

Magyar Telekom Plc.
Form 6-K
April 16, 2010

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

Report on Form 6-K dated April 15, 2010

Magyar Telekom Plc.

(Translation of registrant's name into English)

Budapest, 1013, Krisztina krt. 55, Hungary

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Magyar Telekom Telecommunications

Public Limited Company

Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2009

MAGYAR TELEKOM NYRT.

ANNUAL REPORT

31 DECEMBER 2009

INDEPENDENT AUDITOR'S REPORT
(Free translation)

To the Shareholders and Board of Directors of Magyar Telekom Nyrt.

We have audited the accompanying financial statements of Magyar Telekom Nyrt. (the Company) which comprise the balance sheet as of 31 December 2009 (in which the balance sheet total is HUF 968,412 million, the profit per balance sheet is HUF 0, the related profit and loss account for the year then ended, and the notes to the financial statement including a summary of the main accounting policies as well as other disclosures.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Accounting Act and accounting principles generally accepted in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the financial statements. We conducted our audit in accordance with Hungarian and International Standards on Auditing and with applicable laws and regulations in force in Hungary. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work in respect of the business report was limited to checking it in within the aforementioned scope and did not

include a review of any information other than that drawn from the audited accounting records of the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

During our work we have audited the components and disclosures along with the underlying accounting records and supporting documentation in the financial statements of Magyar Telekom Nyrt. in accordance with the Hungarian and International Standards on auditing and, on the basis of our audit work, we have gained sufficient and appropriate evidence that the financial statements have been prepared in accordance with the provision of the accounting law and with accounting principles generally accepted in Hungary. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Magyar Telekom Nyrt. as of 31 December 2009, and of the results of its operations for the year then ended. The business report is consistent with the disclosures in the financial statements.

Budapest, April 7, 2010

Manfred Krawietz
Partner
PricewaterhouseCoopers Kft.
1077 Budapest, Wesselényi u. 16.
License Number: 001464

Hegedűsné Szűcs Márta
Statutory auditor
Licence number: 006838

Translation note:

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.

Magyar Telekom Plc.

MAGYAR TELEKOM TELECOMMUNICATIONS

PUBLIC LIMITED COMPANY

BALANCE SHEET AND PROFIT AND LOSS STATEMENT

TO THE 2009 ANNUAL REPORT

Magyar Telekom Plc.

BALANCE SHEET AS OF DECEMBER 31, 2009

(All amounts in millions of HUF)

ASSETS

| | Note | December 31, 2008 | Self-revision | December 31, 2009 |
|---|------|----------------------|---------------|----------------------|
| A. FIXED ASSETS AND FINANCIAL INVESTMENTS | | 827,970 | -2,458 | 835,103 |
| I. Intangible assets | 5 | 212,582 | -83 | 201,746 |
| Capitalised costs of foundation and restructuring | | 0 | 0 | 0 |
| Capitalised costs of research and development | | 0 | 0 | 0 |
| Rights | | 60,561 | -80 | 57,982 |
| Intellectual property | | 3,600 | -3 | 4,044 |
| Goodwill | | 148,421 | 0 | 139,720 |
| Advance payments on intangible assets | | 0 | 0 | 0 |
| II. Tangible assets | 6 | 421,738 | -529 | 440,377 |
| Land and buildings and related rights | | 228,367 | 3,550 | 242,792 |
| - Land | | 2,437 | -1 | 2,338 |
| - Buildings | | 63,793 | 1,914 | 65,175 |
| - Telecommunication network | | 151,134 | 1,319 | 164,343 |
| - Other properties | | 9,761 | 290 | 9,897 |
| - Real estate related rights | | 1,242 | 28 | 1,039 |
| Technical equipment, machinery and vehicles | | 155,165 | 3,904 | 160,917 |
| - Telecommunication equipment and machinery | | 153,230 | 3,814 | 159,141 |
| - Other technical equipment, machinery and vehicles | | 1,935 | 90 | 1,776 |
| Other equipment and vehicles | | 12,720 | 2,580 | 13,243 |
| Construction-in-progress | | 25,486 | -10,563 | 23,418 |
| Advance payments on construction-in-progress | | 0 | 0 | 7 |
| III. Financial investments | | 193,650 | -1,846 | 192,980 |
| Non current investments in related parties | 7 | 173,211 | -1,846 | 174,974 |
| Non current loans granted to related parties | 8 | 15,798 | 0 | 13,147 |
| Other investments | | 0 | 0 | 0 |
| Other non current loans granted | 9 | 4,641 | 0 | 4,859 |
| Non current bonds and other securities | | 0 | 0 | 0 |
| B. CURRENT ASSETS | | 108,069 | 443 | 100,098 |
| I. Inventories | 10 | 8,267 | -199 | 6,912 |
| Raw materials | | 882 | 0 | 1,072 |
| Work in progress and semi-finished products | | 149 | 0 | 212 |
| Finished products | | 0 | 0 | 0 |
| Goods resale | | 7,236 | -199 | 5,628 |

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| | | | | |
|--|----|----------------|---------------|----------------|
| Advance payments on inventories | | 0 | 0 | 0 |
| II. Receivables | | 61,995 | 642 | 81,827 |
| Accounts receivable | 11 | 36,596 | 413 | 39,664 |
| Receivables from subsidiaries | 12 | 18,123 | 32 | 6,893 |
| Bills receivable | | 0 | 0 | 0 |
| Receivables from other related companies | 13 | 0 | 0 | 29,500 |
| Other receivables | 14 | 7,276 | 197 | 5,770 |
| III. Securities | 15 | 1,179 | 0 | 1,179 |
| Investments in related parties | | 0 | 0 | 0 |
| Other investments | | 0 | 0 | 0 |
| Treasury stock, quotas | | 1,179 | 0 | 1,179 |
| Marketable securities | | 0 | 0 | 0 |
| IV. Liquid assets | | 36,628 | 0 | 10,180 |
| Cash and cheques | | 96 | 0 | 106 |
| Bank deposits | | 36,532 | 0 | 10,074 |
| C. PREPAYMENTS | 16 | 29,213 | -249 | 33,211 |
| Accrued income | | 28,133 | -213 | 31,098 |
| Prepayments for costs and expenses | | 1,080 | -36 | 2,113 |
| Deferred expenses | | 0 | 0 | 0 |
| TOTAL ASSETS | | 965,252 | -2,264 | 968,412 |

Budapest, April 7, 2010

Christopher Mattheisen
Chairman and Chief Executive Office,
Chairman of the Board

Thilo Kusch
Chief Financial Officer,
Board member

The supplement forms an integral part of these financial statements.

Magyar Telekom Plc.

BALANCE SHEET AS OF DECEMBER 31, 2009

-All amounts in millions of HUF)

LIABILITIES AND SHAREHOLDER S EQUITY

| | Note | December 31, 2008 | Self-revision | December 31, 2009 |
|--|------|----------------------|---------------|----------------------|
| D. SHAREHOLDER S EQUITY | 17 | 358,437 | -1,061 | 355,002 |
| I. Common stock | | 104,275 | 0 | 104,274 |
| - of this treasury stock at par value | | 150 | 0 | 150 |
| II. Unpaid share capital (-) | | 0 | 0 | 0 |
| III. Capital reserves | | 58,289 | 0 | 58,952 |
| IV. Retained earnings | | 172,244 | 0 | 189,097 |
| V. Restricted reserves | | 2,056 | 0 | 2,679 |
| VI. Valuation reserves | | 0 | 0 | 0 |
| VII. Net income | | 21,573 | -1,061 | 0 |
| E. PROVISIONS | 18 | 20,082 | 0 | 19,495 |
| Provision for expected obligations | | 18,948 | 0 | 18,972 |
| Provision for expected expenses | | 988 | 0 | 447 |
| Other provisions | | 146 | 0 | 76 |
| F. LIABILITIES | | 536,772 | -440 | 545,646 |
| I. Subordinated liabilities | | 0 | 0 | 0 |
| II. Non current liabilities | | 262,481 | 0 | 291,056 |
| Non current borrowings | | 0 | 0 | 0 |
| Convertible bonds | | 0 | 0 | 0 |
| Debt from issuance of bonds | | 122 | 0 | 121 |
| Investment and development loans | | 0 | 0 | 0 |
| Other non current loans | 19 | 18,326 | 0 | 23,120 |
| Non current liabilities to related parties | | 0 | 0 | 0 |
| Non current liabilities to other related parties | 20 | 242,531 | 0 | 267,017 |
| Other non current liabilities | | 1,502 | 0 | 798 |
| III. Liabilities | | 274,291 | -440 | 254,590 |
| Current borrowings | | 71 | 0 | 70 |
| - of this convertible bonds | | 0 | 0 | 0 |
| Current loans | 21 | 32,541 | 0 | 32,809 |
| Advances received | | 274 | 5 | 311 |
| Accounts payable | | 32,555 | -271 | 29,534 |
| Bills of exchange payable | | 0 | 0 | 0 |
| Current liabilities to related parties | 22 | 29,279 | 0 | 43,314 |
| Current liabilities to other related parties | 23 | 87,486 | 0 | 59,799 |

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| | | | | |
|---|-----------|----------------|---------------|----------------|
| Other current liabilities | 24 | 92,085 | -174 | 88,753 |
| - of this dividends payable | | 77,052 | 0 | 77,052 |
| G. ACCRUED EXPENSES | 25 | 49,961 | -763 | 48,269 |
| Deferred income | | 4,259 | 40 | 4,821 |
| Accrued expenses | | 45,367 | -820 | 43,151 |
| Other deferred revenue | | 335 | 17 | 297 |
| TOTAL LIABILITIES AND SHAREHOLDER S EQUITY | | 965,252 | -2,264 | 968,412 |

Budapest, April 7, 2010

Christopher Mattheisen
Chairman and Chief Executive Office,
Chairman of the Board

Thilo Kusch
Chief Financial Officer,
Board member

The supplement forms an integral part of these financial statements.

Magyar Telekom Plc.

INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER, 2009

(All amounts in millions of HUF)

| | Note | 2008 | Self-revision | 2009 |
|---|------|------------------|---------------|------------------|
| 1. Domestic sales | 26 | 482,529 | 163 | 456,437 |
| 2. Export sales | 27 | 18,275 | 31 | 18,832 |
| I. Sales revenues | | 500,804 | 194 | 475,269 |
| 3. Change in self-manufactured inventories | | 117 | 0 | 63 |
| 4. Capitalised value of self-manufactured assets | | 21,413 | 22 | 21,417 |
| II. Own work capitalized | | 21,530 | 22 | 21,480 |
| III. Other revenues | 28 | 26,698 | -27 | 24,633 |
| of which: reversal of impairment | | 0 | 0 | 0 |
| 5. Costs of raw material | | 30,000 | -12 | 27,664 |
| 6. Costs of services | 30 | 99,065 | -1,160 | 96,628 |
| 7. Costs of other services | | 13,782 | 14 | 13,994 |
| 8. Cost of goods sold | | 34,605 | 1 | 34,126 |
| 9. Costs of services sold (intermediated) | 31 | 79,138 | -48 | 73,595 |
| IV. Material-type expenses | | 256,590 | -1,205 | 246,007 |
| 10. Salaries and wages | 32 | 45,070 | -3 | 47,276 |
| 11. Other payroll related costs | 32 | 13,266 | -108 | 13,408 |
| 12. Payroll related contributions | | 17,794 | -125 | 17,753 |
| V. Payroll and related expenses | | 76,130 | -236 | 78,437 |
| VI. Depreciation | | 87,828 | 527 | 82,132 |
| VII. Other expenses | 34 | 34,805 | 31 | 40,573 |
| of which: impairment | | 3,219 | 49 | 11,120 |
| A. PROFIT FROM OPERATING ACTIVITIES | | 93,679 | 1,072 | 74,233 |
| 13. Dividends and profit sharing (received or due of which: received from related parties) | | 37,476 37,476 | 0 0 | 31,409 31,409 |
| 14. Foreign exchange gains on sale of investments of which: received from related parties | | 0 0 | 0 0 | 0 0 |
| 15. Interest income and gains on financial investments of which: received from related parties | | 1,689 1,689 | 0 0 | 1,352 1,352 |
| 16. Other interest income received of which: received from related parties | | 1,788 895 | 0 0 | 3,565 1,940 |
| 17. Other revenues from financial activities | | 8,648 | -196 | 6,898 |
| VIII. Revenues from financial transactions | | 49,601 | -196 | 43,224 |
| 18. Loss on the sale of financial investments of which: related to related parties | | 3 0 | 0 0 | 0 0 |
| 19. Interest expense | | 33,256 | -13 | 33,980 |

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| | | | | |
|--|---|----------------|---------------|---------------|
| | <i>of which: related to related parties</i> | 891 | 0 | 966 |
| | <i>related to other related party</i> | 26,684 | 0 | 28,801 |
| 20. | Impairment of investments, securities and bank deposits | 196 | 0 | 476 |
| 21. | Other expenses refinancial activities | 4,121 | -157 | 4,199 |
| IX. | Expenses from financial transactions | 37,576 | -170 | 38,655 |
| B. FINANCIAL RESULTS | | 35 | 12,025 | -26 |
| C. PROFIT FROM ORDINARY ACTIVITIES | | 105,704 | 1,046 | 78,802 |
| X. | Extraordinary revenues | 36 | 5,233 | 360 |
| XI. | Extraordinary expenses | 37 | 9,504 | 2,688 |
| D. PROFIT FROM EXTRAORDINARY ACTIVITIES | | -4,271 | -2,328 | -2,387 |
| E. PROFIT BEFORE TAXES | | 101,433 | -1,282 | 76,415 |
| XII. | <u>Corporate income tax</u> | 39 | 2,808 | -221 |
| F. NET INCOME | | 98,625 | -1,061 | 74,227 |
| 22. | Use of retained earnings for dividends | 0 | 0 | 2,825 |
| 23. | Dividend paid (approved) | 40 | 77,052 | 0 |
| G. BALANCE SHEET NET INCOME | | 21,573 | -1,061 | 0 |

Christopher Mattheisen
Chairman and Chief Executive Officer,
Chairman of the Board

Thilo Kusch
Chief Financial Officer,
Board member

The supplement forms an integral part of these financial statements.

Magyar Telekom Plc.

MAGYAR TELEKOM TELECOMMUNICATIONS

PUBLIC LIMITED COMPANY

NOTES

TO THE 2009 ANNUAL REPORT

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

0. Note Added For Translation

This annual report for December 31, 2009 is the English translation of the annual report issued in Hungarian language and prepared in accordance with Act C/2000 on accounting and with generally accepted accounting principles in Hungary.

These principles may be different from International Financial Reporting Standards or accounting principles of any other country. No adjustments have been made to conform the annual report with any accounting principles other than Hungarian.

The auditors' report is a translation of the auditors' report issued in Hungarian language on the Hungarian annual report as outlined above.

In the event of any discrepancy, whether in the auditors' report or in the annual report, the Hungarian original version prevails.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

1. Background and General Information

Official name of the Company: Magyar Telekom Telecommunications Public Limited Company

Short name of the Company: Magyar Telekom Plc.

Headquarter of the Company: 1013 Budapest, Krisztina krt. 55.

The Company's main activity is telecommunication.

The Hungarian Telecommunications Company (Matáv Rt.), the legal predecessor of Magyar Telekom Telecommunications Public Limited Company (Magyar Telekom Plc. or the Company) was founded by the Ministry of Transport, Communications and Construction on January 1, 1990. The Company was transformed by the Board of directors of State Asset Holding Ltd. into a wholly owned company limited by shares as of December 31, 1991.

The Company was privatized on December 22, 1993, when the MagyarCom consortium acquired a 30.1 per cent stake in the Company. At the second stage of the privatization, which took place in December 1995, MagyarCom became the majority owner.

On November 14, 1997 the Company was the first in the Central-Eastern European region to be listed on both the Budapest and the New York Stock Exchanges.

In June 1999, the State Privatization and Holding Company sold its remaining stake (5.75 per cent) through a secondary offering. After this transaction, the proportion of publicly traded shares increased to 40.47 per cent. Share of MagyarCom Holding GmbH (Friedrich-Ebert-Alle 140, 53113 Bonn, Germany) in the Company decreased to 59.53 per cent.

In 2000, the Company increased its common stock through issuing new shares in the amount of HUF 63 million, which were held mainly within the Magyar Telekom Group. As a result of this transaction, the proportion of publicly traded shares increased to 40.51 per cent and MagyarCom's ownership changed to 59.49 per cent.

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In 2002, the Company carried out an additional increase in common stock in the amount of HUF 490 million, which shares were repurchased. As a result of this transaction, the proportion of publicly traded shares changed to 40.32 per cent, the proportion of repurchased treasury stock to 0.47 per cent and MagyarCom's ownership decreased to 59.21 per cent. MagyarCom is 100 per cent owned by Deutsche Telekom A.G.

The Extraordinary General Meeting of the Company held on February 22, 2005 approved the decision of the Board of Directors to change the official name of Magyar Telecommunications Company Ltd. into Magyar Telekom Telecommunications Company Ltd., with short name of Magyar Telekom Rt. The change was registered by the Court of Registry on May 6, 2005.

On February 28, 2006 the name of Magyar Telekom Telecommunications Company Ltd. changed to Magyar Telekom Telecommunications Public Limited Company, with short name of Magyar Telekom Plc. (Magyar Telekom Plc. or the Company). The change was registered by the Court of Registry on February 28, 2006.

