LIFE IS FOR SHARING.

Investor Release **Magyar Telekom**

IR contacts:	Position:	Telephone:	E-mail address:
Péter Bauer	Head of Investor Relations	+36-1-481-7676	bauer.peter@telekom.hu
Rita Walfisch	Investor Relations manager	+36 1 457-6084	walfisch.rita@telekom.hu
Gabriella Pászti	Investor Relations manager	+36-1-458-0332	paszti.gabriella@telekom.hu

Please note that Basic earnings per share data for Q3 and the first nine months of 2018 in the interim financial report published on November 7, 2018 was incorrectly stated.
In the financial table, Q3 2018 indirect costs for the MT-Hungary segment were also corrected.
The attached report includes the correct figures.

MAGYAR TELEKOM

INTERIM FINANCIAL REPORT

ANALYSIS OF THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2018

Budapest – November 7, 2018 – 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 2018, in accordance with International Financial Reporting Standards (IFRS).

TABLE OF CONTENTS

LIFE IS FOR SHARING.

Company name:	Magyar Telekom Plc.	Company address: e-mail address:	H-1097 Budapest Könyves Kálmán krt. 36. investor.relations@telekom.hu
IR contacts:	Position:	Telephone:	E-mail address:
Péter Bauer Rita Walfisch Gabriella Pászti	Head of Investor Relations IR manager IR manager	+36-1-481-7676 +36-1-457-6084 +36-1-458-0332	bauer.peter@telekom.hu walfisch.rita@telekom.hu paszti.gabriella@telekom.hu

1. HIGHLIGHTS

Financial highlights:

MAGYAR TELEKOM Group Financial Results - IFRS (HUF million, except ratios)	Q3 2017 IAS 18/ IAS 11 Continuing operation	Q3 2018 IAS 18/ IAS 11	Change (%)	Q3 2018 IFRS 9 & 15 effect	Q3 2018 IFRS 9 & 15	Change (%)
Total revenues	155,381	163,797	5.4%	(112)	163,685	5.3%
Operating profit	30,171	23,662	(21.6%)	(554)	23,108	(23.4%)
Profit attributable to:						
Owners of the parent	18,129	13,899	(23.3%)	(494)	13,405	(26.1%)
Non-controlling interests	1,212	1,168	(3.6%)	(60)	1,108	n.m.
	19,341	15,067	(22.1%)	(554)	14,513	(25.0%)
Gross profit	97,314	94,150	(3.3%)	(542)	93,608	(3.8%)
EBITDA	57,212	53,596	(6.3%)	(554)	53,042	(7.3%)
EBITDA margin	36.8%	32.7%	n.a.	n.m.	32.4%	n.a.
Basic earnings per share (HUF)	17.44	13.44	(22.9%)	(0.48)	12.96	(25.7%)
	1-9 months 2017				1-9 months 2018	Change (%)
Free cash flow	27,421				28,570	4.2%
CAPEX to Sales	12.6%				10.7%	n.a.
Number of employees (closing full equivalent)	9,329				9,154	(1.9%)
	Dec 31, 2017				Sep 30, 2018	Change (%)
Net debt	309,641				309,957	0.1%
Net debt / total capital	34.8%				33.8%	n.a.

- **Further increase in Group revenue as growth in equipment and SI/IT sales continued to be coupled with an improvement in service revenues**
  - **Integrated fixed-mobile packages give further support to postpaid, broadband and TV customer expansion in both countries**
  - **Strong demand for equipment sales in Hungary further support favourable service revenue trends**
  - **SI/IT revenue growth primarily driven by a high volume of public sector infrastructure projects in Hungary**
- **Decline in Gross profit reflecting revenue mix changes as well as the absence of one-off items supporting Q3 2017 performance**
- **Temporary decline in EBITDA as gross profit decreases and indirect costs slightly increase**
- **Increase in Free cash flow as higher first nine months EBITDA, lower capex payments and declining acquisition costs offset higher receivable balances related to instalment sales and a temporary increase in payments to handset suppliers**

Tibor Rékasi, CEO commented:

"I am delighted that we have maintained our strong performance from the first half of the year in the third quarter of 2018. Once again, we delivered growth across all business lines, with System Integration and IT and Equipment sales revenues contributing strongly to the 5.4% revenue growth achieved in the quarter.

In Hungary, the demand for mobile data continued to grow, in line with the increasing number of smart devices in the market. The latter was reinforced by our strategy for equipment sales, which included a new subsidy structure favoring smart handsets in the product mix. Our new mobile packages drive pre- to postpaid migration among our customers and further support our mobile data revenue growth. These factors were also shown in our mobile ARPU, where we achieved 8% growth year-on-year.

As per our ongoing strategy, we maintained a strong focus on our fixed network. We are working to achieve our goal of extending our fiber coverage to an additional 300,000 households in 2018. This effort is part of our overall long-term plan to offer gigabit internet connectivity across the whole country. The benefits of these efforts materialize in the ongoing growth of our broadband retail and TV revenue lines. In addition, equipment revenues continued to grow year-on-year, reflecting our successful efforts to meet customer needs, by allowing customers to purchase mobile devices with their fixed contracts and vice versa.

Next to offering an outstanding fixed network to our customers, the other pillar of our growth strategy is our FMC offering. Currently we are still the only truly integrated player in the Hungarian market with an integrated fixed-mobile offering to our customers. During the third quarter we updated our Magenta1 proposition to present a clearer structure and more convincing offer to customers. While in the second quarter we doubled the mobile data allowance, in the third quarter we unified our offering, giving our Magenta1 customers the ability to achieve a 30% discount on all related services. Thanks to the changes introduced in our Magenta1 offering in 2018, over one-fifth of our households are now Magenta1 subscribers. In addition to our consumer focus, we relaunched Magenta1 Business in the third quarter, offering business customers similar advantages, including possible IT related services.

In the System Integration and IT segment we had a strong quarter, reaching 19.8% revenue growth year-on-year. The growth was again attributable to a high volume of software and hardware projects with a lower profit margin. These projects, with a lower than average margin, serve to establish relationships with several different institutions – ones we can later convert to higher margin service contracts.

Group performance during the quarter was further supported by the continued turnaround in Macedonia. Both revenues and EBITDA improved thanks to solid performance across all business lines, a positive trend in service revenues, as well as favorable exchange rate movements. "

Public guidance:

	2017 Actual*	Public guidance for 2018**
Revenue	HUF 611 billion	around HUF 630 billion
EBITDA	HUF 186 billion	around HUF 190 billion
Capex	HUF 86 billion	around HUF 90 billion
FCF	HUF 58 billion	around HUF 60 billion
Dividend	HUF 25 per share	HUF 25 per share

** excluding Crnogorski Telekom financials and the transaction price of the disposal of the majority ownership*

*** including IFRS 9 & 15 impacts*

2. MANAGEMENT REPORT

2.1. Consolidated IFRS Group Results

2.1.1 Group Profit and Loss

Consolidated Statements of Comprehensive Income (HUF million)	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Change	Change (%)	Q3 2018 IFRS 9 & 15 effect	Q3 2018 IFRS 9 & 15
Revenues						
Mobile revenues	85,531	90,199	4,668	5.5%	(235)	89,964
Fixed line revenues	48,913	50,132	1,219	2.5%	123	50,255
System Integration/Information Technology revenues	19,590	23,466	3,876	19.8%	0	23,466
Energy service revenues	1,347	0	(1,347)	(100.0%)	0	0
Total revenues	**155,381**	**163,797**	**8,416**	**5.4%**	**(112)**	**163,685**
Direct costs	**(58,067)**	**(69,647)**	**(11,580)**	**(19.9%)**	**(430)**	**(70,077)**
Gross profit	**97,314**	**94,150**	**(3,164)**	**(3.3%)**	**(542)**	**93,608**
Indirect costs	**(40,102)**	**(40,554)**	**(452)**	**(1.1%)**	**(12)**	**(40,566)**
EBITDA	**57,212**	**53,596**	**(3,616)**	**(6.3%)**	**(554)**	**53,042**
Depreciation and amortization	(27,041)	(29,934)	(2,893)	(10.7%)	0	(29,934)
Operating profit	**30,171**	**23,662**	**(6,509)**	**(21.6%)**	**(554)**	**23,108**
Net financial result	(5,396)	(5,297)	99	1.8%	0	(5,297)
Share of associates and joint ventures' results	(123)	23	146	n.m.	0	23
Profit before income tax	**24,652**	**18,388**	**(6,264)**	**(25.4%)**	**(554)**	**17,834**
Income tax	(5,311)	(3,321)	1,990	37.5%	0	(3,321)
Profit for the period	**19,341**	**15,067**	**(4,274)**	**(22.1%)**	**(554)**	**14,513**
Profit attributable to non-controlling interests	1,212	1,168	(44)	(3.6%)	(60)	1,108
Profit attributable to owners of the parent	**18,129**	**13,899**	**(4,230)**	**(23.3%)**	**(494)**	**13,405**

Total revenues (excluding the impact of IFRS 15 adoption) increased by 5.4% year-on-year to HUF 163.8 billion in Q3 2018 and by 7.1% to HUF 481.1 billion in the first nine months of 2018, compared to the corresponding periods in 2017. Revenue growth continued to be primarily driven by a strong increase in SI/IT revenues, along with higher equipment sales and mobile data usage.

- **Mobile revenues (excluding IFRS 15 impacts) increased by 5.5% year-on-year to HUF 90.2 billion in Q3 2018** and by 5.1% year-on-year to HUF 251.6 billion in the first nine months of 2018. This was driven by the continued strong growth of both mobile data and equipment sales revenues.
  - **Voice retail** revenues rose by 1.5% year-on-year to HUF 36.6 billion at the Group level in Q3 2018, as the significant expansion of the postpaid customer base in both countries offset the negative impact of prevailing price pressures.
  - **Voice wholesale** revenue increased by 1.3% year-on-year to HUF 2.5 billion in Q3 2018, as higher incoming domestic mobile traffic in Hungary was partly offset by lower volumes of incoming international mobile traffic in Macedonia.
  - **Data** revenues grew 13.3% year-on-year, to HUF 22.5 billion in Q3 2018. This reflected a higher number of mobile internet subscribers across the Group, as well as the reclassification of mobile handset insurance revenues from other mobile revenues to mobile content revenues, effective from the beginning of 2018.
  - **SMS** revenues increased by 13.2% year-on-year to HUF 4.9 billion in Q3 2018, reflecting increased residential usage by a growing postpaid customer base, as well as higher revenues from mass messaging in Hungary.
  - **Mobile equipment** revenues increased by 10.7% year-on-year to HUF 19.9 billion in Q3 2018, attributable to a higher volume of handset sales as well as a growing proportion of higher-end handsets within the sales mix in both countries.
  - **Other mobile** revenues decreased to HUF 3.8 billion in Q3 2018 due to the reclassification of mobile handset insurance revenues as mobile content revenues, effective from the beginning of 2018.
- **Fixed line revenues (excluding IFRS 15 impacts) rose by 2.5% year-on-year to HUF 50.1 billion in Q3 2018** and by 5.1% to HUF 152.1 billion in the first nine months of 2018. This growth was attributable to rising equipment sales as well as higher TV and broadband retail service revenues.
  - **Voice retail** revenues declined by 3.8% year-on-year to HUF 11.0 billion in Q3 2018, reflecting the continued decline in the customer base and usage levels in Hungary. In Macedonia, voice retail revenues temporarily increased as the annual refund in relation to the Universal Service Obligation of Makedonski Telekom was received earlier than the prior year.

