

INVESTOR PRESENTATION

MAGYAR TELEKOM GROUP – JULY 2013



LIFE IS FOR SHARING.

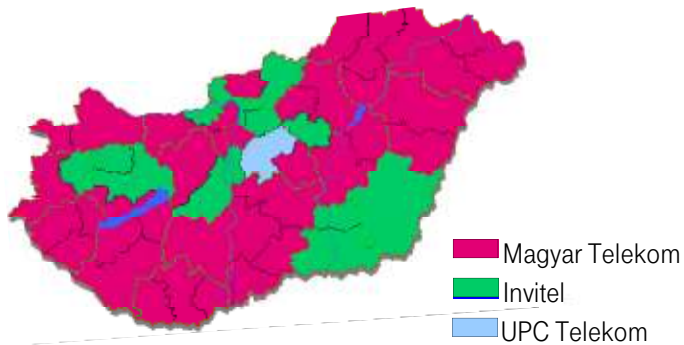
STRATEGY, OUTLOOK AND GUIDANCE

OVERVIEW – MAGYAR TELEKOM GROUP AT A GLANCE

International presence



Incumbents in Hungary



Overview

Leading telecommunications operator in Hungary, Macedonia and Montenegro

Majority owned by Deutsche Telekom (59.2%)

EUR 1.2 bn market capitalization as at July 2013

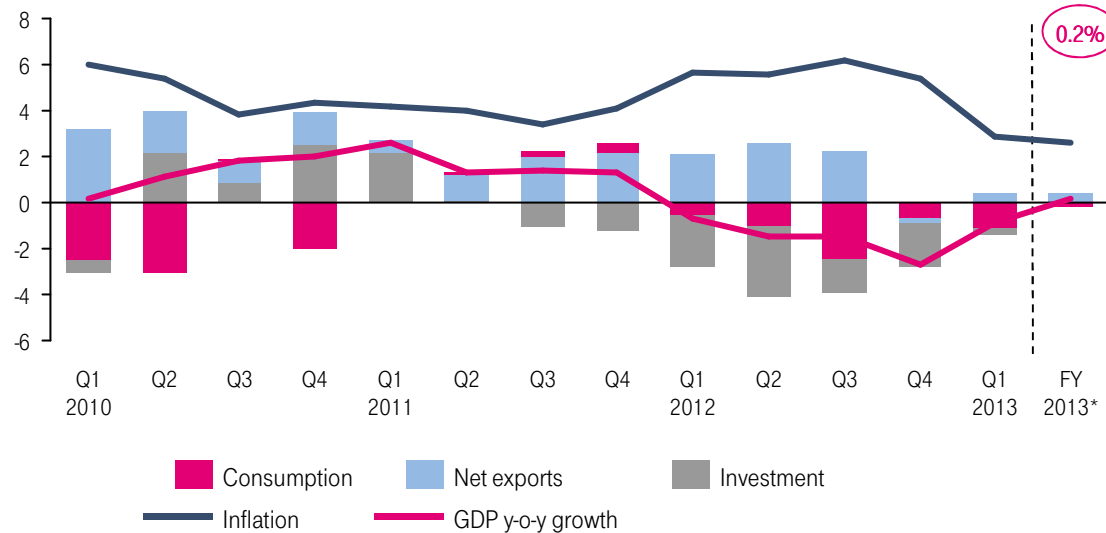
Stock exchange listings

- primary listing on the Budapest Stock Exchange
- Level I ADR program, ADSs traded on the OTC Market

HUNGARIAN ECONOMIC ENVIRONMENT

Growth structure and wages

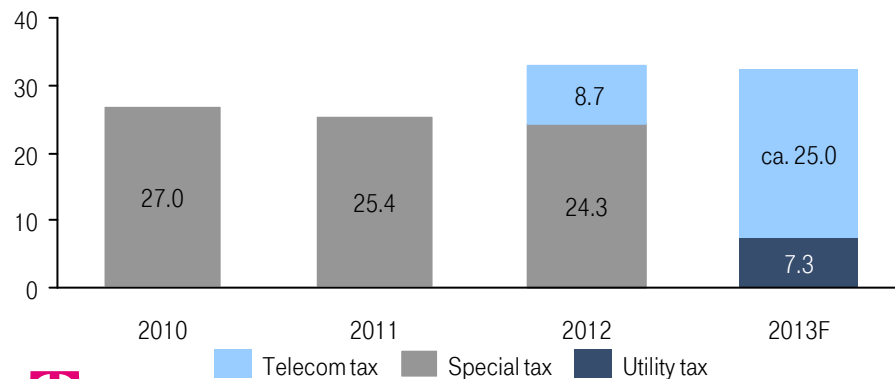
Contribution to
GDP growth (%)



* European Commission May 2013 forecast

Additional taxes levied on Magyar Telekom

HUF bn



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Economic challenges

Continued deleveraging keeps internal demand low

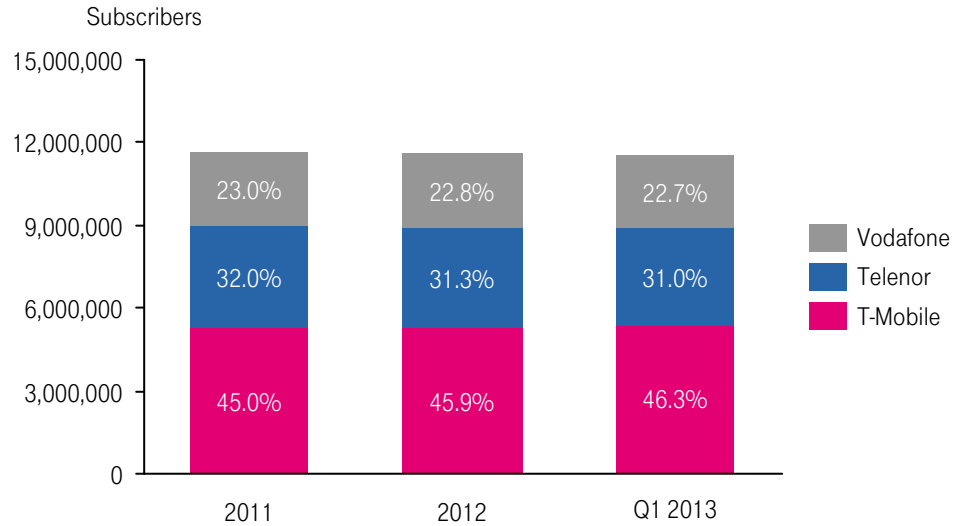
- GDP performance dependent on export dynamics
- continued decline in household spending due to the weakening HUF and high unemployment has put pressure on consumption
- MT financials strongly correlated with trends in domestic demand

Tax burdens introduced to reduce budget deficit

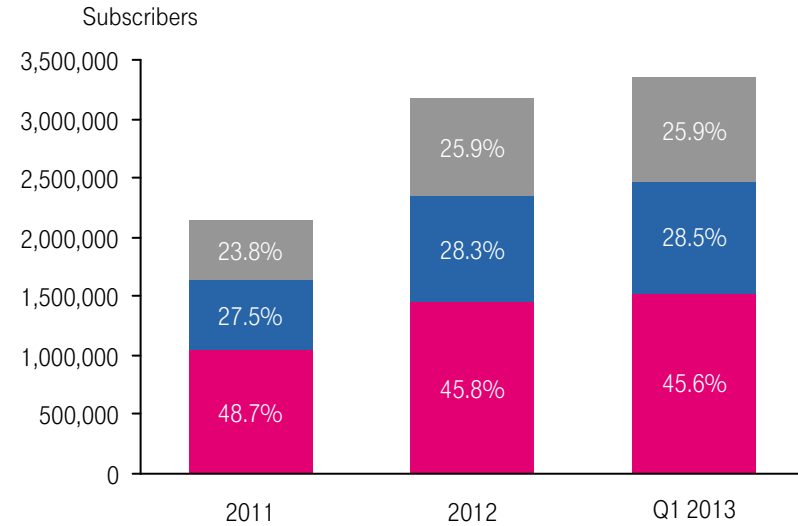
- special, revenue-based sector tax levied on a temporary basis between 2010-2012
- traffic-based permanent telecom tax introduced from July 2012 and increased from August 2013
- permanent tax on utility and telecom networks levied from 2013