Persons authorised to sign the annual report:

Christopher Mattheisen - Chairman and Chief Executive Officer and Board member (residence: Budapest)

Thilo Kusch - Chief Financial Officer and Board member (residence: Budapest)

The Company's bookkeeping services are provided by EurAccount Pénzügyi és Számviteli Szolgáltató Kft. (its register number is 01-09-737269, its taxation number is 13477541-2-42).

The accounting services provided by EurAccount Kft. are supervised by Beáta Bálintné Pál Managing Director (her certificate number: 132224. Area of speciality: entrepreneurial activity. State: registered. Residence: Budapest).

The Company is subject to compulsory audit. The Company's auditor is PricewaterhouseCoopers Kft. (its register number is 01-09-063022, its taxation number is 10256121-2-44). The person authorized to represent the auditor is Márta Hegedűsné Szűcs (her certificate number: 006838, legal status: full-time. Residence: Páty).

Magyar Telekom Plc.'s corporate website www.magartelekom.hu

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

Investigation into certain consultancy contracts

In the course of conducting their audit of the Company's 2005 financial statements, PricewaterhouseCoopers, the Company's auditors, identified two contracts the nature and business purposes of which were not readily apparent to them. In February 2006, the Company's Audit Committee retained White & Case, as its independent legal counsel, to conduct an internal investigation into whether the Company had made payments under those, or other contracts, potentially prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (FCPA) or internal Company policy. The Company's Audit Committee also informed the United States Department of Justice (DOJ), the United States Securities and Exchange Commission (SEC) and the Hungarian Financial Supervisory Authority of the internal investigation.

Based on the documentation and other evidence obtained by it, White & Case preliminarily concluded that there was reason to believe that four consulting contracts entered into in 2005 were entered into to serve improper objectives, and further found that during 2006 certain employees had destroyed evidence that was relevant to the investigation. White & Case also identified several contracts at our Macedonian subsidiary that warranted further review. In February 2007, our Board of Directors determined that those contracts should be reviewed and expanded the scope of the internal investigation to cover these additional contracts and any related or similarly questionable contracts or payments.

For further information about the internal and governmental investigations, please refer to the Company's quarterly reports for the first, second and third quarters of 2009 and the Company's annual reports on Form 20-F for the year ended December 31, 2008 filed with the SEC.

Findings and conclusions relating to the internal investigation of the Audit Committee

On December 2, 2009, the Audit Committee provided the Company's Board of Directors with a Report of Investigation to the Audit Committee of Magyar Telekom Plc. dated November 30, 2009 (the Final Report). The Audit Committee indicated that it considers that, with the preparation of the Final Report based on currently available facts, White & Case has completed its independent internal investigation.

The Final Report includes the following findings and conclusions, based upon the evidence available to the Audit Committee and its counsel:

- The information obtained by the Audit Committee and its counsel in the course of the investigation demonstrates intentional misconduct and a lack of commitment to compliance at the most senior levels of Magyar Telekom, TCG, and MakTel during the period under investigation.

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- As previously disclosed, with respect to Montenegrin contracts, there is insufficient evidence to establish that the approximately EUR 7 million in expenditures made pursuant to four consultancy contracts were made for legitimate business purposes, and there is affirmative evidence that these expenditures served improper purposes. These contracts were not appropriately recorded in the books and records of the Company and its relevant subsidiaries. As previously disclosed, the Company has already reclassified, in the Company's financial statements, the accounting treatment relating to certain of these contracts to more accurately account for these expenditures.

- As previously disclosed, there is evidence that certain former employees intentionally destroyed documents relating to activities undertaken in Macedonia by the Company and its affiliates.

- Between 2000 and 2006 a small group of former senior executives at the Company and the Company's Macedonian affiliates, authorized the expenditure of approximately EUR 24 million through over twenty suspect consultancy, lobbying, and other contracts (including certain contracts between the Company and its subsidiaries on one hand, and affiliates of a Cyprus-based consulting company on the other hand). The Final Report concludes that the available evidence does not establish that the contracts under which these expenditures were made were legitimate.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

- The evidence shows that, contrary to their terms, a number of these contracts were undertaken to obtain specific regulatory and other benefits from the government of Macedonia. The Companies generally received the benefits sought and then made expenditures under one or more of the suspect contracts. There is evidence that the remaining contracts were also illegitimate and created a pool of funds available for purposes other than those stated on the face of the agreements.
- In entering into these contracts and approving expenditures under them, the former senior executives knowingly caused, structured, or approved transactions that shared most or all of the following characteristics:
 - intentional circumvention of internal controls;
 - false and misleading Company documents and records;
 - lack of due diligence concerning, and failure to monitor performance of, contractors and agents in circumstances carrying a high risk of corruption;
 - lack of evidence of performance; and
 - expenditures that were not for the purposes stated in the contracts under which they were made, but rather were intended to obtain benefits for the Companies that could only be conferred by government action.

The Final Report states that the Investigation did not uncover evidence showing receipt of payments by any Macedonian government officials or political party officials. However, the Audit Committee's counsel did not have access to evidence that would allow it to identify the ultimate beneficiaries of these expenditures.

Nothing in the Final Report implicates any current senior executive or Board member of the Company in connection with any wrongdoing.

As previously disclosed, the Company has taken remedial measures to address issues previously identified by the independent investigation. These measures included steps designed to revise and enhance the Company's internal controls as well as the establishment of the Corporate Compliance Program.

Due to these measures, no modifications to the Corporate Compliance Program were viewed as necessary in response to the Final Report. This conclusion has been discussed with the Audit Committee and the Audit Committee has not made recommendations either relating to the Company's compliance program or internal controls.

The Company is continuing to assess the nature and scope of potential legal remedies available to the Company against individuals or entities that may have caused harm to the Company.

Other related issues

As previously announced, the DOJ, the SEC and the Ministry of Interior of the Republic of Macedonia have commenced investigations into certain of the Company's activities that were the subject of the internal investigation. Also, as previously announced, the Hungarian National Bureau of Investigation (NBI) has begun a criminal investigation into alleged misappropriation of funds relating to payments made in connection with the Company's ongoing internal investigation and the possible misuse of personal data of employees in the context of the internal investigation. These governmental investigations are continuing, and the Company continues to cooperate with those investigations. The Company cannot predict what the final outcome of those investigations may be or the impact, if any, they may have on its financial statements or results of operations. Furthermore, government authorities could seek criminal or civil sanctions, including monetary penalties, against the Company or its affiliates as well as additional changes to its business practices and compliance programs.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

2. Effect of merger on the comparability of figures in 2009

The Extraordinary General Meeting of Magyar Telekom Plc. held on June 29, 2009 decided to merge T-Kábel Magyarország Kft. and Dél-Vonal Kft. into Magyar Telekom Plc. The merger was registered by the Court of Registry with effect from September 30, 2009.

In the course of the merger T-Kábel Magyarország Kft. and Dél-Vonal Kft. prepared Annual reports according to the Hungarian Act on Accounting as of September 30, 2009 by closing their analytical and general ledgers. Magyar Telekom Plc. managed the takeover of assets and liabilities (including provisions, accruals and deferred incomes and expenses as well) and the resulting shareholders' equity being the difference, with continuous bookkeeping.

Due to the takeover of assets and liabilities the balance sheet lines of December 31, 2008 and 2009 are not completely comparable. In order to ensure comparability the merger balance sheets disclosed in summarised form in the Notes.

Due to the merger the income statement of Magyar Telekom Plc. contains the revenues and expenses of the activities taken over for the period started October 1, 2009 ended on December 31, 2009. As a consequence, the income statements as of 2008 and 2009 are not completely comparable. For the purpose of ensuring the comparison the income statements of T-Kábel Magyarország Kft. and Dél-Vonal Kft. for the period started January 1, 2009 ended September 30, 2009 are disclosed in summarised forms in the Notes. Compared to Magyar Telekom Plc.'s result for the period January-December, 2009 the two merged companies' result for the period January-September, 2009 is not significant neither in total nor in composition.

3. Accounting policies

The accounting policies of Magyar Telekom Plc. include basic accounting principles, measurement methods and procedures as well as methods and tools used for enforcing the provisions of the Hungarian Accounting Regulations.

Magyar Telekom Plc. maintains its records both in accordance with the Hungarian Accounting Regulations (HAR) and International Financial Reporting Standards (IFRS). The differences between the two reports are solely due to differences in the respective accounting principles.

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The closing day of the Company's business year is December 31. In 2009 the balance sheet preparation date is the first working day of the following year.

Magyar Telekom Plc. uses version A of the balance sheet and version A of the income statement (total cost method) when preparing its annual report in accordance with the Hungarian Accounting Regulations. Amounts in the annual report are stated in HUF millions. The currency of accounting is the Hungarian Forint (HUF).

The Hungarian Act on Accounting allows for certain captions in the balance sheet to be broken-down or omitted, what is adopted by the Company both in case of the balance sheet and the income statement.

Since January 1, 2005 the Company has complied with its obligation to prepare consolidated annual report in such a way that it prepares its consolidated annual report in accordance with the International Financial Reporting Standards.

Deutsche Telekom Group's consolidated annual report prepared by Deutsche Telekom AG (DT) (Friedrich-Ebert-Alle 140, 53113 Bonn, Germany) includes Magyar Telekom Plc. as a subsidiary of Deutsche Telekom AG.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

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As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

Definition of the accounting principles, guidelines and methods

Classification of accounting matters:

Magyar Telekom Plc. applies the materiality and significance guidelines for limits set forth in the Hungarian Accounting Regulations in preparing its annual report.

Material error

An error revealed must be treated as a material error in every case it results in at least 20 per cent change in prior year's shareholder's equity.

Significant error

Items must be considered as significant in every case if in the year the error was discovered the cumulative absolute amount of the errors and their effects on net income and shareholder's equity exceeds the lower of 2 per cent of total assets of the year they relate to or HUF 500 million.

If the Company reveals a significant error through self-revision, then modifications relating to prior years are presented next to the prior years figures for each balance sheet and income statement item.

The Company has set up regulations for valuation of assets and liabilities, scrapping, cost calculation, stocktaking, cash management, and system of documentation as required by the Hungarian Accounting Regulations.

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Until further decision, the Company does not use the allowed alternative treatment in the Hungarian Accounting Regulations for the valuation of fixed assets as market value and valuation of certain financial instruments as fair value.

The Company qualifies every unrealized foreign exchange rate difference resulting from foreign exchange translation as significant, therefore all unrealized foreign exchange gains and losses are recorded in the subledger as well as in the general ledger.

Valuation methods used for the preparation of the Balance Sheet

ASSETS

Recognition and measurement of non current assets

Intangible and tangible fixed assets

Magyar Telekom Plc. carries intangible and tangible fixed assets at historical cost less accumulated depreciation. Property, plant and equipment includes the capitalized value of improvements and refurbishment that extend the useful life of the asset, increase its capacity and/or modify its functionality.

Costs connected directly to loans taken for acquisition or production of the asset are capitalized.

Depreciation policy

In case of tangible fixed assets the depreciation is based on the gross value of the asset reduced by its residual value.

The method of depreciation: straight-line based on gross value using rates originated from useful lives.

Magyar Telekom Plc.

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Depreciation is based on a daily calculation and recorded once in a month.

Depreciation starts on the day when the asset was placed into operation and it is over when the useful life of the asset elapsed or the day the asset cancelled from the books for any reason. The Company recorded the depreciation monthly in proportion to the days of the given month.

The Company determines residual values for those groups of assets where the residual values are considered to be significant. Residual value is considered to be significant if the expected realizable value exceeds the expected scrap value when the asset is taken out of service. The Company determines residual value for buildings and vehicles. Residual value is not considered to be significant for intangible assets and other groups of the tangible fixed assets. The Company applies residual values only for assets capitalized after January 1, 2001. No residual value is calculated for additional capitalization on assets purchased before January 1, 2001.

Applied residual value:

Buildings: Determined individually based on the location of the building as well as the expected future useful life and usage of the building.

Vehicles: personal cars for personal use: 30 per cent of the acquisition cost
passenger cars for business use: 30 per cent of the acquisition cost
trucks under 3.5 tons: 30 per cent of the acquisition cost
trucks above 3.5 tons: 20 per cent of the acquisition cost
transport vehicles: 10 per cent of the acquisition cost.

Useful lives are determined based on generally accepted international telecommunication industry practices and development potentials. Magyar Telekom Plc. regularly reviews the useful lives of fixed assets and modifies them if necessary. The Company records the value of all tangible fixed assets below HUF 50,000 immediately as depreciation expense, except for those that are serving the operation of the telecom network directly; are part of the subscriber network; those installed telecom software operating solely on telecom hardware and in addition the categories of assets defined in the asset accounting module of SAP.

The Company records extraordinary depreciation in cases where the value of the assets permanently decreased due to the fact that it is no longer needed, spoiled or destroyed, or if the book value is permanently and significantly in excess of the market value. In the absence of other reliable estimates the market value of the asset is determined using expected discounted cashflow analysis.

In case the market value of the individual asset that has been impaired before significantly exceeds its carrying value, the Company records a reversal of extraordinary depreciation and classifies the related income as other revenue.

Capitalized value of foundation and restructuring

The Company does not capitalize foundation and restructuring costs.

Capitalized value of research and development

The Company does not capitalize research and development costs.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

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(All amounts in millions of HUF, unless otherwise indicated)

Goodwill

That part of the cost of an acquisition of a subsidiary with qualified majority (at least 75 per cent ownership) which is calculated as the difference between the fair value of the acquired assets less the assumed liabilities (valued according to the Hungarian Act on Accounting) and the acquisition cost is recorded as goodwill if the acquisition cost is higher. The Company does not record amortization on goodwill recognized after January 1, 2005 unless impairment is required. The Company applies the straight-line amortization method for goodwill recognized earlier.

Intellectual property

Since 2005 only those assets have been recorded as intellectual property which are in the ownership of the Company. The useful life of intellectual property is generally 5 years.

Those intellectual properties where the Company has only the rights of use are recorded as Rights. Their useful life are those of intellectual property.

Own work capitalized

Direct costs incurred in the construction of property, plant and equipment manufactured by the Company are capitalized. The Company records materials provided to subcontractors at delivery as construction in progress.

Financial investments

Long term investments in subsidiaries are recorded at cost when established or at original purchase price less goodwill when acquired. At the end of the financial year, the Company's investments are impaired if the market value of the equity investment is permanently and significantly lower than its book value. The impairment review is carried out on an individual basis.

Loans granted include loans to subsidiaries, associated companies and other companies as well as long term loans given to employees for housing purposes.

Recognition and measurement of current assets

Inventories

Goods are valued at cost using standard price method and raw materials using the weighted average cost formula. Inventories include materials and assets whose future usage can not be determined at the time of purchase (i.e. whether they will be used for an investment project or maintenance). Inventories also include advance payments on inventories and assets held for sale reclassified from tangible fixed assets.

Tangible fixed assets reclassified to inventories are valued on an individual basis. Besides these assets Magyar Telekom Plc. considers its inventories as low value items. Impairments of inventories purchased within a year are determined by a so-called Price Trend Report. If the current average price is higher by 20 per cent than the last month average price invoiced then the article has to be impaired to the average price of the last month.

Inventories purchased over a year ago are impaired in proportion to a percentage of their book value.

Measure of impairment on new materials:

- inventories from 12 to 24 months 35 per cent impairment
- inventories from 24 months 60 per cent impairment

Measure of impairment on used or repaired materials:

- inventories from 6 to 12 months 5 per cent impairment
- inventories from 12 to 24 months 50 per cent impairment
- inventories from 24 months 100 per cent impairment

Magyar Telekom Plc.

Notes to the Financial Statements prepared

in accordance with the Hungarian Act on Accounting

As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

Trade receivables and other receivables

The balance of trade receivables reflects invoiced amounts accepted by the customers and does not include any unrecoverable and unaccepted receivables.

Impairment of trade receivables is assessed on two levels. Trade receivables that are individually significant and the ones that are not individually significant are separated. Magyar Telekom Plc. decided to consider items above HUF 200 million to be individually significant for the purposes of assessing accounts receivables for impairment.

In case of items that are individually not significant it is also assessed individually whether objective evidence of impairment exists. These items have to be assessed individually and amount of impairment have to be calculated on them.

Magyar Telekom Plc. considers the following items to be included in this category:

- receivables from domestic and international fixed line service providers
- receivables from domestic and international mobile service providers (roaming, interconnect, interworking)
- receivables under liquidation, bankruptcy proceedings
- other (non trade) receivables

Based on the Section 55. (2) of Act C/2000 on accounting the amount of loss in value may also be established as a percentage of the amount of such receivables registered in the books (collective assessment of impairment). Magyar Telekom Plc. evaluates the telecommunications customers - concerning their high volume - with the method of collective assessment (ageing) and the impairment is set out in percentages.

The Company set up the impairment categories according to customer groups with similar credit risk exposure.

In case of invoices with instalments the amount of impairment is based on due dates of each instalment.

The Company does not impair receivables from related parties and non current loans granted to related parties except in case an individual item having an objective evidence for impairment.

Accounts receivable and payable related to international telecommunications traffic are stated at gross value, even though the financial settlement of the balance is performed on a net basis.

Magyar Telekom Plc. measures its foreign currency receivables at year-end at the official exchange rate of the Hungarian National Bank (MNB) as of December 31.

Securities

Securities in current assets include the original cost of bonds, shares, other securities held for sale and the repurchase value of treasury stock.

LIABILITIES AND SHAREHOLDER S EQUITY

Valuation reserve

Until further decision, Magyar Telekom Plc. does not apply the allowed alternative treatment in the Hungarian Accounting Regulations for the recognition of the valuation reserve.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

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(All amounts in millions of HUF, unless otherwise indicated)

Restricted reserve

Magyar Telekom Plc. records restricted amounts from capital reserves and retained earnings as restricted reserve. The repurchase value (acquisition cost) of the repurchased treasury stock is recorded in restricted reserve and the amount of development reserves according to the Corporate Tax Act.

