EGYÜTT. VELED

MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

EGYÜTT. VELED

Company name:	Magyar Telekom Plc.	Company address: e-mail address:	H-1013 Budapest Krisztina krt. 55. investor.relations@telekom.hu
IR contacts:	Position:	Telephone:	E-mail address:
Márton Lennert Gerda Gáti	Head of Investor Relations IR manager	+36-1-457-6084 +36-1-458-0334	lennert.marton@telekom.hu gati.gerda@telekom.hu

Budapest – November 4, 2015 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the third quarter and first nine months of 2015, in accordance with International Financial Reporting Standards (IFRS).

1. HIGHLIGHTS

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except ratios)	**Q3** **2014** (Unaudited)	**Q3** **2015** (Unaudited)	**Change** **(%)**	**1-9 months** **2014** (Unaudited)	**1-9 months** **2015** (Unaudited)	**Change** **(%)**
Total revenues	**157,504**	**158,006**	**0.3%**	**461,183**	**473,458**	**2.7%**
Operating profit	**24,210**	**21,261**	**(12.2%)**	**65,406**	**61,533**	**(5.9%)**
Profit attributable to:						
Owners of the parent	10,660	9,336	(12.4%)	27,071	24,362	(10.0%)
Non-controlling interests	1,137	1,257	10.6%	2,303	3,082	33.8%
	11,797	**10,593**	**(10.2%)**	**29,374**	**27,444**	**(6.6%)**
Gross margin	103,109	104,245	1.1%	302,667	305,838	1.0%
EBITDA	49,221	48,928	(0.6%)	139,362	143,571	3.0%
EBITDA margin	31.3%	31.0%	n.a.	30.2%	30.3%	n.a.
Free cash flow				24,195	16,911	(30.1%)
Basic and diluted earnings per share (HUF)	**10.23**	**8.96**	**(12.4%)**	**25.97**	**23.37**	**(10.0%)**
CAPEX to Sales				**11.6%**	**12.7%**	**n.a.**
Net debt				**418,443**	**425,697**	**1.7%**
Net debt / total capital				**44.6%**	**43.9%**	**n.a.**
Number of employees (closing full equivalent)				**11,141**	**10,638**	**(4.5%)**

- **Revenues in the third quarter of 2015 rose by 0.3% year-on-year from HUF 157.5 billion to HUF 158.0 billion,** as a result of increased revenues at both Hungarian segments partly offset by declining revenues at our Macedonian and Montenegrin subsidiaries. **Mobile revenues decreased by 4.4%** compared to the same period of last year, driven by a reduction in mobile voice retail and wholesale revenues following the sharp decrease in Mobile Termination Rates (MTRs) in Hungary as from April 1, 2015, as well as a decline in mobile equipment sales. However, mobile data revenues over this period increased significantly due to growth in the subscriber base and increased rates of usage. Despite a decline in fixed voice and data retail revenues, **overall Fixed line revenues increased by 2.0%** driven by growth in fixed broadband, TV and equipment revenues and the acquisition of GTS Hungary as of April 1, 2015. **System Integration (SI) and IT revenues** increased by 16.5% due to new major projects in Hungary and in Macedonia coming on stream in Q3 2015. Similar to the second quarter of 2015, SI/IT revenues improved across all segments in this period. **Energy revenue growth** of 7.9% was underpinned by the business sub-segment, with the increased number of electricity points of delivery helping to drive higher electricity sales; conversely the number of gas delivery points significantly decreased due to the decision to exit from the residential gas market as of July 31, 2015.

  Looking at the **Hungarian operations** overall, total revenues slightly increased in the period compared to the third quarter of 2014, mainly boosted by the outstanding SI/IT performance of T-Systems, which was partly offset by a decline in mobile revenues. In **Macedonia**, the rate of revenue decline continued to decelerate, down by 1.8% quarter over quarter compared to the 6.6% and 4.6% declines witnessed in the preceding two quarters. Both fixed and mobile revenues continued their decline in the face of regulatory pressures and fierce competition in **Montenegro.**

- **Total direct costs decreased in Q3 2015 by 1.2% to HUF 53.8 billion**, principally driven by interconnection costs falling 33% following the cut in MTRs as from April 1, 2015. Bad debt expenses also improved owing to a significant impairment loss from a major T-Systems customer recognized in Q3 2014 that was not repeated this year. Partly offsetting these cost savings though were increases in SI/IT and energy service related costs, in line with the higher sales revenues in both business lines. The gross margin increased slightly from HUF 103.1 billion to HUF 104.2 billion resulting from lower direct costs and slightly higher revenues quarter over quarter.

- **EBITDA in Q3 2015 slightly decreased by 0.6% quarter over quarter to HUF 48.9 billion,** driven by higher other operating expenses due to higher marketing, outsourcing and maintenance costs, partially offset by higher other operating income resulting from compensation received for own network construction works. Total employee-related expenses decreased by 2.2% despite the ca. HUF 1.0 billion higher severance costs thanks to recurring core savings that derive from the headcount reduction program.

Details of special taxes (HUF billion)	Q3 2014	Q3 2015
Telecom tax	6.5	6.4
Utility tax	0.0	0.0
Total	**6.5**	**6.4**

- **Depreciation and amortization expenses went up by 10.6% to HUF 27.7 billion in Q3 2015,** driven by higher amortization of telecom licenses linked to the new frequency rights acquired in Q4 2014, as well as software activation of the new billing and SAP system.
- **Net financial expenses increased by 7.6% from HUF 6.6 billion in Q3 2014 to HUF 7.1 billion Q3 2015,** primarily due to the increase of interest charge on the present value of the annual frequency fees recognized as a financial liability in Q4 2014.
- **Income tax expense significantly decreased from HUF 5.8 billion to HUF 3.5 billion quarter over quarter**. The difference is mainly due to the reinstatement of the profit tax in Macedonia that took place in August 2014, following amendments to the profit tax law. The remaining shrinkage is in line with the decrease of the pre-tax results of the Group. Year over year, income tax expense decreased by HUF 4.1 billion to HUF 11.5 billion in Q3 2015, in 2014 also negatively affected by the changes in the Macedonian tax law, amounting to an average normal effective tax rate of 30% similar to the previous years.
- **Profit attributable to the owners of the parent company (net income) decreased from HUF 10.7 billion to HUF 9.3 billion; although** EBITDA was largely stable, the primary causes of the fall were due to the rise in depreciation and amortization expenses, and to a lesser degree net financial expenses, although a decrease in income tax helped to dampen their impacts.
- **Investments in tangible and intangible assets (CAPEX) increased by HUF 6.3 billion to HUF 59.9 billion as of September 30, 2015** driven by enhanced spending on the Hungarian fixed High Speed Internet (HSI) roll-out plan as part of the Digital Hungary program. In the first three quarters of 2015, Telekom Hungary accounted for HUF 49.6 billion of the total CAPEX, with HUF 3.4 billion allocated to T-Systems Hungary. The Macedonian and Montenegrin operations accounted for HUF 4.9 billion and HUF 2.0 billion of the CAPEX, respectively.
- **Free cash flow** (FCF defined as operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets and repayment of other financial liabilities) **declined from HUF 24.2 billion as of end-September 2014 to HUF 16.9 billion in the same period of 2015**. Operating cash flow improved by HUF 8.9 billion mostly due to higher EBITDA and positive change due to lower tax payments in Macedonia in 2015, due to the tax law amendments in 2014, which brought the payment of the dividend related taxes earlier in 2014. Total investing cash flow for the first nine months of 2015 amounted to HUF 77.3 billion, up by HUF 19.0 billion compared to the same period of 2014, due to the costs of the GTS Hungary acquisition and increased CAPEX related to the HSI roll-out program.
- **Net debt rose from HUF 418.4 billion** at the end of the third quarter of 2014 to **HUF 425.7 billion** by end-September 2015; however, this is a significant decrease on the HUF 447.2 billion of net debt reported at the end of the second quarter of 2015. The year-on-year increase primarily reflects the frequency license payments and the capitalization of the present value of the future annual frequency fees in Q4 2014. The **net debt ratio** (net debt to total capital) of 43.9% at the end of the third quarter of 2015 compares favorably to the 45.6% as at the end of the second quarter, and we expect this deleverage trend to continue.

Christopher Mattheisen, CEO commented:

"I am pleased to report that we have managed to sustain the positive momentum in our operations. After managing to turn around our revenue, margins and most latterly EBITDA in recent years, we have also managed to return to positive Free Cash Flow generation this quarter which will serve as cornerstone for the resumption of dividend payments after this year's earnings. We believe that we have secured our market positions by being a strong integrated fixed and mobile service provider and continuing the next generation network developments across all segments. We have launched our Quad-Play offer, called Magenta1 in Hungary and in Macedonia to maximize the telecommunication share of the household spending wallet. Whilst at the same time, we have maintained our focus on costs in order to become a leaner and more efficient company. The headcount reduction program has continued in Hungary and our strategic goal has not changed with regard to product and process simplification, including moving more of our customer servicing online.

Our EBITDA performance improved by 3% year on year for the first nine months of this year. It was achieved not only through increasing the gross margin, mainly as a result of higher revenues and a lower level of bad debts, but also through achieving significant recurring savings in employee related expenses. This is even after booking approximately half of the planned one-off Hungarian severance expense of around 8 billion forints in the third quarter; we expect to book the second half of this amount in the fourth quarter this year. Looking ahead to the rest of this year, building on our performance year to date and the fact that we do not foresee any major changes in the Hungarian mobile market, we feel comfortable that we will be able to match approximately the EBITDA reported for 2014. This is an improvement on our previous guidance which was for up to a 3% decline.

The Group Capex for the first nine months of 2015 was almost 60 billion forints as we accelerated the Hungarian fixed High Speed Internet roll-out program, in conjunction with the continuing PSTN replacement program. However, the vast majority of the planned next generation fixed access investment is still ahead of us, so we expect a significant increase in the fourth quarter. Our Capex guidance for this year remains at 105 billion forints.

In terms of our Group financial targets, we maintain our revenue and Capex guidance but now feel sufficiently comfortable to raise our EBITDA guidance to be approximately in line with what was reported for 2014."

