MAGYAR TELEKOM

QUARTERLY FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019

Budapest – November 6, 2019 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the third quarter and first nine month of 2019, in accordance with International Financial Reporting Standards (IFRS).

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1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q3 2018 IAS 17	Q3 2019 IFRS 16	Change (%)	Q3 2019 IFRS 16 effect	Q3 2019 excl. IFRS 16 effect	Change (%)
Total revenues	163,685	164,632	0.6%	0	164,632	0.6%
Operating profit	23,108	25,843	11.8%	596	25,247	9.3%
Profit attributable to:						
Owners of the parent	13,405	11,831	(11.7%)	(2,667)	14,498	8.2%
Non-controlling interests	1,108	1,213	9.5%	0	1,213	9.5%
	14,513	13,044	(10.1%)	(2,667)	15,711	8.3%
Gross profit	93,608	95,373	1.9%	0	95,373	1.9%
EBITDA	53,042	59,626	12.4%	4,683	54,943	3.6%
EBITDA margin	32.4%	36.2%	n.a.	n.m.	33.4%	n.a.
	1-9 months 2018	1-9 months 2019	Change (%)			
Free cash flow	28,570	16,879	(40.9%)			
CAPEX to Sales	10.7%	15.8%	n.a.	4.0%	11.8%	n.a.
Number of employees (closing full equivalent)	9,154	8,357	(8.7%)			
	Dec 31, 2018	Sep 30, 2019	Change (%)			
Net debt	272,805	390,254	43.1%	110,135	280,119	2.7%
Net debt / total capital	30.7%	38.6%	n.a.	n.a.	31.1%	n.a.

- **Group revenues increased marginally owing to positive telecommunication service revenue trends across both mobile and fixed segments which outweighed lower SI/IT revenues**
  - **A renewal of the mobile and fixed service portfolio supported further growth in Hungarian data revenues**
  - **The success of the Magenta offer in North Macedonia helped to maintain favourable revenue trends**
  - **SI/IT revenues in Hungary continued to contract reflecting a lower volume of public sector contracts**
- **Gross profit increased due to higher revenues coupled with a one-off improvement in bad debt expense**
- **EBITDA, excluding the impact of IFRS 16, increased as a result of improved gross profit performance coupled with savings in indirect costs**
- **Free cash flow declined year-on-year, despite improved profitability across the Group. This is largely due to the payment of the 2100 MHz frequency license extension fee and less favourable changes in working capital**
- **Net debt increased to HUF 390.3 billion at the end of Q3 2019, reflecting the recognition of lease liabilities in accordance with IFRS 16 and the payment of dividends in May 2019**

Tibor Rékasi, CEO commented:

"I am pleased to announce that in the first nine months of 2019, our core business continued on a positive trajectory, supported by our sustained competitive advantage and our ability to remain both agile and forward looking in an evolving market.

In Hungary, we re-shaped our mobile and fixed portfolios according to our 'more-for-more' strategy to ensure we remain well positioned to satisfy customer needs and market expectations. This is reflected in the year-on-year revenue increases reported by our fixed and mobile segments of 3.3% and 3.1%, respectively.

On Group level, in the first 9 months of 2019, total revenue remained broadly stable year-on-year at HUF 484.3 billion, as the positive growth in fixed and mobile revenues was offset by a decline in the performance of the System Integration and IT segment. In the same period, EBITDA (excluding the impact of IFRS16 adoption) grew by 1.9%.

In the Hungarian mobile segment, continued strong demand for data in the third quarter offset the decline in voice and equipment revenues. The temporary slowdown in handset revenues we witnessed in the second quarter has slowed and we expect to see a return to growth in the fourth quarter, a traditionally strong period for the business.

In the fixed segment, the ongoing rollout of our fiber network, which replaces crucial parts of our legacy network with fiber optic, played a key role in facilitating further development of our product offering. With our new fiber rollout coupled with technical upgrades to our cable network, we are now able to offer gigabit connectivity to more than 1.7 million access points in Hungary. This has driven further growth of our customer base and broadband ARPU.

In line with our strategy, we remained diligently focused on growing our FMC customer base. In Q3 2019, our first FMC competitor entered the market following the approval of the merger of Vodafone and UPC. To maintain our competitive advantage, we have enhanced our Magenta1 offering which delivers highly attractive services and related equipment. In addition to enabling customers with a prepaid mobile tariff to take advantage of the Magenta 1 offer, we have also reviewed the offer to ensure its advantages are more clearly presented to customers. With the introduction of one bill first to our new Magenta1 customers they can truly see the advantages of being converged customers. Our FMC offer with its highly attractive services and related equipment, remains popular with our customers and supports the sustained growth in our FMC customer base.

In North Macedonia we are continuing the revenue and EBITDA turnaround, managing to grow both figures in this quarter. Despite intensifying competition in the market, we have successfully grown our core business supported by increased customer demand for data and equipment, specially smartphones in the periods.

Looking ahead, despite evolving market dynamics with the introduction of new players to the market, we remain confident in our ability to deliver our strategy and our full year guidance remains unchanged."

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	HUF 27 per share

[1] *excluding spectrum license fees*
[2] *on a comparable basis*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

Consolidated Statements of Comprehensive Income (HUF million)	Q3 2018 IAS 17	Q3 2019 IFRS 16	Change	Change (%)	1-9 months 2018 IAS 17	1-9 months 2019 IFRS 16	Change	Change (%)
Revenues								
Mobile revenues	89,964	90,105	141	0.2%	251,600	259,841	8,241	3.3%
Fixed line revenues	50,255	52,328	2,073	4.1%	152,907	157,675	4,768	3.1%
System Integration/Information Technology revenues	23,466	22,199	(1,267)	(5.4%)	77,463	66,819	(10,644)	(13.7%)
Total revenues	**163,685**	**164,632**	**947**	**0.6%**	**481,970**	**484,335**	**2,365**	**0.5%**
Direct costs	**(70,077)**	**(69,259)**	**818**	**1.2%**	**(204,691)**	**(204,157)**	**534**	**0.3%**
Gross profit	**93,608**	**95,373**	**1,765**	**1.9%**	**277,279**	**280,178**	**2,899**	**1.0%**
Indirect costs	**(40,566)**	**(35,747)**	**4,819**	**11.9%**	**(131,479)**	**(117,249)**	**14,230**	**10.8%**
EBITDA	**53,042**	**59,626**	**6,584**	**12.4%**	**145,800**	**162,929**	**17,129**	**11.7%**
Depreciation and amortization	(29,934)	(33,783)	(3,849)	(12.9%)	(85,794)	(99,726)	(13,932)	(16.2%)
Operating profit	**23,108**	**25,843**	**2,735**	**11.8%**	**60,006**	**63,203**	**3,197**	**5.3%**
Net financial result	(5,297)	(8,867)	(3,570)	(67.4%)	(12,607)	(21,023)	(8,416)	(66.8%)
Share of associates' and joint ventures' results	23	(37)	(60)	n.m.	330	178	(152)	(46.1%)
Profit before income tax	**17,834**	**16,939**	**(895)**	**(5.0%)**	**47,729**	**42,358**	**(5,371)**	**(11.3%)**
Income tax	(3,321)	(3,895)	(574)	(17.3%)	(8,984)	(10,831)	(1,847)	(20.6%)
Profit for the period	**14,513**	**13,044**	**(1,469)**	**(10.1%)**	**38,745**	**31,527**	**(7,218)**	**(18.6%)**
Profit attributable to non-controlling interests	1,108	1,213	105	9.5%	2,892	3,206	314	10.9%
Profit attributable to owners of the parent	**13,405**	**11,831**	**(1,574)**	**(11.7%)**	**35,853**	**28,321**	**(7,532)**	**(21.0%)**

Total revenues increased moderately by 0.6% year-on-year, to HUF 164.6 billion in Q3 2019, as the continued positive trend in fixed and mobile service revenues in both Hungary and North Macedonia offset a decline in System Integration and IT revenues in Hungary. Total revenue in the first nine months of 2019 amounted to HUF 484.3 billion, up 0.5% year-on-year, as growth in service revenues coupled with increased equipment sales offset a reduction in SI/IT revenues.

