

Magyar Telekom Plc.  
Form 6-K  
April 02, 2007

**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 March 30, 2007**

**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

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

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Annual General Meeting of Magyar Telekom  
Telecommunications Public Limited Company

**26 April 2007. at 11.00 a.m.**

**Headquarters of Magyar Telekom**

**Budapest I., Krisztina krt. 55.**

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**Written documents of Magyar Telekom Plc s  
Annual General Meeting of Aprils 26th, 2007**

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**Magyar Telekom Telecommunications Public Limited Company**

**Submission**

**for Magyar Telekom Plc. s General Meeting**

**Subject:** Report of the Board of Directors on the management of the Company, the business policy of Magyar Telekom Group and report on the business operations and the financial situation of Magyar Telekom Group in 2006 according to the requirements of the Accounting Act.

Budapest, April, 2007

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**INDEPENDENT AUDITOR'S REPORT**  
**(Free translation)**

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

We have audited the accompanying consolidated financial statements of Magyar Telekom Nyrt. ( the Company ), which comprise the consolidated balance sheet as of 31 December 2006 (in which the balance sheet total is HUF 1,131,595 million and the profit attributable to the equity holders of the Company is HUF 75,453 million) the consolidated income statement, consolidated statement of changes in equity, and the consolidated cash flow statement, for the year then ended and the notes to the financial statements 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 these consolidated financial statements in accordance with International Financial Reporting Standards. 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 consolidated 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 consolidated 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 consolidated 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

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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 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 consolidated financial statements of Magyar Telekom Nyrt. in accordance with Hungarian and International Standards on Auditing and, on the basis of our audit work, we have gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. 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 2006, and of the results of its operation for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. The business report is consistent with the disclosures in the financial statements.

Budapest, March 22, 2007

/s/ Nick Kós

Nick Kós

Partner

PricewaterhouseCoopers Kft.

1077 Budapest, Wesselényi u 16.

License Number: 001464

/s/ Szabados Szilvia

Szabados Szilvia

Statutory auditor

License number: 005314

**Magyar Telekom Telecommunications**

**Public Limited Company**

**Consolidated Financial Statements**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

Prepared in accordance with

International Financial Reporting Standards (IFRS)

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## MAGYAR TELEKOM

## CONSOLIDATED BALANCE SHEETS

	Notes	At December 31, HUF 2005 as restated (Note 2.1)	2006	USD 2006 (unaudited Note 2.1)
		(in HUF millions)		(million USD)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	46,060	77,840	406
Other financial assets	7	1,817	2,692	14
Trade and other receivables	8	95,956	104,016	543
Current income tax receivable	9	1,679	6,735	35
Inventories	10	8,414	10,460	54
Assets held for disposal	11	2,302	6,825	36
<b>Total current assets</b>		<b>156,228</b>	<b>208,568</b>	<b>1,088</b>
<b>Non current assets</b>				
Property, plant and equipment net	12	580,736	550,900	2,875
Intangible assets net	13	319,797	331,740	1,731
Investments in associates	14	5,118	5,771	30
Deferred tax assets	9	14,966	9,575	50
Other non current assets	15	6,103	25,041	131
<b>Total non current assets</b>		<b>926,720</b>	<b>923,027</b>	<b>4,817</b>
<b>Total assets</b>		<b>1,082,948</b>	<b>1,131,595</b>	<b>5,905</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Loans from related parties	16	74,648	74,000	386
Loans and other borrowings third party	17	43,602	29,605	155
Trade and other payables	18	119,464	200,589	1,047
Current income tax payable	9	1,472	1,736	9
Deferred revenue	19	918	234	1
Provision for liabilities and charges	20	6,817	8,414	44
<b>Total current liabilities</b>		<b>246,921</b>	<b>314,578</b>	<b>1,642</b>
<b>Non current liabilities</b>				
Loans from related parties	16	212,000	185,432	968
Loans and other borrowings third party	17	14,215	20,697	108
Deferred revenue	19	267	170	1
Deferred tax liabilities	9	3,189	5,647	29
Provision for liabilities and charges	20	3,141	3,344	17
Other non current liabilities	18	5,521	8,560	45
<b>Total non current liabilities</b>		<b>238,333</b>	<b>223,850</b>	<b>1,168</b>
<b>Total liabilities</b>		<b>485,254</b>	<b>538,428</b>	<b>2,810</b>
<b>EQUITY</b>				
<b>Shareholders equity</b>				
Common stock		104,281	104,277	544
Additional paid in capital		27,382	27,380	143
Treasury stock		(1,926 )	(1,504 )	(8 )
Cumulative translation adjustment		(420 )	(1,474 )	(8 )
Revaluation reserve for available for sale financial assets net of tax		149		
Reserve for equity settled share based transactions		119	49	



