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MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2013

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Budapest – February 27, 2014 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the fourth quarter and full year of 2013, in accordance with International Financial Reporting Standards (IFRS).

1. HIGHLIGHTS

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except per share amounts and margins)	**Q4** **2012** (Unaudited)	**Q4** **2013** (Unaudited)	**Change** **(%)**	**2012** **year** (Audited)	**2013** **year** (Unaudited)	**Change** **(%)**
Total revenues	**164,873**	**165,741**	**0.5%**	**607,128**	**637,521**	**5.0%**
Operating profit	**8,040**	**11,747**	**46.1%**	**87,921**	**74,721**	**(15.0%)**
Profit attributable to:						
Owners of the parent	(1,613)	253	n.m.	36,859	23,460	(36.4%)
Non-controlling interests	440	992	125.5%	8,996	5,395	(40.0%)
	(1,173)	**1,245**	**n.m.**	**45,855**	**28,855**	**(37.1%)**
EBITDA	37,023	38,753	4.7%	194,818	179,462	(7.9%)
EBITDA margin	22.5%	23.4%	n.a.	32.1%	28.1%	n.a.
Basic and diluted earnings per share (HUF)	**(1.55)**	**0.24**	**n.a.**	**35.36**	**22.51**	**(36.3%)**
CAPEX to Sales				**17.0%**	**22.9%**	**n.a.**
ROA				**3.4%**	**2.2%**	**n.a.**
ROE				**7.7%**	**5.2%**	**n.a.**
Net debt				**273,132**	**381,230**	**39.6%**
Net debt / total capital				**34.3%**	**43.8%**	**n.a.**
Number of employees (closing full equivalent)	**11,653**	**11,324**	**(2.8%)**	**11,653**	**11,324**	**(2.8%)**

- **Revenues increased slightly by 0.5% in the fourth quarter of 2013 compared to the same period of 2012, from HUF 164.9 billion to HUF 165.7 billion.** This reflects higher energy and mobile non-voice revenues which have been mitigated by lower Hungarian and Macedonian fixed and mobile voice revenues.
- **EBITDA increased by 4.7%, from HUF 37.0 billion to HUF 38.8 billion**. The increase is largely attributed to savings in other operating expenses, including marketing, consultancy, rental fees and fees and levies, the latter two reflecting the capitalization of the set-top-boxes and the annual frequency fees, completed in earlier periods in 2013. Lower severance in relation to the headcount reduction programs as well as lower operating taxes also supported EBITDA developments.

Details of special, telecom and utility taxes (HUF billion)*	**Q4 2012**	**Q4 2013**	**2012**	**2013**
Special tax	6.0		24.4	
Telecom tax	4.4	6.7	8.7	23.9
Utility tax				7.4
Total	**10.4**	**6.7**	**33.1**	**31.4**

**Differences might occur due to rounding*

- **Depreciation and amortization expenses declined from HUF 29.0 billion to HUF 27.0 billion** as the RAN modernization projects in both Macedonia and Hungary resulted in a shortened useful life of the affected equipment leading to increased depreciation in 2012. This decrease was only partly counterbalanced by higher depreciation in Hungary relating to the extended- and newly purchased spectrum licenses as well as the capitalization of annual frequency fees.
- **Net financial expenses decreased from HUF 8.4 billion to HUF 8.0 billion.** The negative impact of higher overall debt levels was offset by lower average interest rates and lower net FX losses as during Q4 2013, HUF strengthened by 0.5% against the EUR resulting in some slight FX gains while during Q4 2012, HUF weakened by 2.7% leading to FX losses.
- **Income tax expense increased from HUF 0.8 billion in Q4 2012 to HUF 2.5 billion in Q4 2013** in line with the higher profit before tax. Other income taxes (including the local business tax and the innovation fee) remained stable at HUF 2.0 billion as the basis for their calculation is statutory gross margin rather than profit before tax. Consequently, **the effective tax rate** for Q4 2013 stood at **66.5%**.

- **Profit attributable to the owners of the parent company** (**net income**) **increased from a loss of HUF 1.6 billion in the fourth quarter of 2012 to a profit of HUF 0.3 billion in the fourth quarter of 2013**, primarily due to the higher EBITDA which was partly offset by the higher income tax expense.
- **Net cash generated from operating activities decreased by HUF 13.6 billion year-on-year, from HUF 145.2 billion in 2012 to HUF 131.6 billion in 2013**. The decline is mainly driven by the HUF 15.4 billion lower EBITDA year-on-year. Although working capital also deteriorated during the period, it was offset by the improvement in other cash flows from operations such as the reverse factored vendor contracts in 2013 and the Macedonian real estate transaction in 2012, among others.
- **Investment in tangible and intangible assets (Capex) increased by HUF 42.8 billion in 2013 compared to 2012, from HUF 103.3 billion to HUF 146.1 billion.** The significant increase is primarily attributable to the extension of frequency licenses in Hungary during Q3 2013, amounting to HUF 38.0 billion, and the acquisition of the 4G license in Macedonia for HUF 3.1 billion. These were coupled with the capitalization of the present value of the future annual frequency fees amounting to HUF 17.5 billion. Excluding these, as well as the 900 MHz spectrum license fee booked in Q1 2012 which made up HUF 10.9 billion, Capex decreased by HUF 4.9 billion, largely reflecting the impact of the HUF 10.7 billion non-cash Capex accounted for in 2012 in relation to the Macedonian real estate exchange transaction.
  In 2013, Telekom Hungary accounted for HUF 122.2 billion of total Capex while HUF 4.4 billion is associated to T-Systems Hungary. In Macedonia and Montenegro, Capex for 2013 was HUF 15.2 billion and HUF 4.3 billion, respectively.
- **Free cash flow:** we have modified the definition of free cash flow to better reflect the real cash generation of the Company as due to the different financial structures used, some operation related items are accounted for in financial cash flow. From the previous definition of operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets we modified it to operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets and repayment of other financial liabilities. Consequently, we have revised earlier periods' free cash flows. Free cash flow, based on the above definition **deteriorated in 2013 compared to 2012, from HUF 59.7 billion to HUF 0.6 billion.** This was due to both lower operating cash flow and higher Capex and the fact that the proceeds from the sale of Pro-M improved performance in 2012.
- **Net debt rose from HUF 273.1 billion at the end of 2012 to HUF 381.2 billion at the end of 2013.** The **net debt ratio** (net debt to total capital) was **43.8% at the end of 2013.** This reflects the increased financial liabilities recognized in relation to reverse factored vendor contracts as well as future annual frequency fees.

Christopher Mattheisen, CEO commented:

"As expected, during 2013 we achieved revenue growth of 5% driven by an increasing contribution from SI/IT services and higher retail gas and electricity revenues. Through continued pursuit of our bundling strategy in the Telekom Hungary segment, we successfully reduced churn rates in traditional fixed voice to 2%. At the same time, we recorded strong growth in our market shares in both fixed internet and the TV segment, where through a combination of value enhancing acquisitions and organic growth we managed to gain the most TV subscribers on the market. In the recent months, the main highlights on the mobile market were the new unlimited tariff packages. Our 'Next' flat rate mobile packages were met with high demand from both new and existing customers, with successful upselling efforts softening pressure on ARPU levels.

In Macedonia, the competitive pressures did not ease during the fourth quarter and dampened the financial performance. However, profitability remained high with an EBITDA margin of 39%, and we were also the first operator in the country to launch 4G services at the beginning of December last year. In Montenegro, we managed to increase our share of the mobile voice market during the year, whilst also managing to maintain our market leader positions in the fixed voice, broadband and TV segments.

With a full year decline of just under 8%, EBITDA was somewhat ahead of our expectations thanks to better operational performance in Hungary. As planned, we reduced our Capex in 2013 by 5% to HUF 87.5 billion (excluding spectrum acquisitions and annual frequency fee capitalizations).

Looking ahead to 2014, we expect lower growth in retail energy and equipment sales to lead to a decline in our revenues of up to 3% compared to 2013. Our reported EBITDA is expected to decline by 3%-6% driven by the continued, albeit more gradual, shift in our revenue mix to lower margin services. Our Capex target (excluding any spectrum acquisitions and annual frequency fee capitalizations) for the year is around HUF 87 billion, which we plan to spend on projects geared towards enhancing future levels of efficiency, such as IP migration and integrated CRM and billing systems."

2014 public guidance:

	2013	Public guidance 2014
Revenue	HUF 637.5 billion	0%-3% decline
EBITDA	HUF 179.5 billion	3%-6% decline
Capex*	HUF 87.5 billion	ca. HUF 87 billion

**excluding spectrum acquisitions and annual frequency fee capitalization*

2. CONSOLIDATED IFRS FINANCIAL STATEMENTS

2.1. Consolidated Statements of Financial Position

MAGYAR TELEKOM Consolidated Statements of Financial Position (HUF million)	Dec 31, 2012 (Audited)	Dec 31, 2013 (Unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	15,211	14,633	(578)	(3.8%)
Trade and other receivables	130,709	136,712	6,003	4.6%
Other current financial assets	53,966	28,615	(25,351)	(47.0%)
Current income tax receivable	821	896	75	9.1%
Inventories	12,400	12,478	78	0.6%
Non current assets held for sale	2,816	607	(2,209)	(78.4%)
Total current assets	**215,923**	**193,941**	**(21,982)**	**(10.2%)**
Non current assets				
Property, plant and equipment	510,962	493,619	(17,343)	(3.4%)
Intangible assets	311,066	381,199	70,133	22.5%
Investments in associates and joint ventures	0	5	5	n.a.
Deferred tax assets	532	238	(294)	(55.3%)
Non current financial assets	18,862	21,619	2,757	14.6%
Other non current assets	499	627	128	25.7%
Total non current assets	**841,921**	**897,307**	**55,386**	**6.6%**
Total assets	**1,057,844**	**1,091,248**	**33,404**	**3.2%**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	35,344	58,682	23,338	66.0%
Other financial liabilities	40,341	100,060	59,719	148.0%
Trade payables	115,723	103,549	(12,174)	(10.5%)
Current income tax payable	762	759	(3)	(0.4%)
Provisions	5,668	4,076	(1,592)	(28.1%)
Other current liabilities	37,069	40,097	3,028	8.2%
Total current liabilities	**234,907**	**307,223**	**72,316**	**30.8%**
Non current liabilities				
Financial liabilities to related parties	261,126	239,522	(21,604)	(8.3%)
Other financial liabilities	5,498	26,214	20,716	376.8%
Deferred tax liabilities	22,428	19,075	(3,353)	(15.0%)
Provisions	10,858	8,516	(2,342)	(21.6%)
Other non current liabilities	944	1,122	178	18.9%
Total non current liabilities	**300,854**	**294,449**	**(6,405)**	**(2.1%)**
Total liabilities	**535,761**	**601,672**	**65,911**	**12.3%**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,383	27,387	4	0.0%
Treasury stock	(307)	(307)	0	0.0%
Retained earnings	310,452	281,795	(28,657)	(9.2%)
Accumulated other comprehensive income	21,253	24,318	3,065	14.4%
Total Equity of the owners of the parent	**463,056**	**437,468**	**(25,588)**	**(5.5%)**
Non-controlling interests	59,027	52,108	(6,919)	(11.7%)
Total equity	**522,083**	**489,576**	**(32,507)**	**(6.2%)**
Total liabilities and equity	**1,057,844**	**1,091,248**	**33,404**	**3.2%**