- **Broadband retail** revenues increased by 5.5% year-on-year, to HUF 13.0 billion in Q3 2018 attributable to revenue growth in both countries. In Hungary, higher customer numbers were coupled with some ARPU improvement, whilst in Macedonia the positive impact of the expansion of the subscriber base was partly offset by a decline in price levels.
- **TV** revenues rose by 3.9% year-on-year to HUF 11.8 billion in Q3 2018, thanks to the growing IPTV subscriber base in both countries of operation.
- **Fixed equipment** revenues grew to HUF 3.0 billion in Q3 2018, reflecting the significant increase in the volume of equipment sold in Hungary, which fully offset the moderate decline recorded in Macedonia.
- **Data retail** revenues declined by 26.4% year-on-year to HUF 2.4 billion reflecting the absence of revenues related to the FINA World Championship, which supported the Q3 2017 results.
- **Wholesale** revenues increased by 7.1% year-on-year to HUF 4.9 billion in Q3 2018. Lower wholesale revenues at the Macedonian operation, caused by lower fixed incoming domestic and international traffic, was offset by higher wholesale voice transit revenues in Hungary.
- **Other fixed line** revenues were 5.8% lower year-on-year at HUF 4.0 billion in Q3 2018 due to a reclassification related to value added services revenues in Hungary. In the first nine months of 2018, other fixed line revenues increased by 4.8% year-on-year to HUF 12.6 billion, reflecting higher revenues from increased usage of Video on Demand in Hungary.

- **System Integration (SI) and IT revenues grew by 19.8% year-on-year to HUF 23.5 billion in Q3 2018**, resulting in year-on-year revenue growth of 26.7% for the first nine months of 2018. Growth continued to be driven by public sector projects in Hungary, whereas in Macedonia, the increase in SI/IT revenues was driven by the higher volume of customized solutions projects.
- **Energy Services** were discontinued following the exit from the residential segment of the electricity market, as of November 1, 2017.

Direct costs (excluding IFRS 9 and 15 impacts) increased by 19.9% year-on-year, to HUF 69.6 billion in Q3 2018 (by 17.1% year-on-year to HUF 203.3 billion in the first nine months of 2018), driven by higher SI/IT and equipment costs, in line with the growth delivered in related revenue lines.

- **Interconnect costs** increased by 12.2% year-on-year to HUF 5.4 billion in Q3 2018, reflecting increased mobile traffic in Hungary which led to higher payments to domestic mobile operators.
- **SI/IT service related costs** increased by 24.4% year-on-year to HUF 16.3 billion in Q3 2018, driven by a higher volume of related projects.
- **Bad debt expenses** deteriorated by HUF 0.5 billion year-on-year to HUF 2.0 billion in Q3 2018. This was driven primarily by individual impairments in Hungary which could not be offset by some improvement recorded in Macedonia which was driven by lower impairment costs related to mobile services.
- **Telecom tax** grew slightly by 0.7% year-on-year to HUF 6.4 billion in Q3 2018, reflecting higher mobile traffic in Hungary, both in the retail and business segments.
- **Other direct costs** increased by 27.4% year-on-year, to HUF 39.6 billion in Q3 2018, primarily due to an increase in the cost of equipment sales in line with higher sales, and an increase in TV outpayments.

Gross profit (excluding IFRS 9 and 15 impacts) decreased by 3.3% year-on-year to HUF 94.2 billion in Q3 2018. This was driven by the increasing weight of lower margin services in the sales mix, as well as the absence of the one-off effect of a provision reversal related to the ceased loyalty program in Hungary that impacted Q3 2017. In the first nine months of 2018, gross profit moderately increased to HUF 277.8 billion, as the strong increase in revenues outweighed the above effects.

Indirect costs (excluding IFRS 9 and 15 impacts) increased by 1.1% year-on-year to HUF 40.6 billion in Q3 2018 as savings in other operating expenses failed to fully offset higher employee related expenses and the decline in other operating income. In the first nine months of 2018, indirect costs improved to HUF 131.3 billion, thanks to savings in other operating expenses.

- **Employee-related expenses** rose by 8.1% year-on-year at HUF 20.1 billion in Q3 2018. The growing impact of changes to the trainee employment-form at the Hungarian operation and a 5% average wage increase at the Company was coupled with higher severance expense related to changes in the organization structure.
- **Other operating expenses** improved by 9.7% year-on-year to HUF 21.3 billion in Q3 2018 as savings in maintenance and energy expenses coupled with a one-time correction related to bank charges fully offset higher rental fees in relation to the new headquarters.
- **Other operating income** decreased by HUF 1.3 billion year-on-year to HUF 0.9 billion in Q3 2018, reflecting lower income received from the brand fee for the E2 energy joint venture, as well as the absence of the one-off gain related to a real estate sale which positively impacted the Q3 2017 results.

EBITDA (excluding IFRS 9 and 15 impacts) declined by 6.3% year-on-year to HUF 53.6 billion in Q3 2018 reflecting the combined impact of lower gross profit and some increases in indirect costs. In the first nine months of 2018, EBITDA improved by 2.2% year-on-year to HUF 146.5 billion as both gross profit and indirect costs improved compared to the corresponding period in 2017.

Depreciation and amortization expenses increased by 10.7% year-on-year to HUF 29.9 billion in Q3 2018 and by 6.8% to HUF 85.8 billion in the first nine months of 2018, driven by shortened useful lives of customer connections related network elements.

Profit for the period from continuing operations (excluding IFRS 9 and 15 impacts) decreased by 22.1% year-on-year to HUF 15.1 billion in Q3 2018, as lower EBITDA coupled with an increase in D&A expenses more than offset the positive impact of lower income tax expense. In the first nine months of 2018, profit for the period from continuing operations increased by 12.5% to HUF 39.5 billion thanks to higher EBITDA, coupled with savings in financial and income tax expenses.

- **Net financial expenses** improved moderately year-on-year to HUF 5.3 billion in Q3 2018, reflecting lower average debt levels.
- **Income tax** expenses decreased by 37.5% year-on-year, to HUF 3.3 billion in Q3 2018. This was driven by the combined impact of lower profit before tax, temporary correction items that level out on an annual basis, as well as the distorting effect of a change in the tax calculation methodology relating to the transition from local GAAP to standalone IFRS, which increased income tax expenses in Q3 2017.

Profit attributable to non-controlling interests (excluding IFRS 9 and 15 impacts), decreased moderately to HUF 1.2 billion in Q3 2018, as higher D&A expenses in Q3 2018 at the Macedonian operations offset the improvement in EBITDA. In the first nine months of 2018, profit attributable to non-controlling interests increased to HUF 3.0 billion, thanks to the improved performance of our Macedonian operation.

Profit from discontinued operation

- In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale of the Company's entire 76.53% shareholding in Crnogorski Telekom A.D., for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017. Consequently, in accordance with IFRS5, the results and cash flows of the Montenegrin operations are presented as discontinued operations for both the comparative and the current period. (For further details please see section 2.2.3)

Net debt at the end of September 2018 was stable compared to the end of 2017 at HUF 310.0 billion, with the net debt ratio (net debt to total capital) declining moderately to 33.8%.

2.1.2 Group Cash Flows

HUF millions	1-9 months 2017	1-9 months 2018	Change
Operating cash flow	95,536	90,901	(4,635)
Investing cash flow	(62,086)	(55,044)	7,042
Less: Proceeds from other financial assets - net	23	(2,456)	(2,479)
Investing cash flow excluding Proceeds from other financial assets – net	(62,063)	(57,500)	4,563
Repayment of other financial liabilities	(6,052)	(4,831)	1,221
Free cash flow from continuing operation	**27,421**	**28,570**	**1,149**
Net cash generated from/(used in) operating activities from discontinued operation	(23)	0	23
Net cash (used in)/generated from investing activities from discontinued operation*	36,292	0	(36,292)
Free cash flow from discontinued operation	**36,269**	**0**	**(36,269)**
Total free cash flow	**63,690**	**28,570**	**(35,120)**
Proceeds from other financial assets - net	(23)	2,456	2,479
Proceeds from/Repayment of loans and other borrowings - net	(39,019)	2,652	41,671
Dividend paid to shareholders and Non-controlling interests	(29,375)	(29,601)	(226)
Repurchase of treasury shares	(1,826)	(1,822)	4
Net cash (used in)/generated from financing activities from discontinued operation	2,041	0	(2,041)
Exchange differences on cash and cash equivalents	1	172	171
Change in cash and cash equivalents	**(4,511)**	**2,427**	**6,938**

* Less: Proceeds from other financial assets - net from discontinued operation

Free cash flow from continuing operations (FCF) increased from HUF 27.4 billion in the first nine months of 2017 to HUF 28.6 billion in the first nine months of 2018 due to the reasons described below:

Operating cash flow from continuing operations

Net cash generated from operating activities amounted to HUF 90.9 billion in the first nine months of 2018, compared to HUF 95.5 billion in the first nine months of 2017, as a result of the following trends:

- HUF 2.4 billion **positive impact of** higher **EBITDA** recorded in the first nine months of 2018 compared to the first nine months of 2017
- HUF 4.2 billion **negative change in active working capital,** mainly as a result of the following factors:
  - higher increase in instalment receivables compared to the corresponding period in the first nine months of 2017 in line with the increased corresponding sales volumes (negative impact: ca. HUF 5.3 billion)
  - slower growth in SI/IT receivables in the first nine months of 2018 compared to the first nine months of 2017 (positive impact: ca. HUF 1.2 billion)

  - decrease in the total balance of contract assets and contract costs (excl. the effect of cumulative catch-up adjustments and reclassifications) following the implementation of IFRS 9 and IFRS 15 accounting standards, with effect from 1 January 2018 (positive net impact: ca. HUF 0.7 billion)
- HUF 1.0 billion **positive change in provisions,** principally due to the combined effect of lower net payments of legal provisions and a higher net addition to severance provision in the first nine months of 2018 versus the first nine months of 2017
- HUF 4.2 billion **negative change in passive working capital,** primarily driven by the following factors:
  - lower equipment creditors balance in the first nine months of 2018 compared to the first nine months of 2017 resulting from changes in payment terms agreed with handset suppliers (negative impact: HUF 10.4 billion)
  - higher HR-related personnel expense payments in the first nine months of 2018 (negative impact: HUF 4.2 billion)
  - lower payment of OPEX creditors in the first nine months of 2018 than in the first nine months of 2017 due to different payment timing (positive impact: HUF 5.9 billion)
  - lower addition in deferred income in the first nine months of 2018 mainly caused by the termination of the Customer loyalty programme in Hungary in the first nine months of 2017 (positive impact: HUF 1.1 billion)
  - lower SI/IT related advance payment settlements during the first nine months of 2018 than in the first nine months of 2017 (positive impact: HUF 1.0 billion)
  - decrease in contract liabilities (excl. the effect of cumulative catch-up adjustments and reclassification) due to the implementation of the IFRS 15 accounting standard with effect from 1 January 2018 (negative impact: ca. HUF 0.1 billion)
- HUF 0.4 billion **positive change** due to the **higher dividend received** from the E2 energy joint venture in the first nine months of 2018 versus the first nine months of 2017

Investing cash flow from continuing operations excluding proceeds from other financial assets – net

Net cash used in regular investing activities amounted to HUF 57.5 billion in the first nine months of 2018, compared to HUF 62.1 billion in the first nine months of 2017, with the lower cash outflow driven by the following:

- HUF 4.8 billion **positive effect** due to lower **CAPEX** in the first nine months of 2018 than in the first nine months of 2017 which was slightly offset by HUF 0.5 billion higher Spectrum licence purchase in the first nine months of 2018
- HUF 2.4 billion **positive change** due to lower payments to **CAPEX creditors** in the first nine months of 2018 compared to the first nine months of 2017
- HUF 1.9 billion **positive impact** from lower cash outflows for business combinations in the first nine months of 2018 versus the first nine months of 2017 (**ITGen Kft.** in 2018 **and** ServerInfo-**Ingatlan Kft.** in 2017, and the lower volume of **cable TV operation acquisitions** in 2018)
- HUF 0.4 billion **negative impact** due to the lower amount of **cash acquired** through acquisitions
- HUF 1.6 billion **negative change** related to the **disposal of PPE,** mainly reflecting a reduction in cash inflows from real estate sale in the first nine months of 2018 compared to the first nine months of 2017

Repayment of other financial liabilities

Repayment of other financial liabilities decreased from HUF 6.1 billion in the first nine months of 2017 to HUF 4.8 billion in the first nine months of 2018, mainly due to the following:

- HUF 1.0 billion positive change caused by the termination of certain finance lease contracts, resulting in lower lease payments in the first nine months of 2018 compared to the first nine months of 2017
- HUF 0.9 billion positive impact of the absence of a repayment instalment relating to the financing of the Macedonian headquarters building in the first nine months of 2017
- HUF 0.5 billion negative change due to higher content right payments in the first nine months of 2018 compared to the first nine months of 2017

Free cash flow from discontinued operations (FCF) decreased by HUF 36.3 billion mainly due to the sale of Crnogorski Telekom A.D. (disclosed within discontinued operations) in Q1 2017.