Provisions

Main items include:

- early retirement payment liabilities
- severance payment liabilities
- contingent liabilities and commitments
- environmental liabilities
- guarantee liabilities determined by law
- future demolition or recovery liabilities deriving from a contract
- provision related to valuation of derivatives

Valuation of items in foreign currencies

Receivables and liabilities denominated in foreign currencies are valued at the official exchange rate of MNB on December 31.

Derivatives

The Company records derivatives (forward F/X deals and swap deals) among off-balance sheet items as commitments or future receivables on transaction price.

The Company calculates the fair value of every derivatives as of the balance sheet date and discloses it in the Notes. In addition the Company creates provision for expected losses related to commitments from derivatives, represented by the negative fair value of the transactions.

Measurement principles applied in the preparation of the Income Statement

Based on the Section 74. (2) of Act C/2000 on accounting the exports sales revenue includes the value of sales and services supplied to non-resident customer regardless of the location of the services provided, except the customer is non-residential in the territory of Hungarian Republic and has not officially informed Magyar Telekom Plc. (e.g. nonresident customer - whose registered office, place of abode or permanent residence is situated abroad - buys phone sets in a T-Pont).

Revenues and expenses are recognized in line with the accrual concept of accounting. Non-realized exchange rate differences are recognized as follows:

- if the net balance of non-realized foreign exchange gain and loss is a gain, it is recorded as other revenue from financial transactions,
- if the net balance is a loss, it is recorded as other expenses from financial transactions.

The Company recognizes dividends approved by the General Meeting of the subsidiaries and associates in the year following the one they relate to. Interim dividends paid by the subsidiaries and associates are recorded as liability until final approval.

The fees paid by Magyar Telekom Plc. to carrier, mobile and international service providers for call termination are invoiced to the customers by Magyar Telekom Plc. Therefore the payments for calls initiated in Magyar Telekom Plc. s network and terminated by carrier, mobile and international service providers as well as payments for leased lines

Magyar Telekom Plc.

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(both domestic and international) are recorded and disclosed as intermediated services disclosed as costs of services sold.

Extraordinary items are disclosed in the Notes.

Revenues and expenses not directly related to the ordinary operations are disclosed as extraordinary items.

OTHER

Magyar Telekom Plc. pays special attention to meeting environmental protection regulations in its activities. The necessary power supply batteries used in switches and power generators and used cell phones are stored and neutralized in accordance with the applicable environmental protection laws.

The Company did not incur penalty expenses due to environmental liabilities.

4. Summary of the Company's financial position and liquidity

The Company's financial position and liquidity as of December 31, 2008 and 2009 are represented by the following financial ratios:

| | 2008 | 2009 |
|---|------|------|
| Liquidity ratio (= current assets / current liabilities) | 0.39 | 0.39 |
| Operating margin (= operating profit / (sales revenues + other revenues)) | 0.18 | 0.15 |
| Operating return on assets (= operating profit / total assets) | 0.1 | 0.08 |
| Leverage ratio (= non current liabilities / (non current liabilities + equity)) | 0.42 | 0.45 |

The increase in leverage ratio is due to the increase in owner's loans from Deutsche Telekom Finance B.V.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

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As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

The following is the cashflow statement for the years ended on December 31, 2008 and 2009:

All amounts in millions of HUF.

| | | 2008 | 2009 |
|--|-------|----------------|----------------|
| I. Cash flows from operating activities (lines 1-14) | | 57,074 | 29,874 |
| 1. Profit before income tax (before dividend received) | (+/-) | 65,225 | 43,724 |
| 2. Depreciation and amortization | (+) | 88,104 | 82,659 |
| 3. Impairment losses charged and reversed | (+/-) | 3,245 | 11,169 |
| 4. Change in provisions | (+/-) | -1,966 | -587 |
| 5. Profit or loss on the sale of non current assets | (+/-) | -2,323 | -172 |
| 6. Change in accounts payable (1) | (+/-) | 3,559 | 4,518 |
| 7. Change in other current liabilities (1) | (+/-) | -9,625 | 2,429 |
| 8. Change in accruals | (+/-) | -1,655 | -1,692 |
| 9. Change in accounts receivable | (+/-) | 1,627 | -10,505 |
| 10. Change in current assets (without accounts receivable and cash and cash equivalents) | (+/-) | -7,860 | -16,952 |
| 11. Change in prepayments | (+/-) | 2,920 | -3,998 |
| 12. Income tax paid | () | -3,046 | -1,900 |
| 13. Dividend paid/payable | () | -77,052 | -77,052 |
| 14. Other non cash items | (+/-) | -4,079 | -1,767 |
| II. Cash flows from investing activities (lines 15-17) | | -42,141 | -68,524 |
| 15. Acquisition of fixed assets and financial investments | () | -85,589 | -100,437 |
| 16. Proceeds from sale of non current assets | (+) | 5,972 | 504 |
| 17. Dividends and advanced dividends received | (+) | 37,476 | 31,409 |
| III. Cash flows from financing activities (lines 18-29) | | 17,783 | 12,202 |
| 18. Proceeds from issue of shares | (+) | 0 | 0 |
| 19. Proceeds from the issuance of bonds | (+) | 0 | 0 |
| 20. Loans received | (+) | 139,979 | 198,952 |
| 21. Redemption from non current loans granted and bank deposits | (+) | 19,287 | 11,348 |
| 22. Non-repayable liquid assets received | (+) | 0 | 0 |
| 23. Share capital decrease | () | 0 | 0 |
| 24. Treasury stock repurchases | () | 0 | 0 |
| 25. Repayment of bonds | () | 0 | 0 |

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| | | | |
|---|--------------|---------------|----------------|
| 26. Repayment of loans | () | -124,467 | -188,880 |
| 27. Non current loans granted and bank deposits | () | -14,445 | -8,474 |
| 28. Non-repayable donations given | () | -129 | -7 |
| 29. Change in liabilities to founders and other non current liabilities | (+/-) | -2,442 | -737 |
| IV. Change in liquid assets (lines I. + II. + III.) | (+/-) | 32,716 | -26,448 |
| Cash at the beginning of the year | | 3,912 | 36,628 |
| Cash at year-end | | 36,628 | 10,180 |

(1) The change in suppliers of assets in course of construction related to subsidiaries amounted to HUF 1,247 million increase in 2008 and HUF 42 million increase in 2009 are corrected in the caption of "Change in other current liabilities" in 2008. In 2009 this was reviewed and corrected from the caption of "Change in accounts payable". For the purpose of ensuring the comparison the 2008 year's data was modified accordingly.

Magyar Telekom Plc.

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5. Intangible fixed assets

The following table is a summary of intangible fixed asset movements between January 1, 2008 and December 31, 2009:

| | Capitalized costs of R&D | Rights | Intellectual property | Goodwill | Total |
|--|-----------------------------|----------------|--------------------------|----------------|----------------|
| GROSS BOOK VALUE | | | | | |
| Opening balance as of January 1, 2008 | 0 | 146,333 | 12,267 | 218,346 | 376,946 |
| Additions | 0 | 13,311 | 949 | 1,374 | 15,634 |
| Disposals | 0 | 4,967 | 0 | 0 | 4,967 |
| Reclassifications | 0 | -72 | 24 | 0 | -48 |
| Balance as of December 31, 2008 | 0 | 154,605 | 13,240 | 219,720 | 387,565 |
| Additions | 0 | 12,192 | 634 | 1,585 | 14,411 |
| Additions due to merger | 0 | 2,952 | 796 | 100 | 3,848 |
| Disposals | 0 | 2,591 | 13 | 0 | 2,604 |
| Reclassifications | 0 | 510 | -15 | 0 | 495 |
| Balance as of December 31, 2009 | 0 | 167,668 | 14,642 | 221,405 | 403,715 |
| AMORTIZATION | | | | | |
| Opening balance as of January 1, 2008 | 0 | 83,802 | 8,765 | 60,279 | 152,846 |
| Charge for the year | 0 | 15,175 | 875 | 10,137 | 26,187 |
| Impairment | 0 | 0 | 0 | 883 | 883 |
| Disposals | 0 | 4,929 | 0 | 0 | 4,929 |
| Reclassifications | 0 | -4 | 0 | 0 | -4 |
| Balance as of December 31, 2008 | 0 | 94,044 | 9,640 | 71,299 | 174,983 |
| Charge for the year | 0 | 16,212 | 562 | 10,130 | 26,904 |
| Impairment | 0 | 0 | 0 | 256 | 256 |
| Additions due to merger | 0 | 1,959 | 408 | 0 | 2,367 |
| Disposals | 0 | 2,528 | 12 | 0 | 2,540 |
| Reclassifications | 0 | -1 | 0 | 0 | -1 |
| Balance as of December 31, 2009 | 0 | 109,686 | 10,598 | 81,685 | 201,969 |
| NET BOOK VALUE | | | | | |
| as of December 31, 2008 | 0 | 60,561 | 3,600 | 148,421 | 212,582 |
| NET BOOK VALUE | | | | | |
| as of December 31, 2009 | 0 | 57,982 | 4,044 | 139,720 | 201,746 |

Magyar Telekom Plc.

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Rights

The gross value of rights increased by HUF 15,144 million in the current year. Significant part of this increment (HUF 10,621 million) was caused by capitalizations and additional capitalizations of IT systems software rights of use (HUF 5,027 million), other software rights of use (HUF 2,332 million) and other rights (HUF 466 million), as well as the increases from the merger of T-Kábel into Magyar Telekom Plc. (Rights in the amount of HUF 2,225 million and Other rights in the amount of HUF 571 million).

The decrease is mainly due to inventory shortage of service supporting systems (gross value is HUF 747 million, net value is zero), the scrapping of obsolete software rights not to be used for other purposes (gross value is HUF 1,170 million, net value is zero) and software of centers linked to operating base stations (NOC-NIS) (gross value is HUF 360 million, net value is zero).

Intellectual properties

The increase is mainly due to the capitalization of other own software in the amount of HUF 600 million and the increment resulting from the merger of T-Kábel into Magyar Telekom Plc. in the amount of HUF 796 million under the same class of assets.

In 2009, the Company reviewed the useful lives of intangible assets similar to previous years and executed the changes in useful lives where the Company deemed it necessary. In consequence, HUF 1,032 million less amortization was charged for 2009.

Goodwill

In 2009, the Company purchased 100 per cent of the shares of KFKI Direkt Kft., ISH Informatikai Kft. and ISH Kft. In these transactions HUF 45 million (KFKI Direkt Kft.) and HUF 1,424 million (ISH Informatika Kft.) goodwill were recognized.

Also in 2009, connected to the subsequent correction of the purchase price of KFKI Rendszerintegrációs Zrt., IWIW Szolgáltató Kft. and M-Factory Kft. further HUF 78 million, HUF 13 million and HUF 25 million goodwill were recognized, respectively.

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Goodwill was increased by HUF 100 million due to the merger of T-Kábel into Magyar Telekom Plc. as of September 30, 2009 in relation to Dél-Vonal Kft.

During 2009 HUF 10,130 million amortization was charged on goodwill.

Impairment in the amount of HUF 256 million was recorded on goodwill of which HUF 206 million comes from the reduction of M-Factory Kft. s goodwill to the market value calculated on the basis of a DFC model based on a ten-year business plan and HUF 50 million comes from the reduction of Orbitel E.A.D. s goodwill (purchased in 2007) to the return value calculated from the purchase offer on the investment.

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The movements in gross value and amortization of goodwill in 2008 and 2009 are summarized as follows:

| Description | Remaining useful life (month) | Gross book value as of December 31, 2008 | Accumulated amortization as of December 31, 2008 | Net book value as of December 31, 2008 | Goodwill recorded in 2009 | Amortization and reclass. charge in 2009 | Net book value as of December 31, 2009 |
|--|-------------------------------|--|--|--|---------------------------|--|--|
| T-Mobile Magyarország Távközlési Rt. | 144 | 181,948 | -63,725 | 118,223 | 0 | -9,115 | 109,108 |
| KFKI Rendszerintegrációs Zrt. | 0 | 8,718 | 0 | 8,718 | 78 | 0 | 8,796 |
| EMITEL Távközlési Zrt. | 113 | 10,501 | -4,367 | 6,134 | 0 | -589 | 5,545 |
| Stonebridge Communication A.D. | 162 | 7,507 | -1,833 | 5,674 | 0 | -392 | 5,282 |
| Dataplex Kft. | 0 | 4,793 | 0 | 4,793 | 0 | 0 | 4,793 |
| IWIW Szolgáltató Kft. | 0 | 1,142 | 0 | 1,142 | 13 | 0 | 1,155 |
| IQSYS Zrt. | 0 | 1,132 | 0 | 1,132 | 0 | 0 | 1,132 |
| Orbitel A.D. | 0 | 933 | -883 | 50 | 0 | -50 | 0 |
| Combridge S.R.L. | 0 | 818 | 0 | 818 | 0 | 0 | 818 |
| Novatel EOOD | 0 | 447 | 0 | 447 | 0 | 0 | 447 |
| M-Factory Kft. | 0 | 977 | 0 | 977 | 25 | -206 | 796 |
| Adnetwork Online Marketing Kft. | 0 | 174 | 0 | 174 | 0 | 0 | 174 |
| Integris-Rendszerház Kft. (Rába Szolgáltatóház Kft.) | 37 | 306 | -167 | 139 | 0 | -34 | 105 |
| Alba Internet Adatbank és Informatikai Kft. | 0 | 70 | -70 | 0 | 0 | 0 | 0 |
| KIBU Innováció Kft. | 0 | 58 | -58 | 0 | 0 | 0 | 0 |

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| | | | | | | | |
|-----------------------|---|----------------|----------------|----------------|--------------|----------------|----------------|
| Telemacedonia A.D. | 0 | 3 | -3 | 0 | 0 | 0 | 0 |
| BCN Rendszerház Kft. | 0 | 193 | -193 | 0 | 0 | 0 | 0 |
| KFKI Direkt Kft. | 0 | 0 | 0 | 0 | 45 | 0 | 45 |
| Dél-Vonal Kft. | 0 | 0 | 0 | 0 | 100 | 0 | 100 |
| ISH Informatikai Kft. | 0 | 0 | 0 | 0 | 1,424 | 0 | 1,424 |
| Total | | 219,720 | -71,299 | 148,421 | 1,685 | -10,386 | 139,720 |

Magyar Telekom Plc.

Notes to the Financial Statements prepared

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6. Tangible fixed assets

The following table is a summary of tangible fixed asset movements - without construction in progress and advance payments for construction in progress - between January 1, 2008 and December 31, 2009:

| | Real estate and related rights | Technical equipment, machinery and vehicles | Other equipment and vehicles | Total |
|--|-----------------------------------|--|---------------------------------|------------------|
| GROSS BOOK VALUE | | | | |
| Opening balance as of January 1, 2008 | 368,606 | 599,215 | 74,690 | 1,042,511 |
| Additions | 11,972 | 38,278 | 5,935 | 56,185 |
| Disposals | 6,462 | 18,009 | 3,125 | 27,596 |
| Reclassifications | -6,350 | 6,892 | -661 | -119 |
| Balance as of December 31, 2008 | 367,766 | 626,376 | 76,839 | 1,070,981 |
| Additions | 20,841 | 39,236 | 5,448 | 65,525 |
| Additions due to merger | 14,181 | 12,980 | 720 | 27,881 |
| Disposals | 1,154 | 13,333 | 2,822 | 17,309 |
| Reclassifications | -780 | 341 | -355 | -794 |
| Balance as of December 31, 2009 | 400,854 | 665,600 | 79,830 | 1,146,284 |
| DEPRECIATION | | | | |
| Opening balance as of January 1, 2008 | 132,352 | 441,461 | 61,819 | 635,632 |
| Charge for the year | 12,868 | 43,232 | 5,393 | 61,493 |
| Impairment | 9 | 1 | 1 | 11 |
| Disposals | 3,019 | 16,624 | 2,740 | 22,383 |
| Reclassifications | -2,811 | 3,141 | -354 | -24 |
| Balance as of December 31, 2008 | 139,399 | 471,211 | 64,119 | 674,729 |
| Charge for the year | 13,457 | 36,963 | 4,888 | 55,308 |
| Impairment | 450 | 1 | 2 | 453 |
| Additions due to merger | 5,930 | 8,811 | 402 | 15,143 |
| Disposals | 826 | 12,541 | 2,573 | 15,940 |
| Reclassifications | -348 | 238 | -251 | -361 |
| Balance as of December 31, 2009 | 158,062 | 504,683 | 66,587 | 729,332 |
| NET BOOK VALUE | | | | |
| as of December 31, 2008 | 228,367 | 155,165 | 12,720 | 396,252 |
| NET BOOK VALUE | | | | |
| as of December 31, 2009 | 242,792 | 160,917 | 13,243 | 416,952 |

Further details are disclosed in Appendix 1.

Magyar Telekom Plc.

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(All amounts in millions of HUF, unless otherwise indicated)

Real estate and related rights

Increase in real estate and related rights amounted to HUF 35,022 million in gross value of which the most significant items are:

Buildings and other real estates increased by HUF 4,680 million in gross value (see Appendix 1) of which the antenna towers built on land not owned by the Company amounted to HUF 1,775 million and renovating/improving the long-life structured buildings amounted to HUF 1,311 million were the most significant. The increase due to the merger of T-Kábel into Magyar Telekom Plc. is HUF 98 million.