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2.2. Consolidated Statements of profit or loss and other comprehensive income – quarter over quarter

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q4 2012 (Unaudited)	Q4 2013 (Unaudited)	Change	Change (%)
Revenues				
Voice - retail	42,486	40,876	(1,610)	(3.8%)
Voice - wholesale[(1)]	8,157	6,723	(1,434)	(17.6%)
Voice - visitor	520	418	(102)	(19.6%)
Non-voice	16,484	17,566	1,082	6.6%
Equipment	10,750	11,254	504	4.7%
Other mobile revenues	1,312	1,916	604	46.0%
Mobile revenues	**79,709**	**78,753**	**(956)**	**(1.2%)**
Voice - retail	19,377	18,015	(1,362)	(7.0%)
Voice - wholesale[(1)]	3,693	3,384	(309)	(8.4%)
Internet	13,386	13,271	(115)	(0.9%)
Data	5,328	4,730	(598)	(11.2%)
TV	8,856	9,648	792	8.9%
Equipment	1,757	2,571	814	46.3%
Other fixed line revenues	2,592	3,248	656	25.3%
Fixed line revenues	**54,989**	**54,867**	**(122)**	**(0.2%)**
System Integration/Information Technology revenues	18,927	18,223	(704)	(3.7%)
Revenue from Energy Services	11,248	13,898	2,650	23.6%
Total revenues	**164,873**	**165,741**	**868**	**0.5%**
Expenses				
Mobile revenue-related payments	(24,208)	(23,705)	503	2.1%
Fixed line revenue-related payments	(10,689)	(11,522)	(833)	(7.8%)
SI/IT revenue-related payments	(12,407)	(11,489)	918	7.4%
Energy revenue-related payments	(11,170)	(14,369)	(3,199)	(28.6%)
Agent commissions	(3,372)	(2,975)	397	11.8%
Bad debt expense	(1,276)	(3,668)	(2,392)	(187.5%)
Direct costs	**(63,122)**	**(67,728)**	**(4,606)**	**(7.3%)**
Employee-related expenses	(28,077)	(27,346)	731	2.6%
Depreciation and amortization	(28,983)	(27,006)	1,977	6.8%
Other operating expenses	(38,419)	(33,424)	4,995	13.0%
Total operating expenses	**(158,601)**	**(155,504)**	**3,097**	**2.0%**
Other operating income	1,768	1,510	(258)	(14.6%)
Operating profit	**8,040**	**11,747**	**3,707**	**46.1%**
Net financial result	(8,442)	(8,026)	416	4.9%
Profit before income tax	**(402)**	**3,721**	**4,123**	**n.m.**
Income tax	(771)	(2,476)	(1,705)	(221.1%)
Profit for the period	**(1,173)**	**1,245**	**2,418**	**n.m.**
Change in exchange differences on translating foreign operations	5,644	(848)	(6,492)	n.m.
Revaluation of available-for-sale financial assets	(3)	(33)	(30)	n.m.
Other comprehensive income for the period	5,641	(881)	(6,522)	n.m.
Total comprehensive income for the period	**4,468**	**364**	**(4,104)**	**(91.9%)**
Profit attributable to:				
Owners of the parent	(1,613)	253	1,866	n.m.
Non-controlling interests	440	992	552	125.5%
	(1,173)	**1,245**	**2,418**	**n.m.**
Total comprehensive income attributable to:				
Owners of the parent	2,406	(394)	(2,800)	n.m.
Non-controlling interests	2,062	758	(1,304)	(63.2%)
	4,468	**364**	**(4,104)**	**(91.9%)**
Basic and diluted earnings per share (HUF)	**(1.55)**	**0.24**	**1.79**	**n.m.**

[(1)] Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items have been reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

2.3. Consolidated Statements of profit or loss and other comprehensive income – year over year

MAGYAR TELEKOM Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	2012 (Audited)	2013 (Unaudited)	Change	Change (%)
Revenues				
Voice - retail	171,562	165,141	(6,421)	(3.7%)
Voice - wholesale[(1)]	32,660	27,511	(5,149)	(15.8%)
Voice - visitor	3,347	2,563	(784)	(23.4%)
Non-voice	64,248	68,080	3,832	6.0%
Equipment	29,843	40,077	10,234	34.3%
Other mobile revenues	7,626	7,573	(53)	(0.7%)
Mobile revenues	**309,286**	**310,945**	**1,659**	**0.5%**
Voice - retail	80,848	73,021	(7,827)	(9.7%)
Voice - wholesale[(1)]	15,179	14,015	(1,164)	(7.7%)
Internet	52,765	51,835	(930)	(1.8%)
Data	22,512	19,607	(2,905)	(12.9%)
TV	34,428	37,270	2,842	8.3%
Equipment	4,064	8,110	4,046	99.6%
Other fixed line revenues	8,304	11,524	3,220	38.8%
Fixed line revenues	**218,100**	**215,382**	**(2,718)**	**(1.2%)**
System Integration/Information Technology revenues	54,256	64,054	9,798	18.1%
Revenue from Energy Services	25,486	47,140	21,654	85.0%
Total revenues	**607,128**	**637,521**	**30,393**	**5.0%**
Expenses				
Mobile revenue-related payments	(79,835)	(84,934)	(5,099)	(6.4%)
Fixed line revenue-related payments	(39,045)	(43,154)	(4,109)	(10.5%)
SI/IT revenue-related payments	(32,092)	(39,684)	(7,592)	(23.7%)
Energy revenue-related payments	(25,428)	(48,903)	(23,475)	(92.3%)
Agent commissions	(10,826)	(11,105)	(279)	(2.6%)
Bad debt expense	(6,752)	(8,690)	(1,938)	(28.7%)
Direct costs	**(193,978)**	**(236,470)**	**(42,492)**	**(21.9%)**
Employee-related expenses	(94,084)	(96,691)	(2,607)	(2.8%)
Depreciation and amortization	(106,897)	(104,741)	2,156	2.0%
Other operating expenses	(134,418)	(128,087)	6,331	4.7%
Total operating expenses	**(529,377)**	**(565,989)**	**(36,612)**	**(6.9%)**
Other operating income	10,170	3,189	(6,981)	(68.6%)
Operating profit	**87,921**	**74,721**	**(13,200)**	**(15.0%)**
Net financial result	(28,598)	(31,560)	(2,962)	(10.4%)
Profit before income tax	**59,323**	**43,161**	**(16,162)**	**(27.2%)**
Income tax	(13,468)	(14,306)	(838)	(6.2%)
Profit for the period	**45,855**	**28,855**	**(17,000)**	**(37.1%)**
Change in exchange differences on translating foreign operations	(13,755)	4,111	17,866	n.m.
Revaluation of available-for-sale financial assets	(33)	(48)	(15)	(45.5%)
Other comprehensive income for the period	(13,788)	4,063	17,851	n.m.
Total comprehensive income for the period	**32,067**	**32,918**	**851**	**2.7%**
Profit attributable to:				
Owners of the parent	36,859	23,460	(13,399)	(36.4%)
Non-controlling interests	8,996	5,395	(3,601)	(40.0%)
	45,855	**28,855**	**(17,000)**	**(37.1%)**
Total comprehensive income attributable to:				
Owners of the parent	27,153	26,525	(628)	(2.3%)
Non-controlling interests	4,914	6,393	1,479	30.1%
	32,067	**32,918**	**851**	**2.7%**
Basic and diluted earnings per share (HUF)	**35.36**	**22.51**	**(12.85)**	**(36.3%)**

[(1)] Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items have been reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

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2.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	2012 (Audited)	2013 (Unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	45,855	28,855	(17,000)	(37.1%)
Depreciation and amortization	106,897	104,741	(2,156)	(2.0%)
Income tax expense	13,468	14,306	838	6.2%
Net financial result	28,598	31,560	2,962	10.4%
Change in assets carried as working capital	(12,828)	(12,866)	(38)	(0.3%)
Change in provisions	947	(3,327)	(4,274)	n.m.
Change in liabilities carried as working capital	4,507	(6,672)	(11,179)	n.m.
Income tax paid	(13,128)	(12,417)	711	5.4%
Dividend received	15	8	(7)	(46.7%)
Interest and other financial charges paid	(26,816)	(27,903)	(1,087)	(4.1%)
Interest received	3,123	1,469	(1,654)	(53.0%)
Other cashflows from operations	(5,411)	13,858	19,269	n.m.
Net cash generated from operating activities	**145,227**	**131,612**	**(13,615)**	**(9.4%)**
Cash flows from investing activities				
Investments in tangible and intangible assets	(103,298)	(146,122)	(42,824)	(41.5%)
Adjustments to cash purchases	6,684	25,984	19,300	288.7%
Purchase of subsidiaries and business units	(2,388)	(871)	1,517	63.5%
Cash acquired through business combinations	48	0	(48)	(100.0%)
Proceeds from other financial assets - net	10,645	13,772	3,127	29.4%
Proceeds from disposal of subsidiaries and associates	14,388	0	(14,388)	(100.0%)
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	1,046	1,188	142	13.6%
Net cash used in investing activities	**(72,875)**	**(106,049)**	**(33,174)**	**(45.5%)**
Cash flows from financing activities				
Dividends paid to shareholders and Non-controlling interest	(66,104)	(65,405)	699	1.1%
Proceeds from / (Repayment of) loans and other borrowings - net	(2,922)	50,244	53,166	n.m.
Repayment of other financial liabilities	(2,036)	(11,157)	(9,121)	(448.0%)
Net cash used in financing activities	**(71,062)**	**(26,318)**	**44,744**	**63.0%**
Exchange differences on cash and cash equivalents	(530)	177	707	n.m.
Change in cash and cash equivalents	**760**	**(578)**	**(1,338)**	**n.m.**
Cash and cash equivalents, beginning of period	14,451	15,211	760	5.3%
Cash and cash equivalents, end of period	15,211	14,633	(578)	(3.8%)
Change in cash and cash equivalents	**760**	**(578)**	**(1,338)**	**n.m.**

2.5. 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 –	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2011	1,042,742,543	104,275	27,379	0	(307)	325,709	31,022	(63)	488,015	68,076	556,091
Dividend						(52,116)			(52,116)		(52,116)
Dividend declared to Non-controlling interests									0	(13,951)	(13,951)
Disposal of subsidiaries									0	(12)	(12)
Equity settled share-based transactions				4					4		4
Total comprehensive income						36,859	(9,687)	(19)	27,153	4,914	32,067
Balance at December 31, 2012	1,042,742,543	104,275	27,379	4	(307)	310,452	21,335	(82)	463,056	59,027	522,083
Dividend						(52,117)			(52,117)		(52,117)
Dividend declared to Non-controlling interests									0	(13,312)	(13,312)
Equity settled share-based transactions				4					4		4
Total comprehensive income						23,460	3,090	(25)	26,525	6,393	32,918
Balance at December 31, 2013	1,042,742,543	104,275	27,379	8	(307)	281,795	24,425	(107)	437,468	52,108	489,576

2.6. About Magyar Telekom

Magyar Telekom Telecommunications Public Limited Company (the Company or Magyar Telekom Plc.) with its subsidiaries form Magyar Telekom Group (Magyar Telekom or the Group). Magyar Telekom is the principal provider of telecommunications services in Hungary, Macedonia and Montenegro and alternative service provider in Bulgaria and Romania. These services are subject to various telecommunications regulations depending on the countries of operations.

