

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

NOVEMBER 2013



LIFE IS FOR SHARING.

STRATEGY, OUTLOOK AND GUIDANCE

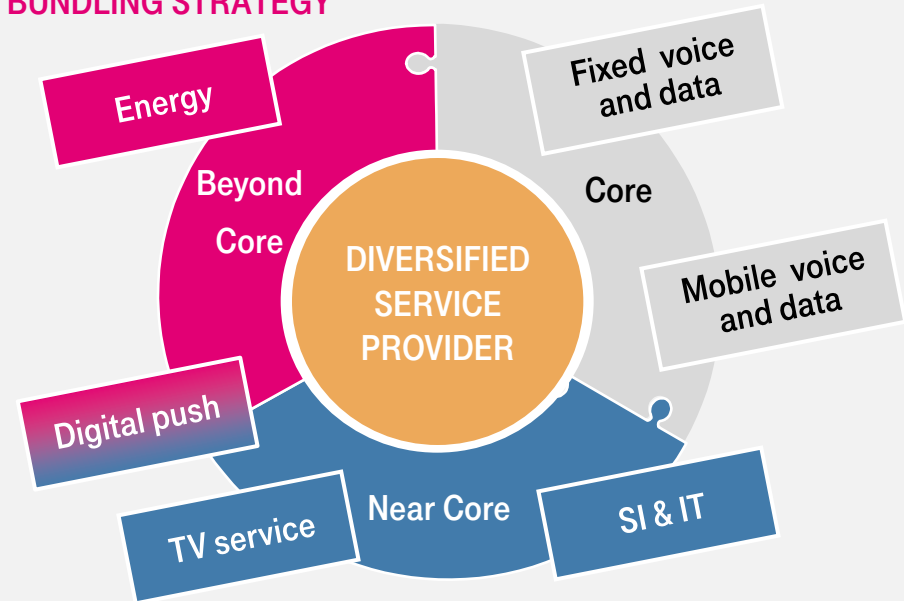
OVERVIEW – MAGYAR TELEKOM GROUP AT A GLANCE

INTERNATIONAL PRESENCE



- Leading telecommunications operator in Hungary, Macedonia and Montenegro
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.1 bn market capitalization as at November 2013
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

BUNDLING STRATEGY

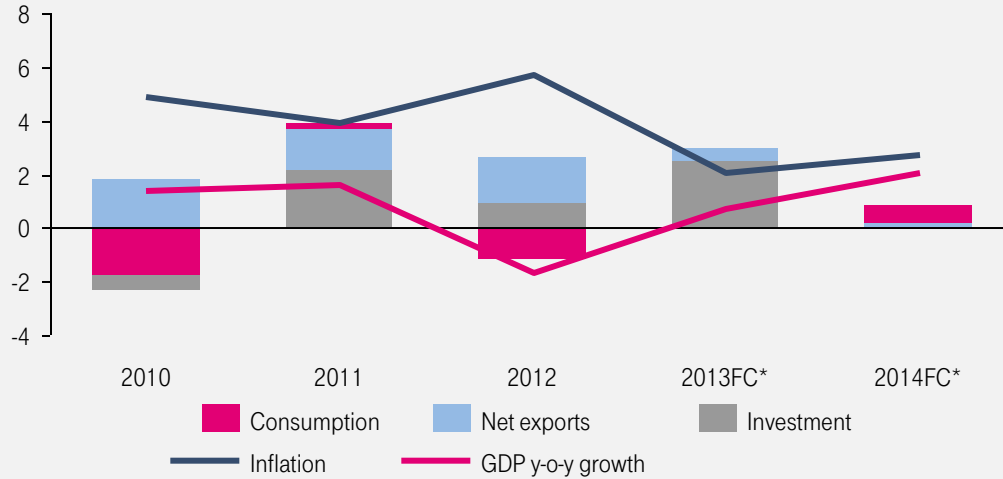


- Strategy of bundling core, near-core, and beyond core services since 2007
- Customer value enhanced through bundling of products and services
- Core portfolio optimization also supported by bundling strategy
- Turnaround of financial performance has commenced

HUNGARIAN ECONOMIC ENVIRONMENT

GROWTH STRUCTURE AND WAGES

Contribution to
GDP growth (%)



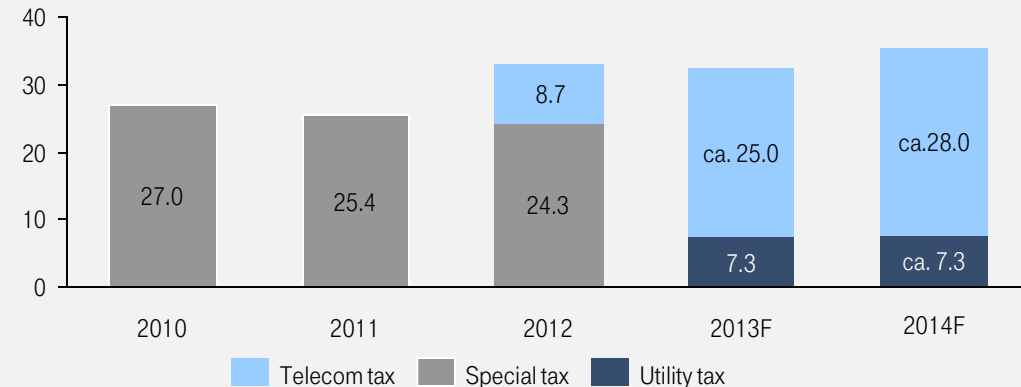
* Central Bank September 2013 forecasts

CONTINUED DELEVERAGING KEEPS DOMESTIC DEMAND LOW

- GDP performance dependent on export dynamics
- Consumer spending affected by the weakening HUF and high unemployment
- MT financials strongly correlate to trends in domestic demand

ADDITIONAL TAXES LEVIED ON MAGYAR TELEKOM

HUF bn

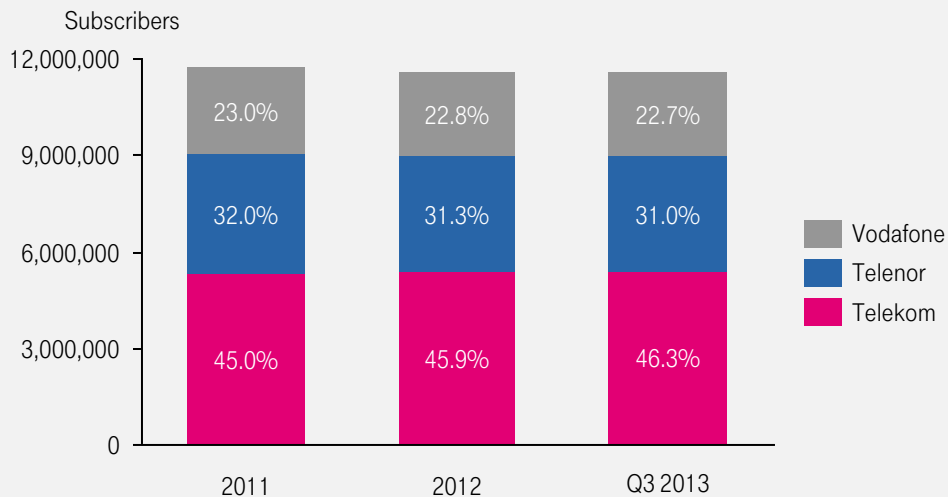


TAX BURDENS INTRODUCED TO REDUCE BUDGET DEFICIT

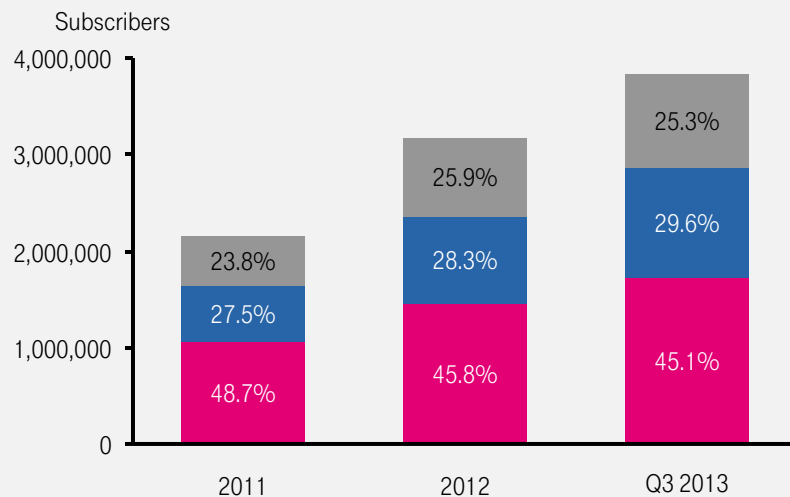
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied from 2013

