Magyar Telekom

Half yearly report

Analysis of the Financial Statements for the second quarter ended June 30, 2012

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Strong market position maintained, but difficult economic environment puts increasing pressure on EBITDA

Budapest – August 9, 2012 – 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 of 2012, in accordance with International Financial Reporting Standards (IFRS).

1. Highlights

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except per share amounts and margins)	Q2 **2011** (Unaudited)	Q2 **2012** (Unaudited)	% change	1-6. months **2011** (Unaudited)	1-6. months **2012** (Unaudited)	% change
Total revenues	**143,566**	**145,462**	**1.3%**	**286,073**	**292,110**	**2.1%**
Operating profit	**20,533**	**23,497**	**14.4%**	**49,785**	**49,761**	**(0.0%)**
Profit attributable to owners of the parent	**4,362**	**10,679**	**144.8%**	**19,529**	**23,697**	**21.3%**
EBITDA	44,557	49,625	11.4%	97,803	101,201	3.5%
EBITDA margin	31.0%	34.1%	n.a.	34.2%	34.6%	n.a.
Special Influences (SI)	17,246	6,613	(61.7%)	25,484	13,163	(48.3%)
Underlying EBITDA	61,803	56,238	(9.0%)	123,287	114,364	(7.2%)
Underlying EBITDA margin	43.0%	38.7%	n.a.	43.1%	39.2%	n.a.
Basic and diluted earnings per share (HUF)	**4.18**	**10.25**	**145.2%**	**18.74**	**22.73**	**21.3%**
CAPEX to Sales				**9.3%**	**13.8%**	**n.a.**
ROA				**3.6%**	**4.4%**	**n.a.**
ROE				**7.6%**	**10.1%**	**n.a.**
Net debt				**295,060**	**324,179**	**9.9%**
Net debt / total capital				**35.1%**	**39.3%**	**n.a.**

- **Revenues increased by 1.3% in the second quarter of 2012 compared to the same period of 2011, from HUF 143.6 bn to HUF 145.5 bn.** The significant increase in SI/IT and energy resale revenues more than offset the decline in fixed and mobile voice revenues. Growing TV, mobile Internet and mobile equipment sales revenues also contributed to higher revenues. The international subsidiaries combined showed a broadly flat revenue performance in the second quarter thanks to the positive translational effect of the depreciation in the Hungarian forint: the forint weakened on average by 10.4% relative to the Macedonian Denar, and by 10.5% relative to the Euro in the second quarter of 2012 compared to the same period in 2011.

- **EBITDA increased by 11.4%, from HUF 44.6 bn to HUF 49.6 bn** reflecting the HUF 10.4bn provision created relating to the settlement of the DOJ and SEC investigations accounted for the second quarter of 2011. **EBITDA margin was 34.1%** in the second quarter. **Underlying EBITDA,** excluding investigation-related costs and provisions, severance expenses and the telecom tax, **decreased by 9.0%, from HUF 61.8 bn to HUF 56.2 bn** in the second quarter year-on-year**. Underlying EBITDA margin** was **38.7%** in Q2 2012 compared to 43.0% in the same period last year. The decline in margin reflects an increasing contribution of the low margin energy resale and SI/IT revenues, as well as increased equipment subsidies, while high-margin voice revenues continued to decline.

Details of special influences and EBITDA performance (HUF bn)*	Q2 2011	Q2 2012	1-6. months 2011	1-6. months 2012
Telecom tax	6.3	6.1	12.7	12.2
Severance expenses	0.3	0.5	1.8	1.0
Investigation-related expenses	10.6	0.0	11.0	0
Total Special Influences	**17.2**	**6.6**	**25.5**	**13.2**
Reported EBITDA	44.6	49.6	97.8	101.2
Underlying EBITDA	**61.8**	**56.2**	**123.3**	**114.4**

**Differences might occur due to rounding*

- **Employee-related expenses increased by HUF 1.7 bn** in the second quarter compared to the same quarter a year before, as the previously leased labour force related to call center, customer care and customer experience services became permanent employees of Magyar Telekom as of April 2012. Accordingly, the **group headcount** increased by around 1,700 by June-2012. The insource caused a HUF 1.8 bn increase in employee-related expenses in the second quarter and, parallel to that, the same decline in other operating expenses.

- **Net financial expenses declined from HUF 8.1bn to HUF 7.3bn**. Although interest expenses on the loan portfolio increased reflecting higher interest rates and increased debt amount, this impact was offset by the HUF 1.1bn interest expense booked in the second quarter of last year in relation to the SEC/DOJ settlement charges.

- **Income tax expense declined by 39.6% from HUF 5.2bn in Q2 2011 to HUF 3.1bn in Q2 2012** despite a higher level of profit before tax, due to lower deferred tax expense and the provision in relation to the SEC/DOJ settlements accounted for last year, part of which was not tax deductible.

- Profit attributable to owners of the parent company (**net income**) **increased from HUF 4.4 bn to HUF 10.7 bn,** reflecting the higher EBITDA and lower income tax expense.

- **Net cash generated from operating activities decreased by HUF 31.9 bn, from HUF 95.5 bn to HUF 63.6 bn** in the **first half of 2012** compared to the same period last year. The decline is mainly driven by changes in working capital as the Company paid **HUF 22.1 bn** in the first half of 2012 in connection with the settlement of the SEC and DOJ investigations. On the other hand, out of this amount HUF 11.5bn was provided for in the first half of 2011. Higher interest payments (due to the higher interest rate and increased debt level) and income tax paid also contributed to this decline.

- **Investment in tangible and intangible assets (CAPEX) increased by HUF 13.5 bn, from HUF 26.7 bn to HUF 40.2 bn** in the **first half of 2012** compared to the same period last year due principally to the 900 MHz spectrum license fee in the amount of HUF 10.9 bn, higher spending for 3G/LTE rollout in Hungary and higher investments in Macedonia for 3G and fiber optic networks. In H1 2012, Telekom Hungary accounted for HUF 32.0 bn of total CAPEX, while HUF 1.8 bn is related to T-Systems Hungary. In Macedonia and Montenegro, CAPEX was HUF 4.3 bn and HUF 2.0 bn respectively in the first half of 2012.

- **Free cash flow** (operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets) **declined by HUF 55.9 bn** in the **first half** year-on-year, from HUF 63.8 bn to HUF 8.0 bn in the **first half of 2012**. In addition to lower underlying EBITDA, it was the higher CAPEX and CAPEX creditor, as well as the acquisition of a cable company that were the main drivers behind this decline.

- **Net debt increased from HUF 295.1 bn** at the end of June 2011 **to HUF 324.2 bn** by the end of June 2012. The **net debt ratio** (net debt to total capital) was **39.3%** at the end of June 2012.

Christopher Mattheisen, Chairman and CEO commented: "

"Group revenues in the second quarter of 2012 increased again, thanks to continued strong momentum in SI/IT and energy service revenues, supported by further growth in demand for mobile broadband and interactive TV services and strong smartphones sales. In our businesses, we have been able to maintain our market shares, and in some cases even grow them. We believe this paves the way for further growth once the economic environment improves.

However, increasingly negative trends in the Hungarian economic environment and regulatory impacts continued to adversely affect our traditional voice revenues. As such, positive expectations for a slow recovery in Hungary anticipated at the start of the year have dissipated. Household finances remain stretched as incomes are decreasing in real terms, unemployment remains at record high levels and the unfavourable change in the exchange rate has inflated the monthly loan instalments. As a result, telecommunication spending in Hungary came under increasing pressure accelerating the decline in our traditional voice revenues in the second quarter. As our growth businesses could not fully compensate for the fallout of high-margin voice revenues, our underlying EBITDA in the second quarter declined by 9% year-on-year.

For the full year, we maintain our target of a 4-6% decline in underlying EBITDA. We have implemented wide and deep cost cutting measures from the second half of 2012, not only on G&A items, but also on marketing, subsidies and agent fees. The fixed and mobile price increase to be launched from the autumn will also assist in achieving our EBITDA target. Despite the worsening EBITDA trends, outlook for our revenues looks more positive. For the first half of the year, revenues increased by 2% compared to the first half of 2011, comfortably exceeding our guidance of flat to a maximum decline of 2% for the full year."

- **2012 public guidance:**

HUF bn	2011	Public target for 2012
Revenue	**597.6**	**Flat to -2%**
Reported EBITDA	196.1	
telecom tax	25.4	
severance expenses	6.1	
investigation-related expenses	17.5	
Underlying EBITDA*	**245.0**	**4-6% decline**
CAPEX**	**83.8**	**Flat**

**EBITDA excluding telecom tax, severance expenses and investigation-related costs and provisions*
***Excluding spectrum acquisitions*

2. Operating and financial review – Group

2.1. Exchange rate information

Exchange rate	Q2 2011	Q2 2012	Change
HUF/EUR quarterly average	265.54	293.30	10.5%
HUF/EUR cumulative monthly average	269.09	294.48	9.4%
HUF/MKD quarterly average..	4.31	4.76	10.4%
HUF/MKD cumulative monthly average	4.37	4.79	9.6%

2.2. Revenues

Total revenues amounted to HUF 145.5 bn in Q2 2012 as compared to HUF 143.6 bn in Q2 2011, representing a 1.3% slight increase quarter over previous year same quarter, caused by the following:

Mobile revenues amounted to HUF 74.8 bn in Q2 2012 compared to HUF 75.8 bn in Q2 2011 (1.3% decrease). The slight decrease resulted mainly from lower mobile voice revenues. This decrease was largely offset by higher mobile Internet revenues in Hungary and at our Macedonian and Montenegrin subsidiaries in HUF terms, and higher mobile equipment revenues at the Hungarian mobile operations.