The Company was incorporated in Hungary on December 31, 1991 and commenced business on January 1, 1992. The Company's registered office is Krisztina körút 55., 1013 Budapest, Hungary.

Magyar Telekom Plc. is listed on the Budapest Stock Exchange where its shares are traded. Magyar Telekom's American Depository Shares (ADSs), each representing five ordinary shares, were also traded on the New York Stock Exchange until November 12, 2010, when the ADSs were delisted. Magyar Telekom terminated the registration of its shares and ADSs in the US in February 2012. The Company maintains its American Depositary Receipt program on a Level I basis.

As of October 4, 2013 MagyarCom GmbH (MagyarCom), the immediate controlling shareholder of the Company owning 59.21% of the issued shares was merged into T-Mobile Global Holding Nr. 2 GmbH, also 100% owned by Deutsche Telekom AG. Subsequently, on December 18, 2013 T-Mobile Global Holding Nr. 2 GmbH increased the registered capital of its 100% owned subsidiary CMobil B.V. registered in the Netherlands (Stationsplein 8, 6221 BT Maastricht, the Netherlands) through in-kind contribution of Magyar Telekom shares. As a result of the transaction CMobil B.V. became a shareholder of Magyar Telekom Plc. directly owning 59.21% of the Company's voting rights (registered in Share Register on February 7, 2014). The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DTAG).

2.7. Basis of preparation and audit of the interim financial report

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the annual financial statements for the year ended December 31, 2012, 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, 2012 have been filed with the Budapest Stock Exchange and Hungarian Financial Supervisory Authority. The statutory accounts for December 31, 2012 were audited and the audit report was unqualified.

2.8. 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, 2012.

3. CONSOLIDATED MANAGEMENT REPORT

3.1. Operating and financial review – Group

3.1.1 Exchange rate information

Exchange rate	Q4 2012	Q4 2013	Change	1-12. months, 2012	1-12. months, 2013	Change
HUF/EUR beginning of period	283.71	298.48	**5.21%**	311.13	291.29	**(6.38%)**
HUF/EUR period-end	291.29	296.91	**1.93%**	291.29	296.91	**1.93%**
HUF/EUR cumulative monthly average	283.80	297.71	**4.90%**	288.87	297.78	**3.08%**
HUF/MKD beginning of period	4.61	4.85	**5.21%**	5.06	4.74	**(6.32%)**
HUF/MKD period-end	4.74	4.83	**1.90%**	4.74	4.83	**1.90%**
HUF/MKD cumulative monthly average	4.61	4.84	**4.99%**	4.70	4.84	**2.98%**

In Q4 2013, foreign exchange rates had an effect on the revenue and expense lines of our foreign subsidiaries expressed in HUF as these are translated at the cumulative average rates.

3.1.2 Revenues

Total revenues amounted to HUF 165.7 billion in Q4 2013 compared to HUF 164.9 billion in Q4 2012, representing a 0.5% increase quarter over previous year same quarter caused by the following:

Mobile revenues amounted to HUF 78.8 billion in Q4 2013, compared to HUF 79.7 billion in the same period of the previous year representing a 1.2% decline. Higher mobile non-voice, equipment and other revenues could not fully offset the lower mobile voice revenues.

Mobile voice revenues, which represent the largest portion of revenues within mobile telecommunications services, declined by 6.1% to HUF 48.0 billion in Q4 2013 compared to HUF 51.2 billion in Q4 2012.

Voice-retail revenues decreased by 3.8% to HUF 40.9 billion in Q4 2013. This was mainly due to lower outgoing mobile voice revenues in Macedonia despite the volume of outgoing minutes increased quarter over quarter, as average price per minute was decreased by the introduction of new offers and promotion in response to competitive pressures in the market. In Hungary, mobile voice-retail revenues declined due to the significantly lower roaming revenues caused by EU regulated average tariff erosion, effectively from July 1, 2013. In Montenegro, voice-retail revenues declined due to significantly lower tariff levels that could not be compensated by the increase in usage and by the higher average customer base quarter over quarter.

Voice-wholesale revenues were down by 17.6% and amounted to HUF 6.7 billion in Q4 2013, mainly due to mobile termination rate cuts both in Hungary and at our foreign subsidiaries.

Non-voice revenues amounted to HUF 17.6 billion in Q4 2013, compared to HUF 16.5 billion in Q4 2012, representing a 6.6% increase. Higher non-voice revenues primarily came from higher mobile Internet revenues in Hungary, as both subscriber numbers and usage increased in Q4 2013. By December 31, 2013, the number of mobile broadband subscriptions was 1,845,544, which means a 26.8% increase in the customer base in Hungary. Our share of Hungary's mobile broadband market, based on the total number of subscriptions, was 45.2%.

Mobile equipment revenues increased by 4.7% to HUF 11.3 billion in Q4 2013 compared to HUF 10.8 billion in Q4 2012, mainly attributable to our foreign operations. In Macedonia, growth in equipment revenues was mainly due to the higher average price per handset, although lower number of handsets sold in Q4 2013. In Montenegro, mobile equipment revenues increased due to the intensive marketing campaigns carried out in Q4 2013. In Hungary, higher sales volume of the higher priced smartphones, and tablets caused the increase in equipment revenues.

Other mobile revenues grew from HUF 1.3 billion in Q4 2012 to HUF 1.9 billion in Q4 2013 owing to higher revenues derived from penalty charges in Hungary, in Q4 2013.

Fixed line revenues amounted to HUF 54.9 billion in Q4 2013, compared to HUF 55.0 billion in the same period of the previous year, representing a slight 0.2% decline. The decrease was driven by falling voice, data and Internet revenues, largely offset by increasing equipment, TV and other revenues.

Voice-retail revenues decreased by 7.0% to HUF 18.0 billion in Q4 2013 compared to HUF 19.4 billion in Q4 2012, mainly driven by the continuous decline in the number of revenue producing fixed lines and lower average tariff levels.

Voice-wholesale revenues decreased by 8.4% to HUF 3.4 billion in Q4 2013, primarily due to a lower volume of domestic and international incoming minutes, both in Hungary and at our foreign subsidiaries.

Internet revenues decreased from HUF 13.4 billion in Q4 2012 to HUF 13.3 billion in Q4 2013, representing a 0.9% decline. In Hungary, DSL connections slightly increased together with cablenet and fiber optic connections, but lower ARPU caused by lower prices due to strong competition and by the migration towards Telekom double- and triple-play packages, resulted in lower Internet revenues. The decrease was somewhat compensated by the higher revenues in Montenegro due to increased number of DSL connections. In Macedonia, Internet broadband revenues remained stable as lower prices were compensated by the 7.8% higher number of DSL access.

Data revenues amounted to HUF 4.7 billion in Q4 2013 compared to HUF 5.3 billion in Q4 2012. The decrease in both broadband and narrowband revenues was mainly deriving from lower number of domestic and international leased line customers as well as decreased prices, both in Hungary and at our foreign subsidiaries in 2013.

TV revenues amounted to HUF 9.6 billion in Q4 2013 compared to HUF 8.9 billion in Q4 2012, representing an increase of 8.9%. This increase is mainly attributable to 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 the development of our high speed Internet network, demonstrates the increasing popularity of interactive television. Growth in satellite TV revenues was due to the higher number of customers compared to the same quarter last year. These increases were partly offset by lower Cable TV revenues owing to the fact that an increasing number of existing subscribers have been migrating over to IPTV services in Hungary.

Fixed equipment revenues amounted to HUF 2.6 billion in Q4 2013 compared to HUF 1.8 billion in Q4 2012. The significant increase is mainly owing to the higher sale of TV sets and Tablets in Hungary.

Other fixed line revenues increased by 25.3% in Q4 2013 compared to the same period the previous year, and amounted to HUF 3.2 billion. The increase was mainly due to revenues derived from IRU sales in Montenegro and Romania in Q4 2013.

System Integration ("SI") and IT revenues decreased by 3.7% from HUF 18.9 billion in Q4 2012 to HUF 18.2 billion in the same period of 2013. Lower revenues were due to the decrease in revenues from SI/IT equipment sale in Hungary owing to the significant deal in Q4 2012.

On a year over year basis, System Integration ("SI") and IT revenues increased by 18.1% from HUF 54.3 billion in 2012 to HUF 64.1 billion in 2013. Increased revenues were due to higher infrastructure and application revenues owing to several significant new projects in 2013.These increases were partly offset by lower outsourcing mainly driven by the termination of the EKG project and the renegotiation of other large contracts in 2013.

Revenue from **Energy Services** increased to HUF 13.9 billion in Q4 2013 compared to HUF 11.2 billion in Q4 2012. The growth resulted from the higher number of points of delivery in Q4 2013 compared to a year earlier. As at December 31, 2013, the number of electricity points of delivery had reached 106,287 while the number of gas points of delivery amounted to 67,587.

3.1.3 Operating expenses

Total operating expenses in Q4 2013 decreased by 2.0% compared to the same period last year to HUF 155.5 billion. Year over year, total operating expenses increased by 6.9% in 2013.

Mobile services-related payments in Q4 2013 decreased by 2.1% quarter over quarter, and amounted to HUF 23.7 billion. The decrease in mobile voice payments was only partly counterbalanced by higher mobile equipment costs owing to the higher ratio of smartphones and tablets sold. Year over year, mobile revenue related expenses increased by 6.4%, due to the significant increase in equipment sales.

Fixed line-related payments increased by 7.8% to HUF 11.5 billion in Q4 2013, from HUF 10.7 billion in Q4 2012. The increase is mainly driven by higher equipment sales at the Company due to the significant increase in tablet, notebook and TV-set sales. Furthermore, the increasing subscriber base quarter over quarter resulted in an increase in TV payments. These increases were counterbalanced by the continuously decreasing voice-related payments.

