPEX** in H1 2017 than in H1 2016
- HUF 7.9 billion **positive change** due to lower amount of **CAPEX creditors** paid in H1 2017 than in H1 2016
- HUF 1.0 billion **negative effect** due to the **acquisition of Serverinfo-Ingatlan Kft** in H1 2017 (purchase price vs. cash acquired through the acquisition)
- HUF 2.3 billion **negative change** due to higher volumes **of cable TV operation acquisition** in H1 2017 than in H1 2016
- HUF 3.4 billion **negative change** related to the **disposal of subsidiaries,** mostly the sale of Origo Zrt in H1 2016
- HUF 7.9 billion **negative change** related to the **disposal of PPE,** reflecting the sale of Infopark building in H1 2016

Repayment of other financial liabilities

Repayment of other financial liabilities increased from HUF 4.0 billion in H1 2016 to HUF 4.5 billion in H1 2017, due to the following:

- HUF 0.5 billion **negative change** due to the **repayment of a loan** related to the sale of Origo Zrt. in H1 2016
- HUF 0.8 billion **positive change** due to the **termination of certain finance lease contracts**
- HUF 0.9 million **negative change** due to bringing forward of the last repayment **instalment** relating to the financing for the Macedonian headquarters building in H1 2017

Free cash flow from discontinued operations (FCF) increased overall by HUF 37.4 billion due to the sale of Crnogorski Telekom A.D. (disclosed within discontinued operations)

Proceeds from other financial assets - net increased by HUF 0.6 billion, primarily due to the following:

- HUF 2.6 billion less of Maktel's cash balances was invested as bank deposits over 3 months in H1 2017 compared to H1 2016
- HUF 3.0 billion less of TCG's cash was invested as bank deposits over 3 months in H1 2016 in net terms and no such equivalent item appeared during H1 2017

Repayment of loans and other borrowings – net increased by HUF 19.5 billion, due to the reimbursement of parent company (DT AG) and certain bank loans from the sale proceeds of the Crnogorski Telekom A.D disposal in H1 2017.

Dividends paid to Owners of the parent and Non-controlling interests increased by HUF 8.7 billion mainly due to the higher dividend payment from MT to its Owner and Non-controlling interests as DPS (dividend per share) has risen from 15 HUF in 2016 to 25 HUF in 2017.

Repurchase of treasury shares increased by HUF 0.7 billion due to the repurchase of treasury shares for the ESOP (Employee Stock Ownership Plan) in H1 2017 (there was no such equivalent payment in H1 2016)

Net cash (used in)/generated from financing activities from discontinued operations recorded a HUF 3.3 billion positive change made up mainly of the following:

- HUF 2.0 billion positive impact following the sale of Crnogorski Telekom A.D. in H1 2017, relating to the repayment of its loan with Magyar Telekom; and
- a HUF 1.2 billion positive impact relating to Crnogorski Telekom A.D. dividend payments, as there was no such equivalent payment in H1 2017

Exchange differences on cash and cash equivalents both from continuing and discontinued operation had no significant effect in H1 2017 compared to H1 2016.

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

2.1.3 Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2016 to June 30, 2017 can be observed in the following lines:

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

Property plant and equipment (PPE) and intangible assets (including Goodwill) together decreased by HUF 56.2 billion from December 31, 2016 to June 30, 2017. The decrease is mainly due to deconsolidation of the sold Montenegrin subsidiary, Crnogorski Telekom A.D. in the amount of HUF 46.1 billion of derecognized assets.

The current parts of Financial liabilities to related parties decreased by HUF 12.9 billion from December 31, 2016 to June 30, 2017. The change is mainly results from the repayment of DT Group loans with the consideration received for the sale of the Montenegrin subsidiary, partly offset by further borrowings.

Trade payables decreased by HUF 22.1 billion from December 31, 2016 to June 30, 2017. The decrease is mainly due to the deconsolidation of the sold Montenegrin subsidiary, Crnogorski Telekom A.D. in the amount of HUF 9.3 billion of derecognized liabilities. Further decrease is due to the reductions in amounts outstanding to SI/IT and handset creditors.

Other current liabilities increased by HUF 8.8 billion from December 31, 2016 to June 30, 2017. The increase is mainly due to the dividend declaration of the Group's Macedonian subsidiary and relates to the non-controlling interests, along with an increase in the utility tax liability.

There has not been any other material change in the items of the Consolidated Statement of Financial Position from December 31, 2016 to June 30, 2017. The less significant changes in balances of the Consolidated Statements of Financial Position are largely explained by the items of the Consolidated Statement of Cash Flows for 2017 and the related explanations provided above in section 2.1.2 Cash flows.

2.1.4 Related party transactions

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

2.1.5 Contingencies and commitments

Contingent assets

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

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

Contingent liabilities

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

Guarantees

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

Commitments

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

2.1.6 Significant events

For any significant events happened between the end of the quarter (June 30, 2017) and the date publishing of the "Interim financial report" please see our Investor Relations website:

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

2.2. Segment reports

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

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

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

2.2.1 MT-Hungary

Significant increase in SI/IT and equipment sales driving revenue growth

HUF million	Q2 2016 (restated)	Q2 2017	Change	Change (%)	1-6 months 2016 (restated)	1-6 months 2017	Change	Change (%)
Voice	35,129	33,748	(1,381)	(3.9%)	69,740	66,665	(3,075)	(4.4%)
Non-voice	18,152	20,155	2,003	11.0%	35,893	39,677	3,784	10.5%
Other	15,746	18,078	2,332	14.8%	28,644	32,561	3,917	13.7%
Total mobile revenues	**69,027**	**71,981**	**2,954**	**4.3%**	**134,277**	**138,903**	**4,626**	**3.4%**
Voice retail	11,479	10,281	(1,198)	(10.4%)	22,796	20,761	(2,035)	(8.9%)
Broadband - retail	11,269	10,962	(307)	(2.7%)	22,125	21,745	(380)	(1.7%)
TV	9,929	10,433	504	5.1%	19,404	20,729	1,325	6.8%
Other	11,430	11,667	237	2.1%	22,874	22,794	(80)	(0.3%)
Fixed line revenues	**44,107**	**43,343**	**(764)**	**(1.7%)**	**87,199**	**86,029**	**(1,170)**	**(1.3%)**
SI/IT revenues	**13,112**	**24,139**	**11,027**	**84.1%**	**28,256**	**41,077**	**12,821**	**45.4%**
Revenue from Energy services	**1,490**	**1,347**	**(143)**	**(9.6%)**	**3,803**	**2,927**	**(876)**	**(23.0%)**
Total revenues	**127,736**	**140,810**	**13,074**	**10.2%**	**253,535**	**268,936**	**15,401**	**6.1%**
Direct costs	**(44,331)**	**(58,804)**	**(14,473)**	**(32.6%)**	**(90,055)**	**(108,118)**	**(18,063)**	**(20.1%)**
Gross profit	**83,405**	**82,006**	**(1,399)**	**(1.7%)**	**163,480**	**160,818**	**(2,662)**	**(1.6%)**
Indirect costs	**(38,459)**	**(38,956)**	**(497)**	**(1.3%)**	**(77,284)**	**(84,675)**	**(7,391)**	**(9.6%)**
EBITDA	**44,946**	**43,050**	**(1,896)**	**(4.2%)**	**86,196**	**76,143**	**(10,053)**	**(11.7%)**
Segment Capex	**21,030**	**19,028**	**(2,002)**	**(9.5%)**	**31,237**	**33,664**	**2,427**	**7.8%**

Operational statistics – access numbers	June 30, 2016	June 30, 2017	Change (%)
Number of mobile customers (RPC)	5,344,240	5,390,118	0.9%
Postpaid share in the RPC base	58.2%	61.7%	n.a.
Total fixed voice access	1,440,696	1,425,319	(1.1%)
Total retail fixed broadband customers	1,008,588	1,049,837	4.1%
Total TV customers	971,309	1,006,241	3.6%

Operational statistics – ARPU (HUF)	Q2 2016	Q2 2017	Change (%)	1-6 months 2016	1-6 monts 2017	Change (%)
Mobile ARPU	3,315	3,365	1.5%	3,265	3,327	1.9%
Postpaid ARPU	4,898	4,815	(1.7%)	4,865	4,816	(1.0%)
Prepaid ARPU	1,132	1,107	(2.2%)	1,098	1,068	(2.7%)
Blended fixed voice ARPU	2,649	2,405	(9.2%)	2,621	2,430	(7.3%)
Blended retail fixed broadband ARPU	3,747	3,563	(4.9%)	3,687	3,524	(4.4%)
Blended TV ARPU	3,420	3,493	2.1%	3,350	3,503	4.6%

Total revenues for the MT-Hungary segment **increased by 10.2% year-on-year in Q2 2017**, primarily due to significantly higher SI/IT revenues coupled with increased mobile data and mobile equipment sales. Fixed line revenues slightly declined, driven by lower voice retail and broadband revenues, which offset growth in TV and equipment sales.

- **Mobile revenues grew** by 4.3% in Q2 2017 vs. Q2 2016, to HUF 72.0 billion, and by 3.4% in H1 2017 vs. H1 2016, to HUF 138.9 billion. These increases were mainly due to growth in mobile data and equipment sales, which more than offset the contraction in mobile voice revenues. The new, flexible and customizable postpaid tariff system launched at the end of March, allowing postpaid customers to combine four different voice and five different data packages, has been well received by the market, as demand for higher data packages and data boosters positively impacted mobile ARPU, resulting in a 1.5% increase year-on-year in Q2 2017. At the same time our focus on FMC (fixed-mobile convergence) remains unchanged, and is further supported by the new portfolio that offers 20% to 25% monthly fee discount for FMC bundles. The deadline for the mandatory registration of prepaid SIMs passed on June 30 (customer figures will be impacted in Q3 2017) and we have secured 95% of prepaid revenues. Thanks to the flexibility provided by the new tariff system and increased retention activities in relation to prepaid registration, we further increased pre-to-postpaid migration to reach a postpaid ratio of 61.7% (vs. 58.2% at the end of June 2016).

- **Mobile service revenue increased** by 1.2% year-on-year to HUF 53.9 billion in Q2 2017, as growth in mobile data revenues continued, resulting from an increase in both subscriber numbers and usage. Growth in mobile data revenues compensated for the decline in voice revenues driven by competitive pressures, especially in the SMB and Enterprise segments.
- **Other revenues** increased by HUF 2.3 billion year-on-year to HUF 18.1 billion in the second quarter due to the significantly higher equipment and accessories sales, as well as higher handset prices compared to Q2 2016.