2015 public guidance:

	2014	Public guidance 2015
Revenue	HUF 626.4 billion	roughly stable
EBITDA	HUF 181.2 billion	roughly stable
Capex*	HUF 86.8 billion	ca. HUF 105 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, 2014 (Audited)	Sep 30, 2015 (Unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	14,625	17,113	2,488	17.0%
Trade and other receivables	144,266	157,872	13,606	9.4%
Other current financial assets	23,690	14,849	(8,841)	(37.3%)
Current income tax receivable	899	1,822	923	102.7%
Inventories	13,749	12,133	(1,616)	(11.8%)
Non current assets held for sale	668	405	(263)	(39.4%)
Total current assets	**197,897**	**204,194**	**6,297**	**3.2%**
Non current assets				
Property, plant and equipment	487,778	480,666	(7,112)	(1.5%)
Intangible assets	259,984	257,548	(2,436)	(0.9%)
Goodwill	218,502	218,502	0	0.0%
Investments in associates and joint ventures	0	13	13	n.a.
Deferred tax assets	155	77	(78)	(50.3%)
Other non current financial assets	25,243	22,480	(2,763)	(10.9%)
Other non current assets	1,217	835	(382)	(31.4%)
Total non current assets	**992,879**	**980,121**	**(12,758)**	**(1.3%)**
Total assets	**1,190,776**	**1,184,315**	**(6,461)**	**(0.5%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	110,858	100,013	(10,845)	(9.8%)
Other financial liabilities	65,131	38,576	(26,555)	(40.8%)
Trade payables	110,361	101,741	(8,620)	(7.8%)
Current income tax payable	1,778	1,760	(18)	(1.0%)
Provisions	5,579	6,090	511	9.2%
Other current liabilities	36,129	39,118	2,989	8.3%
Total current liabilities	**329,836**	**287,298**	**(42,538)**	**(12.9%)**
Non current liabilities				
Financial liabilities to related parties	245,071	263,106	18,035	7.4%
Other financial liabilities	59,422	55,964	(3,458)	(5.8%)
Deferred tax liabilities	22,064	24,315	2,251	10.2%
Provisions	8,816	9,088	272	3.1%
Other non current liabilities	1,169	1,138	(31)	(2.7%)
Total non current liabilities	**336,542**	**353,611**	**17,069**	**5.1%**
Total liabilities	**666,378**	**640,909**	**(25,469)**	**(3.8%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,396	27,408	12	0.0%
Treasury stock	(307)	(307)	0	0.0%
Retained earnings	310,406	333,661	23,255	7.5%
Accumulated other comprehensive income	32,184	31,701	(483)	(1.5%)
Total Equity of the owners of the parent	**473,954**	**496,738**	**22,784**	**4.8%**
Non-controlling interests	50,444	46,668	(3,776)	(7.5%)
Total equity	**524,398**	**543,406**	**19,008**	**3.6%**
Total liabilities and equity	**1,190,776**	**1,184,315**	**(6,461)**	**(0.5%)**

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)	Q3 2014 (Unaudited)	Q3 2015 (Unaudited)	Change	Change (%)
Revenues				
Voice retail	41,509	41,040	(469)	(1.1%)
Voice wholesale	7,551	3,185	(4,366)	(57.8%)
Data	13,636	15,625	1,989	14.6%
SMS	4,906	4,762	(144)	(2.9%)
Equipment	10,671	10,227	(444)	(4.2%)
Other mobile revenues	4,445	4,266	(179)	(4.0%)
Mobile revenues	**82,718**	**79,105**	**(3,613)**	**(4.4%)**
Voice retail	16,088	14,736	(1,352)	(8.4%)
Broadband retail	11,879	12,940	1,061	8.9%
TV	9,831	10,625	794	8.1%
Equipment	1,086	1,787	701	64.5%
Data retail	3,065	2,769	(296)	(9.7%)
Wholesale	5,379	5,681	302	5.6%
Other fixed line revenues	4,328	4,164	(164)	(3.8%)
Fixed line revenues	**51,656**	**52,702**	**1,046**	**2.0%**
System Integration/Information Technology revenues	14,404	16,781	2,377	16.5%
Energy service revenues	8,726	9,418	692	7.9%
Total revenues	**157,504**	**158,006**	**502**	**0.3%**
Direct costs				
Interconnect costs	(8,845)	(5,923)	2,922	33.0%
SI/IT service related costs	(8,934)	(10,441)	(1,507)	(16.9%)
Energy service related costs	(8,600)	(9,591)	(991)	(11.5%)
Bad debt expense	(2,838)	(1,968)	870	30.7%
Other direct costs	(25,178)	(25,838)	(660)	(2.6%)
Direct costs	**(54,395)**	**(53,761)**	**634**	**1.2%**
Gross margin	**103,109**	**104,245**	**1,136**	**1.1%**
Employee-related expenses	(25,858)	(25,293)	565	2.2%
Hungarian sector specific special taxes	(6,465)	(6,398)	67	1.0%
Other operating expenses	(22,228)	(25,000)	(2,772)	(12.5%)
Other operating income	663	1,374	711	107.2%
EBITDA	**49,221**	**48,928**	**(293)**	**(0.6%)**
Depreciation and amortization	(25,011)	(27,667)	(2,656)	(10.6%)
Operating profit	**24,210**	**21,261**	**(2,949)**	**(12.2%)**
Net financial result	(6,640)	(7,146)	(506)	(7.6%)
Share of associates' and joint ventures' profits	(14)	0	14	100.0%
Profit before income tax	**17,556**	**14,115**	**(3,441)**	**(19.6%)**
Income tax	(5,759)	(3,522)	2,237	38.8%
Profit for the period	**11,797**	**10,593**	**(1,204)**	**(10.2%)**
Change in exchange differences on translating foreign operations	199	(753)	(952)	n.m.
Revaluation of available-for-sale financial assets	0	3	3	n.a.
Other comprehensive income for the period	199	(750)	(949)	n.m.
Total comprehensive income for the period	**11,996**	**9,843**	**(2,153)**	**(17.9%)**
Profit attributable to:				
Owners of the parent	10,660	9,336	(1,324)	(12.4%)
Non-controlling interests	1,137	1,257	120	10.6%
	11,797	**10,593**	**(1,204)**	**(10.2%)**
Total comprehensive income attributable to:				
Owners of the parent	10,846	8,842	(2,004)	(18.5%)
Non-controlling interests	1,150	1,001	(149)	(13.0%)
	11,996	**9,843**	**(2,153)**	**(17.9%)**
Basic and diluted earnings per share (HUF)	**10.23**	**8.96**	**(1.27)**	**(12.4%)**

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)	1-9 months 2014 (Unaudited)	1-9 months 2015 (Unaudited)	Change	Change (%)
Revenues				
Voice retail	120,189	118,727	(1,462)	(1.2%)
Voice wholesale	21,174	12,893	(8,281)	(39.1%)
Data	38,704	44,243	5,539	14.3%
SMS	14,376	13,889	(487)	(3.4%)
Equipment	28,009	31,984	3,975	14.2%
Other mobile revenues	11,577	11,180	(397)	(3.4%)
Mobile revenues	**234,029**	**232,916**	**(1,113)**	**(0.5%)**
Voice - retail	48,817	44,971	(3,846)	(7.9%)
Broadband retail	35,387	38,406	3,019	8.5%
TV	28,723	31,559	2,836	9.9%
Equipment	3,932	5,340	1,408	35.8%
Data retail	8,961	8,066	(895)	(10.0%)
Wholesale	15,432	15,720	288	1.9%
Other fixed line revenues	13,193	11,934	(1,259)	(9.5%)
Fixed line revenues	**154,445**	**155,996**	**1,551**	**1.0%**
System Integration/Information Technology revenues	42,378	47,896	5,518	13.0%
Energy service revenues	30,331	36,650	6,319	20.8%
Total revenues	**461,183**	**473,458**	**12,275**	**2.7%**
Direct costs				
Interconnect costs	(24,883)	(18,922)	5,961	24.0%
SI/IT service related costs	(24,755)	(29,370)	(4,615)	(18.6%)
Energy service related costs	(29,446)	(35,473)	(6,027)	(20.5%)
Bad debt expense	(8,190)	(6,095)	2,095	25.6%
Other direct costs	(71,242)	(77,760)	(6,518)	(9.1%)
Direct costs	**(158,516)**	**(167,620)**	**(9,104)**	**(5.7%)**
Gross margin	**302,667**	**305,838**	**3,171**	**1.0%**
Employee-related expenses	(71,564)	(69,525)	2,039	2.8%
Hungarian sector specific special taxes	(26,802)	(26,759)	43	0.2%
Other operating expenses	(66,863)	(69,834)	(2,971)	(4.4%)
Other operating income	1,924	3,851	1,927	100.2%
EBITDA	**139,362**	**143,571**	**4,209**	**3.0%**
Depreciation and amortization	(73,956)	(82,038)	(8,082)	(10.9%)
Operating profit	**65,406**	**61,533**	**(3,873)**	**(5.9%)**
Net financial result	(20,453)	(22,575)	(2,122)	(10.4%)
Share of associates' and joint ventures' profits	(5)	0	5	100.0%
Profit before income tax	**44,948**	**38,958**	**(5,990)**	**(13.3%)**
Income tax	(15,574)	(11,514)	4,060	26.1%
Profit for the period	**29,374**	**27,444**	**(1,930)**	**(6.6%)**
Change in exchange differences on translating foreign operations	8,037	(893)	(8,930)	n.m.
Revaluation of available-for-sale financial assets	24	(25)	(49)	n.m.
Other comprehensive income for the period	8,061	(918)	(8,979)	n.m.
Total comprehensive income for the period	**37,435**	**26,526**	**(10,909)**	**(29.1%)**
Profit attributable to:				
Owners of the parent	27,071	24,362	(2,709)	(10.0%)
Non-controlling interests	2,303	3,082	779	33.8%
	29,374	**27,444**	**(1,930)**	**(6.6%)**
Total comprehensive income attributable to:				
Owners of the parent	32,983	23,879	(9,104)	(27.6%)
Non-controlling interests	4,452	2,647	(1,805)	(40.5%)
	37,435	**26,526**	**(10,909)**	**(29.1%)**
Basic and diluted earnings per share (HUF)	**25.97**	**23.37**	**(2.60)**	**(10.0%)**

EGYÜTT. VELED

2.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM Consolidated Statements of Cash Flows (HUF million)	1-9 months 2014 (Unaudited)	1-9 months 2015 (Unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	29,374	27,444	(1,930)	(6.6%)
Depreciation and amortization	73,956	82,038	8,082	10.9%
Income tax expense	15,574	11,514	(4,060)	(26.1%)
Net financial result	20,453	22,575	2,122	10.4%
Share of associates' and joint ventures' loss	5	0	(5)	(100.0%)
Change in assets carried as working capital	(4,370)	(13,501)	(9,131)	(208.9%)
Change in provisions	1,128	567	(561)	(49.7%)
Change in liabilities carried as working capital	(9,303)	9,394	18,697	n.m.
Income tax paid	(12,809)	(10,099)	2,710	21.2%
Interest and other financial charges paid	(20,833)	(22,474)	(1,641)	(7.9%)
Interest received	840	749	(91)	(10.8%)
Other cashflows from operations	4,079	(1,214)	(5,293)	n.m.
Net cash generated from operating activities	**98,094**	**106,993**	**8,899**	**9.1%**
Cash flows from investing activities				
Investments in tangible and intangible assets	(53,633)	(59,929)	(6,296)	(11.7%)
Adjustments to cash purchases	(5,791)	(3,754)	2,037	35.2%
Purchase of subsidiaries and business units	(1,156)	(16,428)	(15,272)	n.m.
Cash acquired through business combinations	0	1,815	1,815	n.a.
Proceeds from other financial assets - net	14,498	15,038	540	3.7%
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	2,262	1,006	(1,256)	(55.5%)
Net cash used in investing activities	**(43,820)**	**(62,252)**	**(18,432)**	**(42.1%)**
Cash flows from financing activities				
Dividends paid to shareholders and Non-controlling interests	(6,705)	(6,369)	336	5.0%
Repayment of loans and other borrowings -net	(34,492)	(23,012)	11,480	33.3%
Repayment of other financial liabilities	(15,581)	(12,792)	2,789	17.9%
Net cash used in financing activities	**(56,778)**	**(42,173)**	**14,605**	**25.7%**
Exchange differences on cash and cash equivalents	331	(80)	(411)	n.m.
Change in cash and cash equivalents	**(2,173)**	**2,488**	**4,661**	**n.m.**
Cash and cash equivalents, beginning of period	14,633	14,625	(8)	(0.1%)
Cash and cash equivalents, end of period	12,460	17,113	4,653	37.3%
Change in cash and cash equivalents	**(2,173)**	**2,488**	**4,661**	**n.m.**