Fewer large infrastructure projects and SI/IT asset sales at T-Systems caused SI/IT-related payments to decrease from HUF 12.4 billion in Q4 2012 to HUF 11.5 billion in Q4 2013. Year over year, SI/IT revenue related expenses increased, in line with higher revenues.

Energy-related payments in Hungary have been growing (from HUF 11.2 billion in Q4 2012 to HUF 14.4 billion in Q4 2013) in line with the higher customer base.

Agent commissions decreased by 11.8% quarter over quarter, mainly due to the lower volume of sales in Q4 2013 than in the same period last year.

Bad debt expenses increased significantly by 187.5% from HUF 1.3 billion in Q4 2012 to HUF 3.7 billion in Q4 2013, primarily due to the higher amount of impairment loss on receivables from equipment sales on instalments in Q4 2013.

Employee-related expenses in Q4 2013 amounted to HUF 27.3 billion compared to HUF 28.1 billion in Q4 2012. The 2.6% decrease was in line with the 2.9% decrease in average employee figure quarter over quarter. On a yearly basis, employee-related expenses increased by 2.8%, mainly due to the higher average employee figure in Hungary as activities that were previously provided by outsourcing partners were insourced.

Depreciation and amortization expenses decreased from HUF 29.0 billion to HUF 27.0 billion quarter over quarter, mainly due to the RAN modernization project in Macedonia, where the useful life of affected equipment was shortened resulting in increased depreciation in Q4 2012. This decrease was only partly counterbalanced by higher depreciation in Hungary, due to the capitalization of the extended- and newly purchased spectrum licenses. The capitalization of the net present value of future annual frequency fees in Hungary also added to the increase in the amortization expenses.

Special "crisis" taxes on telecommunications services, retail sales and energy sales prevailing between 2010-2012, did not exist in 2013..

However, another sector specific tax ("telecom tax") was introduced in Hungary for fixed and mobile voice and mobile SMS/MMS services, effective from July 1, 2012. The tax imposed on fixed and mobile usage amounted to HUF 2 per minute and HUF 2 per SMS/MMS. The tax was capped at HUF 400 per month per calling number for private individuals' subscriptions and HUF 1400 per month per calling number for other subscribers' subscriptions in 2012. In 2013, the tax was capped at HUF 700 per month per calling number for private individuals' subscriptions, and was HUF 2500 per month per calling number for non-private individual subscribers' subscriptions. From August 1, 2013, the tax measure was raised to HUF 3 per minute and HUF 3 per SMS/MMS for non-private individual subscribers' subscriptions and also the cap applicable to these subscriptions was raised to HUF 5,000 per month.

Besides this, on November 20, 2012 the Hungarian Parliament adopted an act imposing a tax on utility networks, effective from January 1, 2013 for an indefinite period of time. The tax expense and liability was recognized in the first quarter of 2013, as the full annual tax liability is payable based on the taxable infrastructure in place on January 1, 2013. Payments were made in two instalments in March and September 2013. Telecommunication and utility taxes are recognized among other operating expenses.

Other operating expenses were down by 13.0%, from HUF 38.4 billion in Q4 2012 to HUF 33.4 billion in Q4 2013. The decrease is mainly owing to lower fees and levies. The combined impact of higher telecom taxes and no special tax in Q4 2013 compared to Q4 2012 resulted in less expense of HUF 3.7 billion. The annual fees of frequencies capitalised in Q3 2013 resulted in a HUF 1.5 billion decrease in other operating expenses quarter over quarter.

3.1.4 Other operating income

Other operating income decreased from HUF 1.8 billion to HUF 1.5 billion quarter over quarter. The slight decrease is mainly due to higher other operating income in Macedonia in Q4 2012, as a result of the reversal of certain provisions for legal cases. Year over year, other operating income decreased from HUF 10.2 billion in 2012 to HUF 3.2 billion in 2013. The unusually high amount of income in 2012 was mainly owing to a real estate transaction in Macedonia, where four old buildings were exchanged for a new one in 2012, resulting in a gain on the sale of the old buildings of HUF 3.8 billion. Also, the sale of Pro-M in 2012 resulted in a gain of HUF 1.6 billion.

3.1.5 Operating profit

Operating profit increased from HUF 8.0 billion in Q4 2012 to HUF 11.7 billion in Q4 2013 for the reasons described above.

3.1.6 Net financial result

Net financial expenses decreased by 4.8%, from HUF 8.4 billion in Q4 2012 to HUF 8.0 billion in Q4 2013. The improvement was primarily due to lower interest expenses as a result of the lower average interest rate, although our net debt level increased quarter over quarter. Lower net loss on foreign exchange translation and hedges also contributed to the improvement, as the HUF strengthened by 0.53% against the EUR in Q4 2013 compared to a 2.67% weakening in Q4 2012.

Year over year, the net financial result deteriorated by 10.4% from HUF 28.6 billion in 2012 to HUF 31.6 billion in 2013. The deteriorated result was primarily due to the higher combined net loss on foreign exchange translation and fair valuation of derivatives in 2013, as the HUF weakened by 1.93% against the EUR in 2013 as opposed to a 6.4% appreciation in 2012.

3.1.7 Income tax

The income tax expense increased from HUF 0.8 billion in Q4 2012 to HUF 2.5 billion in Q4 2013. Higher tax expense is primarily due to higher profit before tax (PBT) in Q4 2013. Despite the negative PBT in Q4 2012, there was a significant tax expense, as the local business tax (the base of which is the gross margin) is rather stable over time and represents a higher portion of income tax in periods with lower PBT.

3.1.8 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests in Q4 2013 increased by 125.5% compared to the same period in 2012. The increase was predominantly due to the better results of the Macedonian subsidiaries, resulting from the 205.0% higher operating profit in MKD terms. In Montenegro, operating profit decreased by 14.6% in EUR terms quarter over quarter.

On a year over year basis, profit attributable to non-controlling interest decreased by 40.0%, from HUF 9.0 billion in 2012 to HUF 5.4 billion in 2013, owing to the weaker annual results of our subsidiaries in Macedonia.

3.1.9 Cash flows

Net cash generated from operating activities amounted to HUF 131.6 billion in 2013, compared to HUF 145.2 billion in 2012. The main reasons for the decrease of HUF 13.6 billion were the following:

- HUF -15 billion lower EBITDA
- HUF -12 billion from change of receivables due to significantly increasing equipment sale on installments in 2013 (smartphones, TV, tablet, etc.)
- HUF -4 billion due to less addition to severance and legal provision and more severance payment from provision in 2013 than in 2012
- HUF -4 billion impact due to changes in unpaid taxes were more favorable in 2012 than in 2013
- HUF 4 billion due to trade payables (reverse) factored in 2013 and paid in 2013 included in repayment of other financial liabilities
- HUF 22 billion due to the settlement payments to the DOJ and the SEC in Q1 2012
- HUF 5 billion effect due to the non-cash gain on the disposal of Maktel's old buildings as part of the building exchange deal in Q3 2012 and gain on sale of Pro-M in 2012
- HUF -4 billion due to the proceeds from the recovery of Pro-M receivables as part of the disposal deal in 2012

Net cash used in investing activities amounted to HUF -106.0 billion in 2013, compared to HUF -72.9 billion in 2012. The main reasons for the HUF 33.1 billion higher cash outflow were the following:

- HUF -34 billion initial cost due to the renewal of the 900 MHz and 1800 MHz Hungarian frequency licenses in 2013
- HUF 11 billion 900 MHz spectrum license fee paid in 2012
- HUF -3 billion paid for new 4G license in Macedonia in Q3 2013
- HUF 3 billion due to Capex payables (reverse) factored in 2013 and paid in 2013 included in repayment of other financial liabilities

- HUF -14 billion due to cash inflow from the sale of Pro-M (excluding HUF 4 billion included in operating cash flow) in Q3 2012
- HUF 2 billion net effect from acquisitions. The purchase price of M-Kábel acquisition in 2012 was higher than the purchase price of a number of cable TV business acquisitions in 2013.

Net cash outflow from financing activities changed from HUF -71.1 billion in 2012 to HUF -26.3 billion in 2013. The main reasons for the changes were the following:

- HUF 53 billion higher net loan proceeds in 2013 as a result of the need generated by the lower free cash flows in 2013.
- HUF -7 billion payment on vendor factored trade payables in 2013, no such payment in financing activities in 2012
- HUF -2 billion from higher payments on finance lease liabilities in 2013 than in 2012 due to the amendment of the STB lease contract in 2013
- HUF 1 billion less dividend payment in 2013. MT paid the same amount of dividend, while MKT paid less dividend and TCG paid more dividend to its minority owners in 2013.

Free cash flow (FCF), defined as operating cash flow, investing cash flow excluding payments for / proceeds from other net financial assets and including payments for other financial liabilities, decreased from HUF 59.7 billion in 2012 to HUF 0.6 billion in 2013 due to the reasons described above.

3.1.10 Key Performance Indicators / Key operating statistics

The financial and operating statistics are available on the following website:

http://www.telekom.hu/investor_relations/financial

3.2. Segment information

3.2.1 Description of segments

The Group's operating segments are Telekom Hungary, T-Systems Hungary, Macedonia and Montenegro.

The Telekom Hungary segment operates in Hungary providing mobile and fixed line telecommunications and TV distribution and energy retail services to millions of residential and small and medium business customers mainly under the Telekom brand. The Telekom brand name will in the future be expanded to cover all services offered to the general public as well as to small and medium-sized companies. 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 and Romania providing mainly wholesale services to local companies and operators.

T-Systems operates in Hungary providing mobile and fixed line telecommunications, infocommunications and system integration services mainly under the T-Systems brand to key business customers (large corporate and public sector customers).

The Group also has full-scale mobile and fixed line telecommunications operations in Macedonia and Montenegro, which represent two additional operating segments of the Group.

EGYÜTT. VELED

Information regularly provided to the Management Committee

The following tables present the information by reportable segment regularly provided to the Management Committee (MC) of the Company, reconciled to the corresponding Group numbers. The information regularly provided to the MC includes several measures of profit which are considered for the purposes of assessing performance and allocating resources. These items vary year-over-year in nature and magnitude. Management believes that Revenue, EBITDA and Capex are the segment measures that are most consistent with the measurement principles used in measuring the corresponding amounts in these financial statements.

