

Presentation

Magyar Telekom First Quarter 2009 Results

Public guidance maintained despite recessionary impact



Abbreviations:

3G: third generation, ARPU: average revenue per user, BB: broadband, CBC: call-by-call, CPS: carrier pre-selection, HQ: headquarters, HSDPA: high-speed downlink packet access, IC: interconnection, IP: internet protocol, IT: information technology, LTO: local telecommunication operator, MOU: minutes of use, NGN: next generation network, NRA: National Regulatory Authority, POP: point of presence, 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, UMTS: Universal Mobile Telecommunication System, VAS: value added services, VoCaTV: Voice over Cable TV, WiMax: Worldwide Interoperability for Microwave Access, WS: wholesale

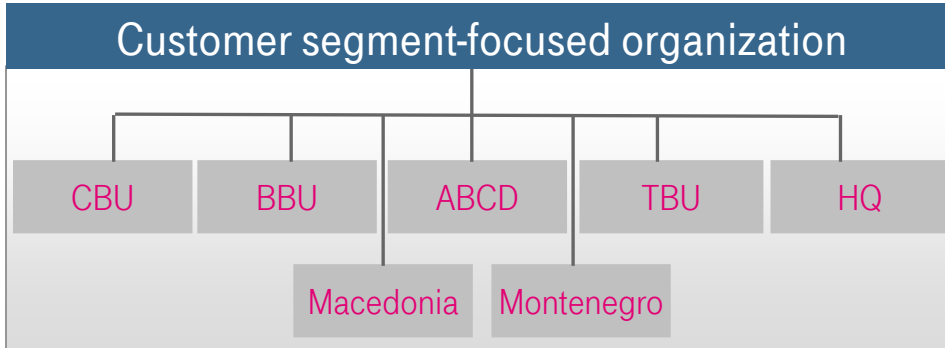
HUF/EUR 294.57 (average Q1 2009)

As previously disclosed, in the course of conducting their audit of Magyar Telekom's 2005 financial statements, 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 Foreign Corrupt Practices Act ("FCPA") or internal Company policy. The Company's Audit Committee also informed the U.S. Department of Justice ("DOJ"), the U.S. Securities and Exchange Commission ("SEC") and the Hungarian Supervisory Financial Authority ("HSFA") 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 during 2006 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 and certain related issues 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 ("NBI") has informed us that it closed its investigation of the Montenegrin contracts as of May 20, 2008 without identifying any criminal activity. On March 28, 2009, the NBI informed the Company that, based on a report received by it, it had begun a criminal investigation into alleged misappropriation of funds relating to payments made in connection with the Company's ongoing internal investigation into certain contracts entered into by members of the Magyar Telekom group and related matters. The NBI has requested from the Company materials and information relating to such payments. The Company is cooperating with the ongoing NBI investigation. 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, and the ongoing NBI investigation, 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. By letter dated February 27, 2009 addressed to counsel to the Audit Committee, the DOJ requested that the Audit Committee pursue all reasonable avenues of investigation prior to completing and issuing a final report of the internal investigation, including investigation into matters recently identified to counsel for the Audit Committee by the DOJ. The DOJ recognized that a delay in the completion of the report may result from investigation into these matters. The DOJ also requested that the Audit Committee refrain from disseminating any such final report until further notice from the DOJ because of the DOJ's concern that such dissemination could interfere with the DOJ's investigation. The Company, its Board of Directors, and its Audit Committee continue to support the internal investigation and the continuing cooperation with and assistance to the Governmental investigations, as being in the best interests of the Company and its shareholders. In its February 27 letter, the DOJ stated that the internal investigation has been of assistance to the DOJ and that such assistance will be taken into account in determining the appropriate disposition of this matter by the DOJ, if any. According to an extract of a press conference published on the official web site of the Macedonian Ministry of Interior on December 10, 2008, the Organized Crime Department of the Ministry submitted files to the Basic Public Prosecution Office of Organized Crime and Corruption in Macedonia, with a proposal to bring criminal charges against four individuals, including three former Magyar Telekom Group employees. According to that public information, these individuals are alleged to have committed an act of "abuse of office and authorizations" in their position in Makedonski Telekom by concluding five consultancy contracts with Chaptex Holdings Ltd in the period 2005-2006 for which there was allegedly no intention nor need for any services in return. 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. We cannot predict what impact, if any, these investigations will have on each other. 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 1.7 bn expenses relating to the investigation in the first quarter of 2009, which are included in other operating expenses of Group Headquarters.

Service excellence

Leaner organization, simpler brand structure



Clear brand structure

- “T” as our corporate brand identifies the Magyar Telekom Group

New organization since January 1, 2008

- **Consumer Services (CBU):** mobile and wireline consumer services under the T-Home and T-Mobile brands
- **Business Services (BBU):** mobile and wireline corporate services including SI/IT under the T-Systems brand
- **Alternative Businesses and Corporate Development (ABCD):** content, media and other non-access services, new business development (not reported separately)
- **Technology (TBU):** mobile and wireline network and IT management and development
- **Macedonia and Montenegro:** country-based reporting, fixed-mobile integration is ongoing

Consumer Services

- “in the Home” wireline home communications and entertainment services

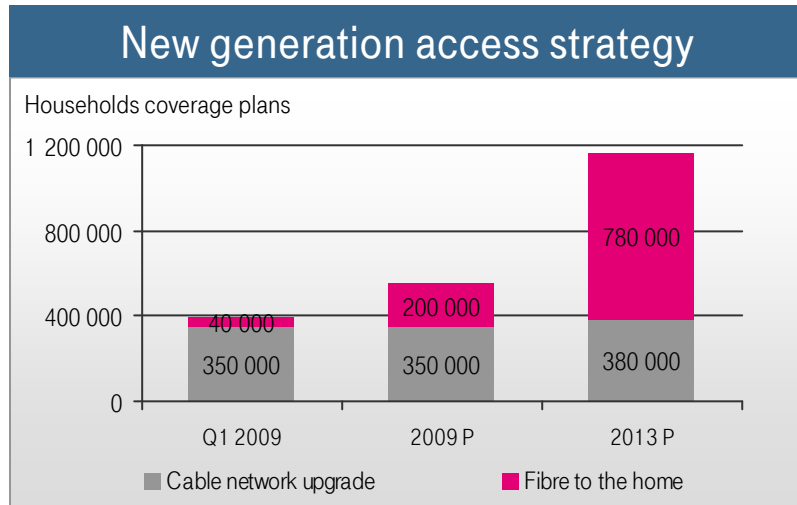
- “on the Move” wireless communication and entertainment services