Mobile voice revenues declined by 4.8% to HUF 50.8 bn in Q2 2012 compared to HUF 53.4 bn in Q2 2011. Outgoing voice revenues decreased by 3.5% mainly due to strong competition-driven retail tariff erosion in Hungary. In the prepaid segment, revenue declined as both MOU and the number of customers decreased. Despite the higher customer base in the postpaid segment, revenue decreased due to lower tariffs and declining MOU. At Makedonski Telekom, lower outgoing mobile voice revenues resulted from the lower customer number and decreased average price per minute, which were only partly offset by higher outgoing MOU. Voice-wholesale revenues were down by 12.3% due to mobile termination rate cuts, both in Hungary and Montenegro.

Higher non-voice revenues were primarily due to higher mobile Internet revenues in Hungary and at our foreign subsidiaries as both subscriber numbers and usage increased in Q2 2012. Higher content revenues related to increased SMS parking usage also contributed to the growth in Montenegro.

Mobile equipment and activation revenues increased by 13.3% in Q2 2012 compared to Q2 2011, mainly attributable to our Hungarian operation. The increase in revenues was driven by higher average handset prices reflecting the increased sales ratio of higher priced smartphones and the lower prepaid handset subsidy. At our foreign subsidiaries, mobile equipment and activation revenues decreased, primarily attributable to the lower sales volume of handsets and lower accessories revenues at Makedonski Telekom and lower handset sales due to the change in the dynamics of marketing campaigns at Crnogorski Telekom.

The 5.6% increase in other mobile revenues in Q2 2012 versus Q2 2011 was due to higher revenue from the sale of repair material and accessories, as well as higher service revenues from mobile phoneset repair at MT Plc. Hungary.

Fixed line revenues amounted to HUF 55.2 bn in Q2 2012, compared to HUF 58.1 bn in the same period of the previous year resulting in a 5.0% decline. The decrease was driven by falling voice and data revenues, partly offset by increasing TV revenues.

Fixed line voice-retail revenues decreased by 9.8% to HUF 20.5 bn in Q2 2012 compared to HUF 22.7 bn in Q2 2011, mainly driven by the continuous decline in the number of revenue producing fixed lines and lower average tariff level.

Fixed line voice-wholesale revenues decreased by 7.7% to HUF 4.9 bn in Q2 2012 compared to HUF 5.4 bn in Q2 2011, mainly due to lower traffic in both domestic and international relations.

Fixed line Internet revenues remained stable in Q2 2012 compared to Q2 2011. In Hungary, the 8.4% increase in our retail broadband customer base offset the effect of lower ARPU caused by lower prices due to strong competition and reflecting the migration towards T-Home double- and triple-play packages. At Makedonski Telekom, the ADSL subscriber figure grew by 5.8%, generating slightly higher Internet broadband revenues. At Crnogorski Telekom, the number of ADSL customers increased by 8.5% quarter over previous year same quarter, generating higher DSL revenues.

Data revenues amounted HUF 5.8 bn in Q2 2012 as compared to HUF 6.6 in Q2 2011. The decrease in both broadband and narrowband revenues is mainly deriving from the termination of contracts at MT Plc. T-Systems.

TV revenues amounted to HUF 8.5 bn in Q2 2012 as compared to HUF 7.8 bn in Q2 2011 (representing an increase of 8.6%). This increase is mainly attributable to much higher IPTV revenues driven by the growing IPTV subscriber base, both in Hungary and at our foreign subsidiaries. The fast growth of the IPTV customer base, helped by our development of high speed Internet access (mainly ED3), demonstrates the increasing popularity of interactive television. Growth in satellite TV revenues was due to the higher number of satellite TV customers this quarter compared to the same quarter last year. These increases were partly offset by lower Cable TV revenues as an increasing number of existing subscribers have been migrating to IPTV services in Hungary.

System Integration ("SI") and IT revenues increased by 33.7% from HUF 9.3 bn in the second quarter of 2011 to HUF 12.4 bn in the same period of 2012. Higher infrastructure revenues at T-Systems Zrt. (former KFKI) and increased outsourcing revenues at IQSYS were driven mainly by revenues from new projects in Q2 2012. Higher prime contracting revenues at Combridge (our subsidiary providing ITC services in Romania) were mainly due to higher revenues generated by the development of telecommunication infrastructure at Arad bypass. Furthermore new implementation project resulted in higher application revenues at ISH. These increases were partly offset by lower infrastructure revenues at MT Plc. T-Systems owing to lower project revenues and terminated contracts in Q2 2012.

Revenue from **Energy Services** increased significantly to HUF 3.1 bn in Q2 2012 compared to HUF 0.4 bn in Q2 2011. The significant growth is resulting from the increasing demand for our energy resale services (introduced in 2010). The number of electricity points of delivery reached to 47,031, while the number of gas points of delivery amounted to 40,788, as at June 30, 2012. On a year to date basis, revenue from energy services increased from HUF 1.1 bn to HUF 9.0 bn. The more remarkable increase on year to date basis reflects the seasonality of these services.

2.3. Operating Expenses

Mobile services-related payments increased to HUF 18.9 bn in Q2 2012, from HUF 17.9 bn in Q2 2011, resulting in a 5.8% increase quarter over previous year same quarter. This increase is mainly owing to higher mobile equipment costs (HUF 9.5 bn in Q2 2012 versus HUF 8.5 bn in Q2 2011), resulting from an increased ratio of higher priced smartphones sold, although handset selling was lower.

Fixed line-related payments decreased by 6.4% compared with the same period last year, to HUF 9.4 bn in Q2 2012, from HUF 10.1 bn in Q2 2011.This decrease is mainly owing to lower voice-related payments in Hungary and Montenegro due to lower fees applied, both in domestic and international relations. The decrease was partly compensated by the 34.9% higher TV payment in Hungary driven by an 8.6% increase in the TV subscriber base and at Crnogorski Telekom mainly due to increased TV content payment and 16.7% higher IPTV subscriber base.

SI/IT related payment increased significantly from HUF 4.0 bn in Q2 2011 to HUF 7.2 bn in Q2 2012 in line with the huge revenue increase from several new projects.

Energy-related payments in Hungary have been growing (from HUF 0.4 bn in Q2 2011 to HUF 3.1 bn in Q2 2012) in line with the increasing customer base since the launch of retail energy trade business. On a year to date basis, energy-related payments increased considerably from HUF 1.0 bn to HUF 8.7 bn, reflecting the seasonality of these services.

Employee-related expenses in Q2 2012 amounted to HUF 23.2 bn compared to HUF 21.5 bn in Q2 2011. This 7.8% increase was mainly attributable to the fact that the MT Group-level headcount figure was 16.9% higher in this quarter than in previous year's same quarter (11,773 as at June 30, 2012 versus 10,070 as at June 30, 2011). This change is a result of temporary staff previously hired to perform work in call center, customer care and customer experience services becoming standard employees of Magyar Telekom as of April 2012. The impact of the general wage increase effective from Q3 2011 and higher social contribution at Magyar Telekom Plc. also contributed to the increase.

Depreciation and amortization increased by 8.8% in Q2 2012 compared to Q2 2011. In Hungary, the increase is caused by the reduced useful life of radio-technical equipment following mobile telecommunication network modernization projects undertaken in cooperation with Ericsson in Q2 2012. At Makedonski Telekom, the higher depreciation and amortization was a result of the shortened useful life of equipment, mainly related to CPE (Customer Premises Equipment) as well as regular new additions to PPE. At Crnogorski Telekom shortened useful life of equipment mainly related to RAN (Radio Access Network) modernization project caused the increase.

Other operating expenses decreased by 27.3% to HUF 31.0 bn in Q2 2012 from HUF 42.7 bn in Q2 2011. The decrease was mainly owing to the provision for litigation made in Q2 2011 at Magyar Telekom Plc., in relation to the investigation, based on the agreement in principle with the SEC and the DOJ. Other service fees at MT Plc. Hungary were lower as temporary staff previously hired to perform work in call center, customer care and customer experience services became standard employees of Magyar Telekom as of April 2012. These decreases were slightly offset by higher rental fees at MT Plc. Hungary predominantly due to higher rental fees of set top boxes.

On October 18, 2010 the Hungarian Parliament approved an act imposing a special tax ("crisis tax") on a number of sectors including telecommunication. According to the act, the tax is expected to apply until the end of 2012. Special tax is recognized among other operating expenses, and has decreased by 3.3% due to a lower tax base driven by lower fixed line revenues.

Other operating income remained stable and amounted HUF 1.1 bn in Q2 2011, the same figures as in Q2 2012.

2.4. Operating Profit

Operating margin for the second quarter of 2012 was 16.2 % while the operating margin for Q2 2011 was 14.3%. The increase was mostly driven by the increasing SI/IT and energy revenues in Q2 2012 and slightly decreased operating expenses.

2.5. Net financial result

Net financial expenses decreased by 9.2% quarter over previous year same quarter, from HUF 8.1 bn in Q2 2011 to HUF 7.3 bn in Q2 2012. The decrease resulted primarily from the HUF 2.8 bn higher net foreign exchange gain recognized in Q2 2012, due to more intensive strengthening of the HUF against EUR in Q2 2012. Lower interest expenses also contributed to the decrease. In Q2 2012, interest expense was higher at MT Plc. Hungary, as in June 2011 HUF 1.1 bn was booked as interest on provision for litigation in connection with the investigation, based on the agreement in principle with the SEC and the DOJ. These decreases were partly offset by the HUF 3.3 bn higher loss on derivative transactions at MT Plc.