EGYÜTT. VELED

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 – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
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
Dividend declared to Non-controlling interests									0	(6,822)	(6,822)
Equity settled share-based transactions				8					8		8
Capital reduction									0	(1,247)	(1,247)
Deconsolidation effect									0	(10)	(10)
Total comprehensive income						27,071	5,898	14	32,983	4,452	37,435
Balance at Sept 30, 2014	1,042,742,543	104,275	27,379	16	(307)	308,866	30,323	(93)	470,459	48,481	518,940
Equity settled share-based transactions				1					1		1
Total comprehensive income						1,540	1,953	1	3,494	1,963	5,457
Balance at December 31, 2014	1,042,742,543	104,275	27,379	17	(307)	310,406	32,276	(92)	473,954	50,444	524,398
Dividend declared to Non-controlling interests									0	(6,423)	(6,423)
Equity settled share-based transactions				12					12		12
Acquisition of GTS Hungary						(1,107)			(1,107)		(1,107)
Total comprehensive income						24,362	(468)	(15)	23,879	2,647	26,526
Balance at Sept 30, 2015	1,042,742,543	104,275	27,379	29	(307)	333,661	31,808	(107)	496,738	46,668	543,406

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.

The ultimate controlling parent of Magyar Telekom is Deutsche Telekom AG (DT or DTAG). Deutsche Telekom Europe B.V. (Stationsplein 8, 6221 BT Maastricht, the Netherlands), a member of the Deutsche Telekom Group, is the direct owner of 59.21% of the Company's issued shares and voting rights.

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, 2014, 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, 2014 have been filed with the Budapest Stock Exchange and the Hungarian National Bank. The statutory accounts for December 31, 2014 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, 2014.

3. CONSOLIDATED MANAGEMENT REPORT

3.1. Operating and financial review – Group

3.1.1 Exchange rate information

Exchange rate	Q3 2014	Q3 2015	Change	1-9 months 2014	1-9 months 2015	Change
HUF/EUR beginning of period	310.19	315.04	1.6%	296.91	314.89	6.1%
HUF/EUR period-end	310.36	313.32	1.0%	310.36	313.32	1.0%
HUF/EUR cumulative monthly average	308.90	308.70	(0.1%)	308.90	308.70	(0.1%)
HUF/MKD beginning of period	5.03	5.11	1.6%	4.83	5.12	6.0%
HUF/MKD period-end	5.03	5.08	1.0%	5.03	5.08	1.0%
HUF/MKD cumulative monthly average	5.01	5.01	0.0%	5.01	5.01	0.0%

Compared to Q3 2014, the changes in foreign exchange rates had no significant effect on the Q3 2015 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 158.0 billion in Q3 2015 compared to HUF 157.5 billion in Q3 2014. Revenues increased at both Hungarian segments partly offset by the decline at our foreign subsidiaries. Total group revenue increased by HUF 502 million quarter over quarter driven by the following factors:

Mobile revenues amounted to HUF 79.1 billion in Q3 2015, compared to HUF 82.7 billion in the same period of the previous year representing a 4.4% decrease. Lower mobile voice, equipment and SMS revenues were only partly offset by the higher mobile data revenues.

Voice-retail revenues decreased by 1.1% to HUF 41.0 billion in Q3 2015. This was mainly due to lower revenues in Macedonia despite the increased volume of outgoing minutes quarter over quarter, as the average price per minute decreased. However, the ARPU decline is lower than in earlier quarters of 2014. In Montenegro, lower revenues were driven by the decrease in outgoing traffic and lower number of customers especially in the prepaid segment. In Hungary, revenues increased, as the growth in the postpaid segment due to the combined effect of higher minutes of use (MOU), higher customer base and lower average price per minutes, was only partly offset by the decrease in prepaid segment. In the prepaid segment both MOU and the number of customers decreased, partly offset by higher prepaid outgoing tariff. Lower average tariff caused lower roaming revenues despite the increased volume of roaming traffic.

Voice-wholesale revenues dropped by 57.8% and amounted to HUF 3.2 billion in Q3 2015, mainly due to the 76% lower regulated mobile termination rate in Hungary, as of April 1, 2015. In Macedonia, lower mobile termination rates (MTR) applicable from September 1, 2014 and decrease in international incoming traffic caused lower voice-wholesale revenues in Q3 2015 compared to Q3 2014.

Data revenues amounted to HUF 15.6 billion in Q3 2015, compared to HUF 13.6 billion in Q3 2014, representing a 14.6% increase. Higher revenues primarily came from higher mobile Internet revenues in Hungary, as both subscriber numbers and usage increased in Q3 2015.

SMS revenues amounted to HUF 4.8 billion in Q3 2015, compared to HUF 4.9 billion in Q3 2014, representing a 2.9% decrease, primarily due to the lower number of SMSs sent mostly at our foreign subsidiaries, while SMS revenues increased in Hungary.

Mobile equipment revenues decreased by 4.2% to HUF 10.2 billion in Q3 2015 compared to HUF 10.7 billion in Q3 2014, mostly attributable to our Hungarian operation, as both sales volume of handsets and average handset prices decreased in Q3 2015. At our foreign subsidiaries, equipment revenues increased quarter over quarter. On a year-to-date basis, mobile equipment revenues increased due to higher equipment sales at higher average unit prices caused by the increased portion of smartphone sales in 2015.

Fixed line revenues amounted to HUF 52.7 billion in Q3 2015, compared to HUF 51.7 billion in the same period of the previous year, representing a 2.0% growth. The increase was driven by higher broadband, TV, equipment and wholesale revenues partly offset by falling voice retail and data revenues.

Voice-retail revenues decreased by 8.4% to HUF 14.7 billion in Q3 2015 compared to HUF 16.1 billion in Q3 2014, mainly driven by the continuous decline in the number of fixed voice lines, lower usage and decreased average tariff levels. Customer migration from PSTN to IP platforms has been continued.

Broadband retail revenues increased from HUF 11.9 billion in Q3 2014 to HUF 12.9 billion in Q3 2015, representing a 8.9% growth. In Hungary, DSL connections increased together with cablenet and fiber optic connections and blended fixed Broadband ARPU increased by 1.8%, resulting in higher revenues. Consolidation of GTS Hungary Kft. (GTS) revenues from April 1, 2015 also had positive effect on Broadband retail revenues.

TV revenues amounted to HUF 10.6 billion in Q3 2015 compared to HUF 9.8 billion in Q3 2014, representing an increase of 8.1%. This increase is mainly attributable to higher IPTV revenues driven by the growing IPTV subscriber base, both in Hungary (including the positive effect of acquisitions as well) and at our foreign subsidiaries. The fast growth of the IPTV customer base demonstrates the increasing popularity of interactive television. Blended TV ARPU increased by 4.3% in Hungary mainly due to IPTV migration and price increases. Growth in satellite TV revenues was due to the higher subscription fees in Hungary in Q3 2015 compared to the same quarter last year. In Q3 2015, Cable TV revenues also grew, mainly due to the acquisitions of CaTV subscribers, but also owing to the continuous migration to digital CaTV from analogue CaTV in Hungary.

Fixed equipment revenues amounted to HUF 1.8 billion in Q3 2015 compared to HUF 1.1 billion in Q3 2014. The increase was mainly owing to the higher sale of TV sets and tablets in Hungary.

Data retail revenues amounted to HUF 2.8 billion in Q3 2015 as compared to HUF 3.1 billion in Q3 2014. The decrease was mainly deriving from the lower number of contracts both in Hungary and in Macedonia. In Montenegro, revenue declined due to the transition of regular data customers to ICT, where data services are bundled with managed services.

Wholesale revenues increased by 5.6% to HUF 5.7 billion in Q3 2015. Higher network and infrastructure services revenues were mainly due to the consolidation effect of GTS Hungary in Q2 2015. In Montenegro, higher infrastructure services caused the revenue increase. Data and Broadband wholesale revenues decreased in Hungary due to price erosion, and the number of wholesale DSL connections declined significantly partly due to GTS Hungary, which became a consolidated entity in Q2 2015. Voice wholesale revenues decreased owing to lower incoming traffic generated in Hungary and at our foreign subsidiaries in Q3 2015. Lower mobile termination rates also negatively affected the voice wholesale revenues.

System Integration (SI) and IT revenues increased by 16.5% from HUF 14.4 billion in Q3 2014 to HUF 16.8 billion in the same period of 2015. Higher revenues were owing to new major projects in Hungary and in Macedonia in Q3 2015. In Montenegro, the higher number of ICT customers resulted in higher SI/IT revenues.

Energy Services revenues increased to HUF 9.4 billion in Q3 2015 compared to HUF 8.7 billion in Q3 2014. The main reason behind the 7.9% growth in energy sales was the revenue increase from the business sub-segment. As at September 30, 2015 the number of electricity points of delivery increased to 107,566 while gas points of delivery dropped to 7,999 due to the exit from the residential segment of the gas market with effect from July 31, 2015. The electricity sales were higher quarter over quarter, but the universal service price reduction from September 2014 had a negative effect on the revenues.

3.1.3 Direct costs

Quarter over quarter direct costs decreased by 1.2%, and amounted to HUF 53.8 billion in Q3 2015.

Interconnect costs decreased by 33.0% in Q3 2015 quarter over quarter, and amounted to HUF 5.9 billion. There was a significant decrease in the voice network access charges in Hungary due to lower regulated mobile termination rates (from HUF 7.06 to 1.71) from April 1, 2015.

More infrastructure projects at T-Systems Hungary caused SI/IT service related costs to increase by 16.9% from HUF 8.9 billion in Q3 2014 to HUF 10.4 billion in Q3 2015.

Energy service related costs in Hungary increased from HUF 8.6 billion in Q3 2014 to HUF 9.6 billion in Q3 2015 primarily driven by higher volume of electricity sales. This was partly counterbalanced by decreased volume of gas sales in Q3 2015 due to the exit from the residential segment of the gas market with effect from July 31, 2015.

Bad debt expenses decreased by 30.7% from HUF 2.8 billion in Q3 2014 to HUF 2.0 billion in Q3 2015, mainly owing to significantly higher amount of impairment loss charged in Q3 2014 related to the waiver of HUF 0.9 billion of the receivables due from a major T-Systems customer.