- **Mobile revenues were broadly stable year-on-year at HUF 90.1 billion in Q3 2019**, as growth in mobile data revenues in both countries of operation helped to offset lower voice revenues and a decline in equipment sales in Hungary. In the first nine months of 2019, mobile revenues grew by 3.3% year-on-year to HUF 259.8 billion, reflecting higher mobile data and equipment sales revenues.
  - **Voice retail** revenues, at Group level, declined 4.7% year-on-year to HUF 32.7 billion in Q3 2019. While total voice usage and post-paid ratios improved in both countries, the prevailing competitive pressures resulted in price erosion.
  - **Voice wholesale** revenue increased by 2.8% year-on-year to HUF 2.6 billion in Q3 2019, driven by higher incoming domestic mobile traffic in Hungary, partly offset by lower volumes of incoming international mobile traffic in North Macedonia.
  - **Data** revenues grew by 13.5% year-on-year to HUF 24.2 billion in Q3 2019, reflecting the higher number of mobile internet subscribers across the Group and growth in average usage levels.
  - **SMS** revenues increased by 4.6% year-on-year to HUF 5.1 billion in Q3 2019, reflecting increased revenues from the growing postpaid customer base, as well as higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenues declined by 6.1% year-on-year to HUF 21.7 billion in Q3 2019, due to lower mobile handset sales volumes in Hungary. In the first nine months of 2019, mobile equipment sales increased by 2.9% year-on-year, driven by higher export sales revenues at the Hungarian operation and higher average handset prices in the sales mix in the first quarter of 2019 compared to the prior year.
  - **Other mobile** revenues remained stable at HUF 3.8 billion in Q3 2019, as a reduction in late payment revenues in Hungary was offset by higher visitor revenues in North Macedonia.
- **Fixed line revenues were up 4.1% higher year-on-year at HUF 52.3 billion in Q3 2019** and 3.1% higher at HUF 157.7 billion in the first nine months of 2019. This is attributable to rising TV and broadband retail service revenues as well as higher revenues from equipment sales.
  - **Voice retail** revenues declined by 5.4% year-on-year to HUF 10.3 billion in Q3 2019, primarily as a result of a continued decline in the customer base in Hungary.
  - **Broadband retail** revenues increased by 9.7% year-on-year, to HUF 14.0 billion in Q3 2019, primarily attributable to the improvement in Hungary, where the expansion of the customer base was coupled with improved ARPU reflecting the positive impact of customers migrating to higher bandwidth packages. In North Macedonia, the positive impact of the expanded customer base was partly offset by a decline in price levels.
  - **TV** revenues grew by 5.7% year-on-year to HUF 12.3 billion in Q3 2019, driven largely by the growing IPTV subscriber base in both countries of operation.

- **Fixed equipment** revenues grew by 37.0% to HUF 5.1 billion in Q3 2019, as the volume of equipment sold in Hungary continued to increase significantly.
- **Data retail** revenues declined by 7.1% year-on-year to HUF 2.2 billion in Q3 2019, reflecting the prevailing price pressure in this market segment in both countries.
- **Wholesale** revenues decreased by 8.1% year-on-year to HUF 4.5 billion in Q3 2019, due to the decline in wholesale broadband revenues and voice transit revenues in both countries.
- **Other fixed line** revenues declined by 0.8% to HUF 4.0 billion in Q3 2019, as higher revenues stemming from increased usage of Video on Demand services were offset by lower late payment fees in Hungary. In North Macedonia, other fixed revenues remained broadly stable.

- **System Integration (SI) and IT revenues declined by 5.4% year-on-year to HUF 22.2 billion in Q3 2019**, driven by lower income from Hungarian public sector projects compared to the prior year. In North Macedonia, the revenue decline was driven by a change in the seasonality of project deliveries. In the first nine months of 2019, SI/IT revenues were down 13.7% year-on-year, due to the absence of the benefit from a major PC delivery completed for the education sector in Q2 2018.

Direct costs were down 1.2% year-on-year, at HUF 69.3 billion in Q3 2019, reflecting a one-off decline in bad debt expenses driven by changes in impairment rates. In the first nine months of 2019, direct costs were broadly stable year-on-year as the significantly lower SI/IT related expenses offset an increase in other direct costs.

- **Interconnect costs** were down 1.5% year-on-year at HUF 5.4 billion in Q3 2019, as increased payments to mobile operators (reflecting higher off-network mobile traffic) were counterbalanced by lower outpayments to fixed operators in both countries.
- **SI/IT service related costs** remained broadly stable at HUF 16.2 billion in Q3 2019 compared to a year earlier, driven by a change in the project mix.
- **Bad debt expenses** improved by HUF 0.9 billion year-on-year to HUF 1.4 billion in Q3 2019, reflecting a one-off favourable impact driven by the reduction of the impairment rates applied to the Hungarian fixed and mobile operations which was partially offset by deterioration in mobile instalment receivables in Hungary (unfavourable ageing and lower factoring results) and one-off impairments in North Macedonia. In the first nine months of 2019, bad debt expenses were broadly unchanged at Group level at HUF 5.9 billion as the positive impact of the impairment rate change was fully offset by deterioration in mobile instalment receivables, higher expenses related to the higher fixed and mobile revenues in Hungary and the absence of one-off items positively impacting the prior year figures in North Macedonia.
- **Telecom tax** was down 3.7% year-on-year, at HUF 6.2 billion in Q3 2019, as the lower fixed voice usage more than offset the growth in the residential mobile traffic in Hungary.
- **Other direct costs** increased by 1.1% year-on-year, to HUF 40.2 billion in Q3 2019, reflecting an increase in content fees and roaming outpayments partly offset by lower equipment costs in Hungary whereas other direct costs remained stable in North Macedonia. In the first nine months of 2019, other direct costs at Group level increased by 6.4% year-on-year, owing to higher roaming and TV content outpayments and an increase in equipment costs.

Gross profit increased by 1.9% year-on-year to HUF 95.4 billion in Q3 2019 and by 1.0% to HUF 280.2 billion in the first nine months of 2019. This result is broadly attributable to improved performance of telecommunication services, offset by lower SI/IT profit contribution.

Indirect costs year-on-year improved by 11.9% to HUF 35.7 billion in Q3 2019, and by 10.8% to HUF 117.2 billion in the first nine months of 2019. Excluding the impact of IFRS 16 adoption, indirect costs were down 0.3% at HUF 40.4 billion in Q3 2019, and broadly stable at HUF 131.7 billion in the first nine months of 2019.

- **Employee-related expenses** declined by 10.6% year-on-year, to HUF 18.1 billion in Q3 2019, driven by lower headcount in both Hungary and North Macedonia coupled with lower amount of severance expenses compared to a year earlier that more than offset the impact of wage increases at the Hungarian operation. In the first nine months of 2019, employee-related expenses were up 0.8% year-on-year, due to HUF 3.0 billion in severance expenses recorded in Q1 2019 in relation to the Hungarian headcount reduction programme.
- **Other operating expenses** were down HUF 2.2 billion year-on-year at HUF 19.1 billion in Q3 2019, reflecting the impact of IFRS 16 adoption. The underlying increase in other operating expenses reflects higher rental and marketing expenses in Hungary as well as the absence of a one-time correction related to bank charges positively impacting prior year's results. These increases could not be fully offset by the decline in other operating expenses in North Macedonia where lower marketing expenses contributed to this change.
- **Other operating income** increased by HUF 0.5 billion year-on-year to HUF 1.4 billion in Q3 2019, mostly attributable to income from sale of smaller holiday results in Hungary.

EBITDA increased by 12.4% year-on-year to HUF 59.6 billion in Q3 2019, and by 11.7% to HUF 162.9 billion in the first nine months of 2019. **Excluding the impact of IFRS 16 adoption, EBITDA was 3.6% higher year-on-year in Q3 2019** and up 1,9% year-on-year in the first nine months of 2019.

