EGYÜTT. VELED

MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED MARCH 31, 2016

Budapest – May 3, 2016 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the first quarter of 2016, in accordance with International Financial Reporting Standards (IFRS).

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CONTINUED POSITIVE PERFORMANCE OF LAST YEAR BOOSTED BY ONE-OFFS

1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM **Group Financial Results - IFRS** (HUF million, except ratios)	**Q1** **2015** (Unaudited)	**Q1** **2016** (Unaudited)	**Change (%)**
Total revenues	**156 957**	**145 051**	**(7,6%)**
Operating profit	**14 798**	**21 552**	**45,6%**
Profit attributable to:			
Owners of the parent	2 506	10 715	327,6%
Non-controlling interests	816	750	(8,1%)
	3 322	**11 465**	**245,1%**
Gross margin	99 180	99 624	0,4%
EBITDA	42 466	48 248	13,6%
EBITDA margin	27,1%	33,3%	n.a.
Free cash flow	(1 441)	9 746	n.m
Basic and diluted earnings per share (HUF)	**2,40**	**10,28**	**328,3%**
CAPEX to Sales	**7,8%**	**8,0%**	**n.a.**
Number of employees (closing full equivalent)	**10 695**	**9 571**	**(10,5%)**
	Q4 **2015** (Audited)	**Q1** **2016** (Unaudited)	
Net debt	**409 393**	**400 008**	**(2,3%)**
Net debt / total capital	**42,9%**	**41,8%**	**n.a.**

Strategic highlights:

- **Group revenue declined primarily as a result of the exit from the retail gas business and transfer of the B2B energy business into the joint venture**
- **Excluding contributions from energy, core like-for-like revenues grew by 1.8%**
- **EBITDA growth accelerated to 13.6% year-on-year due to this the underlying growth, boosted by one-off gains**
- **One-off profits of HUF 5.1 billion realized on the real estate deal and the Origo sale**
- **Increased Free Cash Flow reflecting higher EBITDA, improved working capital and one-off profits despite the incremental severance payout, loan repayment and a higher settlement of capex creditor balances**
- **Net debt ratio improved to 41.8%**
- **Sustained strategic focus on reducing costs through headcount reduction, product and process simplification and digitalization, including more online customer servicing**
- **Strong underlying performance in Hungary driven by increased customer base in fixed line and mobile broadband, pay TV and post-paid mobile telephony**
- **Continued growth in System Integration/IT**
- **Group-wide rollout of quad-play Magenta1 proposition based on integrated Telekom brand**
- **Revenue turnaround achieved in Macedonia following 5 years of decline**
- **Sustained competitive and regulatory pressures in Montenegro**

Christopher Mattheisen, CEO commented:

"I am pleased to report that the positive trends in our operations achieved during 2015 have continued into the first quarter of this year, boosted further by one-offs gains. Although our headline revenue witnessed a decline compared the first quarter of 2015, this was primarily due to our decision to exit from the residential gas market and the deconsolidation of our B2B energy business. Excluding contributions from energy, on a like-for-like basis, our revenues continued to grow (+1.8%) with the Hungarian segment maintaining its positive momentum, and growth in mobile and SI/IT revenues driving a revenue turnaround in Macedonia following 5 years of decline.

Growth in Group EBITDA for the quarter accelerated to 13.6% year-on-year due a combination of this underlying revenue growth, a sustained strategic focus on cost rationalization (headcount reduction, product and process simplification and digitalization, including more online customer servicing), and one-off gains. We successfully sold one of our main office buildings and our media company, Origo, which resulted in one-off gains of 5.1 billion Hungarian forints for the quarter. Mirroring this growth in Group EBITDA and assisted further by an improvement in working capital levels, Group Free Cash Flow also increased by 11.2 billion forints, despite the incremental severance payout, loan repayment and higher level of CAPEX creditors. The net debt to total capital ratio improved further to 41.8%, approaching our target range of 30-40%.

Thanks to the efforts made last year to invest in 4G networks across our footprints, our Group mobile broadband and equipment revenues increased significantly albeit they were partly offset by reduced voice wholesale revenues resulting from the sharp decrease in mobile termination rates in Hungary. Following the fixed access network upgrades, we were also able to grow further our fixed broadband and TV customer bases at higher ARPUs in Hungary, which contributed to overall growth of 2.3% in fixed line Group revenues. Group-wide rollout of our quad-play Magenta1 proposition based on the integrated Telekom brand has helped too in promoting our brand and services. We were also able to continue to grow our System Integration and IT revenues, an area of the market which we consider to offer significant development potential and intend to target.

Current performance is in-line with expectations and we are happy to maintain our guidance targets; for the avoidance of doubt, the one-off gains in this quarter were as expected and already incorporated into our outlook."

Public guidance:

	Actual	Public guidance	
	2015	2016	2017
Revenue	HUF 656.3 billion*	between HUF 580-590	between HUF 585-595
EBITDA	HUF 187.3 billion	between HUF 187-191	between HUF 189-193
Capex**	HUF 109.8 billion	ca. 10% yoy decline	ca. 10% yoy decline
FCF	HUF 26.7 billion		surpassing HUF 50bn***
Dividend	HUF 15 per share	target HUF 25 per share	

** includes HUF 49.3 billion relating to the energy business*
***excluding spectrum acquisitions and annual frequency fee capitalization*
**** after minority dividend payments*

2. CONSOLIDATED IFRS GROUP RESULTS

2.1. Group Profit or Loss

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q1 2015 (Unaudited)	Q1 2016 (Unaudited)	Change	Change (%)
Revenues				
Mobile revenues	76,938	75,294	(1,644)	(2.1%)
Fixed line revenues	50,649	51,816	1,167	2.3%
System Integration/Information Technology revenues	12,581	15,628	3,047	24.2%
Energy service revenues	16,789	2,313	(14,476)	(86.2%)
Total revenues	**156,957**	**145,051**	**(11,906)**	**(7.6%)**
Direct costs	**(57,777)**	**(45,427)**	**12,350**	**21.4%**
Gross margin	**99,180**	**99,624**	**444**	**0.4%**
Employee-related expenses	(21,898)	(20,843)	1,055	4.8%
Hungarian sector specific special taxes	(13,875)	(13,453)	422	3.0%
Other operating expenses	(21,711)	(23,628)	(1,917)	(8.8%)
Other operating income	770	6,548	5,778	n.m.
EBITDA	**42,466**	**48,248**	**5,782**	**13.6%**
Depreciation and amortization	(27,668)	(26,696)	972	3.5%
Operating profit	**14,798**	**21,552**	**6,754**	**45.6%**
Net financial results	(8,613)	(6,558)	2,055	23.9%
Share of associates' and joint ventures' results	0	(24)	(24)	n.a.
Profit before income tax	**6,185**	**14,970**	**8,785**	**142.0%**
Income tax	(2,863)	(3,505)	(642)	(22.4%)
Profit for the period	**3,322**	**11,465**	**8,143**	**245.1%**

Total revenues amounted to HUF 145.1 billion in Q1 2016 compared to HUF 157.0 billion in Q1 2015, representing a declined of 7.6% year-on-year mostly as a result of the exit from the energy business. Stripping out contributions from energy, core like-for-like revenues grew by 1.8%.