2.6. Income tax

Income tax expense decreased in the period despite the higher profit before tax in Q2 2012. The main driver for the decrease is that in Q2 2011 we recognized a provision for the then expected DOJ and SEC penalties, and the majority of the provision was considered non tax-deductible, which significantly increased the effective tax rate for Q2 2011.

2.7. Profit attributable to non-controlling interests

Profit attributable to non-controlling interests in Q2 2012 decreased by 19.3% compared to the same period in 2011. The decrease was predominantly due to the lower results of the Macedonian subsidiaries, resulting from a 27.7% lower operating profit in MKD terms. Lower operating profit in EUR terms at Crnogorski Telekom in Q2 2012 versus Q2 2011 also contributed to the decrease.

2.8. Cash flow

Net cash generated from operating activities amounted to HUF 63.6 bn in the first six months of 2012, as against HUF 95.5 bn in the same period previous year. The decrease was mainly due to the unfavourable changes in working capital reflecting the HUF 22.1 bn cash outflow in January 2012, with respect to the settlements with the DOJ and the SEC. Increase in interest and other financial charges paid was due to a higher average interest rate in the first half of 2012. Both the average interest rate of loans and the average amount of received loans increased in the first six months of 2012 compared to the same period of 2011.

Net cash used in investing activities amounted to HUF 33.0 bn in the first six months of 2012, compared to HUF 20.2 bn in the same period previous year, mainly reflecting the change in investment in tangible and intangible assets. Capex spending increased due to the 900 MHz spectrum license fee in the amount of HUF 10.9 bn, and to the higher spending for 3G/LTE rollout in the first six months of 2012 than in the first half of 2011. Higher cash outflow to external trade suppliers also contributed to the increase. These outflows were partly mitigated by the increase in other net financial assets mainly caused by the higher short-term bank deposits by March 31, 2012 in connection with the dividend payments in Q2 2012.

Free cash flow, defined as operating cash flow and investing cash flow adjusted for payments for / proceeds from other net financial assets, decreased from HUF 63.8 bn in the first six months of 2011 to HUF 8.0 bn in the first half of 2012. This drop was mainly due to the unfavourable changes in working capital (DOJ and SEC settlements) and higher capex spending (license fee).

Net cash used in financing activities changed from HUF -75.0 bn in the first six months of 2011 to HUF -32.5 bn in the same period of 2012. While during the first six months of 2011, Magyar Telekom repaid a net HUF 11.7 bn loan, in the first half of 2012 high amount of loan was taken to finance the DOJ/SEC settlements in Q1 2012.

3. Segment information

3.1. Telekom Hungary

HUF millions	Q2 2011	Q2 2012	Amount change	Change (%)	1-6. months 2011	1-6. months 2012	Amount change	Change (%)
Mobile voice revenues	39,794	40,034	240	0.6%	77,387	77,083	(304)	(0.4%)
Non-voice revenue	10,997	12,114	1,117	10.2%	21,679	23,358	1,679	7.7%
Other mobile revenues	7,745	4,629	(3,116)	(40.2%)	15,391	11,359	(4,032)	(26.2%)
Total mobile revenues	**58,536**	**56,777**	**(1,759)**	**(3.0%)**	**114,457**	**111,800**	**(2,657)**	**(2.3%)**
Fixed voice revenues	17,847	15,844	(2,003)	(11.2%)	36,069	31,569	(4,500)	(12.5%)
Internet revenues	10,233	10,304	71	0.7%	20,121	20,613	492	2.4%
TV revenues	6,942	7,371	429	6.2%	13,830	14,805	975	7.0%
Other fixed line revenues	9,807	9,138	(669)	(6.8%)	19,161	18,857	(304)	(1.6%)
Total fixed line revenues	**44,829**	**42,657**	**(2,172)**	**(4.8%)**	**89,181**	**85,844**	**(3,337)**	**(3.7%)**
SI/IT revenues	227	666	439	193.4%	404	1,009	605	149.8%
Revenue from Energy Services	384	3,056	2,672	n.m.	1,066	9,013	7,947	n.m.
Total revenues	**103,976**	**103,156**	**(820)**	**(0.8%)**	**205,108**	**207,666**	**2,558**	**1.2%**
EBITDA	**27,719**	**33,645**	**5,926**	**21.4%**	**66,013**	**69,349**	**3,336**	**5.1%**
Investments in tangible and intangible assets	11,549	11,215	(334)	(2.9%)	21,331	32,039	10,708	50.2%

Revenues in the Telekom Hungary segment remained stable compared with the same quarter previous year as significantly lower other mobile revenues and decreased lower fixed voice revenues were largely offset by considerably higher revenues from energy services as well as increased mobile non-voice and SI/IT revenues.

EBITDA of the Telekom Hungary segment increased by 21.4% in Q2 2012 versus Q2 2011 mainly driven by decreased other operating expenses, influenced by provision for litigation booked in Q2 2011. This decrease was partly mitigated by higher energy-related payments and increased employee-related expenses.

The increase in investments in tangible and intangible assets year over year is mainly due to the 900 MHz spectrum license fee in the amount of HUF 10.9 bn in Q1 2012.

Mobile operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Mobile penetration [(1)]	117.4%	115.9%	n.a.	117.4%	115.9%	n.a.
Mobile SIM market share [(2)]	44.5%	45.8%	n.a.	44.5%	45.8%	n.a.
Number of customers (RPC)	**4,773,270**	**4,820,943**	**1.0%**	**4,773,270**	**4,820,943**	**1.0%**
Postpaid share in the RPC base	44.5%	46.5%	n.a.	44.5%	46.5%	n.a.
MOU	**162**	**161**	**(0.6%)**	**158**	**160**	**1.3%**
ARPU (HUF) [(3)]	**3,611**	**3,425**	**(5.2%)**	**3,522**	**3,385**	**(3.9%)**
Postpaid [(3)]	6,030	5,689	(5.7%)	5,929	5,648	(4.7%)
Prepaid [(3)]	1,612	1,380	(14.4%)	1,562	1,361	(12.9%)
Overall churn rate	19.3%	17.0%	n.a.	18.8%	17.0%	n.a.
Postpaid	14.2%	13.4%	n.a.	15.3%	14.4%	n.a.
Prepaid	23.3%	20.2%	n.a.	21.5%	19.3%	n.a.
Ratio of non-voice revenues in ARPU	20.5%	23.3%	n.a.	20.7%	23.3%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	5,725	6,014	5.0%	5,314	5,791	9.0%
Average retention cost (SRC) per retained customer (HUF)	17,973	16,476	(8.3%)	17,307	15,126	(12.6%)
Number of mobile broadband subscriptions	**693,991**	**1,125,712**	**62.2%**	**693,991**	**1,125,712**	**62.2%**
Mobile broadband market share based on total number of subscriptions [(2)]	**48.7%**	**47.9%**	**n.a.**	**48.7%**	**47.9%**	**n.a.**
Population-based indoor 3G coverage [(2)]	66.0%	70.1%	n.a.	66.0%	70.1%	n.a.

(1) Data relates to the mobile penetration in Hungary, including customers of all three service providers.
(2) Data relates to Magyar Telekom Plc. based on NMHH reports.
(3) Restated. Refinement of calculation methodology.

Mobile revenues slightly decreased in Q2 2012 versus Q2 2011 due to lower other mobile revenues and decreased voice-retail revenues mainly attributable to lower outgoing tariff levels. These decreases were mostly compensated by higher non-voice revenues in line with wider usage of mobile Internet and by the increase in equipment revenues driven by higher average handset prices.

Fixed line operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Voice services						
Total voice access	1,633,276	1,569,246	(3.9%)	1,633,276	1,569,246	(3.9%)
Total outgoing traffic (thousand minutes)	733,677	786,707	7.2%	1,474,070	1,643,844	11.5%
Blended MOU (outgoing) [(1)]	159	173	8.8%	158	184	16.5%
Blended ARPA (HUF) [(1)]	3,132	2,862	(8.6%)	3,189	2,898	(9.1%)

(1) Including PSTN, VoIP and VoCable.

Fixed line voice-retail revenues declined by 10.9% quarter over previous year same quarter due to lower PSTN subscription fee revenues resulting from the decrease in the average number of fixed lines. The decrease was also driven by lower outgoing traffic revenues due to the loss of lines and price discounts reflecting the unfavourable economic environment and competition with VoIP and VoCable operators. The increasing popularity of flat rate packages (e.g., Hoppá) led to lower ARPA but proved to be a successful tool in preventing PSTN churn. While PSTN revenues continued to decline, the increase in VoIP and VoCable revenues driven by the growing customer base and higher traffic slightly mitigated these decreases.

Magyar Telekom Plc. offered several price discounts to customers choosing different flat-rate and optional tariff packages. Our Hoppá tariff package was very successful in Q2 2012, generating more than 538,000 subscribers by the end of June 2012. The vast majority of customers choosing this package signed a 2-year loyalty contract; therefore this offer proved to be a very useful tool in decreasing fixed line customer churn in Hungary. Our integrated fixed and mobile offer, the Paletta tariff package, exceeded 51,600 customers, as at June 30, 2012.