Gross value of telecommunication networks increased by HUF 30,003 million (see Appendix 1) of which the significant items are:

- cable TV covered house-network (from merger of T-Kábel into Magyar Telekom Plc.) amounted to HUF 9,030 million,
- cable TV coaxial house-network (from merger of T-Kábel into Magyar Telekom Plc.) amounted to HUF 3,468 million,
- cable TV optical network (from merger of T-Kábel into Magyar Telekom Plc.) amounted to HUF 976 million,
- copper wire overground telecom cables for local network amounted to HUF 3,262 million,
- DVB-S infrastructure (Digital Video Broadcasting-Satellite) amounted to HUF 3,086 million,
- fiber optic telecom cables of local network pulled in ducts amounted to HUF 2,614 million,
- copper wire telecom cables of local network pulled in ducts amounted to HUF 1,486 million,
- ducts amounted to HUF 1,316 million,
- inground copper wire telecom cables for local network amounted to HUF 1,044 million,
- fiber optic overground telecom cables for local network amounted to HUF 1,042 million.

The decrease in real estate and related rights is mainly due to

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- the sale of
 - rental right of international connection - United Kingdom-United States of America-France - (gross value: HUF 166 million, net value: HUF 14 million)
- scrapping and partial scrapping of which the significant items are:
 - copper wire overground telecom cables for local network (gross value: HUF 364 million, net value: HUF 147 million),
 - telephone booths (gross value: HUF 126 million, net value: HUF 1 million),
 - construction works on rented buildings (gross value: HUF 112 million, net value is zero).

Impairment was recorded in the amount of HUF 450 million of which the most significant item is the rental right of international connections (HUF 303 million). The reason of impairment is the cancellation of connections namely their technical detachment from the network of Magyar Telekom Plc. Connected to these assets revenues will no longer incur for Magyar Telekom Plc.

The most significant item in reclassifications was the reclassification of long-life structured buildings held for sale to current assets amounting to HUF 646 million in gross value (its amortization is HUF 268 million).

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Technical equipment, machinery and vehicles

Increase is due the capitalization and extension of telecommunication equipment of HUF 52,216 million of which the significant items are:

- DVBS-STB (set top box) amounted to HUF 7,076 million,
- CE routers and 3 play equipment amounted to HUF 4,035 million,
- BTS-GSM (900-1800) radio communications equipment amounted to HUF 2,407 million,
- routers amounted to HUF 2,130 million,
- BTS-UMTS radio communications equipment amounted to HUF 2,128 million,
- GSM access network control device amounted to HUF 1,609 million,
- control and management of mobile central network amounted to HUF 1,556 million
- construction engineering equipment amounted to HUF 1,422 million.

Significant increasing items from the merger of T-Kábel into Magyar Telekom Plc.:

- cable TV coaxial covered active and passive components amounted to HUF 6,350 million,
- cable TV house network active and passive equipment amounted to HUF 3,133 million,
- optical cable TV transmission equipment amounted to HUF 2,717 million.

Decrease is mainly due to scrapping of obsolete assets amounted to HUF 13,333 million in gross value of which the significant items are:

- point-to-multipoint structured subscriber microwave equipment in the 1.5 GHz frequency band serving telephony and data transmission purposes (gross value: HUF 1,277 million, net value is zero),

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- hardware of centers linked to operating base stations (NOC-NIS) (gross value: HUF 933 million, net value is zero),
- BTS-GSM (900-1800) radio communications equipment (gross value: HUF 884 million, net value: HUF 174 million),
- onground microwave telecommunication equipment (gross value: HUF 828 million, net value: HUF 6 million),
- construction engineering equipment (gross value: HUF 616 million, net value: HUF 67 million).

Other equipment and vehicles

From the HUF 6,168 million increase of other equipment and vehicles HUF 720 million is due to the merger of T-Kábel into Magyar Telekom Plc. Further significant items are the capitalization and extension of servers (HUF 1,038 million), the capitalization of IT system hardware (HUF 930 million) and the capitalization of computer peripherals not serving the core activities (HUF 721 million).

The HUF 2,822 million decrease in gross value of other equipment and vehicles is due to the sale and scrapping of equipment of which the significant items are:

- sale of passenger cars (gross value: HUF 434 million, net value: HUF 158 million),
- scrappings:
 - computer peripherals not serving directly the core activities (gross value: HUF 362 million, net value: HUF 4 million),
 - IT systems hardware (mobile) (gross value: HUF 340 million, net value: HUF 1 million),
 - equipment with development and testing purposes (gross value: HUF 232 million, net value is zero),
 - instruments (gross value: HUF 144 million, net value: HUF 2 million),
 - servers and system support IT equipment (gross value: HUF 252 million, net value is zero),
 - furniture (gross value: HUF 240 million, net value: HUF 5 million).

In 2009, the Company reviewed the useful life of tangible assets similar to previous years and executed the changes in useful lives where the Company deemed it necessary. In consequence, HUF 2,220 million less depreciation was charged for 2009.

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7. Non current investments in related parties

As of December 31, 2008 and 2009, the Company's non current investments are summarized as follows (further details on investments (ownership, voting rights, owners' equity data) are disclosed in Appendix 2):

| | Ownership direct (%) | Ownership indirect (%) | Net book value | |
|---|-------------------------|---------------------------|----------------|----------------|
| | | | 2008 | 2009 |
| Stonebridge Communication A.D. (under liquidation) | 100.00 | | 94,546 | 94,764 |
| Crnogorski Telekom A.D. | 76.53 | | 38,539 | 39,413 |
| Investel Zrt. | 100.00 | | 9,029 | 9,029 |
| Pro-M Zrt. | 100.00 | | 8,200 | 8,200 |
| KFKI Rendszerintegrációs Zrt. | 100.00 | | 5,155 | 5,155 |
| Origo Zrt. (previously T-Online Zrt.) | 100.00 | | 2,049 | 3,549 |
| ViDaNet Zrt. | 67.50 | 22.50 | 2,836 | 2,836 |
| Dataplex Kft. | 100.00 | | 2,005 | 2,005 |
| Combridge S.R.L. | 100.00 | | 1,959 | 2,004 |
| Telekom Média Holding Zrt. | 100.00 | | 0 | 1,745 |
| ISH Informatikai Kft. | 100.00 | | 0 | 1,587 |
| Orbitel A.D. | 100.00 | | 1,724 | 1,421 |
| IQSYS Zrt. | 100.00 | | 1,375 | 1,375 |
| Novatel E.O.O.D | 100.00 | | 662 | 677 |
| EurAccount Kft. | 99.00 | 1.00 | 446 | 446 |
| EPT Nyrt. | 97.20 | | 304 | 304 |
| KFKI Direkt Kft. | 100.00 | | 0 | 264 |
| M-Factory Zrt. | 100.00 | | 63 | 63 |
| HUNSAT Zrt. | 50.00 | | 50 | 50 |
| Telemacedonia A.D. | 100.00 | | 22 | 22 |
| Tele-Data Kft. | 50.98 | | 20 | 20 |
| Budakalász KTV Kft. | 25.00 | | 0 | 20 |
| KIBU Innováció Kft. (X-Byte Kft.) | 99.20 | 0.80 | 86 | 19 |
| Mindentudás Egyeteme Tudományos | 60.00 | | 3 | 3 |
| Közhasznú Nonprofit Kft. | | | | |
| ISH Kereskedelmi Kft. | 100.00 | | 0 | 3 |
| T-Kábel Magyarország Kft. | 0 | 0 | 2,359 | 0 |
| IKO-Telekom Zrt. | 0 | 0 | 1,600 | 0 |
| ViaBridge Telecommunications H. L. (liquidation concluded) | 0 | 0 | 106 | 0 |
| Novatel Ukraine L.L.C. | 99.94 | 0.06 | 73 | 0 |
| Total | | | 173,211 | 174,974 |

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Significant changes of Non current investments in subsidiaries in 2008 and in 2009

In 2008, certain companies were cancelled from the Company's books because of mergers (T-Systems Hungary Kft., Integris Rendszerház Kft. and BCN Rendszerház Kft.).

During 2008 certain subsidiaries increased their capitals (Dataplex Kft. by HUF 950 million, Combridge S.R.L. by HUF 1,726 million).

The Company purchased further IQSYS shares in the amount of HUF 1,456 million.

Gabriele 17 GmbH was sold and the investment with a net book value of HUF 7 million was cancelled from the books. Because of liquidation ProMoKom Zrt. was also cancelled from the books in the amount of HUF 18 million.

In 2009 there were new acquisitions. Magyar Telekom Plc. purchased KFKI Direkt Kft. which increased the amount of investments by HUF 264 million. 100 per cent shares of International System House Informatikai Kft. and International System House Kereskedelmi és Szoftverfejlesztő Kft. were also acquired. The two investments together increased the amount of investments by HUF 1,590 million.

Magyar Telekom Plc. as a shareholder retired from IKO-Telekom Média Holding Zrt. and the investment was cancelled from the books. After the secession Telekom Média Holding Zrt. was established which is solely owned by Magyar Telekom Plc. The new investment increased the balance of non current investments by HUF 1,745 million.

In 2009, the book value of investment in Origo Zrt. increased by HUF 1,500 million due to capital increase.

In 2009, ViaBridge Telecommunications H.L.'s liquidation procedure was closed and the investment was cancelled from the Company's books.

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The Extraordinary General Meeting of Magyar Telekom Plc. held on June 29, 2009 decided on the merger of T-Kábel Magyarország Kft. into Magyar Telekom Plc. The transformation was registered by the Court of Registry with effect from September 30, 2009. After the merger the Company cancelled the investment in T-Kábel Magyarország Kft. from its books.

After the merger Budakalász KTV Kft. - which was earlier an investment of T-Kábel Magyarország Kft. - was recorded in the books of Magyar Telekom Plc. with a book value of HUF 20 million.

As a consequence of some statements in the minutes of investigation into certain consultancy contracts (mentioned in Note 1) the book value of the investment in Stonebridge Communications A.D. decreased by HUF 1,862 million.

HUF 3,045 million was recorded as foreign exchange difference on foreign investments at the balance sheet date. This amount increased the book value of non current investments.

During 2009 HUF 475 million impairment was recorded related to investments of which the most significant item is the impairment of Orbitel A.D. in the amount of HUF 335 million. Further impairment was recorded relating to the investments in Novatel Ukraine L.L.C. (HUF 73 million) and in KIBU Innováció Kft. (HUF 67 million).

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Stonebridge Communications A.D. (Stonebridge A.D.)

In December 2000, Magyar Telekom Plc., on behalf of a consortium, reached an agreement with the government of Macedonia to purchase 51 percent of MakTel on its privatization. The 51 percent ownership acquired by Magyar Telekom Plc. was contributed on January 16, 2001 to a newly established Macedonian holding company, Stonebridge A.D., which is a holding company residing in Skopje. Magyar Telekom Plc. has 100 per cent share in Stonebridge A.D. since 2004.

Crnogorski Telekom A.D.

In 2004, the Montenegrin Privatization Agency issued a tender for the sale of a 51.12 per cent stake in the Montenegrin Telecommunications Company (TCG). Magyar Telekom Plc. won the tender.

Crnogorski Telekom A.D. is the leading telecommunication service provider of Montenegro. The share purchase agreement was signed on March 15, 2005 in the amount of EUR 114 million.

In 2005, Magyar Telekom Plc. acquired a further 25.41 per cent share for EUR 27 million based on an agreement with minority shareholders.

Investel Magyar Távközlési Befektetési Zrt. (Investel Zrt.)

Investel Zrt. was established in 1991 with the majority ownership of Magyar Telekom Plc. Currently it performs proprietorial and trustee tasks in certain subsidiaries of Magyar Telekom Plc.

In 2007 EGERTEL Zrt. merged into Investel Zrt.

Pro-M Professzionális Mobilrádió Zrt. (Pro-M Zrt.)

Magyar Telekom Plc. took a decision in 2005 to establish Pro-M Professzionális Mobilrádió Zrt. (Pro-M Zrt.) and it was registered at Court of Registry in 2006. The company was established to design, implement and install a wireless network (EDR) using TETRA technology and provides this service for exclusively to certain organizations (e.g. police, ambulance, etc.). The EDR agreement with the Prime Minister's Office is for a period of ten years.

KFKI Rendszerintegrációs Zrt.

In 2006 Magyar Telekom Plc. purchased the 100 per cent ownership in KFKI (KFKI-LNX) Zrt. The company had further two subsidiaries: ICON Zrt. and IQSYS Zrt. All three were significant in Hungary's IT service sector. BCN Rendszerház Kft. and ICON Zrt. merged into the company with effect of December 31, 2007. In 2008 KFKI Zrt. sold its investment in IQSYS Zrt. to Magyar Telekom Plc.

ViDaNet Kábeltelevíziós Szolgáltató Zrt. (ViDaNet Zrt.)

ViDaNet Zrt. was established in 2003 by the merger of several companies for providing cable television services. Magyar Telekom Plc.'s direct and indirect ownership in total is 90 per cent and has 49 per cent voting right in the company.

T-Kábel Magyarország Kábeltelevíziós Szolgáltató Kft. (T-Kábel Magyarország Kft.)

In 1998, Magyar Telekom Plc. established MatávkábelTV Kft. to provide cable television services.

MatávkábelTV Kft. changed its name to T-Kábel Magyarország Kábeltelevíziós Szolgáltató Kft. (T-Kábel Magyarország Kft.) in 2005 and continued its activities under that name. In 2009 the company merged into Magyar Telekom Plc.

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Origo Média és Kommunikációs Szolgáltató Zrt. (Origo Zrt.) - previously T-Online Magyarország Internet Szolgáltató Zrt.

The Extraordinary General Meeting of Magyar Telekom Plc. held on June 29, 2007 decided on the merger of the access business line of T-Online Magyarország Zrt. into Magyar Telekom Plc.

The internet and content providing business line of T-Online Magyarország Zrt. continues its activities under the name of Origo Média és Kommunikációs Szolgáltató Zrt. In 2009, Magyar Telekom Plc. decided to increase its share capital by private placement of 179,870 pieces of shares with face value of HUF 100 (on HUF 8,339.40 issue amount). After this transaction the company's share capital changed to HUF 300 million.

Dataplex Infokommunikációs Infrastruktúra Szolgáltató és Ingatlanhasznosító Kft. (Dataplex Kft.)

On December 12, 2005, Magyar Telekom Plc. signed an agreement on purchasing the 100 per cent ownership of Dataplex Kft. The company is a major player in Hungary's IT service sector.

After the approval of the Hungarian Competition Authority the Court of Registry registered the transaction on April 20, 2006.

Combridge S.R.L.

The company is an alternative telecommunication service provider of Romania. Its main activities are: international and domestic leased line connection, international internet access, international IPVPN services, roaming services and international VoIP call termination. In 2007, Magyar Telekom Plc. purchased the share of Combridge S.R.L from ViaBridge Ltd.

Orbitel E.A.D.

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The company is an alternative telecommunication service provider of Bulgaria and purchased by Magyar Telekom Plc. through ViaBridge Ltd. in 2006. Its main activities are: voice service, providing connection between sites, leased line and IPVPN services and system (network) integration. In 2007, Magyar Telekom Plc. purchased the share of Orbitel A.D. from ViaBridge Ltd. In 2009 Magyar Telekom Plc. notified the Bulgarian Competiton Authority about the intention to sell its investment in the company. The Authority approved the transaction in January, 2010 and so the contract of sale on the investment successfully concluded on January 28, 2010.

IKO-TELEKOM Média Holding Zrt. (IKO-TELEKOM Zrt.)

IKO-Telekom Zrt. was established in 2005. The company is jointly controlled by Magyar Telekom Plc. and IKO Productions Kft. with the aim of merging their interests in Magyar RTL Televízió Rt. and providing interactive and premium rate content services. In April, 2008 the owners decided to demerge the company by separation which was made in 2009. Magyar Telekom Plc. as a shareholder demerged from IKO-Telekom Média Holding Zrt. and the investment was cancelled from the books in 2009.

IQSYS Informatikai Zrt. (IQSYS Zrt.)

IQSYS Zrt. was established in 1990. The company's main activities are: releasing software, wholesale of computers and software, reproduction of computer storage media, data processing and repair of office computers.

In 2007 Magyar Telekom Plc. purchased 0.3 per cent direct ownership in the amount of HUF 15 million. T-Systems Hungary Kft. and Integris Rendszerház Kft. merged into IQSYS Zrt. with effect from December 31, 2007.

In 2008 the Magyar Telekom Plc. purchased further shares and acquired 100 per cent ownership in the company.

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Novatel E.O.O.D.

The company was established in 2004 with headquarters in Bulgaria. The company's main activities are: international and domestic leased line connection, international internet access and IPVPN services, roaming services, infocommunication business solutions and international call termination. The company was owned by ViaBridge Ltd. until Magyar Telekom Plc. purchased it in 2007.

EurAccount Pénzügyi és Számviteli Szolgáltató Kft. (EurAccount Kft.)

EurAccount Kft. was established on March 1, 2005 by Magyar Telekom Plc. The company provides booking and accounting services for Magyar Telekom Plc. and its subsidiaries.

Első Pesti Telefonszolgálat Nvrt. (EPT Nvrt.)

EPT Nvrt. was established in 1992. At present the company provides IP based international and domestic telecommunication and call center services.

ViaBridge Telecommunications Holding Limited (ViaBridge Ltd.)

The company was established in 2004 with headquarter in Malta owned by Magyar Telekom Plc.'s 100 per cent direct and indirect ownership in total. Its aim was to manage Magyar Telekom Plc.'s small foreign investments as a holding. In 2007 Magyar Telekom Plc. purchased the company's investments acquiring 100 per cent direct ownership in them. In 2008 Magyar Telekom Plc. decided on the liquidation of the company which was completed in 2009. The investment was cancelled from Magyar Telekom Plc.'s books in 2009.