MARKET POSITIONS ON THE HUNGARIAN TELECOMMUNICATION MARKET

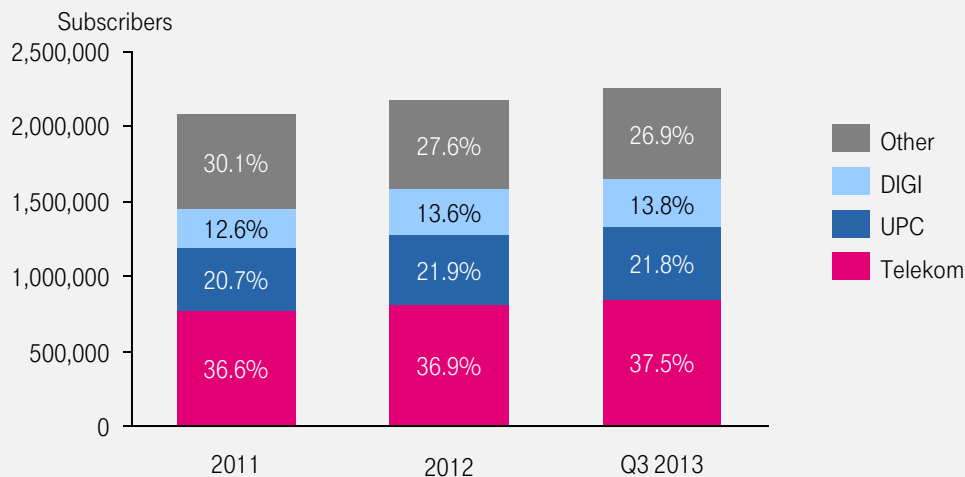
MOBILE VOICE MARKET SHARES (TOTAL SIM BASED)



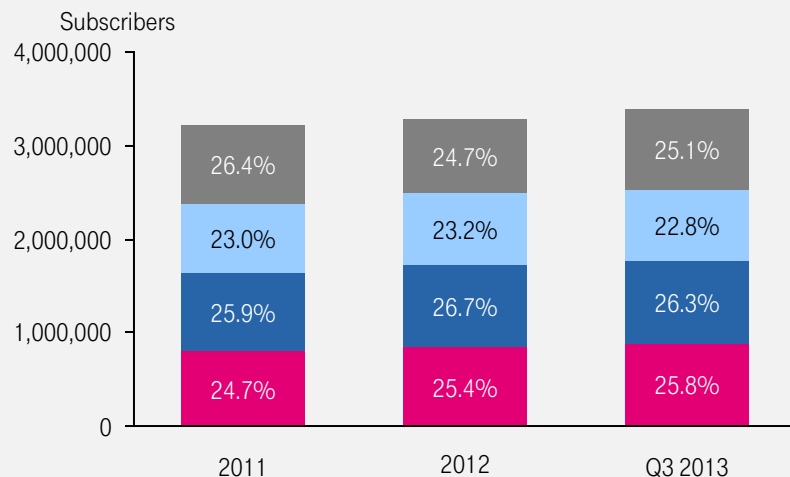
MOBILE BROADBAND MARKET SHARES (TOTAL SIM BASED)



FIXED BROADBAND MARKET SHARES*



TV MARKET SHARES*



LIFE IS FOR SHARING.


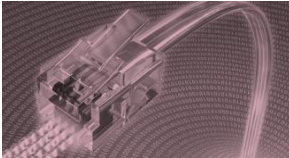




*based on the total fixed BB/TV market estimated by the National Media and Infocommunications Authority

WIDE RANGE OF TELECOM SERVICES, SYSTEM INTEGRATION AND IT INFRASTRUCTURE COMPETENCES

CONNECTIVITY

42% of total revenue

64 % of total margin*

| Fixed voice | Fixed data | Fixed internet | Mobile voice | Mobile internet | Mobile data |
|--|---|---|--|---|---|
|  |  |  |  |  |  |

SYSTEM INTEGRATION

17% of total revenue

10% of total margin*

| Business Intelligence | Integration & Developm. | ERP & CRM | Transport | Billing & Cloud | E- Health |
|--|---|---|--|---|---|
|  |  |  |  |  |  |

IT INFRASTRUCTURE

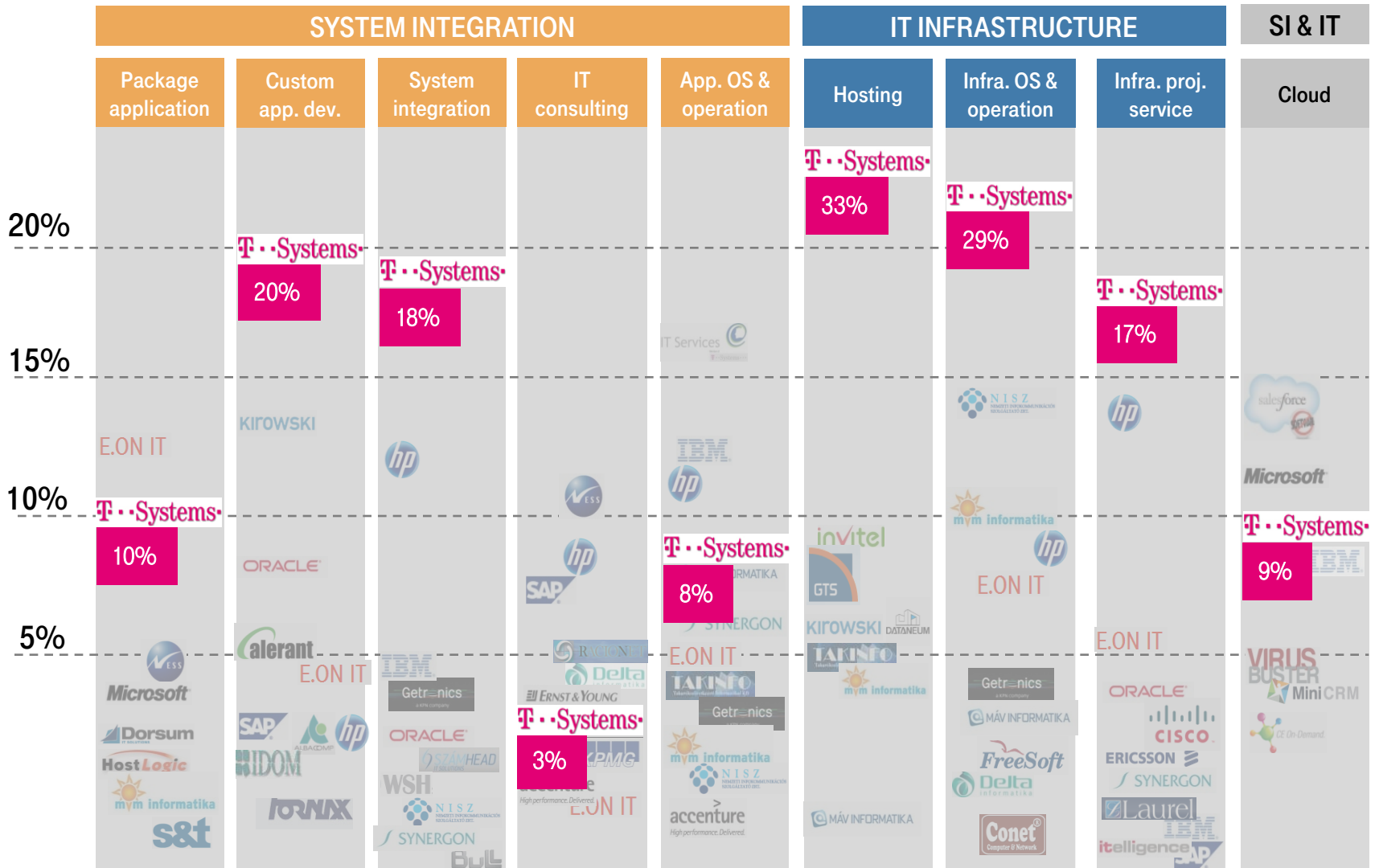
41% of total revenue

26% of total margin*

| Computer systems | Network solutions | Communication | IT service & systems management | IT Security | Datacenter services |
|--|---|---|--|---|---|
|  |  |  |  |  |  |