Data products	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Blended retail broadband market share [(1)]	**36.4%**	**36.8%**	**n.a.**	**36.4%**	**36.8%**	**n.a.**
Number of retail DSL customers	490,538	495,858	1.1%	490,538	495,858	1.1%
Number of cable broadband customers	192,905	232,852	20.7%	192,905	232,852	20.7%
Number of fiber optic connections	23,183	37,286	60.8%	23,183	37,286	60.8%
Total retail broadband customers	**706,626**	**765,996**	**8.4%**	**706,626**	**765,996**	**8.4%**
Blended broadband ARPU (HUF)	4,008	3,809	(5.0%)	3,971	3,836	(3.4%)
Number of wholesale DSL access	114,584	97,988	(14.5%)	114,584	97,988	(14.5%)

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

Internet revenues remained stable and amounted to HUF 10.3 bn in Q2 2012 compared to HUF 10.2 bn in Q2 2011. The slight increase was mainly owing to the higher number of fiber connections, the increased Cablenet customer number and the slightly higher retail DSL subscriber base. The positive impact of the higher retail broadband subscriber base was somewhat mitigated by the lower number of wholesale connections and the effect of lower ARPU reflecting lower prices forced by strong competition. The migration towards double- and triple-play packages also had a negative effect on blended ARPU.

TV services	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Blended TV market share [(1)(2)]	**23.7%**	**25.2%**	**n.a.**	**23.7%**	**25.2%**	**n.a.**
Number of cable TV customers	330,548	259,483	(21.5%)	330,548	259,483	(21.5%)
Number of satellite TV customers	262,402	286,374	9.1%	262,402	286,374	9.1%
Number of IPTV customers	163,824	276,344	68.7%	163,824	276,344	68.7%
Total TV customers	**756,774**	**822,201**	**8.6%**	**756,774**	**822,201**	**8.6%**
Blended TV ARPU (HUF)	3,058	3,038	(0.7%)	3,035	3,065	1.0%

(1) Data relates to Magyar Telekom Plc. based on NMHH reports.
(2) Data relates to market share data at May 31, 2012.

Driven by a larger customer base, IPTV and satellite TV revenues increased compared to same quarter previous year. This increase was partly offset by lower Cable TV revenues influenced by the significantly lower customer base due to migration from Cable TV to IPTV technology.

Energy services	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Electricity points of delivery	8,410	47,031	459.2%	8,410	47,031	459.2%
Gas points of delivery	6,816	40,788	498.4%	6,816	40,788	498.4%

Telekom Hungary has growing revenues from the retail energy trade launched in Q2 2010. Revenue from Energy services increased by HUF 2.7 bn in Q2 2012 versus Q2 2011 due to the rapid growth in the number of customers.

3.2. T-Systems Hungary

HUF millions	Q2 2011	Q2 2012	Amount change	Change (%)	1-6. months 2011	1-6. months 2012	Amount change	Change (%)
Mobile voice revenues	4,256	3,899	(357)	(8.4%)	8,365	7,774	(591)	(7.1%)
Non-voice revenue	2,236	2,322	86	3.8%	4,399	4,583	184	4.2%
Other mobile revenues	1,798	1,746	(52)	(2.9%)	3,557	3,557	0	0.0%
Total mobile revenues	**8,290**	**7,967**	**(323)**	**(3.9%)**	**16,321**	**15,914**	**(407)**	**(2.5%)**
Fixed voice revenues	2,493	2,241	(252)	(10.1%)	5,122	4,619	(503)	(9.8%)
Internet revenues	802	604	(198)	(24.7%)	1,626	1,264	(362)	(22.3%)
Data revenues	3,557	2,848	(709)	(19.9%)	7,157	5,855	(1,302)	(18.2%)
Other fixed line revenues	630	251	(379)	(60.2%)	1,226	878	(348)	(28.4%)
Total fixed line revenues	**7,482**	**5,944**	**(1,538)**	**(20.6%)**	**15,131**	**12,616**	**(2,515)**	**(16.6%)**
SI/IT revenues	10,457	13,686	3,229	30.9%	22,848	26,900	4,052	17.7%
Total revenues	**26,229**	**27,597**	**1,368**	**5.2%**	**54,300**	**55,430**	**1,130**	**2.1%**
EBITDA	**4,441**	**4,269**	**(172)**	**(3.9%)**	**8,294**	**9,217**	**923**	**11.1%**
Investments in tangible and intangible assets	791	1,099	308	38.9%	1,214	1,837	623	51.3%

The total revenue of T-Systems Hungary increased by 5.2% in Q2 2012 compared to Q2 2011 due to higher SI/IT revenues. This increase was partly offset by lower data revenues as well as lower fixed and mobile voice revenues.

EBITDA level weakened by 3.9% due to higher increase in total operating expenses than in total revenues. Higher SI/IT-related payments were partly offset by lower fixed line-related payments and decreased other operating expenses. On a year to date basis, revenues increased similarly to the quarterly comparison, but lower operating expenses in 2012 year-to-date resulted in an 11.1% higher EBITDA level.

Mobile operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Number of customers (RPC)	435,748	462,783	6.2%	435,748	462,783	6.2%
Overall churn rate	6.0%	5.1%	n.a.	6.6%	5.5%	n.a.
MOU	295	284	(3.7%)	289	284	(1.7%)
ARPU (HUF)	5,016	4,556	(9.2%)	4,941	4,551	(7.9%)
Ratio of non-voice revenues in ARPU	34.5%	37.5%	n.a.	34.5%	37.3%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	4,193	9,058	116.0%	4,187	6,497	55.2%
Number of mobile broadband subscriptions	66,054	84,660	28.2%	66,054	84,660	28.2%

Mobile voice revenues decreased by 8.4% in Q2 2012 versus Q2 2011, predominantly due to lower voice-retail revenues as a result of a lower average price per minute and decreased MOU, partly compensated by the higher average customer base. The increase in non-voice revenues was driven by higher Internet revenues, reflecting increased mobile broadband subscriptions.

Fixed line operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Voice services						
Total lines	183,106	174,863	(4.5%)	183,106	174,863	(4.5%)
Total outgoing traffic (thousand minutes)	71,227	61,384	(13.8%)	148,730	130,080	(12.5%)
MOU (outgoing)	188	166	(11.7%)	194	182	(6.2%)
ARPU (HUF)	4,583	4,301	(6.2%)	4,675	4,438	(5.1%)
Data products						
Number of retail broadband access	15,894	14,905	(6.2%)	15,894	14,905	(6.2%)
Retail DSL ARPU (HUF)	8,058	6,560	(18.6%)	8,616	7,194	(16.5%)

Fixed line voice-retail revenues decreased, reflecting the erosion both in the customer base and traffic, while lower fixed line data revenues were the result of several contracts terminated in Q2 2012. Fixed line Internet revenues also declined, due to the lower number of retail DSL connections and lower retail ARPU.

The 30.9% increase in SI/IT revenues mainly resulted from higher infrastructure revenues at T-Systems Zrt. (former KFKI) driven by several new projects launched in Q2 2012. This increase was partly mitigated by the revenue drop at MT Plc. T-Systems driven by lower project revenues in Q2 2012.

3.3. Macedonia

HUF millions	Q2 2011	Q2 2012	Amount change	Change (%)	1-6. months 2011	1-6. months 2012	Amount change	Change (%)
Mobile voice revenues	7,073	6,594	(479)	(6.8%)	13,962	12,959	(1,003)	(7.2%)
Non-voice revenue	1,329	1,319	(10)	(0.8%)	2,702	2,560	(142)	(5.3%)
Other mobile revenues	542	470	(72)	(13.3%)	1,032	1,012	(20)	(1.9%)
Total mobile revenues	**8,944**	**8,383**	**(561)**	**(6.3%)**	**17,696**	**16,531**	**(1,165)**	**(6.6%)**
Fixed voice revenues	5,340	5,153	(187)	(3.5%)	10,805	10,291	(514)	(4.8%)
Internet revenues	1,362	1,382	20	1.5%	2,756	2,928	172	6.2%
Data revenues	632	558	(74)	(11.7%)	1,316	1,160	(156)	(11.9%)
Other fixed line revenues	626	766	140	22.4%	1,361	1,585	224	16.5%
Total fixed line revenues	**7,960**	**7,859**	**(101)**	**(1.3%)**	**16,238**	**15,964**	**(274)**	**(1.7%)**
SI/IT revenues	119	88	(31)	(26.1%)	215	164	(51)	(23.7%)
Total revenues	**17,023**	**16,330**	**(693)**	**(4.1%)**	**34,149**	**32,659**	**(1,490)**	**(4.4%)**
EBITDA	**9,147**	**8,363**	**(784)**	**(8.6%)**	**18,368**	**15,985**	**(2,383)**	**(13.0%)**
Investments in tangible and intangible assets	1,217	2,987	1,770	145.4%	2,638	4,339	1,701	64.5%

The 10.4% strengthening of MKD against HUF on average compared with the same quarter last year had a positive impact on the results of the Macedonian operations in HUF terms. However the positive FX rate effect, revenues of our Macedonian subsidiary decreased by 4.1% in HUF terms, mainly driven by the significant decrease in mobile revenues.

EBITDA of our Macedonian operations decreased in Q2 2012 versus Q2 2011 by 8.6% in HUF terms deriving mainly from lower total revenues, and increased employee-related expenses.

Mobile operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Mobile penetration	124.0%	119.4%	n.a.	124.0%	119.4%	n.a.
Market share of T-Mobile Macedonia	50.0%	49.7%	n.a.	50.0%	49.7%	n.a.
Number of customers (RPC) (1)	1,274,552	1,223,299	(4.0%)	1,274,552	1,223,299	(4.0%)
Postpaid share in the RPC base(1)	32.5%	31.8%	n.a.	32.5%	31.8%	n.a.
MOU(1	133	159	19.5%	128	153	19.5%
ARPU (HUF) (1)	2,127	2,099	(1.3%)	2,093	2,028	(3.1%)

(1) Restated. Data are presented after intersegment elimination.