- **Fixed line revenues declined** by 1.7% year-on-year in Q2 2017, to HUF 43.3 billion, as the continued structural decline in voice retail revenues alongside lower fixed broadband revenues more than offset increased TV and fixed equipment sales. These trends also led to a 1.3% decline in fixed line revenues in H1 2017 compared to H1 2016. The fixed market is characterized by competitive focus on network enhancement and customer acquisition, at the expense of short term profitability. In this environment, during the quarter, we launched a new brand, Flip. It provides a favourably priced basic 3Play service without a compulsory loyalty contract in exchange for simplified, online and self-care focused customer service. The Flip offer includes 130 digital TV channels, 120 Mbit/s download speeds, and free of charge voice communication between Flip numbers. Flip is available in ca. half a million households across highly competitive areas of Hungary.
  - **Voice retail revenues** decreased by 10.4% year-on-year in Q2 2017 due to a decline in customer base and tariff levels.
  - **Broadband retail revenues** were down 2.7% year-on-year to HUF 11.0 billion in Q2 2017, as the enlarged customer base did not offset lower ARPU levels, driven by intense competition.
  - **TV revenues rose** by 5.1% year-on-year in Q2 2017, as the customer base and ARPU levels increased. The new TV portfolio launched in November 2016 and price increase as of January 1, 2017 (also resulting from the recently introduced content fee) led to higher ARPU levels compared to Q2 2016.
  - **Other fixed line revenues** increased by 2.1% year-on-year to HUF 11.7 billion in Q2 2017, due to an increase in data revenues driven by projects related to the FINA World Championships and increased fixed equipment sales thanks to higher sales volumes of TV sets and laptops.

- **SI/IT revenues increased** by HUF 11.0 billion year-on-year to HUF 24.1 billion in the second quarter of 2017, due to increased EU fund inflows to Hungary. The projects awarded are typically hardware and software deliveries, which have significantly lower profit margins. As a result, despite the higher revenues, **SI/IT gross profit** remained stable, whilst the gross margin ratio decreased. Driven by the same trends, SI/IT revenues grew by HUF 12.8 billion to HUF 41.1 billion in H1 2017 vs. H1 2016.

Energy services	June 30, 2016	June 30, 2017	Change (%)
Electricity points of delivery	94,662	90,509	(4.4%)
Gas points of delivery	256	0	n.a.

- **Energy services revenues decreased** by 9.6% in Q2 2017 vs. Q2 2016, due to the reduced electricity customer base and expiry of the few remaining universal gas contracts. H1 2017 energy revenues were down by 23.0% compared to H1 2016, for the same reasons.
- **EBITDA decreased by 4.2%** year-on-year in Q2 2017, driven by the decline in gross profit and higher indirect costs:
  - **Gross profit** declined by 1.7% year-on-year in Q2 2017 as lower bad debt expenses were more than offset by the new TV content fee, higher SI/IT expenses and increased cost of equipment sales related to higher sales volumes for smartphones and TV sets.
  - **Employee-related expenses** increased by 5.8% year-on-year to HUF 18.6 billion in Q2 2017 due to higher employee numbers (up by 310 compared to June 2016).
  - **Other operating expenses (net)** decreased by 2.5% year-on-year in Q2 2017 thanks to cost saving measures that resulted in lower advisory, HR-related and material costs, and more than offset higher maintenance and repair expenses.

  In the first half of 2017, EBITDA declined by 11.7% compared to H1 2016, due to higher employee related and other operating expenses (higher rental fees related to the leaseback of Infopark Building G), as well as one-off profits realized on the sales of Infopark and Origo in Q1 2016.
- **Capex in the first half of 2017 increased** by 7.8% vs. same period last year to HUF 33.7 billion due to higher spending on our 4G+ and NGA networks more than offsetting lower investment in PSTN migration.

Outlook: We plan to continue to **invest in our fixed line network**, with a proportion of these investments supported by EU funds. By the end of 2017, we aim to have **rolled-out high speed internet** (HSI) **access across more than 250 thousand new households**, covering ca. 3.1 million households in total. We expect to monetize our network investments through the **continued upward trajectory of penetration figures** and further **expansion of the relative number of high bandwidth package subscribers**. We also intend to **increase our share of the growing SI/IT market**. As observed in Q2 2017, the growth in this market should be **underpinned by further EU funded projects,** which are **largely lower margin** as they are software and hardware heavy. Despite this, we believe that **these projects will be future catalysts to capturing higher margin IT contracts.** As such, we plan to build upon these newly established relationships to **maximise growth going forward**.

2.2.2 Macedonia

Encouraging performance: stable gross profit and increased mobile revenues despite MTR cut

HUF million	Q2 2016	Q2 2017	Change	Change (%)	1-6 months 2016	1-6 months 2017	Change	Change (%)
Voice	4,428	4,255	(173)	(3.9%)	8,784	8,392	(392)	(4.5%)
Non-voice	1,554	1,918	364	23.4%	2,965	3,735	770	26.0%
Other	1,444	1,463	19	1.3%	2,714	2,837	123	4.5%
Total mobile revenues	**7,426**	**7,636**	**210**	**2.8%**	**14,463**	**14,964**	**501**	**3.5%**
Voice retail	1,394	1,248	(146)	(10.5%)	2,800	2,522	(278)	(9.9%)
Broadband - retail	1,415	1,346	(69)	(4.9%)	2,828	2,712	(116)	(4.1%)
TV	749	824	75	10.0%	1,472	1,630	158	10.7%
Other	1,615	1,449	(166)	(10.3%)	3,404	2,906	(498)	(14.6%)
Fixed line revenues	**5,173**	**4,867**	**(306)**	**(5.9%)**	**10,504**	**9,770**	**(734)**	**(7.0%)**
SI/IT revenues	740	259	(481)	(65.0%)	976	450	(526)	(53.9%)
Total revenues	**13,339**	**12,762**	**(577)**	**(4.3%)**	**25,943**	**25,184**	**(759)**	**(2.9%)**
Direct costs	**(4,516)**	**(3,915)**	**601**	**13.3%**	**(8,516)**	**(7,571)**	**945**	**11.1%**
Gross profit	**8,823**	**8,847**	**24**	**0.3%**	**17,427**	**17,613**	**186**	**1.1%**
Indirect costs	**(5,164)**	**(4,041)**	**1,123**	**21.7%**	**(8,889)**	**(8,029)**	**860**	**9.7%**
EBITDA	**3,659**	**4,806**	**1,147**	**31.3%**	**8,538**	**9,584**	**1,046**	**12.3%**
Segment Capex	**1,457**	**3,267**	**1,810**	**124.2%**	**2,350**	**4,091**	**1,741**	**74.1%**