*Margin= Adjusted margin = Direct margin – Direct Delivery expenses

MARKET LEADER IN IT SERVICES



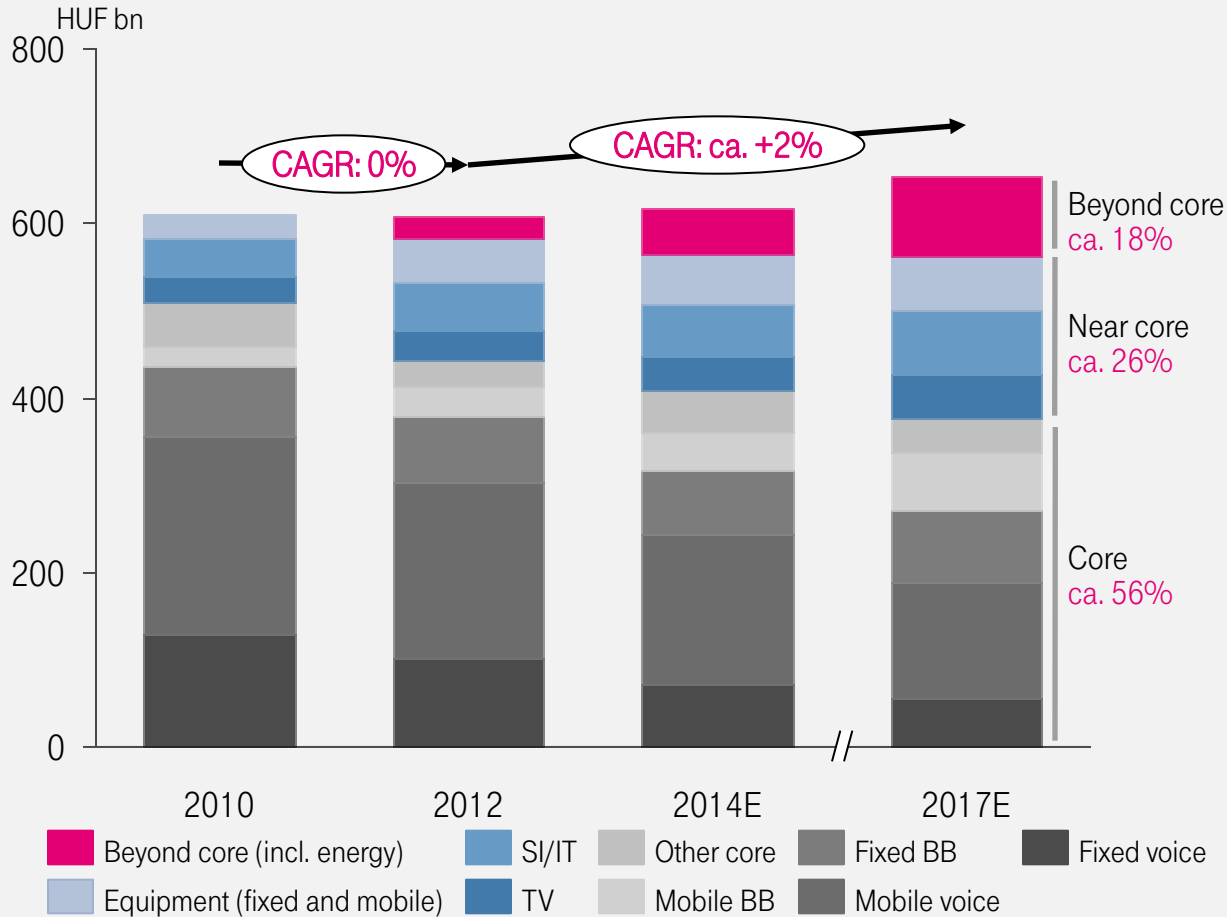
Revenue based market share in 2012



LIFE IS FOR SHARING.

GROUP REVENUE DEVELOPMENTS

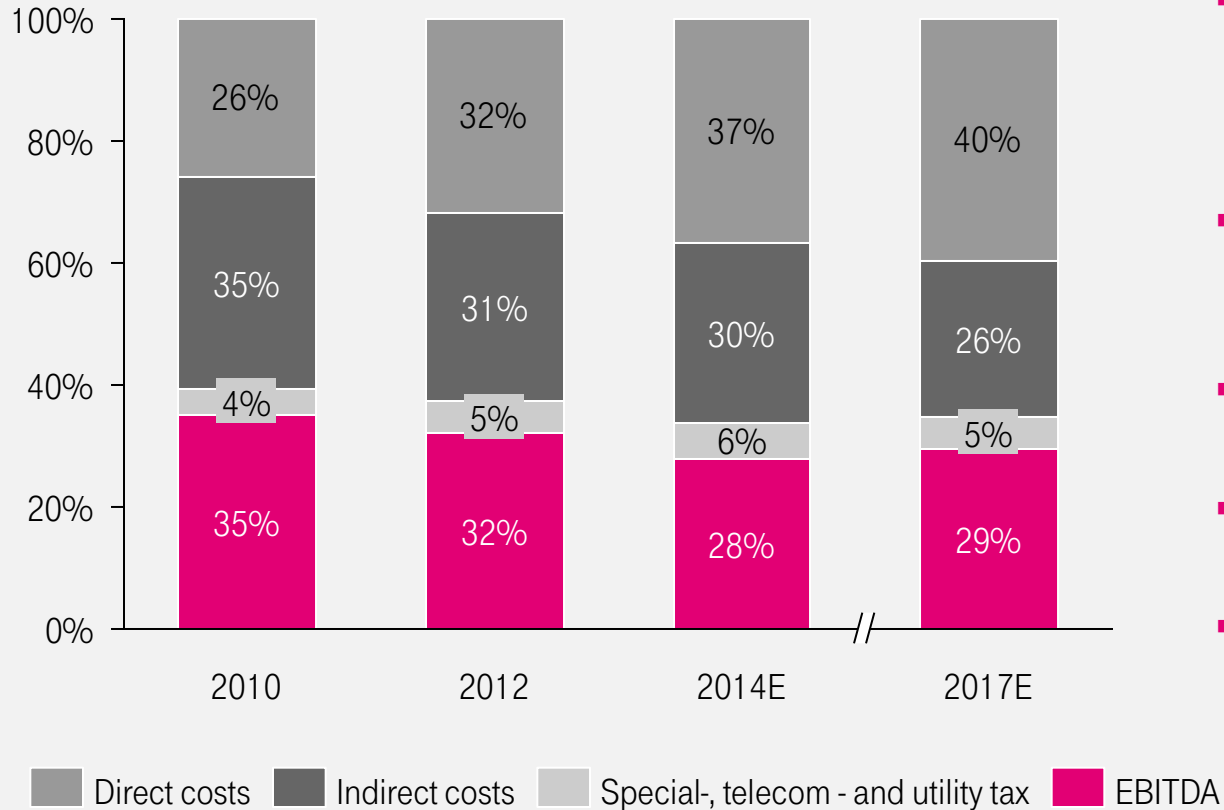
SIGNIFICANT REVENUE POTENTIAL FROM NON-CORE ACTIVITIES



- Mobile broadband growth only partially compensates for decline in voice revenue
- Further growth in near-core revenues expected
- Increasing demand for energy service
- Plans to launch additional new services

DISCIPLINED COST MANAGEMENT

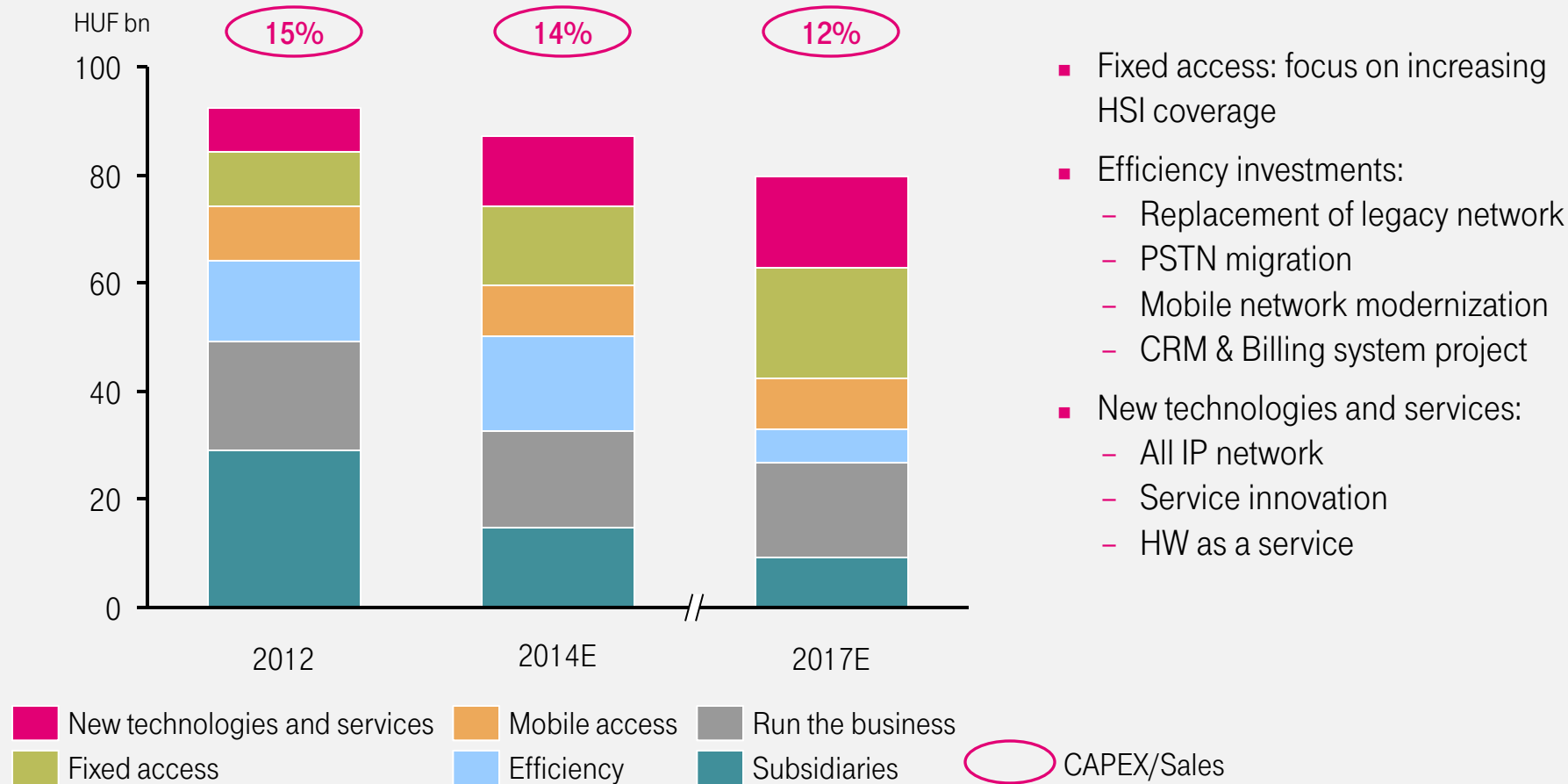
EBITDA AND COST DEVELOPMENTS (RELATIVE TO REVENUES)