Business Services

- business and corporate solutions, ICT services

Improving service quality and portfolio

Reinforcing technological leadership

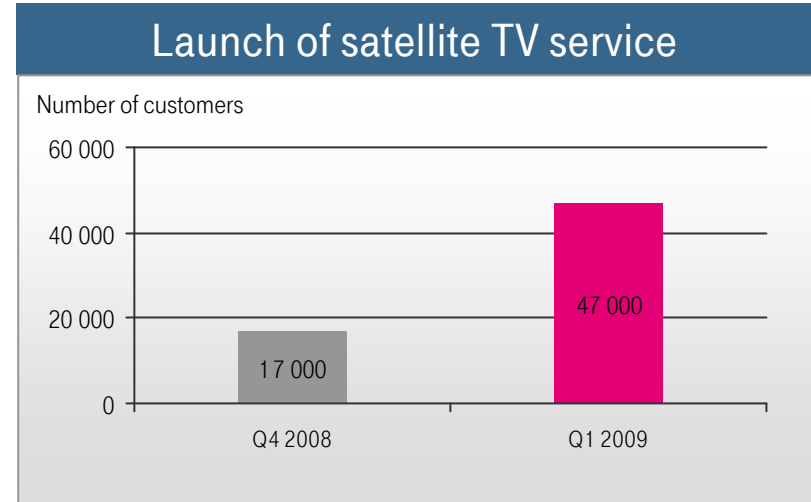


A 5-year plan to cover ~30% of Hungarian households with bandwidth of up to 100 Mbps

- fibre roll-out using mainly FTTH G-PON technology
- cable network upgrade with Docsis 3.0 technology

Total investment need of HUF 40 billion

- 2009 CAPEX of around HUF 10bn, absorbed in annual CAPEX spend



T-Home Sat TV

- nationwide DVB-S service (Digital Video Broadcasting-Satellite) launched in November 2008
- premium picture and voice quality, HD channels, electronic program listings
- discounts for 2Play and 3Play subscriptions

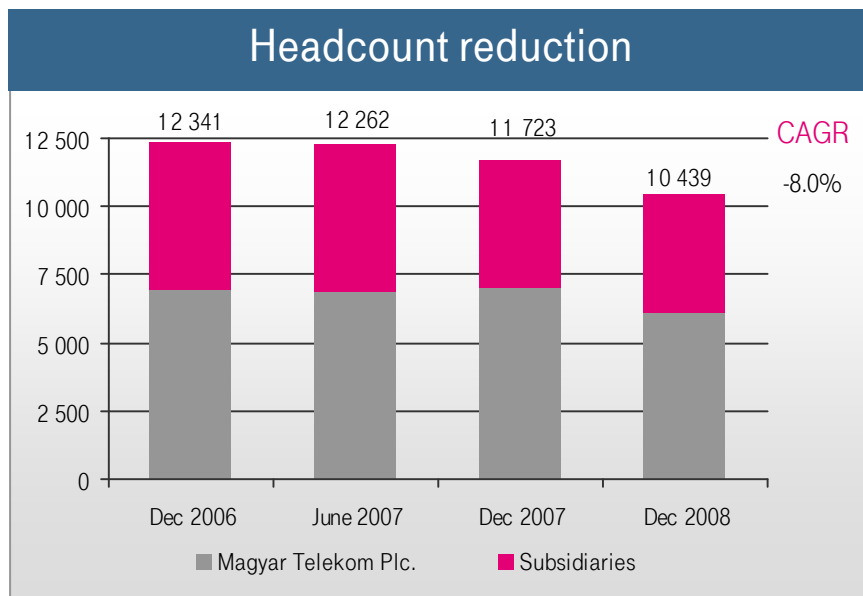
Investment need

- CAPEX required for the establishment of the service was less than HUF 1 billion in 2008



Focus on efficiency

Headcount rationalization

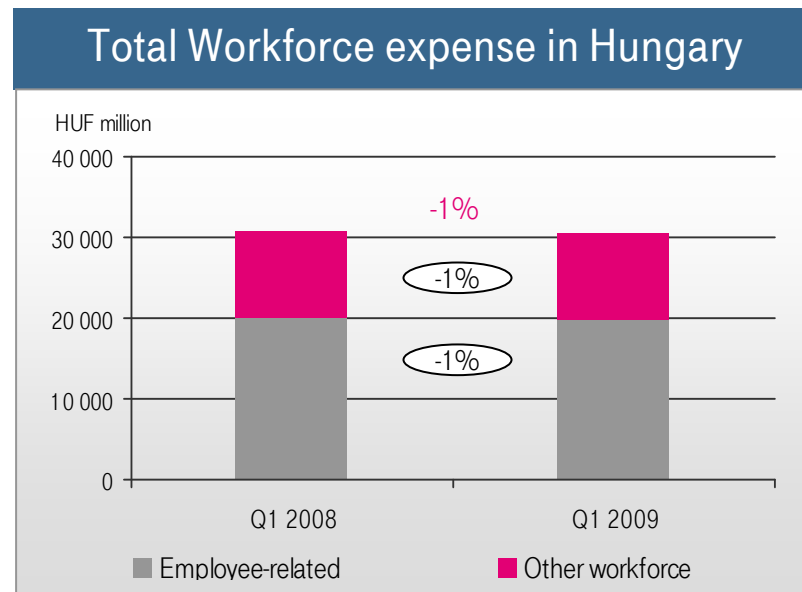


Headcount reduction in 2008

- 15% decrease (~1,800 employees) by end-2008 compared to the end of June 2007 level of 12,262

Headcount reduction in 2009

- ~300 employee redundancies by end-2009
- severance-related expenses totaled HUF 5bn, accounted in Q4 2008