Operational statistics – access numbers	June 30, 2016	June 30, 2017	Change (%)
Number of mobile customers	1,220,698	1,209,184	(0.9%)
Postpaid share in the customer base	39.6%	45.7%	n.a.
Total fixed voice access	219,502	212,522	(3.2%)
Total retail fixed broadband customers	188,701	189,657	0.5%
Total TV customers	105,432	112,436	6.6%

In the Macedonian segment, **revenues declined by 4.3% year-on-year in Q2 2017**, mainly due to a significant decline in SI/IT revenues, as well as lower fixed revenues. SI/IT revenues were impacted by political uncertainty which resulted in delayed government projects. However, mobile revenues increased in the quarter, boosted by growth in mobile internet usage. Total revenues in Macedonia declined by 2.9% in the first half of 2017 compared to H1 2016, driven by the above mentioned factors.

- **Mobile revenues increased** by 2.8% in Q2 2017 vs. Q2 2016 and by 3.5% in H1 2017 compared to the first half of 2016, driven by growth in mobile data and retail voice revenues.
  - Mobile service revenues increased by 3.2% year-on-year in Q2 2017, mainly driven by higher non-voice revenues (+23.4% in Q2 2017 vs. Q2 2016) due to a ca. 27% growth in mobile broadband revenues, coupled with increased SMS revenues. This improvement was somewhat offset by lower wholesale revenues resulting from the ca. 30% cut in mobile termination rates introduced in December 2016, and the lower volume of international incoming mobile traffic. At the same time, voice retail revenues and ARPU increased thanks to our focus on the postpaid segment. Although total subscriber numbers were down by 0.9%, our increased focus on this segment resulted in an increase in our postpaid share; by June 2017, approximately 46% of our customers subscribed for a postpaid package vs. 40% a year ago.
  - Other mobile revenues rose by 1.3%, due to higher equipment sales resulting from the higher average price of handsets.
- **Fixed line revenues continued to decline** in the quarter, decreasing by 5.9% year-on-year vs. Q2 2016, mainly due to lower voice-retail and wholesale revenues. H1 2017 fixed line revenues declined by 7.0% compared to the first six months of 2016, in line with the previously described trends witnessed in Q2 2017.
  - Voice-retail revenue declined, driven by lower traffic and customer base.
  - Broadband retail revenues were down 4.9% year-on-year in Q2 2017, due to lower pricing resulting from 3Play competition.
  - TV revenue growth continued during Q2 2017, as both the IPTV subscriber base and ARPU levels increased

- Other fixed revenues declined, primarily due to lower wholesale revenues as a result of less incoming domestic and international traffic. This was coupled with a decline in sales of equipment, such as TV sets, tablets and laptops.

- **SI/IT revenues significantly decreased** (Q2 2017 revenues dropped by 65.0% vs. Q2 2016 and H1 2017 revenues by 53.9% vs. H1 2016), due to the delay in major government projects resulting from political turmoil.
- **EBITDA for the quarter increased** by 31.3% vs. Q2 2016 driven by lower severance coupled with stable gross profit. However, other operating expenses (net) increased and excluding the severance, EBITDA would have been flat year-on-year. H1 2017 EBITDA increased by 12.3% compared to the first half of 2016 due to the same drivers.
  - Employee-related expenses showed a significant decrease of 43.0% in Q2 2017 vs. the same period last year, due to a one-off severance booked in Q2 2016 in relation to an outsourcing project impacting approximately 20% of our total employees. As a result of this outsourcing project, effective from July 1, 2016, Ericsson is responsible for our network plan and maintenance activities.
  - Other operating expenses (net) increased by 2.3% as lower consultancy costs were offset by higher costs related to outsourcing and increased marketing expenses.
- Significant **increase in Capex** (+74.1% vs. H1 2016) to HUF 4.1 billion mainly due to capitalization of TV content fees in the first half of 2017 and higher amount of set top boxes driven by strong TV sales.

Outlook: Despite a decline in revenues during the quarter due to temporary delay of SI/IT projects, we believe revenue and EBITDA turnaround is sustainable going forward.