- Direct costs expected to rise in parallel with increase in revenues and change in product mix
- Indirect costs to decline by CAGR ca. 2% by 2017 vs. 2012
- Constant operating taxes assumed
- EBITDA to decline by CAGR 6%-8% in 2014 vs. 2012
- 2017 EBITDA expected to surpass 2013 level

EFFICIENCY INVESTMENTS FREE UP CAPEX FOR NEW TECHNOLOGIES AND SERVICES

CAPEX DEVELOPMENTS*



*CAPEX excluding spectrum license fees and annual frequency fee capitalization

CURRENT SPECTRUM SITUATION

BAND

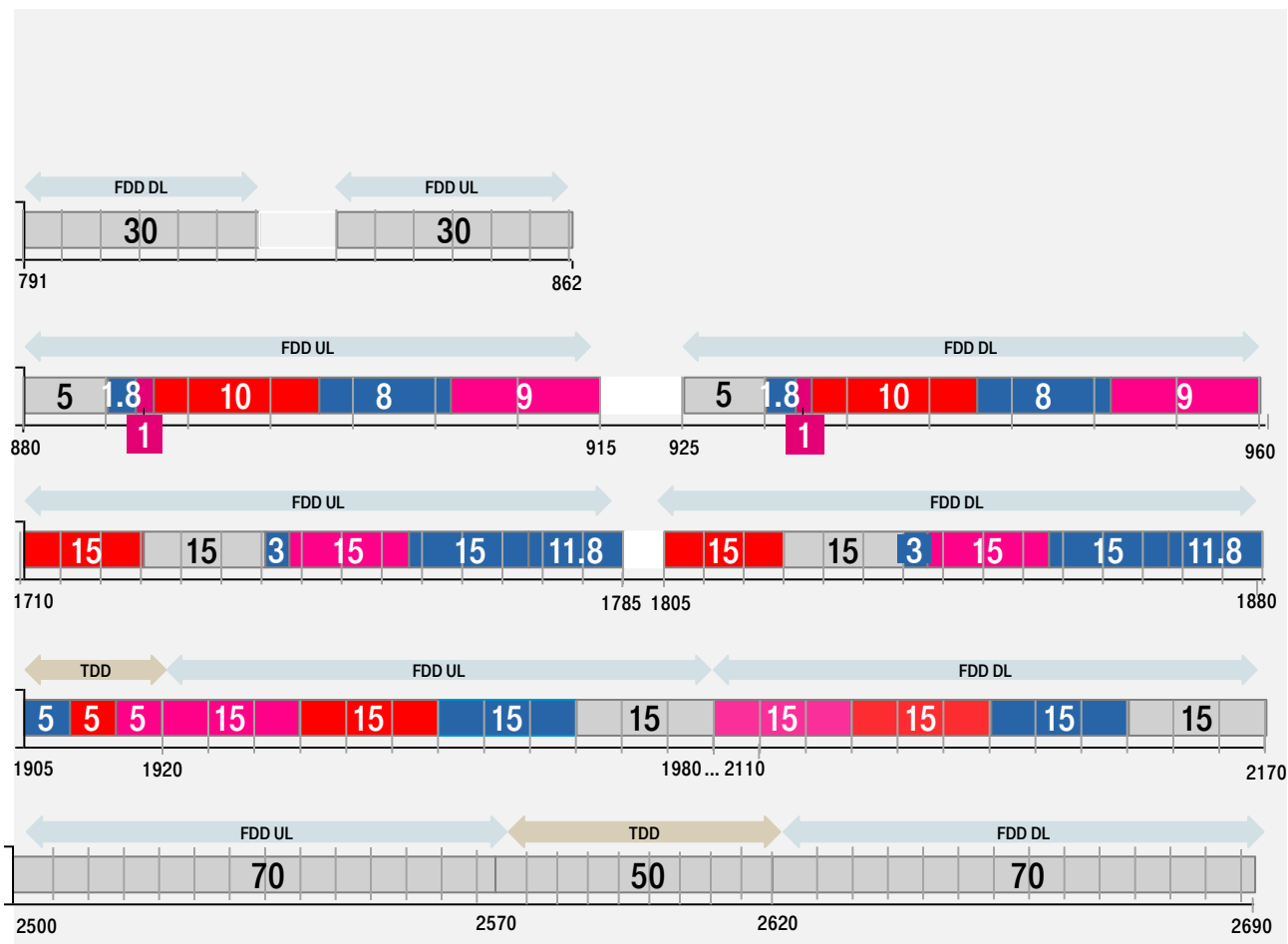
800 MHz

900 MHz

1800 MHz

2100 MHz

2600 MHz



UNUSED FREQUENCIES

2 × 30 MHz

2 × 5 MHz

2 × 15 MHz

2 × 15 MHz

2 × 70 MHz FDD
50 MHz TDD

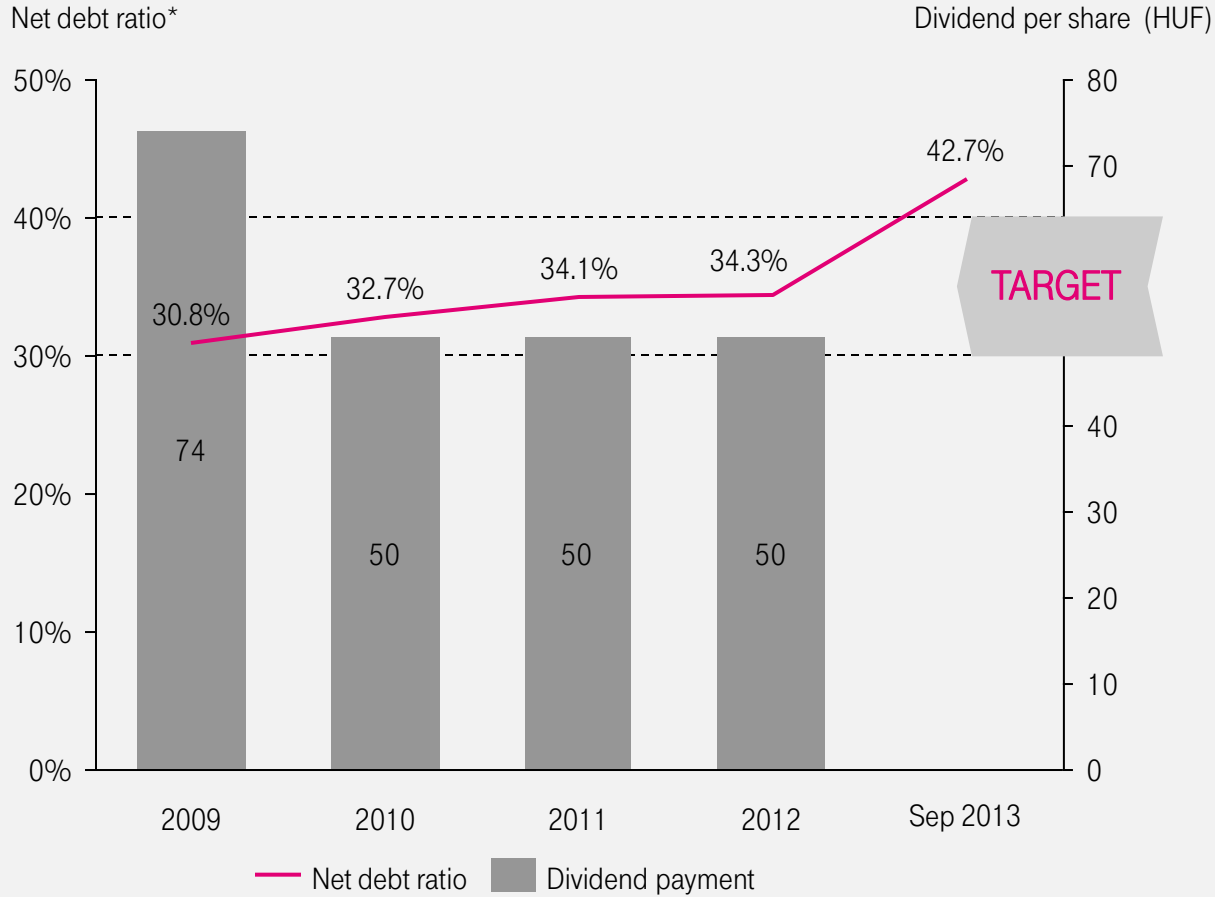
Magyar Telekom Vodafone Telenor Unused



LIFE IS FOR SHARING.

DIVIDEND POLICY

DIVIDEND PAYMENT



- Maintain net debt ratio (net debt/total capital) target of 30% - 40% reflecting the current unpredictable environment
- Dividend payment dependent on upcoming frequency auction

*defined as net debt / total capital

FINANCIAL OUTLOOK

| | 2013 GUIDANCE | 2014 TARGETS | 2017 TARGETS |
|---------|---|---|-----------------------|
| REVENUE | increasing | increasing at a CAGR of ca. 2% compared to 2012 | |