Total Workforce Management launched in 2009

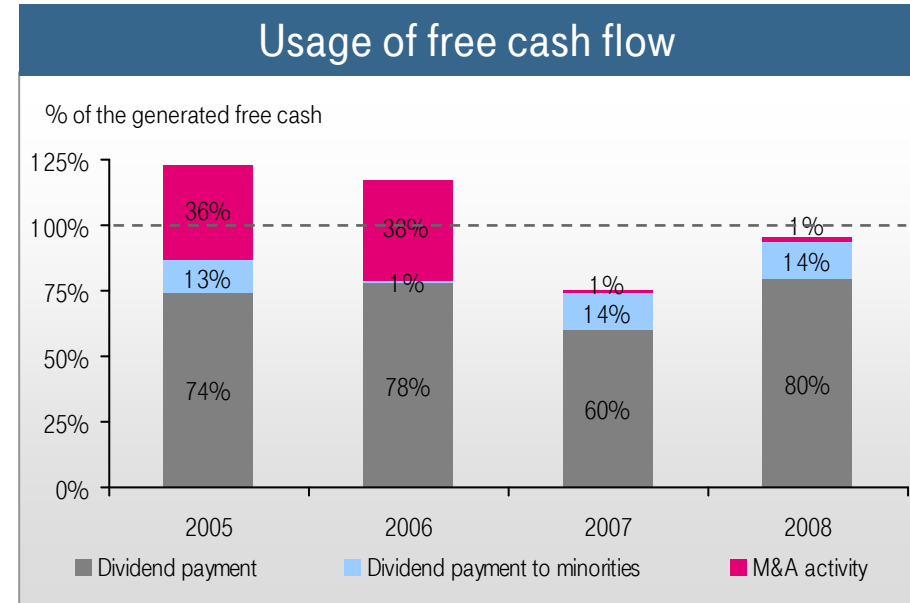
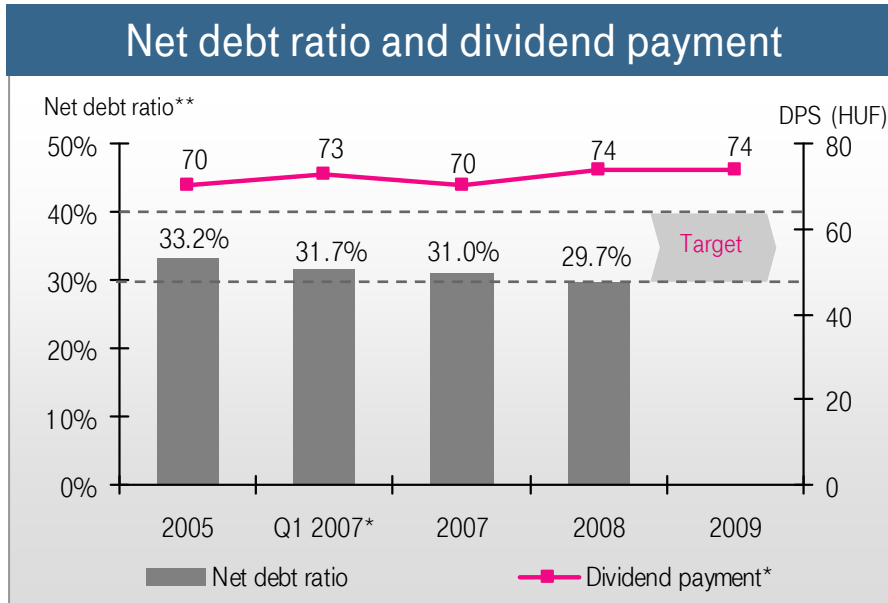
- flat total personnel expenses, despite wage increase
- focus on total labor cost – including contracted or rented employees as well as outsourcing and entrepreneurial contracts
- aim to maintain or even slightly decrease total labor costs in nominal terms over the coming years

Wage increase for parent company employees

- 5.5% from March 2008,
- 5.6% from April 2009

Dividend policy

Delivering value to shareholders



Dividend policy driven by targeted balance sheet structure

- keep net debt within 30-40% range
- maintaining a flexible balance sheet in case value-creating acquisition opportunities arise

Current dividend yield is 13%*

- cash flow per share after dividend payment to minorities was HUF 80 in 2008

* 2006 dividend payment (for 2005 financials) was delayed to January 2007

*yield calculation is based on the share price of HUF 549 (27 February 2009)

** net debt / (net debt + total equity)



Economic downturn

Impact on Magyar Telekom



Impacts	<ul style="list-style-type: none"> higher financing costs Impact of the weaker Forint: <ul style="list-style-type: none"> Net EBITDA effect (consolidation impact vs. OPEX pressure) is slightly positive Net cash flow impact is negative (EBITDA impact is offset by the pressure on CAPEX) 	<ul style="list-style-type: none"> higher churn rates and lower usage mainly in the residential segment SMB started to rationalize telecommunication spending (especially fixed line voice) slowing equipment sales
Opportunities	<ul style="list-style-type: none"> acquisition opportunities (low asset prices, companies facing financial difficulties) 	<ul style="list-style-type: none"> new orders through increased ICT (information and communication technology) and outsourcing activities in the corporate sector increased demand for competitive bundled offers (2Play/3Play)
Strengths	<ul style="list-style-type: none"> conservative capital structure average maturity of debt is 2.5 years ratio of FX loans is insignificant financing through Deutsche Telekom 	<ul style="list-style-type: none"> demand for telecommunication services is less sensitive to economic downturn well diversified IT and telecommunication services portfolio




Regulation in line with EU recommendations in all three countries

- Hungary: fully in line with the EU Regulatory Framework
- Macedonia: liberalization of fixed line market in progress, regulated mobile termination rates
- Montenegro: new telecommunication law adopted in 2008 – full liberalization expected in 2009 and 2010

	Hungary	Macedonia	Montenegro
Reference interconnection offer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reference unbundling offer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Wholesale line rental	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bitstream access	<input checked="" type="checkbox"/>	<input type="checkbox"/> *	<input type="checkbox"/>
Number portability (fixed and mobile)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Regulated mobile termination rates	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EU mobile voice roaming regulation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Expected regulation in Q2 2009 based on proposed draft by-law