The decrease in mobile revenues was mainly due to lower voice-retail revenues. Higher outgoing minutes could not compensate the lower subscription fees as a result of promotion for new subscribers, and the declining postpaid customer base. Lower other mobile revenues were due to the lower number of handsets sold both in retention and acquisition and decreased accessories revenue. Non-voice revenues decreased slightly as a result of lower messaging revenues due to the lower number of SMSs sent in Q2 2012.

Fixed line operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Voice services						
Fixed line penetration	16.5%	15.4%	n.a.	16.5%	15.4%	n.a.
Total voice access	323,962	296,083	(8.6%)	323,962	296,083	(8.6%)
Total outgoing traffic (thousand minutes) (1)	207,732	168,909	(18.7%)	425,472	356,616	(16.2%)
Data and TV services						
Retail DSL market share (estimated)	83%	82%	n.a.	83%	82%	n.a.
Number of retail DSL customers	131,916	138,163	4.7%	131,916	138,163	4.7%
Number of wholesale DSL access	22,730	25,443	11.9%	22,730	25,443	11.9%
Number of total DSL access	154,646	163,606	5.8%	154,646	163,606	5.8%
Number of IPTV customers	33,805	50,831	50.4%	33,805	50,831	50.4%

(1) Restated. Refinement of calculation methodology.

The decrease in total fixed line revenues was primarily as a result of lower voice-retail revenues reflecting the loss of fixed lines and lower traffic affected by mobile substitution. The decline in data revenues is a result of the decreased international and domestic leased lines. These decreases were slightly offset by higher voice wholesale revenues in HUF terms, resulting from HUF/MKD currency translation. However, the increase in international incoming traffic revenue due to higher mobile termination fees could not compensate the lower traffic revenue from mobile operators and LTOs caused by decreased traffic in MKD terms. TV revenues due to the growing IPTV subscriber base at Makedonski Telekom slightly mitigated the decrease in fixed line revenues.

3.4. Montenegro

HUF millions	Q2 2011	Q2 2012	Amount change	Change (%)	1-6. months 2011	1-6. months 2012	Amount change	Change (%)
Mobile voice revenues	2,795	2,782	(13)	(0.5%)	5,280	5,316	36	0.7%
Non-voice revenue	654	795	141	21.6%	1,288	1,544	256	19.9%
Other mobile revenues	154	110	(44)	(28.6%)	292	210	(82)	(28.1%)
Total mobile revenues	**3,603**	**3,687**	**84**	**2.3%**	**6,860**	**7,070**	**210**	**3.1%**
Fixed voice revenues	2,506	2,574	68	2.7%	4,972	5,030	58	1.2%
Internet revenues	741	866	125	16.9%	1,493	1,816	323	21.6%
Data revenues	454	451	(3)	(0.7%)	899	931	32	3.6%
Other fixed line revenues	442	594	152	34.4%	852	1,129	277	32.5%
Total fixed line revenues	**4,143**	**4,485**	**342**	**8.3%**	**8,216**	**8,906**	**690**	**8.4%**
SI/IT revenues	36	77	41	113.9%	65	143	78	120.0%
Total revenues	**7,782**	**8,249**	**467**	**6.0%**	**15,141**	**16,119**	**978**	**6.5%**
EBITDA	**3,250**	**3,244**	**(6)**	**(0.2%)**	**5,122**	**6,439**	**1,317**	**25.7%**
Investments in tangible and intangible assets	992	1,038	46	4.6%	1,392	1,965	573	41.2%

The 10.5% strengthening of EUR against the HUF on average in Q2 2012 versus Q2 2011 had a positive impact on the results of our Montenegrin operations. In HUF terms, total revenue increased by 6.0%, however in EUR terms total revenue decreased by 4.0% driven by lower mobile voice revenues.

Mobile operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Mobile penetration [1]	180.0%	164.8%	n.a.	180.0%	164.8%	n.a.
Market share of T-Mobile Crna Gora [1]	34.0%	34.4%	n.a.	34.0%	34.4%	n.a.
Number of customers (RPC) [1]	378,859	351,143	(7.3%)	378,859	351,143	(7.3%)
Postpaid share in the RPC base	32.1%	38.1%	n.a.	32.1%	38.1%	n.a.
MOU[2][3]	146	165	13.0%	131	158	20.7%
ARPU (HUF) [3]	3,029	3,510	15.9%	2,823	3,333	18.0%

(1) Data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).
(2) Restated. Data are presented after intersegment elimination.
(3) Restated according to data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).

Compared with the same period last year, mobile revenues in EUR terms decreased in Q2 2012, as decreased voice-retail, lower voice-wholesale and voice-visitor revenues were only partly offset by higher non-voice revenues. Mobile revenues expressed in HUF increased slightly due to the positive FX change.

Higher mobile voice-retail revenues in HUF terms are the sole result of the HUF/EUR currency translation. In EUR terms, outgoing traffic revenues decreased in both segments (prepaid and postpaid) due to lower ARPU, which was partly compensated by higher subscription revenues. Non-voice revenues increased owing to higher Internet usage and increased content revenues, partly offset by lower SMS revenues, despite the higher usage due to lower price per SMS.

Voice-wholesale revenues decreased mainly due to 29.0% lower interconnection tariffs towards domestic mobile operators and incoming minutes also decreased. Visitor revenues decreased due to lower number of visitors and lower volume of minutes.

Fixed line operations	Q2 2011	Q2 2012	% change	1-6. months 2011	1-6. months 2012	% change
Voice services						
Fixed line penetration	26.4%	26.2%	n.a.	26.4%	26.2%	n.a.
Total voice access	169,888	166,867	(1.8%)	169,888	166,867	(1.8%)
Total outgoing traffic (thousand minutes)	82,458	75,741	(8.1%)	167,203	156,118	(6.6%)
Data and TV services						
Retail DSL market share (estimated)	85%	83%	n.a.	85%	83%	n.a.
Number of DSL access	71,481	77,572	8.5%	71,481	77,572	8.5%
Number of IPTV customers	43,194	50,388	16.7%	43,194	50,388	16.7%

In EUR terms, total fixed line revenues decreased by 2.1% in Q2 2012 versus Q2 2011. Total fixed line revenues expressed in HUF increased by 8.3% due to the positive FX change. Increased total fixed line revenues are mainly owing to higher Internet revenues driven by more DSL connections and higher TV revenues from the larger IPTV subscriber base. Increased equipment revenues due to sales of TV sets and laptops also contributed to the increase. In EUR terms, these increases were fully offset by decreased voice-retail revenues due to a decline in outgoing traffic and lower RPC as well as lower voice-wholesale revenues due to lower volume of terminated and transited international incoming traffic.

EBITDA of our Montenegrin operations remained stable expressed in HUF, since employee-related expenses and other operating expenses increased in line with total revenues. On a year to date basis, EBITDA level increased by 25.7% in HUF, as revenues increased by 6.5%, and employee-related expenses decreased by 18.1% in the first six months of 2012.

3.5. Description of segments

Magyar Telekom's operating segments are: Telekom Hungary, T-Systems Hungary, Macedonia and Montenegro. Internal reporting on this segmentation is provided to the chief operating decision makers, the members of the Management Committee of Magyar Telekom Plc.

The Telekom Hungary segment operates in Hungary providing mobile, fixed line telecommunications, TV distribution and energy services (including marketing, sales and customer relations activities) to residential and small business telecommunications customers with several million customers mainly under the T-Mobile and T-Home brands. The Telekom Hungary segment is also responsible for the wholesale mobile and fixed line services in Hungary, and performs strategic and cross-divisional management and support functions including Procurement, Treasury, Real estate, Accounting, Tax, Legal, Internal Audit and similar shared services and other central functions of the Group's management. This segment is also responsible for the Group's points of presence in Bulgaria, Romania and in Ukraine providing wholesale services to local companies and operators. In addition, the Telekom Hungary segment is responsible for the operations and development of the mobile, fixed line and cable TV network as well as IT management in Hungary.

T-Systems Hungary provides mobile and fixed line telecommunications, info-communications and system integration services (including marketing, sales and customer relations activities) mainly under the T-Systems and T-Mobile brands to key business partners (large corporate customers and public sector).

The Group also has full-scale mobile and fixed line telecommunications operations in Macedonia and Montenegro, which represent two additional reporting segments of the Group. We hold a 100% interest in Stonebridge Communications AD, which controls Makedonski Telekom, the leading fixed line telecommunications services provider and T-Mobile Macedonia, the leading mobile telecommunications operator in Macedonia.

We also hold a 76.53% ownership in Crnogorski Telekom, the principal fixed line telecommunications services provider and the second largest mobile telecommunications operator in Montenegro.

The revenues and expenses of these segments include both primary and secondary results. The primary revenues are derived from external parties, while the secondary ones are allocated from the other segments. Similarly, the primary expenses are paid to external parties, while the secondary ones are charged by the other segments. All secondary revenues and expenses are eliminated in the Group's financial statements.

Magyar Telekom has been subject to special telecommunications tax introduced in Hungary in Q4 2010, charged on the companies' annual revenues, retrospectively from January 1, 2010. The presented EBITDA of the Hungarian segments (Telekom Hungary and T-Systems Hungary), include the special telecommunications tax both in 2011 and 2012.

EBITDA for each segment could in principle, be reconciled to the segment's operating profit, the most directly comparable financial measure according to IFRS, by adding depreciation and amortization. However, depreciation and amortization is not allocated to the segments (it is not a segment measure); therefore the reconciliation cannot be prepared and presented on a segment basis. Accordingly, we provide a reconciliation of the total segment EBITDA to consolidated profit for the period of the Group.