KIBU Innováció Kft.

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The company was established in 1989 under the name of X-Byte Kft. Magyar Telekom Plc. has become 100 per cent owner of the company in 2005. The company changed its name to KIBU Innováció Kft. in 2007. Its activity is technical research and development as a nonprofit organization. KIBU is the Magyar Telekom Plc. s innovation labor for young researchers who are interested in the convergence of mobile communication, online communities and urban space and are passionate about creating experimental projects in cross-disciplinary teams.

Novatel UKRAINE LLC

Magyar Telekom Plc. established NOVATEL Ukraine Limited Liability Company in 2005. The company s main activity is to sale certain products of Magyar Telekom Plc. in Ukraine.

M-Factory Kommunikációs Szolgáltató Zrt.

In January 2007 Magyar Telekom Plc. purchased 100 per cent of Mobilpress Zrt. s shares and 75.05 per cent share in M-Factory Kommunikációs Szolgáltató Kft. During 2007 the M-Factory Kft. merged into Mobilpress Zrt. The successor company s name was changed to M-Factory Kommunikációs Szolgáltató Zrt. As a result of the transformation, Magyar Telekom Plc. s ownership in the company changed to 92 per cent. In 2008 Magyar Telekom Plc. purchased the remaining 8 per cent of shares and increased its ownership to 100 per cent.

Mindentudás Egyeteme Tudományos Közhasznú Nonprofit Kft.

The company was established in 2004 (under the name of Mindentudás Egyeteme Kht.) by Magyar Telekom Plc., the Hungarian Academy of Sciences and T-Online Magyarország Zrt. The purpose of its public activity is to organize public courses through media and other telecommunication means to help spreading knowledge of highly interesting scientific topics. The company conducts its business activities to accomplish its main purposes without endangering it.

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The proportion of Magyar Telekom Plc.'s direct share in the company changed from 40 per cent to 60 per cent subsequent to the merger of T-Online Zrt.'s access business line into Magyar Telekom Plc in 2007.

ISH International System House Informatika Kft. (ISH Informatika Kft.) and International System House Kereskedelmi és Szoftverfejlesztő Kft. (ISH Kft)

Main activity of ISH Kft. (established in 1996) and ISH Informatika Kft. (established in 2009 by demerge from ISH Kft.) is computer programming. ISH Informatika Kft. provides complex medical IT solutions, IT systems and services for its domestic and foreign customers. In 2009, Magyar Telekom Plc. acquired the 100 per cent shares of ISH Informatika Kft. and ISH Kft. and so became the sole owner of the companies. The transaction was approved by the Hungarian Competition Authority.

Telekom Média Holding Zrt.

In 2009, Magyar Telekom Plc. as shareholder retired from IKO-Telekom Média Holding Zrt. After the secession Telekom Média Holding Zrt. was established which is solely owned by Magyar Telekom Plc. The members of the holding are Telekom New Media Kft. and Telekom Content & Rights Kft.

Telekom New Media (as part of Telekom Media Holding) is the leading participant of the premium rated interactive market in Hungary. The company is a producer of television programs based on own license.

Telekom Content & Rights Kft.'s main activity is mobile content marketing.

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8. Non current loans granted to related parties

As of December 31, 2008 and 2009 non current loans granted to related parties are the following:

| | 2008 | 2009 |
|-------------------------------|---------------|---------------|
| Pro-M Zrt. | 8,100 | 6,700 |
| Dataplex Kft. | 3,250 | 2,850 |
| NOVATEL E.O.O.D. | 2,148 | 2,197 |
| IQSYS Zrt. | 0 | 1,400 |
| KFKI Rendszerintegrációs Zrt. | 1,000 | 0 |
| ViDaNet Zrt. | 700 | 0 |
| Origo Zrt. | 600 | 0 |
| Total | 15,798 | 13,147 |

The amount of loans does not include the instalments due within one year. These instalments are disclosed as short term receivables from related parties (see Note 12).

9. Other non current loans granted

This caption contains long term loans granted to employees (HUF 3,928 million), the long term part of instalment receivables of cell phone sales (HUF 858 million), the non current deposit connected to acquiring KFKI Direkt Kft. investment (HUF 47 million) and deposits given (HUF 26 million) totalling HUF 4,859 million.

10. Inventories

Inventories mainly include network maintenance materials, while the majority of goods are telecommunication goods and fixed assets held for sale.

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The following is a movement table of inventories between January 1, 2008 and December 31, 2009:

| | 2008 | 2009 |
|----------------------------|--------------|--------------|
| Opening balance | 7,161 | 8,267 |
| Change in inventories | 1,216 | -1,834 |
| Impairment loss | -110 | -308 |
| Increase due to the merger | 0 | 787 |
| Closing balance | 8,267 | 6,912 |

The decrease of inventories is due to the decrease of mobile phone and accessories and the decrease of service materials of mobile phones.

Further details of inventory impairment are disclosed in Appendix 3.

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11. Accounts receivable

As of December 31, 2008 and 2009 accounts receivable include the following:

| | 2008 | 2009 |
|------------------------------|---------------|---------------|
| Domestic accounts receivable | 44,650 | 52,626 |
| Foreign accounts receivable | 2,069 | 1,532 |
| Impairment of receivables | -10,123 | -14,494 |
| Total | 36,596 | 39,664 |

The significant increase in domestic accounts receivable and impairment is mainly due to the increase in proportion and quantity of overdue receivables.

Further details on receivables impairment are disclosed in Appendix 3.

12. Receivables from related parties

Receivables from related parties as of December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|--|-------------|-------------|
| Receivables from IQSYS Kft.(1) | 676 | 2,079 |
| Loans to ViDaNet Zrt. | 540 | 900 |
| Loans to Dataplex Kft. | 1,000 | 800 |
| Receivables from Pro-M Zrt.(2) | 3,099 | 684 |
| Receivables from Origo Zrt. | 26 | 553 |
| Receivables from Combridge S.R.L. | 893 | 408 |
| Loans to EPT Nyrt. | 445 | 340 |
| Loans to M-Factory Zrt. | 220 | 220 |
| Loans to KFKI Rendszerintegrációs Zrt. | 0 | 200 |

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| | | |
|--|---------------|--------------|
| Receivables from Novatel Ukraine L.L.C. | 236 | 195 |
| Receivables from Makedonski Telekom A.D. | 420 | 107 |
| Loans to Novatel E.O.O.D. | 481 | 86 |
| Receivables form EurAccount Kft. | 354 | 64 |
| Loans to Orbitel A.D. | 0 | 7 |
| Receivables from T-Kábel Kft.(3) | 7,279 | 0 |
| Dividend receivable from IKO-Telekom Media Holding Zrt.(4) | 2,033 | 0 |
| Other | 421 | 250 |
| Total | 18,123 | 6,893 |

(1) In 2009, the increase is due to the HUF 1,640 million loan granted to IQSYS Zrt.

(2) The decrease is due to the redemption of the HUF 2,400 million loan granted to Pro-M Zrt.

(3) The decrease is due to the merger of T-Kábel Kft. into Magyar Telekom Plc. with effect from September 30, 2009.

(4) Collected in 2009.

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13. Receivables from other related parties

This caption contains two loans granted (HUF 20,000 million and HUF 9,500 million) to Deutsche Telekom A.G.

14. Other receivables

The Company's other receivables as of December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|---------------------------------|--------------|--------------|
| Tax receivables | 1,743 | 1,751 |
| Advance payments given | 2,672 | 1,560 |
| Receivables from employees | 1,364 | 1,302 |
| Receivables from the government | 84 | 86 |
| KFKI deposit | 413 | 0 |
| Other | 1,000 | 1,071 |
| Total | 7,276 | 5,770 |

15. Securities

The amount of HUF 1,179 million represents the value of repurchased treasury stock. On July 3, 2002 the Company issued new shares through CIB Bank Zrt. to cover its management stock option plan. In 2007 shares with a book value of HUF 325 million were sold within the frame of the above mentioned plan.

There was no change in the facts compared to the previous year's Note whereas there was no treasury stock sale in 2009.

16. Prepayments and accrued income

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| | 2008 | 2009 |
|--|---------------|---------------|
| Accrued income related to telecommunication activities | 25,728 | 29,164 |
| Accrued income related to related parties | 1,698 | 911 |
| Other | 707 | 1,023 |
| Accrued income | 28,133 | 31,098 |
| Accrued amount of value correction paid related to loans | 0 | 738 |
| Rental fees | 632 | 453 |
| Insurance fees | 2 | 142 |
| Other | 446 | 780 |
| Prepaid costs and expenses | 1,080 | 2,113 |
| Total | 29,213 | 33,211 |

Revenues related to the main activity are accrued depending on the billing-cycle. The revenues of actual, but not invoiced traffic are accrued.

HUF 738 million is the accrued amount (on December 31, 2009) of value correction paid related to EUR 161 million loan taken up from Deutsche Telekom Finance B.V. in June, 2009. Of this amount HUF 146 million charges the years results between 2010 and 2014 annually and HUF 8 million charges the result of the year 2015.

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17. Shareholders Equity

| Shareholder | Number of shares | Nominal value (HUF per share) | Total value (HUF 000) | Ownership percentage (%) |
|----------------------------|----------------------|-------------------------------|-----------------------|--------------------------|
| MagyarCom Holding GmbH | 617,436,759 | 100 | 61,743,676 | 59.21% |
| Free float | 423,802,143 | 100 | 42,380,214 | 40.65% |
| Repurchased treasury stock | 1,503,541 | 100 | 150,354 | 0.14% |
| State-owned | 100 | 100 | 10 | 0.00% |
| Total | 1,042,742,543 | | 104,274,254 | 100.00% |

According to the decisions taken on the General Meeting of Magyar Telekom Plc. held on June 29, 2009 the number of the shareholders who do not wish to take part in the legal successor company (established after the merger of T-Kábel Kft. and Dél-Vonal Kft. into Magyar Telekom Plc.) is two, with 3,072 shares. Consequently, the equity of Magyar Telekom Plc. is decreased with the nominal value of the shares owned by the shareholders who do not wish to participate in the legal successor company, accordingly, the equity of the Company changed to HUF 104,274,254,300 and the number of Series A ordinary shares of HUF 100 face value is decreased by the number of shares owned by these shareholders.

The capital decrease was registered by the Court of Registry with effect from September 30, 2009.

Changes in the equity items during 2008 and 2009 are summarized as follows:

| | Common stock | Capital reserves | Retained earnings | Restricted reserves (1) | Balance Sheet Net Profit |
|--|----------------|------------------|-------------------|-------------------------|--------------------------|
| Opening balance as of January 1, 2008 | 104,275 | 58,289 | 171,525 | 1,556 | 0 |
| Increases | 0 | 0 | 1,347 | 0 | 21,573 |
| Decreases | 0 | 0 | 128 | 0 | 0 |
| Reclassifications | 0 | 0 | -500 | 500 | 0 |
| Balance as of December 31, 2008 | 104,275 | 58,289 | 172,244 | 2,056 | 21,573 |
| Increases | 0 | 0 | 0 | 0 | 74,227 |
| Increase due to merger | 0 | 4,049 | 2,306 | 500 | 0 |
| Decreases | 1 | 0 | 3,892 | 0 | -74,227 |
| Decrease due to merger | 0 | 3,386 | 3,011 | 0 | 0 |
| Reclassifications | 0 | 0 | 21,450 | 123 | -21,573 |

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| | | | | | |
|--|----------------|---------------|----------------|--------------|----------|
| Balance as of December 31, 2009 | 104,274 | 58,952 | 189,097 | 2,679 | 0 |
|--|----------------|---------------|----------------|--------------|----------|

(1) Restricted reserves contain amount of own shares (HUF 1,179 million) and development reserve in the amount of HUF 1,500 million.

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Changes in the retained earnings due to the merger are summarized as follows:

| | 2009 |
|---|--------------|
| Decrease | |
| Due to the cancellation of investment in T-Kábel Kft. | 2,208 |
| Due to the takeover of T-Kábel Kft. s retained earnings | 499 |
| Due to the cancellation of investment in Dél-Vonal Kft. | 303 |
| Due to the payment of the member leaving T-Kábel Kft. | 1 |
| Total decrease due to the merger | 3,011 |
| Increase | |
| Due to the takeover of T-Kábel Kft. s result for the period January-September, 2009 | 2,190 |
| Due to the takeover of Dél-Vonal Kft. s retained earnings | 112 |
| Due to the takeover of T-Kábel Kft. s result for the period January-September, 2009 | 4 |
| Total increase due to the merger | 2,306 |

Capital reserves decreased by HUF 3,386 million due to the payment of the member leaving T-Kábel Kft. related to the merger and increased by HUF 4,049 million due to the takeover of T-Kábel Kft. s capital reserves.

18. Provisions

| | Early retirement and severance payments (1) | Contingent liabilities | Other | Total |
|--|--|-----------------------------------|--------------|---------------|
| Opening Balance as of January 1, 2008 | 14,145 | 6,474 | 1,430 | 22,049 |
| Reclassification at opening | 0 | 27 | -27 | 0 |
| Increase | 4,603 | 5,887 | 551 | 11,041 |
| Decrease | 9,790 | 2,689 | 529 | 13,008 |
| Closing Balance as of December 31, 2008 | 8,958 | 9,699 | 1,425 | 20,082 |
| Increase | 7,300 | 6,839 | 195 | 14,334 |
| Increase due to merger | 14 | 37 | 2 | 53 |
| Decrease | 8,256 | 5,619 | 1,099 | 14,974 |
| Closing Balance as of December 31, 2009 | 8,016 | 10,956 | 523 | 19,495 |

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(1) In 2009, HUF 7,300 million provision was recognized and HUF 8,256 million was reversed in connection with headcount reduction.

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The main items of reversals of provision for contingent liabilities during the year are as follows:

| Titles | 2008 | 2009 |
|---|--------------|--------------|
| Customer loyalty program | 1,812 | 2,565 |
| Payment obligation due to EKG agreement | 0 | 1,453 |
| Legal cases | 150 | 325 |
| Environmental liabilities | 58 | 300 |
| Employees bonuses | 70 | 272 |
| Penalties | 0 | 260 |
| Royalties | 0 | 257 |
| Contractual obligation on dismissal expenses of employees | 14 | 132 |
| Guarantee liabilities | 44 | 48 |
| Contractual (asset retirement) obligation | 0 | 7 |
| Local business tax default | 355 | 0 |
| Amount transferred to Dimenzió Biztosító Egyesület | 180 | 0 |
| Forgiveness of employee loans | 6 | 0 |
| Total reversals | 2,689 | 5,619 |

The main items of increase of provision for contingent liabilities during the year are as follows:

| Titles | 2008 | 2009 |
|---|--------------|--------------|
| Derivatives (1) | 0 | 3,229 |
| Customer loyalty program | 1,562 | 2,253 |
| Contractual (asset retirement) obligation | 2,324 | 569 |
| Legal cases | 14 | 311 |
| Employees bonuses | 352 | 163 |
| Penalties | 50 | 156 |
| Environmental liabilities | 1,285 | 88 |
| Guarantee liabilities | 48 | 46 |
| Local business tax default | -519 | 0 |
| Royalties | 230 | 0 |
| Liability increase due to EKG agreement | 541 | 0 |
| Other | 0 | 24 |
| Total increases | 5,887 | 6,839 |

(1) Provision created in 2009 for the expected loss related to forward and swap deals still open on the balance sheet date and disclosed on negative fair value among off-balance sheet contingent liabilities. In 2008 there were no expected losses on such deals at the Company.

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19. Other non current loans

The Company had long term loan liabilities in the amount of HUF 23,120 million as of December 31, 2009.

During 2009, HUF 11,000 million was drawn down and HUF 5,437 million was reclassified to current loans. The Company repaid HUF 854 million during 2009.

HUF 25 million non-realized foreign exchange loss and HUF 60 million realized foreign exchange loss was recognized on loans denominated in foreign currency.

The short term parts of other non current loans are disclosed among current loans (see Note 21).

The Company does not have any assets pledged for loans.

The maturities of non current bank loans are as follows (including debt from issuance of bonds):

| Due dates | Amount |
|----------------------------------|---------------|
| 2011 | 17,120 |
| 2012 | 6,000 |
| Further instalments in total (1) | 121 |
| Total | 23,241 |

(1) Debt from issuance of bonds

20. Non current liabilities to other related parties

This caption contains the non current portion of other related party loans received from Deutsche Telekom Finance B.V. The closing balance of these loans as of December 31, 2009 is HUF 267,017 million.

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HUF 44,446 million were drawn down in June 2009 repayable until 2015 (fix interest rate of 4.075250 per cent) and HUF 20,075 million loan was drawn down in October 2009 repayable until 2014 (fix interest rate of 4.450250 per cent).

The short term portion of related party loans (HUF 39,486 million) is disclosed in Note 23.

The maturities of non current owner s loans are as follows:

| Maturity | Amount |
|-----------------|----------------|
| 2011 | 68,486 |
| 2012 | 49,486 |
| 2013 | 34,487 |
| 2014 | 20,313 |
| 2015 | 94,245 |
| Total | 267,017 |

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21. Current loans

The Company had current loans received from banks in the amount of HUF 32,809 million as of December 31, 2009. During 2009, HUF 50,600 million was drawn down and HUF 5,437 million was reclassified from long term loans. The Company repaid HUF 55,764 million during 2009.