Public targets for 2009 maintained

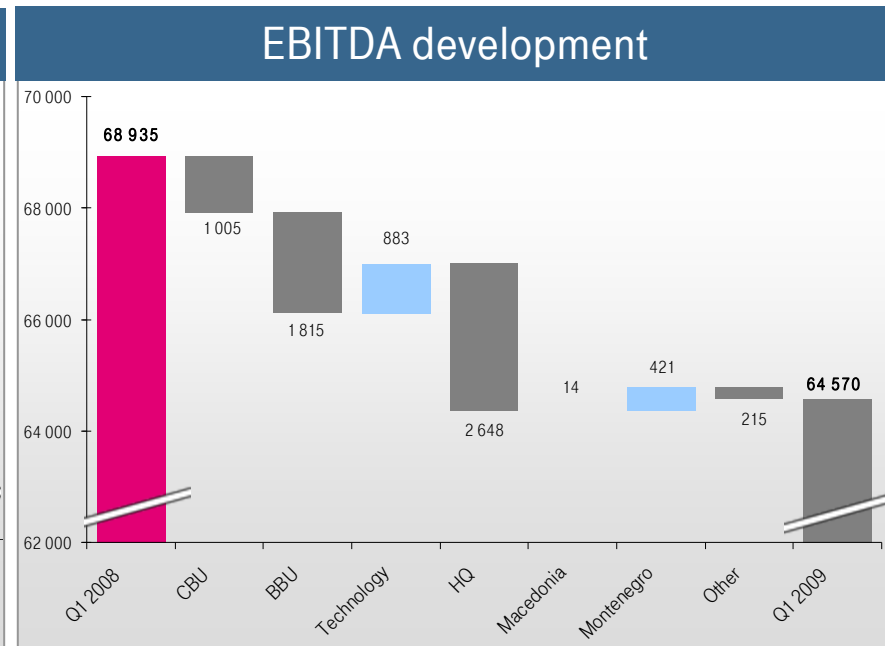
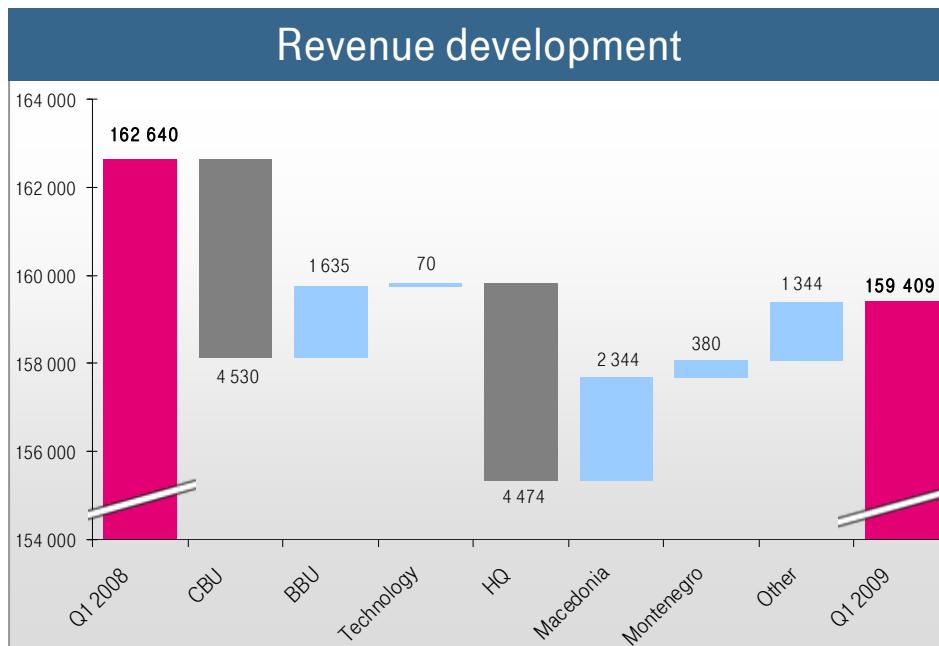
	2009 public targets	2009 Q1 results
 Revenue	<p>1% decline compared to 2008</p> <ul style="list-style-type: none">■ significant drop in disposable income expected as a result of recession■ intensifying competition■ strict regulation	<p>2% decline</p> <ul style="list-style-type: none">■ new initiatives (launch of satellite TV, fibre optic roll-out) aim to ensure FY target is met■ new, more competitive package structure with greater focus on bundling
 Underlying* EBITDA	<p>1-2% decline compared to 2008</p> <ul style="list-style-type: none">■ difficult macroeconomic environment■ increased competition in international mobile markets■ regulatory impacts	<p>5.6% decline</p> <ul style="list-style-type: none">■ cost cutting measures aim to ensure FY target is met■ plan to keep OPEX flat despite 4-5% annual inflation
 Capex**	<p>Capex: maintain 2008 level</p> <ul style="list-style-type: none">■ fibre-to-the-home roll-out■ increase BB coverage (fixed and mobile)■ develop new products and services	<p>55% increase</p> <ul style="list-style-type: none">■ higher Q1 spending due to the accelerated roll-out of fibre network and high demand for satellite TV■ only 19% of annual budget spent to date

*Excluding special influences

**Excluding the Macedonian 3G license fee of HUF 2.5bn and non-cash items totaling HUF 1.8bn in Q4 2008

First quarter 2009 results

Business Unit analysis



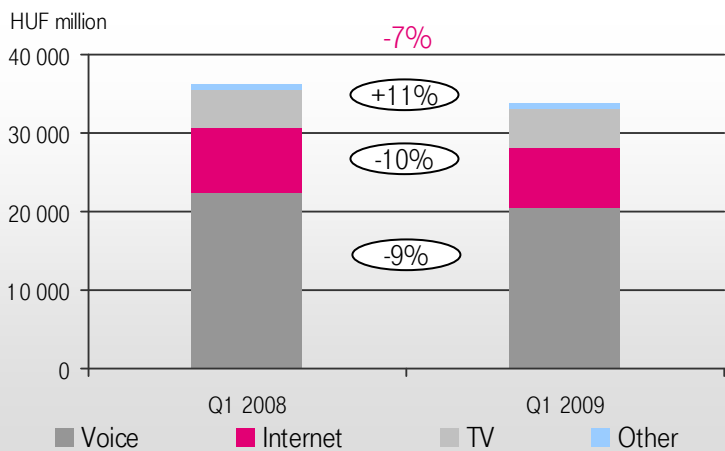
Revenue decline driven by competition and regulation

