Magyar Telekom Plc.
Form 6-K
February 24, 2011

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 February 24, 2011

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 x Form 40-F o

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 o No x

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

Report on the full year 2010 results of Magyar Telekom

Public targets achieved, some signs of recovery

Budapest **February 24, 2011** Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for the full year of 2010, in accordance with International Financial Reporting Standards (IFRS).

Highlights:

- **Revenues were down by 5.3%, from HUF 644.0 bn to HUF 609.6 bn, in 2010**. Retail voice revenues, both fixed and mobile, are declining in all three countries, coupled with a decline in Hungarian data revenues. These declines were partly offset by growing Hungarian TV, mobile Internet, and System integration/IT revenues. The appreciation in the Hungarian forint had a negative effect on the revenue contribution from international subsidiaries (the forint strengthened on average by 1.5% both relative to the Macedonian Denar and the Euro in 2010). The sale of Orbitel in January 2010 caused further HUF 2.4 bn revenue fallout last year.

- **EBITDA declined by 14.5%, from HUF 249.1 bn to HUF 213.0 bn**, with an **EBITDA margin of 34.9%**. **Underlying** EBITDA, which excludes investigation-related costs, severance payments and accruals, and related provision reversals, as well as the telecom tax, **decreased by 5.5% to HUF 248.3 bn. Underlying EBITDA margin, also excluding the telecom tax,** was **40.7%** in 2010 compared to 40.8% in 2009. This almost flat EBITDA margin reflects the strong cost-cutting measures shown in employee related and other operating expenses.

Details of special influences, telecom tax and EBITDA performance (HUF bn)	**Q4 2009**	**FY 2009**	**Q4 2010**	**FY 2010**
Investigation-related costs	1.3	6.4	0.3	2.3
Severance payments and accruals, provision reversals	8.3	7.4	4.0	6.1
Total Special Influence	9.6	13.8	4.3	8.4
Telecom tax	0	0	27.0	27.0
EBITDA	46.8	249.1	26.0	213.0
Underlying EBITDA, also excluding telecom tax	56.4	262.8	57.3	248.3

- Based on a decision of the Parliament of the Republic of Hungary on October 18, 2010, Magyar Telekom is required to pay a **telecom tax on Hungarian telecommunications revenues**. The 2010 tax liability for Magyar Telekom Group was HUF 27.0 bn, accounted as other operating expenses in the Q4 financials. The tax advance payment in Q4 2010 amounted to HUF 27.7 bn.

- Profit attributable to owners of the parent company (**net income**) **decreased by 17.1%**, from HUF 77.6 bn **to HUF 64.4 bn**. The decline was driven by the EBITDA decline, partly offset by lower net financial expenses and income tax. The decline in **net financial expenses** was due to a significantly lower average interest rate and the lower average net debt level. The significant decline in **income tax** expense was due to a HUF 14.6 bn decrease in deferred taxes related to tax law changes in Hungary (corporate income tax rate to decrease from 19% to 10% from 2013) and lower current taxes due to the removal of the solidarity tax in Hungary from 2010, partly offset by the Macedonian tax law changes that took effect from July 2010.

- **Net cash generated from operating activities declined from HUF 193.8 bn to HUF 164.7 bn**. The lower EBITDA was coupled with higher **working capital needs** driven by several items, including higher advances, tax receivables and lower cash inventory sales, partly counterbalanced by lower external trade receivables. These negative trends were partly offset by lower interest and other financial charges and income tax paid. Interest and other financial charges declined compared to 2009 driven by a significantly lower effective interest rate. Income tax paid decreased mainly due to the removal of the solidarity tax in Hungary and the tax shield from the telecom tax.

- **Investment in tangible and intangible assets (CAPEX)** decreased by HUF 10.1 bn to HUF 91.8 bn in the full year of 2010 compared to 2009. Of total CAPEX, HUF 18.2 bn is related to the Consumer Services Business Unit, HUF 3.3 bn to the Business Services Business Unit, HUF 6.4 bn to Group Headquarters and HUF 44.0 bn to the Technology Business Unit. In Macedonia and Montenegro, CAPEX spending was HUF 15.2 bn and HUF 4.6 bn, respectively.