MARKET POSITIONS ON THE HUNGARIAN TELECOMMUNICATION MARKET

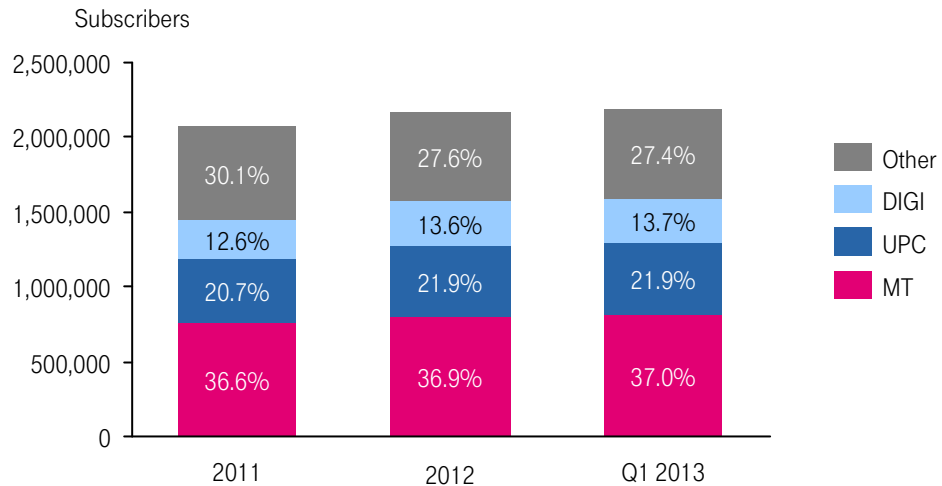
Mobile voice market shares (based on total SIMs)



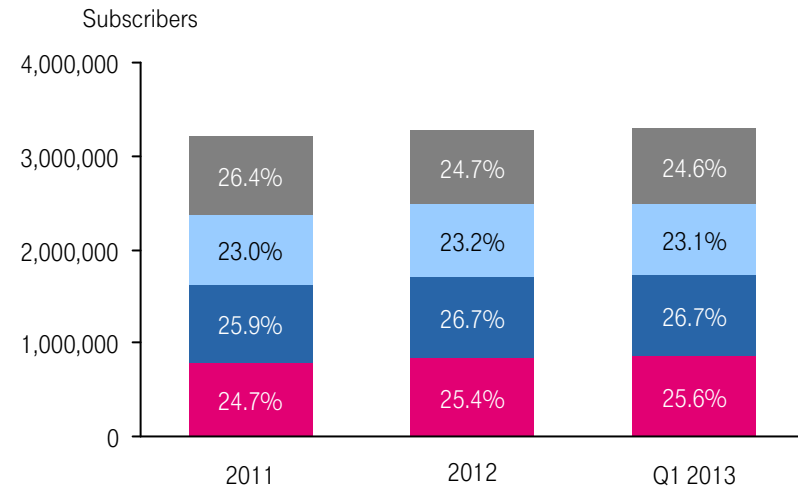
Mobile broadband market shares (based on total SIMs)



Fixed broadband market shares*



TV market shares*

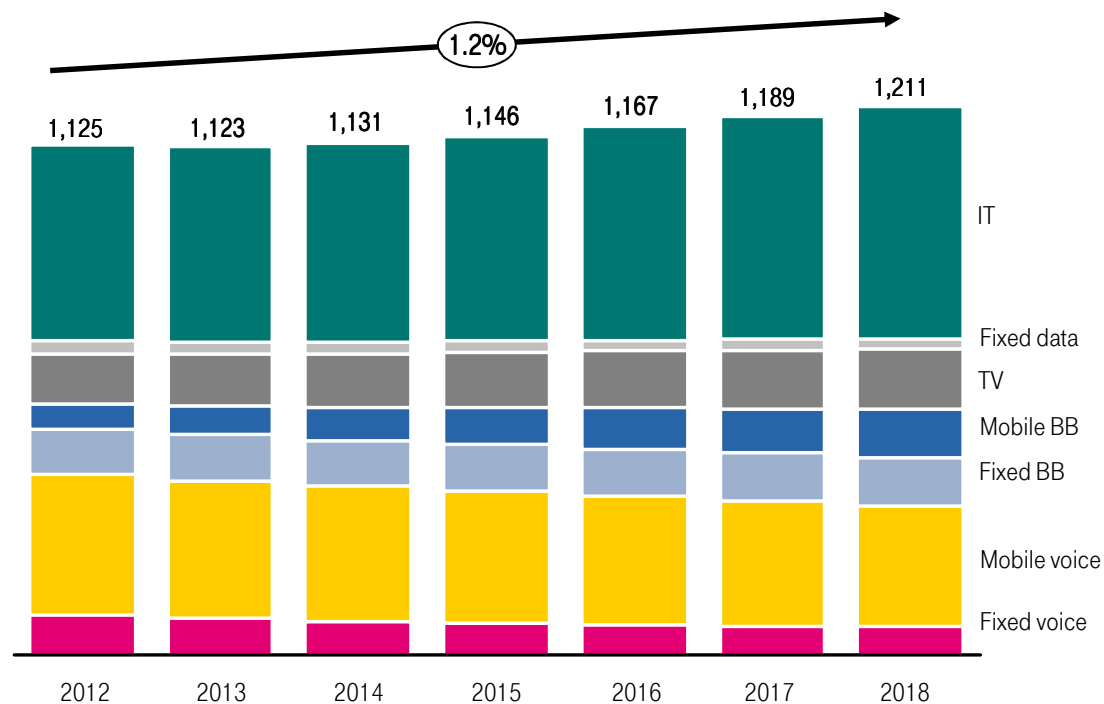


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*based on the total fixed BB/TV market estimated by the National Media and Infocommunications Authority

HUNGARIAN ICT REVENUE TRENDS

Hungarian ICT market development (HUF bn)



Source: Magyar Telekom and IDC estimates, April-2013

ICT market

Hungarian ICT market is expected to expand moderately

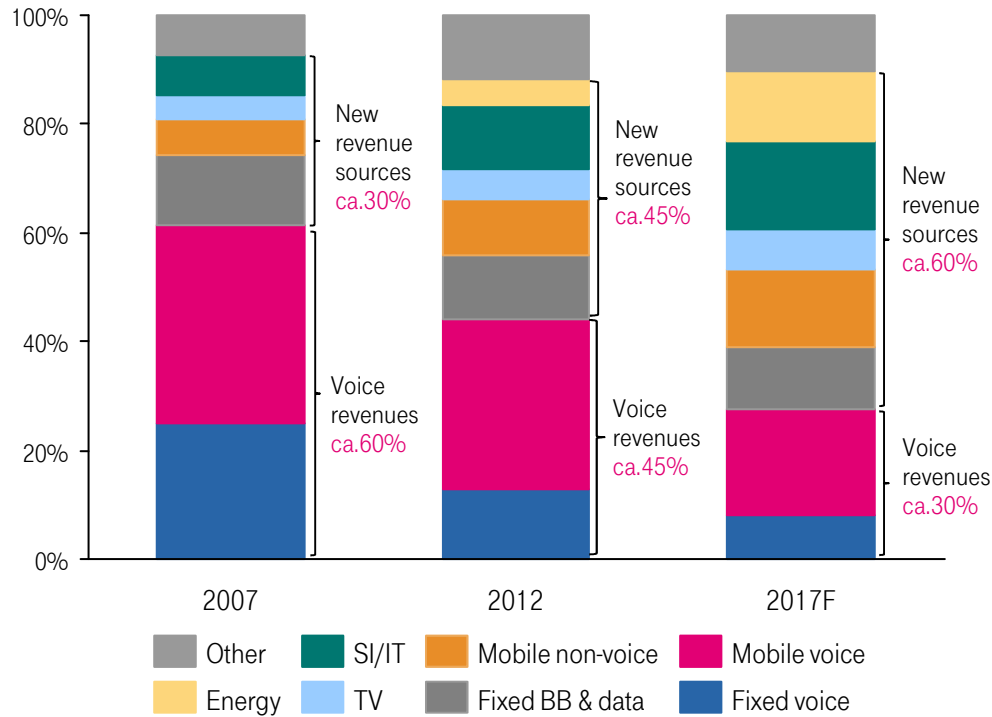
- CAGR of ca. 1% expected between 2012 and 2018
- growth to be mainly driven by mobile broadband and IT services
- continued decline in traditional voice revenues