2.2.3 Montenegro

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

a) Results from discontinued operation

HUF millions	Q2 2016	Q2 2017	1-6 months 2016	1-6 months 2017
Revenue	7,179	-	13,904	2,027
Direct costs	(2,255)	-	(4,182)	(533)
Employee related expenses	(1,090)	-	(2,130)	(332)
Depreciation and amortization	(1,410)	-	(2,798)	(517)
Other operating expenses	(1,455)	-	(2,936)	(525)
Operating expenses	(6,210)	-	(12,046)	(1,907)
Other operating income	40	-	76	73
Operating profit	1,009	-	1,934	193
Net financial result	22	-	71	7
Income tax from discontinued operations	(142)	-	(256)	(23)
Profit after tax from discontinued operations	**889**	**-**	**1,749**	**177**
Gain on sale from discontinued operation	-	-	-	10,504
Of which reclassification of cumulative amount of the exchange differences relating to foreign operation sold from equity to profit or loss attributable to the owners of the parent	-	-	-	9,690
Income tax on gain on sale from discontinued operation	-	-	-	(1,155)
Profit for the year from discontinued operations	**889**	**-**	**1,749**	**9,526**
Other comprehensive income from discontinued operations	295	-	465	(12,512)
Total comprehensive income from discontinued operations	**1,184**	**-**	**2,214**	**(2,986)**

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

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

3. APPENDIX

3.1. Basis of preparation

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

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

There were two major changes compared to 2016:

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

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

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q2 2016 (restated, unaudited)	Q2 2017 (unaudited)	Change	Change (%)
Revenues				
Voice retail	36,899	35,527	(1,372)	(3.7%)
Voice wholesale	2,658	2,476	(182)	(6.8%)
Data	15,531	17,793	2,262	14.6%
SMS	4,175	4,280	105	2.5%
Equipment	13,473	15,560	2,087	15.5%
Other mobile revenues	3,718	3,981	263	7.1%
Mobile revenues	**76,454**	**79,617**	**3,163**	**4.1%**
Voice retail	12,873	11,529	(1,344)	(10.4%)
Broadband retail	12,684	12,308	(376)	(3.0%)
TV	10,678	11,257	579	5.4%
Equipment	1,014	1,414	400	39.4%
Data retail	2,494	2,705	211	8.5%
Wholesale	4,996	4,870	(126)	(2.5%)
Other fixed line revenues	4,452	4,076	(376)	(8.4%)
Fixed line revenues	**49,191**	**48,159**	**(1,032)**	**(2.1%)**
System Integration/Information Technology revenues	13,852	24,398	10,546	76.1%
Energy service revenues	1,490	1,347	(143)	(9.6%)
Total revenues	**140,987**	**153,521**	**12,534**	**8.9%**
Direct costs				
Interconnect costs	(4,846)	(4,662)	184	3.8%
SI/IT service related costs	(7,398)	(17,952)	(10,554)	(142.7%)
Energy service related costs	(1,481)	(1,289)	192	13.0%
Bad debt expense	(2,134)	(1,500)	634	29.7%
Telecome tax	(6,112)	(6,351)	(239)	(3.9%)
Other direct costs	(26,828)	(30,920)	(4,092)	(15.3%)
Direct costs	**(48,799)**	**(62,674)**	**(13,875)**	**(28.4%)**
Gross profit	**92,188**	**90,847**	**(1,341)**	**(1.5%)**
Employee related expenses	(20,144)	(20,144)	0	0.0%
Utility tax	0	0	0	n.a.
Other operating expenses	(24,551)	(24,188)	363	1.5%
Other operating income	1,242	1,341	99	8.0%
EBITDA	**48,735**	**47,856**	**(879)**	**(1.8%)**
Depreciation and amortization	(26,871)	(27,574)	(703)	(2.6%)
Operating profit	**21,864**	**20,282**	**(1,582)**	**(7.2%)**
Net financial result	(5,933)	(5,480)	453	7.6%
Share of associates' and joint ventures' results	102	(2)	(104)	n.m.
Profit before income tax	**16,033**	**14,800**	**(1,233)**	**(7.7%)**
Income tax	(5,326)	(3,872)	1,454	27.3%
Profit for the period from continuing operations	**10,707**	**10,928**	**221**	**2.1%**
Profit for the period from discontinued operations	889	0	(889)	(100.0%)
Profit for the period	**11,596**	**10,928**	**(668)**	**(5.8%)**
Change in exchange differences on translating foreign operations	435	159	(276)	(63.4%)
Revaluation of available-for-sale financial assets	(9)	13	22	n.m.
Other comprehensive income for the period from continuing operations	426	172	(254)	(59.6%)
Other comprehensive income for the period from discontinued operations	295	0	(295)	(100.0%)
Other comprehensive income for the period	**721**	**172**	**(549)**	**(76.1%)**
Total comprehensive income for the period from continuing operations	11,133	11,100	(33)	(0.3%)
Total comprehensive income for the period from discontinued operations	1,184	0	(1,184)	(100.0%)
Total comprehensive income for the period	**12,317**	**11,100**	**(1,217)**	**(9.9%)**
Profit attributable to:				
Owners of the parent	11,370	10,320	(1,050)	(9.2%)
From continuing operations	10,682	10,320	(362)	(3.4%)
From discontinued operations	688	0	(688)	(100.0%)
Non-controlling interests	226	608	382	169.0%
From continuing operations	25	608	583	n.m.
From discontinued operations	201	0	(201)	(100.0%)
	11,596	**10,928**	**(668)**	**(5.8%)**

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Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q2 2016 (restated, unaudited)	Q2 2017 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	11,867	10,411	(1,456)	(12.3%)
From continuing operations	10,977	10,411	(566)	(5.2%)
From discontinued operations	890	0	(890)	(100.0%)
Non-controlling interests	450	689	239	53.1%
From continuing operations	189	689	500	264.6%
From discontinued operations	261	0	(261)	(100.0%)
	12,317	**11,100**	**(1,217)**	**(9.9%)**
Basic earnings per share (HUF)	**10.91**	**9.91**	**(1.00)**	**(9.2%)**
From continuing operations	10.25	9.91	(0.34)	(3.3%)
From discontinued operations	0.66	(0.00)	(0.66)	n.m.
Diluted earnings per share (HUF)	**10.91**	**9.90**	**(1.01)**	**(9.3%)**
From continuing operations	10.25	9.90	(0.35)	(3.4%)
From discontinued operations	0.66	(0.00)	(0.66)	n.m.