Other direct costs increased from HUF 25.2 billion in Q3 2014 to HUF 25.8 billion in Q3 2015 primarily due to higher cost of equipment sales as a result of the growth in sales of TV sets, accessories and other equipments.

3.1.4 Gross margin

Gross margin increased slightly from HUF 103.1 billion in Q3 2014 to HUF 104.2 billion in Q3 2015 as a result of lower direct costs in nominal terms and slightly higher revenues quarter over quarter.

3.1.5 Employee-related expenses

Employee-related expenses decreased by 2.2% from HUF 25.9 billion in Q3 2014 to HUF 25.3 billion in Q3 2015, owing to the 3.7% decrease in average employee number quarter over quarter primarily driven by the Telekom Hungary segment. The decrease was somewhat offset by the effect of the acquisition of GTS Hungary in Q2 2015.

Employee-related expenses also contain severance-related expenses relating to the downsizing measures of 2015 but its effect was not significant quarter over quarter as severance-related expenses were also recognized in Q3 2014 due to the employment terminations concluded by the end of December 2014.

3.1.6 Hungarian sector specific special taxes

Hungarian sector specific special taxes slightly decreased to HUF 6.4 billion quarter over quarter, representing only telecom tax as there was no utility tax expense in the third quarter.

3.1.7 Other operating expenses

Other operating expenses increased from HUF 22.2 billion to HUF 25.0 billion quarter over quarter primarily due to increased cost of outsourcing services, higher marketing expenses and maintenance costs and higher authority penalties in Q3 2015. Marketing costs increased mostly relating to Magenta1 launch in Hungary and Macedonia and the introductory campaign of the integrated brand in Macedonia.

3.1.8 Other operating income

Other operating income increased from HUF 0.7 billion to HUF 1.4 billion quarter over quarter. The increase is primarily due to higher income from compensation for own network construction works in Q3 2015.

3.1.9 EBITDA

EBITDA decreased by 0.6% from HUF 49.2 billion in Q3 2014 to HUF 48.9 billion in Q3 2015, primarily due to higher other operating expenses partly counterbalanced by higher gross margin in Q3 2015. The 53.8% EBITDA growth at T-Systems Hungary segment was mitigated by all the other segments' decrease.

3.1.10 Depreciation and amortization

Depreciation and amortization expenses increased by 10.6% from HUF 25.0 billion in Q3 2014 to HUF 27.7 billion in Q3 2015, mainly due to the increase in the amortization of telecom licenses due to the new frequency usage rights acquired in Q4 2014. Software activation related to the new billing and new SAP system also caused higher depreciation costs in 2015.

3.1.11 Operating profit

Operating profit decreased from HUF 24.2 billion in Q3 2014 to HUF 21.3 billion in Q3 2015 for the reasons described above.

3.1.12 Net financial result

The net financial result deteriorated by 7.6% from HUF 6.6 billion in Q3 2014 to HUF 7.1billion Q3 2015, primarily due to the increase of interest charge on the present value of the annual frequency fees recognized as a financial liability in Q4 2014.

3.1.13 Income tax

Income tax expense decreased from HUF 5.8 billion in Q3 2014 to HUF 3.5 billion in Q3 2015. The primary reason for the decrease is the change in the Macedonian tax law in August 2014, the effects of which we described in detail in our Q3 2014 Interim financial report. The changes made to the tax law in several steps in 2014 reinstated the corporate tax, which replaced the dividend based taxation that was in force before, which caused additional tax expenses to the Group. The remaining decrease is in line with the decrease of the pre-tax results of the Group.

3.1.14 Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased from HUF 1.1 billion in Q3 2014 to HUF 1.3 billion in Q3 2015. Year over year, the profit attributable to non-controlling interests increased from HUF 2.3 billion in 2014 to HUF 3.1 billion in 2015. The lower amounts in 2014 were the result of the additional tax expenses of our Macedonian subsidiaries as a result of the changes made to the Macedonian tax law several times in 2014, which decreased the profits attributable to non-controlling interests. These additional tax expenses had to be recognized as a result of the reinstated corporate tax in Macedonia. This impact causing an increase in 2015 was partly counterbalanced by the lower operating profits of Makedonski Telekom and Crnogorski Telekom in 2015.

EGYÜTT. VELED

3.1.15 Cash flows

HUF millions	1-9 months 2014	1-9 months 2015	Change
Operating cash flow	98,094	106,993	8,899
Investing cash flow	(43,820)	(62,252)	(18,432)
Less: Proceeds from other financial assets - net	(14,498)	(15,038)	(540)
Investing cash flow excluding Proceeds from other financial assets – net	(58,318)	(77,290)	(18,972)
Repayment of other financial liabilities	(15,581)	(12,792)	2,789
Free cash flow	**24,195**	**16,911**	**(7,284)**
Proceeds from other financial assets - net	14,498	15,038	540
Repayment of loans and other borrowings - net	(34,492)	(23,012)	11,480
Dividend paid to shareholders and Non-controlling interests	(6,705)	(6,369)	336
Exchange differences on cash and cash equivalents	331	(80)	(411)
Change in cash and cash equivalents	**(2,173)**	**2,488**	**4,661**

Free cash flow

Operating cash flow

Net cash generated from operating activities amounted to HUF 107.0 billion in 2015, compared to HUF 98.1 billion in 2014. Main reasons for the increase of HUF 8.9 billion were the following:

- HUF 4 billion positive change due to the higher EBITDA in 2015 than in 2014
- HUF -6 billion negative change in active working capital due to MTR vendor overpayments in 2015 (paid using old rate, accounted at new rate as expense)
- HUF 7 billion positive change in passive working capital due MTR debtor overpayments (invoiced and collected using old rate, accounted at new rate as revenue)
- HUF 3 billion positive change due to higher net addition to severance provision in 2015 than in 2014
- HUF -2 billion negative change in active working capital due higher increase in 0-24 receivables in 2015 than in 2014 due to higher investment in the market.
- HUF 3 billion positive change due to lower tax payments in Macedonia in 2015 due to the changes of the tax law in 2014, which brought the payment of the dividend related taxes earlier

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF -77.3 billion in 2015, compared to HUF -58.3 billion in 2014. Main reasons for the HUF 19.0 billion higher cash outflow were the following:

- HUF -13 billion negative change due to the net cost of the acquisition of GTS Hungary in Q2 2015.
- HUF -5 billion negative effect in Capex investments due to investment in Digital Hungary project in 2015. There was no such investment in 2014.
- HUF -1 billion less proceeds from PPE sale in 2015 than in 2014, mainly due to the Q2 2014 real estate sale in Győr

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF -15.6 billion in 2014 to HUF -12.8 billion in 2015. Main reasons for the lower payments of HUF 2.8 billion were the following:

- HUF 10 billion positive change due to Q1 2014 payments on vendor invoices reverse factored in Q4 2013
- HUF -7 billion negative change due to trade creditors with extended payment term were paid as financial liability in Q3 2015 (recognized as financial liability in 2014). There were no such payments in 2014.

Free cash flow (FCF) overall decreased from HUF 24.2 billion in 2014 to HUF 16.9 billion in 2015 due to the reasons described above.

Proceeds from other financial assets - net

Proceeds from other financial assets - net increased by HUF 0.5 billion.

In 2015 there was a slightly higher amount of term deposits cashed in at our foreign subsidiaries, in net terms.

Repayment of loans and other borrowings - net

In 2015 there was lower net repayment of loans primarily due to the GTS acquisition in 2015.

Dividend paid to shareholders and Non-controlling interest

Dividend paid to shareholders and Non-controlling interest decreased by HUF 0.3 billion. The decrease was driven by the following:

- HUF 0.4 billion - Maktel dividend paid to minority owners was lower in 2015
- HUF -0.1 billion - CT dividend paid to minority owners was slightly higher in 2015

Exchange differences on cash and cash equivalents

The change in exchange differences on cash and cash equivalent is due to depreciating HUF in 2014 as opposed to unchanged HUF in 2015.

3.1.16 Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2014 to September 30, 2015 can be observed in the following lines:

- Trade and other receivables
- Other current financial assets
- Property, plant and equipment
- Financial liabilities to related parties
- Other financial liabilities – current portion
- Trade payables
- Retained earnings

Trade and other receivables increased by HUF 14 billion from December 31, 2014 to September 30, 2015. The mobile termination charges in Hungary between April 1, 2015 and September 30, 2015 were invoiced and paid at the rate prevailing before April 1, 2015, while these costs were recognized at the new rates effective from April 1, 2015. The difference was recognized as a receivable. Receivables from such overpayments amounted to HUF 6 billion as at September 30, 2015, which contributed to the increase of Trade and other receivables. Trade and other receivables also increased due to the increase of inter-operator discounts receivable as a result of the Balkan roaming agreement. The increase of the 24-month installment receivables also contributed to the increase of Trade and other receivables.

Other current financial assets decreased by HUF 9 billion from December 31, 2014 to September 30, 2015. The main reason for the decrease is that the Group's Macedonian and Montenegrin subsidiaries cashed in bank deposits to pay dividends to their minority owners and Magyar Telekom Plc., which used the proceeds to repay external loans and other borrowings.

Property, plant and equipment (PPE) decreased by HUF 7 billion from December 31, 2014 to September 30, 2015. The main reason for the decrease is that the depreciation of the assets exceeded the capital expenditure in 2015.

Financial liabilities to related parties increased by HUF 7 billion from December 31, 2014 to September 30, 2015. The main reason for the increase is that certain short term bank loans were refinanced by DT group loans.

The current portion of Other financial liabilities decreased by HUF 27 billion from December 31, 2014 to September 30, 2015. The reason for the decrease is that certain short term bank loans were refinanced by DT group loans, while others were repaid from the free cash flows. In addition, the balance of Other financial liabilities as at December 31, 2014 included certain vendor liabilities with extended payment terms (reclassified from Trade payables in 2014), of which HUF 6 billion was repaid in 2015.

Trade payables decreased by HUF 9 billion from December 31, 2014 to September 30, 2015. The main reason for the decrease is that capex, equipment and energy sales pick up in the last quarter of the year, the vendors of which are usually paid in the first quarter of the following year. This significant decrease were partly counterbalanced by the following increases. The mobile termination charges in Hungary between April 1, 2015 and September 30, 2015 were invoiced and paid at the rate prevailing before April 1, 2015, while these revenues were recognized at the new rates effective from April 1, 2015. The difference was recognized as a payable. Payables from such overpayments received amounted to HUF 7 billion as at September 30, 2015, which increased the Trade payables. Further, the balance of Trade payables as at December 31, 2014 excluded vendor liabilities in an amount of HUF 11 billion with extended payment terms (reclassified to Other financial liabilities in 2014). No contracts with such terms were made in 2015, therefore no further reclassifications were made in 2015, which resulted in higher Trade payables. Trade payables also grew due to the increase of inter-operator discounts payable as a result of the Balkan roaming agreement.

Retained earnings increased by HUF 23 billion from December 31, 2014 to September 30, 2015. The reason for the increase is the profit generated in 2015 with no dividend declared in 2015.