Magyar Telekom's revenue market share

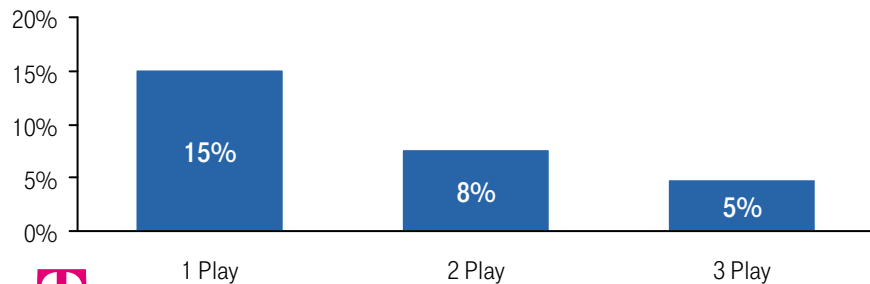
- Magyar Telekom has a blended market share of 46% in the retail telco market in Hungary
- supported by 17% market share in the IT service market

MAGYAR TELEKOM'S REVENUE MIX

Transformation of Magyar Telekom's Hungarian revenue mix



Average annual churn level



Revenue turnaround

Significant revenue potential from non-core activities

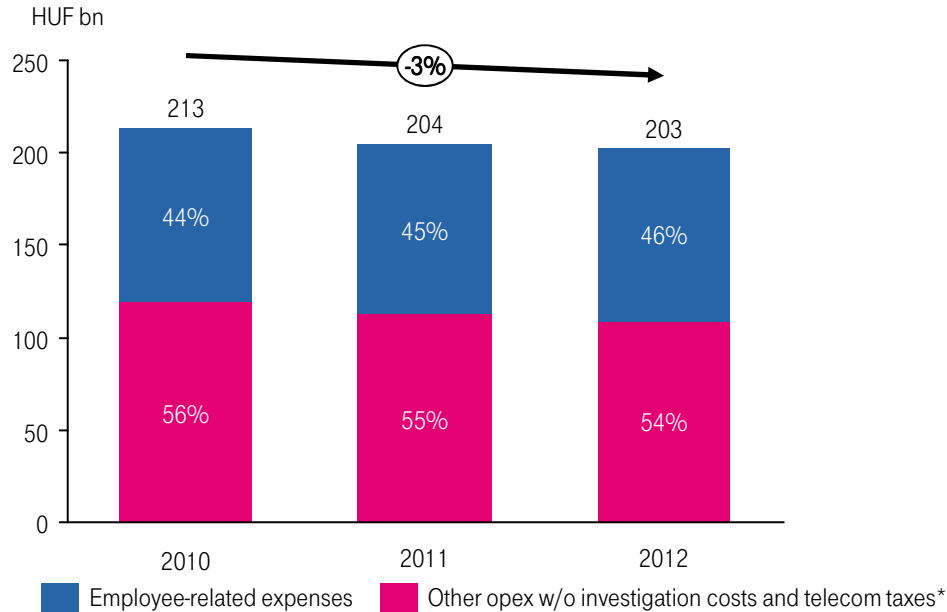
- revenues from new services expected to surpass traditional voice revenues within the next few years
- demand for our energy service exceeding expectations
- strong growth in equipment sales revenues
- further new services to be launched

Non-core activities positively effect retention

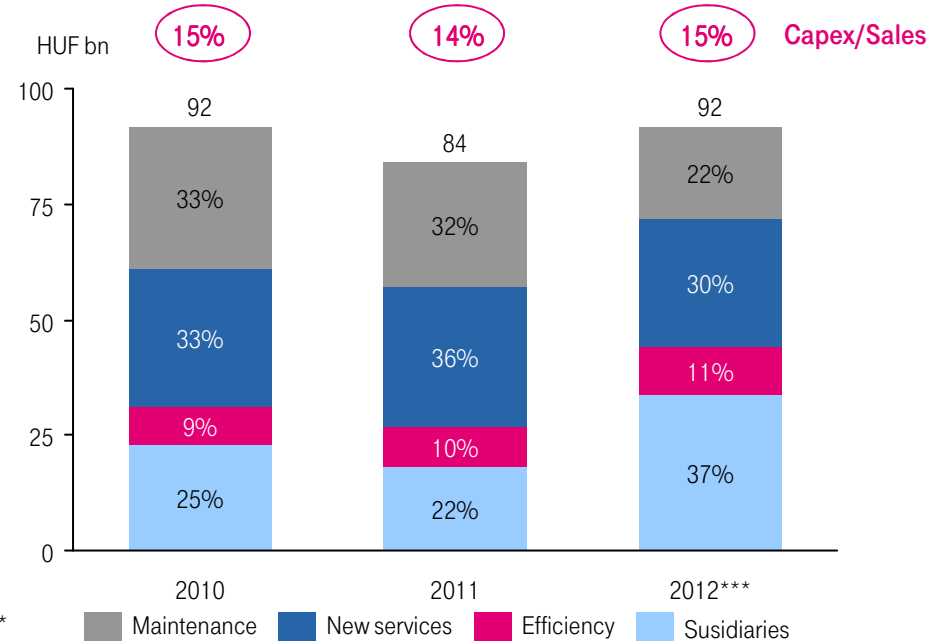
- 85% of TV customers are 2Play or 3Play package subscribers
- fixed churn decreases further with energy contracts
- 45% of energy customers have 3Play package

OPEX AND CAPEX DEVELOPMENTS

Cost structure



Capex structure



Continuous savings

- TWM (Total Workforce Management) savings**:
 - HUF 3.4 bn in 2012 compared to 2010
 - HUF 5.8 bn in 2013 compared to 2011
- cost efficiency improvements reflected in the decline in other operating expenses

*including bad debt expenses (reclassified as direct expense from 2011)

**technical changes in the TWM cost structure distort comparability

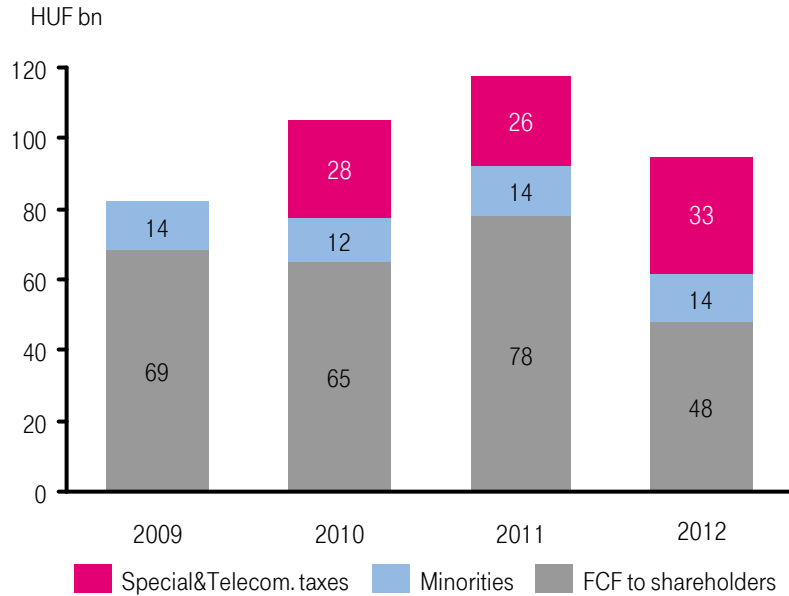
Efficiency measures dominate Capex spending

