Magyar Telekom Plc.
Form 6-K
February 24, 2009

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, 2009

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-

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Report on the full year 2008 results of Magyar Telekom

Transformation reinforces our strong market and financial position

Budapest **February 24, 2009** Magyar Telekom (Reuters: NYSE: MTA.N, BSE: MTEL.BU and Bloomberg: NYSE: MTA US, BSE: MTELEKOM HB), the leading Hungarian telecommunications service provider, today reported its consolidated financial results for 2008, in accordance with International Financial Reporting Standards (IFRS).

Highlights:

- **Revenues were down by 0.5% to HUF 673.1 bn (EUR 2 678.9 m) in 2008** over 2007. Fixed line voice retail revenues were under pressure from competition of cable, mobile and alternative operators. Fixed line wholesale revenues were also down in all three markets, in Hungary mainly driven by the integration of international voice wholesale traffic by Deutsche Telekom since the beginning of 2008. Declining fixed line voice revenues were partly offset by growth in mobile and internet revenues. Revenues were also supported by the reversal of provisions related to fixed to mobile traffic revenues in the amount of HUF 8.5 bn accounted in the second quarter of 2008.

- **EBITDA was up by 10.0% to HUF 268.4 bn,** with an **EBITDA margin of 39.9%**. Group EBITDA excluding investigation-related costs, severance payments and accruals increased by 1.9% year-on-year. (Investigation-related costs came to HUF 5.4 bn in 2008 against HUF 5.7 bn in 2007; severance payments and accruals were HUF 8.5 bn in 2008, and, including a portion attributable to contractual termination expense of key managers, reached HUF 27.5 bn in 2007.) **EBITDA without these special influences increased by 1.9% and EBITDA margin was 41.9% in 2008 compared to 40.9% in 2007.** The savings generated from the headcount reduction are reflected in the improved profitability, which was also helped by the reversal of provisions related to fixed to mobile traffic revenues in the amount of HUF 8.5 bn in the second quarter of 2008.

- Profit attributable to equity holders of the company **(net income) increased by 54.6%**, from HUF 60.2bn (EUR 239.4 m) **to HUF 93.0 bn** (EUR 370.2 m). Besides higher EBITDA, the increase was also due to lower depreciation and amortization expenses in 2008. Depreciation expenses decreased due to the extension of the useful life of certain network assets during 2008.

- **Net cash generated from operating activities decreased from HUF 231.3 bn to HUF 210.3 bn.** The higher EBITDA was offset by increased working capital requirements, mainly driven by the use of provisions related to the headcount reduction program and the reversal of provisions related to fixed to mobile traffic revenues. **Net cash used in investing activities decreased from HUF 134.9 bn to HUF 113.4 bn** due to lower payments for other financial assets in 2008. **Net cash used in financing activities decreased significantly, from HUF 109.2 bn to HUF 79.2 bn** as 2007 figures also include the dividends paid to shareholders in January 2007 for 2005 financials and the related financing requirement.

- **Investments in tangible and intangible assets (CAPEX)** increased from HUF 103.8 bn in 2007 to HUF 107.9 bn in 2008. Of this, HUF 52.5 bn is related to the T-Home segment, HUF 45.7 bn to T-Mobile (within this, HUF 13.2 bn was spent on mobile broadband investment in Hungary), HUF 3.3 bn to T-Systems and HUF 6.4 bn to Group Headquarters and Shared Services. The 2008 CAPEX spending also includes a HUF 2.5 bn fee for the 3G license in Macedonia and HUF 1.8 bn non-cash items related to inventory reallocation and asset retirement obligations.

- **Net debt decreased slightly from HUF 261.6 bn to HUF 253.7 bn** by the end of 2008. The **net debt ratio** (net debt to net debt plus total equity) also slightly decreased and stood at **29.7%** at end-2008.