- CBU and HQ revenues declined primarily due to cable competition and mobile termination rate regulation
- BBU reached revenue growth thanks to higher SI/IT revenues
- international revenue increase mainly driven by the foreign exchange impact

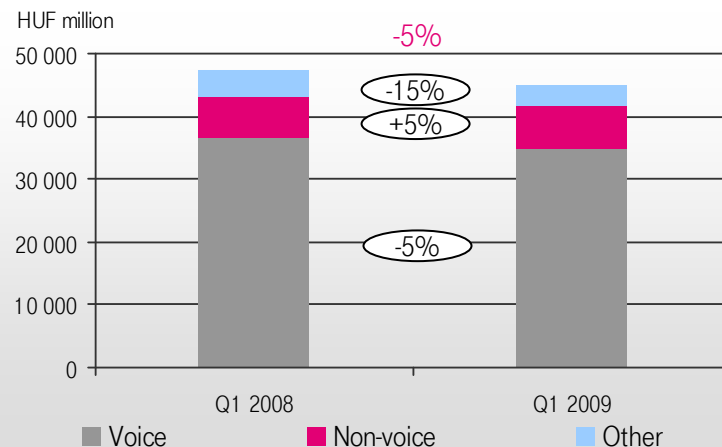
EBITDA under pressure due to change in revenue mix

- higher ratio SI/IT revenues with lower margin put pressure on EBITDA margin
- EBITDA was helped by the one-off Macedonian real estate sale in Q1 2008 (Montmak), which was offset by the positive FX impact on the consolidation of the Macedonian subsidiary in Q1 2009

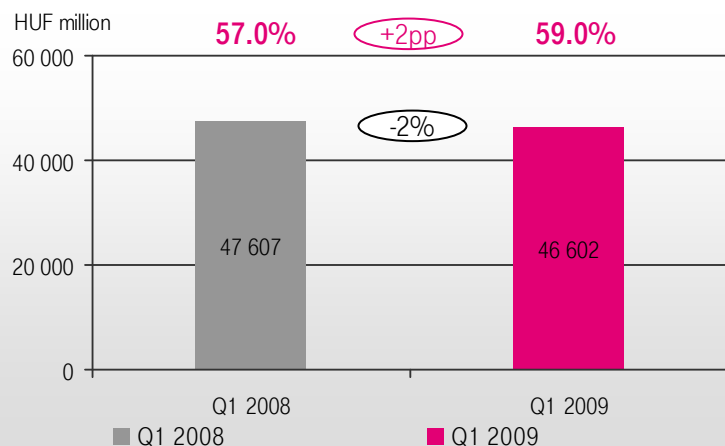
CBU Fixed line revenues



CBU Mobile revenues



CBU EBITDA and margin

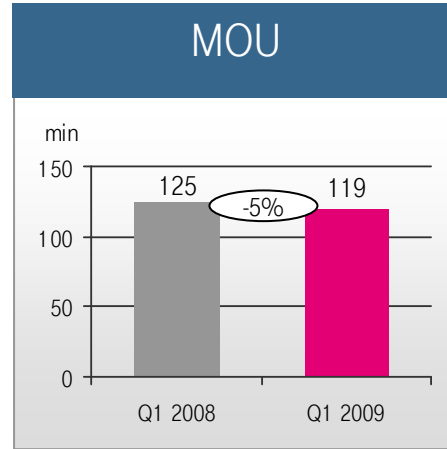
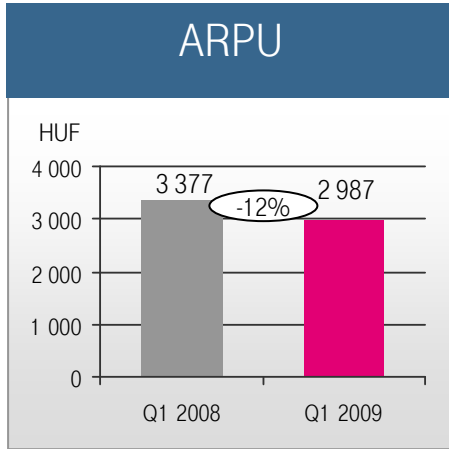


Revenue decline driven by competition and regulation

- fixed line revenues under pressure from cable operators and mobile substitution
- mobile revenues declined mainly due to cuts in mobile termination rates and roaming tariffs

Efficiency efforts seen in margin improvement

- cost cutting measures introduced
- mobile termination rate cuts also positively impact margin

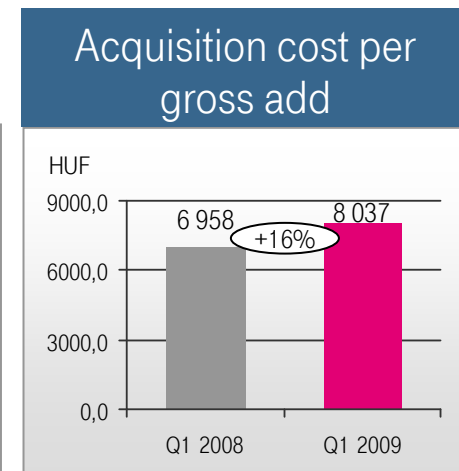
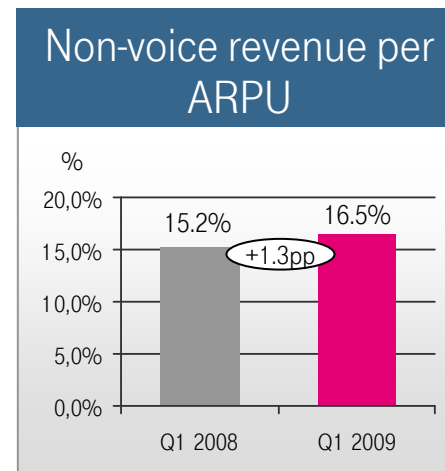
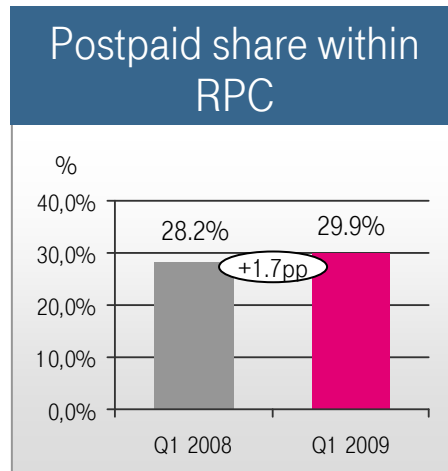
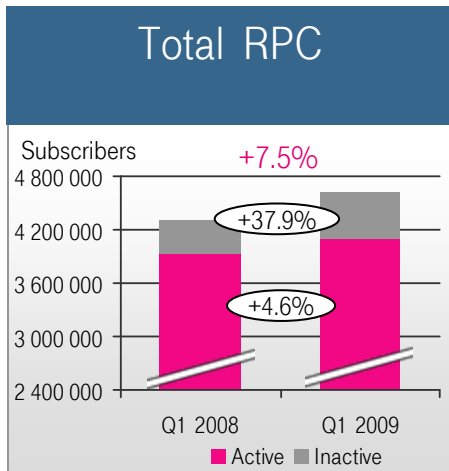