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Retained earnings	397,982	397,311	2,074
<b>Total shareholders equity</b>	<b>527,567</b>	<b>526,039</b>	<b>2,745</b>
Minority interests	70,127	67,128	350
<b>Total equity</b>	<b>597,694</b>	<b>593,167</b>	<b>3,095</b>
<b>Total liabilities and equity</b>	<b>1,082,948</b>	<b>1,131,595</b>	<b>5,905</b>

These consolidated financial statements were authorized for issue by the Board of Directors on March 22, 2007 and signed on their behalf by:

Christopher Mattheisen  
Chairman and Chief Executive Officer

Thilo Kusch  
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

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## MAGYAR TELEKOM

## CONSOLIDATED INCOME STATEMENTS

	Notes	For the year ended December 31,			USD
		HUF 2004 as restated (Note 2.1)	2005 as restated (Note 2.1)	2006	2006 (unaudited Note 2.1)
		(in HUF millions, except per share amounts)			(million USD)
Fixed line services	21	331,983	329,206	343,866	1,795
Mobile services	22	264,809	285,848	327,330	1,708
<b>Revenue</b>		<b>596,792</b>	<b>615,054</b>	<b>671,196</b>	<b>3,503</b>
Employee related expenses	23	(109,497 )	(92,783 )	(95,253 )	(497 )
Depreciation and amortization		(137,666 )	(114,686 )	(122,249 )	(638 )
Payments to other network operators		(87,483 )	(88,587 )	(93,154 )	(486 )
Cost of telecommunications equipment sales		(40,971 )	(37,221 )	(59,714 )	(312 )
Other operating expenses	25	(134,577 )	(148,032 )	(168,010 )	(877 )
<b>Operating expenses</b>		<b>(510,194 )</b>	<b>(481,309 )</b>	<b>(538,380 )</b>	<b>(2,810 )</b>
Other operating income	26	7,121	8,009	3,575	19
<b>Operating profit</b>		<b>93,719</b>	<b>141,754</b>	<b>136,391</b>	<b>712</b>
Finance expenses	27	(37,914 )	(34,497 )	(30,102 )	(157 )
Finance income	28	1,768	2,996	4,692	24
Share of associates' profits	14	1,896	330	703	4
<b>Profit before income tax</b>		<b>59,469</b>	<b>110,583</b>	<b>111,684</b>	<b>583</b>
Income tax expense	9	(16,142 )	(21,858 )	(24,220 )	(126 )
<b>Profit for the year</b>		<b>43,327</b>	<b>88,725</b>	<b>87,464</b>	<b>457</b>
<b>Attributable to:</b>					
Equity holders of the Company (Net income)		34,641	78,415	75,453	394
Minority interests		8,686	10,310	12,011	63
		43,327	88,725	87,464	457
<b>Earnings per share (EPS) information:</b>					
Profit attributable to the equity holders of the Company		34,641	78,415	75,453	394
Weighted average number of common stock outstanding (thousands) used for basic EPS		1,037,912	1,038,803	1,040,321	
Average number of dilutive share options (thousands)		318	417	290	
Weighted average number of common stock outstanding (thousands) used for diluted EPS		1,038,230	1,039,220	1,040,611	
Basic earnings per share (HUF and USD)		33.38	75.49	72.53	0.38
Diluted earnings per share (HUF and USD)		33.37	75.46	72.51	0.38

The accompanying notes form an integral part of these consolidated financial statements.