- major part of Capex is spent on network modernization
- internal efficiency projects were accelerated
- HUF 10.7 bn to be paid for a new Macedonian headquarter in 6 annual installments (accounted for as book Capex in 2012)

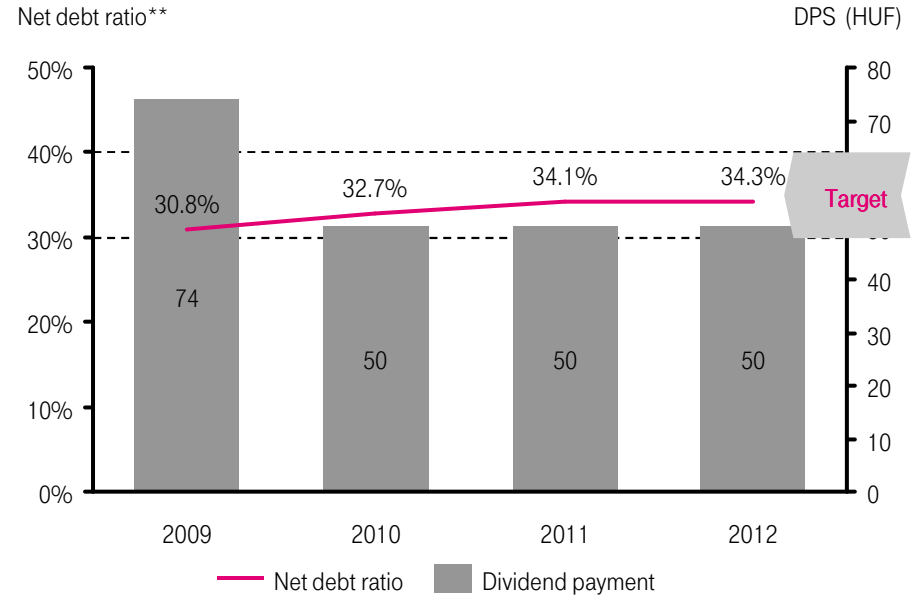
***excluding spectrum license fee

FREE CASH FLOW AND DIVIDENDS

Free cash flow* generation



Dividend payment



Free cash flow generation

- FCF declined in 2012 due to a number of exceptional costs:
 - spectrum acquisition (HUF 10.9 bn)
 - DOJ/SEC settlement (HUF 22.1 bn)
 - new telecom tax introduced in July 2012 (HUF 8.7 bn)
- partially mitigated by proceeds from Pro-M sale (HUF 20 bn)

*defined as Operating CF + Investing CF adjusted for proceeds from/payments for other financial assets

Dividend policy

- in order to maintain an efficient capital structure, we have a net debt ratio target of 30-40%
- 12% dividend yield based on the share price of HUF 407 at February 28, 2013)

**defined as net debt / total capital

PUBLIC TARGETS FOR 2013 AND Q1 RESULTS

Revenue

2013 targets

approximately flat

- pressure on real disposable income to lead to a further decline in household consumption
- spending power in the business sector is expected to remain limited
- higher energy and equipment sale revenues

Q1 2013 results

+6.8%

- strong contribution from energy services due to heating season
- higher revenues from SI/IT and fixed and mobile equipment sales
- positive impact of price increases in H2 2012

EBITDA

**changed from 4-7% decline*

9-12% decline*

- changing revenue mix with increasing proportion of sales made up by lower margin services
- negative direct margin on energy service due to cut in the regulated prices
- aggressive price competition in Macedonia

-24.3%

- booking the full annual utility tax of HUF 7.3bn
- EBITDA decline w/o utility tax is 10.1%

CAPEX**

***excluding spectrum license fee*

ca. 5% decline

- network modernization, LTE roll-out
- internal efficiency programs

+29.4%

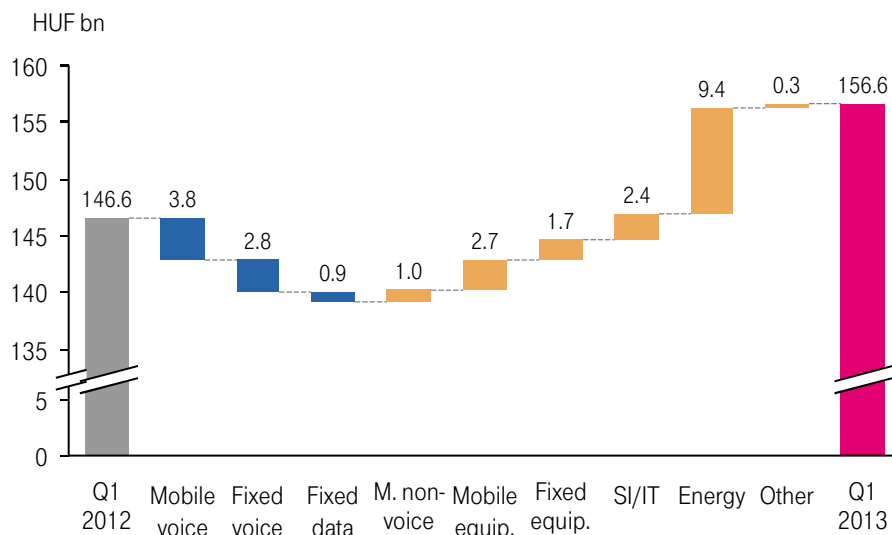
- launch of the new CRM system in April
- different within-year dynamics



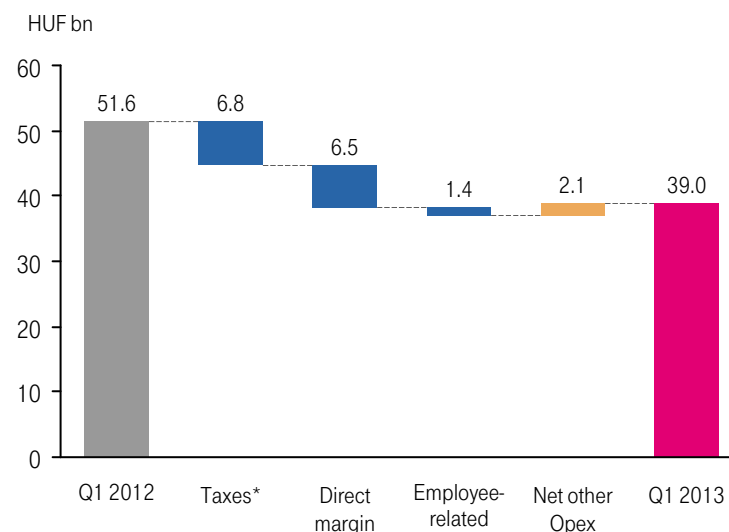
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Q1 2013 GROUP RESULTS – REVENUES AND EBITDA

Group revenues



Group EBITDA



Revenue development

Group revenues up by 6.8% y-o-y

- strong contribution from energy service revenues
- increase in contribution from mobile internet revenues and smartphone sales
- higher fixed equipment revenues thanks to the success of TV set and tablet sales
- fixed and mobile voice revenue decline reflect depressed household consumption and MTR cuts
- decrease in fixed data revenues primarily due to public sector insourcing

EBITDA development

EBITDA down 24.3% y-o-y

- HUF 7.3 billion accounted in relation to the utility tax
- further erosion of traditional voice and data revenues
- negative margin of energy services due to the 10% cut in regulated energy prices effective from January
- lower direct margin contribution of equipment sales and SI/IT
- cost cutting measures partly mitigate margin erosion