HUF millions	Q4 2012	Q4 2013	1-12. months, 2012	1-12. months, 2013
Total Telekom Hungary revenues	118 004	121 069	433 616	464 076
Less: Telekom Hungary revenues from other segments	(7 103)	(6 741)	(28 548)	(27 736)
Telekom Hungary revenues from external customers	**110 901**	**114 328**	**405 068**	**436 340**
Total T-Systems Hungary revenues	36 089	33 537	117 886	123 640
Less: T-Systems Hungary revenues from other segments	(5 713)	(4 754)	(13 794)	(15 984)
T-Systems Hungary revenues from external customers	**30 376**	**28 783**	**104 092**	**107 656**
Total Macedonia revenues	15 830	14 595	65 059	60 786
Less: Macedonia revenues from other segments	(7)	(19)	(50)	(39)
Macedonia revenues from external customers	**15 823**	**14 576**	**65 009**	**60 747**
Total Montenegro revenues	7 781	8 059	32 975	32 804
Less: Montenegro revenues from other segments	(4)	(5)	(30)	(27)
Montenegro revenues from external customers	**7 777**	**8 054**	**32 945**	**32 777**
Total consolidated revenue of the segments	164 877	165 741	607 114	637 520
Measurement differences to Group revenue	(4)	0	14	1
Total revenue of the Group	**164 873**	**165 741**	**607 128**	**637 521**
Segment results (EBITDA)				
Telekom Hungary	24 845	28 565	130 928	129 035
T-Systems Hungary	3 182	2 083	16 838	14 194
Macedonia	6 649	5 717	34 628	24 167
Montenegro	2 372	2 304	12 325	12 067
Total EBITDA of the segments	**37 048**	**38 669**	**194 719**	**179 463**
Measurement differences to Group EBITDA	(25)	84	99	(1)
Total EBITDA of the Group	**37 023**	**38 753**	**194 818**	**179 462**
Total depreciation and amortization of the Group	(28 983)	(27 006)	(106 897)	(104 741)
Total operating profit of the Group	**8 040**	**11 747**	**87 921**	**74 721**

3.2.2 Telekom Hungary

HUF millions	Q4 2012	Q4 2013	Change	Change (%)	1-12. months, 2012	1-12. months, 2013	Change	Change (%)
Voice revenues	39,547	37,659	(1,888)	(4.8%)	157,044	150,098	(6,946)	(4.4%)
Non-voice revenue	12,489	13,392	903	7.2%	47,960	51,044	3,084	6.4%
Other mobile revenues	10,152	11,041	889	8.8%	28,886	40,356	11,470	39.7%
Total mobile revenues	**62,188**	**62,092**	**(96)**	**(0.2%)**	**233,890**	**241,498**	**7,608**	**3.3%**
Voice revenues	15,278	13,858	(1,420)	(9.3%)	62,471	56,444	(6,027)	(9.6%)
Internet revenues	10,641	10,435	(206)	(1.9%)	41,385	40,346	(1,039)	(2.5%)
TV revenues	7,708	8,268	560	7.3%	30,010	31,970	1,960	6.5%
Other fixed line revenues	10,630	11,630	1,000	9.4%	38,813	44,773	5,960	15.4%
Total fixed line revenues	**44,257**	**44,191**	**(66)**	**(0.1%)**	**172,679**	**173,533**	**854**	**0.5%**
SI/IT revenues	311	888	577	185.5%	1,561	1,905	344	22.0%
Revenue from Energy Services	11,248	13,898	2,650	23.6%	25,486	47,140	21,654	85.0%
Total revenues	**118,004**	**121,069**	**3,065**	**2.6%**	**433,616**	**464,076**	**30,460**	**7.0%**
Crisis tax	(5,271)	0	5,271	100.0%	(21,029)	0	21,029	100.0%
Telecom tax	(3,653)	(5,275)	(1,622)	(44.4%)	(7,280)	(19,596)	(12,316)	(169.2%)
Utility tax (net)	0	0	0	n.a.	0	(6,939)	(6,939)	n.a.
Other operating expenses (net)	(84,235)	(87,229)	(2,994)	(3.6%)	(274,379)	(308,506)	(34,127)	(12.4%)
EBITDA	**24,845**	**28,565**	**3,720**	**15.0%**	**130,928**	**129,035**	**(1,893)**	**(1.4%)**
STB rental to finance lease	0	0	0	n.a.	0	7,225	7,225	n.a.
Other investments in tangible and intangible assets	22,661	18,417	(4,244)	(18.7%)	57,791	59,523	1,732	3.0%
Segment Capex	**22,661**	**18,417**	**(4,244)**	**(18.7%)**	**57,791**	**66,748**	**8,957**	**15.5%**
Hungarian frequency licences	0	459	459	n.a.	10,923	55,520	44,597	408.3%

Revenues

Total revenues in the Telekom Hungary segment increased in Q4 2013 compared with the same quarter in the previous year due to considerably higher revenues from energy services, as well as increased mobile and fixed equipment, mobile internet, SI/IT and TV revenues. These increases were mitigated by lower mobile and fixed voice revenues.

Mobile services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Mobile penetration [1]	116.5%	117.0%	n.a.	116.5%	117.0%	n.a.
Mobile SIM market share [2]	45.9%	46.3%	n.a.	45.9%	46.3%	n.a.
Number of customers (RPC)	**4,836,965**	**4,886,705**	**1.0%**	**4,836,965**	**4,886,705**	**1.0%**
Postpaid share in the RPC base	47.3%	48.5%	n.a.	47.3%	48.5%	n.a.
MOU	**160**	**162**	**1.3%**	**160**	**161**	**0.6%**
ARPU (HUF)	**3,508**	**3,429**	**(2.2%)**	**3,455**	**3,384**	**(2.1%)**
Postpaid	5,717	5,576	(2.5%)	5,698	5,518	(3.2%)
Prepaid	1,467	1,360	(7.3%)	1,414	1,355	(4.2%)
Churn rate	20.9%	19.0%	n.a.	18.4%	18.4%	n.a.
Postpaid	16.6%	11.3%	n.a.	14.5%	13.2%	n.a.
Prepaid	24.7%	26.2%	n.a.	21.9%	23.2%	n.a.
Ratio of non-voice revenues in ARPU	24.1%	26.2%	n.a.	23.5%	25.4%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	6,045	7,760	28.4%	5,479	6,407	16.9%
Average retention cost (SRC) per retained customer (HUF)	13,863	19,204	38.5%	13,500	14,946	10.7%
Number of mobile broadband subscriptions	**1,362,750**	**1,712,807**	**25.7%**	**1,362,750**	**1,712,807**	**25.7%**
Mobile broadband market share based on total number of subscriptions [2]	**45.8%**	**45.2%**	**n.a.**	**45.8%**	**45.2%**	**n.a.**
Population-based outdoor 3G coverage	80.5%	82.9%	n.a.	80.5%	82.9%	n.a.
Population-based outdoor LTE coverage	27.0%	38.0%	n.a.	27.0%	38.0%	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.

Mobile revenues remained stable in Q4 2013 versus Q4 2012 due to the fact, that higher equipment revenues driven by increased sales volume of smartphones and tablets, the increase in non-voice revenues due to wider usage of mobile Internet and the higher other mobile revenues caused by increased amount of penalties charged could largely compensate the decline in mobile voice revenues owing to the average tariff decrease.

Fixed line services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Voice services						
Total voice access	1,544,831	1,508,670	(2.3%)	1,544,831	1,508,670	(2.3%)
Total outgoing traffic (thousand minutes)	814,817	762,708	(6.4%)	3,198,321	3,118,192	(2.5%)
Blended MOU (outgoing) [1]	186	178	(4.5%)	181	181	0.0%
Blended ARPU (HUF) [1]	2,797	2,727	(2.5%)	2,849	2,768	(2.8%)

(1) Including PSTN, VoIP and VoCable.

Fixed line voice revenues declined by 9.3% in Q4 2013 compared to Q4 2012 due to lower 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 migration towards multiplay packages and competition with VoIP and VoCable operators. The increasing popularity of flat rate packages (e.g. Hoppá) also led to lower ARPU.

Magyar Telekom Plc. has several favorable offers for customers choosing different flat-rate and optional tariff packages. Our Hoppá tariff package was very successful, generating 638,134 subscribers by the end of December 2013. The vast majority of customers choosing this package signed a 2-year loyalty contract; therefore, this offer proves to be a very effective tool in decreasing fixed line customer churn in Hungary. Our integrated fixed and mobile offer, the Paletta tariff package reached 47,357 customers as at December 31, 2013.

Internet services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Blended retail broadband market share [(1)]	**36.9%**	**37.6%**	**n.a.**	**36.9%**	**37.6%**	**n.a.**
Number of retail DSL customers	497,217	518,217	4.2%	497,217	518,217	4.2%
Number of cable broadband customers	245,984	281,577	14.5%	245,984	281,577	14.5%
Number of fiber optic connections	41,802	50,953	21.9%	41,802	50,953	21.9%
Total retail broadband customers	**785,003**	**850,747**	**8.4%**	**785,003**	**850,747**	**8.4%**
Blended broadband ARPU (HUF)	3,828	3,442	(10.1%)	3,813	3,530	(7.4%)
Number of wholesale DSL access	89,861	70,964	(21.0%)	89,861	70,964	(21.0%)

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

Internet revenues decreased and amounted to HUF 10.4 billion in Q4 2013. The decrease was mainly owing to a lower number of wholesale connections quarter over quarter. Increase in the number of retail broadband customers could not fully compensate for the decrease in wholesale connections and the effects of lower ARPU, reflecting lower prices forced by strong competition. The migration towards Telekom double- and triple-play packages also had a negative effect on the blended ARPU level.

TV services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Blended TV market share [(1)]	**25.4%**	**25.8%**	**n.a.**	**25.4%**	**25.8%**	**n.a.**
Number of IPTV customers	313,285	389,700	24.4%	313,285	389,700	24.4%
Number of satellite TV customers	291,118	307,147	5.5%	291,118	307,147	5.5%
Number of cable TV customers	230,323	190,869	(17.1%)	230,323	190,869	(17.1%)
Total TV customers	**834,726**	**887,716**	**6.3%**	**834,726**	**887,716**	**6.3%**
Blended TV ARPU (HUF)	3,106	3,139	1.1%	3,069	3,110	1.3%

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

IPTV and satellite TV revenues increased in Q4 2013 compared to the same quarter last year; however, this increase was partly offset by lower Cable TV revenues influenced by the significantly lower customer base primarily due to migration from Cable TV to IPTV.

Energy services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Electricity points of delivery	87,945	106,287	20.9%	87,945	106,287	20.9%
Gas points of delivery	59,900	67,587	12.8%	59,900	67,587	12.8%

Revenue growth from retail energy service slowed down in Q4 2013 reflecting the continued cautious approach to customer acquisition. Revenues from Energy services increased by HUF 2.7 billion in Q4 2013 versus Q4 2012, due to the growth in the number of customers (points of delivery).

EBITDA

EBITDA of the Telekom Hungary segment increased by 15.0% in Q4 2013 versus Q4 2012, the main reason for which is that the lower direct margin (revenues less direct costs) was offset by the decreased amount of sector specific tax expenses and by lower fees and levies in Q4 2013.

On a year over year basis, EBITDA decreased by 1.4%, due to the lower direct margin, that could not be compensated by the decrease in sector specific tax expenses, in fees and levies and the lower service fees.