## MAGYAR TELEKOM

## CONSOLIDATED CASHFLOW STATEMENTS

	Notes	For the year ended December 31,			USD 2006 (unaudited Note 2.1)
		HUF 2004 as restated (Note 2.1)	2005 as restated (Note 2.1)	2006	
		(in HUF millions)			(million USD)
<b>Cashflows from operating activities</b>					
Cash generated from operations	29	245,773	243,893	236,888	1,236
Interest paid		(34,030 )	(31,078 )	(29,876 )	(156 )
Income tax paid		(21,992 )	(11,479 )	(19,388 )	(101 )
<b>Net cash generated from operating activities</b>		<b>189,751</b>	<b>201,336</b>	<b>187,624</b>	<b>979</b>
<b>Cashflows from investing activities</b>					
Purchase of property plant and equipment (PPE) and intangible assets	30	(91,748 )	(103,587 )	(96,790 )	(505 )
Purchase of subsidiaries and business units	31	(17,273 )	(35,927 )	(35,327 )	(184 )
Cash acquired through business combinations	5	16	1,866	379	2
Interest received		1,452	2,195	2,002	10
Dividend received		2,633	1,729	157	1
Proceeds from / (payments for) other financial assets net		43	(371 )	407	2
Proceeds from disposal of subsidiaries	5			115	1
Proceeds from disposal of PPE and intangible assets		4,090	2,529	6,798	35
<b>Net cash used in investing activities</b>		<b>(100,787 )</b>	<b>(131,566 )</b>	<b>(122,259 )</b>	<b>(638 )</b>
<b>Cashflows from financing activities</b>					
Dividends paid to shareholders and minority interest		(78,294 )	(84,551 )	(77 )	
Proceeds from loans and other borrowings		338,680	263,329	183,051	955
Repayment of loans and other borrowings		(332,481 )	(242,595 )	(218,619 )	(1,141 )
Proceeds from sale of treasury stock			1,969	491	3
<b>Net cash used in financing activities</b>		<b>(72,095 )</b>	<b>(61,848 )</b>	<b>(35,154 )</b>	<b>(183 )</b>
Exchange gains / (losses) on cash and cash equivalents		(2,122 )	1,259	1,569	8
<b>Change in cash and cash equivalents</b>		<b>14,747</b>	<b>9,181</b>	<b>31,780</b>	<b>166</b>
Cash and cash equivalents, beginning of year		22,132	36,879	46,060	240
Cash and cash equivalents, end of year	6	36,879	46,060	77,840	406

The accompanying notes form an integral part of these consolidated financial statements.

## MAGYAR TELEKOM

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shares of common stock (a)	Common stock (a)	Additional paid in capital (b)	Treasury stock (c)	Cumulative translation adjustment (d)	Revaluation reserve for AFS financial assets net of tax (e)	Reserve for equity settled share based transactions (f)	Retained earnings (g)	Share- holders equity	Minority interests (h)	Equity
<b>Balance at January 1, 2004</b>	1,042,811,600	104,281	27,382	(3,842)	825			431,464	560,110	70,274	630,384
Dividend (i) Dividend declared to minority interests (j)								(72,654)	(72,654)		(72,654)
Business combinations (k)										(5,651)	(5,651)
Purchase of investment in T-Systems Hungary								(1,679)	(1,679)		(1,679)
Cumulative Translation Adjustment					(3,851)				(3,851)	(4,103)	(7,954)
Profit for the year								34,641	34,641	8,686	43,327
<b>Balance at December 31, 2004 as previously reported</b>	1,042,811,600	104,281	27,382	(3,842)	(3,026)			391,772	516,567	60,097	576,664
Adoption of changes in IAS 39 - net of tax (Note 2.6)								(733)	(733)		(733)
Adoption of IFRS 2 (Note 2.18 c)							178	(178)			
<b>Balance at December 31, 2004 as restated</b>	1,042,811,600	104,281	27,382	(3,842)	(3,026)		178	390,861	515,834	60,097	575,931
Dividend (i) Dividend declared to minority interests (j)								(72,654)	(72,654)		(72,654)
Business combinations (k)										(11,913)	(11,913)
Sale of Telit								495	495		495
Capital injection in TSH								669	669		669
Share options exercised by managers (m)				1,916				196	2,112		2,112
Share options exercised by CEO (m)								(143)	(143)		(143)
Share based payments (Note 24)								84	84		84
Cumulative Translation					2,606				2,606	2,141	4,747

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Adjustment											
Profit for the year as previously reported								78,564	78,564	10,355	88,919
Effect of changes in IAS 39 - net of tax (Note 2.1.1)								(149)	(149)	(45)	(194)
Profit for the year as restated								78,415	78,415	10,310	88,725
Change in reserve for AFS financial assets (Note 7)									149	45	194
<b>Balance at December 31, 2005 as restated</b>	1,042,811,600	104,281	27,382	(1,926)	(420)	149	119	397,982	527,567	70,127	597,694

The accompanying notes form an integral part of these consolidated financial statements.