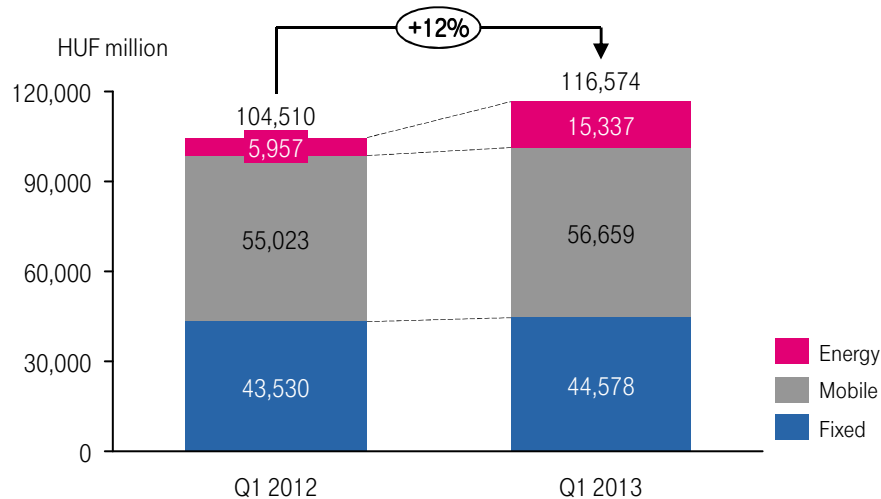
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*special, telecom and utility taxes

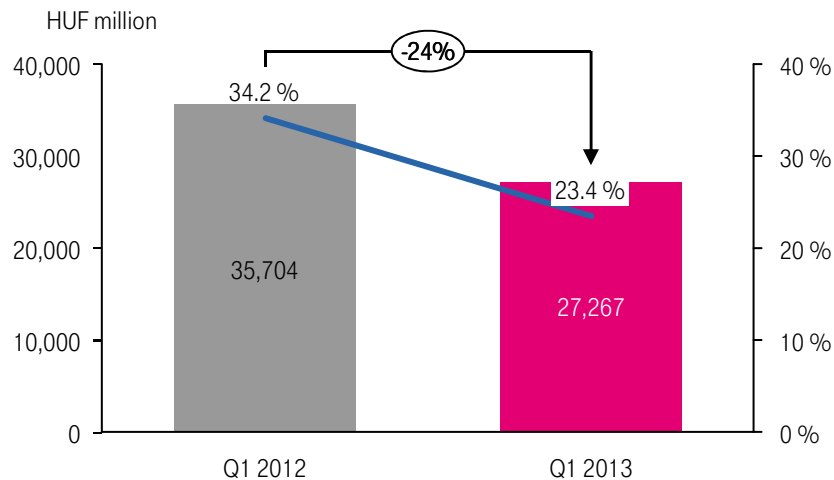
Q1 2013 RESULTS

TELEKOM HUNGARY – FINANCIAL PERFORMANCE

Telekom Hungary revenues



EBITDA and margin



Telekom Hungary

Fixed line revenues up by 2%

- higher revenues from equipment sales and TV services compensating for voice revenue erosion

Mobile revenues increased by 3%

- higher non-voice and equipment revenues offset the decreasing tariffs and MTR rates

significantly higher energy retail revenues

- increasing number of PODs

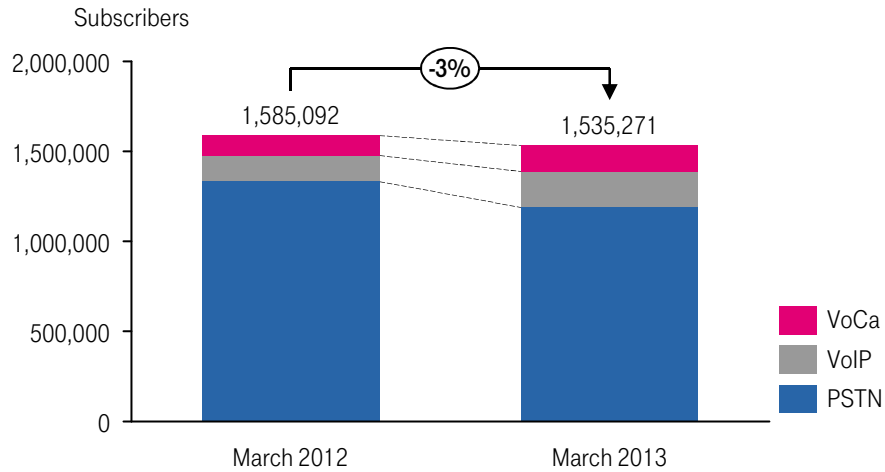
Decrease in EBITDA of 24%

- booking of HUF 6.8bn of utility tax, w/o that EBITDA decline is 5%
- energy service has negative EBITDA margin due to the 10% cut in regulated prices
- cost savings in other opex and employee related expenses

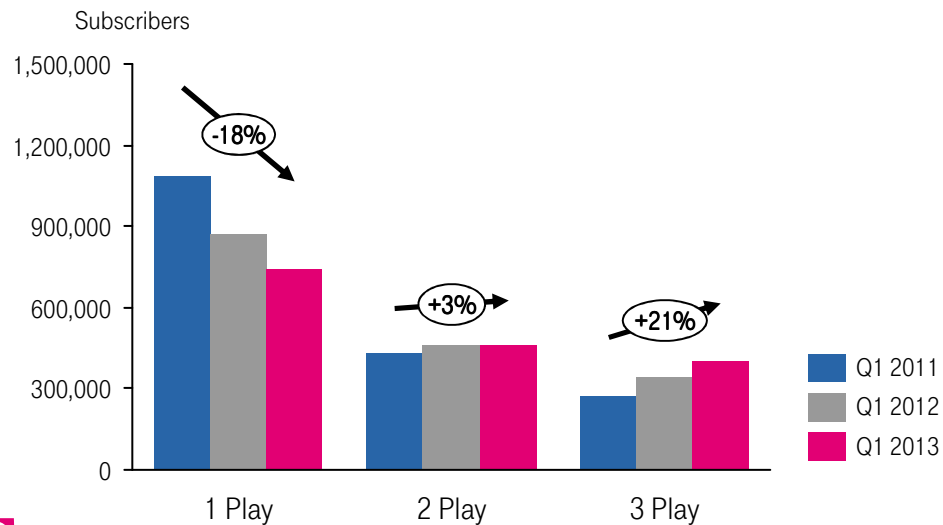
HUNGARY – FIXED VOICE MARKET



Telekom Hungary fixed voice subscribers



Multi-Play developments



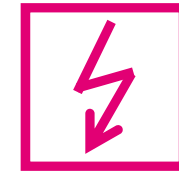
Market trends

- significant **reduction in fixed voice churn** due to the retention benefit of:
 - **Hoppá** package
 - **2Play/3Play offers**
 - retail **energy bundling**
- decline in **1Play** customer base to **46%**

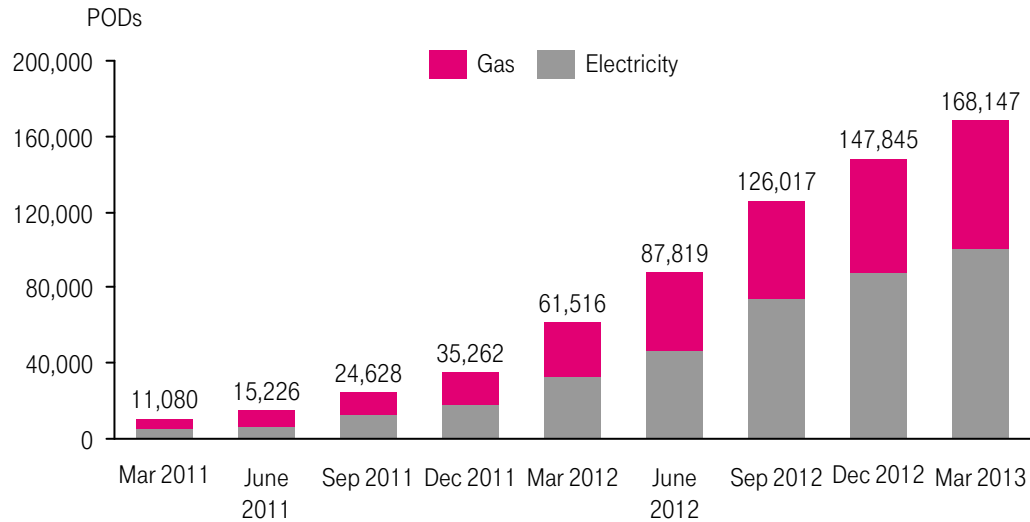
KPIs (changes Q1-o-Q1)