Proceeds from other financial assets - net improved by HUF 2.5 billion, primarily due to a lower amount of 3-month bank deposits at Maktel in net terms compared to the first nine months of 2017.

Repayment of loans and other borrowings – net increased by HUF 41.7 billion, due to higher reimbursement of certain bank loans as well as parent company (DT AG) loans from the sale proceeds of the Crnogorski Telekom A.D disposal in the first nine months of 2017.

Dividends paid to owners of the parent and non-controlling interests increased by HUF 0.2 billion mainly due to the higher dividend payment from MT Group to its non-controlling interests in the first nine months of 2018 compared to the first nine months of 2017.

Net cash (used in)/generated from financing activities from discontinued operations declined by HUF 2.0 billion due to the positive impact in the first nine months of 2017 of a loan repayment by Crnogorski Telekom A.D. to Magyar Telekom in the first nine months of 2017 following its disposal.

Exchange differences on cash and cash equivalents from continuing operations improved by HUF 0.2 billion due to more favourable foreign exchange rate movements in the first nine months of 2018 compared to the first nine months of 2017.

The financial and operating statistics are available on the following website:
http://www.telekom.hu/about_us/investor_relations/financial

2.1.3 Statements of Financial Position

The most significant changes in the balances of the Statements of Financial Position from December 31, 2017 to September 30, 2018 can be observed in the following lines:

- Trade receivables and other assets
- Property plant and equipment and intangible assets (including Goodwill)
- Other non-current financial assets
- Other non-current assets
- Financial liabilities to related parties (current and non-current combined)
- Trade payables
- Other current liabilities

Trade receivables and other assets increased by HUF 27.7 billion from December 31, 2017 to September 30, 2018, driven by the increase in current instalment receivables (ca. HUF 11.7 billion) and the adoption of IFRS 9 and IFRS 15 accounting standards. The total impact of the opening adjustment comes to HUF 9.5 billion related to the catch-up adjustment and ca. HUF 4.0 billion resulting from the reclassification of construction contract receivables under IAS 11 and the discount given to customers of unbilled receivables under IAS 18 to contract assets within the same line. The closing balance of current contract assets amounted to HUF 19.9 billion.

Property plant and equipment (PPE) and intangible assets (including Goodwill) together decreased by HUF 28.9 billion from December 31, 2017 to September 30, 2018, as depreciation and scrapping of assets exceeded capital expenditure for the period.

Other non-current financial assets increased by HUF 3.8 billion from December 31, 2017 to September 30, 2018, mainly due to the adoption of IFRS 9 and IFRS 15 accounting standards. The closing balance of non-current contract assets amounted to HUF 3.3 billion.

Other non-current assets increased by HUF 5.2 billion from December 31, 2017 to September 30, 2018 as a result of the adoption of IFRS 9 and IFRS 15 accounting standards. The closing balance of contract costs amounted to HUF 4.8 billion.

Financial liabilities to related parties (current and non-current combined) increased by HUF 1.8 billion from December 31, 2017 to September 30, 2018 due to the combined effect of the increase in short term liabilities by HUF 59.6 billion and the decrease in long term liabilities by HUF 57.8 billion in 2018.

Trade payables decreased by HUF 18.0 billion from December 31, 2017 to September 30, 2018, largely a reflection of the decrease in the balances outstanding to handset suppliers.

Other current liabilities increased by HUF 4.5 billion from December 31, 2017 to September 30, 2018. The closing balance of Other current liabilities includes HUF 12.7 billion contract liabilities mainly due to the reclassification of advance payments received from customers and of deferred revenue within the same line.

There have not been any other material changes in the items of the Consolidated Statement of Financial Position from December 31, 2017 to September 30, 2018; other less significant changes can largely be attributable to the impacts of the implementation of IFRS 9 and IFRS 15 accounting standards, as presented in Section 3.11. In terms of the Consolidated Statement of Cash Flows for 2018, the related explanations can be found above in Section 2.1.2.

2.1.4 Related party transactions

There have not been any significant changes in related party transactions since the most recent annual financial report.

2.1.5 Contingencies and commitments

Contingent assets

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

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

Contingent liabilities

No provisions have been recognized for these cases as management estimates that it is unlikely that these claims originating from past events would result in any material economic outflows from the Group, or the amount of the obligation cannot be measured with sufficient reliability. The Group has no contingencies where the outflow of economic benefits would be probable and material.

Guarantees

Magyar Telekom is also exposed to risks that arise from the possible drawdown of guarantees that in aggregation amounted to a nominal amount of HUF 10.7 billion as at December 31, 2017. In 2018, following the transfer of possession of the new Magyar Telekom Nyrt. headquarters building, an additional bank guarantee was issued in the amount of HUF 4.3 billion. 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 to date been delivering on its contractual obligations and expects to continue to do so in the future; consequently, there have been no significant drawdown of the guarantees in 2018 and this is expected to continue being the case going forward.

Commitments

Following the transfer of possession of the new Magyar Telekom Nyrt. headquarters building, the Group is exposed to HUF 56 billion rental fee commitment. There has not been any other material change in the nature and amount of our commitments in 2018.

2.1.6 Significant events

For any significant events that occurred since the end of the quarter (September 30, 2018), and the publishing date of the "Interim financial report" please see our Investor Relations website:
http://www.telekom.hu/about_us/investor_relations/investor_news

2.2. Segment reports

Magyar Telekom disposed of its majority stake in Crnogorski Telekom A.D. in January 2017, and as such, the Montenegrin segment is no longer part of the Group's consolidated results. As of Q1 2017, Magyar Telekom's operating segments are: MT-Hungary and Macedonia. MT-Hungary includes the former T-Hungary segment (residential and small and medium business (SMB) customers) and former T-Systems (enterprise segment).

The MT-Hungary segment operates in Hungary, providing mobile and fixed line telecommunications, TV distribution, information communication and system integration services to millions of residential and business customers under the Telekom and T-Systems brands. Residential customers are served by the Telekom brand, while business customers (corporate and public sector customers) are served by the T-Systems brand. The MT-Hungary segment is also responsible for the wholesale of mobile and fixed line services within Hungary, and performs strategic and cross-divisional management, as well as support functions on behalf of the Group, including Procurement, Treasury, Real Estate, Accounting, Tax, Legal and Internal Audit. This segment is also responsible for the Group's points of presence in Bulgaria and Romania, where it primarily provides wholesale services to local companies and operators. The Macedonian segment is responsible for the Group's full-scale mobile and fixed line telecommunications operations in Macedonia.

The following tables present financial information related to these reportable segments. Such information is regularly provided to the Management Committee (MC) of the Company and reconciled with the corresponding Group numbers. This information includes several key indicators of profitability that are considered for the purposes of assessing performance and allocating resources. It is the Management's belief that Revenue, EBITDA and Capex are the most appropriate indicators for monitoring each segment's performance and are most consistent with how the Group's results are reported in the statutory financial statements.

2.2.1 MT-Hungary

Continued growth in revenue driven by continuous high contribution from SI/IT and strong equipment demand

HUF million	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Change	Change (%)	Q3 2018 IFRS 9 & 15 effect	Q3 2018 IFRS 9 & 15
Voice	33,876	34,269	393	1.2%	(1,986)	32,283
Non-voice	22,007	24,778	2,771	12.6%	(983)	23,795
Equipment	16,973	18,842	1,869	11.0%	2,721	21,563
Other	4,283	3,409	(874)	(20.4%)	0	3,409
Total mobile revenues	**77,139**	**81,298**	**4,159**	**5.4%**	**(248)**	**81,050**
Voice retail	10,155	9,482	(673)	(6.6%)	(62)	9,420
Broadband - retail	11,047	11,628	581	5.3%	(264)	11,364
TV	10,544	10,807	263	2.5%	(191)	10,616
Equipment	1,587	2,897	1,310	82.5%	714	3,611
Other	10,775	10,032	(743)	(6.9%)	26	10,058
Fixed line revenues	**44,108**	**44,846**	**738**	**1.7%**	**223**	**45,069**
SI/IT revenues	**19,314**	**23,001**	**3,687**	**19.1%**	**0**	**23,001**
Revenue from Energy services	**1,347**	**0**	**(1,347)**	**(100.0%)**	**0**	**0**
Total revenues	**141,908**	**149,145**	**7,237**	**5.1%**	**(25)**	**149,120**
Direct costs	**(54,464)**	**(65,448)**	**(10,984)**	**(20.2%)**	**(381)**	**(65,829)**
Gross profit	**87,444**	**83,697**	**(3,747)**	**(4.3%)**	**(406)**	**83,291**
Indirect costs	**(36,444)**	**(36,445)**	**(1)**	**(0.0%)**	**(53)**	**(36,498)**
EBITDA	**51,000**	**47,252**	**(3,748)**	**(7.3%)**	**(459)**	**46,793**
Segment Capex	**17,017**	**17,491**	**474**	**2.8%**	**0**	**17,491**

Operational statistics – access numbers	Sep 30, 2017	Sep 30, 2018	Change (%)
Number of mobile customers (RPC)	5,400,966	5,302,450	(1.8%)
Postpaid share in the RPC base	62.6%	66.7%	n.a.
Total fixed voice access	1,420,725	1,385,153	(2.5%)
Total retail fixed broadband customers	1,062,528	1,126,404	6.0%
Total TV customers	1,016,192	1,065,746	4.9%

Operational statistics – ARPU (HUF)	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Change (%)	1-9 months 2017	1-9 months 2018	Change (%)
Mobile ARPU	3,446	3,720	8.0%	3,367	3,612	7.3%
Postpaid ARPU	4,889	5,028	2.8%	4,844	4,955	2.3%
Prepaid ARPU	1,063	1,136	6.9%	1,067	1,075	0.8%
Blended fixed voice ARPU	2,380	2,278	(4.3%)	2,413	2,337	(3.1%)
Blended fixed broadband ARPU	3,461	3,505	1.3%	3,498	3,529	0.9%
Blended TV ARPU	3,479	3,416	(1.8%)	3,495	3,494	(0.0%)

Total revenues (excluding the impact of IFRS 15 adoption) **for the MT-Hungary segment** increased by 5.1% year-on-year to HUF 149.1 billion in Q3 2018, primarily due to a high level of SI/IT revenues and equipment sales being maintained in both the mobile and the fixed segment. In the first nine months of the year total revenue grew by 7.3% versus the prior year to HUF 440.7 billion. One of the drivers for the increase was the changes in our Magenta1 offering. In the third quarter we have restructured our product proposition in order to drive our customers to become Magenta1 customers. Thanks to this initiative we managed to grow ARPU while delivering value to our subscribers.