- **Mobile revenues amounted to HUF 75.3 billion in Q1 2016**, compared to HUF 76.9 billion in the same period of the previous year representing a 2.1% decline. Higher mobile data and equipment revenues were offset by shrinking voice wholesale revenues resulting from the sharp decrease in Mobile Termination Rates (MTRs) in Hungary as of April 1, 2015
  - **Voice retail** revenues remained roughly stable at HUF 38.1 billion in Q1 2016, due to unchanged revenues across all segments. In Hungary, higher minutes of use (MOU), and expanding customer base were offset by lower average price per minutes in the post-paid segment and a negative trend in the prepaid segment. In Macedonia, the moderate (1.2%) decline in voice retail revenues due to strong competition was counterbalanced by the launch of the Magenta1 quad-play offer, which led to a considerable increase in the mobile customer base. In Montenegro, voice-retail revenues increased by 1.6% as customer base growth offset the declining ARPUs and deteriorating position on the prepaid market
  - **Voice wholesale** revenues declined by 59.7% to HUF 2.8 billion, as a result of the sharp MTR cut in Hungary
  - **Data revenues** grew by 11.2% to HUF 15.4 billion driven by higher mobile internet revenues across the Group, as both subscriber numbers and usage increased
  - **SMS** revenues remained unchanged at HUF 4.4 billion as higher revenues from mass messaging in Hungary offset the decline in SMS revenues in Macedonia and Montenegro
  - **Mobile equipment** revenues increased by 11.9% to HUF 11.2 billion, mostly attributable to higher third party export sales and higher than expected sale of accessories in Hungary
- **Fixed line revenues grew by 2.3% to HUF 51.8 billion** driven by improvement in broadband retail, TV and fixed wholesale revenues, partly offset by the decline in voice retail and equipment revenues

- **Voice-retail** revenues decreased by 8.4% to HUF 13.9 billion, mainly driven by the continuous decline in the customer base and average tariff levels, partially offset by increasing MOUs in Hungary
- **Broadband retail** revenues increased by 7.2% to HUF 13.1 billion, supported by GTS contribution, solid growth in the Hungarian customer base, as well as higher revenues in Macedonia
- **TV** revenues increased by 4.4% to HUF 10.8 billion, mainly driven by the growing IPTV subscriber base and ARPUs in Hungary
- **Fixed equipment** revenues declined to HUF 1.6 billion, mainly owing to lower sales of TV sets and laptops in Hungary and Macedonia
- **Data retail** revenues remained roughly unchanged at HUF 2.5 billion, as growing GTS revenues compensated for the lower subscription fees
- **Wholesale** revenues improved by 21.0% to HUF 5.6 billion thanks to additional GTS revenues offsetting price erosion
- **Other fixed line** revenues increased by 11.2% to HUF 4.2 billion, mainly driven by additional GTS contribution partly offset by lower online consumer service revenues due to the sale and deconsolidation of Origo

- **System Integration (SI) and IT revenues improved by HUF 3.0 billion** (+24.2%) to HUF 15.6 billion as a result of projects undertaken for financial institutions, utilities and public sector companies in Hungary, as well as higher revenues thanks to tailored solution projects in Macedonia
- **Energy Services revenues decreased to HUF 2.3 billion** compared to HUF 16.8 billion in the same period of 2015, due to the exit from the residential gas business as of August 1, 2015 and the transfer of the B2B energy business into the joint venture (E2) with MET Holding AG as of January 1, 2016

Direct costs decreased by 21.4% to HUF 45.4 billion, mainly due to a sharp decline in energy service related costs following the exit from the residential gas and B2B energy business.

- **Interconnect costs** decreased driven by the MTR cut in Hungary (down by HUF 2.8 billion)
- **SI/IT service related costs** increased by HUF 2.5 billion reflecting higher revenues
- **Other direct costs** went up by HUF 0.9 billion to HUF 26.1 billion due to lower mobile device related costs driven by decreasing mobile subsidies counterbalanced by higher cost of mobile accessories, in line with higher other equipment sales
- **Bad debt expenses** increased by 27.6% to HUF 2.4 billion, mainly owing to significantly higher amount of impairment loss charged in Q1 2016 and lower debt collection in Macedonia and Montenegro

Gross margin remained roughly stable at HUF 99.6 billion as improvement in the MT Hungary segment (TV, fixed and mobile broadband and SI/IT margins) counterbalanced the declines at our foreign subsidiaries and the margin effect of the lower energy revenues.

Indirect costs remained stable and other operating income significantly improved due to one-offs (sale of a real estate and Origo).

- **Employee-related expenses** improved by HUF 1.1 billion to HUF 20.8 billion due to savings in the quarter stemming from the headcount reduction program implemented in 2014 and 2015, partly offset by lower capitalization of project related employee related costs.
- **Hungarian sector specific taxes i**n the first quarter of 2016 the Hungarian telecommunication tax expense of HUF 6.1 billion remained at the same level as in the relevant period of last year (HUF 6.2 billion). In the first quarter of 2016 Magyar Telekom recognized a utility tax expense of HUF 7.3 billion which is HUF 384 million lower than in the first quarter of 2015. The primary reason for this is that as of 25 June, 2015 five years utility tax credit is granted for Magyar Telekom Group relating to those new network investments and upgrades which enable internet access of least 100 Mbps. Secondly, in the first quarter of 2016 there was a utility tax expense decrease due to the refinement of the taxable network records compared to the first quarter of 2015.
- **Other operating expenses (net)** improved by HUF 3.9 billion to HUF 17.1 billion, driven by profits realized on the real estate deal and the Origo sale

EBITDA increased by 13.6% from HUF 42.5 billion in Q1 2015 to HUF 48.2 billion in Q1 2016, as lower direct costs compensated for lower revenues, leading to a stable Gross margin, boosted by one-offs in Other operating income.