HUF 124 million non-realized foreign exchange loss, HUF 78 million realized foreign exchange loss and HUF 207 million realized foreign exchange gain was recognized on loans denominated in foreign currency.

22. Current liabilities to related parties

The current liabilities to related parties as of December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|---|---------------|---------------|
| Loan payable to Stonebridge A.D. | 14,989 | 16,000 |
| Advance dividend received (Crnogorski Telekom A,D.) (1) | 0 | 9,852 |
| Liabilities to Investel Zrt.(2) | 1,858 | 7,175 |
| Liabilities to KFKI Zrt. | 5,983 | 4,424 |
| Liabilities to IQSYS Zrt. | 1,342 | 1,619 |
| Loan payable to Telekom Média Holding Zrt.(3) | 0 | 1,600 |
| Liabilities to T-Kábel Kft.(4) | 2,043 | 0 |
| Other (5) | 3,064 | 2,644 |
| Total | 29,279 | 43,314 |

(1) Received interim dividend in 2009.

(2) The changes are mainly due to the increase by HUF 6,580 million loans received in 2009 and the decrease by HUF 1,350 million as the settlement of interim dividend concerning the year 2008.

(3) Loan received in 2009.

(4) The change is due to the merger of T-Kábel Kft. in to Magyar Telekom Plc. with effect from September 30, 2009.

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(5) The category "Other" contains other loans payable to the companies not mentioned above in the amounts of HUF 929 million in 2008 and HUF 833 million in 2009. In addition it contains interest pool liabilities to companies not mentioned above in the amounts of HUF 1,306 million in 2008 and HUF 965 million in 2009. It also includes accounts payable liability and not invoiced services in the amounts of HUF 818 million in 2008 and HUF 846 million in 2009.

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23. Current liabilities to other related parties

This caption contains HUF 39,486 million (short term portion) of other related party loans described in Note 20 and HUF 20,313 million short term loan from Deutsche Telekom AG.

The maturities and interests of current liabilities to other related parties are as follows:

| Maturity | Interest | Amount |
|------------------|-------------------------|---------------|
| January 29, 2010 | 3 month EURIBOR +0.6% | 20,313 |
| January 31, 2010 | 3 month BUBOR +0.17525% | 9,486 |
| July 6, 2010 | Fix 8.17% | 10,000 |
| July 6, 2010 | Fix 8.18% | 20,000 |
| Total | | 59,799 |

Deutsche Telekom AG has pledged its support for financing the Company's needs through to the end of June 2011.

24. Other current liabilities

Other current liabilities as of December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|---|---------------|---------------|
| Liability from topping up the universal balance | 2,677 | 2,920 |
| Value Added Tax | 2,679 | 2,838 |
| Payables to employees and related contributions | 3,278 | 2,005 |
| Liabilities to government | 684 | 555 |
| Personal income tax | 677 | 215 |
| Solidarity tax | 51 | 159 |
| Purchase price of KFKI Zrt. - second instalment | 413 | 0 |
| Dividends payable 2008 | 77,052 | 0 |
| Dividends payable 2009 | 0 | 77,052 |
| Other (1) | 4,574 | 3,009 |
| Total | 92,085 | 88,753 |

(1) The category "Other" includes HUF 99 million and HUF 102 million unpaid dividends approved for 2008 and 2009, respectively. The category also includes liabilities due to the EKG agreement in the amounts of HUF 2,156 million in 2008 and HUF 0 million in 2009. It contains vehicle leasing liabilities in the amounts of HUF 575 million in 2008 and HUF 514 million in 2009. Further element is the customer overpayment liability amounting to HUF 1,001 million in 2008 and HUF 1,444 million in 2009.

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25. Accrued expenses and deferred income

| | 2008 | 2009 |
|--|---------------|---------------|
| Deferred subscription and traffic fees | 3,864 | 3,665 |
| Deferred income from related parties | 0 | 552 |
| Deferred income of rebranding (1) | 362 | 297 |
| Other | 33 | 307 |
| Deferred income | 4,259 | 4,821 |
| Vendor accruals | 19,246 | 19,163 |
| Accrued interest on owners' loan | 8,845 | 7,674 |
| Accrued payroll related expenses | 5,904 | 6,292 |
| Accrued frequency usage fee | 4,346 | 4,322 |
| Accruals to related parties | 2,307 | 2,252 |
| Accrued roaming related expenses | 2,902 | 2,093 |
| Accrued interests | 1,223 | 1,106 |
| Accrued value added services | 594 | 249 |
| Accrued expenses | 45,367 | 43,151 |
| Other deferred revenue | 335 | 297 |
| Total | 49,961 | 48,269 |

(1) The reimbursement received from the parent company in connection with rebranding-related capitalized expenditures is shown as deferred income, and recognized in other revenues in line with the depreciation of the related assets.

26. Domestic sales

Domestic sales in the years ending December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|--|-------------|-------------|
| Mobile traffic revenues | 204,800 | 183,536 |
| Subscriptions, connections and other charges relating to voice and data services (1) | 152,994 | 152,873 |

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| | | |
|--|----------------|----------------|
| Leased lines and data transmission | 39,262 | 37,296 |
| Fixed line traffic revenues | 49,951 | 36,648 |
| Handset revenues | 17,022 | 16,512 |
| Revenues entirely from TV services (1) | 1,670 | 10,239 |
| Revenues from equipment sales | 1,052 | 931 |
| Other revenues (1) | 15,778 | 18,402 |
| Total domestic sales | 482,529 | 456,437 |

(1) Revenues entirely from TV services were disclosed in Other revenues (HUF 1,539 million) and in Subscriptions, connections and other charges relating to voice and data services (HUF 131 million) lines in the Note as of 2008.

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27. Export sales by geographical areas

Export sales by geographical areas in the years ending December 31, 2008 and 2009 are summarized as follows (sales are solely connected with services provided):

| | 2008 | | 2009 | |
|---------------------------|---------------|----------------|---------------|----------------|
| | | % | | % |
| Europe (within the EU) | 15,021 | 82.19% | 15,949 | 84.70% |
| Europe (outside the EU) | 2,261 | 12.37% | 1,991 | 10.57% |
| Asia | 459 | 2.51% | 468 | 2.48% |
| America | 463 | 2.53% | 333 | 1.77% |
| Australia | 60 | 0.33% | 73 | 0.39% |
| Africa | 11 | 0.06% | 18 | 0.10% |
| Total export sales | 18,275 | 100.00% | 18,832 | 100.00% |

28. Other revenues

Other revenues in the years ending December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|---|---------------|---------------|
| Reversal of provisions (1) | 13,008 | 14,974 |
| Discount received subsequently | 3,960 | 3,695 |
| Default interest, penalties, compensations | 2,045 | 2,220 |
| Other revenues in connection with impairment (2) | 364 | 2,097 |
| Revenue from sale of intangible and tangible fixed assets (3) | 5,963 | 493 |
| Revenue from receivable factoring | 434 | 161 |
| Renaming and rebranding | 169 | 113 |
| Other | 755 | 880 |
| Total | 26,698 | 24,633 |

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- (1) The increase is mostly due to the HUF 1,453 million reversal of provision on payment obligation due to EKG agreement. Provisions are detailed in the Note 18.
- (2) The change is due to the increase in the received amounts of overdue and impaired receivables in relation to the previous year.
- (3) The Company sold less real estates in 2009.

29. Import purchases

Import purchases by geographical areas in the years ending December 31, 2008 and 2009 are summarized as follows:

| | 2008 | | | 2009 | | |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Services | Products | Total | Services | Products | Total |
| Europe (within the EU) | 13,016 | 19,377 | 32,393 | 19,317 | 13,086 | 32,403 |
| America | 5,850 | 248 | 6,098 | 6,341 | 71 | 6,412 |
| Europe (outside the EU) | 2,053 | 40 | 2,093 | 2,788 | 314 | 3,102 |
| Asia | 1,129 | 162 | 1,291 | 1,120 | 904 | 2,024 |
| Australia | 44 | 0 | 44 | 41 | 0 | 41 |
| Africa | 350 | 0 | 350 | 263 | 0 | 263 |
| Total | 22,442 | 19,827 | 42,269 | 29,870 | 14,375 | 44,245 |

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30. Cost of services

Cost of services in the years ending December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|--|---------------|---------------|
| Repair and maintenance costs | 21,774 | 21,041 |
| Rental fees | 10,720 | 11,614 |
| Expenses of rented workforce and operator activities | 12,718 | 10,389 |
| Consultancy | 10,121 | 10,287 |
| Marketing expenses | 13,882 | 9,579 |
| Commissions paid | 6,981 | 9,227 |
| Fees paid to entrepreneurs (1) | 7,560 | 7,859 |
| Payments to international network operators | 5,034 | 6,109 |
| Postage | 2,604 | 2,451 |
| Bookkeeping services | 1,909 | 1,701 |
| Property operating costs | 1,718 | 1,663 |
| Education, training expenses | 1,359 | 1,327 |
| Services related to other revenues | 386 | 967 |
| Travel and accommodation costs | 627 | 512 |
| Fleet management | 480 | 468 |
| Brand license fee (1) | 359 | 411 |
| Payments to Internet service providers (2) | 196 | 158 |
| Other | 637 | 865 |
| Total | 99,065 | 96,628 |

(1) Brand license fee contains T-Mobile Royalty Fee and T-Home brand license fee amounted to HUF 182 million and HUF 177 million in 2008, HUF 187 million and HUF 224 million in 2009, respectively. T-Home brand license fee was disclosed in Fees paid to entrepreneurs line in 2008.

(2) Payments to Internet service providers are based on the decree of MeHVM 30/2001 (XII.23.).

31. Costs of services sold (intermediated)

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Costs of intermediated services sold in the years ending December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|---|---------------|---------------|
| Payment to mobile operators (1) | 57,128 | 48,875 |
| Costs of intermediated RI/IT services | 6,714 | 6,276 |
| Payment to other fixed line network operators | 5,664 | 5,075 |
| Charges for network use paid to Cable TV companies | 2,919 | 4,583 |
| Costs of content providing and mobile trade services sold | 4,802 | 4,294 |
| Costs of TV services (2) | 109 | 3,151 |
| Other (2) | 1,802 | 1,341 |
| Total | 79,138 | 73,595 |

(1) Decrease of payment to mobile operators is due to the decrease in call termination charges and the significant decrease of average price of roaming traffic fees owing to the EU regulation introduced on July 1, 2009.

(2) Costs of TV services were disclosed in Other line in 2008 in the amount of HUF 109 million. The increase in 2009 is due to the costs of TV services taken over by the merger of T-Kábel Kft. into Magyar Telekom Plc.

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32. Employees

The average number of employees in 2008 and 2009 are as follows:

| | Average number of employees (person) | December 31, 2008 Salaries and Wages | Other payroll related expenses |
|--------------------------------|--------------------------------------|---|--------------------------------|
| Full-time employees | | | |
| blue collar | 938 | 2,876 | 1,053 |
| white collar | 5,036 | 38,876 | 5,881 |
| total | 5,974 | 41,752 | 6,934 |
| Part-time employees | | | |
| blue collar | 6 | 16 | 9 |
| white collar | 265 | 716 | 311 |
| total | 271 | 732 | 320 |
| Employees total | | | |
| blue collar | 944 | 2,892 | 1,062 |
| white collar | 5,301 | 39,592 | 6,192 |
| total | 6,245 | 42,484 | 7,254 |
| Employees not in headcount (1) | 0 | 2,586 | 6,012 |
| Total | 6,245 | 45,070 | 13,266 |

| | Average number of employees (person) | December 31, 2009 Salaries and Wages | Other payroll related expenses |
|--------------------------------|--------------------------------------|---|--------------------------------|
| Full-time employees | | | |
| blue collar | 912 | 2,966 | 1,230 |
| white collar | 5,483 | 41,920 | 8,206 |
| total | 6,395 | 44,886 | 9,436 |
| Part-time employees | | | |
| blue collar | 2 | 3 | 2 |
| white collar | 68 | 198 | 83 |
| total | 70 | 201 | 85 |
| Employees total | | | |
| blue collar | 914 | 2,969 | 1,232 |
| white collar | 5,551 | 42,118 | 8,289 |
| total | 6,465 | 45,087 | 9,521 |
| Employees not in headcount (1) | 0 | 2,189 | 3,887 |

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| | | | |
|--------------|--------------|---------------|---------------|
| Total | 6,465 | 47,276 | 13,408 |
|--------------|--------------|---------------|---------------|

(1) Includes employees on maternity leave, who are excluded from the average statistical number of employees.

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33. Remuneration of Board of Directors and Supervisory Board

The remuneration of members of the Board of Directors and Supervisory Board of the Company in the years ending December 31, 2008 and 2009 is summarized below:

| Year | Board of Directors | Supervisory Board | Total |
|------|--------------------|-------------------|-------|
| 2008 | 13 | 46 | 59 |
| 2009 | 13 | 42 | 55 |

The members of Board of Directors have not received any advance payments or loans from the Company. The members of Supervisory Board have received advance payments or loans in the current year as follows:

| Description | Supervisory Board |
|-----------------------------------|-------------------|
| Advance payments | |
| Opening balance | 0 |
| Payments in the current year | 0 |
| Payments repaid | 0 |
| Closing balance | 0 |
| Loans | |
| Opening balance | 4 |
| Disbursements in the current year | 0 |
| Loans repaid in the current year | 1 |
| Closing balance | 3 |

The loans are to be reimbursed monthly, the average repayment term left is 42 months. All advance payments and loans are free of interest.

The Company did not offer guarantees on behalf of the members of the Board of Directors and Supervisory Board and has no retirement pension liability to them.

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34. Other expenses

Other expenses in the years ending December 31, 2008 and 2009 are as follows:

| | 2008 | 2009 |
|---|---------------|---------------|
| Provisions (1) | 11,553 | 14,331 |
| Impairment of receivables and inventories, extraordinary depreciation of intangible and tangible fixed assets (2) | 3,219 | 11,120 |
| Government taxes | 8,632 | 8,161 |
| Discount granted subsequently on roaming traffic | 1,785 | 1,838 |
| Withholding tax (3) | 1,536 | 1,276 |
| Factored receivables | 1,528 | 639 |
| Write-off of uncollectible receivables | 1,683 | 457 |
| Net book value of fixed assets sold (4) | 3,661 | 362 |
| Loss of intangible and tangible fixed assets and inventory shortage (5) | 753 | 356 |
| Other (6) | 455 | 2,030 |
| Total | 34,805 | 40,573 |

(1) In 2009, HUF 7,300 million provisions were recognized for early retirement, exemption salaries and related social security.

(2) The change is mainly due to the significant extra impairment on receivables (see Note 11).

(3) Withholding tax was disclosed in Other line in 2008.

(4) The Company sold less real estates in 2009.

(5) Expense from car damages amounted to HUF 229 million in 2008 and HUF 260 million in 2009 was reclassified from Other to Loss of intangible and tangible fixed assets and inventory shortage line.

(6) Increase in Other is mainly due to the other expenses related to EKG agreements amounted to HUF 1,429 million.

35. Results of financial activities

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The main driver in revenues from financial activities (HUF 43,224 million) is the dividend received in 2009 related to year 2008 (HUF 31,409 million). The most significant items are the dividends received from Stonebridge A.D. (HUF 23,177 million), from KFKI Zrt. (HUF 3,500 million), from Crnogorski Telekom AD (HUF 2,158 million) and from Investel Zrt. (HUF 1,350 million).

Further significant item is the interest on loans given to subsidiaries disclosed as interest income on financial investments (HUF 1,352 million) and as other interest income received (HUF 1,940 million).

The revenues from financial activities mainly contains non-realized (HUF 2,385 million) and realized (HUF 4,395 million) foreign exchange gain.

The majority of the HUF 38,655 million financial expenses is the HUF 33,980 million interest expense in 2009. This includes the amount of the interest payable on owners' loans and bank loans. Impairment loss of HUF 476 million was recorded on investments in 2009. Other expenses from financial transactions is HUF 4,199 million of which the most significant item is the other foreign exchange loss in the amount of HUF 3,898 million.

In 2009, realized foreign exchange gain in the amount of HUF 492 million and foreign exchange loss in the amount of HUF 999 million were recorded in connection with closed forward transactions. All of the closed forward F/X deals were contracted on the OTC market with the original aim of delivery, which was closed by reverse transaction.

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(All amounts in millions of HUF, unless otherwise indicated)

36. Extraordinary revenues

Extraordinary revenues in the years ending December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|---|---------------------|---------------------|
| Assets received free of charge | 4 | 4 |
| <i>Extraordinary revenues adjusting tax base</i> | <i>4</i> | <i>4</i> |
| Revenues related to investments in subsidiaries: | | |
| - Cancellation of IKO-Telekom share (separation) | 0 | 1,745 |
| - Cancellation of Viabridge share (liquidation) | 0 | 106 |
| - Merger of BCN Kft. into KFKI Zrt. | 3,932 | 0 |
| - Merger of Integris Kft. into IQSYS Zrt. | 915 | 0 |
| - Merger of TSH into IQSYS Zrt. | 120 | 0 |
| - Merger of IWIW Kft. into [origo] Zrt. | 103 | 0 |
| - Merger of Adnetwork Kft. into [origo] Zrt. | 59 | 0 |
| - Liquidation of ProMoKom Zrt. | 18 | 0 |
| Development contributions | 65 | 29 |
| Dividends expired | 6 | 14 |
| Assets received free of charge (not adjusting tax base) | 10 | 6 |
| Other extraordinary revenues | 1 | 29 |
| <i>Extraordinary revenues not adjusting tax base</i> | <i>5,229</i> | <i>1,929</i> |
| Total | 5,233 | 1,933 |

Magyar Telekom Plc.