Depreciation and amortization (D&A) expenses rose by HUF 3.8 billion year-on-year, to HUF 33.8 billion in Q3 2019, with IFRS 16 adoption accounting for HUF 4.1 billion increase. The underlying decline reflects the one-off increase in D&A in Hungary, driven by the shortened useful life of customer connection related network elements in Q3 2018 partly offset by higher D&A in North Macedonia driven by higher intangible asset base. In the first nine months of 2019, D&A increased by HUF 13.9 billion, with HUF 12.6 billion of this increase relating to the adoption of IFRS 16 and the remaining increase attributable to the shortened useful lives of customer connection related network elements impacting the year-on-year comparison in the first quarter of the year.

Profit for the period declined by 10.1% year-on-year to HUF 13.0 billion in Q3 2019, driven by the HUF 2.7 billion impact resulting from the adoption of IFRS 16 that offset the improvement in operating results. In the first nine months of 2019, net profit declined by 18.6% year-on-year to HUF 31.5 billion, reflecting the impact of IFRS 16.

- **Net financial expenses** increased by HUF 3.6 billion year-on-year to HUF 8.9 billion in Q3 2019, mostly driven by impacts relating to the adoption of IFRS 16 (HUF 1.4 billion impact on interest expense coupled with HUF 1.9 billion FX losses recorded in relation to lease liabilities driven by the 3.4% weakening of the EUR-HUF exchange rate in the period). Higher bank charges and FX losses recorded in relation to trade payables also contributed to the increase.
- **Income tax** expenses increased by 17.3% to HUF 3.9 billion in Q3 2019, despite a moderate decline in profit before tax. This was driven by a slight increase in local business tax, combined with higher deferred tax expenses related to subsidiaries.
- **Profit attributable to non-controlling interests increased by 9.5% year-on-year to HUF 1.2 billion in Q3 2019,** as higher EBITDA led to increased profits at the North Macedonian operation.

2.1.2 Group Cash Flows

Group Cash Flows

HUF millions	1-9 months 2018	1-9 months 2019	Change
Operating cash flow	90,901	93,409	2,508
Investing cash flow	(55,044)	(58,863)	(3,819)
Less: Payments for other financial assets - net	(2,456)	(4,294)	(1,838)
Investing cash flow excluding Payments for other financial assets – net	(57,500)	(63,157)	(5,657)
Repayment of other financial liabilities	(4,831)	(13,373)	(8,542)
Total free cash flow	**28,570**	**16,879**	**(11,691)**
Proceeds from other financial assets - net	2,456	4,294	1,838
Proceeds from loans and other borrowings - net	2,652	10,517	7,865
Dividend paid to shareholders and Non-controlling interests	(29,601)	(29,723)	(122)
Repurchase of treasury shares	(1,822)	0	1,822
Exchange differences on cash and cash equivalents	172	155	(17)
Change in cash and cash equivalents	**2,427**	**2,122**	**(305)**

Free cash flow (FCF) decreased to HUF 16.9 billion cash inflow in the first nine months of 2019 (the first nine months of 2018: HUF 28.6 billion cash inflow), mainly due to the reasons described below.

Operating cash flow

Net cash generated from operating activities amounted to HUF 93.4 billion cash inflow in the first nine months of 2019, compared to HUF 90.9 billion cash inflow in the first nine months of 2018, as a result of the following trends:

- HUF 17.1 billion **positive impact** of higher **EBITDA** recorded in the first nine months of 2019 compared to the first nine months of 2018
- HUF 28.4 billion **positive change in active working capital,** mainly as a result of the following factors:
  - favourable change in instalment receivables year-on-year, attributable to shorter instalment periods and year-on-year differences in revenue generation (positive impact: ca. HUF 13.0 billion)
  - larger decrease in SI/IT receivables in the first nine months of 2019 compared to moderate increase in the first nine months of 2018 (positive impact: ca. HUF 8.2 billion)
  - greater decrease in the balances of BAU receivables in the first nine months of 2019 compared to the first nine months of 2018 (positive impact: ca. HUF 1.9 billion)
  - lower increase in prepaid expenses in the first nine months of 2019 compared to in the first nine months of 2018 (positive impact: ca. HUF 1.3 billion)
  - decrease in SI/IT related and handset inventory balances in the first nine months of 2019 compared to an increase in the first nine months of 2018, due to differences in project timings and improved inventory management (positive impact: ca. HUF 1.5 billion)

  - higher SI/IT related advance payment settlement in the first nine months of 2019 compared to the first nine months of 2018 (positive impact: ca. HUF 0.8 billion)

- HUF 1.2 billion **negative change in provisions,** mainly due to a change in legal provisions in the first nine months of 2019 versus the first nine months of 2018

- HUF 36.0 billion **negative change in passive working capital,** primarily driven by the following factors:
  - greater decrease in the balance of equipment creditors resulting from changes in payment conditions agreed with handset suppliers, as well as a larger decline in the balances of invoiced and non-invoiced other creditors due to the timing differences of payments in the first nine months of 2019 versus the first nine months of 2018 (negative impact: HUF 22.3 billion)
  - larger payment related to SI/IT services in the first nine months of 2019 compared to a moderate increase in the first nine months of 2018 (negative impact: HUF 7.1 billion)
  - higher HR-related personnel expense payments in the first nine months of 2019 compared to the first nine months of 2018 (negative impact: HUF 3.9 billion)
  - larger decrease in non-invoiced SI/IT related items in the first nine months of 2019 compared to lower increase in the first nine months of 2018 (negative impact: HUF 2.0 billion)

- HUF 3.7 billion **negative change** due to higher levels of **interest paid** in the first nine months of 2019 compared to the first nine months of 2018, as a result of the application of IFRS 16, a new accounting standard applied from January 1, 2019

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF 63.2 billion in the first nine months of 2019, compared to HUF 57.5 billion in the first nine months of 2018, with the higher cash outflow driven mainly by the following:

- HUF 24.7 billion **negative effect** due to higher **CAPEX** in the first nine months of 2019 versus the first nine months of 2018, mainly due to the application of IFRS 16, a new accounting standard applied from January 1, 2019 (negative impact: ca. HUF 19.3 billion)
- HUF 14.7 billion **positive change** due to the combined effect of higher payments to **CAPEX creditors** (including a payment of HUF 11.0 billion in relation to the extension of the 2100 MHz mobile license) in the first nine months of 2019 compared to the first nine months of 2018 which was more than offset by the effect of the application of the new IFRS 16 accounting standard
- HUF 0.7 billion **positive impact** from lower cash outflows associated with business combinations (**ITGen Kft.** in 2018)
- HUF 0.1 billion **negative impact** due to a lower amount of **cash acquired** through acquisitions
- HUF 3.9 billion **positive change** related to the **disposal of PPE,** mainly reflecting the sale of the Szerémi-Kaposvár building in the first nine months of 2019 compared to smaller real estate sales in the first nine months of 2018

Repayment of other financial liabilities

Repayment of other financial liabilities increased to HUF 13.4 billion in the first nine months of 2019 from HUF 4.8 billion in the first nine months of 2018, mainly due to:

- HUF 8.3 billion **negative change** caused by higher **finance lease** payments in the first nine months of 2019 versus the first nine months of 2018, due to the application of the new IFRS 16 accounting standard with effect from January 1, 2019
- HUF 0.5 billion **negative change** due to higher North Macedonian **content right** payments in the first nine months of 2019 compared to the first nine months of 2018

Free cash flow (FCF) decreased from an inflow of HUF 28.6 billion to an inflow of HUF 16.9 billion, mainly due to the reasons described above.

Proceeds from other financial assets - net increased by HUF 1.8 billion, primarily due to higher cash inflows from forward transactions in the first nine months of 2019 versus in the first nine months of 2018.

Proceeds from loans and other borrowings – net increased by HUF 7.9 billion, owing to the drawdown of DT Group loans, as well as higher inhouse cash funds in the first nine months of 2019 compared to the first nine months of 2018.

Repurchase of treasury shares improved by HUF 1.8 billion due to the absence of a repurchase of treasury shares for the Employee Stock Ownership Program (ESOP) in the first nine months of 2019.