- **Mobile revenues** (excluding the impact of IFRS 15 adoption) grew by 5.4% year-on-year in Q3 2018 to HUF 81.3 billion and by 5.1% the first nine months of 2018 versus the first nine months of 2017. This increase was driven by growth in several revenue lines, most notably in mobile data and equipment sales. In addition, SMS revenues grew by 13.9% year-on-year. The flexible and customizable postpaid tariff system launched in 2017 continued to gain popularity. Demand for higher data packages offset the decline in mobile subscriptions and accounted for the positive change in mobile ARPU. Thanks to these factors mobile data revenues increased by 12.3% year-on-year for the quarter.
  - **Mobile service** revenue increased by 5.7% year-on-year to HUF 59.0 billion in Q3 2018, and by 6.1% year-on-year in the first 9 months of 2018, as growth in mobile data revenues continued, supported by new data plans and customer upgrades to more expensive packages. These rising mobile data revenues, along with a slight increase in mobile voice and significant rise in SMS revenues, were facilitated our focus on the FMC segment.
  - **Mobile equipment** revenue increased by 11.0% year-on-year to HUF 18.8 billion in Q3 2018, and by 8.5% in the first 9 months of 2018 to HUF 46.6 billion, as a result of the higher ratio of high-end handsets in the sales mix and the effect of regulatory changes requiring the sale of audiovisual equipment with every 2-year loyalty contract.
  - **Other** revenues decreased by 20.4% year-on-year in Q3 2018 to HUF 3.4 billion, and by 23.0% in the first 9 months of the year, due to the reclassification of mobile handset insurance revenues to mobile content revenues, effective from the beginning of 2018.
- **Fixed line revenues** (excluding the impact of IFRS 15 adoption) increased by 1.7% year-on-year in Q3 2018 to HUF 44.8 billion and by 5.4% year-on-year to HUF 137.2 billion in the first 9 months of 2018, as growth in fixed broadband, TV and equipment revenues more than offset the continued structural decline in voice retail revenues. The continued strong growth of 95.1% in equipment sales was a result of the aforementioned regulatory changes in 2017 that mandate all 2-year loyalty contracts be coupled with equipment sales. These changes positively influenced the fixed equipment revenue line which has a relatively low base for prior year comparison.
  - **Voice retail** revenues decreased by 6.6% year-on-year in Q3 2018 and by 5.0% in the first 9 months of the year due to a decline in customer base and usage levels.
  - **Broadband retail** revenues were up by 5.3% year-on-year to HUF 11.6 billion in Q3 2018 and by 6.7% to HUF 35.0 billion in the first 9 months 2018, driven by a 6.0% increase in the number of broadband subscribers as well as a growing percentage of customers with fiber optic connections opting for higher bandwidth.
  - **TV** revenues rose by 2.5% year-on-year in Q3 2018 and by 4.8% to HUF 32.8 billion in the first 9 months of the year as the customer base expanded by 4.9%, offsetting the decline in ARPU levels.
  - **Equipment** revenues increased by 82.5% year-on-year to HUF 2.9 billion due to a greater amount of equipment being sold in relation to fixed contracts. Commensurately, revenue increased by 95.1% on the prior year to HUF 9.2 billion in the first 9 months in 2018.
  - **Other** fixed line revenues decreased by 6.9% year-on-year in Q3 2018 to HUF 10.0 billion while in the first 9 month in 2018 it still increased by 1.2% to HUF 30.8 billion. The decline was due to a reclassification related to value added services, but was offset by the increased Video on Demand revenues on a 9 months basis.
- **SI/IT revenues** increased by 19.1% year-on-year to HUF 23.0 billion in Q3 2018, and by 26.6% to HUF 76.4 billion in the first 9 months of 2018, as market demand for hardware and software deliveries remained strong. These projects, however, typically have lower profit margins and hence a dilutive effect on the gross margin.
- The **energy services** operation was discontinued on November 1, 2017 and as such no revenue was realized in this line.

EBITDA (excluding the impact of IFRS 9 and IFRS 15 adoption) in Q3 2018 decreased by 7.3% year-on-year to HUF 47.3 billion but still delivered an increase in the first 9 month of 2018 growing by 1.6% to HUF 129.2 billion. This was driven by an increase in revenues from SI/IT services and equipment sales, which on a quarterly basis did not offset the growth in direct costs.

  - **Gross profit** decreased by 4.3% year-on-year in Q3 2018 but still showed a slight increase of 0.3% in the first 9 months of 2018 up to HUF 249.0 billion. These figures reflect the growing ratio of lower margin equipment and SI/IT revenues in the sales mix, as well as the absence of the one-off effect of a provision reversal related to the ceased loyalty program in Hungary that impacted Q3 2017.
  - **Employee-related expenses** increased by 8.1% year-on-year to HUF 18.7 billion in Q3 2018 as the effect of the trainee employment form were combined with higher severance expenses related to the organizational changes.

- **Other operating expenses (net)** decreased by 7.3% year-on-year in Q3 2018 due to savings achieved on maintenance and a one-time correction related to bank charges.

Capex decreased by 10.1% from HUF 50.7 billion in the first 9 months 2017 to HUF 45.6 billion in the same period in 2018 as a result of the different timing in the NGA rollout in 2018.

2.2.2 Macedonia

Continued growth in revenue supported by positive exchange rate movements

HUF million	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Change	Change (%)	Q3 2018 IFRS 9 & 15 effect	Q3 2018 IFRS 9 & 15
Voice	4,624	4,807	183	4.0%	(306)	4,501
Non-voice	2,208	2,646	438	19.8%	(168)	2,478
Equipment	990	1,052	62	6.3%	487	1,539
Other	572	397	(175)	(30.6%)	0	397
Total mobile revenues	**8,394**	**8,902**	**508**	**6.1%**	**13**	**8,915**
Voice retail	1,236	1,479	243	19.7%	(29)	1,450
Broadband - retail	1,316	1,412	96	7.3%	(38)	1,374
TV	858	1,035	177	20.6%	(33)	1,002
Equipment	92	89	(3)	(3.3%)	(81)*	8*
Other	1,350	1,319	(31)	(2.3%)	0	1,319
Fixed line revenues	**4,852**	**5,334**	**482**	**9.9%**	**(181)**	**5,153**
SI/IT revenues	**276**	**465**	**189**	**68.5%**	**0**	**465**
Total revenues	**13,522**	**14,701**	**1,179**	**8.7%**	**(168)**	**14,533**
Direct costs	**(3,644)**	**(4,243)**	**(599)**	**(16.4%)**	**(49)**	**(4,292)**
Gross profit	**9,878**	**10,458**	**580**	**5.9%**	**(217)**	**10,241**
Indirect costs	**(3,668)**	**(4,113)**	**(445)**	**(12.1%)**	**25**	**(4,088)**
EBITDA	**6,210**	**6,345**	**135**	**2.2%**	**(192)**	**6,153**
Segment Capex	**1,902**	**3,518**	**1,616**	**85.0%**	**0**	**3,518**

*this amount also includes translation and rounding differences

Operational statistics – access numbers	Sep 30, 2017	Sep 30, 2018	Change (%)
Number of mobile customers	1,253,883	1,236,623	(1.4%)
Postpaid share in the customer base	44.6%	47.9%	n.a.
Total fixed voice access	210,858	210,333	(0.2%)
Total fixed broadband access	189,473	192,756	1.7%
Total TV customers	114,205	124,113	8.7%

Total revenues in Macedonia (excluding IFRS 15 impacts) increased by 8.7% year-on-year to HUF 14.7 billion in Q3 2018, largely due to a positive trend in service revenues and favourable exchange rate movements (the average HUF/MKD rate was 6.0% weaker in Q3 2018 compared to Q3 2017). In the first nine months of 2018, total revenues amounted to HUF 40.5 billion, representing a 4.7% improvement over the same period in 2017 (for full details, please see Appendix 3.12.).

- **Mobile revenues** (excluding IFRS 15 impacts) improved by 6.1% year-on-year in Q3 2018 (by 4.8% in the first nine months of 2018), as a result of continued growth in data and voice retail revenues, as well as favourable exchange rate movements.
  - **Voice** revenues increased by 4.0% year-on-year in Q3 2018 due to a growing postpaid customer base and higher usage levels, which, combined with the exchange rate impact, offset the effects of lower international mobile termination revenues.
  - **Non-voice** revenues increased by 19.8% year-on-year in Q3 2018 as the mobile broadband customer base expanded further and mobile data traffic increased, driving the dynamic mobile data revenue growth.
  - **Mobile equipment** revenues were 6.3% higher year-on-year in Q3 2018, driven by a higher number of handsets sold and higher average handset prices.
  - **Other** mobile revenues declined by 30.6% year-on-year in Q3 2018, due to the absence of positive one-off effects compared to the same period in Q3 2017 when the UEFA Super Cup was held in Skopje.
- **Fixed line revenue** trends continued to improve and, supported by a refund related to Universal Service Obligations booked in fixed voice revenues, recorded an increase of 9.9% in Q3 2018 (excluding IFRS 15 impacts). In the first nine months of 2018, fixed revenues increased by 2.6% year-on-year as higher TV and voice retail revenues compensated for lower wholesale revenues.

- **Voice** retail revenues increased by 19.7% year-on-year in Q3 2018 due to an annual refund for Universal Service Obligation net costs booked in Q3 2018, which was previously recognized in Q4 2017.
- **Broadband** retail revenues were 7.3% higher year-on-year in Q3 2018 as the further increase in the retail customer base offset the competition driven price erosion.
- **TV** revenues grew by 20.6% year-on-year in Q3 2018, as both the IPTV subscriber base and ARPUs continued to increase.
- Fixed **equipment** revenues declined by 3.3% in Q3 2018, primarily due to a decline in rental revenues.
- **Other** fixed revenues declined by 2.3% year-on-year in Q3 2018 as a result of lower international incoming traffic revenues as well as lower wholesale broadband revenue.

- **SI/IT revenues** rose by 68.5% year-on-year in Q3 2018 and by 42.2% in the first nine months of 2018, thanks to increased revenues from customized solution projects, such as integrated infrastructure management in the City of Skopje.

EBITDA (excluding IFRS 9 and 15 impacts) rose by 2.2% year-on-year to HUF 6.3 billion in Q3 2018 (and by 9.3% to HUF 17.3 billion in the first nine months of 2018) as growth in revenues outweighed higher costs in several expense lines:

- The **direct cost** increase was caused primarily by higher roaming payments, as well as increased costs of equipment sales, due to a higher number of handsets sold.
- The **indirect cost** increase was driven by higher HR-related, marketing and other operating expenses.

Capex in the first nine months of 2018 increased by 5.7% year-on-year to HUF 6.3 billion, mainly as a result of exchange rate movements.

2.2.3 Montenegro (discontinued operation)

In January 2017, the Company signed a share purchase agreement with Hrvatski Telekom d.d. for the sale in its entirety of the 76.53% shareholding held in Crnogorski Telekom A.D. for a total consideration of EUR 123.5 million (HUF 38.5 billion). The transaction closed in January 2017.

a) Results from discontinued operation

HUF millions	Q1 2017
Revenue	2,027
Direct costs	(533)
Employee related expenses	(332)
Depreciation and amortization	(517)
Other operating expenses	(525)
Operating expenses	(1,907)
Other operating income	73
Operating profit	193
Net financial result	7
Income tax from discontinued operations	(23)
Profit after tax from discontinued operations	**177**
Gain on sale from discontinued operation	10,504
Of which reclassification of cumulative amount of the exchange differences relating to foreign operation sold from equity to profit or loss	9,690
Income tax on gain on sale from discontinued operation	(1,155)
Profit for the year from discontinued operations	**9,526**
Other comprehensive income from discontinued operations	(12,512)
Total comprehensive income from discontinued operations	**(2,986)**

b) Effect of disposal on the financial position of the Group

HUF millions	Mar 31, 2017 (unaudited)
Cash and cash equivalents	2,062
Trade and other receivables	8,860
Other current financial assets	452
Other current assets	736
Inventories	558
Property, plant and equipment	24,079
Intangible assets	21,977
Deferred tax assets	718
Other non current financial assets	3,060
Other non current assets	540
Current financial liabilities	(2,826)
Other current liabilities	(1,099)
Trade payables	(9,260)
Current income tax payable	(408)
Provisions - current	(40)
Non current financial liabilities	(590)
Deferred tax liabilities	(1,439)
Provisions - non current	(175)
Net assets and liabilities	**47,205**
Consideration received	38,458
Cash and cash equivalents disposed of	2,062
Net cash inflows	**36,396**

3. APPENDIX

3.1. Basis of preparation

This condensed consolidated interim financial information was prepared in accordance with IAS 34 (Interim Financial Reporting) and should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2017, 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, 2017 have been filed with the Budapest Stock Exchange and the Central Bank of Hungary. The statutory accounts for December 31, 2017 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, 2017 with the following exceptions.