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	Shares of common stock (a)	Common stock (a)	Additional paid in capital (b)	Treasury stock (c)	Cumulative translation adjustment (d)	Revaluation reserve for AFS financial assets net of tax (e)	Reserve for equity settled share based transactions (f)	Retained earnings (g)	Share- holders equity	Minority interests (h)	Equity
<b>Balance at January 1, 2006</b>	1,042,811,600	104,281	27,382	(1,926 )	(420 )	149	119	397,982	527,567	70,127	597,694
Reduction in capital as a result of merger with T-Mobile H (n)	(43,385 )	(4 )	(2 )					(12 )	(18 )		(18 )
Dividend (i)								(76,122 )	(76,122 )		(76,122 )
Dividend declared to minority interests (j)										(43 )	(43 )
Sale of Cardnet (o)										(71 )	(71 )
MakTel's purchase of its own shares (p)										(14,856 )	(14,856 )
Result of TSH's sale of a business unit (l)								205	205		205
Share based payments (Note 24)							36		36		36
Share options exercised by CEO (q)							(106 )	(282 )	(388 )		(388 )
Share options exercised by managers (m)				422				87	509		509
Change in reserve for AFS financial assets (Note 7)						(149 )			(149 )	(45 )	(194 )
Cumulative Translation Adjustment					(1,054 )				(1,054 )	5	(1,049 )
Profit for the year								75,453	75,453	12,011	87,464
<b>Balance at December 31, 2006</b>	1,042,768,215	104,277	27,380	(1,504 )	(1,474 )		49	397,311	526,039	67,128	593,167
Of which treasury stock	(1,917,824 )										
<b>Shares of common outstanding at December 31, 2006</b>	1,040,850,391										

The accompanying notes form an integral part of these consolidated financial statements.





**MAGYAR TELEKOM**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (notes)**

- (a) The total amount of issued shares of common stock of 1,042,768,215 (each with a nominal value of HUF 100) is fully paid as at December 31, 2006. In addition to these shares, total shareholders' equity includes one Series B preference share at the nominal value of HUF 10,000 at December 31, 2006. This Series B share is held by the Ministry of Economics and Transport, and bestows certain rights on its owner, including access to information, and the appointment of a Director. This share may only be held by the Government or its nominee. A bill has been submitted to the Hungarian Parliament which, if approved, will transform the B share into an ordinary share and thus abolish these special rights. The number of authorized ordinary shares on December 31, 2006 is 1,042,768,215.
- (b) Additional paid in capital represents the amount above the nominal value of the shares that was received by the Company during capital increases.
- (c) Treasury stock represents the cost of the Company's own shares repurchased.
- (d) Cumulative translation adjustment represents the foreign exchange differences arising on the consolidation of foreign subsidiaries.
- (e) Revaluation reserve for available for sale financial assets includes the unrealized gains and losses net of tax on available for sale financial assets. Any realized gains or losses are taken out of this reserve and recognized in the income statement (Note 7).
- (f) Reserve for equity settled share based transactions includes the compensation expenses accrued in equity related to share settled compensation programs. When equity instruments are issued or treasury shares are utilized as part of the program, the accumulated balance is taken out of the reserve (Note 24).
- (g) Retained earnings include the accumulated and undistributed net income of the Group. The distributable reserves of the Company under Hungarian law at December 31, 2006 amounted to approximately HUF 294,000 million (HUF 282,000 million at December 31, 2005).
- (h) Minority interests represent the minority shareholders' share of the net assets of subsidiaries, in which the Group has less than 100% ownership.
- (i) In 2006 Magyar Telekom Plc. declared HUF 73 dividend per share (HUF 70 in 2005, HUF 70 in 2004).
- (j) The dividend declared to minority interests in 2004 and 2005 almost entirely reflects the dividend declared by MakTel, Magyar Telekom's Macedonian subsidiary, to its minority shareholders. In 2006 MakTel did not declare dividends. The amount of dividend declared in 2006 to minorities includes the amount declared to the minority owners of smaller subsidiaries.
- (k) Business combinations in 2004 include the reduction of minority interest as a result of the purchase of additional shares in Stonebridge and other already consolidated subsidiaries. The increase in 2005 is the result of the acquisition of Crnogorski Telekom (CGT), in which the Group acquired a 76.53% share of ownership (Note 5).
- (l) In 2006 TSH sold one of its business units to another member of Deutsche Telekom group. TSH's gain on the transaction (HUF 418 million) resulted in an increase of TSH's net assets, the Group's share of which (HUF 205 million) was recognized directly in retained earnings.