HUF millions	Q2 2011	Q2 2012	1-6. months 2011	1-6. months 2012
Total Telekom Hungary revenues	103,976	103,156	205,108	207,666
Less: Telekom Hungary revenues from other segments	(8,941)	(7,142)	(17,453)	(14,346)
Telekom Hungary revenues from external customers	**95,035**	**96,014**	**187,655**	**193,320**
Total T-Systems Hungary revenues	26,229	27,597	54,300	55,430
Less: T-Systems Hungary revenues from other segments	(2,469)	(2,712)	(5,102)	(5,392)
T-Systems Hungary revenues from external customers	**23,760**	**24,885**	**49,198**	**50,038**
Total Macedonia revenues	17,023	(210)	34,149	16,119
Less: Macedonia revenues from other segments	(31)	12	(61)	(12)
Macedonia revenues from external customers	**16,992**	**(198)**	**34,088**	**16,107**
Total Montenegro revenues	7,782	24,789	15,141	32,659
Less: Montenegro revenues from other segments	(3)	(32)	(15)	(37)
Montenegro revenues from external customers	**7,779**	**24,757**	**15,126**	**32,622**
Total consolidated revenue of the segments	143,566	145,458	286,067	292,087
Measurement differences to Group revenue	-	4	6	23
Total revenue of the Group	**143,566**	**145,462**	**286,073**	**292,110**
Segment results (EBITDA)				
Telekom Hungary	27,719	33,645	66,013	69,349
T-Systems Hungary	4,441	4,269	8,294	9,217
Macedonia	9,147	8,363	18,368	15,985
Montenegro	3,250	3,244	5,122	6,439
Total EBITDA of the segments	**44,557**	**49,521**	**97,797**	**100,990**
Measurement differences to Group EBITDA	0	104	6	211
Total EBITDA of the Group	**44,557**	**49,625**	**97,803**	**101,201**
Total depreciation and amortization of the Group	(24,024)	(26,128)	(48,018)	(51,440)
Total operating profit of the Group	**20,533**	**23,497**	**49,785**	**49,761**

4. About Magyar Telekom

Magyar Telekom is the principal provider of fixed line telecommunications services in Hungary, with approximately 1.75 million fixed voice access lines as June 30, 2012. We are also Hungary's largest mobile telecommunications services provider, with almost 5.3 million mobile subscribers (including users of prepaid cards) as of June 30, 2012. We are also the principal telecommunications service provider in Macedonia and Montenegro and alternative service provider in Bulgaria and Romania. We provide fixed line and mobile telecommunications, Internet and television products and services for consumers, and information and communication technology ("ICT") solutions for business and corporate customers. In 2010, Magyar Telekom entered the retail energy market offering electricity and gas services to its customers.

Magyar Telekom Távközlési Nyilvánosan Működő Részvénytársaság (in English, Magyar Telekom Telecommunications Public Limited Company) is a limited liability stock corporation incorporated in and operating under the laws of Hungary. Magyar Telekom Telecommunications Public Limited Company ("Magyar Telekom Plc.") with its subsidiaries forms Magyar Telekom Group ("Magyar Telekom" or "the Group"). We operate under a commercial name, Magyar Telekom Nyrt. or Magyar Telekom Plc.

Our ordinary shares are listed on the Budapest Stock Exchange ("BSE") and the Company also maintains an American Depositary Receipt program on a Level I basis with American Depositary Shares ("ADSs") traded on OTC markets. The ADSs were delisted from the New York Stock Exchange on November 12, 2010. On November 14, 2011 Magyar Telekom also filed with the U.S. Securities and Exchange Commission (the "SEC") a Form 15F to terminate registration of its shares and ADSs in the US, which became effective on February 12, 2012. The Company maintains its primary listing on the BSE and continues to make English translations of its annual reports, financial statements and investor releases.

Our headquarters is located at 55 Krisztina krt., 1013 Budapest, Hungary.

As of June 30, 2012, the share capital of Magyar Telekom Plc. was HUF 104,274,254,300, consisting of 1,042,742,543 Series "A" ordinary shares.

5. Basis of preparation of the interim financial report

This condensed consolidated preliminary financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

This consolidated interim financial information is not the group's statutory accounts and has not been audited. The statutory accounts for December 31, 2011 have been filed with the Budapest Stock Exchange ("BSE") and Hungarian Financial Supervisory Authority ("HFSA"). The statutory accounts for December 31, 2011 have been audited and the audit report was unqualified.

6. Accounting policies

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2011, except as described below.

In 2012, the Group has adopted all IFRS amendments and interpretations which are effective from January 1, 2012 and which are relevant to its operations. Relevant standards, amendments or interpretations effective and adopted by the Group in 2012:

IFRS 7 (amended): The IASB published an amendment to IFRS 7 Financial Instruments: Disclosures in October 2010. The amendment requires quantitative and qualitative disclosures regarding transfers of financial assets that do not result in entire derecognition, or that result in continuing involvement. This is intended to allow users of financial statements to improve their understanding of such transactions (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of such transactions are undertaken around the end of a reporting period. The application of the amendment is required for annual periods beginning on or after July 1, 2011. The revised standard has been applied since January 1, 2012, but it does not have a significant impact on the disclosures in the Group's financial reports.

6.1. Outlook

Each of our business segments is affected by its unique business environment, and we are subject to circumstances and events that are unforeseen or beyond our control. The European economy has continued to slow and is showing signs of recession risk in 2012. Major uncertainties surrounding the future of the euro and the debt crisis escalated for several euro-zone members. The Hungarian economy was impacted heavily by the second wave of the financial crisis. GDP projections for 2012 were reduced significantly and analyst and government forecasts indicate GDP growth of just half percent for 2012. The unemployment rate remains very high, at above ten percent, and the volatility of the Hungarian currency is expected to continue. The Hungarian government has experienced difficulties in financing the budget deficit through the financial markets at the end of 2011. As a result, negotiations were reopened with international financial institutions, such as the International Monetary Fund ("IMF") and the European Central Bank ("ECB") to receive precautionary loan facilities.

In order to balance its budget, the government implemented several measures to decrease the deficit to 2.5% of GDP in 2012. The most significant of these was the 2 percentage point VAT increase, from 25% to 27% from the beginning of this year. The special telecommunications tax, which came into effect in 2010, is expected to have a negative impact of more than HUF 24 billion on our EBITDA in 2012. The Parliament adopted an act imposing a new telecommunications tax on service providers for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012 for an indefinite period of time. The tax imposed on fixed and mobile usage amounts to HUF 2 per minute and HUF 2 per SMS/MMS. The new tax is capped; for 2012 at HUF 400 per month per calling number for private individuals' subscriptions and HUF 1400 per month per calling number for other subscribers' subscriptions. The new telecommunication tax payable by Magyar Telekom for the period July to December 2012 is estimated around HUF 8 billion. Our T-Systems Hungary segment was also affected by heavy spending cuts by the government, our largest business customer.

6.1.1 Revenues

In our fixed line operations, we expect further declines in voice revenues due to continued line reduction and fixed line unit price erosion driven by mobile substitution and increased competition in the fixed line market, including competition from VoIP or VoCable providers. Mobile substitution remains the main driver of churn and we expect that average mobile per minute fees will continue to be lower than average fixed line per minute fees in 2012. As the market is shifting towards multiplay offers, we are combining our product portfolio in order to provide all services for every customer demand on every platform. By having the full range of telecommunications services, we are capable of offering 4Play packages, unique in the Hungarian market. Magyar Telekom announced that due to unfavourable economic and market processes it has decided to implement a gradual tariff change effective from September and October 2012, respectively.

In the saturated fixed line market TV remains the key driver. Building on our large variety of platforms (cable, IP, DVB-S), we are targeting to reach those customers who currently have less than three of our services. We are aiming to expand further our RPC figures in 2012; however margins are under pressure due to significant competition. To strengthen our position in the TV market, we are continuously innovating our product portfolio (such as interactive SAT TV).

In the Hungarian mobile market, penetration is now saturated, and we expect declining voice revenues in 2012. We expect further growth in mobile broadband and future growth potential of value-added and data services, but this positive impact will not offset the decline in voice revenues. Mobile interconnection tariffs were reduced by 20% in 2012, and by an additional 25% reduction is expected in 2013. Mobile termination rates are expected to be reduced further in the future. The market entry of the 4th mobile operator is expected at the end of 2012.

Magyar Telekom is continuously seeking business opportunities beyond our core services. A significant step was made in this direction upon our entrance into the retail energy market. This new revenue stream may enable us to maintain flat Hungarian revenue in 2012, however these businesses are associated with lower margins and as such, we expect our margins to decline.

To sustain our competitiveness in the corporate sector, we have committed to developing further our IT competencies by focusing on complex service offerings through managed services, system integration and outsourcing through consultant services to corporate customers.

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

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

6.1.2 Expenses

We are entirely committed to improving internal operational efficiency in all of our business segments. To accomplish our goals despite the intensifying competitive environment, we expect to partially offset decreasing revenue with strict cost control. We will continue our group-wide efficiency project Save for Service ("S4S"). We have reached an agreement with trade unions on wage development, headcount reduction and decreases in additional employee allowances at the parent company for 2012. These measures will reduce our Total Workforce Management ("TWM") related costs.

In line with global market developments and the liberalization of the Hungarian energy market, we have experienced rapid growth in energy prices above the rate of inflation. We expect energy prices to remain high in 2012, impacting us negatively.

6.1.3 Total investments in tangible and intangible assets

Compared to previous years, the key priorities of capex spending have not changed. Investments in new products and platforms (e.g., FTTx, LTE) remain our key strategic goals although the overall investment level is decreasing. Broadband expansion is supported by large scale modernization of the mobile network with Ericsson as the vendor in Hungary.