Segment Capex

Segment Capex decreased by HUF 4.2 billion owing to lower spending on 3G/LTE in Q4 2013 quarter over quarter.

On a year over year basis, segment Capex increased by HUF 9.0 billion mainly due to the change in the IPTV set-top box lease contracts from operating to financial leases due to the extension of the contracts, and to the CRM and Billing project in Hungary.

3.2.3 T-Systems Hungary

HUF millions	Q4 2012	Q4 2013	Change	Change (%)	1-12. months, 2012	1-12. months, 2013	Change	Change (%)
Mobile voice revenues	3,828	3,696	(132)	(3.4%)	15,490	14,329	(1,161)	(7.5%)
Non-voice revenue	2,267	2,336	69	3.0%	9,180	9,181	1	0.0%
Other mobile revenues	988	966	(22)	(2.2%)	5,959	3,496	(2,463)	(41.3%)
Total mobile revenues	**7,083**	**6,998**	**(85)**	**(1.2%)**	**30,629**	**27,006**	**(3,623)**	**(11.8%)**
Fixed voice revenues	2,129	2,130	1	0.0%	8,915	8,497	(418)	(4.7%)
Internet revenues	604	560	(44)	(7.3%)	2,482	2,338	(144)	(5.8%)
Data revenues	2,625	2,257	(368)	(14.0%)	11,142	9,262	(1,880)	(16.9%)
Other fixed line revenues	295	446	151	51.2%	1,603	2,041	438	27.3%
Total fixed line revenues	**5,653**	**5,393**	**(260)**	**(4.6%)**	**24,142**	**22,138**	**(2,004)**	**(8.3%)**
SI/IT revenues	23,353	21,146	(2,207)	(9.5%)	63,115	74,496	11,381	18.0%
Total revenues	**36,089**	**33,537**	**(2,552)**	**(7.1%)**	**117,886**	**123,640**	**5,754**	**4.9%**
Crisis tax	(707)	0	707	100.0%	(3,322)	0	3,322	100.0%
Telecom tax	(736)	(1,391)	(655)	(89.0%)	(1,461)	(4,343)	(2,882)	(197.3%)
Utility tax (net)	0	0	0	n.a.	0	(509)	(509)	n.a.
Other operating expenses (net)	(31,464)	(30,063)	1,401	4.5%	(96,265)	(104,594)	(8,329)	(8.7%)
EBITDA	**3,182**	**2,083**	**(1,099)**	**(34.5%)**	**16,838**	**14,194**	**(2,644)**	**(15.7%)**
Segment Capex	**2,248**	**2,223**	**(25)**	**(1.1%)**	**5,172**	**4,431**	**(741)**	**(14.3%)**

Revenues

The total revenue of T-Systems Hungary decreased in Q4 2013 compared to Q4 2012 mainly due to lower SI/IT revenues.

On a year over year basis, the total revenue of T-Systems Hungary increased, as higher SI/IT revenues more than compensated for the decrease in mobile and fixed line revenues.

Mobile services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Number of customers (number or SIM cards)	483,104	515,701	6.7%	483,104	515,701	6.7%
Churn rate	11.1%	4.6%	n.a.	8.8%	6.8%	n.a.
MOU	282	264	(6.4%)	281	277	(1.2%)
ARPU (HUF)	4,226	3,936	(6.9%)	4,441	3,973	(10.5%)
Ratio of non-voice revenues in ARPU	37.4%	38.8%	n.a.	37.4%	39.2%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	3,659	4,315	17.9%	4,059	3,398	(16.3%)
Number of mobile broadband subscriptions	93,036	132,737	42.7%	93,036	132,737	42.7%

Mobile voice revenues decreased by 3.4% in Q4 2013 versus Q4 2012, predominantly due to lower voice-retail revenues as a result of lower average price per minute and decreased MOU, partly compensated by the higher average customer base.

Fixed line services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Voice services						
Total lines	171,125	167,754	(2.0%)	171,125	167,754	(2.0%)
Total outgoing traffic (thousand minutes)	57,046	54,698	(4.1%)	245,550	229,841	(6.4%)
MOU (outgoing)	171	168	(1.8%)	176	177	0.8%
ARPU (HUF)	4,167	4,271	2.5%	4,315	4,246	(1.6%)
Internet services						
Number of retail broadband access	14,289	15,043	5.3%	14,289	15,043	5.3%
Retail DSL ARPU (HUF)	7,614	6,660	(12.5%)	7,446	6,981	(6.2%)

Fixed line voice revenues remained stable quarter over quarter. Fixed line data revenues were lower, as a result of a lower number of leased lines, and lower narrowband data traffic in Q4 2013. Fixed line Internet revenues also declined slightly. Although the number of retail DSL access increased, the lower retail ARPU resulted in a decrease in Internet revenues.

On a year over year basis, fixed line voice revenues decreased, caused by the erosion both in the customer base and traffic.

SI/IT services

The 9.5% decrease in SI/IT revenues quarter over quarter resulted mainly from the significant decline in revenues from SI/IT equipment sale and lower outsourcing revenues.

On a year over year basis, SI/IT revenues increased by 18.0% due to higher infrastructure and application revenues owing to several significant new projects in 2013. These increases were partly offset by lower outsourcing revenues mainly driven by the termination of the EKG project and the renegotiation of other large contracts in 2013.

EBITDA

EBITDA decreased by 34.5% in Q4 2013 compared to Q4 2012, mainly due to a significant intermediary deal resulting in non deductible input VAT.

On a year over year basis, EBITDA decreased by 15.7%, mainly as a result of the one-off gain on the sale of Pro-M in Q3 2012 and the non deductible VAT in 2013.

Segment Capex

Segment Capex remained stable quarter over quarter.

On a year over year basis, segment Capex decreased, as a result of the lower amount of new outsourcing projects requiring significant spending on tangible and intangible assets in 2013.

3.2.4 Macedonia

HUF millions	Q4 2012	Q4 2013	Change	Change (%)	1-12. months, 2012	1-12. months, 2013	Change	Change (%)
Voice revenues[1]	6,994	5,826	(1,168)	(16.7%)	30,174	26,258	(3,916)	(13.0%)
Non-voice revenue	1,269	1,312	43	3.4%	5,410	5,650	240	4.4%
Other mobile revenues	818	950	132	16.1%	2,395	3,100	705	29.4%
Total mobile revenues	**9,081**	**8,088**	**(993)**	**(10.9%)**	**37,979**	**35,008**	**(2,971)**	**(7.8%)**
Voice revenues[1]	3,535	3,321	(214)	(6.1%)	15,269	13,155	(2,114)	(13.8%)
Internet revenues	1,388	1,391	3	0.2%	5,664	5,702	38	0.7%
TV revenues	447	571	124	27.7%	1,526	2,161	635	41.6%
Equipment revenues	473	418	(55)	(11.6%)	1,495	1,758	263	17.6%
Other fixed line revenues	729	647	(82)	(11.2%)	2,693	2,576	(117)	(4.3%)
Total fixed line revenues	**6,572**	**6,348**	**(224)**	**(3.4%)**	**26,647**	**25,352**	**(1,295)**	**(4.9%)**
SI/IT revenues	177	159	(18)	(10.2%)	433	426	(7)	(1.6%)
Total revenues	**15,830**	**14,595**	**(1,235)**	**(7.8%)**	**65,059**	**60,786**	**(4,273)**	**(6.6%)**
EBITDA	**6,649**	**5,717**	**(932)**	**(14.0%)**	**34,628**	**24,167**	**(10,461)**	**(30.2%)**
Segment Capex	**6,100**	**5,179**	**(921)**	**(15.1%)**	**24,591**	**12,089**	**(12,502)**	**(50.8%)**
4G license	0	0	0	n.a.	0	3,069	3,069	n.a.

(1) Comparatives modified

In order to maintain consistency with the current year presentation of revenues, certain items were reclassified for comparative purposes. From Q1 2013, all mobile terminated incoming international traffic revenues are disclosed as mobile wholesale revenues, while they were disclosed as fixed line wholesale revenues when the incoming traffic transited through Makedonski Telekom to T-Mobile Macedonia. The previous year's interim income statement disclosure of the revenue breakdown was modified to be comparable to the current year's presentation. This change makes the financial data and mobile KPIs of the Macedonian segment and the Group more comparable with other market participants.

Revenues

The 5.0% stronger MKD against the HUF on average in Q4 2013 compared with the same quarter last year had a positive impact on the results of the Macedonian segment in HUF terms. Despite the positive FX effect, revenues decreased by 7.8% in HUF terms over the same period last year, mainly driven by the significant decrease in mobile- and fixed voice revenues.

Mobile services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Mobile penetration[1]	108.4%	108.4%	n.a.	108.4%	108.4%	n.a.
Market share of T-Mobile Macedonia[1][2]	48.0%	47.5%	n.a.	48.0%	47.5%	n.a.
Number of customers	1,181,437	1,195,250	1.2%	1,181,437	1,195,250	1.2%
Postpaid share in the customer base	32.4%	32.5%	n.a.	32.4%	32.5%	n.a.
MOU	180	197	9.7%	163	191	17.2%
ARPU (HUF)[3]	2,256	1,951	(13.5%)	2,356	2,163	(8.2%)

(1) Restated, according to Agency of Electronic Communications
(2) Based on RPC
(3) Restated, due to change in calculation methodology.

Mobile voice revenues decreased by 16.7% quarter over quarter, mainly driven by lower voice-retail revenues, as higher outgoing minutes could not offset the lower subscription fees as a result of new promotions and offers reflecting the strong competition. Voice-wholesale revenues decreased as well, mainly as a result of lower price per minute for domestic calls from November 2013, although the domestic incoming traffic increased.

Non voice revenues remained broadly stable quarter over quarter, as higher mobile internet revenues were counterbalanced by lower SMS revenues owing to the lower number of SMSs sent.

Other mobile revenues increased by 16.1%, mainly driven by the greater number of higher average price handsets sold in Q4 2013 compared to Q4 2012.

Fixed line services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Voice services						
Fixed line penetration	14.9%	13.4%	n.a.	14.9%	13.4%	n.a.
Total voice access	291,328	266,620	(8.5%)	291,328	266,620	(8.5%)
Total outgoing traffic (thousand minutes)	151,071	131,375	(13.0%)	667,333	565,402	(15.3%)
Internet and TV services						
Retail DSL market share (estimated)	82.6%	83.5%	n.a.	82.6%	83.5%	n.a.
Number of retail DSL customers	145,263	160,168	10.3%	145,263	160,168	10.3%
Number of wholesale DSL access	26,903	25,346	(5.8%)	26,903	25,346	(5.8%)
Number of total DSL access	172,166	185,514	7.8%	172,166	185,514	7.8%
Number of IPTV customers	66,140	87,686	32.6%	66,140	87,686	32.6%

Fixed-line revenues decreased by 3.4% quarter over quarter, mainly driven by the decrease in voice-retail and equipment revenues. Voice-retail revenues declined reflecting the loss of fixed lines and lower traffic, while equipment revenues decreased due to the lower volume of TV set and laptop sales in Q4 2013. These decreases were partly counterbalanced by the increase in TV revenues, owing to the growing IPTV subscriber base.