Christopher Mattheisen, Chairman and CEO commented: *The year of 2008 marked an important milestone in the process of becoming an integrated company with a leaner organization, simplified brand structure and powerful and competitive product offerings from T-Home, T-Mobile and T-Systems. To improve our competitiveness we made a further important step in the fourth quarter and launched our satellite TV service. We can report very positive customer reactions to our satellite TV launch, in the short time since introduction the order volume is well above expectations. We believe that through gaining TV market share position we can protect and even grow our voice and broadband market shares, in line with our strategic goal to strengthen Magyar Telekom s 3Play position.*

As well as seeing through the transformation of the Group last year, we have also met the financial targets delivering broadly stable revenues and even a slight increase in underlying EBITDA (EBITDA excluding investigation- and headcount-reduction related expenses) in 2008 compared to 2007. Underlying EBITDA margin was close to 42% in 2008. In terms of CAPEX, excluding the non-cash items and the 3G license in Macedonia, we have reported a CAPEX to Sales ratio of around 15% in line with the announced targets.

Looking ahead, the general economic outlook and its potential impact on our business is still uncertain and difficult to predict. Despite the very challenging environment and uncertain outlook that we face, not just in Hungary but in our foreign markets as well, we are targeting for 2009 a revenue decline of 1% and an EBITDA decline of 1 to 2% compared to the 2008 results(1) (excluding both special influences and the one-off item related to the fixed-to-mobile provision reversal). In terms of CAPEX, as announced earlier, we aim to maintain the absolute 2008 level this year(1), despite the weakening Hungarian currency. This flat level also includes the investments in the fibre roll-out program announced earlier. We are continuously monitoring the economic environment and its impact on our business and will communicate if and when our assessment of our outlook changes.

Q4 2008 results analysis

Group:

- **Revenues were down by 1.6% to HUF 170.2 bn in the fourth quarter of 2008** over the same period of last year. Retail fixed voice revenues were down by 9.6% mainly due to fixed to mobile substitution in Hungary, while fixed wholesale revenues were down by 25.8% driven by a drop in all three markets. Despite lower mobile termination rates in Hungary and increased competition in our international mobile markets, mobile revenues were up by 2.9% quarter-on-quarter.

- **EBITDA was up by 33.3% to HUF 54.5 bn and EBITDA margin was 32.0% in Q4 2008.** Excluding the severance payments and accruals (HUF 5.2 bn in Q4 2008 and HUF 19.3 bn in Q4 2007) and the investigation-related costs (HUF 1.5 bn in Q4 2008 and HUF 2.0 bn in Q4 2007), EBITDA was down by 1.7% and EBITDA margin was 35.9% in the last quarter of 2008.

- **Net income increased to HUF 12.6 bn** driven by higher EBITDA and lower depreciation and amortization expenses, partly offset by higher net financial expenses and increased income taxes. Depreciation expenses decreased by 10.2% in the fourth quarter due to the extension of the useful life of certain network assets during 2008. Net financial expenses were higher parallel to the significantly increased reference interest rate in Hungary.

T-Home

Revenues before intersegment elimination fell by 6.7% to HUF 71.8 bn in Q4 2008 compared to the same period last year, while EBITDA margin was 33.9%.

- **T-Home Hungary** reported a revenue decline of 7.4% to HUF 56.9 bn in Q4 2008. The decline was driven by decreasing voice revenues, with increasing competition primarily from mobile and cable operators causing a continuous reduction in customer base, traffic volume and average tariff levels. Internet revenues decreased by 8.5%, reflecting the slowdown in ADSL customer growth and the price cut as part of the rebranding campaign. The total number of broadband connections was close to 762,000 at end-December 2008, while the aforementioned competition resulted in an accelerated decline in the total number of fixed lines (down by 9.6% in 2008). On the other hand, demand for the new satellite TV product was very strong, the number of customers reached 5,000 by the end of the year with additional 13,000 orders received. Due to the lower severance payments and accruals in Q4

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(1) *The comparable figures for 2008 are: HUF 664.5 bn revenues, HUF 273.7 bn EBITDA and HUF 103.6 bn CAPEX.*

2008 (HUF 11.5 bn in Q4 2007 while HUF 1.9 bn in Q4 2008), EBITDA was up by 62.6% to HUF 19.6 bn and EBITDA margin was 34.4%.