We will increase investments in the IT area in order to reach our goals of becoming an ICT leader in Hungary, while expansion into new segments (e.g., energy sector) will also demand additional investments.

Striving for further improvement in customer orientation, the strategic priority for 2012 and beyond is the successful implementation of a new CRM system in Hungary. We are targeting the complete overhaul of the current customer management system of the Company.

6.2. Risk factors

- Our operations are subject to substantial government regulation, which can result in adverse consequences for our business and results of our operations.
- We are subject to more intense competition.

- Our ability to meet our revenue targets will depend in part on our ability to offset the declining fixed line voice revenues with data, TV, Internet, SI/IT and retail energy revenues and our ability to acquire telecommunications companies.
- We may be unable to adapt to technological changes in the telecommunications market.
- The future of our current operational model is subject to currently unforeseeable changes in the future business environment.
- Developments in the technology and telecommunications sectors have resulted and may result in impairments in the carrying value of certain of our assets.
- Our business may be adversely affected by actual or perceived health risks associated with mobile communications technologies.
- System failures could result in reduced user traffic and revenue and could harm our reputation.
- Loss of key personnel could weaken our business.
- Ongoing government investigations into contracts and activities in Montenegro and Macedonia may result in adverse consequences.
- Our share price may be volatile, and the ability to sell our shares may be adversely affected due to the relatively illiquid market for our shares and ADSs.
- The value of our investments, results of operations and financial condition could be adversely affected by economic developments in Hungary and other countries.
- We are subject to unpredictable changes in Hungarian tax regulations.
- Fluctuations in the currency exchange rate could have an adverse effect on our results of operations.
- We are continuously involved in disputes and litigation with regulators, competitors and other parties.

7. Analysis of the Balance Sheet

7.1. Property, plant and equipment

Total investments in tangible and intangible assets amounted to HUF 40.2bn in the first six months of 2012, from this HUF 10.9 bn is in connection with the 900 MHz spectrum license fee at MT Plc. Hungary, and furthermore, it contains higher spending for 3G/LTE rollout in the first half of 2012. There has not been any significant individual sale of assets in the first six months of 2012.

7.2. Cash and cash equivalents

The cash and cash equivalents decreased by HUF 2.5 bn in the first six months of 2012 and amounted to HUF 12.0 bn. Decrease is mainly owing to the cash outflow relating to the settlements with the DOJ and SEC in Q1 2012 and to the dividend payment in April, 2012. These decreases were partly offset by loans taken in the first half of 2012, and bank deposits converted into cash deposits at our Macedonian subsidiaries in Q1 2012.

8. Off-balance sheet items

8.1. Contingent liabilities

No provisions have been recognized for the cases described below 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.

8.1.1 Macedonia

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

In January 2002, T-Mobile MK signed an agreement with a subcontractor, including a 3-month trial period, for the collection of T-Mobile MK's overdue receivables. After the expiration of the 3-month trial period, T-Mobile MK terminated this contract in April 2002 due to breaches of the contractual obligations by the subcontractor. The subcontractor initiated a lawsuit in April 2003 requesting damage compensation for foregone profit and compensation for services already rendered. Management estimates it unlikely that the subcontractor would win the court case against T-Mobile MK. The potential loss from the claim is approximately HUF 5.0 billion. The first and second instance decisions were in favour of T-Mobile MK, but the plaintiff submitted a revision (an extraordinary legal remedy) to the Supreme Court therefore the timing of the final resolution is uncertain.

Makedonski Telekom's dispute on fixed-to-mobile termination fees

In 2005, MKT changed the retail prices for the traffic from fixed to mobile network. According to the interconnection agreements with the mobile operators the change in retail prices automatically decreased the interconnection fees for termination in the mobile networks. In February 2006, one of the Macedonian mobile operators, ONE, submitted to the Agency a request for dispute resolution with reference to the termination prices. The Agency rejected the requests of ONE as "ungrounded". This decision of the Agency was appealed by ONE by filing a lawsuit at the Administrative Court of Macedonia. The potential loss from the claim is approximately HUF 0.4 billion, but the management estimates it unlikely that this would result in any material cash outflows. The final decision will be made by the Administrative Court of Macedonia, the timing of which is uncertain.

Montenegro

Employee salary disputes in Montenegro

In July 2010, the Trade Union of Crnogorski Telekom submitted a claim to increase the salaries by 15.3% for the period between September 2009 and September 2010, based on the clause on minimum wage calculation in the Collective Bargaining Agreement (CBA). Management believes that the Trade Union is not entitled to submit such claim and also disagrees with the calculation methodology. The first instance procedure is ongoing and our potential exposure is HUF 1.5 billion.

8.2. Commitments

There has not been any material change in the nature and amount of our commitments in Q2 2012.

9. Other matters

9.1. Investigations into certain consultancy contracts

As previously disclosed, the Company's Audit Committee conducted an internal investigation regarding certain contracts relating to the activities of the Company and/or its affiliates in Montenegro and Macedonia that totalled more than EUR 31 million. In particular, the internal investigation examined whether the Company and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"). The Company has previously disclosed the results of the internal investigation. For further information regarding the internal investigation, see the Company's annual report for the year ended December 31, 2011.

The Company's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation.

On December 29, 2011, the Company announced that it had entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to the Company. The settlements concluded the DOJ's and the SEC's investigations. The Company disclosed the key terms of the settlements with the DOJ and the SEC on December 29, 2011. On January 6, 2012 the Company paid a criminal penalty of USD 59.6 million (HUF 14,712 million) pursuant to the settlement with the DOJ and on January 23, 2012 the Company paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest (HUF 7,366 million in total) pursuant to the settlement with the SEC, totalling USD 90.8 million (HUF 22,078 million) paid with respect to the settlements with the DOJ and the SEC.

The aggregate amount of USD 90.8 million payable by the Company in settlement of the DOJ's and SEC's investigations was fully provided for before the end of 2011.

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

Magyar Telekom incurred HUF 17,485 million operating expenses relating to the investigations in 2011 (HUF 1,294 million legal costs and HUF 16,191 million provision for the settlements) included in the Hungary segment, and additional losses and expenses of HUF 5,666 million included in the net financial results (HUF 1,119 million interest expense and HUF 4,547 million foreign exchange loss).

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

None.

11. Declaration

We the undersigned declare that to the best of our knowledge the attached report gives a true and fair view of the financial position and performance of Magyar Telekom and its controlled undertakings, contains an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of Magyar Telekom and its controlled undertakings.

Christopher Mattheisen Chairman and Chief Executive Officer	Thilo Kusch Chief Financial Officer

Budapest, August 9, 2012

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, 2011, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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

12. Key financial data

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income - IFRS (HUF million, except per share amounts)	**Q2 2011 (Unaudited)**	**Q2 2012 (Unaudited)**	**% change**
Revenues			
Voice - retail	44,379	42,822	(3.5%)
Voice - wholesale	8,064	7,069	(12.3%)
Voice - visitor	941	923	(1.9%)
Non-voice	15,099	15,844	4.9%
Equipment and activation	5,392	6,110	13.3%
Other mobile revenues	1,923	2,031	5.6%
Mobile revenues	**75,798**	**74,799**	**(1.3%)**
Voice - retail	22,730	20,499	(9.8%)
Voice - wholesale	5,362	4,949	(7.7%)
Internet	13,091	13,089	(0.0%)
Data	6,583	5,778	(12.2%)
TV	7,802	8,470	8.6%
Equipment	847	744	(12.2%)
Other fixed line revenues	1,671	1,642	(1.7%)
Fixed line revenues	**58,086**	**55,171**	**(5.0%)**
System Integration/Information Technology revenues	9,298	12,436	33.7%
Revenue from Energy Services	384	3,056	n.m.
Total revenues	**143,566**	**145,462**	**1.3%**
Expenses			
Mobile services-related payments	(17,905)	(18,936)	(5.8%)
Fixed line-related payments	(10,050)	(9,409)	6.4%
SI/IT-related payments	(4,042)	(7,233)	(78.9%)
Energy-related payments	(357)	(3,094)	n.m.
Agent commissions	(2,506)	(2,473)	1.3%
Bad debt expense	(1,115)	(1,638)	(46.9%)
Direct costs	**(35,975)**	**(42,783)**	**(18.9%)**
Employee-related expenses	(21,482)	(23,161)	(7.8%)
Depreciation and amortization	(24,024)	(26,128)	(8.8%)
Other operating expenses	(42,697)	(31,021)	27.3%
Total operating expenses	**(124,178)**	**(123,093)**	**(0.9%)**
Other operating income	1,145	1,128	(1.5%)
Operating profit	**20,533**	**23,497**	**14.4%**
Net financial result	(8,051)	(7,313)	9.2%
Share of associates' and joint ventures' losses	0	0	n.a.
Profit before income tax	**12,482**	**16,184**	**29.7%**
Income tax	(5,156)	(3,113)	39.6%
Profit for the period	**7,326**	**13,071**	**78.4%**
Change in exchange differences on translating foreign operations	(87)	(5,066)	n.m.
Change in reserve for equity settled share-based transactions	0	1	n.a.
Revaluation of available-for-sale financial assets – before tax	0	0	n.a.
Other comprehensive income for the period, net of tax	(87)	(5,065)	n.m.
Total comprehensive income for the period	**7,239**	**8,006**	**10.6%**
Profit attributable to:			
Owners of the parent	4,362	10,679	144.8%
Non-controlling interests	2,964	2,392	(19.3%)
	7,326	**13,071**	**78.4%**
Total comprehensive income attributable to:			
Owners of the parent	4,165	7,075	69.9%
Non-controlling interests	3,074	931	(69.7%)
	7,239	**8,006**	**10.6%**
Basic and diluted earnings per share (HUF)	4.18	10.25	145.2%