Continuing tariff decline

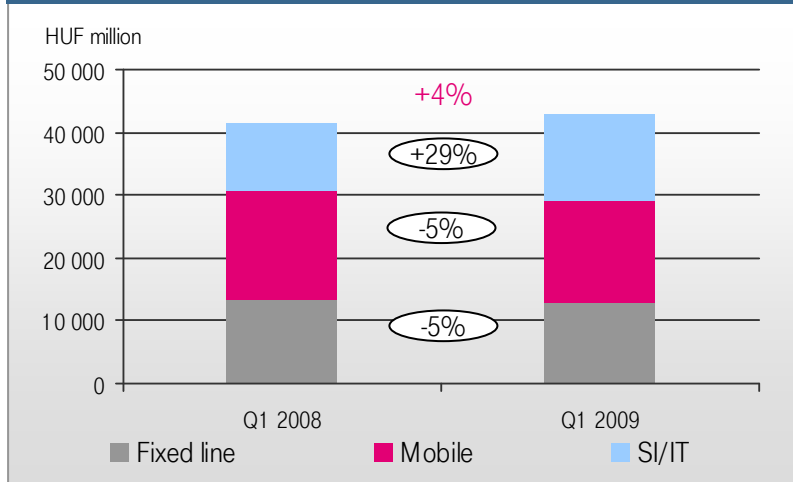
- average tariff levels declining due to extensive use of closed-user-group offers
- mobile termination rate cuts also negatively affect ARPU
- recessionary impact seen in declining MOU trend

Mobile internet development

- HSDPA network covering ~68% of population
- up to 7Mbps bandwidth
- number of mobile internet subscribers exceeded 280,000 at end of March 2008



BBU revenues



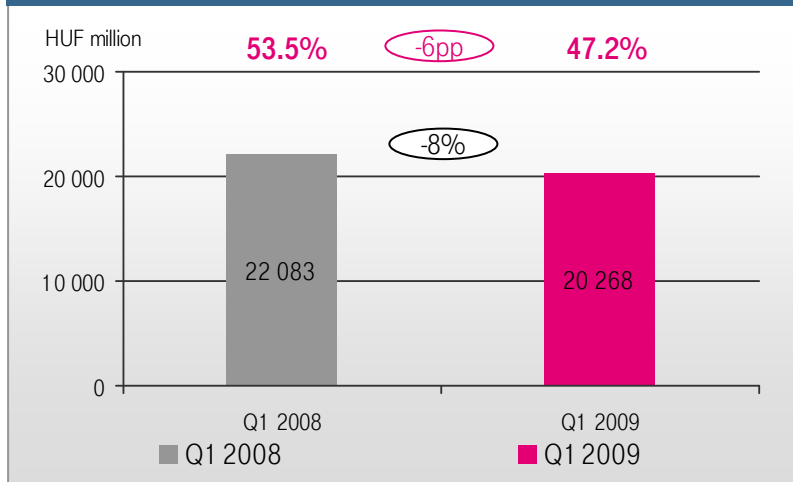
Revenue increase driven by focus on SI/IT services

- declining voice revenues due to intense competition from alternative service providers and declining mobile tariffs
- increasing contribution of low-margin SI/IT revenues

Leading position in the Hungarian SI/IT market

- full scale IT service portfolio offered through acquisitions of KFKI and T-Systems Hungary
- cross-selling opportunities through sales channels integrated with T-Mobile and T-Com
- new cost-efficient bundled products for our corporate customers