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, 2018 to September 30, 2019 can be observed in the following lines:

- Trade receivables and other assets
- Property plant and equipment, Right-of-use assets and intangible assets (including Goodwill)
- Lease liabilities (current and non-current combined)
- Trade payables

Trade receivables and other assets decreased by HUF 9.7 billion from December 31, 2018 to September 30, 2019, mainly driven by the HUF 7.5 billion decrease in SI/IT receivables. This effect was further amplified by the reclassification of the prepaid lease expenses to Right-of-use assets by HUF 3.3 billion due to the transition requirement of the new IFRS 16 accounting standard.

Property plant and equipment (PPE), Right-of-use assets and intangible assets (including Goodwill) together increased by HUF 68.7 billion from December 31, 2018 to September 30, 2019. This increase was driven mainly by the recognition of Right-of-use assets in connection with the transition to the new IFRS 16 accounting standard - this amounted to HUF 108.0 billion, of which HUF 2.8 billion resulted from the reclassification of former financial leased assets under IAS 17. This effect was offset by the decrease in the balances of Property plant and equipment and Intangible assets, as the depreciation and scrapping of assets exceeded capital expenditure for the period.

Lease liabilities (current and non-current combined) increased by HUF 110.1 billion from December 31, 2018 to September 30, 2019 driven by the transition to the new IFRS 16 accounting standard. At the date of initial application (January 1, 2019), the total impact of opening balances was HUF 107.2 billion of which HUF 3.8 billion resulted from the reclassification of former financial leased liabilities under IAS 17.

Trade payables declined by HUF 53.5 billion from December 31, 2018 to September 30, 2019, reflecting the decrease in outstanding balances to handset, SI/IT, CAPEX and OPEX suppliers.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position in the period from December 31, 2018 to September 30, 2019. 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 2019 and the related explanations provided above in section 2.1.2 Cash flows.

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. In 2019, Magyar Telekom was registered as a participant by National Media and Infocommunications Authority in the auction procedure for spectrum licenses related to 5G and mobile broadband services, in connection with this additional guarantees were required to be issued. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group’s certain contractual obligations. To date, the Group has been delivering on its contractual obligations and expects to continue to do so in the future. Consequently, there has been no significant drawdown of the guarantees in 2019 and this is expected to continue being the case going forward.

Commitments

There has been no material change in the nature and amount of our commitments in the first nine months of 2019.

2.1.6 Significant events

For any significant events that occurred since the end of the reporting period (September 30, 2019), please see our Investor Relations website: http://www.telekom.hu/about_us/investor_relations/investor_news

2.2. Segment reports

As of September 30, 2019, Magyar Telekom's operating segments are: MT-Hungary and North Macedonia.

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 Small and Medium sized business 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 North Macedonia segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in North 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 on EBITDA driven by Telco service and cost saving measures

HUF million	Q3 2018 IAS 17	Q3 2019 IFRS 16	Change	Change (%)	1-9 months 2018 IAS 17	1-9 months 2019 IFRS 16	Change	Change (%)
Voice	32,283	30,987	(1,296)	(4.0%)	95,467	93,011	(2,456)	(2.6%)
Non-voice	23,795	26,566	2,771	11.6%	67,898	76,015	8,117	12.0%
Equipment	21,563	19,896	(1,667)	(7.7%)	55,216	56,560	1,344	2.4%
Other	3,409	3,195	(214)	(6.3%)	8,380	8,357	(23)	(0.3%)
Total mobile revenues	**81,050**	**80,644**	**(406)**	**(0.5%)**	**226,961**	**233,943**	**6,982**	**3.1%**
Voice retail	9,420	8,922	(498)	(5.3%)	29,218	27,426	(1,792)	(6.1%)
Broadband - retail	11,364	12,564	1,200	10.6%	34,308	37,076	2,768	8.1%
TV	10,616	11,134	518	4.9%	32,322	33,081	759	2.3%
Equipment	3,611	4,995	1,384	38.3%	11,593	15,487	3,894	33.6%
Other	10,058	9,546	(512)	(5.1%)	30,875	29,744	(1,131)	(3.7%)
Fixed line revenues	**45,069**	**47,161**	**2,092**	**4.6%**	**138,316**	**142,814**	**4,498**	**3.3%**
SI/IT revenues	**23,001**	**21,798**	**(1,203)**	**(5.2%)**	**76,429**	**65,624**	**(10,805)**	**(14.1%)**
Total revenues	**149,120**	**149,603**	**483**	**0.3%**	**441,706**	**442,381**	**675**	**0.2%**
Direct costs	**(65,829)**	**(65,060)**	**769**	**1.2%**	**(192,937)**	**(191,901)**	**1,036**	**0.5%**
Gross profit	**83,291**	**84,543**	**1,252**	**1.5%**	**248,769**	**250,480**	**1,711**	**0.7%**
Indirect costs	**(36,498)**	**(31,070)**	**5,428**	**14.9%**	**(119,990)**	**(106,089)**	**13,901**	**11.6%**
EBITDA	**46,793**	**53,473**	**6,680**	**14.3%**	**128,779**	**144,391**	**15,612**	**12.1%**
Segment Capex	**17,422**	**27,388**	**9,966**	**57.2%**	**45,492**	**69,643**	**24,151**	**53.1%**

Operational statistics – access numbers	September 30 2018	September 30 2019	Change (%)
Number of mobile customers (RPC)	5,302,450	5,322,855	0.4%
Postpaid share in the RPC base	66.7%	68.7%	n.a.
Total fixed voice access	1,385,153	1,367,538	(1.3%)
Total retail fixed broadband customers	1,126,404	1,208,821	7.3%
Total TV customers	1,065,746	1,138,345	6.8%

Operational statistics – ARPU (HUF)	Q3 2018 IFRS 15	Q3 2019 IFRS 15	Change (%)	1-9 months 2018	1-9 months 2019	Change (%)
Mobile ARPU	3,533	3,606	2.1%	3,427	3,533	3.1%
Postpaid ARPU	4,746	4,686	(1.3%)	4,673	4,659	(0.3%)
Prepaid ARPU	1,136	1,184	4.2%	1,075	1,104	2.7%
Blended fixed voice ARPU	2,263	2,165	(4.3%)	2,325	2,201	(5.3%)
Blended fixed broadband ARPU	3,428	3,485	1.7%	3,463	3,488	0.7%
Blended TV ARPU	3,355	3,284	(2.1%)	3,444	3,299	(4.2%)

Total revenues for the MT-Hungary segment increased by 0.3% year-on-year to HUF 149.6 billion in Q3 2019. While the fixed segment continued to grow, a small decline was recorded in mobile revenues as equipment sales could still not fully recover. The reduction in SI/IT revenues has slowed compared to Q2 2019 but revenues remain below those reported in the prior year period. This performance is in line with our previously announced guidance for 2019 which assumes a moderate decline in revenues.

- **Mobile revenues** decreased by 0.5% year-on-year in Q3 2019 to HUF 80.6 billion, as continued customer demand for data could not offset the structural decline in voice revenues and the ongoing decline in equipment sales. In the first nine months of 2019, mobile revenues increased by 3.1% year-on-year to HUF 233.9 million driven by the strong increase of equipment sales in the first quarter of 2019.
  - **Mobile service** revenue increased by 2.6% year-on-year to HUF 57.6 billion in Q3 2019, as growth in mobile data revenues continued, outperforming Q3 2018 by 13.3%. These rising mobile non-voice revenues, which offset a moderate decline in mobile voice revenues, were facilitated by our focus on the FMC segment and supported by growth in SMS revenues.
  - **Mobile equipment** revenue decreased by 7.7% year-on-year to HUF 19.9 billion in Q3 2019. The decline in mobile handset volumes experienced in the last quarter has slowed however, mobile equipment revenues remain down year-on-year. In the first nine months of 2019, equipment sales revenues increased by 2.4% owing to higher export sales and growth of the average handset price in the sales mix.
  - **Other** revenues decreased by 6.3% year-on-year in Q3 2019 to HUF 3.2 billion, reflecting lower late payment revenues.
- **Fixed line revenues** increased by 4.6% year-on-year in Q3 2019 to HUF 47.2 billion. Growth in fixed broadband, TV and equipment revenues more than offset the continued structural decline in voice retail revenues. In the first nine months of 2019, fixed line revenues grew by 3.3% to HUF 142.8 billion.
  - **Voice retail** revenues decreased by 5.3% year-on-year in Q3 2019, as the fixed voice customer base continued to shrink.
  - **Broadband retail** revenues increased by 10.6% year-on-year to HUF 12.6 billion in Q3 2019. This was driven by an increase in the number of broadband subscribers, combined with the provision of gigabit internet connections to an increasing number of households, providing greater upselling opportunities and consequently improving the ARPU of the product.
  - **TV** revenues increased by 4.9% year-on-year in Q3 2019 to HUF 11.1 billion, attributable to an increase in the number of IPTV customers.
  - **Equipment** revenues increased by 38.3 % year-on-year to HUF 5.0 billion, due to a greater amount of equipment being sold in relation to fixed contracts.
  - **Other** fixed line revenues decreased by 5.1% year-on-year to HUF 9.5 billion in Q3 2019, as increased customer demand for Video on Demand services was offset by a decline in fixed data, wholesale and late payment revenues.
- **SI/IT revenues** decreased by 5.2% year-on-year to HUF 21.8 billion in Q3 2019, as public sector demand for SI/IT services continued to decline compared to Q3 2018.