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(All amounts in millions of HUF, unless otherwise indicated)

37. Extraordinary expenses

The extraordinary expenses of the Company in the years ending December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|--|--------------|--------------|
| Dimenzió contributions | 2,991 | 1,144 |
| Donation to foundations, charities and other organizations | 1,194 | 708 |
| Forgiveness of loans to subsidiaries | 0 | 660 |
| Net book value of assets contributed free of charge | 71 | 58 |
| Net book value of receivables waived | 51 | 44 |
| Extraordinary losses adjusting tax base | 4,307 | 2,614 |
| Expenses related to investments in subsidiaries: | | |
| - Cancellation of IKO-Telekom share (separation) | 0 | 1,600 |
| - Cancellation of Viabridge share (liquidation) | 0 | 106 |
| - Merger of BCN Kft. into KFKI Zrt. | 2,864 | 0 |
| - Merger of TSH into IQSYS Zrt. | 1,693 | 0 |
| - Merger of Integris Kft. into IQSYS Zrt. | 594 | 0 |
| - Liquidation of ProMoKom Zrt. | 18 | 0 |
| - Merger of IWIW Kft. into [origo] Zrt. | 11 | 0 |
| - Merger of Adnetwork Kft. into [origo] Zrt. | 4 | 0 |
| Assets contributed free of charge based on Law | 1 | 0 |
| Other extraordinary losses | 12 | 0 |
| Extraordinary losses not adjusting tax base | 5,197 | 1,706 |
| Total | 9,504 | 4,320 |

Magyar Telekom Plc.

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38. Transactions with related parties and subsidiaries of Deutsche Telekom Group

Balances of transactions with related parties not disclosed in the balance sheet and income statement are detailed as follows.

Loans received from owners are disclosed as Non current liabilities to other related parties or Current liabilities to other related parties. Their interests are disclosed separately as expenses from financial transactions in the income statement.

Revenues and expenses (mainly relating to telecommunication services) from the subsidiaries of Deutsche Telekom Group were not disclosed separately as transactions with related parties.

Transactions with related parties and subsidiaries of Deutsche Telekom in the years ending December 31, 2008 and 2009 are summarized as follows:

| | 2008 | 2009 |
|--|----------------|----------------|
| Net domestic sales | 482,529 | 456,437 |
| - of which: related parties | 7,778 | 8,045 |
| - of which: subsidiaries of Deutsche Telekom Group | 589 | 583 |
| Net export sales | 18,275 | 18,832 |
| - of which: related parties | 1,751 | 1,383 |
| - of which: subsidiaries of Deutsche Telekom Group | 10,668 | 12,033 |
| Other revenues | 26,698 | 24,633 |
| - of which: related parties | 81 | 60 |
| - of which: subsidiaries of Deutsche Telekom Group | 1,363 | 2,830 |
| Accounts receivable | 36,596 | 39,664 |
| - of which: subsidiaries of Deutsche Telekom Group | 1,070 | 758 |
| Receivables from other related companies | 0 | 29,500 |
| - of which: subsidiaries of Deutsche Telekom Group | 0 | 29,500 |
| Other receivables | 7,276 | 5,770 |
| - of which: subsidiaries of Deutsche Telekom Group | 0 | 2 |
| Accrued income | 28,133 | 31,098 |
| - of which: subsidiaries of Deutsche Telekom Group | 4,354 | 3,990 |
| Prepaid expenses | 1,080 | 2,113 |
| - of which: subsidiaries of Deutsche Telekom Group | 46 | 820 |

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| | | |
|---|---------------|---------------|
| Accounts payable | 32,555 | 29,534 |
| - of which: subsidiaries of Deutsche Telekom Group | 1,731 | 1,477 |
| Current liabilities to other related parties | 87,486 | 59,799 |
| - of which: subsidiaries of Deutsche Telekom Group | 87,486 | 59,799 |
| Deferred Income | 4,259 | 4,821 |
| - of which: subsidiaries of Deutsche Telekom Group | 0 | 552 |
| Accrued expenses | 45,367 | 43,151 |
| - of which: subsidiaries of Deutsche Telekom Group | 12,323 | 10,726 |

Magyar Telekom Plc.

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39. Corporate Income Tax

The differences between profit before tax and the tax base for the years ending December 31, 2008 and 2009 are presented below:

| | 2008 | 2009 |
|--|----------------|----------------|
| Profit before tax | 101,433 | 76,415 |
| Depreciation according to the Act on Accounting | 88,722 | 82,840 |
| Recognition of provisions | 11,553 | 14,334 |
| Impairment of receivables | 2,042 | 8,648 |
| Non-repayable donations, assets and services given free of charge, assumed liabilities | 4,283 | 2,600 |
| Derecognition of intangible and tangible assets, reclassification to current assets | 5,328 | 2,279 |
| Recoverable, waived and expired receivables | 267 | 145 |
| Other increasing items | 2,647 | 525 |
| <u>Tax base increasing items</u> | 114,842 | 111,371 |
| Depreciation according to the Tax Law | 138,509 | 116,012 |
| Dividend income | 37,476 | 31,409 |
| Reversal of provisions | 13,008 | 14,974 |
| Local business tax | 7,463 | 7,073 |
| Non realized foreign exchange gain | 6,176 | 3,030 |
| Bad debt write-off, received payments on uncollectible receivables, reversal of impairment | 1,896 | 2,733 |
| Derecognition of intangible and tangible assets, reclassification to current assets | 4,983 | 1,834 |
| Donations | 2,489 | 612 |
| Development reserve | 500 | 500 |
| Utilization of tax loss carried forward | 0 | 320 |
| R&D costs | 372 | 333 |
| Subsidies received | 5 | 75 |
| Realized gain on termination of investments | 1,046 | 0 |
| Other decreasing items | 51 | 1 |
| <u>Tax base decreasing items</u> | 213,974 | 178,906 |
| Tax base | 2,301 | 8,880 |
| <u>Calculated amount of tax</u> | 368 | 1,421 |
| Tax credit | 294 | 1,137 |
| Solidarity tax | 2,734 | 1,904 |
| <u>Corporate Income Tax</u> | 2,808 | 2,188 |

Magyar Telekom Plc.

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Other tax related information

552/2004 Ministry of Finance Resolution: Tax credit in connection with improvement program cannot exceed HUF 5,908 million at present value.

19/2005 Ministry of Finance Resolution: Tax credit in connection with improvement program cannot exceed HUF 2,614 million at present value.

Tax credit on broadband Internet investments announced for 2006: Tax credit cannot exceed HUF 2,292 million at present value.

Tax credit on broadband Internet investments announced for 2007: Tax credit cannot exceed HUF 1,318 million at present value.

12.724/2005 Ministry of Finance Resolution: The tax credit is applicable in connection with construction of WLAN put into service by T-Mobile Magyarország Rt. which also provides broadband internet service and cannot exceed HUF 334 million at present value.

The tax credit is applicable in connection with construction of UMTS network announced by T-Mobile on 18 August, 2005 which also provides broadband internet service and cannot exceed HUF 4,215 million at present value.

Tax credit on broadband Internet investments announced for 2006 by T-Mobile. The tax credit is applicable in connection with construction of WLAN which also provides broadband internet service and cannot exceed HUF 835 million at present value.

2004 is the last year closed by comprehensive audit by the Hungarian Tax Authority (APEH) at the Company. In July, 2009 the APEH started a complex inspection at MagyarTelekom Plc. concerning all kinds of taxes relating to the years 2005 and 2006. The inspection has not yet been closed but the Company created provision in the amount of HUF 153 million for the expected tax differential and tax penalty. Tax authorities may at any time inspect the books and records until the end of the 6th year following the year when the tax declarations were submitted and can levy extra tax or penalty. Management of the Company is not aware of any circumstances which could result in a significant liability in this

respect.

40. Dividend

At the General Meeting held on 7 April 2010, Magyar Telekom Plc. decided on paying dividend of HUF 74 after each shares with nominal values of HUF 100, resulting in a current year s dividend payable of HUF 77,052 million.

HUF 45,690 million is due to the parent company - MagyarCom Holding GmbH - from the approved dividend for the year 2009.

41. Off-balance sheet items

Off-balance sheet items are mainly contractual commitments (rental contracts, contracted construction-in-progress and other development commitments, guarantee obligations, obligations related to acquisition of a company, environmental, restoration and other expected obligations).

Off-balance sheet items are detailed (including the off-balance sheet receivables and liabilities related to forward and swap deals not closed until the balance sheet closing day) in Appendix 4.

Magyar Telekom Plc.

Notes to the Financial Statements prepared

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42. Hazardous waste, Research & Development costs

The following table shows the movement of hazardous waste at the Company in 2009 (data in kilograms):

| | Hazardous waste (kg) |
|---|-----------------------------|
| December 31, 2008 | 0 |
| Increase | |
| Lead batteries | 242,500 |
| Soil and rocks containing hazardous substance | 93,235 |
| Other | 10,483 |
| Increase in total | 346,218 |
| Decrease | |
| Lead batteries | 242,500 |
| Soil and rocks containing hazardous substance | 93,235 |
| Other | 10,483 |
| Decrease in total | 346,218 |
| December 31, 2009 | 0 |

Environmental expenses amounted to HUF 323 million in 2008, and HUF 272 million in 2009.

Research and development costs amounted to HUF 721 million at Magyar Telekom Plc. in 2009.

43. Self-revisions

At Magyar Telekom Plc., financial events that are related to prior years are recorded in the current year through self-revision.

According to the Hungarian Accounting Regulations, if the impact of the self-revision exceeds the 2 per cent of the total assets of the current year, or at least HUF 500 million, such items must be disclosed in a separate column in both the balance sheet and the income statement.

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Errors related to prior years, that were discovered in 2009 exceeded the HUF 500 million limit (irrespective of their profit increasing or decreasing nature), therefore they are presented next to previous year's figures in the balance sheet and income statement.

The total (profit increasing) impact of self-revisions is HUF 1,061 million and is broken down by corresponding years as follows:

| Year | Self-revision (in millions of HUF) |
|--|---|
| 1999 | 9 |
| 2001 | -1,718 |
| 2002 | 65 |
| 2003 | -199 |
| 2004 | 220 |
| 2005 | -52 |
| 2006 | 56 |
| 2007 | 335 |
| 2008 | 176 |
| January - September, 2008 (T-Kábel) | 47 |

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Magyar Telekom Plc.

Notes to the Financial Statements prepared

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As of December 31, 2009

(All amounts in millions of HUF, unless otherwise indicated)

The major items based on the A type income statement lines are the following:

| | | |
|--|--------|---------------|
| I. Sales revenue | | 194 |
| Subscriptions, connections and other charges relating to voice and data services | 298 | |
| Revenues entirely from TV services | 65 | |
| International leased lines | 27 | |
| Revenues from asset sale | 5 | |
| Other export revenues | 5 | |
| Fixed line traffic revenues | -7 | |
| Leased lines and data transmission revenues | -119 | |
| Other | -80 | |
| II. Own work capitalized | | 22 |
| Capitalized value of self-manufactured assets | 22 | |
| III. Other revenues | | -27 |
| Rebranding | -42 | |
| Fixed assets sold and construction in progress | 11 | |
| Other | 4 | |
| IV. Material-type expenses | | -1,205 |
| Consultant fees | -950 | |
| Rental fees | -84 | |
| Intermediated services | -48 | |
| Advertisement and marketing costs | -69 | |
| Postage | -68 | |
| Other | 14 | |
| V. Payroll and related expenses | | -236 |
| PIT on other contributions in kind | -111 | |
| Social Security | -121 | |
| Other | -4 | |
| VI. Depreciation | | 527 |
| Depreciation related to prior years | 527 | |
| VII. Other expenses | | 31 |
| Shortages and damages of tangible and intangible assets | 48 | |
| Tangible and intangible assets sold and construction in progress | -20 | |
| Other | 3 | |
| VIII. Revenues from financial transactions | | -196 |
| Correction of investments revaluation | -204 | |
| Other | 8 | |
| IX. Expenses from financial transactions | | -170 |
| Correction of investments revaluation | -220 | |
| Reimbursement of outstanding interest | 54 | |
| Other | -4 | |
| D. PROFIT FROM EXTRAORDINARY ACTIVITIES | | -2,328 |
| Investment and cost corrections | -2,688 | |

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| | | |
|----------------------------------|------|---------------|
| Vodafone rental fee | 375 | |
| Other | -15 | |
| XII. Corporate income tax | | -221 |
| Corporate income tax | -240 | |
| Solidarity tax | 19 | |
| Impact on net income | | -1,061 |

Magyar Telekom Plc.

Notes to the Financial Statements prepared
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44. Remuneration of auditor

Fees charged by the auditors in the years ending December 31, 2008 and 2009 are summarized as follows (disclosed from 2008 in accordance with the laws in force):

| | 2008 | 2009 |
|--------------------------|------|------|
| Audit | 240 | 282 |
| Other assurance services | 163 | 135 |
| Other non-audit services | 107 | 208 |
| Total | 510 | 625 |

Budapest, April 7, 2010

Christopher Mattheisen
Chairman and Chief Executive Officer,
Chairman of the Board

Thilo Kusch
Chief Financial Officer,
Board member

Real estate and related rights

(in HUF millions)

| Description | Land | Building | Telecommunication | | Real Estate related Rights | Real Estate and related Rights |
|--|--------------|---------------|-------------------|------------------|----------------------------|--------------------------------|
| | | | Network | Other Properties | | Total |
| 1. Gross value (1) | | | | | | |
| 11. Opening gross value (on January 1, 2009) | 2 437 | 82 252 | 261 306 | 16 621 | 5 150 | 367 766 |
| 12. Additions in gross value | 5 | 3 979 | 15 927 | 603 | 327 | 20 841 |
| 13. Additions due to merger | 4 | 98 | 14 076 | 0 | 3 | 14 181 |
| 14. Disposals in gross value | 9 | 170 | 619 | 148 | 208 | 1 154 |
| Reclassifications | -99 | -587 | -5 | -90 | 1 | -780 |
| 15. Closing gross value (on December 31, 2009) | 2 338 | 85 572 | 290 685 | 16 986 | 5 273 | 400 854 |
| 2. Accumulated depreciation (1) | | | | | | |
| 21. Opening depreciation (on January 1, 2009) | 0 | 18 459 | 110 172 | 6 860 | 3 908 | 139 399 |
| 22. Annual depreciation | 0 | 2 153 | 10 645 | 447 | 212 | 13 457 |
| 23. Extraordinary depreciation | 0 | 137 | 0 | 10 | 303 | 450 |
| 24. Additions due to merger | 0 | 33 | 5 893 | 0 | 4 | 5 930 |
| 25. Disposals in depreciation | 0 | 134 | 363 | 138 | 191 | 826 |
| Reclassifications | 0 | -251 | -5 | -90 | -2 | -348 |
| 26. Closing depreciation (on December 31, 2009) | 0 | 20 397 | 126 342 | 7 089 | 4 234 | 158 062 |
| 3. Net book value (on December 31, 2009) (1) | 2 338 | 65 175 | 164 343 | 9 897 | 1 039 | 242 792 |
| Of which residual value | 0 | 170 | 0 | 5 | 0 | 175 |
| 4. Other data | | | | | | |
| Annual depreciation (January - December, 2009) | 0 | 2 153 | 10 645 | 447 | 212 | 13 457 |
| Extraordinary depreciation | 0 | 137 | 0 | 10 | 303 | 450 |
| Reversal of Extraordinary depreciation | 0 | 0 | 0 | 0 | 0 | 0 |

(1) Excludes the assets below HUF 50,000

Technical and Other Equipment, Machinery and Vehicles

(in HUF millions)

| Description | Telecommunication Equipment, Machinery | Other Technical Equipment, Machinery and vehicles | Technical Equipment, Machinery and Vehicles Total | Other Equipment Total | Technical and Other Equipment Total | Technical and Other Equipment used for environmental protection |
|--|--|---|---|-----------------------------|--|--|
| 1. Gross value (1) | | | | | | |
| 11. Opening gross value (on January 1, 2009) | 622 636 | 3 740 | 626 376 | 76 839 | 703 215 | 34 |
| 12. Additions in gross value | 39 044 | 192 | 39 236 | 5 448 | 44 684 | 0 |
| 13. Additions due to merger | 12 977 | 3 | 12 980 | 720 | 13 700 | 0 |
| 14. Disposals in gross value | 12 908 | 425 | 13 333 | 2 822 | 16 155 | 0 |
| Reclassifications | 122 | 219 | 341 | -355 | -14 | 0 |
| 15. Closing gross value (on December 31, 2009) | 661 871 | 3 729 | 665 600 | 79 830 | 745 430 | 34 |
| 2. Accumulated depreciation (1) | | | | | | |
| 21. Opening depreciation (on January 1, 2009) | 469 405 | 1 806 | 471 211 | 64 119 | 535 330 | 28 |
| 22. Annual depreciation | 36 573 | 390 | 36 963 | 4 888 | 41 851 | 2 |
| 23. Extraordinary depreciation | 0 | 1 | 1 | 2 | 3 | 0 |
| 24. Additions due to merger | 8 808 | 3 | 8 811 | 402 | 9 213 | 0 |
| 25. Disposals in depreciation | 12 147 | 394 | 12 541 | 2 573 | 15 114 | 0 |
| Reclassifications | 91 | 147 | 238 | -251 | -13 | 0 |
| 26. Closing depreciation (on December 31, 2009) | 502 730 | 1 953 | 504 683 | 66 587 | 571 270 | 30 |
| 3. Net book value (on December 31, 2009) (1) | | | | | | |
| | 159 141 | 1 776 | 160 917 | 13 243 | 174 160 | 4 |
| Of which residual value | 32 | 992 | 1 024 | 1 676 | 2 700 | 0 |
| 4. Other data | | | | | | |
| Annual depreciation (January - December, 2009) | 36 573 | 390 | 36 963 | 4 888 | 41 851 | 2 |
| Extraordinary depreciation | 0 | 1 | 1 | 2 | 3 | 0 |
| Reversal of Extraordinary depreciation | 0 | 0 | 0 | 0 | 0 | 0 |

(1) Excludes the assets below HUF 50,000

Direct and indirect investments of Magyar Telekom Plc.