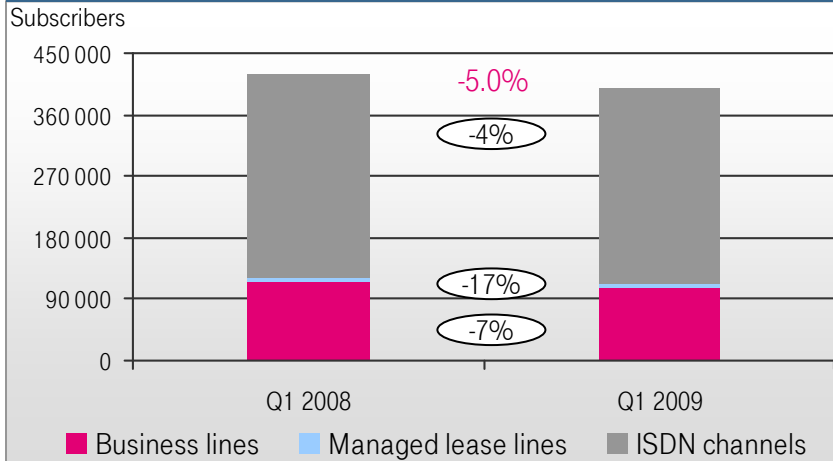
BBU EBITDA and margin



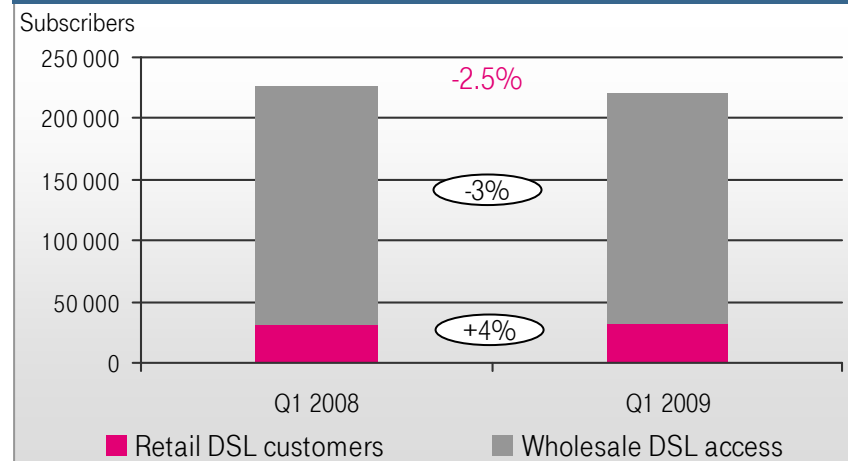
Change in revenue mix puts pressure on EBITDA margin

- although SI/IT revenues have lower EBITDA margin, due to their lower Capex-intensity, SI/IT services have similar return characteristics

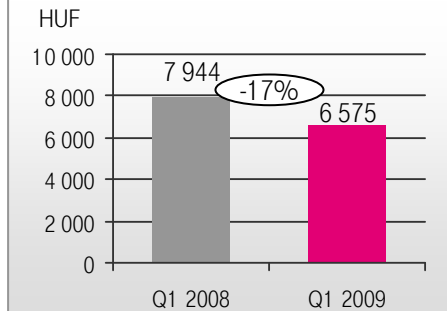
Fixed voice access



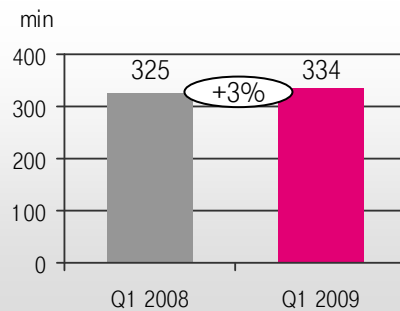
DSL customers



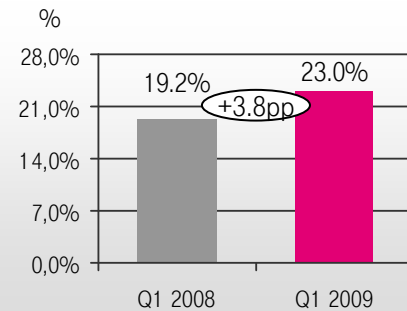
Mobile ARPU

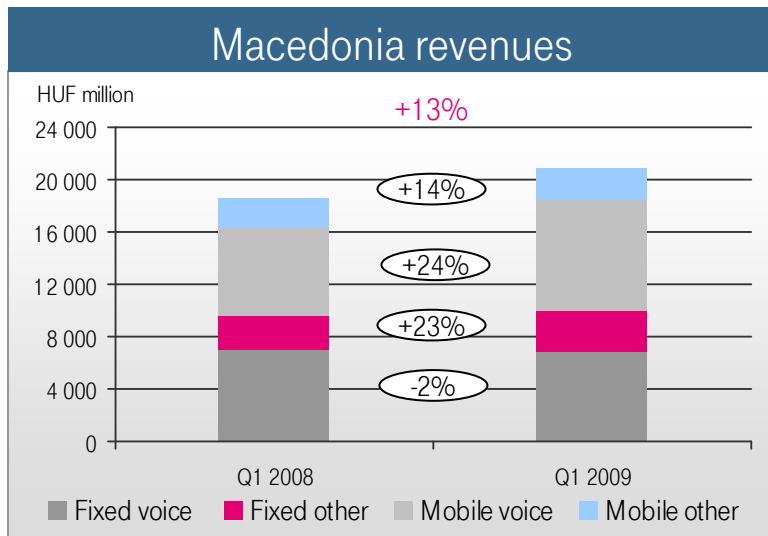


Mobile MOU



Non-voice revenue per ARPU



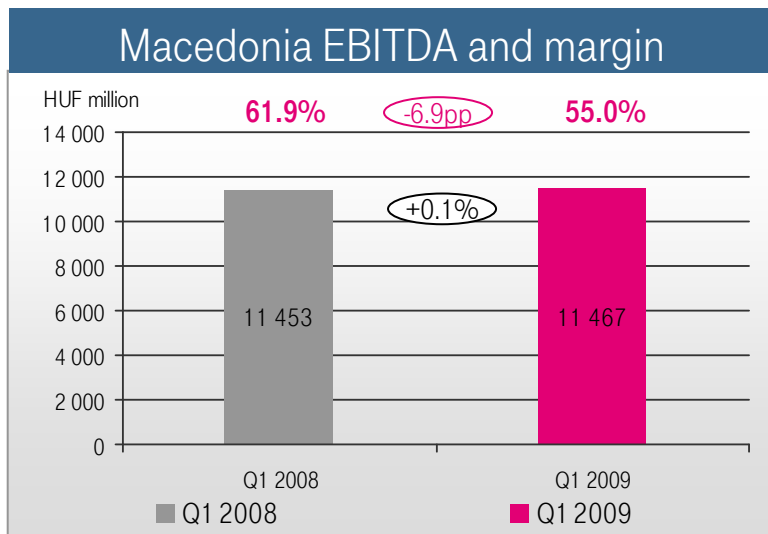


Limited top line growth opportunities

- strong mobile substitution, competition from altnets, cables and one mobile operator offering fixed line service
- decreasing fixed tariff levels
- financials supported by significant FX impact in Q1 2009

Booming internet revenues

- number of ADSL lines at 106,000 (up 58%)
- successful launch of IPTV and 2Play/3Play offers