EBITDA

EBITDA of our Macedonian operations decreased by 14.0% in Q4 2013 versus Q4 2012 in HUF terms owing to the lower direct margin quarter over quarter.

On a year over year basis, EBITDA decreased by 30.2%, derived mainly from higher other operating income in 2012, owing to the real estate transaction resulting in a HUF 3.7 billion gain, where four old buildings were exchanged for a new one. Furthermore, higher employee related expenses due to the severance expenses relating to the headcount reduction program in 2013, and the lower direct margin also contributed to the EBITDA decrease.

Segment Capex

Segment Capex decreased by 14.9% in Q4 2013, mainly due to higher Capex on the RAN modernization project in Q4 2012.

On a year over year basis, Capex decreased by 50.8%, mainly due to the high capex in Q3 2012 on the real estate transaction.

3.2.5 Montenegro

HUF millions	Q4 2012	Q4 2013	Change	Change (%)	1-12. months, 2012	1-12. months, 2013	Change	Change (%)
Voice revenues	2,316	1,976	(340)	(14.7%)	10,831	9,223	(1,608)	(14.8%)
Non-voice revenue	866	945	79	9.1%	3,325	3,830	505	15.2%
Other mobile revenues	202	336	134	66.3%	580	1,059	479	82.6%
Total mobile revenues	**3,384**	**3,257**	**(127)**	**(3.8%)**	**14,736**	**14,112**	**(624)**	**(4.2%)**
Voice revenues	2,392	2,325	(67)	(2.8%)	10,309	9,951	(358)	(3.5%)
Internet revenues	780	927	147	18.8%	3,437	3,569	132	3.8%
Data revenues	407	333	(74)	(18.2%)	1,748	1,499	(249)	(14.2%)
Other fixed line revenues	714	1,052	338	47.3%	2,427	3,000	573	23.6%
Total fixed line revenues	**4,293**	**4,637**	**344**	**8.0%**	**17,921**	**18,019**	**98**	**0.5%**
SI/IT revenues	104	165	61	58.7%	318	673	355	111.6%
Total revenues	**7,781**	**8,059**	**278**	**3.6%**	**32,975**	**32,804**	**(171)**	**(0.5%)**
EBITDA	**2,372**	**2,304**	**(68)**	**(2.9%)**	**12,325**	**12,067**	**(258)**	**(2.1%)**
Segment Capex	**1,373**	**2,282**	**909**	**66.2%**	**4,202**	**4,304**	**102**	**2.4%**

Revenues

The 4.9% stronger EUR against the HUF on average in Q4 2013 versus Q4 2012 had a positive impact on the results of our Montenegrin operations.

In HUF terms, total revenue increased by 3.6%, due to higher mobile non-voice, other mobile, other fixed line and SI/IT revenues partly counterbalanced by lower mobile voice and fixed line data revenues.

Mobile services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Mobile penetration [(1)]	159.8%	160.3%	n.a.	159.8%	160.3%	n.a.
Market share of T-Mobile Crna Gora [(1)]	34.3%	35.5%	n.a.	34.3%	35.5%	n.a.
Number of customers (RPC) [(1)]	340,032	352,840	3.8%	340,032	352,840	3.8%
Postpaid share in the RPC base	40.2%	38.4%	n.a.	40.2%	38.4%	n.a.
MOU	163	160	(1.8%)	161	166	3.1%
ARPU (HUF) [(1)]	3,152	2,532	(19.7%)	3,358	2,815	(16.2%)

(1) 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 HUF terms decreased by 3.8% owing to lower voice revenues. Lower voice-retail revenues were the result of the significantly lower tariff levels and the decrease in total billed minutes. Voice wholesale revenues decreased due to lower interconnection tariffs quarter over quarter.

These decreases were partly offset by the increase in other mobile revenues, owing to higher handset sales due to successful smartphone marketing campaigns in Q4 2013.

Fixed line services	Q4 2012	Q4 2013	change %	1-12. months, 2012	1-12. months, 2013	change %
Voice services						
Fixed line penetration	26.0%	25.4%	n.a.	26.0%	25.4%	n.a.
Total voice access	165,620	161,805	(2.3%)	165,620	161,805	(2.3%)
Total outgoing traffic (thousand minutes)	72,763	64,475	(11.4%)	300,312	265,911	(11.5%)
Internet and TV services						
Retail DSL market share (estimated)	82.9%	81.8%	n.a.	82.9%	81.8%	n.a.
Number of DSL access	81,842	88,840	8.6%	81,842	88,840	8.6%
Number of IPTV customers	54,248	59,188	9.1%	54,248	59,188	9.1%

Total fixed line revenues in HUF terms increased by 8.0%, mainly due to higher other fixed line, Internet and TV revenues. Other revenues increased due to an IRU sale transaction in November 2013. Internet revenues increased due to the 8.6% higher number of ADSL customers, while TV revenues increased owing to the higher IPTV subscriber base.

EBITDA

The EBITDA of our Montenegrin operation remained stable quarter over quarter, as the 8.4% higher direct margin was counterbalanced by higher employee related expenses relating to layoffs in Q4 2013.

On a year over year basis, EBITDA remained stable as well.

Segment Capex

Segment Capex increased by 66.2% in Q4 2013 compared to the same quarter last year, owing to higher spending on the 'One Billing' information system development project. On a year over year basis, segment Capex remained broadly stable.

3.3. 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

The most significant contingent liabilities of the Group are described below. 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.

Macedonia

Alleged breach of certain deadlines

MKT and T-Mobile MK have contingent liabilities in respect of legal and regulatory claims arising in the ordinary course of business. The major part of the contingent liabilities relate to several requests for initiating misdemeanor procedures from regulatory bodies for alleged breach of certain deadlines for decision upon subscriber's request. The maximum possible fine for each individual case is 4% - 10% of the annual revenue (HUF 35-43 billion) of the companies for the year preceding the misdemeanor, in accordance with the local legislation. Management believes that it is not probable that a significant liability will arise from these claims because of unsubstantial basis for initiating of these misdemeanor procedures.

Hungary

Public lawsuits relating to transaction fee

Two similar lawsuits were launched against the Company by the Hungarian Authority for Consumer Protection and the National Federation of Associations for Consumer Protection claiming that charging customers a transaction fee for invoices to be settled by yellow postal payment orders or in person at the cash-desk was unlawful. The Company is adamant that charging the transaction fee at the time of their introduction was not in breach of any law, while it was subsequently prohibited by a modification of the Act on Electronic Communications. The Company discontinued charging the fee on the effective date of the modification, and continues to comply with the provisions of the Act. Management believes that it is not probable that a significant liability will arise from these claims.

Guarantees

Magyar Telekom Plc. is exposed to risks that arise from the possible drawdown of guarantees.

Commitments

There has not been any material change in the nature and amount of our commitments in Q4 2013.

3.4. Other matters

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, please 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. In particular, the Company disclosed that it had entered into a two-year deferred prosecution agreement (the "DPA") with the DOJ. The DPA expired on January 5, 2014, and, further to the DOJ's request filed in accordance with the DPA, the U.S. District Court for the Eastern District of Virginia dismissed the charges against the Company on February 5, 2014.

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. No further provisions were made in 2012 or 2013 for these cases.

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

Further expected cuts in energy prices

The Hungarian Parliament passed an amendment of the act on cuts in energy prices on February 6, 2014 so that gas prices will be cut by 6.5% from April 2014 and electricity prices will be further cut by 5.7% from September 2014. As the applicable laws or regulations are not available yet, we cannot assess the exact impact of this announcement on the results of our energy business.

3.6. Business environment

The telecommunications industry is undergoing a major change globally. Worldwide trends are driving towards an integrated telecommunications, information, media and entertainment market. The increasing need for mobility and interactivity together with local specifics create new set-up in our eco-system both in terms of infrastructure, servicing and new types of business models.

Hungary

The saturating traditional telecommunications market delivers moderate growth in Hungary with strong restructuring between segments that puts pressure on margin levels. The fixed voice market as a major revenue and profit source is declining, mobile is no longer able to compensate this decline. The fixed market is characterized by 3Play bundles, with broadband becoming a core element of service offerings. We expect continued consolidation in the fixed arena and the appearance of new over-the-top (OTT) technologies. An increasing technology platform-based competition can be observed in the domestic market, where our competitors are extensively deploying next-generation countrywide fixed and mobile networks. The mobile voice market is becoming more flat, new entrants as virtual network operators appeared, moreover there is a fierce competition in broadband and content services. The battle for customer contacts has pushed prices down. We expect that the new core segments, especially mobile broadband, broadcasting and IT services will deliver revenue growth in the coming years.

Latest macroeconomic forecasts lag behind previous assumptions, especially in terms of residential consumption and public spending. Market development is challenged by significant uncertainties in macroeconomic outlook putting further pressure on market players.

The weakness of domestic demand entails negative changes in the economic structure and a decline in services. Decrease in corporate tax rate has not generated an increase in either consumption or investments. The flat personal income tax rate system increased savings at higher income categories. The special taxes are impacting telecom operators' investment intensity having a negative effect on overall telecom sector development. GDP is expected to reach the pre-crisis level only after 2014.

Macedonia

According to the latest estimated data from the National Bank of Republic of Macedonia, given the actual results and based on the positive influence of the new foreign and public investments, accompanied with the recovery of the private spending, the annual growth of the GDP is expected to be around 3.3% for the whole 2013, while for 2014 it is expected that growth will accelerate to around 3.7%. The latest National Bank data indicate that the average rate of inflation in 2013 was approximately 2.8%. However, given that in recent months inflationary pressures were lower than expected, with potential for further lower import price pressures than previously expected, there are downward risks about the inflation forecast for the period ahead.

Operating in a highly competitive environment in all telecommunication segments, MKT and TMMK are focused on new services and on the retention of the existing customers.

Montenegro

Telecommunication operators are facing wide range of operational and financial challenges due to unfavorable market conditions: emerging telco and non-telco competition, rising regulatory pressure, unfavorable socio-economic conditions and fast-changing customer needs and expectations.

Montenegrin market is characterized by strengthening broadband competition in the fixed market, especially by cable operators, and evolving X-Play/Fixed- Mobile Convergence competition. In the highly penetrated mobile market there is fierce price competition. There is potential in growth of mobile broadband revenues, where there is proliferation of data centric offers and internet options added to "standard" packages.