The following extracts from the accounting policy were applied by the Group. As of January 1, 2018, the Group adopted the following IFRS Standards, amendments and interpretations:

IFRS 9 and its amendments – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2011, November 2013 and July 2014, the IASB amended the standard in order to make further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments completed the new financial instruments standard.

The adoption of the new standard and its amendments did not result in material changes in the consolidated financial statements of the Group. The new provisions on the classification of financial assets gave rise to changes in measurement and presentation of certain debt instruments failing to meet the" solely payments of principal and interest" (SPPI) criterion.

On January 1, 2018 (the date of initial application of IFRS 9), Magyar Telekom Group's management assessed which business models apply to the financial assets held by the group and classified its financial instruments into the appropriate IFRS 9 categories. The effects resulting from this reclassification are disclosed in 3.9.

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The new provisions on the accounting of impairment losses led to expected losses having to be expensed earlier in case of trade receivables. Application of the simplified approach for financial assets with a significant financing component also led to a minor increase in impairment losses (HUF 0.8 billion). The impairment losses on contract assets recognized for the first time as of January 1, 2018 in accordance with IFRS 15 is disclosed within the effects of IFRS 15.

The cumulative effect arising from the transition is recognized as adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted.

IFRS 15 – Revenue from Contracts with Customers

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also resulted in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and new guidance for multiple-element arrangements.
The adoption of the new standard resulted in significant changes to the financial statements of the Group, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of obtaining a contract with a customer and contract fulfilment costs.

- Magyar Telekom utilized the option for simplified initial application, i.e., contracts that were not completed by January 1, 2018 were accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition (catch-up) was recognized as an adjustment to the opening balance of equity in 2018. Prior-year comparatives were not adjusted; however, an explanation of the reasons for the changes in items in the consolidated statement of financial position and the consolidated income statement for the current period are provided as a result of applying IFRS 15 for the first time. The effects were analyzed in a Group-wide project on implementation of the new standard. The changeover to the new standard resulted in a cumulative increase in retained earnings of HUF 19 billion before taxes. As a consequence, HUF 2 billion income tax arose. This effect was mainly attributable to the first-time recognition of

- Contract assets (HUF 18 billion including also reclassifications of HUF 5 billion that resulted mainly from construction contract receivables under IAS 11 and the discount given to customers of unbilled receivables under IAS 18) that, under IFRS 15, led to the earlier recognition of revenue from the sale of goods and merchandise, and
- Deferred customer acquisition costs (HUF 6 billion) that, under IFRS 15, resulted in the later recognition of selling expenses.

- As regards the new standard's impact on the Consolidated Statement of Income, Magyar Telekom's share of overall revenue from the provision of services decreased, whilst the overall share of revenue from the sale of goods and merchandise increased by about 3 percentage points. As described, IFRS 15 means revenue is recognized earlier and expenses are recognized later for contracts not yet concluded by January 1, 2018. However, as the accounting effects of the changeover to the new standard were recognized directly in equity, the only effects on the Consolidated Statement of Income in 2018 were related to changes in the point in time at which revenue and expenses are realized. On the assumption that business development remains unchanged, this means for a mass market characterized by a large number of customer contracts that are being concluded at different points in time the following:
- For existing contracts, lower service revenues and higher selling expenses from the amortization of capitalized contract assets and customer acquisition costs are largely compensated for by higher revenue, on the conclusion of new contracts, from the sale of goods and lower selling expenses from the capitalization of contract assets and customer acquisition costs. Compared with the previous accounting method, major effects on earnings thus arise only if business development changes, for example, if volumes or prices change or if there are changes to business models or products offered.
- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the Consolidated Statement of Financial Position.
- At the same time, it resulted in higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services.
- Expenses for sales commissions (customer acquisition costs) must now be capitalized in the Contract costs line of the Consolidated Statement of Financial Position and recognized over the estimated customer retention period.
- On first-time application of the standard, both total assets and shareholders' equity increased due to the capitalization of contract assets and customer acquisition costs.
- Later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.
- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past and with the transition reclassified) are now netted off against the contract assets for each customer contract.
- For the purposes of determining whether Magyar Telekom sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there was no material change.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

For further details regarding the effect of the accounting policy change please see sections 2.1.3 and 3.11.

3.2. Standards issued but not yet applied

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "Leases." The standard will be effective for the first time for financial years beginning on or after January 1, 2019. From the date of first-time adoption, the new lease standard will have a material effect on Magyar Telekom Group's consolidated financial statements, as disclosed in the consolidated annual financial statements for the year ended December 31, 2017 particularly on the results of operations, net cash from operating activities, total assets, and the presentation of the financial position. Magyar Telekom will apply the modified retrospective approach. The most significant effect of IFRS 16 will be an increase in right-of-use assets and lease liabilities, the extent of which will be determined after a thorough in-progress analysis.

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q3 2017 (unaudited)	Q3 2018 (unaudited)	Change	Change (%)
Revenues				
Voice retail	36,035	34,288	(1,747)	(4.8%)
Voice wholesale	2,465	2,496	31	1.3%
Data	19,863	21,367	1,504	7.6%
SMS	4,352	4,906	554	12.7%
Equipment	17,963	23,102	5,139	28.6%
Other mobile revenues	4,853	3,805	(1,048)	(21.6%)
Mobile revenues	**85,531**	**89,964**	**4,433**	**5.2%**
Voice retail	11,391	10,870	(521)	(4.6%)
Broadband retail	12,363	12,738	375	3.0%
TV	11,402	11,618	216	1.9%
Equipment	1,679	3,700	2,021	120.4%
Data retail	3,251	2,394	(857)	(26.4%)
Wholesale (voice, broadband, data)	4,604	4,929	325	7.1%
Other fixed line revenues	4,223	4,006	(217)	(5.1%)
Fixed line revenues	**48,913**	**50,255**	**1,342**	**2.7%**
System Integration/Information Technology revenues	19,590	23,466	3,876	19.8%
Energy service revenues	1,347	0	(1,347)	(100.0%)
Total revenues	**155,381**	**163,685**	**8,304**	**5.3%**
Direct costs				
Interconnect costs	(4,854)	(5,447)	(593)	(12.2%)
SI/IT service related costs	(13,097)	(16,298)	(3,201)	(24.4%)
Energy service related costs	(1,288)	0	1,288	100.0%
Bad debt expense	(1,430)	(2,223)	(793)	(55.5%)
Telecom tax	(6,339)	(6,383)	(44)	(0.7%)
Other direct costs	(31,059)	(39,726)	(8,667)	(27.9%)
Direct costs	**(58,067)**	**(70,077)**	**(12,010)**	**(20.7%)**
Gross profit	**97,314**	**93,608**	**(3,706)**	**(3.8%)**
Employee related expenses	(18,643)	(20,200)	(1,557)	(8.4%)
Utility tax	0	0	0	n.a.
Other operating expenses	(23,646)	(21,302)	2,344	9.9%
Other operating income	2,187	936	(1,251)	(57.2%)
EBITDA	**57,212**	**53,042**	**(4,170)**	**(7.3%)**
Depreciation and amortization	(27,041)	(29,934)	(2,893)	(10.7%)
Operating profit	**30,171**	**23,108**	**(7,063)**	**(23.4%)**
Net financial result	(5,396)	(5,297)	99	1.8%
Share of associates' and joint ventures' results	(123)	23	146	n.m.
Profit before income tax	**24,652**	**17,834**	**(6,818)**	**(27.7%)**
Income tax	(5,311)	(3,321)	1,990	37.5%
Profit for the period from continuing operations	**19,341**	**14,513**	**(4,828)**	**(25.0%)**
Profit for the period from discontinued operations	0	0	0	n.a.
Profit for the period	**19,341**	**14,513**	**(4,828)**	**(25.0%)**
Change in exchange differences on translating foreign operations	647	(1,041)	(1,688)	n.m.
Revaluation of available-for-sale financial assets	19	(8)	(27)	n.m.
Other comprehensive income for the period from continuing operations	666	(1,049)	(1,715)	n.m.
Other comprehensive income for the period from discontinued operations	0	0	0	n.a.
Other comprehensive income for the period	**666**	**(1,049)**	**(1,715)**	**n.m.**
Total comprehensive income for the period from continuing operations	20,007	13,464	(6,543)	(32.7%)
Total comprehensive income for the period from discontinued operations	0	0	0	n.a.
Total comprehensive income for the period	**20,007**	**13,464**	**(6,543)**	**(32.7%)**
Profit attributable to:				
Owners of the parent	18,129	13,405	(4,724)	(26.1%)
From continuing operations	18,129	13,405	(4,724)	(26.1%)
From discontinued operations	0	0	0	n.a.
Non-controlling interests	1,212	1,108	(104)	(8.6%)
From continuing operations	1,212	1,108	(104)	(8.6%)
From discontinued operations	0	0	0	n.a.
	19,341	**14,513**	**(4,828)**	**(25.0%)**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q3 2017 (unaudited)	Q3 2018 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	18,490	12,774	(5,716)	(30.9%)
From continuing operations	18,490	12,774	(5,716)	(30.9%)
From discontinued operations	0	0	0	n.a.
Non-controlling interests	1,517	690	(827)	(54.5%)
From continuing operations	1,517	690	(827)	(54.5%)
From discontinued operations	0	0	0	n.a.
	20,007	**13,464**	**(6,543)**	**(32.7%)**
Basic earnings per share (HUF)	**17.44**	**12.96**	**(4.48)**	**(25.7%)**
From continuing operations	17.44	12.96	(4.48)	(25.7%)
From discontinued operations	(0.00)	0.00	0.00	100.0%
Diluted earnings per share (HUF)	**17.41**	**12.96**	**(4.45)**	**(25.5%)**
From continuing operations	17.41	12.96	(4.45)	(25.6%)
From discontinued operations	(0.00)	0.00	0.00	100.0%