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

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-6 months 2016 (restated, unaudited)	1-6 months 2017 (unaudited)	Change	Change (%)
Revenues				
Voice retail	73,399	70,268	(3,131)	(4.3%)
Voice wholesale	5,125	4,789	(336)	(6.6%)
Data	30,558	34,985	4,427	14.5%
SMS	8,300	8,427	127	1.5%
Equipment	24,316	28,035	3,719	15.3%
Other mobile revenues	7,043	7,363	320	4.5%
Mobile revenues	**148,741**	**153,867**	**5,126**	**3.4%**
Voice retail	25,596	23,283	(2,313)	(9.0%)
Broadband retail	24,953	24,457	(496)	(2.0%)
TV	20,876	22,359	1,483	7.1%
Equipment	2,414	3,358	944	39.1%
Data retail	4,822	4,991	169	3.5%
Wholesale	10,334	9,471	(863)	(8.4%)
Other fixed line revenues	8,542	7,788	(754)	(8.8%)
Fixed line revenues	**97,537**	**95,707**	**(1,830)**	**(1.9%)**
System Integration/Information Technology revenues	29,232	41,527	12,295	42.1%
Energy service revenues	3,803	2,927	(876)	(23.0%)
Total revenues	**279,313**	**294,028**	**14,715**	**5.3%**
Direct costs				
Interconnect costs	(9,640)	(9,092)	548	5.7%
SI/IT service related costs	(16,707)	(28,661)	(11,954)	(71.6%)
Energy service related costs	(3,737)	(2,806)	931	24.9%
Bad debt expense	(4,359)	(3,156)	1,203	27.6%
Telecome tax	(12,300)	(12,205)	95	0.8%
Other direct costs	(51,744)	(59,696)	(7,952)	(15.4%)
Direct costs	**(98,487)**	**(115,616)**	**(17,129)**	**(17.4%)**
Gross profit	**180,826**	**178,412**	**(2,414)**	**(1.3%)**
Employee related expenses	(39,947)	(39,529)	418	1.0%
Utility tax	(7,265)	(7,418)	(153)	(2.1%)
Other operating expenses	(46,698)	(47,340)	(642)	(1.4%)
Other operating income	7,754	2,073	(5,681)	(73.3%)
EBITDA	**94,670**	**86,198**	**(8,472)**	**(8.9%)**
Depreciation and amortization	(52,179)	(53,294)	(1,115)	(2.1%)
Operating profit	**42,491**	**32,904**	**(9,587)**	**(22.6%)**
Net financial result	(12,540)	(11,530)	1,010	8.1%
Share of associates' and joint ventures' results	78	307	229	293.6%
Profit before income tax	**30,029**	**21,681**	**(8,348)**	**(27.8%)**
Income tax	(8,717)	(5,939)	2,778	31.9%
Profit for the period from continuing operations	**21,312**	**15,742**	**(5,570)**	**(26.1%)**
Profit for the period from discontinued operations	1,749	9,526	7,777	444.7%
Profit for the period	**23,061**	**25,268**	**2,207**	**9.6%**
Change in exchange differences on translating foreign operations	629	(794)	(1,423)	n.m.
Revaluation of available-for-sale financial assets	(10)	12	22	n.m.
Other comprehensive income for the period from continuing operations	619	(782)	(1,401)	**n.m.**
Other comprehensive income for the period from discontinued operations	465	(12,512)	(12,977)	n.m.
Other comprehensive income for the period	**1,084**	**(13,294)**	**(14,378)**	**n.m.**
Total comprehensive income for the period from continuing operations	**21,931**	**14,960**	**(6,971)**	**(31.8%)**
Total comprehensive income for the period from discontinued operations	2,214	(2,986)	(5,200)	n.m.
Total comprehensive income for the period	**24,145**	**11,974**	**(12,171)**	**(50.4%)**
Profit attributable to:				
Owners of the parent	22,085	23,912	1,827	8.3%
From continuing operations	20,734	14,424	(6,310)	(30.4%)
From discontinued operations	1,351	9,488	8,137	n.m.
Non-controlling interests	976	1,356	380	38.9%
From continuing operations	578	1,318	740	128.0%
From discontinued operations	398	38	(360)	(90.5%)
	23,061	**25,268**	**2,207**	**9.6%**

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Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-6 months 2016 (restated, unaudited)	1-6 months 2017 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	22,845	13,747	(9,098)	(39.8%)
From continuing operations	21,176	13,953	(7,223)	(34.1%)
From discontinued operations	1,669	(206)	(1,875)	n.m.
Non-controlling interests	1,300	(1,773)	(3,073)	n.m.
From continuing operations	807	1,007	200	24.8%
From discontinued operations	493	(2,780)	(3,273)	n.m.
	24,145	**11,974**	**(12,171)**	**(50.4%)**
Basic earnings per share (HUF)	**21.19**	**22.96**	**1.78**	**8.4%**
From continuing operations	19.89	13.85	(6.04)	(30.4%)
From discontinued operations	1.30	9.11	7.82	n.m.
Diluted earnings per share (HUF)	**21.19**	**22.93**	**1.74**	**8.2%**
From continuing operations	19.89	13.83	(6.06)	(30.5%)
From discontinued operations	1.30	9.10	7.80	0.0%

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3.4. Consolidated Statements of Financial Position