- In Macedonia, revenues decreased by 7.0% to HUF 10.1 bn, as both retail and wholesale voice revenues declined due to increasing mobile substitution and competition from alternative operators, partly offset by higher internet revenues. EBITDA was down by 25.6% to HUF 3.3 bn mainly due to penalties and provisions accounted in relation to legal cases. EBITDA margin was 33.1% in Q4 2008.

- Revenues of T-Com Crna Gora were up by 2.2% to HUF 5.0 bn in Q4 2008. Higher retail revenues, thanks to increased fixed-to-mobile traffic, and increased internet and other revenues could offset the declining voice wholesale revenues. The decline in wholesale traffic revenues was mainly driven by significantly lower transit traffic from the mobile competitor Promonte. EBITDA was down by 15.6% to HUF 1.5 bn partly due to increased wages from June 2008. EBITDA margin was 28.9% in Q4 2008.

T-Mobile

Revenues before intersegment elimination increased by 1.8% to HUF 90.7 bn in the fourth quarter of 2008 compared to the same period in 2007; EBITDA margin was 35.7%.

- **T-Mobile Hungary** showed a revenue decrease of 2.0% to HUF 71.7 bn in the fourth quarter, as the growth in the customer base and expansion of value added service revenues could not offset the decline in wholesale voice revenues due to the cut in mobile termination rates in January 2008 and the lower retail revenues driven by continuously decreasing average tariff levels also due to the roaming regulation. T-Mobile Hungary maintained its market leader position with 43.9% share of total SIM cards at end-December 2008. Despite the continued rise in value added service revenues and usage, ARPU showed a 10.0% decrease year-on-year due to the declining tariff levels, the cut in mobile termination rates and roaming tariffs as well as the higher inactive ratio. Average acquisition cost per new customer was up by 12.5% to HUF 7,376. The population-based coverage of our HSDPA network reached 67% by the end of December. EBITDA decreased by 10.7% to HUF 26.1 bn and EBITDA margin was 36.4% in the fourth quarter of 2008.

- **T-Mobile Macedonia** reported a revenue increase of 2.9% to HUF 11.4 bn. The strong growth in the customer base and the improving customer mix were able to mostly offset the 15.3% decline in ARPU, which resulted from the continuous tariff decreases after the entrance of the third mobile operator in 2007. Wholesale revenues decreased parallel to the cut in interconnect rates from August 2008. EBITDA decreased by 1.0% to HUF 4.8 bn and EBITDA margin was 41.7% in Q4 2008.

- Revenues of **T-Mobile Crna Gora** were up by 38.5% to HUF 4.5 bn in Q4 2008. The strong growth in the customer base could offset the decline in tariff levels driven by the market entry of the third mobile operator in 2007. Wholesale revenues increased partly driven by the introduction of SMS interconnect fees during 2008. EBITDA significantly increased thanks to the higher revenues and lower handset subsidies and reached HUF 1.2 bn. EBITDA margin was 27.4% in Q4 2008.

- Revenues of **Pro-M**, the TETRA service company, accounted HUF 3.7 bn in the fourth quarter of 2008. Revenues increased due to higher amount of sale of network elements in Q4 2008 (HUF 2.5bn in Q4 2008 while in the same period in 2007 it only amounted to HUF 0.6 bn). EBITDA was HUF 0.3 bn and the EBITDA margin was 8.3% in Q4 2008.

T-Systems

Revenues before intersegment elimination increased by 7.2% to HUF 23.8 bn. System integration/IT revenues were up by 14.2% in the fourth quarter of 2008 mainly driven by intra-Group orders, while fixed line revenues declined slightly mainly due to mobile substitution. Thanks to the integration efforts and efficiency improvements, EBITDA increased to HUF 4.3 bn and EBITDA margin was 18.2% in Q4 2008. Underlying EBITDA margin (excluding the severance payment and accruals of HUF 1.1 bn in Q4 2008) even reached 23.0%, however this also includes the reversal of part of the impairment accounted in the last quarter of 2007.