- **Free cash flow**, defined as operating cash flow and investing cash flow adjusted for proceeds from / payments for other financial assets, declined from HUF 82.0 bn in 2009 to HUF 77.5 bn in 2010. Operating cash flow was down by HUF 29bn mainly driven by the telecom tax advance payment of HUF 27.7bn. The lower CAPEX spending, adjustments to cash purchases and lower amount spent on the purchase of subsidiaries and business units could not fully offset the lower operating cash flow.

- **Net debt increased from HUF 269.4 bn to HUF 289.4 bn** by the end of 2010 compared to the end of 2009 as the total dividend payment exceeded the free cash flow level. The **net debt ratio** (net debt to total capital) was **32.7%** at the end of 2010.

Christopher Mattheisen, Chairman and CEO commented: *We are pleased to report that our revenue and underlying EBITDA, also excluding telecom tax, registered more moderate declines than the previously guided 6-8% and 7-9% drop for 2010. Revenues were down by 5.3% and EBITDA, defined above, declined by 5.5%, which resulted in an almost flat EBITDA margin thanks to the strong focus on cost efficiency. In line with our target, our CAPEX decreased by 10% year-on-year as a result of savings of HUF 10 bn. Despite a telecom tax advance payment of HUF 28 bn, our free cash flow declined by only HUF 5 bn. These results also support our view that the Hungarian economy has started to recover and we continue to see positive signs in customer spending.*

The promising trends can mostly be observed in the Hungarian residential market: mobile usage clearly increased in 2010 and churn due to non-payment significantly declined in the last quarters. The number of mobile subscribers returned to growth in 2010 after a slight drop in 2009. The growth in the number of TV customers and mobile internet subscribers remains unbroken. In addition, we successfully implemented further cost cutting measures, notably in employee-related and other operating expenses. The stronger than expected results are, however, also driven by the lower than expected impact of government austerity measures in 2010. As indicated earlier, rather than taking one big hit in 2010, the impact will be spread over several years.

The above trends and impacts make us believe that our revenues will decline by 3-5% and the EBITDA by 4-6% this year, excluding special influences and the telecom tax. In addition, we are aiming for a further around 5% reduction in CAPEX spending.

Q4 2010 results analysis

Group

- **Revenues** declined by 3.9% in Q4 2010 compared to the same quarter in 2009. This was due to the declining fixed and mobile retail voice revenues coupled with lower SI/IT revenues, which were down on the very strong results reported in Q4 2009. Wholesale mobile revenues in Hungary were affected by two termination fees cuts introduced in January and December of 2010. These could not be fully offset by the higher TV and mobile broadband revenues. The declining trend in fixed line Internet revenues stopped and showed a slight increase in the fourth quarter, which had a small, but positive effect on revenues.

- **EBITDA** was down by 44.4% mainly due to the telecom tax. Underlying EBITDA, also excluding telecom tax, increased by 1.6% in the fourth quarter of 2010 thanks to cost cutting initiatives aimed at reducing marketing, consultancy, material and maintenance expenses. **EBITDA margin**, calculated from the above EBITDA, increased to 36.5% in Q4 2010, from 34.5% in Q4 2009.

Consumer Services Business Unit (CBU)

Revenues before inter-segment elimination fell by 1.3% to HUF 80.8 bn and EBITDA increased by 1.4% to HUF 42.3 bn in the fourth quarter of 2010 compared to the last quarter of 2009. The EBITDA margin grew from 51.0% to 52.4% driven by the lower employee related expenses which was mainly thanks to efficiency improvements and only partly due to lower severance-related expenses. Underlying EBITDA declined by 0.8% and the underlying EBITDA margin was 53.2%.

- **Fixed line revenues** declined by 5.9% to HUF 31.2 bn in Q4 2010, driven by lower voice revenues as mobile substitution and migration towards IP-based solutions resulted in increased customer erosion, putting pressure on both average tariff levels and traffic volume. Although declining tariffs and migration towards lower priced packages puts pressure on Internet revenues, these increased by 1.0% as the number of broadband customers increased by 11.3% to reach nearly 663,000 by year-end. Growth in the TV customer base remained strong at 18.8% resulting in an increase in TV revenues of 8.7%. The number of total TV customers was nearly 749,000 by the end of the fourth quarter with growth driven by both the satellite TV and the IPTV service.