MAGYAR TELEKOM Consolidated Statements of Financial Position (HUF million)	Dec 31, 2016 (audited)	Jun 30, 2017 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	10,805	7,789	(3,016)	(27.9%)
Trade and other receivables	157,645	157,359	(286)	(0.2%)
Other current financial assets	5,104	4,392	(712)	(13.9%)
Current income tax receivable	2,225	1,539	(686)	(30.8%)
Inventories	16,643	15,413	(1,230)	(7.4%)
	192,422	186,492	(5,930)	(3.1%)
Assets held for sale	1,556	1,558	2	0.1%
Total current assets	**193,978**	**188,050**	**(5,928)**	**(3.1%)**
Non current assets				
Property, plant and equipment	483,174	457,842	(25,332)	(5.2%)
Intangible assets	260,165	235,228	(24,937)	(9.6%)
Goodwill	218,098	212,166	(5,932)	(2.7%)
Investments in associates and joint ventures	1,078	1,288	210	19.5%
Deferred tax assets	73	59	(14)	(19.2%)
Other non current financial assets	18,254	18,314	60	0.3%
Other non current assets	709	170	(539)	(76.0%)
Total non current assets	**981,551**	**925,067**	**(56,484)**	**(5.8%)**
Total assets	**1,175,529**	**1,113,117**	**(62,412)**	**(5.3%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	72,589	59,697	(12,892)	(17.8%)
Other financial liabilities	22,600	14,173	(8,427)	(37.3%)
Trade payables	136,623	114,507	(22,116)	(16.2%)
Current income tax payable	719	493	(226)	(31.4%)
Provisions	4,493	2,939	(1,554)	(34.6%)
Other current liabilities	40,537	49,340	8,803	21.7%
	277,561	241,149	(36,412)	(13.1%)
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**277,561**	**241,149**	**(36,412)**	**(13.1%)**
Non current liabilities				
Financial liabilities to related parties	247,179	247,443	264	0.1%
Other financial liabilities	50,098	48,290	(1,808)	(3.6%)
Deferred tax liabilities	8,740	9,502	762	8.7%
Provisions	9,528	9,464	(64)	(0.7%)
Other non current liabilities	1,090	598	(492)	(45.1%)
Total non current liabilities	**316,635**	**315,297**	**(1,338)**	**(0.4%)**
Total liabilities	**594,196**	**556,446**	**(37,750)**	**(6.4%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,890	27,280	(610)	(2.2%)
Treasury stock	(825)	(721)	104	12.6%
Retained earnings	375,660	373,505	(2,155)	(0.6%)
Accumulated other comprehensive income	31,490	21,325	(10,165)	(32.3%)
Total Equity of the owners of the parent	**538,490**	**525,664**	**(12,826)**	**(2.4%)**
Non-controlling interests	42,843	31,007	(11,836)	(27.6%)
Total equity	**581,333**	**556,671**	**(24,662)**	**(4.2%)**
Total liabilities and equity	**1,175,529**	**1,113,117**	**(62,412)**	**(5.3%)**

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3.5. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-6 months 2016 (restated, unaudited)	1-6 months 2017 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	21,312	15,742	(5,570)	(26.1%)
Depreciation and amortization	52,179	53,294	1,115	2.1%
Income tax expense	8,717	5,939	(2,778)	(31.9%)
Net financial result	12,540	11,530	(1,010)	(8.1%)
Share of associates' and joint ventures' result	(78)	(307)	(229)	(293.6%)
Change in assets carried as working capital	13,444	(11,021)	(24,465)	n.m.
Change in provisions	(4,297)	(1,472)	2,825	65.7%
Change in liabilities carried as working capital	(21,466)	2,998	24,464	n.m.
Income taxes paid	(4,484)	(4,756)	(272)	(6.1%)
Dividends received	14	109	95	n.m.
Interest and other financial charges paid	(11,951)	(10,295)	1,656	13.9%
Interest received	229	194	(35)	(15.3%)
Other non-cash items	(4,934)	154	5,088	n.m.
Net cash generated from operating activities (continuing operations)	**61,225**	**62,109**	**884**	**1.4%**
Net cash generated from / (used in) operating activities from discontinued operation	1,144	(23)	(1,167)	n.m.
Net cash generated from operating activities	**62,369**	**62,086**	**(283)**	**(0.5%)**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(33,587)	(37,686)	(4,099)	(12.2%)
Adjustments to cash purchases	(14,120)	(6,219)	7,901	56.0%
Purchase of subsidiaries and business units	(28)	(3,786)	(3,758)	n.m.
Cash acquired through business combinations	0	475	475	n.a.
(Payments for) / Proceeds from other financial assets - net	(4,181)	(1,801)	2,380	56.9%
Proceeds from disposal of subsidiaries and associates	3,484	0	(3,484)	(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	8,346	362	(7,984)	(95.7%)
Net cash used in investing activities (continuing operations)	**(40,086)**	**(48,655)**	**(8,569)**	**(21.4%)**
Net cash (used in) / generated from investing activities from discontinued operation	717	36,292	35,575	n.m.
Net cash (used in) / generated from investing activities	**(39,369)**	**(12,363)**	**27,006**	**68.6%**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(18,008)	(26,672)	(8,664)	(48.1%)
Proceeds from/Repayment of loans and other borrowings -net	(3,401)	(22,888)	(19,487)	n.m.
Repayment of other financial liabilities	(4,000)	(4,506)	(506)	(12.7%)
Repurchase of treasury shares	0	(673)	(673)	n.a.
Net cash used in financing activities (continuing operations)	**(25,409)**	**(54,739)**	**(29,330)**	**(115.4%)**
Net cash (used in) /generated from financing activities from discontinued operation	(1,216)	2,041	3,257	n.m.
Net cash used in financing activities	**(26,625)**	**(52,698)**	**(26,073)**	**(97.9%)**
Exchange differences on cash and cash equivalents	43	(41)	(84)	n.m.
Exchange differences on cash and cash equivalents from discontinued operation	52	0	(52)	(100.0%)
Change in cash and cash equivalents	**(3,530)**	**(3,016)**	**514**	**14.6%**
Cash and cash equivalents, beginning of period	17,558	10,805	(6,753)	(38.5%)
Cash and cash equivalents, end of period	14,028	7,789	(6,239)	(44.5%)
Change in cash and cash equivalents	**(3,530)**	**(3,016)**	**514**	**14.6%**