Group Headquarters and Shared services

Revenues before intersegment elimination were down by 7.5% to HUF 5.8 bn. EBITDA increased to HUF -6.5 bn due to lower investigation-related expenses (HUF 1.5 bn in Q4 2008 compared to HUF 2.0 bn in Q4 2007) and lower headcount reduction related severance payments and accruals (HUF 1.1 bn in Q4 2008 compared to HUF 5.6 bn in Q4 2007).

As previously disclosed, in the course of conducting their audit of Magyar Telekom s 2005 financial statements, PricewaterhouseCoopers Könyvvizsgáló és Gazdasági Tanácsadó Kft. (PWC) 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 (the independent investigators), 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 Foreign Corrupt Practices Act (FCPA), or internal Company policy. The Company s Audit Committee also informed the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC), and the Hungarian Supervisory Financial 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 four consulting contracts entered into in 2005 were entered into to serve improper objectives, and further found that certain employees had destroyed evidence that was relevant to the investigation. White & Case also identified several contracts at our Macedonian subsidiary that could warrant 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. In May 2008, the independent investigators provided us with a Status Report on the Macedonian Phase of the Independent Investigation. In the Status Report, White & Case stated, among other things, that there is affirmative evidence of illegitimacy in the formation and/or performance of six contracts for advisory, marketing, acquisition due-diligence and/or lobbying services in Macedonia, entered into between 2004 and 2006 between us and/or various of our affiliates on the one hand, and a Cyprus-based consulting company and/or its affiliates on the other hand, under which we and/or our affiliates paid a total of over EUR 6.7 million. The internal investigation is continuing into these and other contracts identified by the independent investigators.

In 2007 the Supreme State Prosecutor of the Republic of Montenegro informed the Board of Directors of Crnogorski Telekom, our Montenegrin subsidiary, of her conclusion that the contracts subject to the internal investigation in Montenegro included no elements of any type of criminal act for which prosecution would be initiated in Montenegro.

Hungarian authorities also commenced their own investigations into the Company s activities in Montenegro. The Hungarian National Bureau of Investigation has informed us that it closed its investigation as of May 20, 2008 without identifying any criminal activity.

United States authorities commenced their own investigations concerning the transactions which are the subject of our internal investigation, to determine whether there have been violations of U.S. law. The Ministry of Interior of the Republic of Macedonia has also issued requests to our Macedonian subsidiaries, requesting information and documents concerning certain of our subsidiaries procurement and dividend payment activities in that country (together with U.S. investigations, the Government investigations). During 2007, the U.S. authorities expanded the scope of their investigations to include an inquiry into our actions taken in connection with the internal investigation and our public disclosures regarding the internal investigation.

We cannot predict when the internal investigation or the ongoing Government investigations will be concluded, what the final outcome of those investigations may be, or the impact, if any, they may have on our financial statements or results of operations. Government authorities could seek criminal or civil sanctions, including monetary penalties, against us or our affiliates, as well as additional changes to our business practices and compliance programs.

Magyar Telekom incurred HUF 5.4 bn expenses relating to the investigation in 2008, which are included in other operating expenses in the Group Headquarters and Shared services (GHS) segment.

About Magyar Telekom

Magyar Telekom is the principal provider of telecom services in Hungary. Magyar Telekom provides a broad range of services including traditional fixed line and mobile telephony, data transmission, value-added, IT and system integration services. Magyar Telekom owns the majority of the shares of Makedonski Telekom, the leading fixed line operator and its subsidiary T-Mobile Macedonia, the leading mobile operator in Macedonia. Magyar Telekom has a majority stake in Crnogorski Telekom. This Group provides fixed, mobile and Internet services in Montenegro. Key shareholders of Magyar Telekom as of December 31, 2008 include MagyarCom Holding GmbH (59.21%), owned by Deutsche Telekom AG. Treasury shares amount to 0.14% of issued capital, while the remaining 40.65% is publicly traded.

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, 2007 filed with the U.S. Securities and Exchange Commission.

For detailed information on Magyar Telekom s 2008 results please visit our website

(www.magyartelekom.hu/english/investorrelations/main.vm) or the website of the Budapest Stock Exchange (www.bse.hu).