EBITDA in Q3 2019 increased by 14.3% year-on-year to HUF 53.5 billion (or by 4.7% to HUF 49.0 billion vs. Q3 2018 excl. IFRS 16 effect). Despite revenues remaining broadly stable, a change in impairment rates applied to the Hungarian fixed and mobile operations generated a one-off saving in bad debt expenses. In the indirect costs we have realized saving in the employee related expenses.

- **Gross profit** increased by 1.5% year-on-year in Q3 2019 to HUF 84.5 billion.
- **Employee-related expenses** decreased by 11.3% year-on-year to HUF 16.7 billion in Q3 2019, driven by a lower headcount following a headcount reduction program implemented earlier in the year and lower severance payments which offset the negative effect of wage increases in 2019.
- **Other operating expenses (net)** decreased by 18.7% year-on-year in Q3 2019, largely attributable to changes in accounting related to IFRS 16. The underlying increases were due to higher rental and marketing expenses. While we realized higher income in the third quarter of 2019 thanks to the sale of smaller holiday resorts.

Capex increased by 53.1% year-on-year in the first nine months of 2019 to HUF 69.6 billion driven by the adaptation of IFRS16 standards. Capex without the IFRS16 adaptation effect increased by HUF 5.5 billion driven by higher spending on fixed network investments that is mostly reflecting seasonal differences.

Outlook: In Q3 2019, amidst the launch of the first competing FMC offers in the market, we worked diligently to ensure our fixed and mobile network capabilities as well as service offerings are strengthened on a continuing basis to enhance the value add provided by our integrated offers. We are confident in our ability to maintain our leading position in the FMC market segment and this will remain a top priority.

2.2.2 North Macedonia

Growth in revenues and EBITDA maintained

HUF million	Q3 2018 IAS 17	Q3 2019 IFRS 16	Change	Change (%)	1-9 months 2018 IAS 17	1-9 months 2019 IFRS 16	Change	Change (%)
Voice	4,501	4,265	(236)	(5.2%)	12,292	11,890	(402)	(3.3%)
Non-voice	2,478	2,808	330	13.3%	6,447	7,331	884	13.7%
Equipment	1,539	1,794	255	16.6%	4,985	5,412	427	8.6%
Other	397	597	200	50.4%	919	1,270	351	38.2%
Total mobile revenues	**8,915**	**9,464**	**549**	**6.2%**	**24,643**	**25,903**	**1,260**	**5.1%**
Voice retail	1,450	1,365	(85)	(5.9%)	3,819	3,680	(139)	(3.6%)
Broadband - retail	1,374	1,405	31	2.3%	3,953	4,109	156	3.9%
TV	1,002	1,143	141	14.1%	2,868	3,318	450	15.7%
Equipment	8*	74	66	0.0%	290	210	(80)	(27.6%)
Other	1,319	1,223	(96)	(7.3%)	3,798	3,675	(123)	(3.2%)
Fixed line revenues	**5,153**	**5,210**	**57**	**1.1%**	**14,728**	**14,992**	**264**	**1.8%**
SI/IT revenues	**465**	**401**	**(64)**	**(13.8%)**	**1,034**	**1,195**	**161**	**15.6%**
Total revenues	**14,533**	**15,075**	**542**	**3.7%**	**40,405**	**42,090**	**1,685**	**4.2%**
Direct costs	**(4,292)**	**(4,240)**	**52**	**1.2%**	**(11,885)**	**(12,378)**	**(493)**	**(4.1%)**
Gross profit	**10,241**	**10,835**	**594**	**5.8%**	**28,520**	**29,712**	**1,192**	**4.2%**
Indirect costs	**(4,088)**	**(3,769)**	**319**	**7.8%**	**(11,504)**	**(10,812)**	**692**	**6.0%**
EBITDA	**6,153**	**7,066**	**913**	**14.8%**	**17,016**	**18,900**	**1,884**	**11.1%**
Segment Capex	**3,518**	**2,488**	**(1,030)**	**(29.3%)**	**6,337**	**6,844**	**507**	**8.0%**

*this amount also includes translation and rounding difference

Operational statistics – access numbers	September 30 2018	September 30 2019	Change (%)
Number of mobile customers	1,236,623	1,258,691	1.8%
Postpaid share in the customer base	47.9%	49.6%	n.a.
Total fixed voice access	210,333	213,458	1.5%
Total fixed retail broadband access	172,407	184,061	6.8%
Total TV customers	128,406	133,499	4.0%

Total revenues in North Macedonia increased by 3.7% year-on-year to HUF 15.1 billion in Q3 2019 and up 4.2% year-on-year in the first nine months of 2019. This is largely due to strong growth in TV and mobile data revenues thanks to the expansion of the relevant customer bases, as well as an increase in mobile equipment sales that reflects favourable offers the Company launched to maintain its leading position in a market characterised by intensifying competition.

- **Mobile revenues** improved by 6.2% year-on-year in Q3 2019 and up 5.1% year-on-year in the first nine months of 2019, as a result of continued growth in data revenues, increasing equipment sales and higher other revenues.
  - **Voice** revenues declined by 5.2% in Q3 2019 despite continued growth in the subscriber base, driven by increasing price pressure in the market coupled with the unfavourable revenue impact of the Balkan roaming regulation effective from July 1, 2019.
  - **Non-voice** revenues continued to increase by 13.3% year-on-year in Q3 2019, attributable to the expansion of the mobile broadband customer base and increasing usage levels.
  - **Mobile equipment** revenues increased by 16.6% year-on-year in Q3 2019, reflecting higher sales volumes.
  - **Other mobile** revenues increased significantly, by 50.4% year-on-year, in Q3 2019 due to higher visitor revenues driven by lower prices for international traffic and revenues received from the mobile virtual network operator, Telekabel.
- **Fixed line revenues** recorded a moderate increase year-on-year of 1.1% in Q3 2019 and 1.8% in the first nine months of 2019, as higher TV and retail broadband revenues compensated for lower wholesale and retail voice revenues.
  - **Voice retail** revenue declined by 5.9% year-on-year in Q3 2019, reflecting the combined impact of a stable customer base but eroding usage levels.
  - **Broadband retail** revenues increased by 2.3% year-on-year in Q3 2019, as the higher retail customer base offset most of the competition-driven price erosion.

  - **TV** revenues continued to rise in Q3 2019, by 14.1% year-on-year, as the subscriber base and ARPU levels continued to increase.
  - **Fixed equipment** revenues increased year-on-year in Q3 2019, reflecting a lower volume of TV set sales as well as the impact of translation and rounding differences on Q3 2018 figures.
  - **Other** fixed revenues declined by 7.3% year-on-year in Q3 2019, largely attributable to lower domestic and international incoming traffic revenues.

- **SI/IT revenues** declined by 13.8% year-on-year in Q3 2019, owing to seasonality differences in project volumes. In the first nine months of 2019, SI/IT revenues grew by 15.6% year-on-year due to an overall uptake in public sector projects.