- ARPU: HUF 2,792 (-5%)
- Fixed MOU: 196 (+3%)

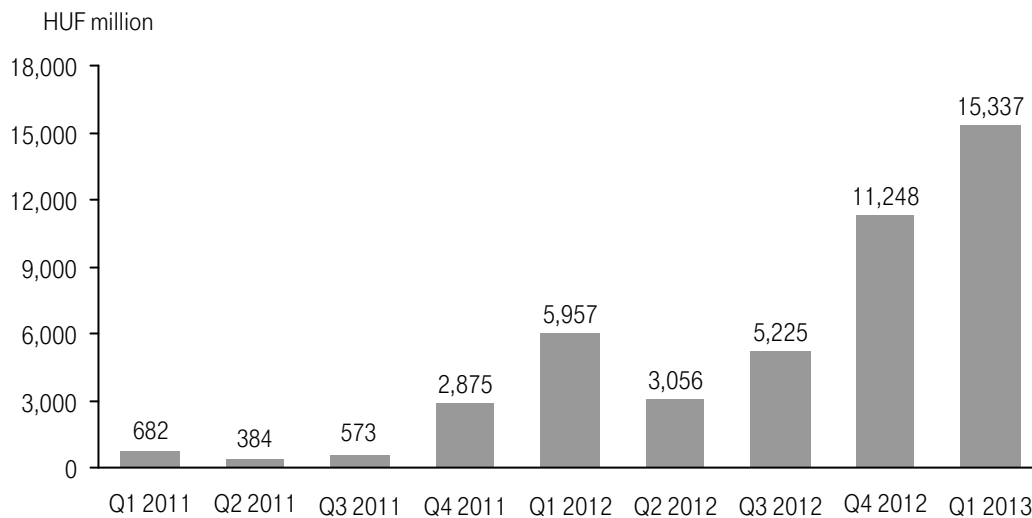
HUNGARY – ENERGY RETAIL



Gas and electricity points of delivery (POD)



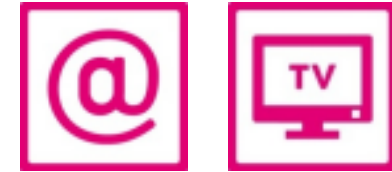
Revenue performance



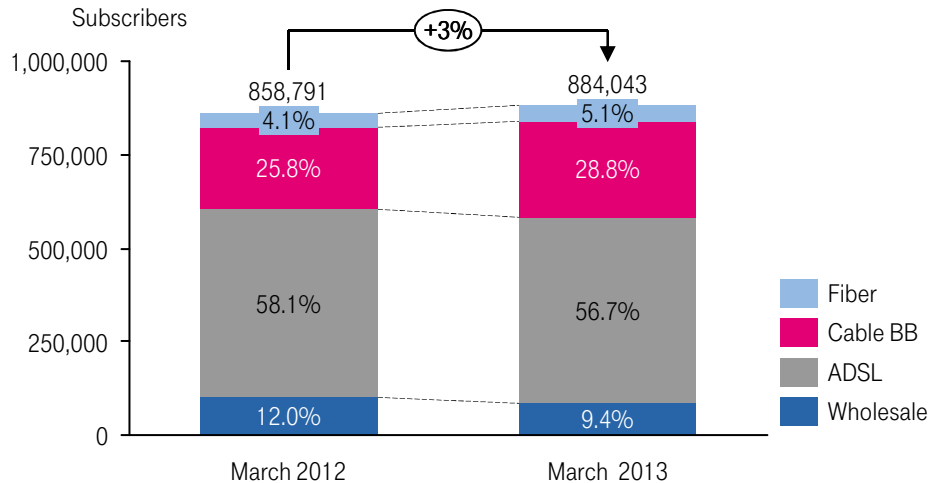
Market trends

- soft launch in 2010, **nationwide from April 2012**
- customers receive **discounts of 3-8%** on their energy bill depending on the number of fixed line services they subscribe to
- **retention impact** is significant: fixed churn decreases further with energy contract
- success of the retail energy business demonstrated by a significant increase in the number of **energy delivery points**
- 45% of energy customers subscribe to a 3Play package
- energy market is strongly **seasonal**

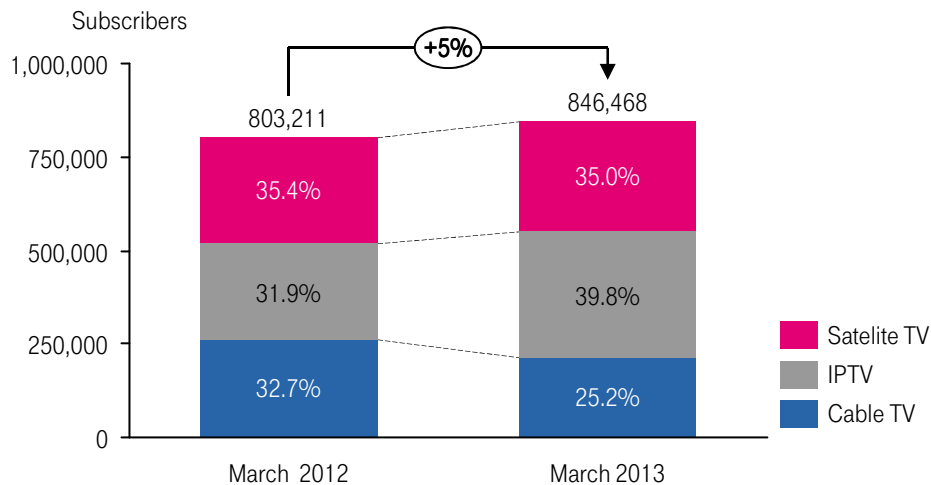
HUNGARY – FIXED BROADBAND AND TV MARKET



T-Home fixed broadband subscriber breakdown



T-Home TV subscriber breakdown



Market trends

- broadband market **growth driven by cable and fiber**, while ADSL is slightly decreasing
- internet service portfolio restructured to **support fixed broadband market share**
- TV ARPU supported by increasing ratio of **interactive IPTV customers**
- significant **migration from cable to IPTV**
- **3Play offers** from HUF 7,640/month (EUR 26)

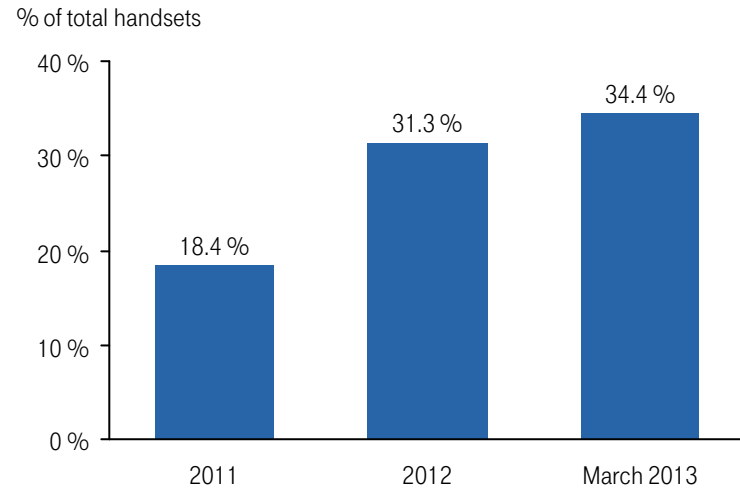
KPIs (changes Q1-o-Q1)

- Broadband ARPU: HUF 3,702 (-4%)
- TV ARPU: HUF 3,073 (+0.4%)