MAGYAR TELEKOM

Consolidated

Balance Sheets - IFRS

(HUF million)

	Dec 31, 2007 (Unaudited)	Dec 31, 2008 (Unaudited)	% change
ASSETS			
Current assets			
Cash and cash equivalents	47,666	66,680	39.9%
Trade and other receivables	103,576	101,895	(1.6)%
Other current financial assets	63,431	68,498	8.0%
Current income tax receivable	1,857	2,676	44.1%
Inventories	10,652	13,291	24.8%
Non current assests held for sale	4,393	1,775	(59.6)%
Total current assets	231,575	254,815	10.0%
Non current assets			
Property, plant and equipment - net	534,731	543,689	1.7%
Intangible assets - net	337,227	337,692	0.1%
Investments in associates and joint ventures	4,936	4,136	(16.2)%
Deferred tax assets	1,286	1,590	23.6%
Other non current financial assets	24,977	26,094	4.5%
Other non current assets	846	840	(0.7)%
Total non current assets	904,003	914,041	1.1%
Total assets	1,135,578	1,168,856	2.9%
LIABILITIES			
Current liabilities			
Financial liabilities to related parties	25,210	96,331	282.1%
Other financial liabilities	44,666	36,623	(18.0)%
Trade payables	86,046	92,340	7.3%
Current income tax payable	2,365	1,697	(28.2)%
Provisions	20,811	17,235	(17.2)%
Other current liabilities	43,920	37,210	(15.3)%
Total current liabilities	223,018	281,436	26.2%
Non current liabilities			
Financial liabilities to related parties	254,432	243,097	(4.5)%
Other financial liabilities	55,038	22,910	(58.4)%
Deferred tax liabilities	2,714	11,071	307.9%
Provisions	12,886	9,417	(26.9)%

Other non current liabilities	**5,797**	**583**	**(89.9)%**
Total non current liabilities	**330,867**	**287,078**	**(13.2)%**
Total liabilities	**553,885**	**568,514**	**2.6%**
EQUITY			
Shareholders equity			
Common stock	**104,275**	**104,275**	**0.0%**
Additional paid in capital	**27,379**	**27,379**	**0.0%**
Treasury stock	**(1,179)**	**(1,179)**	**0.0%**
Cumulative translation adjustment	**(688)**	**5,797**	**n.m.**
Revaluation reserve for available for sale financial assets - net of tax	**118**	**(59)**	**n.m.**
Reserve for equity settled share based transactions	**49**	**49**	**0.0%**
Retained earnings	**385,044**	**401,001**	**4.1%**
Total shareholders equity	**514,998**	**537,263**	**4.3%**
Minority interests	**66,695**	**63,079**	**(5.4)%**
Total equity	**581,693**	**600,342**	**3.2%**
Total liabilities and equity	**1,135,578**	**1,168,856**	**2.9%**

MAGYAR TELEKOM

Consolidated

Income Statements - IFRS

(HUF million)

	Year ended Dec 31, 2007 (Unaudited)	2008 (Unaudited)	% change
Revenues			
Subscriptions	90,789	85,440	(5.9)%
Domestic outgoing traffic	51,423	51,498	0.1%
International outgoing traffic	10,107	7,926	(21.6)%
Value added and other services	7,453	6,169	(17.2)%
Voice - retail revenues	159,772	151,033	(5.5)%
Domestic incoming traffic	10,459	6,689	(36.0)%
International incoming traffic	19,860	14,805	(25.5)%
Voice - wholesale revenues	30,319	21,494	(29.1)%
Internet	57,796	59,823	3.5%
Data	27,440	28,839	5.1%
Multimedia	18,102	18,830	4.0%
Equipment	5,395	7,058	30.8%
Other fixed line revenues	10,509	12,818	22.0%
Fixed line revenues	309,333	299,895	(3.1)%
Voice - retail	195,718	196,983	0.6%
Voice - wholesale	46,244	46,241	0.0%
Visitor	6,632	5,995	(9.6)%
Non-voice	45,068	50,936	13.0%
Equipment and activation	23,121	21,169	