| EBITDA | 9-12% decline | declining at a CAGR of 6%-8% compared to 2012 | surpassing 2013 level |
| CAPEX* | absolute CAPEX to decline by ca. 5% | around HUF 87bn | around HUF 80bn |
| FCF | FCF bottoming out in 2014 and surpassing 2012 level by 2017 | | |

*excluding spectrum license fees and annual frequency fee capitalization

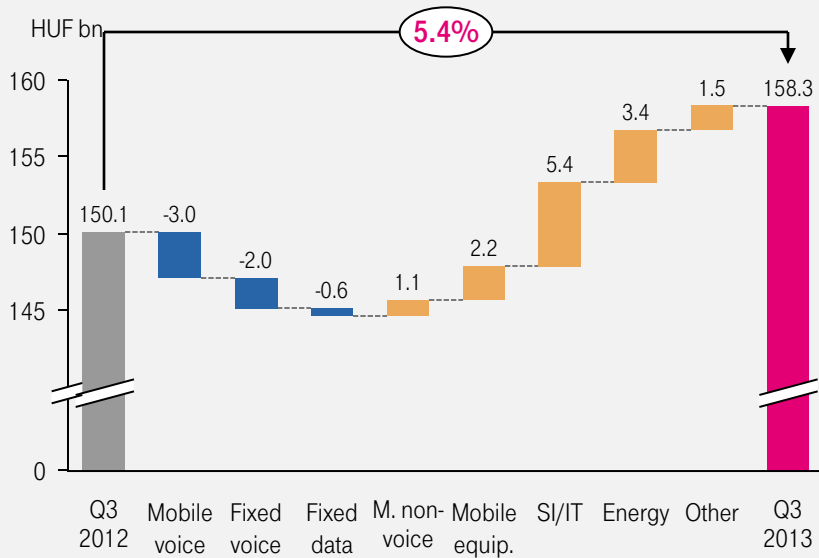


LIFE IS FOR SHARING.

Q3 2013 RESULTS

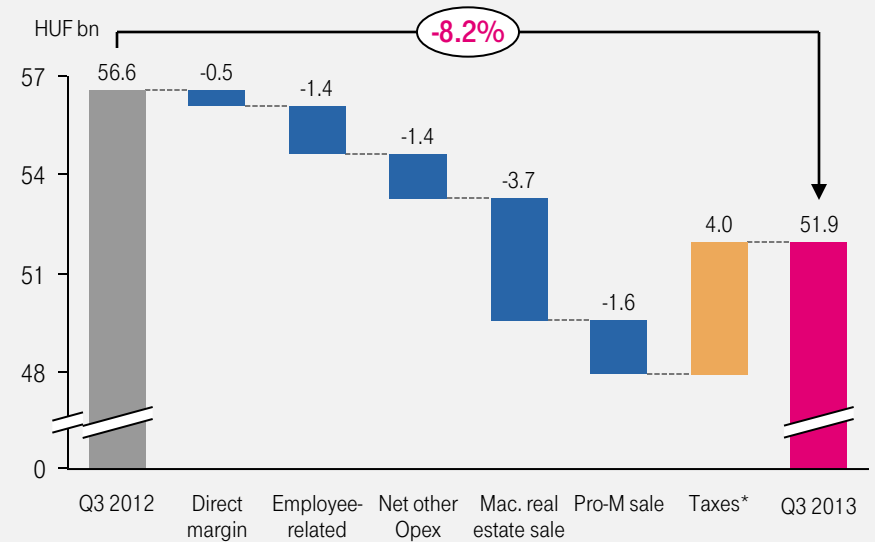
Q3 2013 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Strong contribution from energy service revenues
- SI/IT revenue growth fueled by application and infrastructure projects
- Increase in contribution from smart-device sales
- Decline in fixed and mobile voice revenues reflects the lower contribution from Macedonian operation and MTR cuts
- Decrease in fixed data revenues primarily due to public sector insourcing

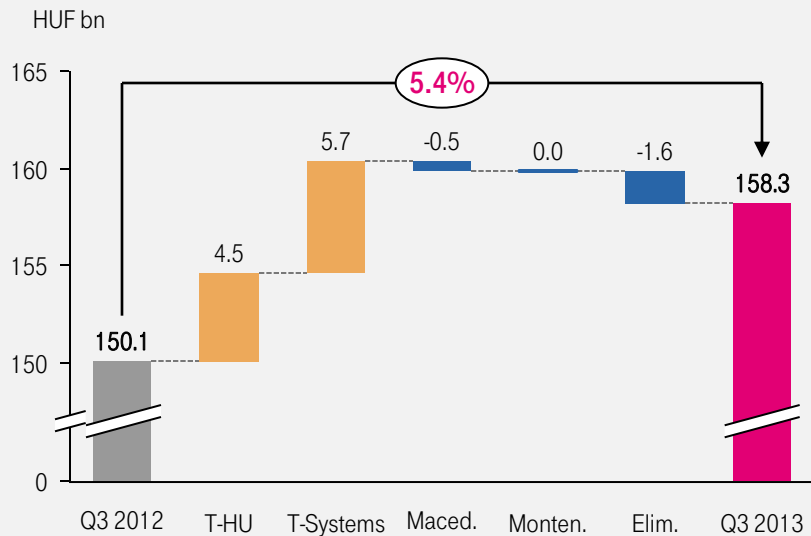
GROUP EBITDA



- Direct margin erosion was successfully limited by:
 - Erosion of traditional voice revenues at minimal level
 - Improving direct margin contribution of energy sales and SI/IT
- Higher employee related expenses due to Macedonian severance of HUF 1.3bn
- Lower operating taxes* could not fully offset the impact of the sale of Pro-M and the Macedonian real estate transaction in Q3 2012