There has not been any other material change in the items of the Consolidated Statement of Financial Position from December 31, 2014 to September 30, 2015. The less significant changes in balances of the Consolidated Statements of Financial Position are largely explained by the items of the Consolidated Statement of Cash Flows for 2015 and the related explanations provided above in section 3.1.15 Cash flows.

3.1.17 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 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 Hungary operates in Hungary providing mobile and fixed line telecommunications, infocommunications and system integration services 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.

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	Q3 2014	Q3 2015	1-9 months 2014	1-9 months 2015
Total Telekom Hungary revenues	115,485	115,662	339,961	352,757
Less: Telekom Hungary revenues from other segments	(6,307)	(5,241)	(18,899)	(16,925)
Telekom Hungary revenues from external customers	**109,178**	**110,421**	**321,062**	**335,832**
Total T-Systems Hungary revenues	26,635	27,091	81,851	79,456
Less: T-Systems Hungary revenues from other segments	(1,879)	(2,296)	(7,775)	(4,946)
T-Systems Hungary revenues from external customers	**24,756**	**24,795**	**74,076**	**74,510**
Total Macedonia revenues	14,673	14,415	41,610	39,847
Less: Macedonia revenues from other segments	16	(28)	(36)	(61)
Macedonia revenues from external customers	**14,689**	**14,387**	**41,574**	**39,786**
Total Montenegro revenues	8,903	8,437	24,495	23,370
Less: Montenegro revenues from other segments	(22)	(32)	(37)	(38)
Montenegro revenues from external customers	**8,881**	**8,405**	**24,458**	**23,332**
Total consolidated revenue of the segments	157,504	158,008	461,170	473,460
Measurement/rounding differences to Group revenue	0	(2)	13	(2)
Total revenue of the Group	**157,504**	**158,006**	**461,183**	**473,458**
Segment results (EBITDA)				
Telekom Hungary	36,391	36,948	102,963	110,285
T-Systems Hungary	1,997	3,071	8,980	9,123
Macedonia	6,994	5,836	17,564	15,860
Montenegro	3,680	2,834	9,764	8,414
Total EBITDA of the segments	**49,062**	**48,689**	**139,271**	**143,682**
Measurement/rounding differences to Group EBITDA	169	239	91	(111)
Total EBITDA of the Group	**49,231**	**48,928**	**139,362**	**143,571**

3.2.2 Telekom Hungary

HUF million	Q3 2014	Q3 2015	Change	Change (%)	1-9 months, 2014	1-9 months, 2015	Change	Change (%)
Voice	37,329	33,673	(3,656)	(9.8%)	108,021	102,070	(5,951)	(5.5%)
Non-voice	13,728	15,519	1,791	13.0%	39,580	44,232	4,652	11.8%
Other	13,364	12,606	(758)	(5.7%)	35,574	38,228	2,654	7.5%
Mobile revenues	**64,421**	**61,798**	**(2,623)**	**(4.1%)**	**183,175**	**184,530**	**1,355**	**0.7%**
Voice - retail	11,096	10,428	(668)	(6.0%)	33,585	31,816	(1,769)	(5.3%)
Broadband - retail	8,997	10,234	1,237	13.7%	26,760	30,451	3,691	13.8%
TV	8,533	9,243	710	8.3%	25,105	27,525	2,420	9.6%
Other	13,193	13,610	417	3.2%	39,646	39,660	14	0.0%
Fixed line revenues	**41,819**	**43,515**	**1,696**	**4.1%**	**125,096**	**129,452**	**4,356**	**3.5%**
SI/IT revenues	519	929	410	79.0%	1,359	2,121	762	56.1%
Energy service revenues	8,726	9,420	694	8.0%	30,331	36,654	6,323	20.8%
Total revenues	**115,485**	**115,662**	**177**	**0.2%**	**339,961**	**352,757**	**12,796**	**3.8%**
Direct costs	**(38,562)**	**(36,625)**	**1,937**	**5.0%**	**(113,907)**	**(120,033)**	**(6,126)**	**(5.4%)**
Gross margin	**76,923**	**79,037**	**2,114**	**2.7%**	**226,054**	**232,724**	**6,670**	**3.0%**
Telephone tax	(5,233)	(5,258)	(25)	(0.5%)	(15,477)	(15,563)	(86)	(0.6%)
Utility tax	0	0	0	n.a.	(6,950)	(7,107)	(157)	(2.3%)
Other operating expenses (net)	(35,299)	(36,831)	(1,532)	(4.3%)	(100,664)	(99,769)	895	0.9%
EBITDA	**36,391**	**36,948**	**557**	**1.5%**	**102,963**	**110,285**	**7,322**	**7.1%**
Segment Capex	**15,028**	**19,535**	**4,507**	**30.0%**	**44,345**	**49,628**	**5,283**	**11.9%**

Revenues

Total revenues in the Telekom Hungary segment slightly increased by 0.2% in Q3 2015 compared with the same quarter in the previous year. The overall revenue increases were mitigated by lower mobile and fixed voice revenues as well as by decreased other mobile revenues. On a year-to-date basis, other mobile revenues also increased as equipment revenues in 2015 grew contrary to the fall in revenue in Q3 2015.

Mobile services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Number of customers (RPC)	**4,932,694**	**4,935,461**	**0.1%**	**4,932,694**	**4,935,461**	**0.1%**
Postpaid share in the RPC base	49.6%	51.1%	n.a.	49.6%	51.1%	n.a.
MOU	**175**	**190**	**8.6%**	**168**	**185**	**10.1%**
ARPU (HUF)	**3,598**	**3,470**	**(3.6%)**	**3,470**	**3,413**	**(1.6%)**
Postpaid	5,888	5,643	(4.2%)	5,739	5,591	(2.6%)
Prepaid	1,361	1,200	(11.8%)	1,291	1,176	(8.9%)
Churn rate	18.5%	20.7%	n.a.	18.0%	18.9%	n.a.
Postpaid	10.9%	11.7%	n.a.	11.5%	11.2%	n.a.
Prepaid	26.0%	30.0%	n.a.	24.3%	26.9%	n.a.
Ratio of non-voice revenues in ARPU	26.7%	31.5%	n.a.	26.7%	30.2%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	4,859	4,562	(6.1%)	5,152	5,606	8.8%
Average retention cost (SRC) per retained customer (HUF)	13,113	14,151	7.9%	13,272	15,199	14.5%
Number of mobile broadband subscriptions	**1,914,417**	**2,168,090**	**13.3%**	**1,914,417**	**2,168,090**	**13.3%**
Population-based outdoor 3G coverage	83.0%	83.0%	n.a.	83.0%	83.0%	n.a.
Population-based outdoor LTE coverage	51.9%	95.4%	n.a.	51.9%	95.4%	n.a.

Mobile revenues decreased by 4.1% in Q3 2015 versus Q3 2014. Voice-wholesale revenues decreased significantly in Q3 2015, mainly due to the 76% lower regulated mobile termination rate in Hungary, applicable from April 1, 2015. Roaming voice revenues decreased mainly due to lower average roaming tariff, while roaming traffic increased. Voice retail revenues increased owing to higher postpaid revenues mainly due to higher outgoing traffic and higher customer base, partly offset by lower prepaid revenues. Increase in non-voice revenues were driven by wider usage of mobile Broadband. Lower Other revenues were mainly driven by the decrease in sales volume of handsets and in average selling prices in Q3 2015 versus Q3 2014.

On a year-to-date basis, Other revenues increased due to higher number of handsets and accessories sold and to the increase in average selling prices in 2015 versus 2014.

Fixed line services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Voice services						
Total voice access	1,417,368	1,403,879	(1.0%)	1,417,368	1,403,879	(1.0%)
Total outgoing traffic (thousand minutes)	663,356	634,002	(4.4%)	2,090,325	1,969,645	(5.8%)
Blended MOU (outgoing) (1)	156	151	(3.2%)	164	156	(4.9%)
Blended ARPU (HUF) (1)	2,590	2,480	(4.2%)	2,609	2,515	(3.6%)

(1) Including PSTN, VoIP and VoCable.

Fixed line voice retail revenues declined by 6.0% in Q3 2015 compared to Q3 2014 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 decreased traffic and price discounts reflecting the migration towards multiplay packages and mobile substitution, as well as competition with VoIP and VoCable operators.

Internet services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Blended retail broadband market share [(1)]	**37.6%**	**39.1%**	**n.a.**	**37.6%**	**39.1%**	**n.a.**
Number of retail DSL customers	528,053	572,823	8.5%	528,053	572,823	8.5%
Number of cable broadband customers	302,791	334,743	10.6%	302,791	334,743	10.6%
Number of fiber optic connections	56,097	65,726	17.2%	56,097	65,726	17.2%
Total retail broadband customers	**886,941**	**973,292**	**9.7%**	**886,941**	**973,292**	**9.7%**
Blended broadband ARPU (HUF)	3,400	3,462	1.8%	3,412	3,503	2.7%

(1) Data relates to Magyar Telekom Plc. based on NMHH report for August 2015.

Broadband retail revenues increased by 13.7% and amounted to HUF 10.2 billion in Q3 2015 driven by the higher number of retail broadband customers and the higher ARPU caused by successful upgrade campaigns.

TV services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Blended TV market share [(1)]	**26.3%**	**27.5%**	**n.a.**	**26.3%**	**27.5%**	**n.a.**
Number of IPTV customers	430,110	479,455	11.5%	430,110	479,455	11.5%
Number of satellite TV customers	306,936	305,704	(0.4%)	306,936	305,704	(0.4%)
Number of cable TV customers	174,103	164,663	(5.4%)	174,103	164,663	(5.4%)
Total TV customers	**911,149**	**949,822**	**4.2%**	**911,149**	**949,822**	**4.2%**
Blended TV ARPU (HUF)	3,128	3,263	4.3%	3,096	3,261	5.3%

(1) Data relates to Magyar Telekom Plc. based on NMHH report for August 2015.

TV revenues increased in Q3 2015 compared to the same quarter last year due to higher ARPU and customer number. Growth in satellite TV revenues was due to higher subscription fees in Q3 2015 compared to Q3 2014. Although, the number of cable TV customers decreased due to migration from Cable TV to IPTV, higher Cable TV revenues were generated in Q3 2015 caused by the mix-change within customer base.

Energy services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Electricity points of delivery	105,788	107,566	1.7%	105,788	107,566	1.7%
Gas points of delivery	66,818	7,999	(88.0%)	66,818	7,999	(88.0%)

Energy services revenues increased by HUF 694 million in Q3 2015 versus Q3 2014 owing to the higher number of electricity points of delivery and the increased average consumption quarter over quarter due to the shift towards business customers with higher consumption. The drop in Gas points of delivery is due to the exit from the residential segment of the gas market with effect from July 31, 2015, which had an insignificant negative impact on the revenues due to the low gas consumption of residential customers in Q3. The universal service provider price reduction from September 2014 also had a partly compensating negative effect on the revenues.

EBITDA

EBITDA of the Telekom Hungary segment increased by 1.5% in Q3 2015 versus Q3 2014, mainly due to the higher gross margin, which was partly mitigated by increased cost of outsourcing services, higher marketing expenses and maintenance costs and higher authority penalties in Q3 2015. Marketing costs increased mostly relating to the introductory campaign of Magenta1 launch in Hungary.