(m) In 2005 Magyar Telekom's CEO and other managers exercised a portion of their share options, and the Company used its treasury shares reserved for the option programs. As a result of these transactions, the Company sold 2,443,341 of its treasury shares to the CEO and other managers at the fixed option prices. On the sale of the treasury shares the Company recognized a gain of HUF 53 million (HUF -143 million recognized against the Reserve for equity settled share based payments and HUF 196 million recognized in Retained earnings). In 2006 managers exercised further options, for which the Company used its treasury shares. As a result of these transactions, the Company sold 538,835 of its treasury shares to the managers at the fixed option prices. On the sale of the treasury shares the Company recognized a gain of HUF 87 million, which was recognized in retained earnings. For more details on the programs see Note 24.

The accompanying notes form an integral part of these consolidated financial statements.

- (n) In 2006 Magyar Telekom Plc. merged with T-Mobile Hungary, its 100% subsidiary. During the merger, the owners of 43,385 shares expressed their intention not to participate as owners in the merged Company. Consequently, the Company withdrew these shares and paid off these owners with a corresponding decrease in share capital, additional paid in capital and retained earnings, and the merged Company was registered with 43,385 less shares.
- (o) In 2006 the Company sold the total of its 72% ownership in Cardnet, which resulted in the reduction of Minority interests (Note 5.4).
- (p) In 2006 MakTel repurchased 10% of its shares from the Government of Macedonia during a public tender issued for the sale of the Government shares. As a result of this transaction, Magyar Telekom's share of ownership increased from 51% to 56.67% resulting in a decrease in the minority interest in MakTel and T-Mobile MK (Note 5.1.5).
- (q) On December 5, 2006, Elek Straub, the former CEO and Chairman of the Company resigned. As part of the resignation agreement, Mr. Straub exercised 1,181,178 of his share options, of which 487,465 would only have vested on July 1, 2007, which was accelerated. The full transaction was settled in cash instead of shares as intended by the original agreement. By December 31, 2006 the Company has accumulated HUF 155 million (including HUF 7 million for pre-mature vesting) in a Reserve for equity settled share based transactions, of which HUF 106 million was released. The closing balance of this reserve of HUF 49 million represents the amount reserved for the 103,530 options (granted in 2000) Mr. Straub still has open (Note 24).

Together with the approval of these financial statements for issue, the Board of the Company proposes a HUF 70 per share dividend distribution to be approved by the Annual General Meeting of the Company in April 2007.

**Magyar Telekom Telecommunications Company Plc.**

**Submission**

**for Magyar Telekom Plc. s General Meeting**

**Subject:**

Report of the Board of Directors on the business operations of the Company in  
2006

Budapest, April, 2007

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**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 2006 (in which the balance sheet total is HUF 965,862 million, the profit per balance sheet is HUF 88,399 million, the related profit and loss account for the year then ended, and the notes to financial statement including a summary of the main accounting policies 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 and 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 2006, and of the results of its operations for the year then ended. The business report is consistent with the disclosures in the financial statements.

Without qualifying our opinion we draw your attention to the fact that the attached financial statements have been prepared for the consideration of the shareholders as the forthcoming General Meeting and, as such, do not reflect the effects, if any, of resolutions that might be adopted at that meeting.

Budapest, March 22, 2007

Nick Kós  
Partner  
PricewaterhouseCoopers Kft.  
1077 Budapest, Wesselényi u. 16.  
License Number: 001464

Szabados Szilvia  
Statutory auditor  
License number: 005314

*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 2006 ANNUAL REPORT**

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Magyar Telekom Nyrt.