- **Mobile revenues** increased by 2.0% to HUF 49.5 bn in the fourth quarter. The slight increase in the customer base, higher usage and the steady increase in the portion of postpaid customers successfully counterbalanced the unfavorable impact of lower effective tariff levels. Voice wholesale revenues were negatively impacted by two 16% cuts in mobile termination fees effective from January and December 2010, respectively. Non-voice revenues showed a 13.9% increase thanks to the 49.8% increase in mobile broadband subscriptions supporting the growth in mobile Internet revenues. The inactivity ratio within T-Mobile s customer base showed a steady decline throughout the year. At 4.9%, it was the lowest among the three mobile service providers by the year-end. T-Mobile s market share, based on active customers, increased to 44.8% and its total number of active customers was up by 2.0%.

Business Services Business Unit (BBU)

Revenues before inter-segment elimination were down by 10.0% to HUF 42.7 bn while EBITDA decreased by 11.3% to HUF 17.6 bn in the fourth quarter of 2010. The EBITDA margin was 41.3%. Excluding special influences, underlying EBITDA was down by 13.6% and the margin declined to 43.2%, reflecting the strong drop in high-margin voice revenues.

- **Fixed line revenues** were down by 10.7% to HUF 10.9 bn as business customers and the public sector reduced their telecommunications spending. Fixed line voice revenue erosion remained high, coupled with significant price pressure, which was also prevalent in other product categories.

- **Mobile revenues** decreased by 5.2% to HUF 16.9 bn driven primarily by declining average tariff levels that could not be offset by higher levels of usage and the slight increase in our customer base. Furthermore, wholesale voice revenues were negatively affected by two cuts in mobile termination fees effective from January and from December 2010, respectively. To preserve profitability, in addition to cost cutting measures, the acquisition cost per new customer was also cut by 27.2%.

- **SI/IT revenues** were down by 14.5% to HUF 14.9 bn in the fourth quarter of 2010. The strong drop is due to the highly volatile nature of IT projects, as full-year revenues were down by only 1.8%. Group-level SI/IT revenues were up by 2.0% year-on-year, as a result of the consolidation of ISH which occurred in December 2009.

Macedonia

In Macedonia, revenues decreased by 0.8% to HUF 18.8 bn in the fourth quarter of 2010 compared to the same period in 2009, with EBITDA increasing by 19.7%. Excluding the FX impact (the Hungarian forint weakened on average by 2.0% compared to the Macedonian Denar in the fourth quarter), revenues were down by 2.8% and EBITDA was up by 17.3%. Consequently, the EBITDA margin improved from 39.8% to 48.0% in the fourth quarter compared to the corresponding period of last year. This reflected the cost saving measures and the lower provisions in the fourth quarter of 2010.

- **Fixed line revenues were up** by 5.6%. The increase in wholesale voice revenues, driven by growing incoming and transited traffic volumes and higher settlement prices charged for international traffic termination, offset the decline in voice retail revenues. Internet and TV revenues also increased as the demand for double and triple play packages rose.

- **Mobile revenues** declined by 6.4% in a fiercely competitive environment. The significant reduction in the prepaid subscriber base and the competition-driven tariff reductions put pressure on revenues. At the same time, the customer mix improved slightly, which, together with more widely used closed-user-group offers, resulted in higher MOU. Despite the increase in mobile Internet usage and the higher number of SMS messages, non-voice revenues were flat due to promotions containing free and discounted SMS messages.

Montenegro

Revenues of the Montenegrin subsidiary increased slightly by 0.8% to HUF 8.1 bn in the fourth quarter of 2010 compared to the same period in 2009, with EBITDA declining by 18.8%. Excluding the FX impact (the Hungarian forint weakened on average by 2.6% against the Euro in the fourth quarter of 2010 compared to the same quarter in 2009), revenues declined by 1.7%, while EBITDA was down by 20.8%. The strong EBITDA drop was primarily driven by higher employee-related expenses due to an unfavorable Supreme Court decision regarding pension contributions, and due to higher other operating expenses related to higher provisions for receivables, higher maintenance and marketing expenses. The EBITDA margin fell from 39.8% to 32.1%.