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income - IFRS (HUF million, except per share amounts)	1-6. months, 2011 (Unaudited)	1-6. months, 2012 (Unaudited)	% change
Revenues			
Voice - retail	86,836	84,783	(2.4%)
Voice - wholesale	15,576	13,958	(10.4%)
Voice - visitor	1,555	1,465	(5.8%)
Non-voice	29,840	31,223	4.6%
Equipment and activation	10,658	11,940	12.0%
Other mobile revenues	3,782	4,044	6.9%
Mobile revenues	**148,247**	**147,413**	**(0.6%)**
Voice - retail	46,412	41,668	(10.2%)
Voice - wholesale	10,368	9,405	(9.3%)
Internet	25,900	26,491	2.3%
Data	13,235	11,795	(10.9%)
TV	15,505	16,957	9.4%
Equipment	1,831	1,418	(22.6%)
Other fixed line revenues	3,266	3,858	18.1%
Fixed line revenues	**116,517**	**111,592**	**(4.2%)**
System Integration/Information Technology revenues	20,243	24,092	19.0%
Revenue from Energy Services	1,066	9,013	n.m.
Total revenues	**286,073**	**292,110**	**2.1%**
Expenses			
Mobile services-related payments	(33,638)	(36,658)	(9.0%)
Fixed line-related payments	(20,511)	(18,482)	9.9%
SI/IT-related payments	(9,938)	(13,337)	(34.2%)
Energy-related payments	(974)	(8 ,744)	n.m.
Agent commissions	(4,570)	(4,864)	(6.4%)
Bad debt expense	(3,519)	(3,704)	(5.3%)
Direct costs	**(73,150)**	**(85,789)**	**(17.3%)**
Employee-related expenses	(43,659)	(44,379)	(1.6%)
Depreciation and amortization	(48,018)	(51,440)	(7.1%)
Other operating expenses	(74,733)	(62,668)	16.1%
Total operating expenses	**(239,560)**	**(244,276)**	**(2.0%)**
Other operating income	3,272	1,927	(41.1%)
Operating profit	**49,785**	**49,761**	**(0.0%)**
Net financial result	(16,491)	(14,913)	9.6%
Share of associates' and joint ventures' losses	(1)	0	100,0%
Profit before income tax	**33,293**	**34,848**	**4,7%**
Income tax	(8,100)	(6,837)	15,6%
Profit for the period	**25,193**	**28,011**	**11.2%**
Change in exchange differences on translating foreign operations	(9,836)	(16,345)	(66.2%)
Change in reserve for equity settled share-based transactions	0	1	n.a.
Revaluation of available-for-sale financial assets – before tax	0	0	n.a.
Other comprehensive income for the period, net of tax	(9,836)	(16,344)	(66.2%)
Total comprehensive income for the period	**15,357**	**11.667**	(24.0%)
Profit attributable to:			
Owners of the parent	19,529	23,697	21.3%
Non-controlling interests	5,664	4,314	(23.8%)
	25,193	**28,011**	**11.2%**
Total comprehensive income attributable to:			
Owners of the parent	12,579	12,195	(3.1%)
Non-controlling interests	2,778	(528)	(119.0%)
	15,357	**11,667**	**(24.0%)**
Basic and diluted earnings per share (HUF)	18.74	22.73	21.3%

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Consolidated Statements of Financial Position - IFRS (HUF million)	Dec 31, 2011 (Audited)	June 30, 2012 (Unaudited)	% change
ASSETS			
Current assets			
Cash and cash equivalents	14,451	11,992	(17.0%)
Trade and other receivables	124,663	117,071	(6.1%)
Other current financial assets	65,286	36,461	(44.2%)
Current income tax receivable	927	533	(42.5%)
Inventories	9,904	12,460	25.8%
Non current assets held for sale	5,165	4,659	(9.8%)
Total current assets	**220,396**	**183,176**	**(16.9%)**
Non current assets			
Property, plant and equipment	536,224	512,170	(4.5%)
Intangible assets	308,313	313,836	1.8%
Investments in associates and joint ventures	0	0	n.a.
Deferred tax assets	750	837	11.6%
Other non current financial assets	31,590	23,807	(24.6%)
Other non current assets	755	427	(43.4%)
Total non current assets	**877,632**	**851,077**	**(3.0%)**
Total assets	**1,098,028**	**1,034,253**	**(5.8%)**
LIABILITIES			
Current liabilities			
Financial liabilities to related parties	49,865	24,619	(50.6%)
Other financial liabilities	70,155	50,623	(27.8%)
Trade payables	101,119	75,266	(25.6%)
Current income tax payable	1,335	1,715	28.5%
Provisions	3,703	2,861	(22.7%)
Other current liabilities	29,213	44,462	52.2%
Total current liabilities	**255,390**	**199,546**	**(21.9%)**
Non current liabilities			
Financial liabilities to related parties	230,166	281,365	22.2%
Other financial liabilities	17,928	16,025	(10.6%)
Deferred tax liabilities	26,270	24,831	(5.5%)
Provisions	11,236	9,845	(12.4%)
Other non current liabilities	947	950	0.3%
Total non current liabilities	**286,547**	**333,016**	**16.2%**
Total liabilities	**541,937**	**532,562**	**(1.7%)**
EQUITY			
Equity of the owners of the parent			
Common stock	104,275	104,275	0.0%
Additional paid in capital	27,379	27,379	0.0%
Treasury stock	(307)	(307)	0.0%
Retained earnings	325,709	297,290	(8.7%)
Accumulated other comprehensive income	30,959	19,457	(37.2%)
Total Equity of the owners of the parent	**488,015**	**448,094**	**(8.2%)**
Non-controlling interests	68,076	53,597	(21.3%)
Total equity	**556,091**	**501,691**	**(9.8%)**
Total liabilities and equity	**1,098,028**	**1,034,253**	**(5.8%)**

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Consolidated Statements of Cash Flows - IFRS (HUF million)	1-6. months, 2011 (Unaudited)	1-6. months, 2012 (Unaudited)	% change
Cash flows from operating activities			
Profit for the period	25,193	28,011	11.2%
Depreciation and amortization	48,018	51,440	7.1%
Income tax expense	8,100	6,837	(15.6%)
Net financial result	16,491	14,913	(9.6%)
Share of associates' and joint ventures' losses	1	0	(100.0%)
Change in assets carried as working capital	5,616	5,154	(8.2%)
Change in provisions	5,770	(2,060)	n.m.
Change in liabilities carried as working capital	5,336	(17,789)	n.m.
Income tax paid	(5,718)	(6,830)	(19.4%)
Dividend received	23	16	(30.4%)
Interest and other financial charges paid	(13,975)	(17,079)	(22.2%)
Interest received	1,898	1,848	(2.6%)
Other cashflows from operations	(1,289)	(902)	30.0%
Net cash generated from operating activities	**95,464**	**63,559**	**(33.4%)**
Cash flows from investing activities			
Investments in tangible and intangible assets	(26,656)	(40,181)	(50.7%)
Adjustments to cash purchases	(7,948)	(13,881)	(74.6%)
Purchase of subsidiaries and business units	(1,263)	(2,173)	(72.1%)
Cash acquired through business combinations	455	108	(76.3%)
Proceeds from other financial assets - net	11,413	22,591	97.9%
Proceeds from disposal of subsidiaries and associates	0	84	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	3,786	435	(88.5%)
Net cash used in investing activities	**(20,213)**	**(33,017)**	**(63.3%)**
Cash flows from financing activities			
Dividends paid to shareholders and Non-controlling interest	(63,337)	(65,954)	(4.1%)
Repayment of / proceeds from loans and other borrowings - net	(11,654)	33,459	n.m.
Net cash used in financing activities	**(74,991)**	**(32,495)**	**56.7%**
Exchange losses on cash and cash equivalents	(374)	(506)	(35.3%)
Change in cash and cash equivalents	**(114)**	**(2,459)**	**n.m.**
Cash and cash equivalents, beginning of period	15,841	14,451	(8.8%)
Cash and cash equivalents, end of period	15,727	11,992	(23.7%)
Change in cash and cash equivalents	**(114)**	**(2,459)**	**n.m.**

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

	pieces	in HUF millions									
	Shares of common stock	Common stock	Additional paid in capital	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Reserve for equity settled share-based transactions	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2010	**1,042,742,543**	**104,275**	**27,379**	**(307)**	**385,283**	**14,933**	**(51)**	**0**	**531,512**	**63,200**	**594,712**
Dividend					(52,117)				**(52,117)**		**(52,117)**
Dividend declared to Non-controlling interests									**0**	(12,478)	**(12,478)**
Total comprehensive income					19,529	(6,950)			**12,579**	2,778	**15,357**
Balance at June 30, 2011	**1,042,742,543**	**104,275**	**27,379**	**(307)**	**352,695**	**7,983**	**(51)**	**0**	**491,974**	**53,500**	**545,474**
Total comprehensive income					(26,986)	23,039	(12)		**(3,959)**	14,576	**10,617**
Balance at December 31, 2011	**1,042,742,543**	**104,275**	**27,379**	**(307)**	**325,709**	**31,022**	**(63)**	**0**	**488,015**	**68,076**	**556,091**
Dividend					(52,116)				(52,116)		(52,116)
Dividend declared to Non-controlling interest										(13,951)	(13,951)
Total comprehensive income					23,697	(11,503)		1	12,195	(528)	11,667
Balance at June 30, 2012	**1,042,742,543**	**104,275**	**27,379**	**(307)**	**297,290**	**19,519**	**(63)**	**1**	**448,094**	**53,597**	**501,691**