Segment Capex

Segment Capex increased by HUF 4.5 billion quarter over quarter primarily due to investments in the Hungarian fixed High Speed Internet development and the implementation of Digital Hungary based on the partnership agreement signed with the Government. In Q3 2015, PSTN replacement, TV platform and CPE investments also contributed to the higher investments in tangible and intangible assets.

3.2.3 T-Systems Hungary

HUF million	Q3 2014	Q3 2015	Change	Change (%)	1-9 months, 2014	1-9 months, 2015	Change	Change (%)
Voice	3,538	3,042	(496)	(14.0%)	10,892	9,467	(1,425)	(13.1%)
Non-voice	2,412	2,571	159	6.6%	7,130	7,515	385	5.4%
Other	840	807	(33)	(3.9%)	2,485	2,275	(210)	(8.5%)
Mobile revenues	**6,790**	**6,420**	**(370)**	**(5.4%)**	**20,507**	**19,257**	**(1,250)**	**(6.1%)**
Voice - retail	1,692	1,431	(261)	(15.4%)	5,177	4,511	(666)	(12.9%)
Broadband - retail	526	416	(110)	(20.9%)	1,619	1,310	(309)	(19.1%)
Data	2,251	1,726	(525)	(23.3%)	6,522	5,301	(1,221)	(18.7%)
Other	692	693	1	0.1%	2,081	2,210	129	6.2%
Fixed line revenues	**5,161**	**4,266**	**(895)**	**(17.3%)**	**15,399**	**13,332**	**(2,067)**	**(13.4%)**
SI/IT revenues	14,684	16,405	1,721	11.7%	45,945	46,867	922	2.0%
Total revenues	**26,635**	**27,091**	**456**	**1.7%**	**81,851**	**79,456**	**(2,395)**	**(2.9%)**
Direct costs	**(16,072)**	**(15,546)**	**526**	**3.3%**	**(47,014)**	**(45,172)**	**1,842**	**3.9%**
Gross margin	**10,563**	**11,545**	**982**	**9.3%**	**34,837**	**34,284**	**(553)**	**(1.6%)**
Telephone tax	(1,232)	(1,140)	92	7.5%	(3,849)	(3,547)	302	7.8%
Utility tax	0	0	0	n.a.	(526)	(542)	(16)	(3.0%)
Other operating expenses (net)	(7,334)	(7,334)	0	0.0%	(21,482)	(21,072)	410	1.9%
EBITDA	**1,997**	**3,071**	**1,074**	**53.8%**	**8,980**	**9,123**	**143**	**1.6%**
Segment Capex	**1,413**	**1,582**	**169**	**12.0%**	**2,577**	**3,444**	**867**	**33.6%**

Revenues

Total revenues of T-Systems Hungary increased by 1.7% in Q3 2015 compared to Q3 2014 as the growth in SI/IT revenues exceeded the decrease in mobile and fixed line revenues.

On a year-to-date basis, total revenues of T-Systems Hungary decreased by 2.9% as the higher SI/IT revenues (containing Q1 revenue fall) could not compensate for the decrease in mobile and fixed line revenues.

Mobile services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Number of customers (number or SIM cards)	509,006	546,835	7.4%	509,006	546,835	7.4%
Churn rate	9.0%	6.5%	n.a.	14.2%	8.2%	n.a.
MOU	249	209	(16.1%)	253	219	(13.4%)
ARPU (HUF)	3,914	3,444	(12.0%)	3,917	3,575	(8.7%)
Ratio of non-voice revenues in ARPU	40.3%	45.9%	n.a.	39.6%	44.2%	n.a.
Average acquisition cost (SAC) per gross add (HUF)	4,334	3,444	(20.5%)	3,020	1,754	(41.9%)
Number of mobile broadband subscriptions	130,148	146,721	12.7%	130,148	146,721	12.7%

Mobile voice revenues decreased by 14.0% in Q3 2015 versus Q3 2014 mainly due to lower MOU and average tariff erosion. The 6.6% increase in non-voice revenues was driven by higher mobile broadband revenues, reflecting the increased number of mobile broadband subscriptions and higher usage.

Fixed line services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Voice services						
Total voice access	66,055	62,913	(4.8%)	66,055	62,913	(4.8%)
Total outgoing traffic (thousand minutes)	63,268	51,746	(18.2%)	198,206	172,214	(13.1%)
MOU (outgoing)	316	272	(13.9%)	325	298	(8.3%)
ARPU (HUF)	8,434	7,533	(10.7%)	8,478	7,816	(7.8%)
Internet services						
Number of retail broadband access	12,368	8,626	(30.3%)	12,368	8,626	(30.3%)
Blended broadband ARPU (HUF)	14,647	15,049	2.7%	14,820	15,477	4.4%

Fixed line voice retail revenues decreased by 15.4% caused by the erosion both in the customer base and traffic quarter over quarter. Fixed line Broadband retail revenues were down by 20.9% as a result of the lower number of retail broadband access due to customer losses towards the state-owned operator at the beginning of this year, which could not be compensated by the limited broadband ARPU increase. Fixed line data revenues also declined as a result of the lower number of leased lines in Q3 2015.

SI/IT services

The 11.7% increase in SI/IT revenues quarter over quarter resulted mainly from a few new major projects in Q3 2015.

EBITDA

EBITDA increased by 53.8% in Q3 2015 compared to Q3 2014, primarily due to lower bad debt expense in 2015. In Q3 2014 the waiver of HUF 0.9 billion of receivables due from a major T-Systems customer decreased the gross margin significantly. Other operating expenses remained stable quarter over quarter.

Segment Capex

Segment Capex increased by HUF 169 million in Q3 2015 compared to Q3 2014, as a result of higher amount of new projects requiring spending on tangible and intangible assets.

3.2.4 Macedonia

HUF million	Q3 2014	Q3 2015	Change	Change (%)	1-9 months, 2014	1-9 months, 2015	Change	Change (%)
Voice	5,929	5,284	(645)	(10.9%)	16,426	14,492	(1,934)	(11.8%)
Non-voice	1,439	1,481	42	2.9%	3,790	4,096	306	8.1%
Other	1,210	1,265	55	4.5%	3,131	3,398	267	8.5%
Mobile revenues	**8,578**	**8,030**	**(548)**	**(6.4%)**	**23,347**	**21,986**	**(1,361)**	**(5.8%)**
Voice - retail	1,744	1,491	(253)	(14.5%)	5,448	4,568	(880)	(16.2%)
Broadband - retail	1,365	1,349	(16)	(1.2%)	4,134	3,955	(179)	(4.3%)
TV	718	787	69	9.6%	1,923	2,293	370	19.2%
Other	2,135	1,934	(201)	(9.4%)	6,435	5,695	(740)	(11.5%)
Fixed line revenues	**5,962**	**5,561**	**(401)**	**(6.7%)**	**17,940**	**16,511**	**(1,429)**	**(8.0%)**
SI/IT revenues	133	824	691	519.5%	323	1,350	1,027	318.0%
Total revenues	**14,673**	**14,415**	**(258)**	**(1.8%)**	**41,610**	**39,847**	**(1,763)**	**(4.2%)**
Direct costs	**(3,645)**	**(4,498)**	**(853)**	**(23.4%)**	**(11,360)**	**(12,055)**	**(695)**	**(6.1%)**
Gross margin	**11,028**	**9,917**	**(1,111)**	**(10.1%)**	**30,250**	**27,792**	**(2,458)**	**(8.1%)**
Other operating expenses (net)	(4,034)	(4,081)	(47)	(1.2%)	(12,686)	(11,932)	754	5.9%
EBITDA	**6,994**	**5,836**	**(1,158)**	**(16.6%)**	**17,564**	**15,860**	**(1,704)**	**(9.7%)**
Segment Capex	**2,228**	**3,050**	**822**	**36.9%**	**3,975**	**4,879**	**904**	**22.7%**

In Q3 2015, there was no significant change in the HUF/MKD average foreign exchange rates compared with the same quarter last year, which had a neutral impact on the results of the Macedonian segment in HUF terms.

Revenues

Total revenues decreased slightly by 1.8% in HUF terms quarter over quarter, mainly driven by the decrease in mobile and fixed voice revenues, partly counterbalanced by significantly higher SI/IT revenues.

Mobile services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Mobile penetration[1]	112.1%	108.5%	n.a.	112.1%	108.5%	n.a.
Market share of T-Mobile Macedonia[1][2]	46.9%	47.2%	n.a.	46.9%	47.2%	n.a.
Number of customers	1,210,402	1,234,540	2.0%	1,210,402	1,234,540	2.0%
Postpaid share in the customer base	34.3%	36.0%	n.a.	34.3%	36.0%	n.a.
MOU	212	217	2.4%	202	212	5.0%
ARPU (HUF)	2,022	1,828	(9.6%)	1,881	1,717	(8.7%)

(1) Data published by Macedonian Agency for Electronic Communications (AEC)
(2) Calculation based on active customers

Mobile voice revenues decreased by 10.9% quarter over quarter, mainly due to lower voice-retail revenues, driven by lower subscription fees, in spite of the increase in average outgoing minutes. Voice wholesale revenues decreased as well, due to lower international incoming traffic volume terminated in mobile in Q3 2015 compared to Q3 2014.

Non-voice revenues increased by 2.9% quarter over quarter. Mobile internet revenues increased in Q3 2015 mainly due to higher GPRS traffic and increased usage of tariff models with voice-data bundle. Decreased SMS retail revenues owing to lower number of SMS sent in Q3 2015 partly counterbalanced the increased mobile internet revenue.

As part of other mobile revenues, mobile equipment revenues increased due to the higher average selling price in Q3 2015 compared to the same period in 2014.

Fixed line services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Voice services						
Fixed line penetration	12.4%	11.5%	n.a.	12.4%	11.5%	n.a.
Total voice access	240,186	226,653	(5.6%)	240,186	226,653	(5.6%)
Total outgoing traffic (thousand minutes)	66,791	52,431	(21.5%)	227,199	167,291	(26.4%)
Internet and TV services						
Retail DSL market share (estimated)	82.3%	82.2%	n.a.	82.3%	82.2%	n.a.
Number of retail DSL customers	164,811	164,748	(0.0%)	164,811	164,748	(0.0%)
Number of IPTV customers	96,450	100,442	4.1%	96,450	100,442	4.1%

Fixed line revenues decreased by 6.7% quarter over quarter, driven by lower voice-retail, broadband retail and other fixed line revenues. Voice-retail revenues declined reflecting lower traffic and customer number while the decrease in broadband retail was driven by lower internet ARPU. Other revenues decreased mainly due to lower international incoming revenues as a result of lower volume of traffic in Q3 2015. These decreases were partly counterbalanced by the increase in TV revenues, owing to the growing IPTV subscriber base.

System integration revenues increased significantly quarter over quarter due to increased revenues from a customized ICT project.