- **Fixed line revenues** were up by 1.2% in the fourth quarter of 2010 from a combination of lower retail and wholesale voice revenues and higher Internet and TV revenues. The decrease in retail voice revenues was due to increased mobile substitution and discounts offered in new flat packages. The voice wholesale revenue decline was driven by a significant migration of international traffic towards Serbia where that traffic is now transited by our competitors. On the other hand, both Internet and TV revenues increased considerably thanks to the strong growth in the number of ADSL and IPTV customers driven by the strong focus on bundled services.

- **Mobile revenues** remained virtually unchanged with an increase of just 0.2%. The voice revenue decline was primarily driven by the lower number of subscribers and a reduction in voice wholesale revenues. The decline in non-voice revenues reflects the lower customer base as well as the lower SMS prices, compensated by higher content revenues from mobile payment and higher other revenues.

Technology Business Unit

Revenues at the Technology Business Unit declined by 12.9% to HUF 2.2 bn while the EBITDA loss was HUF -12.0 bn. CAPEX amounted to HUF 17.3 bn in the fourth quarter of 2010.

Group Headquarters

Revenues before inter-segment elimination were down by 9.9% to HUF 31.2 bn. The revenue decline was mainly driven by lower wholesale voice revenues, especially within mobile revenues, reflecting two 16% cuts in mobile termination fees in January and December 2010, respectively. EBITDA loss came to HUF -33.5 bn as HUF 26.2bn of telecom tax (of the total of HUF 27.0 bn) was accounted at the Headquarters. Excluding the telecom tax, EBITDA improved to HUF -7.3 bn mainly as a result of lower severance related payments and lower investigation costs in Q4 2010 compared to the same period of 2009.

About Magyar Telekom

Magyar Telekom is Hungary s principal provider of telecom services. It provides a full range of telecommunications and infocommunications (ICT) services including fixed line and mobile telephony, data transmission and non-voice as well as IT and systems integration services. The business activities of Magyar Telekom are managed by two business units: Consumer Services (the home-related services brand T-Home and the mobile communications brand T-Mobile) and Business Services (T-Systems brand). Magyar Telekom is the majority owner of Makedonski Telekom, the leading fixed line and mobile operator in Macedonia and it holds a majority stake in Crnogorski Telekom, the leading telecommunications operator in Montenegro. Magyar Telekom s majority shareholder (59.21%) is MagyarCom Holding GmbH, fully owned by Deutsche Telekom AG.

This investor news contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore should not have undue reliance placed upon them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our Annual Report on Form 20-F for the year ended December 31, 2009 filed with the U.S. Securities and Exchange Commission.

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

For detailed information on Magyar Telekom s Q4 2010 results please visit our website

(www.telekom.hu/investor_relations) or the website of the Budapest Stock Exchange (www.bse.hu).

MAGYAR TELEKOM

Consolidated Statements of Financial Position - IFRS

(HUF million)

	Dec 31, 2009 (Audited)	Dec 31, 2010 (Unaudited)	% change
ASSETS			
Current assets			
Cash and cash equivalents	34,270	15,841	(53.8)%
Trade and other receivables	110,353	114,625	3.9%
Other current financial assets	87,611	56,560	(35.4)%
Current income tax receivable	4,075	1,804	(55.7)%
Inventories	9,788	9,592	(2.0)%
Non current assets held for sale	3,269	2,152	(34.2)%
Total current assets	249,366	200,574	(19.6)%
Non current assets			
Property, plant and equipment	550,745	549,752	(0.2)%
Intangible assets	335,615	332,993	(0.8)%
Investments in associates and joint ventures	186	77	(58.6)%
Deferred tax assets	1,890	913	(51.7)%
Other non current financial assets	27,682	24,033	(13.2)%
Other non current assets	893	664	(25.6)%
Total non current assets	917,011	908,432	(0.9)%
Total assets			