Q3 2013 SEGMENT RESULTS – REVENUES AND EBITDA

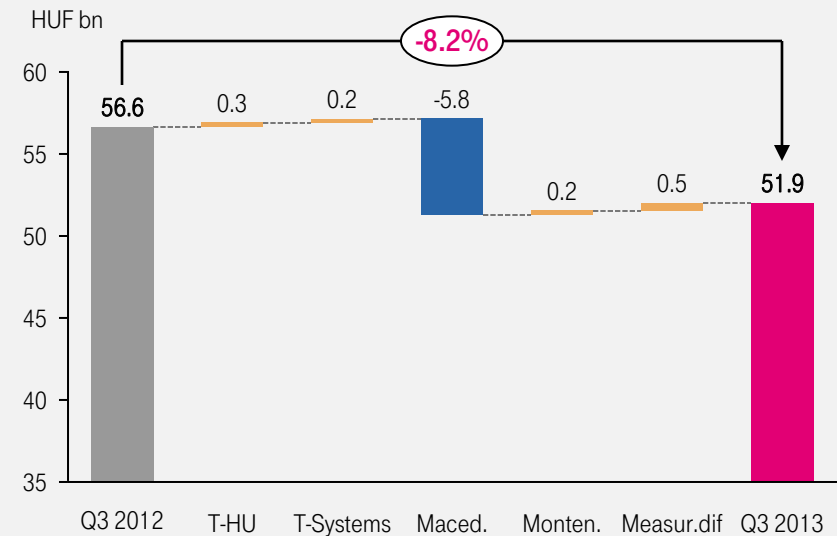
SEGMENTS' REVENUE DEVELOPMENTS



Change Y-o-Y **+4%** **+22%** **-3%** **0%**

- **T-Hungary:** strong revenues from energy and equipment sales coupled with only limited voice revenue decline
- **T-Systems:** SI/IT revenue growth compensates for lower fixed revenues and Pro-M revenue fallout
- **Macedonia:** fixed and mobile voice revenue decline driven by fierce competitive pressures
- **Montenegro:** fixed and mobile internet growth mitigated retail voice revenue decline driven by the unfavorable economic environment

SEGMENTS' EBITDA DEVELOPMENT



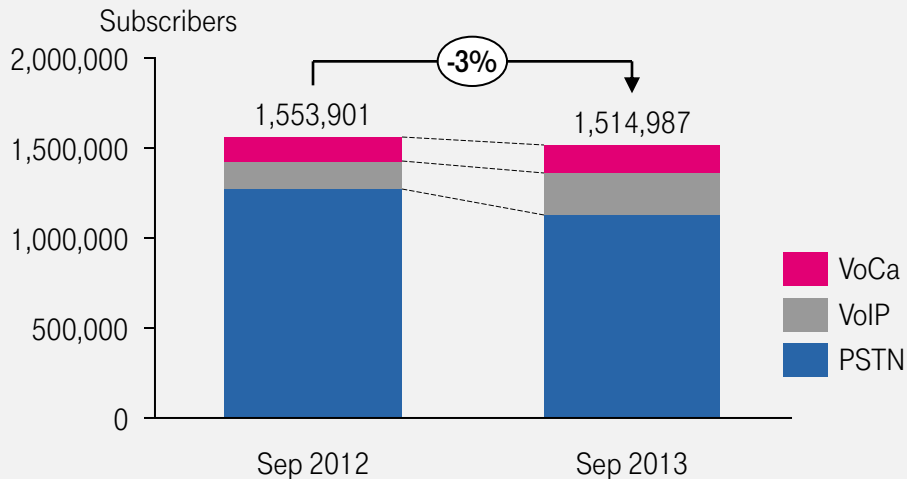
Change Y-o-Y **+1%** **+4%** **-48%** **+6%**

- **T-Hungary:** lower taxes offset higher net opex (higher service fees, marketing expenses and distorting impact of Pro-M sale)
- **T-Systems:** higher profit contribution from the increased volume of SI/IT projects
- **Macedonia:** R/E sale impact and severance expense distorts comparison; EBITDA w/o these declined by HUF 0.8bn
- **Montenegro:** improved performance reflects one-time VAT charge in Q3 2012; EBITDA margin at 41%

HUNGARY – FIXED VOICE MARKET



TELEKOM HUNGARY FIXED VOICE SUBSCRIBERS



Significant reduction in fixed voice churn due to the retention effect of:

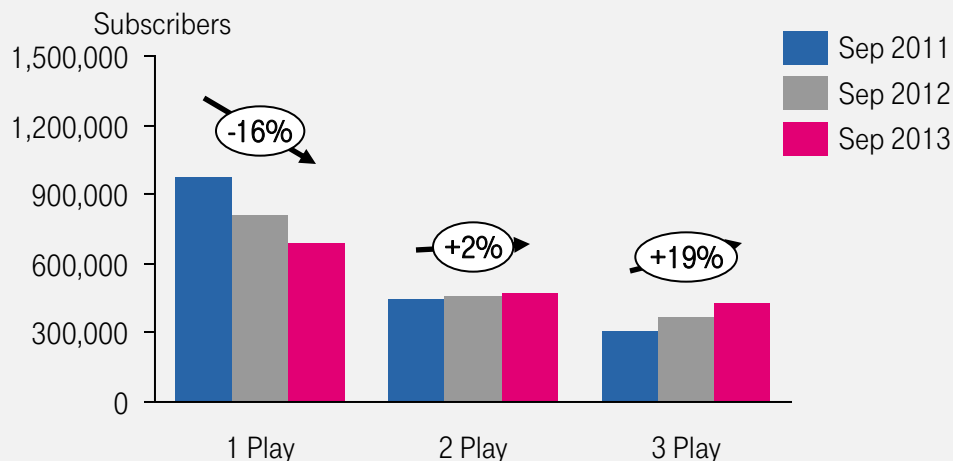
- Hoppá package
- 2Play/3Play offers
- Retail energy bundling

Decline in 1Play customer base below 45%

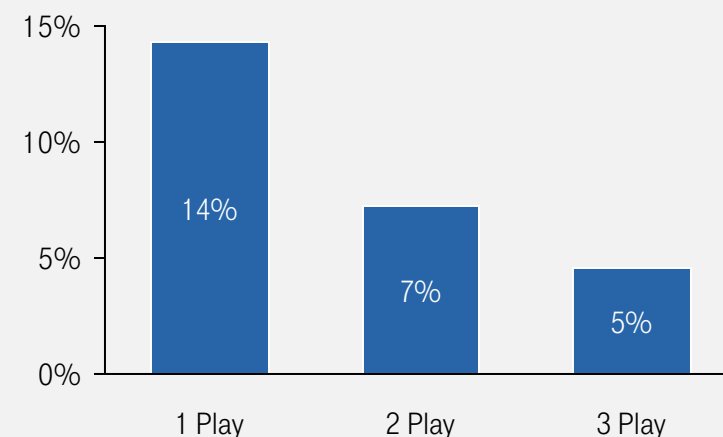
KPIs (Q3-o-Q3):

- ARPU: HUF 2,764 (-1%)
- MOU: 171 (-1%)

MULTI-PLAY DEVELOPMENTS

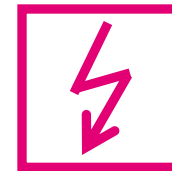


AVERAGE ANNUAL CHURN LEVEL



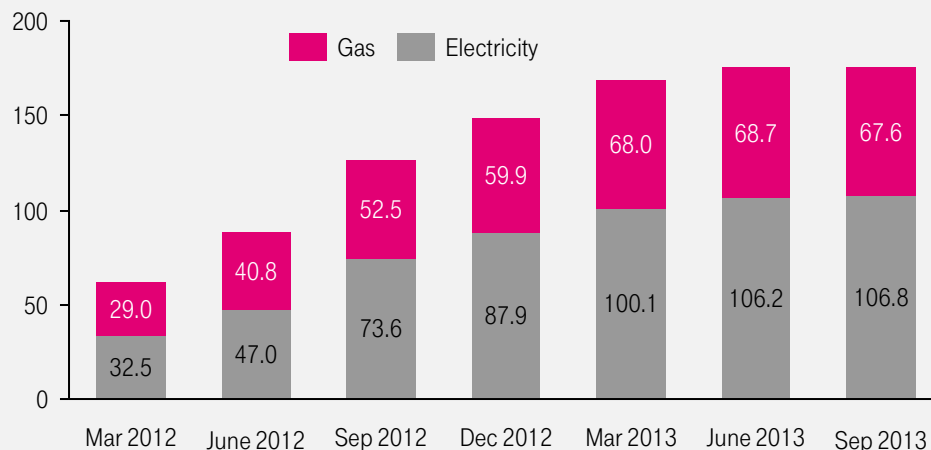
LIFE IS FOR SHARING.