Depreciation and amortization expenses decreased by 3.5% to HUF 26.7 billion in Q1 2016, mainly due to the useful life review of certain network assets compared to the same period of last year.

Profit for the period rose by 245% to HUF 11.5 billion.

- **Operating profit** improved from HUF 14.8 billion in Q1 2015 to HUF 21.6 billion in Q1 2016 for the reasons described above
- **Net financial result** improved by 23.9% from HUF 8.6 billion loss in Q1 2015 to HUF 6.6 billion Q1 2016. The result was primarily due to lower average interest rates (down by 0.8% due to the expiry of two major fixed interest loans), as well as positive gains on the fair valuation of

derivatives, offsetting the lack of gains realized on exchange and energy swaps in the same period of 2015. The HUF weakened by 0.3% against the EUR in Q1 2016 compared to a 5.0% strengthening in Q1 2015

- **Income tax expense** increased by HUF 0.6 billion quarter over quarter, which is in line with the higher revenues of the first quarter of 2016. The decrease of the local business tax in 2016, however, slightly erased this revenue growth effect

- **Profit attributable to non-controlling interests** decreased by 8.1% to HUF 0.8 billion due to slightly lower Profit for the period generated by international subsidiaries

Net debt decreased by 2.3% from HUF 409.4 billion at the end of the fourth quarter of 2015 to HUF 400.0 billion by the end of March 2016, while the net debt ratio (net debt to total capital) improved from 42.9% to 41.8% driven by a reduction in both short- and long-term borrowings. Magyar Telekom's dividend policy seeks to maintain its net debt within the 30%-40% range and the net debt ratio is on a downward trajectory. Thus, we expect that the net debt ratio will approach the targeted range between 30-40% in the coming years.

2.2. Group Cash Flows

HUF millions	Q1 2015	Q1 2016	Change
Operating cash flow	25,240	26,243	1,003
Investing cash flow	(20,013)	(20,179)	(166)
Less: Proceeds from other financial assets - net	(4,134)	4,917	9,051
Investing cash flow excluding Proceeds from other financial assets – net	(24,147)	(15,262)	8,885
Repayment of other financial liabilities	(2,534)	(1,234)	1,300
Free cash flow	**(1,441)**	**9,747**	**11,188**
Proceeds from other financial assets - net	4,134	(4,917)	(9,051)
Proceeds from/Repayment of loans and other borrowings - net	(3,456)	(7,776)	(4,320)
Dividend paid to shareholders and Non-controlling interests	(37)	(2,447)	(2,410)
Exchange differences on cash and cash equivalents	(492)	26	518
Change in cash and cash equivalents	**(1,292)**	**(5,367)**	**(4,075)**

Free cash flow

Operating cash flow

Net cash generated from operating activities amounted to HUF 26.2 billion in 2016, compared to HUF 25.2 billion in 2015. Main reasons for the increase of HUF 1 billion were the following:

- HUF 5.8 billion positive change due to the higher EBITDA in 2016 than in 2015
- HUF 16.6 billion positive change in active working capital due to the transfer of the energy services for business customers to E2 and due to the higher decrease in SI/IT receivables fully collected. The changed terms of the installment receivables in 2016 also contributed to the positive change through the decrease in installment receivables.
- HUF -2.1 billion negative change due to higher payment of severance provision in 2016 than in 2015
- HUF 1.1 billion positive change due to lower tax payments in Macedonia in 2016 as a result of additional tax payment in Q1 2015 related to the changes of the tax law, no such payment in Q1 2016
- HUF -15.3 billion negative change in passive working capital due to the less volume of energy suppliers as a result of the launch of E2's operation in the energy market and the higher payment of the SI/IT services in 2016 than in 2015. The higher payment of employee related liabilities in 2016 compared to 2015 had an adverse effect
- HUF -5.1billion negative change due to the accounting net result of the sale of Origo Zrt and Infopark building

Investing cash flow excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF -15.3 billion in 2016, compared to HUF -24.2 billion in 2015. Main reasons for the HUF 8.9 billion lower cash outflow were the following:

- HUF 0.6 billion positive effect due to less CAPEX spending in 2016 than in 2015
- HUF -4.5 billion negative change due to higher amount of CAPEX creditors paid in 2016 than in 2015
- HUF 1.5 billion positive change due to lower volume of acquisition of cable TV operations in 2016 than in 2015
- HUF 3.4 billion positive change due to the sale of Origo Zrt.

- HUF 7.9 billion positive change due to the sale of Infopark building

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF -2.5 billion in 2015 to HUF -1.2 billion in 2016. Main reason for the lower payment of HUF 1.3 billion was the combined effect of the following:

- HUF 0.5 billion positive change due to the repayment of the loan related to the sale transaction of Origo Zrt.
- HUF 0.8 billion various other effects of the movement of financial liabilities

Free cash flow (FCF) overall increased from HUF -1.4 billion in 2015 to HUF 9.7 billion in 2016 due to the reasons described above.

(Payments for) / Proceeds from other financial assets - net

Proceeds from other financial assets - net decreased by HUF 9 billion. Main reason for the decrease were the following:

- HUF -5.7 billion higher cash outflows from derivatives in 2016 compared to 2015
- HUF - 4.5 billion higher amount of Maktel's cash was invested as bank deposits over 3 months in Q1 2016 in net terms
- HUF 1.2 billion higher amount of CT's cash was invested as bank deposits over 3 months in Q1 2015 in net terms

Repayment of loans and other borrowings - net

- The change is due to the higher net loan repayment caused by positive cash generation in Q1 2016 as opposed to Q1 2015

Dividend paid to shareholders and Non-controlling interest

Dividend paid to shareholders and Non-controlling interest increased by HUF 2.4 billion as a result of Maktel dividend paid to minority owners was higher in 2016 which had an adverse effect on the cash flow

Exchange differences on cash and cash equivalents

The change in exchange differences on cash and cash equivalent is due to appreciating HUF in 2015 as opposed to unchanged HUF in 2016.