EBITDA in the third quarter of 2019 amounted to HUF 7.1 billion, up 14.8% year-on-year (or HUF 6.9 billion and up 11.7% versus Q3 2018 excluding the effect of IFRS 16), driven by growth in revenue and gross profit coupled with savings in other operating expenses.

- **Direct costs** were broadly stable, as higher bad debt expenses (reflecting one-off impairments) and higher equipment costs were fully offset by a decline in interconnect and SI/IT related expenses.
- **Indirect cost** improvement was driven by lower marketing expenses.

Capex expenditure in the first nine months of 2019 rose by HUF 0.5 billion year-on-year to HUF 6.8 billion, reflecting impact of IFRS 16 adoption, while underlying capex remained broadly stable.

Outlook: Competition in North Macedonia has intensified in the recent months as both Telekabel and A1 launched favourable offers primarily targeting postpaid mobile and FMC customers. To sustain the positive performance recorded in the year to date, we intend to capitalize on the appeal of our integrated Magenta offer and our market position as a premium provider.

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, 2018, 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, 2018 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary. The statutory accounts for December 31, 2018 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, 2018 with the following exception.

As of January 1, 2019, the Group adopted IFRS 16. As a result of the adoption of the new standard, the following extracts from the accounting policy were applied by the Group:

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases." The standard is 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 has 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, 2018 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 are affected by the new standard. IFRS 16 standard has 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 right-of-use assets was HUF 108.0 billion and HUF 107.2 billion on lease liabilities (including finance lease assets in the amount of HUF 2.8 billion and finance lease liabilities in the amount of HUF 3.8 billion 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 are presented as depreciation and interest expense from January 1, 2019. For the agreements already concluded by the end of 2018, the transition effect on EBITDA 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 have considerable impacts 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
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.62%.

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments. The remeasurements of the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Operating lease commitments disclosed as at December 31, 2018 (HUF 146,012 million) are adjusted in the below table, as a result of a thorough review of the lease-related contracts and processes.

MAGYAR TELEKOM - Adjustments recognised on adoption of IFRS 16

	in HUF millions
Operating lease commitments under IAS 17 as at December 31, 2018	**130,672**
Minimum lease payments (at its par value) from financial lease liabilities as of December 31, 2018	9,552
Discounting effect using the lessee's incremental borrowing rate of at the date of initial application	(37,646)
(Less): contracts reassessed as service agreements	(8,523)
Add/(less): adjustments as a result of a different treatment of extension and termination options	14,556
Other	(131)
Lease liability recognised as at January 1, 2019	**107,214**
Of which are:	
Current lease liabilities	12,191
Non-current lease liabilities	95,023
	107,214

3.2. Interim 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)	Q3 2018 (unaudited)	Q3 2019 (unaudited)	Change	Change (%)
Revenues				
Voice retail	34,288	32,687	(1,601)	(4.7%)
Voice wholesale	2,496	2,565	69	2.8%
Data	21,367	24,243	2,876	13.5%
SMS	4,906	5,131	225	4.6%
Equipment	23,102	21,690	(1,412)	(6.1%)
Other mobile revenues	3,805	3,789	(16)	(0.4%)
Mobile revenues	**89,964**	**90,105**	**141**	**0.2%**
Voice retail	10,870	10,287	(583)	(5.4%)
Broadband retail	12,738	13,969	1,231	9.7%
TV	11,618	12,277	659	5.7%
Equipment	3,700	5,069	1,369	37.0%
Data retail	2,394	2,225	(169)	(7.1%)
Wholesale (voice, broadband, data)	4,929	4,529	(400)	(8.1%)
Other fixed line revenues	4,006	3,972	(34)	(0.8%)
Fixed line revenues	**50,255**	**52,328**	**2,073**	**4.1%**
System Integration/Information Technology revenues	23,466	22,199	(1,267)	(5.4%)
Total revenues	**163,685**	**164,632**	**947**	**0.6%**
Direct costs				
Interconnect costs	(5,447)	(5,366)	81	1.5%
SI/IT service related costs	(16,298)	(16,194)	104	0.6%
Bad debt expense	(2,223)	(1,373)	850	38.2%
Telecom tax	(6,383)	(6,150)	233	3.7%
Other direct costs	(39,726)	(40,176)	(450)	(1.1%)
Direct costs	**(70,077)**	**(69,259)**	**818**	**1.2%**
Gross profit	**93,608**	**95,373**	**1,765**	**1.9%**
Employee related expenses	(20,200)	(18,059)	2,141	10.6%
Utility tax	0	0	0	n.a.
Other operating expenses	(21,302)	(19,119)	2,183	10.2%
Other operating income	936	1,431	495	52.9%
EBITDA	**53,042**	**59,626**	**6,584**	**12.4%**
Depreciation and amortization	(29,934)	(33,783)	(3,849)	(12.9%)
Operating profit	**23,108**	**25,843**	**2,735**	**11.8%**
Net financial result	(5,297)	(8,867)	(3,570)	(67.4%)
Share of associates' and joint ventures' results	23	(37)	(60)	n.m.
Profit before income tax	**17,834**	**16,939**	**(895)**	**(5.0%)**
Income tax	(3,321)	(3,895)	(574)	(17.3%)
Profit for the period	**14,513**	**13,044**	**(1,469)**	**(10.1%)**
Change in exchange differences on translating foreign operations	(1,041)	3,117	4,158	n.m.
Revaluation of available-for-sale financial assets	(8)	24	32	n.m.
Other comprehensive income for the period	**(1,049)**	**3,141**	**4,190**	**n.m.**
Total comprehensive income for the period	**13,464**	**16,185**	**2,721**	**20.2%**
Profit attributable to:				
Owners of the parent	13,405	11,831	(1,574)	(11.7%)
Non-controlling interests	1,108	1,213	105	9.5%
	14,513	**13,044**	**(1,469)**	**(10.1%)**
Total comprehensive income attributable to:				
Owners of the parent	12,774	13,671	897	7.0%
Non-controlling interests	690	2,514	1,824	264.3%
	13,464	**16,185**	**2,721**	**20.2%**
Basic earnings per share (HUF)	**12.96**	**11.44**	**(1.52)**	**(11.7%)**
Diluted earnings per share (HUF)	**12.96**	**11.28**	**(1.68)**	**(13.0%)**