EBITDA

EBITDA of our Macedonian operations decreased by 16.6% in Q3 2014 versus Q3 2015 in HUF terms due to the 10.1% lower gross margin coupled with the 1.2% higher other operating expenses.

Segment Capex

Segment Capex increased by 36.9% in Q3 2015, mainly due to the higher volume of IT projects.

3.2.5 Montenegro

HUF million	Q3 2014	Q3 2015	Change	Change (%)	1-9 months, 2014	1-9 months, 2015	Change	Change (%)
Voice	2,592	2,338	(254)	(9.8%)	6,931	6,218	(713)	(10.3%)
Non-voice	1,012	930	(82)	(8.1%)	2,892	2,663	(229)	(7.9%)
Other	698	667	(31)	(4.4%)	1,481	1,567	86	5.8%
Mobile revenues	**4,302**	**3,935**	**(367)**	**(8.5%)**	**11,304**	**10,448**	**(856)**	**(7.6%)**
Voice - retail	1,560	1,383	(177)	(11.3%)	4,620	4,077	(543)	(11.8%)
Broadband - retail	1,007	948	(59)	(5.9%)	2,925	2,720	(205)	(7.0%)
TV	570	583	13	2.3%	1,668	1,708	40	2.4%
Other	1,020	1,001	(19)	(1.9%)	3,038	2,948	(90)	(3.0%)
Fixed line revenues	**4,157**	**3,915**	**(242)**	**(5.8%)**	**12,251**	**11,453**	**(798)**	**(6.5%)**
SI/IT revenues	444	587	143	32.2%	940	1,469	529	56.3%
Total revenues	**8,903**	**8,437**	**(466)**	**(5.2%)**	**24,495**	**23,370**	**(1,125)**	**(4.6%)**
Direct costs	**(2,443)**	**(2,603)**	**(160)**	**(6.5%)**	**(6,610)**	**(6,936)**	**(326)**	**(4.9%)**
Gross margin	**6,460**	**5,834**	**(626)**	**(9.7%)**	**17,885**	**16,434**	**(1,451)**	**(8.1%)**
Other operating expenses (net)	(2,780)	(3,000)	(220)	(7.9%)	(8,121)	(8,020)	101	1.2%
EBITDA	**3,680**	**2,834**	**(846)**	**(23.0%)**	**9,764**	**8,414**	**(1,350)**	**(13.8%)**
Segment Capex	**1,672**	**686**	**(986)**	**(59.0%)**	**2,863**	**1,990**	**(873)**	**(30.5%)**

In Q3 2015, there was no significant change in the HUF/EUR average foreign exchange rates compared with the same quarter last year which had a neutral impact on the results of the Montenegrin segment in HUF terms.

Revenues

In HUF terms, total revenues decreased by 5.2% quarter over quarter, mainly due to the decrease in voice revenues.

Mobile services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Mobile penetration [(1)]	179.8%	180.2%	n.a.	179.8%	180.2%	n.a.
Market share of T-Mobile Crna Gora [(1)]	33.0%	32.2%	n.a.	33.0%	32.2%	n.a.
Number of customers (RPC) [(1)]	367,524	360,000	(2.0%)	367,524	360,000	(2.0%)
Postpaid share in the RPC base	39.2%	42.5%	n.a.	39.2%	42.5%	n.a.
MOU	185	182	(1.5%)	180	183	1.7%
ARPU (HUF)	2,943	3,042	3.4%	2,865	2,889	0.8%

(1) According to data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).

Mobile revenues decreased by 8.5% quarter over quarter. The decrease in voice revenues is primarily the result of the lower RPC and lower traffic in Q3 2015. Decreased tariff level of the voice-wholesale revenues also contributed to the decline.

The decrease in data and equipment revenues also led to lower mobile revenues.

Fixed line services	Q3 2014	Q3 2015	change %	1-9 months 2014	1-9 months 2015	change %
Voice services						
Fixed line penetration	23.6%	22.9%	n.a.	23.6%	22.9%	n.a.
Total voice access	149,902	145,758	(2.8%)	149,902	145,758	(2.8%)
Total outgoing traffic (thousand minutes)	52,660	47,856	(9.1%)	170,592	147,604	(13.5%)
Internet and TV services						
Retail DSL market share (estimated)	81.3%	84.8%	n.a.	81.3%	84.8%	n.a.
Number of DSL access	91,586	94,364	3.0%	91,586	94,364	3.0%
Number of IPTV customers	60,782	61,949	1.9%	60,782	61,949	1.9%

Total fixed line revenues decreased by 5.8% quarter over quarter in HUF terms as lower voice-retail and broadband retail revenues were only partly offset by higher TV revenues. Voice-retail revenues decreased owing to lower number of accesses, lower ARPU due to regulatory pressure and less traffic. Broadband retail revenues decreased due to lower average prices as regulated price caps had been introduced.

These decreases were partly offset by an increase in TV revenues owing to the 1.9% increase in the IPTV subscriber base.

EBITDA

The EBITDA of our Montenegrin operations decreased by 23.0% in HUF terms quarter over quarter mainly as a result of the lower gross margin, coupled with the 7.9% higher Other operating expenses (net).

Segment Capex

Segment Capex almost halved in Q3 2015 compared to the same quarter last year, owing to much less spending mainly on information system development projects.

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.

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. In one of the cases, the Court has delivered the second instance court decision, in the other case the appeal of the first instance court decision is going on. The management believes that it is not probable that a significant liability will arise from these claims.

Macedonia

Alleged breach of certain deadlines

Makedonski Telekom has 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 previously effective local legislation possibly applicable. Management believes that it is not probable that a significant liability will arise from these claims because of unsubstantial basis for initiating these misdemeanor procedures.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees in a nominal amount of HUF 15.6 billion as at December 31, 2014. These guarantees were issued by banks on behalf of Magyar Telekom as collateral to secure the fulfillment of the Group's certain contractual obligations. The Group has been delivering on its contractual obligations and expects to continue doing so in the future, therefore no significant drawdown of the guarantees happened in 2015 or 2014, and is not expected to happen in the future.

Commitments

There has not been any material change in the nature and amount of our commitments in 2015.

3.4. Other matters

Investigation 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 totaled 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, totaling 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, 2013, 2014 or 2015 for these cases.

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

No such events have taken place since September 30, 2015 to the publication date of this report.

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 economic environment 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 has started to follow that trend with stagnant customer base and lower prices. 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 is fueled by the government's Digital Hungary program. The extensive development program aims to cover every household in Hungary with high-speed internet (HSI > 30 Mbit/s) access until the end of 2018. The digitalization of technology, services and education are key pillars of the country's competitiveness and the quality of life of its citizens.

Parallel with the fixed network developments, 3G and LTE network expansion is accelerated by the competition and more available mobile frequencies. Meanwhile the mobile voice market is characterized by flat rate packages; the appearance of new market players is expected with some impact on the market in mid-term. There is a fierce competition in broadband and content services and the battle for customer contracts has shifted from prices to quality in communication, specially focusing on network coverage and speed. The mobile broadband uptake still fuels the overall mobile market. However, the increasing regulation, in particular the abolishment of roaming fees and the decrease in mobile termination rates, is putting further pressure on market players.

We expect a continuously improving economic environment in the rest of 2015. The economic recovery already has a positive effect on the households as well. Despite the increasing household budget, prices will not reach pre-crisis levels. However, operators can find ways to exploit higher household spending – with cross-sell and up-sell opportunities. We expect that the new core segments, especially mobile broadband, pay TV and IT services will deliver revenue growth in the coming years.

Macedonia

According to the estimated data of the State Statistical Office, the growth rate of GDP for Q2 2015 is 2.6%, representing a moderate slowdown from Q1 2015 (3.2%), mainly due to decline in investment activity of -7.6% year over year. In Q2 2015 unemployment decreased to 26.8%, reduction of 0.5% compared to previous quarter. Industrial production in the first half of 2015 increased by 0.8% year over year, while employment growth in the sector for the same period is +2% year over year. In a period Jan-Aug 2015 prices declined by 0.3% year over year, mostly due to food and energy prices. FDI in the first half of 2015 was EUR 121 million, which is 17% less compared to the same period of last year.

Expectations for macroeconomic conditions are kept stable and production from several high-profile foreign investments remains strong, according to projections the country's GDP growth is forecasted at 4.1% in 2015 and 4,6% in 2016. Downside risks mainly stem from internal political disputes.

Montenegro

The Montenegrin telco market is facing strong challenges: macroeconomic conditions are still challenging; competition is growing and merging, while regulatory pressure is still very intensive.

The fixed line market is more competitive than ever. After two acquisitions in 2014 (Telenor bought MNNews; Telemach acquired TV only operator BBM), m:tel acquired several local cable operators (Cabling, Eltamont, Medianet and FiberNet) in 2015. Also, m:tel launched cable BB/TV services in Q3 2015. M:tel introduced triple play packages (offering fixed telephony, cable BB and TV) but also introduced FMC products, by combining these packages with mobile telephony, Telemach (SBB) is developing own fiber network and launch of fixed BB services is expected for the end of 2015. Telemach is also currently in the process of acquiring another cable operator, however since that would mean that they would have significant market share, this acquisition is still under investigation.

Activities in the mobile market are focused on promoting 4G network, provided by Telekom and Telenor and acquiring more mobile data customers, both full and confined (m:tel is still lagging behind and offers only 3G). Being a touristic country, summer in Montenegro is always reserved for push of tourist prepaid packages and roaming promo actions. As usually, competitors are using their advantage of having parent companies in Serbia, and this summer tourist's structure was additionally in their favor.

Regulatory pressure is still very intensive and Roaming price regulation is a recent and significant example. Additionally, the new Cinematography law was adopted in July and operators are obliged to pay 0.9% of annual revenues from internet access, PayTV and Video on demand service, as of January 2016. NATO accession is in special Government and public focus, since NATO membership invitation is expected in December 2015. NATO accession is main goal that is keeping Ruling coalition together, since inter-coalition tensions are becoming more and more visible lately, especially after recent fragmentation of smaller partner in Ruling coalition.

EU accession is also in focus, two Chapters were opened in June 2015 and seven new chapters are planned to be opened by the end of 2015.

World Bank in its latest SEE Regular Economic Report from the end of September predicts 3.4% of real GDP growth in 2015 for Montenegro, which is the highest growth rate projected for 2015 for this region. However, IMF corrected its forecast from April 2015 and decreased expected real GDP growth for this year from 4.7% to 3.2%. On the other side, Government is more optimistic and forecasts 4.3% of GDP growth for 2015, based on positive trends in construction industry and tourism in this year.

Public debt amounted to 60.3% at the end of Q2 2015 and it is expected that it will rise in following years due to the construction of the first Montenegrin highway. Still the Government expects that the construction of the highway will have significant multiplier effects on the rest of the economy, together with works on several large tourism resorts will be key drivers of economic growth and have significant multiplier effects on the rest of the economy.

3.7. Strategy

Hungary

As a result of our focused strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in Q3 2015, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offered capabilities proactively leveraging on various partnering models as well.