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

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

2.3. Statements of Financial Position

The most significant change in the balances of the Statements of Financial Position from December 31, 2015 to March 31, 2016 can be observed in the following lines:

- Trade and other receivables
- Assets held for sale
- Property, plant and equipment and intangible assets
- Trade payables
- Retained earnings

Trade and other receivables decreased by HUF 13.6 billion from December 31, 2015 to March 31, 2016. The decrease is mainly due the decrease of the energy related receivables. E2 launched its operation from January 1, 2016 and started to provide energy services for these customers. The financial settlement of SI/IT services which was performed in former periods contributed significantly to the decrease of Trade and other receivables.
Assets held for sale decreased by HUF 3 billion from December 31, 2015 to March 31, 2016. The decrease is due to the sale of Origo Zrt.
Property, plant and equipment (PPE) and intangible assets together decreased by HUF 20.6 billion from December 31, 2015 to March 31, 2016. The main reason for the decrease is that the depreciation and scrapping of assets exceeded the capital expenditure of assets.
Trade payables decreased by HUF 32.3 billion from December 31, 2015 to March 31, 2016. One of the main reasons for the decrease that E2launched its operation from January 1, 2016, and as a result of that the balance of the energy related creditors diminished in Q1 2016. On the other hand the decrease is due to the settlement of SI/IT related creditors.
Retained earnings increased by HUF 10.7 billion from December 31, 2015 to March 31, 2016. The reason for the increase is the profit generated in 2016 with no dividend declared.
There has not been any other material change in the items of the Consolidated Statement of Financial Position from December 31, 2015 to March 31, 2016. 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 2016 and the related explanations provided above in section 2.2 Cash flows.

2.4. Related party transactions

There have not been any significant changes in related party transactions during Q1 2016 since the most recent annual financial reports.

2.5. Contingencies and commitments

Contingent assets

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

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

Contingent liabilities

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. The management believes that it is not probable that a significant liability will arise from these claims.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees in a nominal amount of HUF 11.3 billion as at December 31, 2015. 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 2016 or 2015, 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 2016.

2.6. Significant events

For any significant events happened between the end of the quarter (March 31, 2016) and the date publishing of the "Interim financial report please see our Investor Relations website:

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

3. SEGMENT REPORTS

Magyar Telekom introduced a new reporting structure from the beginning of 2016 to further simplify our operation on every managerial levels of the company. The Group's new operating segments are Hungary, Macedonia and Montenegro. MT-Hungary includes the former T-Hungary segment (residential and SMB customers) and former T-Systems (enterprise segment). The Macedonia and Montenegro segments have not changed.

The MT-Hungary segment operates in Hungary providing mobile and fixed line telecommunications, TV distribution, infocommunications and system integration services, energy retail services to millions of residential and business customers under the Telekom and T-Systems brands. Small and medium business customers are served by Telekom brand and key business customers (large corporate and public sector customers) are served by T-Systems brand. The MT-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. 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.

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.

3.1. MT-Hungary

Strong underlying performance, boosted by one-offs

HUF millions	Q1 2015	Q1 2016	Change	Change (%)
Voice[1]	38,636	34,611	(4,025)	(10.4%)
Non-voice[2]	16,355	17,741	1,386	8.5%
Other[3]	12,099	12,898	799	6.6%
Total mobile revenues	**67,090**	**65,250**	**(1,840)**	**(2.7%)**
Voice retail	12,291	11,317	(974)	(7.9%)
Broadband - retail	10,065	10,856	791	7.9%
TV	9,037	9,475	438	4.8%
Other[4]	10,224	11,444	1,220	11.9%
Fixed line revenues	**41,617**	**43,092**	**1,475**	**3.5%**
SI/IT revenues	12,078	15,144	3,066	25.4%
Revenue from Energy services	16,789	2,313	(14,476)	(86.2%)
Total revenues	**137,574**	**125,799**	**(11,775)**	**(8.6%)**
Direct cost	**(52,326)**	**(39,536)**	**12,790**	**24.4%**
Gross margin	**85,248**	**86,263**	**1,015**	**1.2%**
Telecom tax	(6,226)	(6,188)	38	0.6%
Utility tax	(7,649)	(7,265)	384	5.0%
Other operating expenses (net)	(36,213)	(31,560)	4,653	12.8%
EBITDA	**35,160**	**41,250**	**6,090**	**17.3%**
Segment Capex	**11,375**	**10,207**	**(1,168)**	**(10.3%)**

[1] incorporates Voice retail and Voice wholesale revenues
[2] incorporates Data and SMS revenues
[3] incorporates Equipment and Other revenues
[4] incorporates Equipment, Data retail, Wholesale and Other revenues

Operational statistics – access numbers	Q1 2015	Q1 2016	Change %
Number of mobile customers (RPC)	5,463,107	5,371,513	(1.7%)
Postpaid share in the RPC base	55.1%	57.7%	n.a.
Total fixed voice access	1,473,112	1,447,961	(1.7%)
Total retail fixed broadband customers	950,093	1,001,068	5.4%
Total TV customers	936,213	963,820	2.9%

Operational statistics – ARPU	Q1 2015	Q1 2016	Change %
Mobile ARPU (HUF)	3,350	3,216	(4.0%)
Postpaid	5,120	4,852	(5.2%)
Prepaid	1,195	1,038	(13.1%)
Blended fixed voice ARPU (HUF)	2,769	2,592	(6.4%)
Blended retail fixed broadband ARPU (HUF)	3,493	3,561	2.0%
Blended TV ARPU (HUF)	3,222	3,280	1.8%

Total revenues decreased by 8.6% in Q1 2016 compared with the same quarter in the previous year in the Hungary segment (including former T-Hungary and T-Systems segments) primarily due to the exit from the residential gas market and the deconsolidation of the B2B energy operations, while the lower mobile revenues were offset by higher fixed line and SI/IT revenues. The good performance of 2015 on the Hungarian market continued in the first quarter of 2016. Stripping out contributions from energy, along with the MTR cut, the GTS acquisition and SI/IT, core like-for-like revenues saw a slight improvement.