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-9 months 2018 (unaudited)	1-9 months 2019 (unaudited)	Change	Change (%)
Revenues				
Voice retail	100,419	97,363	(3,056)	(3.0%)
Voice wholesale	7,340	7,538	198	2.7%
Data	60,124	68,400	8,276	13.8%
SMS	14,221	14,946	725	5.1%
Equipment	60,201	61,972	1,771	2.9%
Other mobile revenues	9,295	9,622	327	3.5%
Mobile revenues	**251,600**	**259,841**	**8,241**	**3.3%**
Voice retail	33,039	31,106	(1,933)	(5.9%)
Broadband retail	38,261	41,185	2,924	7.6%
TV	35,190	36,399	1,209	3.4%
Equipment	11,881	15,697	3,816	32.1%
Data retail	7,052	6,662	(390)	(5.5%)
Wholesale (voice, broadband, data)	14,823	13,992	(831)	(5.6%)
Other fixed line revenues	12,661	12,634	(27)	(0.2%)
Fixed line revenues	**152,907**	**157,675**	**4,768**	**3.1%**
System Integration/Information Technology revenues	77,463	66,819	(10,644)	(13.7%)
Total revenues	**481,970**	**484,335**	**2,365**	**0.5%**
Direct costs				
Interconnect costs	(15,421)	(15,462)	(41)	(0.3%)
SI/IT service related costs	(55,630)	(48,512)	7,118	12.8%
Bad debt expense	(5,944)	(5,921)	23	0.4%
Telecom tax	(19,152)	(18,744)	408	2.1%
Other direct costs	(108,544)	(115,518)	(6,974)	(6.4%)
Direct costs	**(204,691)**	**(204,157)**	**534**	**0.3%**
Gross profit	**277,279**	**280,178**	**2,899**	**1.0%**
Employee related expenses	(59,918)	(60,414)	(496)	(0.8%)
Utility tax	(7,159)	(7,218)	(59)	(0.8%)
Other operating expenses	(67,430)	(53,671)	13,759	20.4%
Other operating income	3,028	4,054	1,026	33.9%
EBITDA	**145,800**	**162,929**	**17,129**	**11.7%**
Depreciation and amortization	(85,794)	(99,726)	(13,932)	(16.2%)
Operating profit	**60,006**	**63,203**	**3,197**	**5.3%**
Net financial result	(12,607)	(21,023)	(8,416)	(66.8%)
Share of associates' and joint ventures' results	330	178	(152)	(46.1%)
Profit before income tax	**47,729**	**42,358**	**(5,371)**	**(11.3%)**
Income tax	(8,984)	(10,831)	(1,847)	(20.6%)
Profit for the period	**38,745**	**31,527**	**(7,218)**	**(18.6%)**
Change in exchange differences on translating foreign operations	3,795	3,377	(418)	(11.0%)
Revaluation of available-for-sale financial assets	233	52	(181)	(77.7%)
Other comprehensive income for the period	**4,028**	**3,429**	**(599)**	**(14.9%)**
Total comprehensive income for the period	**42,773**	**34,956**	**(7,817)**	**(18.3%)**
Profit attributable to:				
Owners of the parent	35,853	28,321	(7,532)	(21.0%)
Non-controlling interests	2,892	3,206	314	10.9%
	38,745	**31,527**	**(7,218)**	**(18.6%)**
Total comprehensive income attributable to:				
Owners of the parent	38,386	30,343	(8,043)	(21.0%)
Non-controlling interests	4,387	4,613	226	5.2%
	42,773	**34,956**	**(7,817)**	**(18.3%)**
Basic earnings per share (HUF)	**34.61**	**27.39**	**(7.22)**	**(20.9%)**
Diluted earnings per share (HUF)	**34.61**	**27.16**	**(7.45)**	**(21.5%)**

3.4. Interim Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2018 (audited)	Sep 30, 2019 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	7,204	9,326	2,122	29.5%
Trade receivables and other assets	195,220	185,527	(9,693)	(5.0%)
Other current financial assets	11,631	10,822	(809)	(7.0%)
Current income tax receivable	254	3,113	2,859	n.m.
Inventories	19,118	17,913	(1,205)	(6.3%)
	233,427	226,701	(6,726)	(2.9%)
Assets held for sale	0	2,381	2,381	n.a.
Total current assets	**233,427**	**229,082**	**(4,345)**	**(1.9%)**
Non current assets				
Property, plant and equipment	443,147	426,572	(16,575)	(3.7%)
Right-of-use assets	0	104,959	104,959	n.a.
Intangible assets	234,848	215,144	(19,704)	(8.4%)
Goodwill	213,104	213,104	0	0.0%
Investments in associates and joint ventures	1,393	1,167	(226)	(16.2%)
Deferred tax assets	77	102	25	32.5%
Other non current financial assets	24,985	25,078	93	0.4%
Other non current assets	5,015	4,684	(331)	(6.6%)
Total non current assets	**922,569**	**990,810**	**68,241**	**7.4%**
Total assets	**1,155,996**	**1,219,892**	**63,896**	**5.5%**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	111,144	118,257	7,113	6.4%
Lease liabilities	0	17,849	17,849	n.a.
Other financial liabilities	9,228	9,288	60	0.7%
Trade payables	175,312	121,831	(53,481)	(30.5%)
Current income tax payable	343	1,555	1,212	353.4%
Provisions	3,418	2,915	(503)	(14.7%)
Other current liabilities	41,395	32,922	(8,473)	(20.5%)
	340,840	304,617	(36,223)	(10.6%)
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**340,840**	**304,617**	**(36,223)**	**(10.6%)**
Non current liabilities				
Financial liabilities to related parties	123,349	131,469	8,120	6.6%
Lease liabilities	0	92,286	92,286	n.a.
Other financial liabilities	47,919	41,253	(6,666)	(13.9%)
Deferred tax liabilities	17,246	18,970	1,724	10.0%
Provisions	11,265	10,668	(597)	(5.3%)
Other non current liabilities	445	460	15	3.4%
Total non current liabilities	**200,224**	**295,106**	**94,882**	**47.4%**
Total liabilities	**541,064**	**599,723**	**58,659**	**10.8%**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,263	27,264	1	0.0%
Treasury stock	(3,991)	(3,991)	0	0.0%
Retained earnings	429,294	431,558	2,264	0.5%
Accumulated other comprehensive income	23,650	25,672	2,022	8.5%
Total equity of the owners of the parent	**580,491**	**584,778**	**4,287**	**0.7%**
Non-controlling interests	34,441	35,391	950	2.8%
Total equity	**614,932**	**620,169**	**5,237**	**0.9%**
Total liabilities and equity	**1,155,996**	**1,219,892**	**63,896**	**5.5%**

3.5. Interim Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-9 months 2018 (unaudited)	1-9 months 2019 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	38,745	31,527	(7,218)	(18.6%)
Depreciation and amortization	85,794	99,726	13,932	16.2%
Income tax expense	8,984	10,831	1,847	20.6%
Net financial result	12,607	21,023	8,416	66.8%
Share of associates' and joint ventures' result	(330)	(178)	152	46.1%
Change in assets carried as working capital	(15,864)	12,515	28,379	n.m.
Change in provisions	(182)	(1,375)	(1,193)	n.m.
Change in liabilities carried as working capital	(16,091)	(52,125)	(36,034)	(223.9%)
Income taxes paid	(9,394)	(10,818)	(1,424)	(15.2%)
Dividends received	535	442	(93)	(17.4%)
Interest and other financial charges paid	(13,713)	(17,415)	(3,702)	(27.0%)
Interest received	235	270	35	14.9%
Other non-cash items	(425)	(1,014)	(589)	(138.6%)
Net cash generated from operating activities	**90,901**	**93,409**	**2,508**	**2.8%**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(51,772)	(76,489)	(24,717)	(47.7%)
Adjustments to cash purchases	(4,761)	9,901	14,662	n.m.
Purchase of subsidiaries and business units	(1,924)	(1,262)	662	34.4%
Cash acquired through business combinations	137	0	(137)	(100.0%)
Proceeds from other financial assets - net	2,456	4,294	1,838	74.8%
Proceeds from disposal of subsidiaries and associates	0	0	0	n.a.
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	820	4,693	3,873	472.3%
Net cash used in investing activities	**(55,044)**	**(58,863)**	**(3,819)**	**(6.9%)**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(29,601)	(29,723)	(122)	(0.4%)
Proceeds from loans and other borrowings - net	2,652	10,517	7,865	296.6%
Repayment of other financial liabilities	(4,831)	(13,373)	(8,542)	(176.8%)
Repurchase of treasury shares	(1,822)	0	1,822	100.0%
Net cash used in financing activities	**(33,602)**	**(32,579)**	**1,023**	**3.0%**
Exchange differences on cash and cash equivalents	172	155	(17)	(9.9%)
Change in cash and cash equivalents	**2,427**	**2,122**	**(305)**	**(12.6%)**
Cash and cash equivalents, beginning of period	5,399	7,204	1,805	33.4%
Cash and cash equivalents, end of period	7,826	9,326	1,500	19.2%
Change in cash and cash equivalents	**2,427**	**2,122**	**(305)**	**(12.6%)**

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

In HUF millions	Opening	Effect of first application of IFRS16	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	Changes affecting cash flows from financing activities				Closing
	Balance at Jan 1, 2019						Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Balance at September 30, 2019
Related party loans	233,881			(8,554)	13,007		119,443	(109,230)			248,547
Derivatives from related parties	612				2,209	(1,642)					1,179
Frequency fee payable	46,115			(1,743)	1,869				(2,482)		43,759
Finance lease liabilities	3,826	103,388		(4,225)	16,101				(8,955)		110,135
Debtors overpayment	1,327			136							1,463
Contingent consideration	708				9	(180)					537
Other financial liabilities	5,171			528	1,019				(1,936)		4,782
-Less cash and cash equivalent	(7,204)		(2,122)								(9,326)
-Less other current financial assets	(11,631)			1,976	(5,963)	4,492	304				(10,822)
Net debt	**272,805**	**103,388**	**(2,122)**	**(11,882)**	**28,251**	**2,670**	**119,747**	**(109,230)**	**(13,373)**		**390,254**
Treasury share purchase										0	
Dividends paid to Owners of the parent and Non-controlling interest										(29,723)	
Net Cash used in financing activities										**(32,579)**	