We continue our transformation towards a diversified digital service company based on our strategic imperatives to innovate, grow and extend the core business – thus growing free cash flow while becoming a more agile organization. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider we continue to deliver a unique customer experience supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behavior, technological advances, and new business models, we aim to exploit our abilities to become a leader in all digital services around the home for both customers and third parties. We continue to identify and leverage new business opportunities in e-health, cloud, finance and insurance services, support customer retention and new revenue streams both in the residential and business segments. As a result of the changed market environment we decided to exit from the residential gas market. At the same time, we are about to establish a joint venture that will provide energy services for business customers in order to improve and optimize our energy operations.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

Macedonia

With the official merge of VIP and ONE (2nd & 3rd mobile operators on the market), they overtook the market leadership in mobile and TV service revenues market share with 53% in mobile and 33% in payTV in accordance with H1 2015 data. In fixed voice and broadband Makedonski Telekom maintained the leading positions with 70% and 45% revenue market share.

Market consolidation is ongoing. The Commission for Protection of Competition approved the merger between VIP and ONE on July 8, 2015. The approval was based on certain commitments (such as obligation for spectrum release, MVNO access obligation, divestiture of sites/BTS, Resale of Boom TV and access Direct to Home (DTH) and satellite services of TAG). VIP & ONE officially started their business activities as one entity with new organizational structure as of October 1, 2015.

Lower Balkan roaming fees applied by all three mobile operators negatively influence the Telco market by lowering roaming prices in Macedonia, Montenegro, Serbia and BiH, starting from H2 2015. VIP expands its 4G LTE coverage to ten more cities in Macedonia. BLIZOO (Telekom Austria's subsidiary) has acquired eleven local CaTV's and is in negotiation with several others.

Addressing local challenges in order to fulfill strategic aspiration, local Ambition Program 2.0 is continuing, with final objective of transforming technology into superior customer experience, regaining number one position in Mobile and PayTV business, stabilization of the Revenue/EBITDA trend, sustaining the strong market position and becoming new modern, lean and fully converged telco operator. Ambition Program 2.0 consists of more than 60 initiatives aggregated into 14 pillars, covering both structural and operational transformation aspects. Reasonable actions undertaken under Ambition 2.0 strategy implementation program have led to slow down of the declining trend of revenue.

Ambition Program 2.0 for 2015 is well on-going its implementation:

- 2015 proclaimed as "Year of Service", i.e. intensive focus on improving customer service at all customer touch-points;
- Mobile market repair: pre-to-postpaid migration and stop price erosion;
- Evaluate TV segment to increase profitability;
- Introduce flexible bundles;
- All-IP product innovation and monetization;
- Time2Market improvement;
- Moving towards fully integrated Telco provider and e-company:
    - Improve customer responsiveness and production flexibility by leaner organizational structure and process automation;
    - Revision of core vs non-core activities, possible outsourcing scenarios;
- Further cost reduction based on expected revenue development;
- Billing & DWH consolidation; CRM and OSS implementation.

Montenegro

The vision statement of Crnogorski Telekom (CT) emphasizes CT's ambition to become customers' first choice in a fully digital lifestyle by aspiring to be the best in class.

CT's Corporate Strategy document is based on three main pillars:

- Technology leadership
- Best customer experience
- New businesses

Strategy is translated into ten initiatives implementation program, named "Tesla". Through initiatives implementation CT aims to maintain stable performance, improve the customers' perception and to become more agile and flexible. Initiatives status is monitored monthly in order to follow and support achievement of strategic goals.

3.8. Resources and risk factors

Our financial condition, results of operations or the trading prices of our shares 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 shares.

- Our operations are subject to substantial government regulations, further restrictions related to consumer protection and the price setting methodology of regulated wholesale products are probable, which can result in adverse consequences for our business and results of operations;
- We are subject to more intense competition, the role of the Mobile Virtual Network Operators (MVNOs) is increasing in the mobile market;
- Beyond current market players in Hungary, DIGI also acquired a 10 MHz spectrum block in the 1800 MHz band in the latest frequency auction, and it can enter the mobile market as a new player;
- 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 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 impairment of 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;

- The regulatory environment in Montenegro and Macedonia is getting stricter, in Montenegro the consolidation of governmental infrastructure could influence our operations unfavorably;
- In Macedonia, the main development is the merger of two competitors, ONE and VIP. We expect this transaction to reshape the competitive environment in the Macedonian telecoms market;
- 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 the Hungarian tax regulations;
- Fluctuations in the currency exchange rate could have an adverse effect on our results of operations;
- Disputes and litigation with regulators, competitors and other parties 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.

Each of our business segments is affected by their own unique business environment, and we are subject to circumstances and events that are unforeseen or are beyond our control. The global economy recovered from the crisis but it is largely depend on the monetary policy of the FED. The European growth is still fragile. There are major uncertainties surrounding the future of the euro especially in Greece.

Hungary

The Hungarian economy came out of recession in 2013 and the GDP growth in 2014 was 3.6 percent, fueled by export performance, utilization of EU funds and lowered energy prices. The Central Bank of Hungary forecasts indicate that the GDP growth remains high, about 3.2 percent in 2015. The unemployment rate decreased to 6.7 percent, and the volatility of the Hungarian currency is expected to continue.

In order to balance the budget, the Hungarian government has implemented several measures to keep the deficit under 3 percent of GDP in 2014. 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. The telecommunication tax payable by Magyar Telekom in 2014 was HUF 25.8 billion. The Parliament also adopted an act imposing a further tax levied on utility networks (e.g.: ducts, cables) from 2013. In 2015, the Parliament modified the law, that newly constructed networks and new developments on existing networks are enjoying tax holiday for 5 years. The tax expense and liability for 2015 were recognized in the first quarter of 2015 as the full annual tax liability (HUF 7.6 billion) is payable based on the taxable infrastructure in place on January 1, 2015. Our T-Systems Hungary segment is also affected by heavy spending cuts by the government, our largest business customer.

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. In September 2014, Magyar Telekom won the rights of use of frequency blocks until June 2034 in the tender of the National Media and Infocommunications Authority in the 800 MHz, 900 MHz, 1800 MHz and 2600 MHz frequency bands. Magyar Telekom paid an initial price of HUF 59 billion for these frequency blocks in Q4 2014.

In 2014, a "Partnership for Digital Hungary" was agreed with the Hungarian Government aiming for full coverage of Hungary with HSI (Highspeed Internet, >30 Mbps) by 2018, in case favorable roll-out conditions are given and EU funds can be utilized.

Magyar Telekom is continuously seeking business opportunities beyond core services.

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. 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 allow extended applications. In order to become a modern, lean and fully converged telco operator, Macedonski Telekom launched the Ambition Program 2.0.

We also expect more intensive regulatory measures in Macedonia in the future. Pure LRIC for fixed line termination rates (FTR) and IP interconnection is expected. A margin squeeze test is expected for retail optic products in 2015. We also expect obligations for all operators to put their aerial cables in urban areas underground and digital agenda obligation for coverage of households with 30 and 100 Mbps with technical neutrality until 2020. The Balkan roaming regulation decreases the retail and wholesale prices to EU roaming III level. Broadband will be included in Universal Service from 2015.

In June, 2015, the Shareholders' Assembly of Makedonski Telekom AD – Skopje approved the accession of T-Mobile Macedonia to Makedonski Telekom. The effective date of the merger is July 1, 2015.

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, fully exploiting its multi-play, multiscreen and financing capabilities. Fiber roll out will increase broadband penetration, but without premium monetization. Competitors are increasing coverage and service scale through CaTV acquisitions or own new generation network (NGN) investments gaining high-value customers looking for X-Play experience and value-add. In the mobile market, the environment is very competitive and price sensitive. Flat tariffs in the postpaid segment with unlimited on–net traffic and internet are initiated by market followers. Market players are committed to network capacity increase by 4G/NGM rollout. Competitors can build X-Play capabilities by coalition with, or by acquisitions of, CaTV/SatTV operators to be able to offer fixed line services as well.

Regarding the regulatory measures, regional roaming regulation may heavily influence our roaming revenues. Indirectly, it may have negative influence on international MTRs as well. Regulated FTR and MTR decrease is on track in the period of 2013-2016. The cost based regulation on retail prices (access to the network, fix voice and ADSL) will also negatively influence our revenues, especially due to the fact that the LRIC model will be applied for the 2014 regulatory reports. Margin squeeze test for retail products is expected in the second half of 2015. Implementation of the new eLaw and the new bylaws will result in more strict, demanding and expensive obligations for the operators. The State may also decide to utilize its own infrastructure in order to provide telco services (cost optimization).

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 2015. Free or low price fixed voice tariffs are taking up fast in bundled services driven by the cable companies. In Q3 2015 under the Magenta1 name, Telekom introduced a special residential offer enabling customers to use the telecommunication and entertaining services of the operator both at home and on mobile within a single package, with favorable conditions. Fixed HSI access roll-out is speeding up as well. Fixed line inter-connection tariff reductions are expected in 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 reached market leader position in the Hungarian TV market in 2014 and we are aiming to expand further our customer numbers in 2015; 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. OTT solutions).

In the mobile market, voice penetration has reached saturation point, and we expect declining voice revenues. We expect further growth in mobile broadband and future growth potential of value-added, M2M and data services, but this positive impact will not offset the decline in voice revenues. Flat uptake is already quite intense and expected to grow. Mobile termination rates were decreased to HUF 1.71/minute from April 1, 2015 effecting the financial settlements between the operators. The market entry of the fourth mobile operator in Hungary is also expected.

Magyar Telekom has regularly reviewed its business model with respect to its energy service offering and our most recent review concluded that maintaining our presence on the residential gas service market would have an adverse financial impact on the Company's profitability. As a result, a decision was made to exit from the residential gas market with effect from July 31, 2015. In Q1 2015, Magyar Telekom signed an agreement with MET Holding AG, a leading integrated retail energy services trader in the region to establish a joint venture that will provide energy services for business customers. Due to the establishment of the joint venture, natural gas and electricity services currently provided by Magyar Telekom to business customers will be ceased in 2016 as these services will be provided by the joint venture.

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 unions on headcount reduction for 2014-2015 and wage increase measures at Magyar Telekom Plc. According to the terms of the agreement, the Company plans to make maximum 1,700 employees redundant. Approximately 35% left the Company between October 1, 2014 and March 1, 2015 while the remaining 65% is expected to leave by January 1, 2016. Total severance expenses related to the 2-year headcount reduction program will be approximately HUF 12 billion and out of that HUF 4 billion was accounted for in 2014. Meanwhile, in order to keep the wages competitive, there will be a 4% wage increase for employees in lower wage categories as of January 1, 2016 effective retrospectively from July 1, 2015. The above measures are expected to result in net HUF 15 billion cost savings in 2 years, i.e. the program is expected to have a return period of 9 months.

Programming fee payment for previously free to broadcast TV channels remains a possibility in the near future.

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., 4G, HSI) 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 new CRM systems in Hungary, Macedonia and Montenegro. We are targeting the complete overhaul of the current customer management system of the companies. The successful implementation of the new ERP system is also essential.

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, November 4, 2015

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, 2014, available on our website at http://www.telekom.hu which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

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