HUNGARY – ENERGY RETAIL



GAS AND ELECTRICITY POINTS OF DELIVERY (POD)

PODs (thousand)

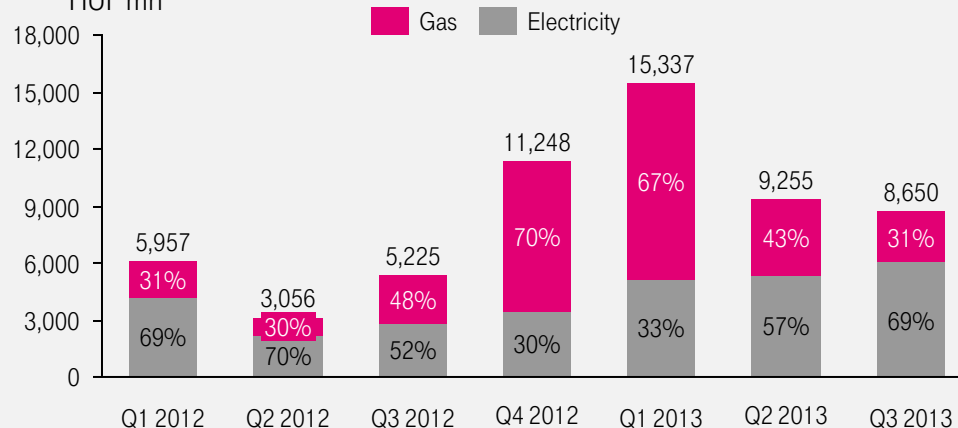


RETAIL ENERGY BUSINESS

- Soft launch in 2010, nationwide since April 2012
- Residential customers receive a 3-8% discount to regulated universal service prices on their energy bill depending on the number of fixed line services they subscribe to
- Significant retention and upsell impact
- Increasing ratio of energy revenues generated from competitive segment customers
- Energy market is strongly seasonal

REVENUE PERFORMANCE

HUF mn

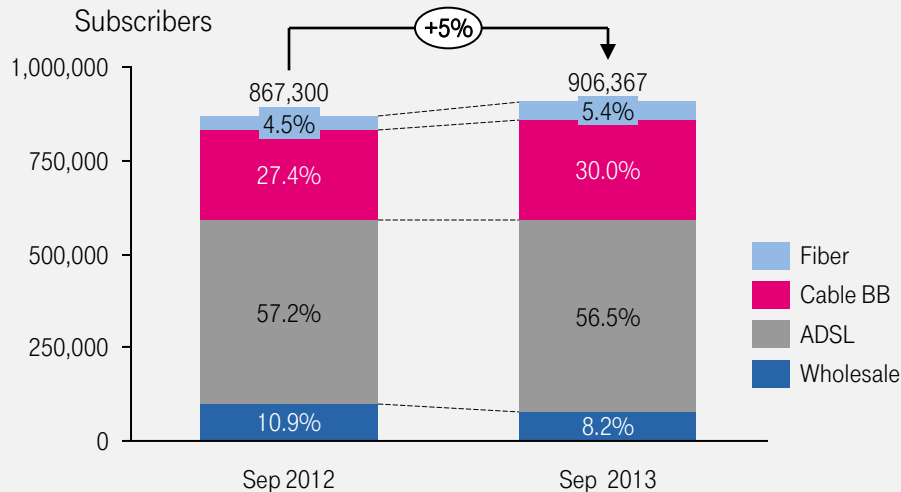


REGULATORY DEVELOPMENTS

- 10% retail price reduction since January 1, 2013 and further 11.1% from November 1, 2013
- Sustainable solution to serve universal customers:
 - Access to gas sources as offered to universal service providers from July 1, 2014
 - Exemption from membership fee to the Hungarian Hydrocarbon Stockpiling Association from October 1, 2013
 - Exemption from obligation to take over of "green" electricity from October 1, 2013

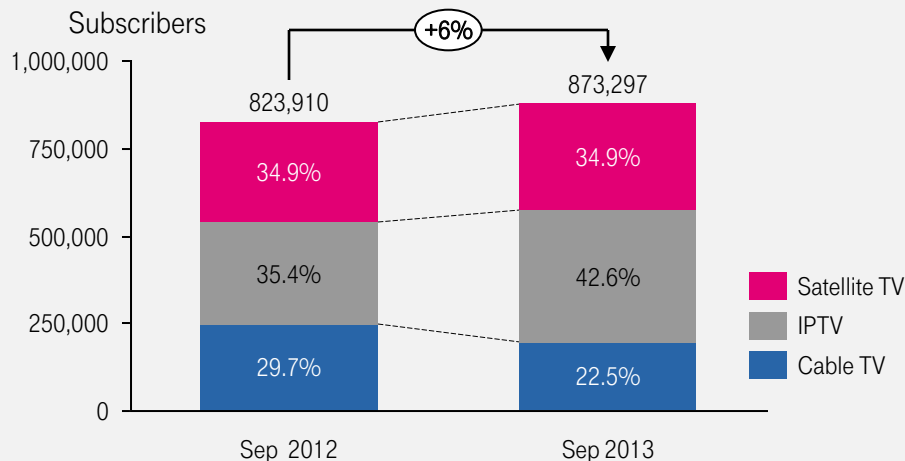


FIXED BROADBAND SUBSCRIBER BREAKDOWN

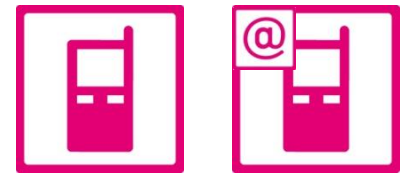


- Growth in broadband market driven by cable and fiber
- Internet service portfolio restructured to support fixed broadband subscriber acquisitions
- Broadband ARPU: HUF 3,465 (-8% Q3-o-Q3)

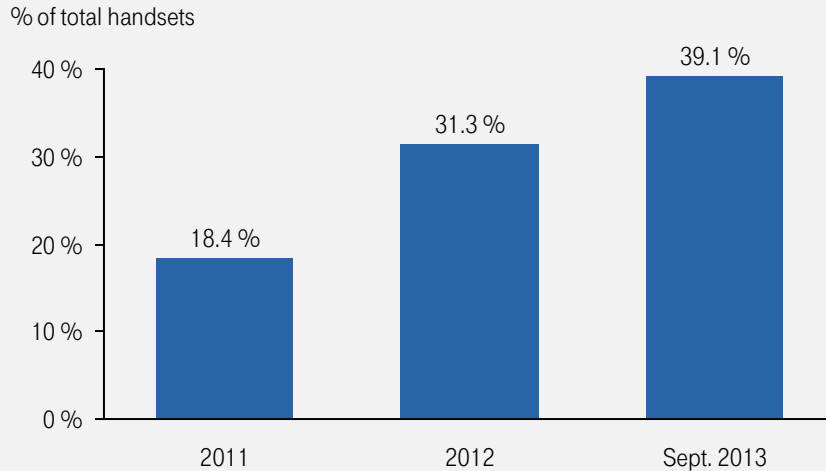
TV SUBSCRIBER BREAKDOWN



- TV ARPU supported by increasing number of interactive IPTV customers
- Significant migration from cable to IPTV
- 3Play offers from HUF 4,550/month (EUR 15)
- TV ARPU: HUF 3,120 (+3% Q3-o-Q3)

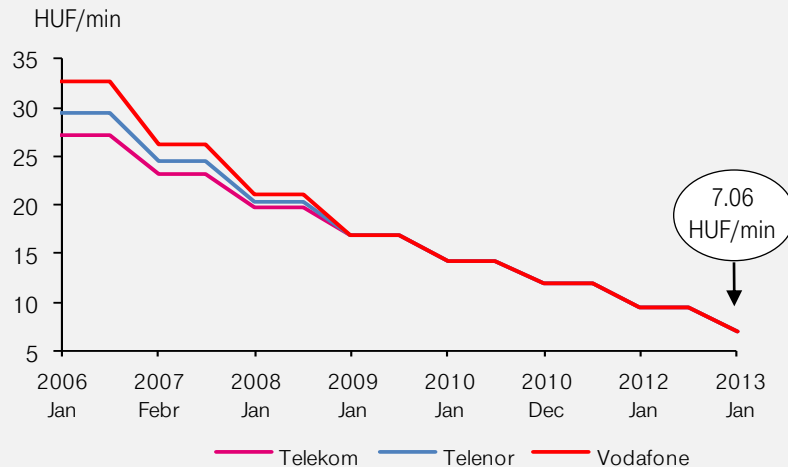


TELEKOM SMARTPHONE PENETRATION



- Improving customer mix: y-o-y increase in postpaid ratio from 46.5% to 48%
- Smartphone sales reached 67% of total handsets
- Broadband subscription attach rate at ca. 84%
- Full LTE coverage in Budapest and 37% population-based coverage countrywide
- MTR cut: 25% from Jan 2013 to 2.4 eurocents

MOBILE TERMINATION RATE CUTS

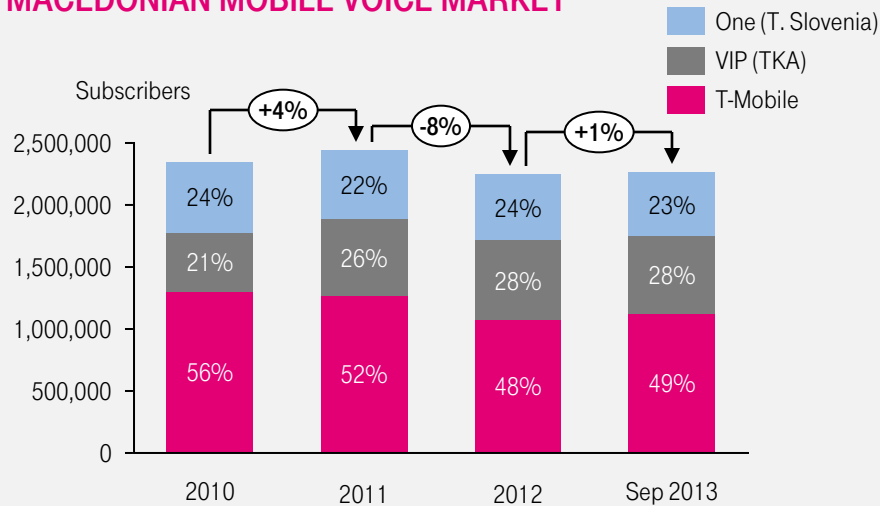


KPIs (Q3-o-Q3):