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

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-9 months 2017 (unaudited)	1-9 months 2018 (unaudited)	Change	Change (%)
Revenues				
Voice retail	106,303	100,419	(5,884)	(5.5%)
Voice wholesale	7,254	7,340	86	1.2%
Data	54,848	60,124	5,276	9.6%
SMS	12,779	14,221	1,442	11.3%
Equipment	45,998	60,201	14,203	30.9%
Other mobile revenues	12,216	9,295	(2,921)	(23.9%)
Mobile revenues	**239,398**	**251,600**	**12,202**	**5.1%**
Voice retail	34,674	33,039	(1,635)	(4.7%)
Broadband retail	36,820	38,261	1,441	3.9%
TV	33,761	35,190	1,429	4.2%
Equipment	5,037	11,881	6,844	135.9%
Data retail	8,242	7,052	(1,190)	(14.4%)
Wholesale (voice, broadband, data)	14,075	14,823	748	5.3%
Other fixed line revenues	12,011	12,661	650	5.4%
Fixed line revenues	**144,620**	**152,907**	**8,287**	**5.7%**
System Integration/Information Technology revenues	61,117	77,463	16,346	26.7%
Energy service revenues	4,274	0	(4,274)	(100.0%)
Total revenues	**449,409**	**481,970**	**32,561**	**7.2%**
Direct costs				
Interconnect costs	(13,946)	(15,421)	(1,475)	(10.6%)
SI/IT service related costs	(41,758)	(55,630)	(13,872)	(33.2%)
Energy service related costs	(4,094)	0	4,094	100.0%
Bad debt expense	(4,586)	(5,944)	(1,358)	(29.6%)
Telecome tax	(18,544)	(19,152)	(608)	(3.3%)
Other direct costs	(90,755)	(108,544)	(17,789)	(19.6%)
Direct costs	**(173,683)**	**(204,691)**	**(31,008)**	**(17.9%)**
Gross profit	**275,726**	**277,279**	**1,553**	**0.6%**
Employee related expenses	(58,172)	(59,918)	(1,746)	(3.0%)
Utility tax	(7,418)	(7,159)	259	3.5%
Other operating expenses	(70,986)	(67,430)	3,556	5.0%
Other operating income	4,260	3,028	(1,232)	(28.9%)
EBITDA	**143,410**	**145,800**	**2,390**	**1.7%**
Depreciation and amortization	(80,335)	(85,794)	(5,459)	(6.8%)
Operating profit	**63,075**	**60,006**	**(3,069)**	**(4.9%)**
Net financial result	(16,926)	(12,607)	4,319	25.5%
Share of associates' and joint ventures' results	184	330	146	79.3%
Profit before income tax	**46,333**	**47,729**	**1,396**	**3.0%**
Income tax	(11,250)	(8,984)	2,266	20.1%
Profit for the period from continuing operations	**35,083**	**38,745**	**3,662**	**10.4%**
Profit for the period from discontinued operations	9,526	0	(9,526)	(100.0%)
Profit for the period	**44,609**	**38,745**	**(5,864)**	**(13.1%)**
Change in exchange differences on translating foreign operations	(147)	3,795	3,942	n.m.
Revaluation of available-for-sale financial assets	31	233	202	n.m.
Other comprehensive income for the period from continuing operations	(116)	4,028	4,144	**n.m.**
Other comprehensive income for the period from discontinued operations	(12,512)	0	12,512	100.0%
Other comprehensive income for the period	**(12,628)**	**4,028**	**16,656**	**n.m.**
Total comprehensive income for the period from continuing operations	**34,967**	**42,773**	**7,806**	**22.3%**
Total comprehensive income for the period from discontinued operations	(2,986)	0	2,986	100.0%
Total comprehensive income for the period	**31,981**	**42,773**	**10,792**	**33.7%**
Profit attributable to:				
Owners of the parent	42,041	35,853	(6,188)	(14.7%)
From continuing operations	32,553	35,853	3,300	10.1%
From discontinued operations	9,488	0	(9,488)	(100.0%)
Non-controlling interests	2,568	2,892	324	12.6%
From continuing operations	2,530	2,892	362	14.3%
From discontinued operations	38	0	(38)	(100.0%)
	44,609	**38,745**	**(5,864)**	**(13.1%)**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-9 months 2017 (unaudited)	1-9 months 2018 (unaudited)	Change	Change (%)
Total comprehensive income attributable to:				
Owners of the parent	32,237	38,386	6,149	19.1%
From continuing operations	32,443	38,386	5,943	18.3%
From discontinued operations	(206)	0	206	100.0%
Non-controlling interests	(256)	4,387	4,643	n.m.
From continuing operations	2,524	4,387	1,863	73.8%
From discontinued operations	(2,780)	0	2,780	100.0%
	31,981	**42,773**	**10,792**	**33.7%**
Basic earnings per share (HUF)	**40.40**	**34.61**	**(5.79)**	**(14.3%)**
From continuing operations	31.29	34.61	3.32	10.6%
From discontinued operations	9.11	0.00	(9.11)	(100.0%)
Diluted earnings per share (HUF)	**40.34**	**34.61**	**(5.73)**	**(14.2%)**
From continuing operations	31.24	34.61	3.37	10.8%
From discontinued operations	9.10	0.00	(9.10)	(100.0%)

3.5. Interim Consolidated Statements of Financial Position

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2017 (audited)	Sep 30, 2018 (unaudited)	Change	Change (%)
ASSETS				
Current assets				
Cash and cash equivalents	5,399	7,826	2,427	45.0%
Trade receivables and other assets	157,745	185,396	27,651	17.5%
Other current financial assets	8,162	4,989	(3,173)	(38.9%)
Current income tax receivable	384	1,364	980	255.2%
Inventories	17,175	16,802	(373)	(2.2%)
	188,865	216,377	27,512	14.6%
Assets held for sale	162	360	198	122.2%
Total current assets	**189,027**	**216,737**	**27,710**	**14.7%**
Non current assets				
Property, plant and equipment	458,343	442,821	(15,522)	(3.4%)
Intangible assets	229,174	215,109	(14,065)	(6.1%)
Goodwill	212,284	212,933	649	0.3%
Investments in associates and joint ventures	1,324	1,135	(189)	(14.3%)
Deferred tax assets	59	75	16	27.1%
Other non current financial assets	19,323	23,082	3,759	19.5%
Other non current assets	127	5,365	5,238	n.m.
Total non current assets	**920,634**	**900,520**	**(20,114)**	**(2.2%)**
Total assets	**1,109,661**	**1,117,257**	**7,596**	**0.7%**
LIABILITIES				
Current liabilities				
Financial liabilities to related parties	35,191	94,752	59,561	169.3%
Other financial liabilities	8,757	9,707	950	10.8%
Trade payables	135,446	117,457	(17,989)	(13.3%)
Current income tax payable	324	885	561	173.1%
Provisions	3,267	3,112	(155)	(4.7%)
Other current liabilities	43,596	39,125	(4,471)	(10.3%)
	226,581	265,038	38,457	17.0%
Liabilities held for sale	0	0	0	n.a.
Total current liabilities	**226,581**	**265,038**	**38,457**	**17.0%**
Non current liabilities				
Financial liabilities to related parties	231,646	173,858	(57,788)	(24.9%)
Other financial liabilities	47,608	44,455	(3,153)	(6.6%)
Deferred tax liabilities	13,743	16,014	2,271	16.5%
Provisions	9,231	9,519	288	3.1%
Other non current liabilities	779	504	(275)	(35.3%)
Total non current liabilities	**303,007**	**244,350**	**(58,657)**	**(19.4%)**
Total liabilities	**529,588**	**509,388**	**(20,200)**	**(3.8%)**
EQUITY				
Equity of the owners of the parent				
Common stock	104,275	104,275	0	0.0%
Capital reserves	27,282	27,264	(18)	(0.1%)
Treasury stock	(2,187)	(3,991)	(1,804)	(82.5%)
Retained earnings	396,320	421,829	25,509	6.4%
Accumulated other comprehensive income	21,505	24,038	2,533	11.8%
Total equity of the owners of the parent	**547,195**	**573,415**	**26,220**	**4.8%**
Non-controlling interests	32,878	34,454	1,576	4.8%
Total equity	**580,073**	**607,869**	**27,796**	**4.8%**
Total liabilities and equity	**1,109,661**	**1,117,257**	**7,596**	**0.7%**

3.6. Interim Consolidated Statements of Cash Flows

MAGYAR TELEKOM

Consolidated Statements of Cash Flows (HUF million)	1-9 months 2017 (unaudited)	1-9 months 2018 (unaudited)	Change	Change (%)
Cash flows from operating activities				
Profit for the period	35,083	38,745	3,662	10.4%
Depreciation and amortization	80,335	85,794	5,459	6.8%
Income tax expense	11,250	8,984	(2,266)	(20.1%)
Net financial result	16,926	12,607	(4,319)	(25.5%)
Share of associates' and joint ventures' result	(184)	(330)	(146)	(79.3%)
Change in assets carried as working capital	(11,675)	(15,864)	(4,189)	(35.9%)
Change in provisions	(1,214)	(182)	1,032	85.0%
Change in liabilities carried as working capital	(11,879)	(16,091)	(4,212)	(35.5%)
Income taxes paid	(8,378)	(9,394)	(1,016)	(12.1%)
Dividends received	109	535	426	390.8%
Interest and other financial charges paid	(14,512)	(13,713)	799	5.5%
Interest received	279	235	(44)	(15.8%)
Other non-cash items	(604)	(425)	179	29.6%
Net cash generated from operating activities (continuing operations)	**95,536**	**90,901**	**(4,635)**	**(4.9%)**
Net cash generated from / (used in) operating activities from discontinued operation	(23)	0	23	100.0%
Net cash generated from operating activities	**95,513**	**90,901**	**(4,612)**	**(4.8%)**
Cash flows from investing activities				
Purchase of property plant and equipment (PPE) and intangible assets	(56,595)	(51,772)	4,823	8.5%
Adjustments to cash purchases	(4,591)	(4,761)	(170)	(3.7%)
Purchase of subsidiaries and business units	(3,785)	(1,924)	1,861	49.2%
Cash acquired through business combinations	475	137	(338)	(71.2%)
(Payments for) / Proceeds from other financial assets - net	(23)	2,456	2,479	n.m.
Proceeds from disposal of subsidiaries and associates	1	0	(1)	(100.0%)
Payments for interests in associates and joint ventures	0	0	0	n.a.
Proceeds from disposal of property, plant and equipment (PPE) and intangible assets	2,432	820	(1,612)	(66.3%)
Net cash used in investing activities (continuing operations)	**(62,086)**	**(55,044)**	**7,042**	**11.3%**
Net cash (used in) / generated from investing activities from discontinued operation	36,292	0	(36,292)	(100.0%)
Net cash used in investing activities	**(25,794)**	**(55,044)**	**(29,250)**	**(113.4%)**
Cash flows from financing activities				
Dividends paid to Owners of the parent and Non-controlling interests	(29,375)	(29,601)	(226)	(0.8%)
Proceeds from/Repayment of loans and other borrowings -net	(39,019)	2,652	41,671	n.m.
Repayment of other financial liabilities	(6,052)	(4,831)	1,221	20.2%
Repurchase of treasury shares	(1,826)	(1,822)	4	0.2%
Net cash used in financing activities (continuing operations)	**(76,272)**	**(33,602)**	**42,670**	**55.9%**
Net cash (used in) /generated from financing activities from discontinued operation	2,041	0	(2,041)	(100.0%)
Net cash used in financing activities	**(74,231)**	**(33,602)**	**40,629**	**54.7%**
Exchange differences on cash and cash equivalents	1	172	171	n.m.
Exchange differences on cash and cash equivalents from discontinued operation	0	0	0	n.a.
Change in cash and cash equivalents	**(4,511)**	**2,427**	**6,938**	**n.m.**
Cash and cash equivalents, beginning of period	10,805	5,399	(5,406)	(50.0%)
Cash and cash equivalents, end of period	6,294	7,826	1,532	24.3%
Change in cash and cash equivalents	**(4,511)**	**2,427**	**6,938**	**n.m.**

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

In HUF millions	Opening					Changes affecting cash flows from financing activities				Closing
	Balance at Jan 1, 2018	Changes in cash and cash equivalents	Changes affecting cash flows from operating activities	Changes in financial liabilities without cash movement	Changes affecting cash flows from investing activities	Proceeds from loans and borrowings	Repayment of loans and other borrowings	Repayment of other financial liability	Other	Balance at Sep 30, 2018
Related party loans	261,225		(8,788)	12,895		57,718	(55,066)			267,984
Derivatives from related parties	5,612			(4,046)	(1,396)					170
Building exchange payable	15			1						16
Frequency fee payable	45,214		(1,759)	2,058				(2,758)		42,755
Finance lease liabilities	4,173			112				(636)		3,649
Debtors overpayment	1,110		404	0						1,514
Other financial liabilities	5,853		(329)	1,691	450			(1,437)		6,228
-Less cash and cash equivalent	(5,399)	(2,427)		0						(7,826)
-Less other current financial assets	(8,162)		427	(1,626)	4,372					(4,989)
Net debt	**309,641**	**(2,427)**	**(10,045)**	**11,085**	**3,426**	**57,718**	**(55,066)**	**(4,831)**		**309,501**
Treasury share purchase									(1,822)	
Dividends paid to Owners of the parent and Non-controlling interest									(29,601)	
Net Cash used in financing activities									**(33,602)**	