- **Mobile revenues declined** (-2.7% vs. Q1 2015) to HUF 65.2 billion due to sharp MTR cut in Hungary as of April 1, 2015. Higher mobile broadband and equipment revenues were offset by shrinking wholesale voice revenues. Retail mobile market remained relatively stable due to muted impact of UPC as the only MVNO and Digi not expected to enter Q4 2016. Business mobile market seeing very strong price competition as we have higher than average market shares in both SMB and enterprise segments. Prepaid to postpaid migration continued as the demand for mobile broadband is still substantial. The popularity of the flat tariff plans offering unlimited voice and messaging to the customers remained high. More than one third of our postpaid customer base is enjoying the advantages of the flat tariff plans.
  - **Mobile voice revenues decreased by more than HUF 4.0 billion (-10.4% in Q1 2016):** the MTR cut effect was even higher so our underlying outgoing ARPU continued to increase thanks to the prepaid to postpaid migration and the increased share of our flat customer base supported by the successful sale of our quad-play Magenta1 offer
  - **Mobile non-voice revenues rose 8.5% quarter-over-quarter** with double digit mobile broadband growth and a slight increase in SMS revenue from mass messaging in our enterprise segment
  - **Other revenues increased with HUF 0.8 billion in the first quarter** thanks to higher equipment sales

- **Fixed line revenues grew** (+3.5% vs. Q1 2015) thanks to the GTS acquisition and the increasing revenues on the residential segment following High Speed Internet (HSI) network upgrades and roll-outs. Improvement in broadband, TV, wholesale and equipment revenues were partly offset by a fall in voice retail. We continued to increase our overall residential fixed line revenues by offering bundles including broadband plans with higher bandwidth and IPTV. Competition in the business sub-segment remained intense coupled with continued market share loss to the state-owned operator in the enterprise segment.
  - **Voice retail revenues declined by 7.9%** due to lower subscription fee revenues resulting from the decrease in the average number of fixed lines and lower ARPUs as we continue to focus on our high-end residential fixed voice customer base enjoying the flat rate packages (Hoppá) which is also a part of our quad-play Magenta1 proposition
  - **Broadband retail revenues increased by 7.9%** driven by both the higher number of retail broadband customers (over a million subscribers so far) and higher ARPUs thanks to successful upgrade activities to higher bandwidth packages
  - **TV revenues rose by 4.8%** quarter over quarter due to higher customer base and increasing ARPUs; our IPTV customer base increased by almost 60,000, driven by new customer acquisitions and migration from cable TV (our satellite TV subscriber base remained stable)
  - **Other fixed line revenues increased** in Q1 2016 due to the increased Video on Demand (VoD) usage coupled with the consolidation effect of GTS Hungary from Q2 2015

- **SI/IT revenues rose by 25.4%** principally reflecting the carry forward of projects started in 2015
  - Increased level of license sales in the financial and utility sectors, and “SmartCity” projects initiated in the local governmental sector
  - Our strategic focus remains on the higher margin system integration projects

Energy services	**Q1 2015**	**Q1 2016**	**Change %**
Electricity points of delivery	109,489	95,679	(12.6%)
Gas points of delivery	66,107	256	(99.6%)

- **Energy services revenues decreased by HUF 14.5 billion** (down by 86.2%) in Q1 2016 versus Q1 2015 due to the residential gas market exit and the deconsolidation of our B2B energy operation
  - The **joint venture** that provides energy services for business (non-universal) customers started operating as of January 1, 2016
  - **The number of electricity points of delivery** decreased by 13.8 thousands due to us putting less sales focus on residential universal electricity business following the change in market environment and putting our B2B electricity customers into the JV
  - **Electricity revenues declined** by HUF 4.5 billion in Q1 2016 compared to the same period last year mostly due to deconsolidating our high spending B2B customer base
  - **The drop in gas points of delivery** is caused by the exit from the residential segment of the gas market with effect from August 1, 2015, and the deconsolidation of our non-universal B2B gas business resulting in HUF 10.0 billion lower revenues

- **EBITDA increased by 17.3% in Q1 2016** (up by HUF 6.1 billion) due to an improvements in the gross profit and one-off reductions in other operating expenses
  - **Gross margin** rose by HUF 1.0 billion due to the higher ARPUs in fixed BB and TV and increased SI/IT activities
  - **Utility tax** expense is HUF 0.4 billion lower due to the five years utility tax credit following network investments and upgrades
  - HUF 0.4 billion higher **advisory fee** due to HSI development for Digital Welfare Programme
  - **Employee-related expenses** improved due to the headcount reduction program implemented in 2014 and 2015 resulting in ca. HUF 2.0 billion of recurring savings for Q1 2016, partly offset by smaller proportion of project related employee related expenses which were capitalized in the quarter
  - **Other operating expenses (net)** benefitted by the one-off profit realized on the real estate deal and the Origo sale, HUF 3.0 billion and HUF 2.1 billion, respectively

- **Capex decreased by HUF 1.2 billion** in the first quarter of 2016 principally due to lower spending on network developments partly offset by higher spending on SI/IT projects
  - HUF 1.0 billion less Capex on fixed and mobile network developments
  - HUF 0.5 billion less Capex on PSTN replacement project

Outlook: Clearly there are some risks to growth in the year ahead as UPC continues to grow its mobile retail subscriber base and Digi expected to enter this market as an MVNO in the fourth quarter, along with likely price erosion continuing in the business segment; however, there are mitigating factors. First, the negative revenue effect of last year's MTR cut will have reversed and will not be seen in the next quarter's performance; secondly, we are positive about our fixed line residential business as we are about to leverage our last year's HSI network developments and looking forward to participating in the Digital Welfare Program run by the Hungarian Government; and thirdly, the SI/IT market is expected to further grow and our intention is to increase our market share focusing on high margin system integration projects. **As such, we are optimistic that we can continue to grow our overall revenues from residential telecommunications in Hungary in the year ahead and that last years' EBITDA turnaround can be maintained.**

3.2. Macedonia

Revenue turnaround achieved

HUF millions	Q1 2015	Q1 2016	Change	Change (%)
Voice	4,515	4,356	(159)	(3.5%)
Non-voice	1,275	1,411	136	10.7%
Other	977	1,270	293	30.0%
Total mobile revenues	**6,767**	**7,037**	**270**	**4.0%**
Voice retail	1,566	1,406	(160)	(10.2%)
Broadband - retail	1,308	1,413	105	8.0%
TV	740	723	(17)	(2.3%)
Other	1,934	1,789	(145)	(7.5%)
Fixed line revenues	**5,548**	**5,331**	**(217)**	**(3.9%)**
SI/IT revenues	189	236	47	24.9%
Total revenues	**12,504**	**12,604**	**100**	**0.8%**
Direct cost	**(3,587)**	**(4,000)**	**(413)**	**(11.5%)**
Gross margin	**8,917**	**8,604**	**(313)**	**(3.5%)**
Other operating expenses (net)	(3,870)	(3,725)	145	3.7%
EBITDA	**5,047**	**4,879**	**(168)**	**(3.3%)**
Segment Capex	**557**	**893**	**336**	**60.3%**

Operational statistics – access numbers	Q1 2015	Q1 2016	Change %
Number of mobile customers	1,189,296	1,218,112	2.4%
Postpaid share in the customer base	36.3%	38.5%	n.a
Total fixed voice access	232,834	221,245	(5.0%)
Total retail fixed broadband customers	163,624	164,360	0.4%
Total TV customers	98,895	104,203	5.4%

Following 5 years of revenue decline, **total first quarter revenues increased by 0.8% year-on-year in HUF terms** driven by growth in mobile and SI/IT revenues.