- ARPU: HUF 3,474 (-2%)
- Mobile MOU: 162 (+2%)
- SAC/gross add: HUF 6,444 (+52%)
- SRC/retained customer: HUF 13,504 (+36%)
- VAS within ARPU: HUF 878 (+7%)

MACEDONIA AND MONTENEGRO

MACEDONIAN MOBILE VOICE MARKET

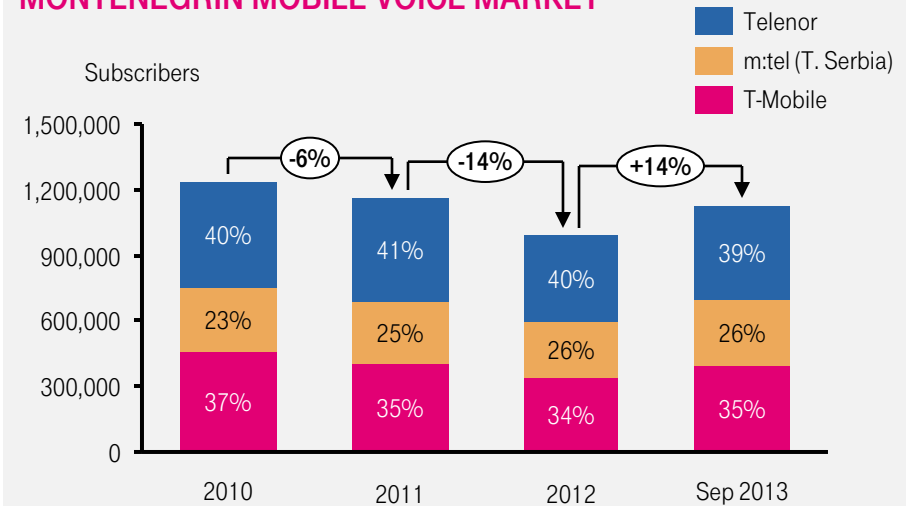


- Leading fixed line operation with 70% voice, 53% internet and 20% TV market shares
- Intense competition from cable operators on the fixed market
- Declining mobile revenues due to strong price competition

KPIs (Q3-o-Q3):

- Fixed churn: 8%
- Fixed outgoing traffic: -19%
- Mobile ARPU: HUF 2,357 (-7%)
- Mobile MOU: 197 (+18%)

MONTENEGRIN MOBILE VOICE MARKET



- Leading fixed line operation with 98% voice, 82% internet and 42% TV market shares
- Strong seasonality on the mobile market driven by tourism
- Economic environment put limitation on performance

KPIs (Q3-o-Q3):

- Fixed churn: 2%
- Fixed outgoing traffic: -11%
- Mobile ARPU: HUF 2,968 (-17%)
- Mobile MOU: 168 (+2%)

FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

| HUF million | 3Q 2012 | 3Q 2013 | Change |
|---|------------------|------------------|---------------|
| Mobile revenues | 80,021 | 80,040 | 0.0% |
| Fixed line revenues | 53,662 | 52,946 | -1.3% |
| System Integration/Information Technology revenues | 11,237 | 16,628 | 48.0% |
| Revenue from Energy Services | 5,225 | 8,650 | 65.6% |
| Revenues | 150,145 | 158,264 | 5.4% |
| Direct costs | (45,067) | (53,704) | 19.2% |
| Employee-related expenses | (21,628) | (23,061) | 6.6% |
| Depreciation and amortization | (26,474) | (27,442) | 3.7% |
| Hungarian telecommunications and other crisis taxes | (10,504) | (6,529) | -37.8% |
| Other operating expenses | (22,827) | (23,355) | 2.3% |
| Total operating expenses | (126,500) | (134,091) | 6.0% |
| Other operating income | 6,475 | 316 | -95.1% |
| Operating profit | 30,120 | 24,489 | -18.7% |
| Net financial results | (5,243) | (9,240) | 76.2% |
| Share of associates' profits | 0 | 0 | n.a. |
| Profit before income tax | 24,877 | 15,249 | -38.7% |
| Income tax expense | (5,860) | (4,405) | -24.8% |
| Profit for the period | 19,017 | 10,844 | -43.0% |
| Non-controlling interests | 4,242 | 1,539 | -63.7% |
| Equity holders of the Company (Net income) | 14,775 | 9,305 | -37.0% |



MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

| HUF million | Sep 30, 2012 | Sep 30, 2013 | Change |
|--|------------------|------------------|--------------|
| Current assets | 179,666 | 198,502 | 10.5% |
| Cash and cash equivalents | 13,867 | 15,922 | 14.8% |
| Other current financial assets | 40,038 | 24,354 | -39.2% |
| Non current assets | 845,175 | 898,065 | 6.3% |
| Property, plant and equipment - net | 512,645 | 496,251 | -3.2% |
| Intangible assets | 316,269 | 377,986 | 19.5% |
| Total assets | 1,024,841 | 1,096,567 | 7.0% |
| Equity | 517,613 | 489,211 | -5.5% |
| Current liabilities | 182,238 | 312,620 | 71.5% |
| Financial liabilities to related parties | 24,703 | 49,853 | 101.8% |
| Other financial liabilities | 36,800 | 89,704 | 143.8% |
| Non current liabilities | 324,990 | 294,736 | -9.3% |
| Financial liabilities to related parties | 281,849 | 237,248 | -15.8% |
| Other financial liabilities | 7,372 | 28,745 | 289.9% |
| Total equity and liabilities | 1,024,841 | 1,096,567 | 7.0% |



MAGYAR TELEKOM - CONSOLIDATED CASH FLOW STATEMENT

| HUF million | Sep 30, 2012 | Sep 30, 2013 | Change |
|---|-----------------|-----------------|---------------|
| Net cash generated from operating activities | 105,441 | 75,256 | -28.6% |
| Investments in tangible and intangible assets | (70,891) | (117,445) | 65.7% |
| Adjustments to cash purchases | (1,658) | 51,018 | n.a. |
| Purchase of subsidiaries and business units | (2,388) | (494) | -79.3% |
| Cash acquired through business combinations | 48 | 0 | n.a. |
| Payments for / proceeds from other financial assets - net | 15,567 | 18,264 | 17.3% |
| Proceeds from disposal of subsidiaries | 13,421 | 0 | n.a. |
| Proceeds from disposal of PPE and intangible assets | 777 | 548 | -29.5% |
| Net cash used in investing activities | (45,124) | (48,109) | 6.6% |
| Dividends paid to shareholders and minority interest | (66,063) | (65,361) | -1.1% |
| Net payments of loans and other borrowings | 5,819 | 38,715 | 565.3% |
| Net cash used in financing activities | (60,244) | (26,646) | -55.8% |
| Free cash flow* | 44,750 | 8,883 | -80.1% |

* Free cash flow defined as Net cash generated from operating activities plus Net cash used in investing activities, adjusted with Proceeds from / (Payments for) other financial assets

For further questions please contact the IR department:

Investor Relations

Phone: +36 1 458-0424

Fax: +36 1 458-0443

e-mail: investor.relations@telekom.hu

Abbreviations: 3G: third generation, 4G: fourth generation, ARPU: average revenue per user, BB: broadband, CUG: closed user group, HQ: headquarters, HSDPA: high-speed downlink packet access, IC: interconnection, IP: internet protocol, IT: information technology, LTE: long term evolution, LTO: local telecommunication operator, MOU: minutes of use, NGN: next generation network, NRA: National Regulatory Authority, POD: points of delivery, RIO: reference interconnection offer, RPC: revenue producing customer, SI: system integration, SIM: subscriber identity module, SMP: significant market power, Special influences: investigation- and headcount reduction-related expenses, Tetra: Terrestrial Trunked Radio, TWM: Total Workforce Management, UMTS: Universal Mobile Telecommunication System, VAS: value added services, VoCaTV: Voice over Cable TV, WiMax: Worldwide Interoperability for Microwave Access, WS: wholesale
HUF/EUR exchange rate: 297.1 (average Q2 2013)

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



LIFE IS FOR SHARING.