3.8. Interim Consolidated Statements of Changes in Equity

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

	pieces	in HUF millions									
			Capital reserves				Accumulated Other Comprehensive Income				
	Shares of common stock	Common stock	Additional paid in capital	Reserve for equity settled share-based transactions	Treasury stock	Retained earnings	Cumulative translation adjustment	Revaluation reserve for AFS financial assets – net of tax	Equity of the owners of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2016	1,042,742,543	104,275	27,379	511	(825)	375,660	31,521	(31)	538,490	42,843	581,333
Dividend						(26,067)			**(26,067)**		**(26,067)**
Dividend declared to Non-controlling interests									**0**	(3,320)	**(3,320)**
Equity settled share-based transactions				(608)	777				**169**		**169**
Total comprehensive income						23,912	(10,172)	7	**13,747**	(256)	**13,491**
Treasury share repurchase					(1,826)				**(1,826)**		**(1,826)**
Disposal of subsidiaries									**0**	(6,743)	**(6,743)**
Balance at September 30, 2017	1,042,742,543	104,275	27,379	(97)	(1,874)	373,505	21,349	(24)	524,513	32,524	557,037
Dividend									**0**		**0**
Dividend declared to Non-controlling interests									**0**		**0**
Equity settled share-based transactions									**0**		**0**
Total comprehensive income						22,815	177	3	**22,995**	354	**23,349**
Treasury share repurchase					(313)				**(313)**		**(313)**
Disposal of subsidiaries									**0**		**0**
Balance at December 31, 2017	1,042,742,543	104,275	27,379	(97)	(2,187)	396,320	21,526	(21)	547,195	32,878	580,073
Adoption of new standards (IFRS15, IFRS9)						15,724			**15,724**	671	**16,395**
Dividend						(26,068)			**(26,068)**		**(26,068)**
Dividend declared to Non-controlling interests									**0**	(3,482)	**(3,482)**
Equity settled share-based transactions				(18)	18				**0**		**0**
Total comprehensive income						35,853	2,401	132	**38,386**	4,387	**42,773**
Treasury share repurchase					(1,822)				**(1,822)**		**(1,822)**
Disposal of subsidiaries									**0**		**0**
Balance at September 30, 2018	1,042,742,543	104,275	27,379	(115)	(3,991)	421,829	23,927	111	573,415	34,454	607,869

3.9. Exchange rate information

Exchange rate	Q3 2017	Q3 2018	Change (%)	1-9 months 2017	1-9 months 2018	Change (%)
HUF/EUR beginning of period	308.87	328.60	**6.4%**	311.02	310.14	**(0.3%)**
HUF/EUR period-end	311.23	323.78	**4.0%**	311.23	323.78	**4.0%**
HUF/EUR cumulative monthly average	307.00	324.65	**5.7%**	308.63	318.03	**3.0%**
HUF/MKD beginning of period	5.01	5.34	**6.6%**	5.06	5.04	**(0.4%)**
HUF/MKD period-end	5.06	5.27	**4.2%**	5.06	5.27	**4.2%**
HUF/MKD cumulative monthly average	4.98	5.28	**6.0%**	5.01	5.17	**3.2%**

3.10. Segment information

HUF millions	Q3 2017	Q3 2018	1-9 months 2017	1-9 months 2018
Total MT-Hungary revenues	141,908	149,120	410,844	441,706
Less: MT-Hungary revenues from other segments	(33)	(30)	(94)	(88)
Telekom Hungary revenues from external customers	**141,875**	**149,090**	**410,750**	**441,618**
Total Macedonia revenues	13,522	14,533	38,706	40,405
Less: Macedonia revenues from other segments	(16)	(19)	(47)	(53)
Macedonia revenues from external customers	**13,506**	**14,514**	**38,659**	**40,352**
Total consolidated revenue of the segments	155,381	163,604	449,409	481,970
Measurement/rounding differences to Group revenue	0	81	0	0
Total revenue of the Group from continuing operations	**155,381**	**163,685**	**449,409**	**481,970**
Total Montenegro revenues	0	0	2,023	0
Less: Montenegro revenues from other segments	0	0	4	0
Montenegro revenues from external customers	**0**	**0**	**2,027**	**0**
Total revenue from discontinued operations	**0**	**0**	**2,027**	**0**
Segment results (EBITDA)				
MT-Hungary	51,000	46,793	127,143	128,779
Macedonia	6,210	6,153	15,794	17,016
Total EBITDA of the segments	**57,210**	**52,946**	**142,937**	**145,795**
Measurement/rounding differences to Group EBITDA	2	96	473	5
Total EBITDA of the Group from continuing operations	**57,212**	**53,042**	**143,410**	**145,800**
Montenegro	0	0	702	0
Income from sale of Crnogorski Telekom (segment Montenegro)	0	0	10,504	0
Measurement/rounding differences	0	0	8	0
Total EBITDA from discontinued operations	**0**	**0**	**11,214**	**0**

3.11. Impact of IFRS 9 and IFRS 15

The following additional tables show the amounts by which each financial statement line item is affected in the current reporting period due to the application of the new standards compared to previous accounting policy applied that was in effect before the change. We show the impact of IFRS 9 and IFRS 15 accounting standards together since that of IFRS 9 accounting standard is not significant. For further details please see section 3.1.

MAGYAR TELEKOM

Consolidated Statements of Financial Position (HUF million)	Dec 31, 2017 (audited)	Catch-up & reclass IFRS 9 & IFRS 15	IFRS 9 & IFRS 15 effect	Other changes	Sep 30, 2018 (unaudited)	Change	Change (%)
ASSETS							
Current assets							
Cash and cash equivalents	5,399	0	0	2,427	7,826	2,427	45.0%
Trade receivables and other assets	157,745	9,467	99	18,085	185,396	27,651	17.5%
Thereof: Contract assets	0	14,286	99	5,527	19,912	19,912	n.a.
Other current financial assets	8,162	0	0	(3,173)	4,989	(3,173)	(38.9%)
Current income tax receivable	384	(339)	0	1,319	1,364	980	255.2%
Inventories	17,175	0	0	(373)	16,802	(373)	(2.2%)
	188,865	9,128	99	18,285	216,377	27,512	14.6%
Assets held for sale	162	0	0	198	360	198	122.2%
Total current assets	**189,027**	**9,128**	**99**	**18,483**	**216,737**	**27,710**	**14.7%**
Non current assets							
Property, plant and equipment	458,343	0	0	(15,522)	442,821	(15,522)	(3.4%)
Intangible assets	229,174	0	0	(14,065)	215,109	(14,065)	(6.1%)
Goodwill	212,284	0	0	649	212,933	649	0.3%
Investments in associates and joint ventures	1,324	0	0	(189)	1,135	(189)	(14.3%)
Deferred tax assets	59	(1,264)	0	1,280	75	16	27.1%
Other non current financial assets	19,323	3,365	(117)	511	23,082	3,759	19.5%
Thereof: Contract assets	0	3,365	(117)	0	3,248	3,248	n.a.
Other non current assets	127	5,507	(706)	437	5,365	5,238	n.m.
Thereof: Contract costs	0	5,507	(706)	0	4,801	4,801	n.a.
Total non current assets	**920,634**	**7,608**	**(823)**	**(26,899)**	**900,520**	**(20,114)**	**(2.2%)**
Total assets	**1,109,661**	**16,736**	**(724)**	**(8,416)**	**1,117,257**	**7,596**	**0.7%**
LIABILITIES							
Current liabilities							
Financial liabilities to related parties	35,191	0	0	59,561	94,752	59,561	169.3%
Other financial liabilities	8,757	(64)	0	1,014	9,707	950	10.8%
Trade payables	135,446	0	0	(17,989)	117,457	(17,989)	(13.3%)
Current income tax payable	324	356	0	205	885	561	173.1%
Provisions	3,267	0	0	(155)	3,112	(155)	(4.7%)
Other current liabilities	43,596	(178)	(73)	(4,220)	39,125	(4,471)	(10.3%)
Thereof: Contract liabilities	0	11,265	(73)	1,501	12,693	12,693	n.a.
	226,581	114	(73)	38,416	265,038	38,457	17.0%
Liabilities held for sale	0	0	0	0	0	0	n.a.
Total current liabilities	**226,581**	**114**	**(73)**	**38,416**	**265,038**	**38,457**	**17.0%**
Non current liabilities							
Financial liabilities to related parties	231,646	0	0	(57,788)	173,858	(57,788)	(24.9%)
Other financial liabilities	47,608	0	0	(3,153)	44,455	(3,153)	(6.6%)
Deferred tax liabilities	13,743	172	0	2,099	16,014	2,271	16.5%
Provisions	9,231	0	0	288	9,519	288	3.1%
Other non current liabilities	779	55	(54)	(276)	504	(275)	(35.3%)
Thereof: Contract liabilities	0	520	(54)	(268)	198	198	n.a.
Total non current liabilities	**303,007**	**227**	**(54)**	**(58,830)**	**244,350**	**(58,657)**	**(19.4%)**
Total liabilities	**529,588**	**341**	**(127)**	**(20,414)**	**509,388**	**(20,200)**	**(3.8%)**
EQUITY							
Equity of the owners of the parent							
Common stock	104,275	0	0	0	104,275	0	0.0%
Capital reserves	27,282	0	0	(18)	27,264	(18)	(0.1%)
Treasury stock	(2,187)	0	0	(1,804)	(3,991)	(1,804)	(82.5%)
Retained earnings	396,320	15,724	(631)	10,416	421,829	25,509	6.4%
Accumulated other comprehensive income	21,505	0	140	2,393	24,038	2,533	11.8%
Total Equity of the owners of the parent	**547,195**	**15,724**	**(491)**	**10,987**	**573,415**	**26,220**	**4.8%**
Non-controlling interests	32,878	671	(106)	1,011	34,454	1,576	4.8%
Total equity	**580,073**	**16,395**	**(597)**	**11,998**	**607,869**	**27,796**	**4.8%**
Total liabilities and equity	**1,109,661**	**16,736**	**(724)**	**(8,416)**	**1,117,257**	**7,596**	**0.7%**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Q3 2018 IFRS 9 & IFRS 15 effect	Q3 2018 IFRS 9 & IFRS 15
Revenues				
Voice retail	36,035	36,580	(2,292)	34,288
Voice wholesale	2,465	2,496	0	2,496
Data	19,863	22,498	(1,131)	21,367
SMS	4,352	4,926	(20)	4,906
Equipment	17,963	19,894	3,208	23,102
Other mobile revenues	4,853	3,805	0	3,805
Mobile revenues	**85,531**	**90,199**	**(235)**	**89,964**
Voice retail	11,391	10,961	(91)	10,870
Broadband retail	12,363	13,040	(302)	12,738
TV	11,402	11,842	(224)	11,618
Equipment	1,679	2,986	714	3,700
Data retail	3,251	2,394	0	2,394
Wholesale (voice, broadband, data)	4,604	4,929	0	4,929
Other fixed line revenues	4,223	3,980	26	4,006
Fixed line revenues	**48,913**	**50,132**	**123**	**50,255**
System Integration/Information Technology revenues	19,590	23,466	0	23,466
Energy service revenues	1,347	0	0	0
Total revenues	**155,381**	**163,797**	**(112)**	**163,685**
Direct costs				
Interconnect costs	(4,854)	(5,447)	0	(5,447)
SI/IT service related costs	(13,097)	(16,298)	0	(16,298)
Energy service related costs	(1,288)	0	0	0
Bad debt expense	(1,430)	(1,961)	(262)	(2,223)
Telecom tax	(6,339)	(6,383)	0	(6,383)
Other direct costs	(31,059)	(39,558)	(168)	(39,726)
Direct costs	**(58,067)**	**(69,647)**	**(430)**	**(70,077)**
Gross profit	**97,314**	**94,150**	**(542)**	**93,608**
Employee related expenses	(18,643)	(20,147)	(53)	(20,200)
Utility tax	0	0	0	0
Other operating expenses	(23,646)	(21,343)	41	(21,302)
Other operating income	2,187	936	0	936
EBITDA	**57,212**	**53,596**	**(554)**	**53,042**
Depreciation and amortization	(27,041)	(29,934)	0	(29,934)
Operating profit	**30,171**	**23,662**	**(554)**	**23,108**
Net financial result	(5,396)	(5,297)	0	(5,297)
Share of associates' and joint ventures' results	(123)	23	0	23
Profit before income tax	**24,652**	**18,388**	**(554)**	**17,834**
Income tax	(5,311)	(3,321)	0	(3,321)
Profit for the period from continuing operations	**19,341**	**15,067**	**(554)**	**14,513**
Profit for the period from discontinued operations	0	**0**	**0**	0
Profit for the period	**19,341**	**15,067**	**(554)**	**14,513**
Change in exchange differences on translating foreign operations	647	(973)	(68)	(1,041)
Revaluation of available-for-sale financial assets	19	(8)	0	(8)
Other comprehensive income for the period from continuing operations	666	(981)	(68)	(1,049)
Other comprehensive income for the period from discontinued operations	0	0	0	0
Other comprehensive income for the period	**666**	**(981)**	**(68)**	**(1,049)**
Total comprehensive income for the period from continuing operations	20,007	14,086	(622)	13,464
Total comprehensive income for the period from discontinued operations	0	0	0	0
Total comprehensive income for the period	**20,007**	**14,086**	**(622)**	**13,464**
Profit attributable to:				
Owners of the parent	18,129	13,899	(494)	13,405
From continuing operations	18,129	13,899	(494)	13,405
From discontinued operations	0	0	0	0
Non-controlling interests	1,212	1,168	(60)	1,108
From continuing operations	1,212	1,168	(60)	1,108
From discontinued operations	0	0	0	0
	19,341	**15,067**	**(554)**	**14,513**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	Q3 2017 IAS 18 / IAS 11	Q3 2018 IAS 18 / IAS 11	Q3 2018 IFRS 9 & IFRS 15 effect	Q3 2018 IFRS 9 & IFRS 15
Total comprehensive income attributable to:				
Owners of the parent	18,490	13,336	(562)	12,774
From continuing operations	18,490	13,336	(562)	12,774
From discontinued operations	0	0	0	0
Non-controlling interests	1,517	750	(60)	690
From continuing operations	1,517	750	(60)	690
From discontinued operations	0	0	0	0
	20,007	**14,086**	**(622)**	**13,464**
Basic earnings per share (HUF)	**17.44**	**13.44**	**(0.48)**	**12.96**
From continuing operations	17.44	13.44	(0.48)	12.96
From discontinued operations	(0.00)	0.00	0.00	0.00
Diluted earnings per share (HUF)	**17.41**	**13.44**	**(0.48)**	**12.96**
From continuing operations	17.41	13.44	(0.48)	12.96
From discontinued operations	(0.00)	0.00	0.00	0.00