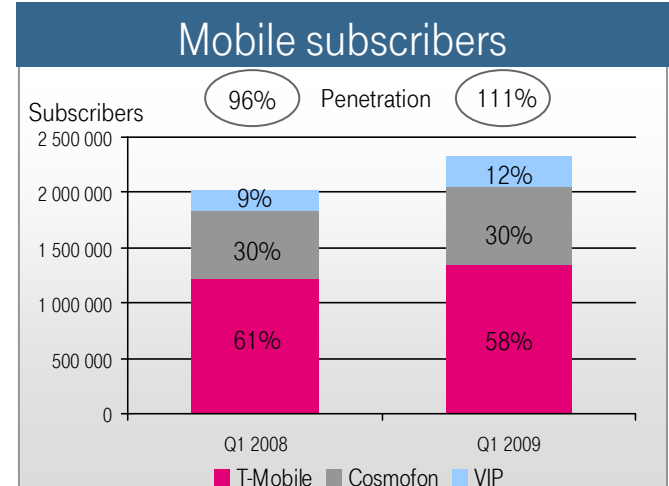
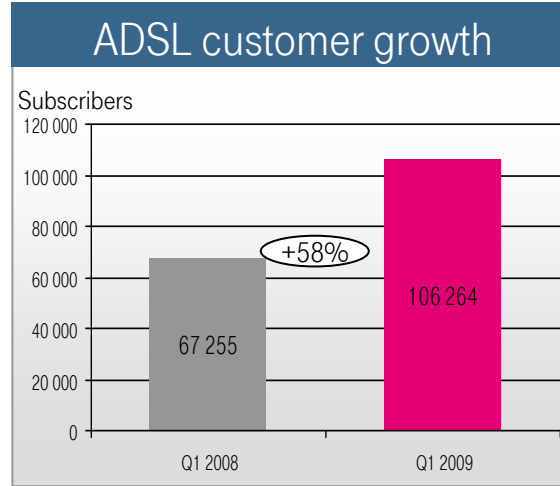
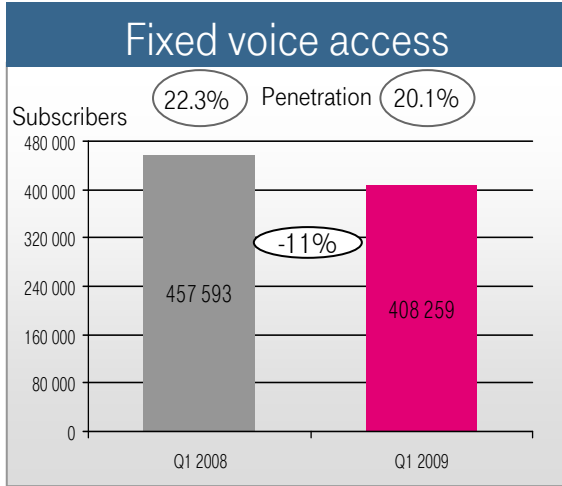
Increasing mobile revenues

- 3rd operator VIP (Telekom Austria) entered in September 2007
- 2nd operator, Cosmofon acquired by Telekom Slovenije
- focus on customer acquisition, 11% growth in customers
- MOU 90 (up by 6%)
- ARPU HUF 2,581 (~EUR 9)

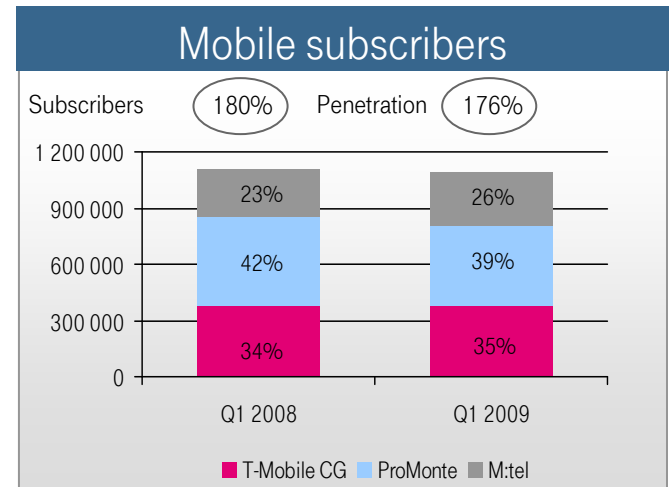
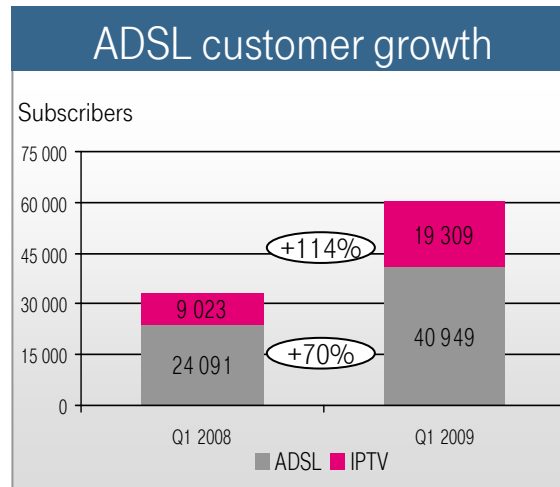
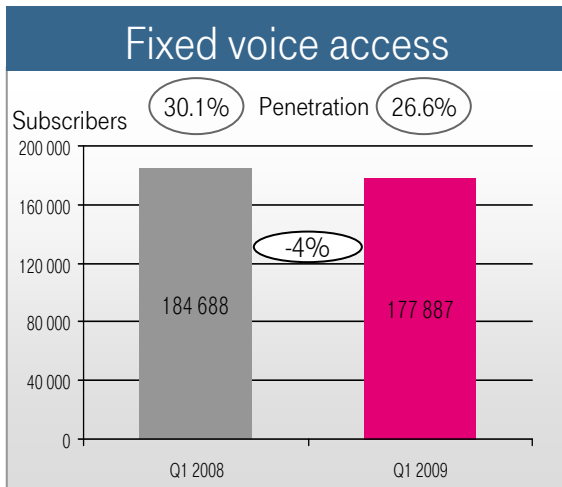
EBITDA margin dropped

- driven by the sale of Montmak real estate in Q1 2008

Macedonia



Montenegro



Data based on the active SIM cards published by the Montenegrin Telecom Agency

Thank you for your attention!

For further questions please contact the IR department:

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