BALANCE SHEET AS OF DECEMBER 31, 2006

(All amounts in millions of HUF)

ASSETS	Note	December 31, 2005	Self-revision	December 31, 2006
<b>A. FIXED ASSETS AND FINANCIAL INVESTMENTS</b>		<b>842 373</b>	<b>-83</b>	<b>859 509</b>
<b>I. Intangible assets</b>	5	<b>180 411</b>	<b>-16</b>	<b>223 598</b>
Capitalised costs of foundation and restructuring		0	0	0
Capitalised costs of research and development		0	0	0
Rights		18 238	133	39 783
Intellectual property		1 558	-149	19 935
Goodwill		160 615	0	163 880
Advance payments on intangible assets		0	0	0
<b>II. Tangible assets</b>	6	<b>338 114</b>	<b>-67</b>	<b>436 866</b>
Land and buildings and related rights		204 716	54	232 976
- Land		2 298	34	2 691
- Buildings		39 334	30	68 198
- Telecommunication network		153 969	-9	153 203
- Other properties		8 108	-1	7 804
- Real estate related rights		1 007	0	1 080
Technical equipment, machinery and vehicles		117 730	966	174 220
- Telecommunication equipment and machinery		116 718	966	173 152
- Other technical equipment, machinery and vehicles		1 012	0	1 068
Other equipment and vehicles		6 290	69	15 434
Construction-in-progress, renovation		9 378	-1 156	13 762
Advance payments on construction-in-progress		0	0	474
<b>III. Financial investments</b>		<b>323 848</b>	<b>0</b>	<b>199 045</b>
Non current investments in affiliated companies	7	230 147	0	177 838
Non current loans granted to affiliated companies	8	89 141	0	14 672
Other investments		0	0	0
Other non current loans granted	9	4 560	0	6 535
Non current bonds and other securities		0	0	0
<b>B. CURRENT ASSETS</b>		<b>70 773</b>	<b>1 301</b>	<b>76 591</b>
<b>I. Inventories</b>	10	<b>2 862</b>	<b>-87</b>	<b>7 501</b>
Raw materials		884	0	1 397
Work in progress and semi-finished products		0	0	0
Finished products		0	0	0
Goods available for sale		1 978	-87	6 054
Advance payments on inventories		0	0	50
<b>II. Receivables</b>		<b>64 312</b>	<b>1 372</b>	<b>64 404</b>
Accounts receivable	11	22 225	114	35 506
Receivables from affiliated companies	12	36 410	0	16 754
Bills receivable		0	0	0
Receivables from other related companies		36	-11	2
Other receivables	13	5 641	1 269	12 142
<b>III. Securities</b>	14	<b>1 926</b>	<b>0</b>	<b>1 504</b>
Investments in affiliated companies		0	0	0
Other investments		0	0	0
Treasury stock, quotas		1 926	0	1 504



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Marketable securities	0	0	0
<b>IV. Liquid assets</b>	<b>1 673</b>	<b>16</b>	<b>3 182</b>
Cash and cheques	5	0	67
Bank deposits	1 668	16	3 115
<b>C. PREPAYMENTS</b>	<b>15 10 320</b>	<b>62</b>	<b>29 762</b>
Accrued income	9 960	62	28 341
Prepayments for costs and expenses	360	0	1 421
Deferred expenses	0	0	0
<b><u>TOTAL ASSETS</u></b>	<b>923 466</b>	<b>1 280</b>	<b>965 862</b>

Budapest, March 22, 2007

Christopher Mattheisen  
Chairman and Chief Executive Office,  
Board member

Thilo Kusch  
Chief Financial Officer,  
Board member

*The supplement forms an integral part of these financial statements.*

LIABILITIES AND OWNER S EQUITY	Note	December 31, 2005	Self-revision	December 31, 2006
<b><u>D. SHAREHOLDER S EQUITY</u></b>	16	<b>363 878</b>	<b>163</b>	<b>454 632</b>
I.Common stock		104 281	0	104,277
- of this treasury stock at par value		246	0	246
II.Unpaid share capital (-)		0	0	0
III.Capital reserves		52 837	0	54,932
IV.Retained earnings		204 834	0	205,520
V.Restricted reserves		1 926	0	1,504
VI.Valuation reserves		0	0	0
VII.Net income		0	163	88,399
<b><u>E. PROVISIONS</u></b>	17	<b>4 307</b>	<b>0</b>	<b>7 977</b>
Provision for expected obligations		4 183	0	7 783
Provision for expected expenses		124	0	166
Other provisions		0	0	28
<b><u>F. LIABILITIES</u></b>		<b>530 453</b>	<b>1 200</b>	<b>460 217</b>