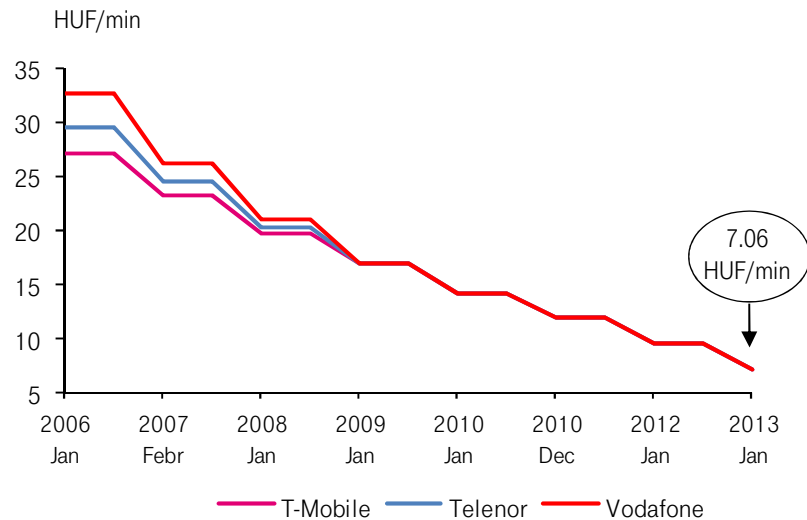
HUNGARY – MOBILE MARKET



T-Mobile smartphone penetration



Mobile termination rate cuts



Market trends

- **improving customer mix:** y-o-y increase in postpaid ratio to 47% from 46%
- **smartphone sales reached 68%**
- broadband subscription **attach rate at ca. 83%**
- full **LTE coverage** in Budapest and 65 additional towns in Hungary
- **MTR cut:** 25% from Jan 2013 to 2.4 eurocents

KPIs (changes Q1-o-Q1)

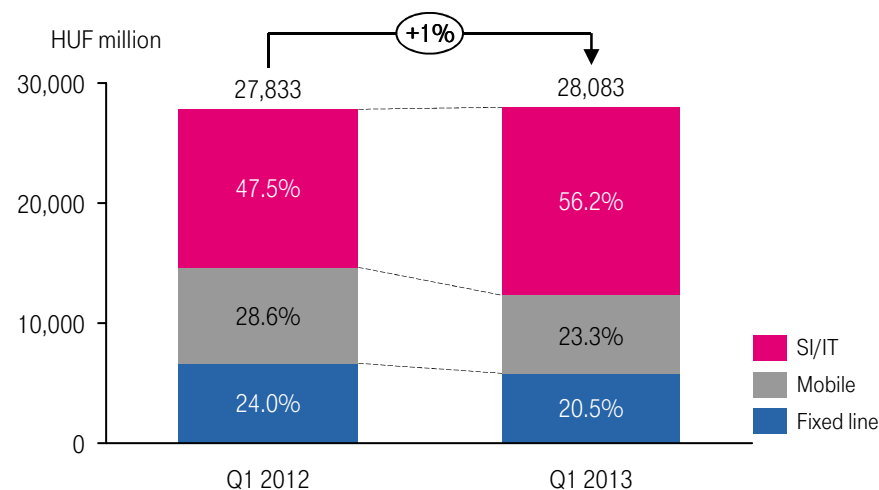
- ARPU: HUF 3,245 (-3%)
- Mobile MOU: 156 (-2%)
- SAC/gross add: HUF 5,755 (+3%)
- SRC/retained customer: HUF 13,714 (+1%)
- VAS within ARPU: HUF 827 (+6%)



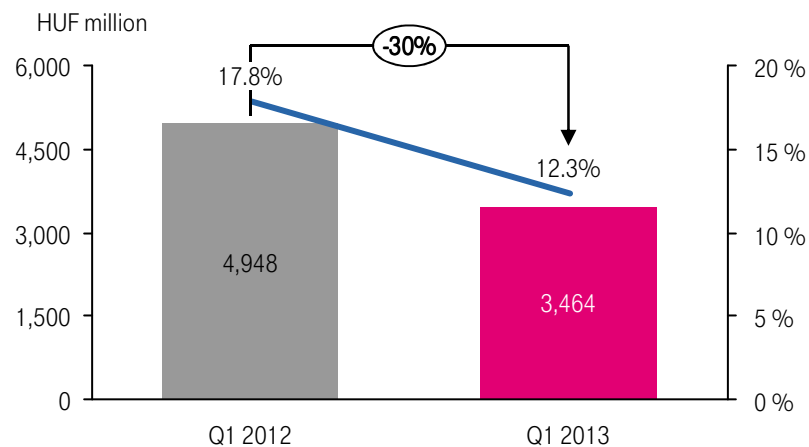
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T-SYSTEMS HUNGARY – FINANCIAL PERFORMANCE

Revenues



EBITDA and margin



T-Systems Hungary

Falling voice and data revenues

- lower usage on fixed voice and data networks
- continued pressure on tariff levels

19% increase in SI/IT revenues

- higher amount of infrastructure and application projects
- leading market position with 16% market share

EBITDA margin declined by 5 ppt

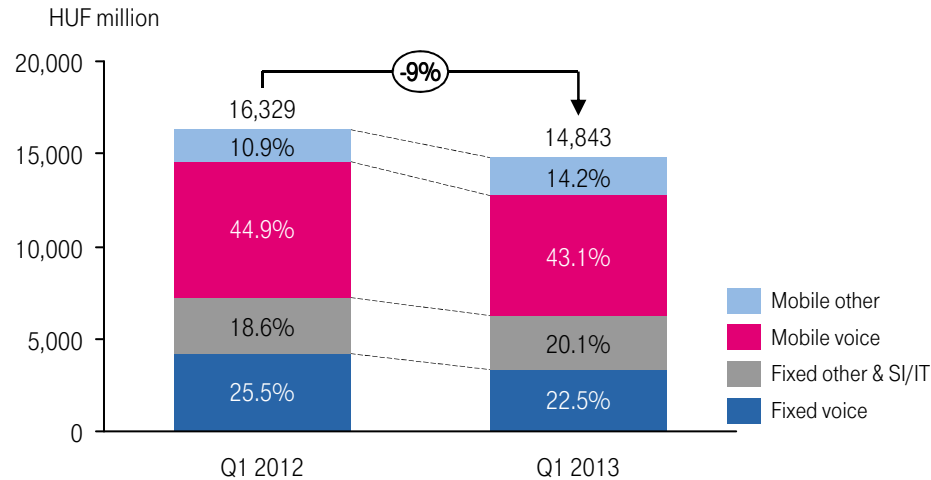
- booking of HUF 0.5bn utility tax, w/o that EBITDA decline was 17%
- decline of the higher margin telecommunication revenues
- shift in SI/IT to lower margin projects



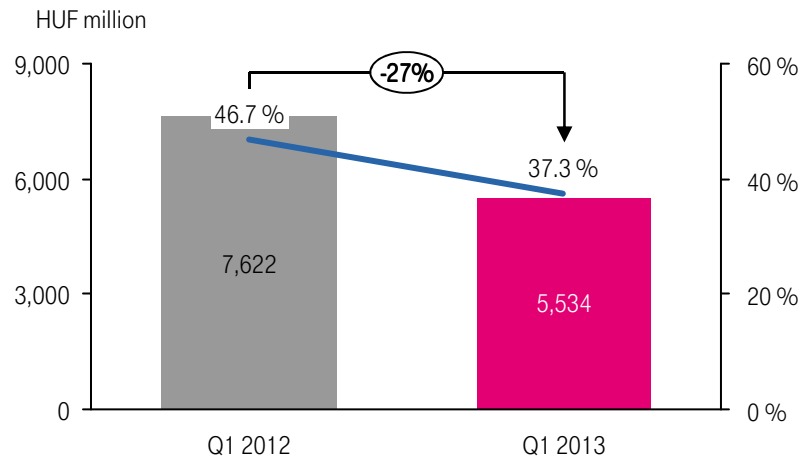
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MACEDONIA – FINANCIAL PERFORMANCE