The country's debt is close to the EU limit with 55% of GDP, which coupled with low growth (+1.5%) is a real burden to the economy. The government introduced extensive fiscal adjustments like crisis tax of 1 EUR monthly on SIM cards and Pay TV subscriptions, freeze of pensions and public wages, personal tax rate increase, VAT increase from 17% to 19%. In addition, restrictive credit policy by the banks, bankruptcy of the indebted Aluminum industry giant and rising private debt in the real sector (23% blocked company accounts) will hit disposable income and increase overall cost-conscious customer behavior.

3.7. Strategy

Hungary

As a result of our focused strategic efforts, Magyar Telekom has maintained leading positions in its Hungarian fixed line, mobile, Internet and ICT businesses in 2013. Even under uncertain macroeconomic and market conditions, we managed to increase revenues, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offering capabilities proactively leveraging on various partnering models as well. The evolving external environment continues to drive the need for changes in our approach to our customers and our business.

We continue our transformation to become the most highly regarded service company in an extended market of telecommunications and related industries. To accelerate our efforts, we have developed a business and operating model based on our strategic imperatives to innovate, grow and extend the core business – thus growing revenue whilst becoming a more agile organization. This enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities that secure stable cash generation in the long run. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio and increase process automation. We aim to exploit our abilities to become a leader in all digital services around the home for both consumers and third parties. Our non-core areas, such as energy, e-health, finance and insurance services, support customer retention and new revenue streams.

Macedonia

Makedonski Telekom and T-Mobile MK are the leading telecommunications providers in all segments, Mobile, Fixed Voice, Fixed Data as well in Pay-TV since 2012.

Based on our current potential and strength to secure the core and extend business, driving into improved unique market positioning, we are building on significant achievements (Finished full All-IP Transformation, LTE/4G commercial launch) to ensure technology leadership and increasing value for customers.

Makedonski Telekom aspirations of sustainable cash flow generation based on stabilized revenue and remain market leader should be enabled with simultaneously radical business model transformation.

Makedonski Telekom's strategic goals to be achieved:

- Sustainable revenue & strengthen leadership position;
- Aggressive business-to-business (B2B) and information and communication technology (ICT) growth, improving capabilities and organization;
- Committed to create new value, to grow with innovations;
- Integration, being one team both externally and internally;
- Transformation toward increased operational efficiency and new revenue opportunities;
- Technology based leadership, optimized network coverage and the best customer experience.

Montenegro

Crnogorski Telekom successfully completed 2013 business year, preserving its market superiority, stable financial performance and made significant achievements on its transformational path.

Major business challenges are macroeconomic pressure, threat of new taxes, regulation pressure, emerging competition, digital lifestyle demand; while major business drivers are the slowdown of revenue decline, cost discipline and e-transformation.

CT will continue to execute its strategy framework and transformation program based on three strategic layers:

- Stand 4 Broadband: FTTH/4G rollout and X-Play/fixed-mobile convergence (FMC) offers proliferation to ensure ultra-high speed connectivity and seamless customer experience over fixed and mobile data streams and quality service features in order to keep long-term competitiveness in broadband, TV and FMC offers.
- Transform 2 Outperform: Digital engagement of customers and employees through transformation initiatives and consolidation strategies in order to support All IP cost-effective network architecture, service convergence, multichannel business model and faster and flexible go-to-market.
- New Way 2 Play: Push ICT/Cloud and Hardware initiatives; improving content variety and interactivity; new business development opportunities and exploring partnering concept.

3.8. Resources and risk factors

Our financial condition, results of operations or the trading prices of our securities could be materially adversely affected by any of these risks. The risks described below are not the only risks we face. Additional risks not currently known to us or risks that we currently regard as immaterial could also have a material adverse effect on our financial condition, results of operations or the trading prices of our securities.

- Our operations are subject to substantial government regulation, which can result in adverse consequences for our business and results of 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 voice revenues with TV, Internet, SI/IT and retail energy revenues;
- 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 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 fines or other sanctions;
- Our share price may be volatile, and your 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, the outcome of which could have an adverse effect on our results of operations.

3.9. Outlook

The telecommunications industry is undergoing significant changes globally. We have observed several long-term trends which are changing the structure of the telecommunications market. These long-term trends include changes in technology (e.g., IP-based broadband products and solutions, and cloud based solutions), customer requirements (e.g., increase in mobile usability of content services and terminal devices, 4Play solutions and the growing need for mobile applications) and competition and regulation (e.g. low entry barriers, new business models, convergence in the telecommunications and media broadcast industry).

Magyar Telekom's current plans and outlook are based on our best knowledge and expected circumstances. Nevertheless, we cannot predict the behavior of our competitors. Therefore, a stronger than assumed impact of other operators, new market entrants and new solutions in any country where we are present could result in a negative impact on our business performance.

Hungary

Each of our business segments is affected by its own unique business environment, and we are subject to circumstances and events that are unforeseen or beyond our control. In the European economy a slow recovery has started however it is still fragile. Major uncertainties surrounding the future of the euro have escalated the debt crisis for several euro-zone members. The Hungarian economy has been impacted heavily by the second wave of the financial crisis. The recovery is slow and fragile, the Central Bank of Hungary forecasts indicate GDP growth of about 1.1 percent for 2013 and 2.1 percent for 2014. The unemployment rate stays around ten percent, and the volatility of the Hungarian currency is expected to continue.

In order to balance the government budget, the Hungarian government has implemented several measures to reduce the deficit to 2.8 percent of GDP in 2013. The Parliament adopted an act imposing 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. On June 27, 2013, the Parliament of Hungary adopted an act amending the amount of the telecommunication tax, raising the tax measure to HUF 3 per minute and HUF 3 per SMS/MMS for non-private individual subscribers' subscriptions and also raising the cap applicable to these subscriptions to HUF 5,000 per month. These changes took effect from August 1, 2013. The telecommunication tax payable by Magyar Telekom for 2013 was HUF 23.9 billion. The Parliament also adopted an act imposing a further tax levied on utility networks (e.g.: ducts, cables) from 2013. The tax expense and liability was recognized in the first quarter of 2013 as the full annual tax liability (HUF 7.4 billion) is payable based on the taxable infrastructure in place on January 1, 2013. Our T-Systems Hungary segment is also affected by heavy spending cuts by the government, our largest business customer. After the general elections on April 6, 2014 the government may impose further austerity measures to reach the deficit target of the budget.

In September 2013, frequency usage rights in the 900 MHz and 1800 MHz frequency bands were extended and harmonized until 2022. Magyar Telekom paid a one-off fee of HUF 34 billion for the extension. We expect that further currently unused frequency bands will be tendered in 2014.

Magyar Telekom is continuously seeking business opportunities beyond core services. A significant step was made in this direction upon our entrance into the Hungarian retail energy market. This new revenue stream enables us to compensate for the decrease in our Hungarian revenue, however, these revenues are associated with lower margins. The Hungarian government has approved a cut in household energy prices by 10% from January 1, 2013, and another 11% from November 1, 2013. On February 6, 2014 further 6.5% cut in gas prices, effective from April 1, 2014 and 5.7% cut in electricity prices, effective from September 2014 were approved. The move applies to electricity, natural gas and district heating prices. In the future, we intend to shift our business focus and concentrate more on the competitive energy segment.

Macedonia

In Macedonia, competition is increasing both in the fixed line and mobile market. In the mobile market, aggressive price behavior is driven by a single mobile operator, which tries to regain lost market share. This trend is predicted to continue after the announced mobile termination rates ("MTR") decline. LTE licenses were obtained by all 3 mobile operators. Semi and full flat rates are dominant in mobile voice. Mobile data market is driven by flat rate packages. In the fixed line segment bundled offers based on broadband connections are the basis of future services. Digital TV services increase interactivity toward consumers and allowing extended applications. We also expect more intensive regulatory measures in Macedonia in the future. Intensifying retail price regulation and competition pressure will result in significant decrease of retail prices. Regulation expected for NGA (Next Generation Access) networks, introduction of in–house wiring, fiber unbundling and introduction of bit stream access over NGA. Further main focuses are: fostering of wholesale and retail service regulation, introduction of pure LRIC based pricing (for fixed and mobile voice, SMS, etc), NGA and FTTH regulation in line with NGA recommendation, reframing and frequency allocation for 4G services, obligation for all operators to put their aerial cables in urban areas underground.

Montenegro

In Montenegro, we also anticipate a tough environment due to competitive and regulatory pressures in the near future. In the fixed line market Crnogorski Telekom remain dominant, however price competition in broadband market and technology/content based competition in Pay TV market lead by cable companies have already started offering low-entry broadband packages. Fiber roll out will increase broadband penetration, but without premium monetization. Broadband and Pay TV are beginning to exhibit the signs of market maturity while IT market is highly fragmented. In the mobile market, the environment is very competitive and price sensitive. Flat tariffs in postpaid segment with unlimited on–net traffic and internet are initiated by market followers. Stronger growth expected in Confined Connectivity mobile data segment, as Full Connectivity will partly suffer from liberalization and cable competition. Mobile network modernization (LTE) is ongoing. Telenor already launched pilot and CT also had a soft LTE launch in selected urban areas. Regarding the regulatory measures, two new relevant retail markets are subject to expected market analysis: broadband and mobile services. Further risks are: international termination rates decline, NGA regulation, price regimes of bundling services.

3.9.1 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 and 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 2014. As the market is shifting towards multiplay offers, we are bundling 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 5Play packages, unique in the Hungarian market. Magyar Telekom - due to unfavourable economic and market trends - has implemented tariff change effective from November 2013. Fixed line inter-connection tariffs were reduced by 66% in January 2014. Further reductions are expected in each year from January 2015 until January 2016.

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 2014; however margins are under pressure due to significant competition. To strengthen our position in the TV market, we are continuously innovating our product portfolio (e.g. by offering interactive SAT TV).

In the mobile market, penetration has reached saturation point, and we expect declining voice revenues in 2014. 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. In 2013 all three MNO launched full flat mobile tariff packages, which could have negative impact on revenues. Mobile termination rates were reduced by 25% in 2013 and are expected to be reduced further in the future. The market entry of the 4th mobile operator is not likely in 2014.

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

3.9.2 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 efforts to increase cost efficiency. We have reached an agreement with trade trade unions on headcount reduction and other cost efficiency measures for 2014 at the Hungarian operations. According to the terms of the agreement, the Company plans to make around 250 employees redundant, the majority of these employees had left the Company by the end of 2013. There will not be any general increase in the base salaries for parent company employees during 2014. 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 costs to remain high in 2014, impacting us negatively.

3.9.3 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., LTE, FTTx) remain our key strategic goals. Broadband expansion is supported by large scale modernization of the mobile network.

We will increase investments in the IT area to reach our goals of becoming an ICT leader in Hungary, while expansion into new market segments will also demand additional investments.

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

We are continuously seeking further value-creating acquisitions and investment targets.

4. DECLARATION

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

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

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

Budapest, February 27, 2014

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, 2012, 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.