LIFE IS FOR SHARING.

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million)	1-9 months 2017 IAS 18 / IAS 11	1-9 months 2018 IAS 18 / IAS 11	1-9 months 2018 IFRS 9 & IFRS 15 effect	1-9 months 2018 IFRS 9 & IFRS 15
Revenues				
Voice retail	106,303	107,340	(6,921)	100,419
Voice wholesale	7,254	7,340	0	7,340
Data	54,848	63,293	(3,169)	60,124
SMS	12,779	14,278	(57)	14,221
Equipment	45,998	50,044	10,157	60,201
Other mobile revenues	12,216	9,295	0	9,295
Mobile revenues	**239,398**	**251,590**	**10**	**251,600**
Voice retail	34,674	33,278	(239)	33,039
Broadband retail	36,820	39,033	(772)	38,261
TV	33,761	35,746	(556)	35,190
Equipment	5,037	9,540	2,341	11,881
Data retail	8,242	7,052	0	7,052
Wholesale (voice, broadband, data)	14,075	14,823	0	14,823
Other fixed line revenues	12,011	12,582	79	12,661
Fixed line revenues	**144,620**	**152,054**	**853**	**152,907**
System Integration/Information Technology revenues	61,117	77,463	0	77,463
Energy service revenues	4,274	0	0	0
Total revenues	**449,409**	**481,107**	**863**	**481,970**
Direct costs				
Interconnect costs	(13,946)	(15,421)	0	(15,421)
SI/IT service related costs	(41,758)	(55,630)	0	(55,630)
Energy service related costs	(4,094)	0	0	0
Bad debt expense	(4,586)	(5,115)	(829)	(5,944)
Telecom tax	(18,544)	(19,152)	0	(19,152)
Other direct costs	(90,755)	(107,993)	(551)	(108,544)
Direct costs	**(173,683)**	**(203,311)**	**(1,380)**	**(204,691)**
Gross profit	**275,726**	**277,796**	**(517)**	**277,279**
Employee related expenses	(58,172)	(59,772)	(146)	(59,918)
Utility tax	(7,418)	(7,159)	0	(7,159)
Other operating expenses	(70,986)	(67,357)	(73)	(67,430)
Other operating income	4,260	3,028	0	3,028
EBITDA	**143,410**	**146,536**	**(736)**	**145,800**
Depreciation and amortization	(80,335)	(85,794)	0	(85,794)
Operating profit	**63,075**	**60,742**	**(736)**	**60,006**
Net financial result	(16,926)	(12,607)	0	(12,607)
Share of associates' and joint ventures' results	184	330	0	330
Profit before income tax	**46,333**	**48,465**	**(736)**	**47,729**
Income tax	(11,250)	(8,984)	0	(8,984)
Profit for the period from continuing operations	**35,083**	**39,481**	**(736)**	**38,745**
Profit for the period from discontinued operations	9,526	**0**	**0**	0
Profit for the period	**44,609**	**39,481**	**(736)**	**38,745**
Change in exchange differences on translating foreign operations	(147)	3,655	140	3,795
Revaluation of available-for-sale financial assets	31	233	0	233
Other comprehensive income for the period from continuing operations	(116)	3,888	140	4,028
Other comprehensive income for the period from discontinued operations	(12,512)	0	0	0
Other comprehensive income for the period	**(12,628)**	**3,888**	**140**	**4,028**
Total comprehensive income for the period from continuing operations	**34,967**	43,369	(596)	42,773
Total comprehensive income for the period from discontinued operations	(2,986)	0	0	0
Total comprehensive income for the period	**31,981**	**43,369**	**(596)**	**42,773**
Profit attributable to:				
Owners of the parent	42,041	36,484	(631)	35,853
From continuing operations	32,553	36,484	(631)	35,853
From discontinued operations	9,488	0	0	0
Non-controlling interests	2,568	2,997	(105)	2,892
From continuing operations	2,530	2,997	(105)	2,892
From discontinued operations	38	0	0	0
	44,609	**39,481**	**(736)**	**38,745**

MAGYAR TELEKOM

Consolidated Statements of Comprehensive Income (HUF million, except per share amounts)	1-9 months 2017 IAS 18 / IAS 11	1-9 months 2018 IAS 18 / IAS 11	1-9 months 2018 IFRS 9 & IFRS 15 effect	1-9 months 2018 IFRS 9 & IFRS 15
Total comprehensive income attributable to:				
Owners of the parent	32,237	38,876	(490)	38,386
From continuing operations	32,443	38,876	(490)	38,386
From discontinued operations	(206)	0	0	0
Non-controlling interests	(256)	4,493	(106)	4,387
From continuing operations	2,524	4,493	(106)	4,387
From discontinued operations	(2,780)	0	0	0
	31,981	**43,369**	**(596)**	**42,773**
Basic earnings per share (HUF)	**40.40**	**35.22**	**(0.61)**	**34.61**
From continuing operations	31.29	35.22	(0.61)	34.61
From discontinued operations	9.11	0.00	0.00	0.00
Diluted earnings per share (HUF)	**40.34**	**35.22**	**(0.61)**	**34.61**
From continuing operations	31.24	35.22	(0.61)	34.61
From discontinued operations	9.10	0.00	0.00	0.00

3.12. Statements of Profit or loss for the Segments – first nine months year-on-year comparison

MT-Hungary

HUF million	1-9 months 2017 IAS 18 / IAS 11	1-9 months 2018 IAS 18 / IAS 11	Change	Change (%)	1-9 months 2018 IFRS 9 & 15 effect	1-9 months 2018 IFRS 9 & 15
Voice	100,541	101,472	931	0.9%	(6,005)	95,467
Non-voice	61,684	70,668	8,984	14.6%	(2,770)	67,898
Equipment	42,939	46,604	3,665	8.5%	8,612	55,216
Other	10,878	8,380	(2,498)	(23.0%)	0	8,380
Total mobile revenues	**216,042**	**227,124**	**11,082**	**5.1%**	**(163)**	**226,961**
Voice retail	30,916	29,378	(1,538)	(5.0%)	(160)	29,218
Broadband - retail	32,792	34,978	2,186	6.7%	(670)	34,308
TV	31,273	32,785	1,512	4.8%	(463)	32,322
Equipment	4,739	9,248	4,509	95.1%	2,345	11,593
Other	30,417	30,796	379	1.2%	79	30,875
Fixed line revenues	**130,137**	**137,185**	**7,048**	**5.4%**	**1,131**	**138,316**
SI/IT revenues	**60,391**	**76,429**	**16,038**	**26.6%**	**0**	**76,429**
Revenue from Energy services	**4,274**	**0**	**(4,274)**	**(100.0%)**	**0**	**0**
Total revenues	**410,844**	**440,738**	**29,894**	**7.3%**	**968**	**441,706**
Direct costs	**(162,582)**	**(191,713)**	**(29,131)**	**(17.9%)**	**(1,224)**	**(192,937)**
Gross profit	**248,262**	**249,025**	**763**	**0.3%**	**(256)**	**248,769**
Indirect costs	**(121,119)**	**(119,806)**	**1,313**	**1.1%**	**(184)**	**(119,990)**
EBITDA	**127,143**	**129,219**	**2,076**	**1.6%**	**(440)**	**128,779**
Segment Capex	**50,681**	**45,561**	**(5,120)**	**(10.1%)**	**0**	**45,561**

Macedonia

HUF million	1-9 months 2017 IAS 18 / IAS 11	1-9 months 2018 IAS 18 / IAS 11	Change	Change (%)	1-9 months 2018 IFRS 9 & 15 effect	1-9 months 2018 IFRS 9 & 15
Voice	13,016	13,208	192	1.5%	(916)	12,292
Non-voice	5,943	6,903	960	16.2%	(456)	6,447
Equipment	3,059	3,440	381	12.5%	1,545	4,985
Other	1,340	919	(421)	(31.4%)	0	919
Total mobile revenues	**23,358**	**24,470**	**1,112**	**4.8%**	**173**	**24,643**
Voice retail	3,758	3,900	142	3.8%	(81)	3,819
Broadband - retail	4,028	4,055	27	0.7%	(102)	3,953
TV	2,488	2,961	473	19.0%	(93)	2,868
Equipment	298	292	(6)	(2.0%)	(2)	290
Other	4,050	3,798	(252)	(6.2%)	0	3,798
Fixed line revenues	**14,622**	**15,006**	**384**	**2.6%**	**(278)**	**14,728**
SI/IT revenues	726	1,034	308	42.4%	0	1,034
Total revenues	**38,706**	**40,510**	**1,804**	**4.7%**	**(105)**	**40,405**
Direct cost s	**(11,215)**	**(11,729)**	**(514)**	**(4.6%)**	**(156)**	**(11,885)**
Gross profit	**27,491**	**28,781**	**1,290**	**4.7%**	**(261)**	**28,520**
Indirect costs	**(11,697)**	**(11,511)**	**186**	**1.6%**	**7**	**(11,504)**
EBITDA	**15,794**	**17,270**	**1,476**	**9.3%**	**(254)**	**17,016**
Segment Capex	**5,993**	**6,337**	**344**	**5.7%**	**0**	**6,337**

4. DECLARATION

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

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

Tibor Rékasi Chief Executive Officer, member of the Board	János Szabó Chief Financial Officer

Budapest, November 7, 2018

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, 2017, 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.