3.6. Consolidated Statements of Changes in Equity

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

	pieces	in HUF millions									
			Capital reserves				Accumulated Other Comprehensive				
	Shares of common stock	Common stock	Additional paid in capital	Reserve for equity settled share-based transactions	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2015	**1,042,742,543**	**104,275**	**27,379**	**33**	**(307)**	**337,014**	**31,892**	**(68)**	**500,218**	**44,713**	**544,931**
Dividend						(15,633)			**(15,633)**		**(15,633)**
Dividend declared to Non-controlling interests									**0**	(4,650)	**(4,650)**
Equity settled share-based transactions				(22)	32				**10**		**10**
Total comprehensive income						22,085	767	(7)	**22,845**	1,300	**24,145**
Treasury share repurchase									**0**		**0**
Balance at June 30, 2016	**1,042,742,543**	**104,275**	**27,379**	**11**	**(275)**	**343,466**	**32,659**	**(75)**	**507,440**	**41,363**	**548,803**
Dividend						0			**0**		**0**
Dividend declared to Non-controlling interests									**0**	0	**0**
Equity settled share-based transactions				500	0				**500**		**500**
Total comprehensive income						32,194	(1,138)	44	**31,100**	1,480	**32,580**
Treasury share repurchase					(550)				**(550)**		**(550)**
Balance at December 31, 2016	**1,042,742,543**	**104,275**	**27,379**	**511**	**(825)**	**375,660**	**31,521**	**(31)**	**538,490**	**42,843**	**581,333**
Dividend						(26,067)			**(26,067)**		**(26,067)**
Dividend declared to Non-controlling interests									**0**	(3,320)	**(3,320)**
Equity settled share-based transactions				(610)	777				**167**		**167**
Total comprehensive income						23,912	(10,172)	7	**13,747**	(1,773)	**11,974**
Treasury share repurchase					(673)				**(673)**		**(673)**
Disposal of subsidiaries									**0**	(6,743)	**(6,743)**
Balance at June 30, 2017	**1,042,742,543**	**104,275**	**27,379**	**(99)**	**(721)**	**373,505**	**21,349**	**(24)**	**525,664**	**31,007**	**556,671**

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3.7. Exchange rate information

Exchange rate	Q2 2016	Q2 2017	Change (%)	1-6 months 2016	1-6 months 2017	Change (%)
HUF/EUR beginning of period	314.16	308.70	(1.7%)	313.12	311.02	(0.7%)
HUF/EUR period-end	316.16	308.87	(2.3%)	316.16	308.87	(2.3%)
HUF/EUR cumulative monthly average	313.71	309.37	(1.4%)	312.99	309.45	(1.1%)
HUF/MKD beginning of period	5.09	5.00	(1.8%)	5.08	5.06	(0.4%)
HUF/MKD period-end	5.12	5.01	(2.1%)	5.12	5.01	(2.1%)
HUF/MKD cumulative monthly average	5.08	5.02	(1.2%)	5.07	5.02	(1.0%)

3.8. Segment information

HUF millions	Q2 2016	Q2 2017	1-6 months 2016	1-6 months 2017
Total Telekom Hungary revenues	127,736	140,810	253,535	268,936
Less: Telekom Hungary revenues from other segments	(71)	(34)	(132)	(61)
Telekom Hungary revenues from external customers	**127,665**	**140,776**	**253,403**	**268,875**
Total Macedonia revenues	13,339	12,762	25,943	25,184
Less: Macedonia revenues from other segments	(17)	(17)	(33)	(31)
Macedonia revenues from external customers	**13,322**	**12,745**	**25,910**	**25,153**
Total consolidated revenue of the segments	140,987	153,521	279,313	294,028
Measurement/rounding differences to Group revenue	0	0	0	0
Total revenue of the Group from continuing operations	**140,987**	**153,521**	**279,313**	**294,028**
Total Montenegro revenues	7,208	0	13,939	2,023
Less: Montenegro revenues from other segments	(29)	0	(35)	4
Montenegro revenues from external customers	**7,179**	**0**	**13,904**	**2,027**
Total revenue from discontinued operations	**7,179**	**0**	**8,538**	**9,584**
Segment results (EBITDA)				
Telekom Hungary	44,946	43,050	86,196	76,143
Macedonia	3,659	4,806	8,538	9,584
Total EBITDA of the segments	**48,605**	**47,856**	**94,734**	**85,727**
Measurement/rounding differences to Group EBITDA	130	0	(64)	471
Total EBITDA of the Group from continuing operations	**48,735**	**47,856**	**94,670**	**86,198**
Montenegro	2,386	0	4,665	702
Income from sale of Crnogorski Telekom (segment Montenegro)	0			10,504
Measurement/rounding differences	33		67	8
Total EBITDA from discontinued operations	**2,419**	**0**	**4,732**	**11,214**

4. DECLARATION

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

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

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

Budapest, August 2, 2017

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

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

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