- **Mobile revenue growth** (+4.0% vs. Q1 2015) reflects the success of our quad-play offer Magenta1, launched to capitalize on the increasing demand for integrated fixed-mobile services
  - Non-voice revenues rose (+10.7% vs. Q1 2015) due to growth in mobile broadband revenues, partly offset by a decline in the number of SMSs sent
  - Principal components to this growth, following successful marketing campaigns, were the larger mobile customer base, translating into a higher share of the mobile market, and an increased postpaid ratio; stabilization of mobile ARPU following market consolidation was a factor too
  - Other revenues rose significantly (+30.0% vs. Q1 2015) due to higher equipment sales
  - Mobile voice revenues declined (-3.5% vs. Q1 2015) driven by a decrease in mobile wholesale revenues
  - EU-wide reductions in international mobile termination charges

- Continued **decline in fixed line revenues** (-3.9% vs. Q1 2015) mainly driven by lower voice-retail and fixed equipment revenues
  - Voice-retail revenue decline reflects lower traffic and customer base, partly offset by higher fixed line internet revenues
  - A change in the accounting treatment of 3play bundles resulted in a significant decline in fixed voice ARPU and an increase in fixed BB ARPU

- **An increase in system integration/IT revenues** (+24.9% vs. Q1 2015) due to higher revenues from several ICT projects
  - Higher uncertainty regarding public sector projects going forward presents a risk to SI/IT revenues

- **EBITDA decline of just 3.3%** vs. Q1 2015 in HUF terms driven by the 3.5% decline in gross profit
  - Decline in gross profit reflects lower fixed line revenues and higher IC costs due to growth in mobile minutes
  - Reduction in employee-related expenses resulted in lower other operating expenses

- Significant **increase in Capex** (+60.3% vs. Q1 2015) mainly due to faster rollout and higher utilization of FTTH network

Outlook: Despites the risks stemming from the political environment in Macedonia, we believe in the sustainability of the current revenue turnaround which is expected to lead to higher margins, and ultimately, a turnaround in EBITDA.

3.3. Montenegro

Sustained competitive and regulatory pressures

HUF millions	Q1 2015	Q1 2016	Change	Change (%)
Voice	1,920	1,901	(19)	(1.0%)
Non-voice	787	685	(102)	(13.0%)
Other	380	422	42	11.1%
Total mobile revenues	**3,087**	**3,008**	**(79)**	**(2.6%)**
Voice retail	1,350	1,202	(148)	(11.0%)
Broadband - retail	878	866	(12)	(1.4%)
TV	561	598	37	6.6%
Other	784	809	25	3.2%
Fixed line revenues	**3,573**	**3,475**	**(98)**	**(2.7%)**
SI/IT revenues	314	248	(66)	(21.0%)
Total revenues	**6,974**	**6,731**	**(243)**	**(3.5%)**
Direct cost	**(1,947)**	**(1,943)**	**4**	**0.2%**
Gross margin	**5,027**	**4,788**	**(239)**	**(4.8%)**
Other operating expenses (net)	(2,607)	(2,509)	98	3.8%
EBITDA	**2,420**	**2,279**	**(141)**	**(5.8%)**
Segment Capex	**247**	**519**	**272**	**110.1%**

Operational statistics – access numbers	Q1 2015	Q1 2016	Change %
Number of mobile customers	328,544	334,011	1.7%
Postpaid share in the customer base	45.3%	49.9%	n.a.
Total fixed voice access	146,310	138,362	(5.4%)
Total retail fixed broadband customers	91,733	88,507	(3.5%)
Total TV customers	60,759	59,687	(1.8%)

Competitive and regulatory pressures continued to be felt across all major revenue lines, with **total revenues declining by 3.5%** year-on-year in HUF terms.

- **Mobile revenue decline** (-2.6% vs. Q1 2015) reflects lower voice ARPU and a decline in SMSs (both outgoing and incoming) due to OTT competition

  - Overall decline partly mitigated by continued double digit mobile broadband subscriber growth, leading to increased mobile data revenues, and increased mobile equipment sales
  - Decline in mobile market share reversed following successful Montenegro launch of quad-play offer Magenta1 in January 2016, which resulted in subscriber growth and a higher post-paid ratio of 50% of the mobile customer base

- **Fixed line revenue declined further** (-2.7% vs. Q1 2015) in the face of sustained competitive and regulatory headwinds
  - Stronger push by cable competitors of 3play bundle offers
  - Fixed line voice and broadband ARPU decreased due to sustained regulatory pressures, albeit at a slower rate of decline than in previous periods (fixed voice market share remains strong at over 95%)
  - January 2016 launch of Magenta1 has positioned the Montenegrin business to better withstand this twin set of pressures
  - TV revenues recorded a modest rise (+6.6% vs. Q1 2015)

- **Decline in SI/IT revenues (-21.0% vs. Q1 2015) reflecting** a different dynamic to the execution of ICT deals
- **EBITDA decline of 5.8%** year-on-year in HUF terms driven principally by the 4.8% decline in the gross profit
  - Decline in gross profit principally reflects the 3.5% fall in total revenues, due to ongoing competitive pressures across all business lines
  - A decrease of 20% in employee related expenses following the successful outsourcing of our fixed line network plan and maintenance plans to Ericsson in the third quarter of 2015 helped contribute to a 3.8% decline in other operating expenses overall

- **Capex more than doubled** (+110.1% vs. Q1 2015) principally due to an acceleration in the rollout of FTTH in order to narrow the High Speed Internet coverage gap with our cable operator competitors

Outlook: We believe that with fixed and mobile services continuing to converge, the launch of our quad-play offer Magenta1 will make us more resilient to these competitive and regulatory headwinds, by being better positioned to defend the strong market share that we have in fixed line voice and to grow our mobile subscribers.