(in HUF millions)

| Description | Headquarter | Owner-ship Direct (%) | Owner-ship Indirect (%) | Owner-ship (%) | Voting Rights | Common Stock | Capital Reserves | Net Income | Owner's Equity |
|---|--|--------------------------|----------------------------|-------------------|---------------|-----------------|---------------------|------------|----------------|
| Budakalász Kábel TV Kft. | 2011 Budakalász, Szentendrei út 9. | 25,00% | | 25,00% | 25,00% | 70 | 18 | 29 | 117 |
| Combridge S.R.L. (1) | Calea Victoriei Nr.155, Bl.D1, Tronson 6, Et. 1, sector 1, 010073 Bucuresti, Romania | 100,00% | | 100,00% | 100,00% | 1 906 | 545 | 248 | 2 699 |
| Crnogorski Telekom A.D. Podgorica (1) | Moskovska 29, Podgorica 81000, Serbia and Montenegro | 76,53% | | 76,53% | 76,53% | 38 187 | 1 529 | 24 068 | 63 784 |
| Dataplex Infokommunikációs Infrastruktúra Szolgáltató és Ingatlanhasználó Kft. | 1087 Budapest, Asztalos Sándor u. 13 | 100,00% | | 100,00% | 100,00% | 1 850 | 342 | 165 | 2 357 |
| Első Pesti Telefontársaság Nyrt. | 1183 Budapest, Haladás út 5. | 97,20% | | 97,20% | 97,20% | 777 | -217 | 65 | 625 |
| EurAccount Pénzügyi és Számvetési Szolgáltató Kft. | 1077 Budapest, Kéthly Anna tér 1. | 99,00% | 1,00% | 100,00% | 100,00% | 450 | | -58 | 392 |
| HUNSAT Magyar űrtávközlés Zrt. | 1016 Budapest, Krisztina krt. 93-99. | 50,00% | | 50,00% | 50,00% | 100 | 1 | 190 | 291 |
| Investel Magyar Távközlési Befektetési Zrt. | 1013 Budapest, Krisztina krt. 55. | 100,00% | | 100,00% | 100,00% | 4 453 | 976 | 2 669 | 8 098 |
| IQSYS Informatikai és Tanácsadó Zrt. | 1135 Budapest, Hun u 2. | 100,00% | | 100,00% | 100,00% | 1 000 | 839 | 133 | 1 972 |
| ISH Kft. | 1125 Bp Fogaskerekű u. 4-6 | 100,00% | | 100,00% | 100,00% | 3 | 0 | 214 | 217 |
| | | 100,00% | | 100,00% | 100,00% | 3 | 1 584 | 305 | 1 892 |

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| | | | | | | | | | |
|---|---|---------|--------|---------|---------|--------|--------|--------|---------|
| ISH Informatikai Kft. | 1125 Bp Fogaskerekű u. 4-6 | | | | | | | | |
| KFKI Rendszerintegrációs Zrt. | 1135 Budapest, Hun u 2. | 100,00% | | 100,00% | 100,00% | 2 000 | 3 121 | 2 452 | 7 573 |
| KFKI-Direkt Kft. | 1111 Budapest, Budafoki út 10/A | 100,00% | | 100,00% | 100,00% | 30 | 83 | 112 | 225 |
| KIBU Innováció Műszaki Kutató Fejlesztő Szolgáltató Nonprofit Kft. | 1092 Budapest, Ráday u. 30. | 99,20% | 0,80% | 100,00% | 100,00% | 25 | 6 | -11 | 20 |
| M Factory Kommunikációs Szolgáltató Zrt. | 1117 Budapest, Gábor Dénes u. 2. | 100,00% | | 100,00% | 100,00% | 20 | 48 | 20 | 88 |
| Mindentudás Egyeteme Tudományos Közhasznú Társaság | 1105 Budapest, Zágrábi út 1-3. | 60,00% | | 60,00% | 60,00% | 5 | 13 | -4 | 14 |
| Novatel E.O.O.D. (1) | 1680 Sofia, Bulgaria blvd 98, bulding Astra, entrance D, fl. 3, office 5G | 100,00% | | 100,00% | 100,00% | 719 | 265 | 78 | 1 062 |
| Novatel UKRAINE L.L.C. (1) | Pymonenka Str. 13, building 7, office 7B/36, - Kiew, 04050 Ukraine | 99,94% | 0,0006 | 100,00% | 100,00% | 39 | -108 | -77 | -146 |
| Orbitel A.D. (1) | 1 Makedonia Sq. Floor 18, Sofia 1000, Bulgaria | 100,00% | | 100,00% | 100,00% | 1 774 | -626 | 19 | 1 167 |
| Origo Média és Kommunikációs Szolgáltató Zrt. | 1117 Budapest, Gábor Dénes u. 2. | 100,00% | | 100,00% | 100,00% | 300 | 1 893 | -1 235 | 958 |
| Pro-M Professzionális Mobilrádió Zrt. | 1107 Budapest, Száva u. 3-5. | 100,00% | | 100,00% | 100,00% | 5 200 | 3 211 | 521 | 8 932 |
| Stonbridge AD under liquidation (1),(2) | 1000 Skopje, Orce Nikolov bb. | 100,00% | | 100,00% | 100,00% | 93 892 | 10 495 | 16 505 | 120 892 |
| TELE-DATA Távközlési Adatfeldolgozó és Hirdetésszervező Kft. | 2040 Budaörs, Baross u. 89. | 50,98% | | 50,98% | 50,98% | 39 | 39 | 39 | 117 |
| Telekom Média Holding Zrt. | 1117 Budapest, Gábor Dénes u.2. | 100,00% | | 100,00% | 100,00% | 1 670 | 75 | 61 | 1 806 |
| Telemacedonia A.D. Skopje (1) | 1000 Skopje, Orce Nikolov bb. | 100,00% | | 100,00% | 100,00% | 3 | 292 | 13 | 308 |

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| | | | | | | | | | |
|--|--|--------|--------|---------|---------|-------|-------|-----|-------|
| ViDaNet Kábeltelevíziós Szolgáltató Zrt. | 1036 Budapest, Dereglye út 5/B | 67,50% | 22,50% | 90,00% | 50,00% | 2 000 | 2 394 | 501 | 4 895 |
| Axelero Kereskedelmi és Szolgáltató Kft. (3) | 1013 Budapest, Krisztina krt. 55. | 10,00% | 90,00% | 100,00% | 100,00% | 4 | -2 | -1 | 1 |
| Matáv Kereskedelmi és Szolgáltató Kft. (3) | 1013 Budapest, Krisztina krt. 55. | 10,00% | 90,00% | 100,00% | 100,00% | 4 | -2 | -1 | 1 |
| T-Kábel Magyarország Kft. (on its company name before December 2, 2009: MatávkábelTV Kft.) (3) | 1013 Budapest, Krisztina krt. 55. | 10,00% | 90,00% | 100,00% | 100,00% | 4 | -2 | -1 | 1 |

Data of indirect owned companies which are not in the investments balance sheet caption of Magyar Telekom Plc. (1)

| | | | | | | | | |
|---------------------------------------|--------------------------------------|---------|---------|---------|--------|--------|--------|--------|
| CompArgo Kft. | 1126 Budapest, Hollósy S. u. 26. | 80,00% | 80,00% | 80,00% | 3 | 54 | 37 | 94 |
| Makedonski Telekom AD - Skopje (1) | 1000 Skopje, Orce Nikolov bb. | 56,67% | 56,67% | 56,67% | 42 457 | 24 467 | 31 489 | 98 413 |
| T-Mobile Macedonia A.D. (1) | 1000 Skopje, Orce Nikolov bb. | 56,67% | 56,67% | 56,67% | 10 386 | 5 548 | 18 596 | 34 530 |
| Telekom New Média Szolgáltató Kft. | 1222 Budapest, Nagytétényi út 29. | 100,00% | 100,00% | 100,00% | 50 | 603 | 100 | 753 |
| Telekom Content & Rights Kft. | 1222 Budapest, Nagytétényi út 29. | 100,00% | 100,00% | 100,00% | 3 | 4 | -1 | 6 |

All data in the table related to the capital is the last known figures by Magyar Telekom Plc. and not yet audited.

The indicated voting rights define unambiguously the significant (more than 25%), the majority (more than 50%) and the direct control (more than 75%) according to the Companies Act.

(1) The common stock figures of foreign subsidiaries and indirect owned companies are based on IFRS reports were revalued using foreign exchange rates as of December 31, 2009.

(2) Under liquidation.

(3) Book values of investmens are lower than HUF 1 million so they are not disclosed in Note 7.

Impairment

(in HUF millions)

| Description | For Financial Investments | | | For Current Assets | | |
|------------------------|---------------------------|------------------|------------|--------------------|--------------------|------------|
| | Investments | Loans granted | Securities | Inventories | Receivables (1) | Securities |
| Opening balance | 275 | 0 | 0 | 3 403 | 10 348 | 0 |
| Increase | 475 | 0 | 0 | 308 | 8 648 | 0 |
| Decrease/Cancellation | 193 | 0 | 0 | 0 | 4 525 | 0 |
| Increase due to merger | 0 | 0 | 0 | 11 | 155 | 0 |
| Closing balance | 557 | 0 | 0 | 3 722 | 14 626 | 0 |

(1) Contains the impairment of receivables, loans to related parties and other receivables.

Off-balance Sheet Liabilities

| | Total | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|-------|-------|-------|-------|--------|
| Rental contracts | 38,415 | 7,259 | 6,243 | 5,487 | 4,464 | 3,882 | 11,080 |
| Rental contracts with related parties | 85 | 85 | 0 | 0 | 0 | 0 | 0 |
| Guarantee obligation | 16,638 | 15 773 | 368 | 270 | 125 | 40 | 62 |
| Commitment for capital expenditure and other developments | 2,599 | 2 112 | 487 | 0 | 0 | 0 | 0 |
| Commitment for capital expenditure with related parties | 915 | 560 | 355 | 0 | 0 | 0 | 0 |
| Environmental protection, restoration and other obligations | 395 | 59 | 62 | 64 | 67 | 70 | 73 |
| Commitments to acquisitions | 123 | 123 | 0 | 0 | 0 | 0 | 0 |

Forward and swap deals

Opened forward F/X deals were contracted on the OTC market with the original aim of delivery in the 31st December 2009. (1)

| ID | Date | Off-balance sheet liability (HUF millions) | | Off-balance sheet receivable | | Value date | Exchange rate | Fair value (Profit+ / Loss-) (HUF million) |
|--|--------------|--|-----|------------------------------|-----|--------------|---------------|--|
| | | F/X | F/X | F/X | F/X | | | |
| Deutsche Telekom AG // D-53113 Bonn | 09.21. 2009. | 20,730 | HUF | 75,000,000 | EUR | 01.29. 2010. | 276.40 | -322.79 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 1,377 | HUF | 5,000,000 | EUR | 01.04. 2010. | 275.42 | -22.04 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 1,379 | HUF | 5,000,000 | EUR | 01.11. 2010. | 275.71 | -21.92 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 1,379 | HUF | 5,000,000 | EUR | 01.19. 2010. | 275.87 | -20.99 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 1,381 | HUF | 5,000,000 | EUR | 01.25. 2010. | 276.13 | -21.01 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 829 | HUF | 3,000,000 | EUR | 02.01. 2010. | 276.37 | -12.45 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 830 | HUF | 3,000,000 | EUR | 02.08. 2010. | 276.62 | -12.32 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.09. 2009. | 1,108 | HUF | 4,000,000 | EUR | 02.16. 2010. | 276.92 | -16.30 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | 828 | HUF | 3,000,000 | EUR | 02.22. 2010. | 276.05 | -8.90 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | 829 | HUF | 3,000,000 | EUR | 03.01. 2010. | 276.31 | -8.84 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | 830 | HUF | 3,000,000 | EUR | 03.08. 2010. | 276.55 | -8.74 |
| | | 831 | HUF | 3,000,000 | EUR | | 276.84 | -8.69 |

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| | | | | | | | | |
|---|-----------------|---------------|------------|--------------------|------------|-----------------|--------|----------------|
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | | | | | 03.16. 2010. | | |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | 831 | HUF | 3,000,000 | EUR | 03.22. 2010. | 277.05 | -8.65 |
| ING Bank Zrt. / Dózsa György út 84/B / 1068 Budapest | 12.23. 2009. | 832 | HUF | 3,000,000 | EUR | 03.29. 2010. | 277.30 | -8.62 |
| Total | | 33,994 | HUF | 123,000,000 | EUR | | | -502.26 |

Opened swap F/X deals were contracted on the OTC market with the original aim of delivery in the 31st December 2008. (1)

| ID | Date | Off-balance sheet liability (HUF millions) | | Off-balance sheet receivable | | Value date | Exchange rate | Fair value (Profit+ / Loss-) (HUF million) |
|------------------------------|-----------------|--|-----|------------------------------|-----|-----------------|---------------|--|
| | | | F/X | | F/X | | | |
| SWAP 2007 | 03.22. 2007. | 1 649 | HUF | 6 666 667 | EUR | 03.12. 2010. | 247.29 | |
| Total | | 1 649 | | 6 666 667 | | | | 173 |
| SWAP 2008 | 05.21. 2008. | 1 005 | HUF | 4 133 333 | EUR | 05.21. 2010. | 243.10 | |
| SWAP 2008 | 05.21. 2008. | 1 005 | HUF | 4 133 333 | EUR | 11.23. 2010. | 243.10 | |
| SWAP 2008 | 05.21. 2008. | 1 005 | HUF | 4 133 333 | EUR | 05.23. 2011. | 243.10 | |
| Total | | 3 015 | | 12 399 999 | | | | 450 |
| DTAG_20090626_30 mrd | 06.25. 2009. | 30 000 | HUF | -107 066 533 | EUR | 01.19. 2015. | 280.20 | -2 236 |
| DTAG_20090626_5mrd | 07.01. 2009. | 5 000 | HUF | -18 470 632 | EUR | 01.19. 2015. | 270.70 | -203 |
| DTAG_20090626_9,6 mrd | 07.02. 2009. | 9 595 | HUF | -35 661 451 | EUR | 01.19. 2015. | 269.05 | -287 |
| Total | | 44 595 | | -161 198 616 | | | | -2 726 |
| DTAG_20091007_5 mrd_59592 | 09.15. 2009. | 5 000 | HUF | -18 368 847 | EUR | 06.02. 2014. | 272.20 | 139 |
| DTAG_20091007_5 mrd_52619 | 09.15. 2009. | 5 000 | HUF | -18 382 353 | EUR | 06.02. 2014. | 272.00 | 143 |
| DTAG_20091007_5 mrd_52629 | 09.16. 2009. | 5 000 | HUF | -18 511 662 | EUR | 06.02. 2014. | 270.10 | 185 |
| DTAG_20091007_5 mrd_52637 | 09.16. 2009. | 5 335 | HUF | -19 737 138 | EUR | 06.02. 2014. | 270.30 | 194 |
| Total | | 20 335 | | -75 000 000 | | | | 661 |
| Total | | 69 594 | | -217 131 950 | | | | -1442 |

(1) Profit or loss was not recorded related to these deals in the current year.

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Appendix 5.

Summarized form of Magyar Telekom Plc. s final merger balance sheet
as of September 30, 2009

(in HUF millions)

| Description | Magyar Telekom Plc. | | | | | Magyar Telekom Plc. | The effect of transformation on Magyar Telekom Plc. s balance sheet as of September 30, 2009 |
|--|---------------------|---------------|------------|----------------|----------------|---|--|
| | Magyar Telekom Plc. | T-Kábel | Dél-Vonal | Total | Differences | Final merger balance sheet of the transformed company | |
| A. Fixed assets and financial investments | 824 001 | 15 590 | 138 | 839 729 | -2 665 | 837 064 | 13 063 |
| I. Intangible assets | 200 497 | 1 481 | 0 | 201 978 | 0 | 201 978 | 1 481 |
| II. Tangible assets | 428 884 | 13 783 | 138 | 442 805 | 0 | 442 805 | 13 921 |
| III. Financial investments | 194 620 | 326 | 0 | 194 946 | -2 665 | 192 281 | -2 339 |
| B. Current assets | 128 503 | 6 710 | 27 | 135 240 | -14 976 | 120 264 | -8 239 |
| I. Inventories | 5 085 | 787 | 0 | 5 872 | 0 | 5 872 | 787 |
| II. Receivables | 85 409 | 5 922 | 27 | 91 358 | -14 976 | 76 382 | -9 027 |
| III. Securities | 1 179 | 0 | 0 | 1 179 | 0 | 1 179 | 0 |
| IV. Liquid assets | 36 830 | 1 | 0 | 36 831 | 0 | 36 831 | 1 |
| C. Prepayments | 33 561 | 149 | 0 | 33 710 | -6 | 33 704 | 143 |
| | | | | 1 008 | | | |
| Total assets | 986 065 | 22 449 | 165 | 679 | -17 647 | 991 032 | |