3.7. Interim 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, 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				(18)	18				0		0
Total comprehensive income						35,853	2,401	132	38,386	4,387	42,773
Treasury share repurchase					(1,822)				(1,822)		(1,822)
Disposal of subsidiaries									0		0
Balance at September 30, 2018	1,042,742,543	104,275	27,379	(115)	(3,991)	421,829	23,927	111	573,415	34,454	607,869
Adoption of new standards (IFRS15, IFRS9)									0		0
Dividend									0		0
Dividend declared to Non-controlling interests									0		0
Equity settled share-based transactions				(1)					(1)		(1)
Total comprehensive income						7,465	(380)	(8)	7,077	(13)	7,064
Treasury share repurchase									0		0
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
Adoption of new standards (IFRS16)						12			12		12
Dividend						(26,069)			(26,069)		(26,069)
Dividend declared to Non-controlling interests									0	(3,663)	(3,663)
Equity settled share-based transactions				1					1		1
Total comprehensive income						28,321	1,988	34	30,343	4,613	34,956
Treasury share repurchase									0		0
Disposal of subsidiaries									0		0
Balance at September 30, 2019	1,042,742,543	104,275	27,379	(115)	(3,991)	431,558	25,535	137	584,778	35,391	620,169

3.8. Exchange rate information

Exchange rate	Q3 2018	Q3 2019	Change (%)	1-9 months 2018	1-9 months 2019	Change (%)
HUF/EUR beginning of period	328.60	323.54	**(1.5%)**	310.14	321.51	**3.7%**
HUF/EUR period-end	323.78	334.65	**3.4%**	323.78	334.65	**3.4%**
HUF/EUR cumulative monthly average	324.65	329.12	**1.4%**	318.03	323.41	**1.7%**
HUF/MKD beginning of period	5.34	5.25	**(1.7%)**	5.04	5.23	**3.8%**
HUF/MKD period-end	5.27	5.44	**3.2%**	5.27	5.44	**3.2%**
HUF/MKD cumulative monthly average	5.28	5.35	**1.3%**	5.17	5.26	**1.7%**

3.9. Segment information

HUF millions	Q3 2018	Q3 2019	1-9 months 2018	1-9 months 2019
Total MT-Hungary revenues	149,120	149,603	441,706	442,381
Less: MT-Hungary revenues from other segments	(30)	(29)	(88)	(88)
Telekom Hungary revenues from external customers	**149,090**	**149,574**	**441,618**	**442,293**
Total North Macedonia revenues	14,533	15,075	40,405	42,090
Less: North Macedonia revenues from other segments	(19)	(17)	(53)	(48)
North Macedonia revenues from external customers	**14,514**	**15,058**	**40,352**	**42,042**
Total consolidated revenue of the segments	163,604	164,632	481,970	484,335
Measurement/rounding differences to Group revenue	81	0	0	0
Total revenue of the Group	**163,685**	**164,632**	**481,970**	**484,335**
Segment results (EBITDA)				
MT-Hungary	46,793	53,473	128,779	144,391
North Macedonia	6,153	7,066	17,016	18,900
Total EBITDA of the segments	**52,946**	**60,539**	**145,795**	**163,291**
Measurement/rounding differences to Group EBITDA	96	(913)	5	(362)
Total EBITDA of the Group	**53,042**	**59,626**	**145,800**	**162,929**

3.10. Fair value of financial instruments

Financial assets - carrying amounts and FV

September 30, 2019 In HUF millions	FINANCIAL ASSETS Amortized cost	 FVOCI (Level1)	 FVTPL (Level2)	Carrying amount	Fair value
Cash and cash equivalents	9,326			9,326	9,326
Bank deposits with original maturities over 3 months	0			0	0
Cashpool	6,276			6,276	6,276
Trade receivables	156,768			156,768	156,768
Trade receivables over 1 year	14,684			14,684	14,684
Loans and receivables from employees	1,101			1,101	1,204
Derivative financial instruments contracted with related parties			4,865	4,865	4,865
Finance lease receivable	1,215			1,215	998
Equity instruments		623		623	623
Other current	3,325			3,325	3,325
Other non current	390			390	329
Total	**193,085**	**623**	**4,865**	**198,573**	**198,398**

31 December 2018	FINANCIAL ASSETS Amortized cost	 FVOCI (Level1)	 FVtPL (Level2)	Carrying amount	Fair value
Cash and cash equivalents	7,204			7,204	7,204
Bank deposits with original maturities over 3 months	3,915			3,915	3,915
Cashpool	6,580			6,580	6,580
Trade receivables	165,271			165,271	165,271
Trade receivables over 1 year	18,056			18,056	19,133
Loans and receivables from employees	706		748	1,454	1,524
Derivative financial instruments contracted with related parties			1,026	1,026	1,026
Finance lease receivable	358			358	467
Equity instruments		544		544	544
Other current	731			731	731
Other non current	392			392	325
Total	**203,213**	**544**	**1,774**	**205,531**	**206,720**

Financial liabilites - carrying amounts and FV

September 30, 2019 In HUF millions	FINANCIAL LIABILITIES Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	Fair value
Financial liabilities to related parties	248,547	1,179		249,726	255,072
Trade payables	121,831			121,831	121,831
Frequency fee payable	43,759			43,759	52,841
Finance lease liabilities	110,135			110,135	123,220
Debtors overpayment	1,463			1,463	1,463
Contingent consideration			537	537	537
Other current	3,638			3,638	3,638
Other non current	1,144			1,144	1,196
Total	**530,517**	**1,179**	**537**	**532,233**	**559,798**

December 31, 2018 In HUF millions	FINANCIAL LIABILITIES Measured at amortized cost	FVTPL (Level 2)	FVTPL (Level 3)	Total	Fair value
Financial liabilities to related parties	233,881	612		234,493	247,896
Trade payables	175,312			175,312	175,312
Frequency fee payable	46,114			46,114	52,845
Finance lease liabilities	3,826			3,826	7,119
Debtors overpayment	1,327			1,327	1,327
Contingent consideration			708	708	708
Other current	3,307			3,307	3,307
Other non current	1,865			1,865	1,885
Total	**465,632**	**612**	**708**	**466,952**	**490,399**

3.11. Effect of the new IFRS 16 accounting standard to the main KPIs

Description (HUF million)	Q3 2019 MT Group	Q3 2019 MT-Hungary	Q3 2019 North Macedonia	1-9 months 2019 MT Group	1-9 months 2019 MT-Hungary	1-9 months 2019 North Macedonia
EBITDA excl. IFRS16 effect	54,943	48,983	6,873	148,513	130,556	18,319
IFRS16 effect on EBITDA	4,683	4,490	193	14,416	13,835	581
EBITDA incl. IFRS16 effect	59,626	53,473	7,066	162,929	144,391	18,900
IFRS 16 related D&A	(4,087)	(3,916)	(171)	(12,645)	(12,122)	(523)
IFRS 16 related Interest	(1,391)	(1,363)	(28)	(4,225)	(4,147)	(78)
EBITDA after lease	54,148	48,194	6,867	146,059	128,122	18,299
Profit for the period excl. IFRS 16 effect	14,498	n.a.	n.a.	32,647	n.a.	n.a.
IFRS 16 related effect on Profit for the period	(2,667)	n.a.	n.a.	(4,326)	n.a.	n.a.
Profit for the period incl. IFRS16 effect	11,831	n.a.	n.a.	28,321	n.a.	n.a.
CAPEX after lease*	(23,422)	(21,231)	(2,191)	(57,202)	(51,009)	(6,191)

* Excluding CAPEX of Right-of-use assets

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
Chief Executive Officer, member of the Board

János Szabó
Chief Financial Officer

Budapest, November 6, 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, 2018, 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.