4. APPENDIX

4.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, 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, 2015 have been filed with the Budapest Stock Exchange and the Hungarian National Bank. The statutory accounts for December 31, 2015 were audited and the audit report was unqualified.

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated annual financial statements for the year ended December 31, 2015 with the following exception.

As of January 1, 2016 the Group adopted the following IFRS amendment: **IFRS 11 (amended)**

The amendment to IFRS 11 explicitly requires the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3. The application of the amended standard did not result in significant changes in the financial statements of the Group, therefore no restatement of the previously reported balances is necessary.

4.2. 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)	Q1 2015 (Unaudited)	Q1 2016 (Unaudited)	Change	Change (%)
Revenues				
Voice retail	38,237	38,112	(125)	(0.3%)
Voice wholesale	6,834	2,756	(4,078)	(59.7%)
Data	13,893	15,446	1,553	11.2%
SMS	4,524	4,391	(133)	(2.9%)
Equipment	10,022	11,215	1,193	11.9%
Other mobile revenues	3,428	3,374	(54)	(1.6%)
Mobile revenues	**76,938**	**75,294**	**(1,644)**	**(2.1%)**
Voice retail	15,207	13,925	(1,282)	(8.4%)
Broadband retail	12,251	13,135	884	7.2%
TV	10,338	10,796	458	4.4%
Equipment	1,905	1,638	(267)	(14.0%)
Data retail	2,569	2,549	(20)	(0.8%)
Wholesale	4,636	5,609	973	21.0%
Other fixed line revenues	3,743	4,164	421	11.2%
Fixed line revenues	**50,649**	**51,816**	**1,167**	**2.3%**
System Integration/Information Technology revenues	12,581	15,628	3,047	24.2%
Energy service revenues	16,789	2,313	(14,476)	(86.2%)
Total revenues	**156,957**	**145,051**	**(11,906)**	**(7.6%)**
Direct costs				
Interconnect costs	(8,049)	(5,297)	2,752	34.2%
SI/IT service related costs	(6,873)	(9,334)	(2,461)	(35.8%)
Energy service related costs	(15,769)	(2,256)	13,513	85.7%
Bad debt expense	(1,892)	(2,414)	(522)	(27.6%)
Other direct costs	(25,194)	(26,126)	(932)	(3.7%)
Direct costs	**(57,777)**	**(45,427)**	**12,350**	**21.4%**
Gross margin	**99,180**	**99,624**	**444**	**0.4%**
Employee-related expenses	(21,898)	(20,843)	1,055	4.8%
Hungarian sector specific special taxes	(13,875)	(13,453)	422	3.0%
Other operating expenses	(21,711)	(23,628)	(1,917)	(8.8%)
Other operating income	770	6,548	5,778	n.m.
EBITDA	**42,466**	**48,248**	**5,782**	**13.6%**
Depreciation and amortization	(27,668)	(26,696)	972	3.5%
Operating profit	**14,798**	**21,552**	**6,754**	**45.6%**
Net financial result	(8,613)	(6,558)	2,055	23.9%
Share of associates' and joint ventures' profits	0	(24)	(24)	n.a.
Profit before income tax	**6,185**	**14,970**	**8,785**	**142.0%**
Income tax	(2,863)	(3,505)	(642)	(22.4%)
Profit for the period	**3,322**	**11,465**	**8,143**	**245.1%**
Change in exchange differences on translating foreign operations	(7,165)	364	7,529	n.m.
Revaluation of available-for-sale financial assets	(12)	(1)	11	91.7%
Other comprehensive income for the period	(7,177)	363	7,540	n.m.
Total comprehensive income for the period	**(3,855)**	**11,828**	**15,683**	**n.m.**
Profit attributable to:				
Owners of the parent	2,506	10,715	8,209	327.6%
Non-controlling interests	816	750	(66)	(8.1%)
	3,322	**11,465**	**8,143**	**245.1%**
Total comprehensive income attributable to:				
Owners of the parent	(2,192)	10,978	13,170	n.m.
Non-controlling interests	(1,663)	850	2,513	n.m.
	(3,855)	**11,828**	**15,683**	**n.m.**
Basic and diluted earnings per share (HUF)	**2.40**	**10.28**	**7.88**	**328.3%**

4.3. Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2015 (Audited)	Mar 31, 2016 (Unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	17,558	12,191	(5,367)	(30.6%)
Trade and other receivables	162,762	149,165	(13,597)	(8.4%)
Other current financial assets	11,052	15,438	4,386	39.7%
Current income tax receivable	1,356	2,806	1,450	106.9%
Inventories	12,665	15,986	3,321	26.2%
	205,393	195,586	(9,807)	(4.8%)
Assets held for sale	4,785	1,805	(2,980)	(62.3%)
Total current assets	**210,178**	**197,391**	**(12,787)**	**(6.1%)**
Non current assets				
Property, plant and equipment	493,204	478,515	(14,689)	(3.0%)
Intangible assets	260,909	255,022	(5,887)	(2.3%)
Goodwill	217,935	217,956	21	0.0%
Investments in associates and joint ventures	1,000	976	(24)	(2.4%)
Deferred tax assets	47	47	0	0.0%
Other non current financial assets	22,950	21,259	(1,691)	(7.4%)
Other non current assets	801	815	14	1.7%
Total non current assets	**996,846**	**974,590**	**(22,256)**	**(2.2%)**
Total assets	**1,207,024**	**1,171,981**	**(35,043)**	**(2.9%)**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	136,906	128,663	(8,243)	(6.0%)
Other financial liabilities	26,152	25,069	(1,083)	(4.1%)
Trade payables	140,182	107,931	(32,251)	(23.0%)
Current income tax payable	1,399	493	(906)	(64.8%)
Provisions	7,185	4,091	(3,094)	(43.1%)
Other current liabilities	39,142	38,928	(214)	(0.5%)
	350,966	305,175	(45,791)	(13.0%)
Liabilities held for sale	1,217	0	(1,217)	(100.0%)
Total current liabilities	**352,183**	**305,175**	**(47,008)**	**(13.3%)**
Non current liabilities				
Financial liabilities to related parties	220,088	220,625	537	0.2%
Other financial liabilities	54,857	53,280	(1,577)	(2.9%)
Deferred tax liabilities	23,813	25,309	1,496	6.3%
Provisions	9,907	9,556	(351)	(3.5%)
Other non current liabilities	1,245	1,269	24	1.9%
Total non current liabilities	**309,910**	**310,039**	**129**	**0.0%**
Total liabilities	**662,093**	**615,214**	**(46,879)**	**(7.1%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,412	27,420	8	0.0%
Treasury stock	(307)	(307)	0	0.0%
Retained earnings	337,014	347,729	10,715	3.2%
Accumulated other comprehensive income	31,824	32,087	263	0.8%
Total Equity of the owners of the parent	**500,218**	**511,204**	**10,986**	**2.2%**
Non-controlling interests	44,713	45,563	850	1.9%
Total equity	**544,931**	**556,767**	**11,836**	**2.2%**
Total liabilities and equity	**1,207,024**	**1,171,981**	**(35,043)**	**(2.9%)**