Revenues



EBITDA and margin



Macedonia

Mobile revenues under pressure

- strong price competition
- MOU up due to increasing volume of bundled minutes
- #1 position maintained with 48% market share

Fixed voice hit primarily by cable competition

- restructured service portfolio featuring attractively priced bundled offers

EBITDA reflects severe price pressure in both fixed and mobile business

KPIs (changes Q1-o-Q1)

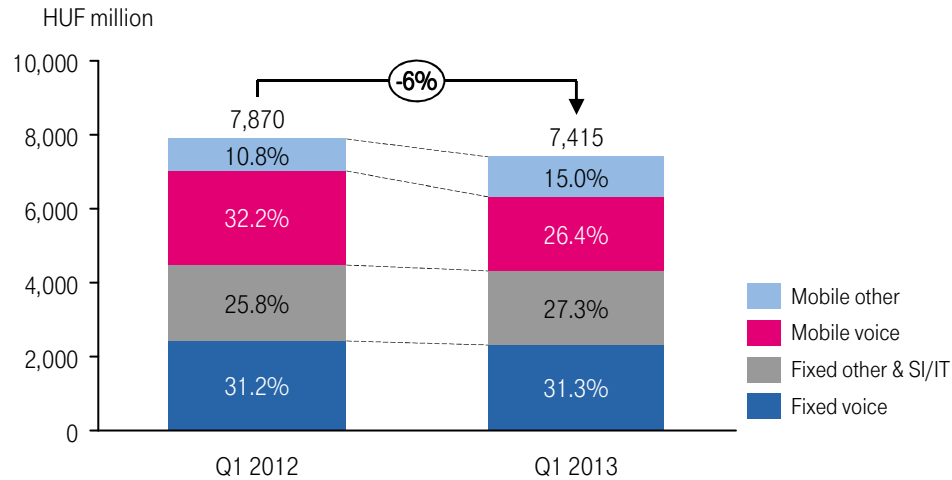
- Fixed churn: 7%
- Fixed outgoing traffic: -16%
- Mobile ARPU: HUF 2,136 (-4%)
- Mobile MOU: 179 (+23%)



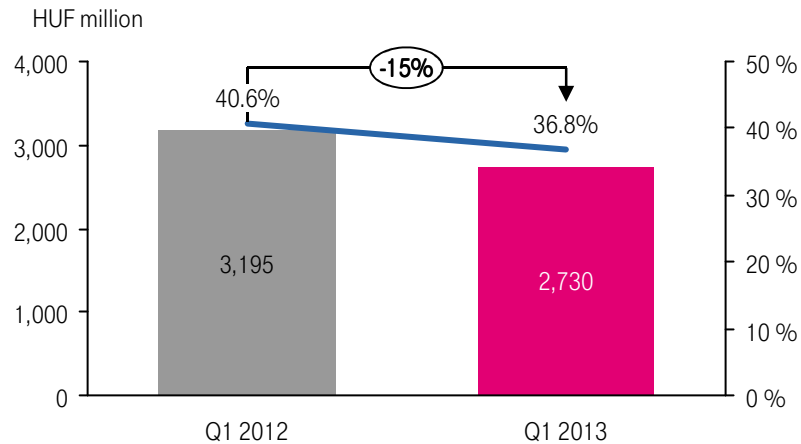
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MONTENEGRO – FINANCIAL PERFORMANCE

Revenues



EBITDA and margin



Montenegro

Competitive mobile market

- unfavorable economic environment and SIM based tax put pressure on retail voice revenues
- lower wholesale revenues driven by 43% cut in interconnection tariffs in January 2013
- 35% market share on the mobile voice market

Stable performance of the fixed segment

- growing TV revenues
- mobile substitution leading to lower usage

EBITDA decline of 15% due to the SIM based tax and one-off items

KPIs (changes Q1-o-Q1)

- Fixed churn: 2%
- Mobile ARPU: HUF 2,743 (-14%)
- Mobile MOU: 162 (+7%)



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FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

| HUF million | 1Q 2012 | 1Q 2013 | Change |
|---|------------------|------------------|---------------|
| Mobile revenues | 73 586 | 73 213 | -0.5% |
| Fixed line revenues | 55 449 | 54 047 | -2.5% |
| System Integration/Information Technology revenues | 11 656 | 14 012 | 20.2% |
| Revenue from Energy Services | 5 957 | 15 337 | 157.5% |
| Revenues | 146 648 | 156 609 | 6.8% |
| Direct costs | (43 006) | (59 504) | 38.4% |
| Employee-related expenses | (21 218) | (22 601) | 6.5% |
| Depreciation and amortization | (25 312) | (24 779) | -2.1% |
| Hungarian telecommunications and other crisis taxes | (6 085) | (5 529) | -9.1% |
| Utility tax | 0 | (7 321) | n.a. |
| Other operating expenses | (25 562) | (23 483) | -8.1% |
| Total operating expenses | (121 183) | (143 217) | 18.2% |
| Other operating income | 799 | 856 | 7.1% |
| Operating profit | 26 264 | 14 248 | -45.8% |
| Net financial expenses | (7 600) | (7 745) | 1.9% |
| Share of associates' profits | 0 | 0 | n.a. |
| Profit before income tax | 18 664 | 6 503 | -65.2% |
| Income tax | (3 724) | (3 574) | -4.0% |
| Profit for the period | 14 940 | 2 929 | -80.4% |
| Non-controlling interests | 1 922 | 1 234 | -35.8% |
| Equity holders of the Company (Net income) | 13 018 | 1 695 | -87.0% |



MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

| HUF million | Mar 31, 2012 | Mar 31, 2013 | Change |
|--|------------------|------------------|--------------|
| Current assets | 223 028 | 231 042 | 3.6% |
| Cash and cash equivalents | 41 364 | 34 799 | -15.9% |
| Other current financial assets | 38 259 | 42 560 | 11.2% |
| Non current assets | 863 704 | 845 670 | -2.1% |
| Property, plant and equipment - net | 521 526 | 505 277 | -3.1% |
| Intangible assets | 315 305 | 314 685 | -0.2% |
| Total assets | 1 086 732 | 1 076 712 | -0.9% |
| Equity | 559 752 | 521 970 | -6.7% |
| Current liabilities | 253 926 | 251 038 | -1.1% |
| Financial liabilities to related parties | 64 908 | 25 947 | -60.0% |
| Other financial liabilities | 64 714 | 62 898 | -2.8% |
| Non current liabilities | 273 054 | 303 704 | 11.2% |
| Financial liabilities to related parties | 216 121 | 165 830 | -23.3% |
| Other financial liabilities | 17 504 | 5 531 | -68.4% |
| Total equity and liabilities | 1 086 732 | 1 076 712 | -0.9% |



MAGYAR TELEKOM - CONSOLIDATED CASHFLOW STATEMENT

| HUF million | Mar 31, 2012 | Mar 31, 2013 | Change |
|---|-----------------|----------------|---------------|
| Net cash generated from operating activities | 22 255 | 13 003 | -41.6% |
| Investments in tangible and intangible assets | (23 841) | (16 712) | -29.9% |
| Adjustments to cash purchases | (13 974) | (3 875) | -72.3% |
| Purchase of subsidiaries and business units | (23) | 0 | n.a. |
| Cash acquired through business combinations | 0 | 0 | n.a. |
| Payments for / proceeds from other financial assets - net | 21 781 | 12 716 | -41.6% |
| Proceeds from disposal of subsidiaries | 84 | 0 | n.a. |
| Proceeds from disposal of PPE and intangible assets | 261 | 165 | -36.8% |
| Net cash used in investing activities | (15 712) | (7 706) | -51.0% |
| Dividends paid to shareholders and minority interest | (27) | (10) | -63.0% |
| Net payments of loans and other borrowings | 21 395 | 13 473 | -37.0% |
| Net cash used in financing activities | 21 368 | 13 463 | -37.0% |
| Free cash flow* | (15 238) | (7 419) | -51.3% |

* 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: 295.5 (average Q1 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.



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