4.4. Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-3 months 2015 (Unaudited)	1-3 months 2016 (Unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	3,322	11,465	8,143	245.1%
Depreciation and amortization	27,668	26,696	(972)	(3.5%)
Income tax expense	2,863	3,505	642	22.4%
Net financial result	8,613	6,558	(2,055)	(23.9%)
Share of associates' and joint ventures' result	0	24	24	n.a.
Change in assets carried as working capital	(3,460)	12,718	16,178	n.m.
Change in provisions	(540)	(3,453)	(2,913)	n.m.
Change in liabilities carried as working capital	(338)	(14,451)	(14,113)	n.m.
Income tax paid	(5,357)	(4,367)	990	18.5%
Interest and other financial charges paid	(7,688)	(7,687)	1	0.0%
Interest received	262	173	(89)	(34.0%)
Other non-cash items	(105)	(4,938)	(4,833)	n.m.
Net cash generated from operating activities	**25,240**	**26,243**	**1,003**	**4.0%**
Cash flows from investing activities				
Investments in tangible and intangible assets	(12,179)	(11,619)	560	4.6%
Adjustments to cash purchases	(10,734)	(15,274)	(4,540)	(42.3%)
Purchase of subsidiaries and business units	(1,469)	(13)	1,456	99.1%
(Payments for) / Proceeds from other financial assets - net	4,134	(4,917)	(9,051)	n.m.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	235	8,180	7,945	n.m.
Proceeds from disposal of subsidiaries and associates	0	3,464	3,464	n.a.
Net cash used in investing activities	**(20,013)**	**(20,179)**	**(166)**	**(0.8%)**
Cash flows from financing activities				
Dividends paid to shareholders and Non-controlling interests	(37)	(2,447)	(2,410)	n.m.
Proceeds from/Repayment of loans and other borrowings -net	(3,456)	(7,776)	(4,320)	(125.0%)
Repayment of other financial liabilities	(2,534)	(1,234)	1,300	51.3%
Net cash used in financing activities	**(6,027)**	**(11,457)**	**(5,430)**	**(90.1%)**
Exchange differences on cash and cash equivalents	(492)	26	518	n.m.
Change in cash and cash equivalents	**(1,292)**	**(5,367)**	**(4,075)**	**(315.4%)**
Cash and cash equivalents, beginning of period	14,625	17,558	2,933	20.1%
Cash and cash equivalents, end of period	13,333	12,191	(1,142)	(8.6%)
Change in cash and cash equivalents	**(1,292)**	**(5,367)**	**(4,075)**	**(315.4%)**

4.5. 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, 2014	1,042,742,543	104,275	27,379	17	(307)	310,406	32,276	(92)	473,954	50,444	524,398
Equity settled share-based transactions				8					8		8
Total comprehensive income						2,506	(4,691)	(7)	(2,192)	(1,663)	(3,855)
Balance at March 31, 2015	1,042,742,543	104,275	27,379	25	(307)	312,912	27,585	(99)	471,770	48,781	520,551
Dividend declared to Non-controlling interests									0	(9,122)	(9,122)
Equity settled share-based transactions				8					8		8
Acquisition of GTS Hungary						(1,107)			(1,107)		(1,107)
Total comprehensive income						25,209	4,307	31	29,547	5,054	34,601
Balance at December 31, 2015	1,042,742,543	104,275	27,379	33	(307)	337,014	31,892	(68)	500,218	44,713	544,931
Equity settled share-based transactions				8					8		8
Total comprehensive income						10,715	264	(1)	10,978	850	11,828
Balance at March 31, 2016	1,042,742,543	104,275	27,379	41	(307)	347,729	32,156	(69)	511,204	45,563	556,767

4.6. Exchange rate information

Exchange rate	Q1 2015	Q1 2016	Change (%)
HUF/EUR beginning of period	314.89	313.12	**(0.6%)**
HUF/EUR period-end	299.14	314.16	**5.0%**
HUF/EUR cumulative monthly average	306.99	312.27	**1.7%**
HUF/MKD beginning of period	5.12	5.08	**(0.8%)**
HUF/MKD period-end	4.86	5.09	**4.7%**
HUF/MKD cumulative monthly average	4.99	5.06	**1.4%**

4.7. Segment information

HUF millions	Q1 2015	Q1 2016	Change	Change (%)
Total MT-Hungary revenues	137,574	125,799	(11,775)	(8.6%)
Less: Telekom Hungary revenues from other segments	(72)	(61)	11	15.3%
MT-Hungary revenues from external customers	**137,502**	**125,738**	**(11,764)**	**(8.6%)**
Total Macedonia revenues	12,504	12,604	100	0.8%
Less: Macedonia revenues from other segments	(15)	(16)	(1)	(6.7%)
Macedonia revenues from external customers	**12,489**	**12,588**	**99**	**0.8%**
Total Montenegro revenues	6,974	6,731	(243)	(3.5%)
Less: Montenegro revenues from other segments	(8)	(6)	2	25.0%
Montenegro revenues from external customers	**6,966**	**6,725**	**(241)**	**(3.5%)**
Total consolidated revenue of the segments	156,957	145,051	(11,906)	(7.6%)
Measurement/rounding differences to Group revenue	0	0	0	n.a.
Total revenue of the Group	**156,957**	**145,051**	**(11,906)**	**(7.6%)**
Segment results (EBITDA)				
MT- Hungary	35,160	41,250	6,090	17.3%
Macedonia	5,047	4,879	(168)	(3.3%)
Montenegro	2,420	2,279	(141)	(5.8%)
Total EBITDA of the segments	**42,627**	**48,408**	**5,781**	**13.6%**
Measurement/rounding differences to Group EBITDA	(161)	(160)	1	0.6%
Total EBITDA of the Group	**42,466**	**48,248**	**5,782**	**13.6%**

5. 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, May 3, 2016