

Roadshow presentation Magyar Telekom Group – April 2012

Public targets achieved, strong cost focus reflected in margins



Strategy, Outlook and Guidance

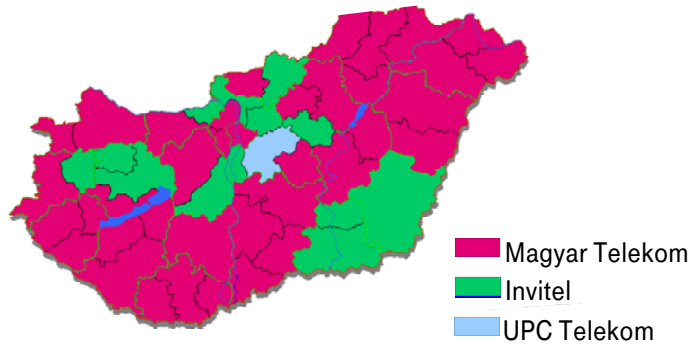


Overview – Magyar Telekom Group at a glance

International presence



Incumbents in Hungary



Overview

Integrated operations in Hungary, Macedonia and Montenegro

- leading telecommunications service provider in all three countries
- leading SI/IT service provider in Hungary

EUR 2.0 bn market capitalization as at March 2012

Stock exchange listings

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

Majority owned by Deutsche Telekom (59.2%)

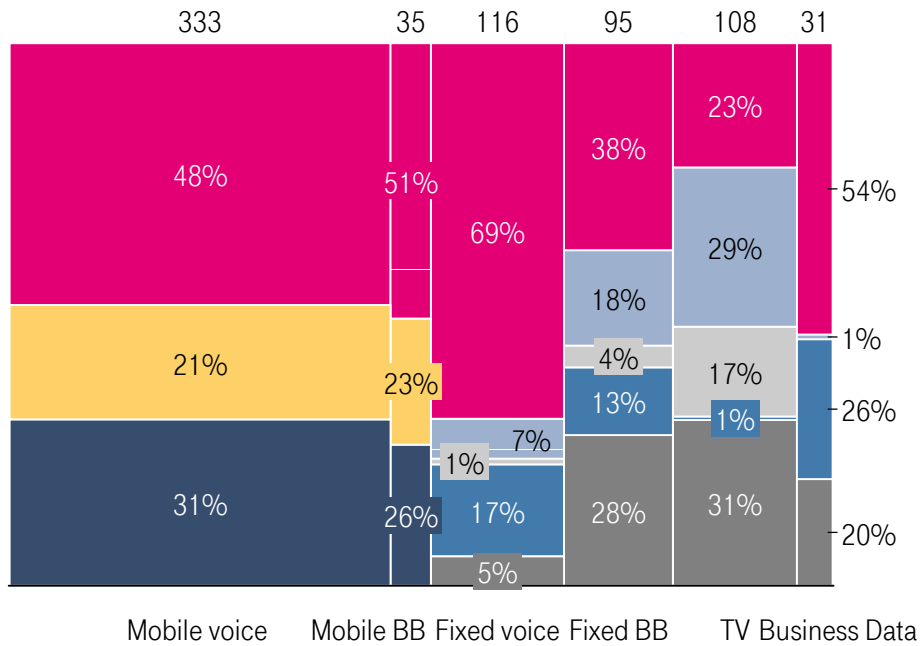
Strategic priorities

- slow down erosion of traditional high margin products
- further improve cost base
- secure market leader position in broadband
- achieve critical mass in the interactive TV market
- restructure revenue base



Market trends

Revenue based market shares in Hungary in 2010 (HUF bn)

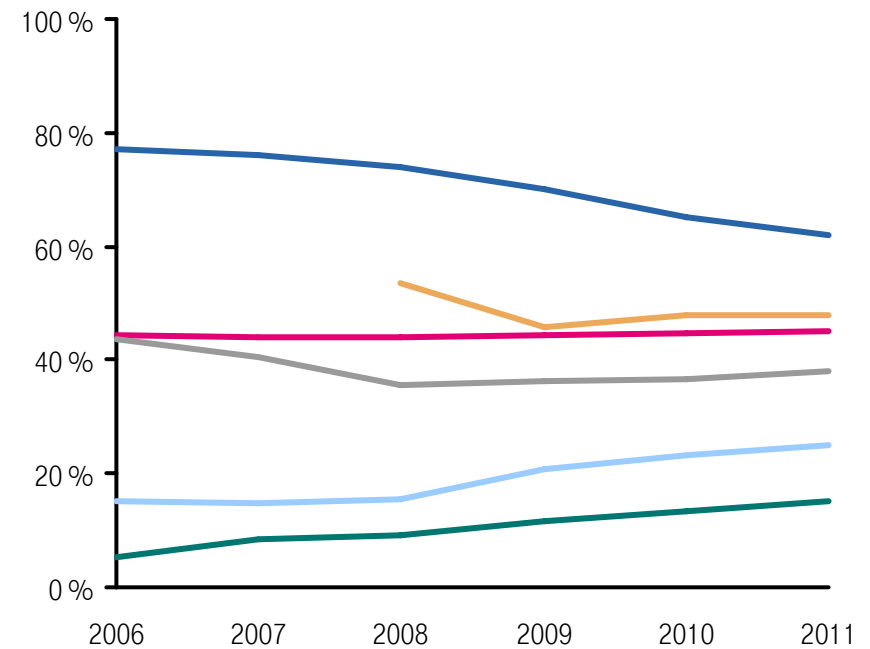


■ MT ■ Digi ■ Vodafone ■ Others
■ UPC ■ Invitel ■ Telenor

Magyar Telekom's revenue market share

- Magyar Telekom has a blended market share of 47% in the retail telco market in Hungary
- additional 15% market share in the IT market

Evolution of Magyar Telekom's market share since 2006



— Mobile voice — Fixed voice — TV
— Mobile broadband — Fixed broadband — IT

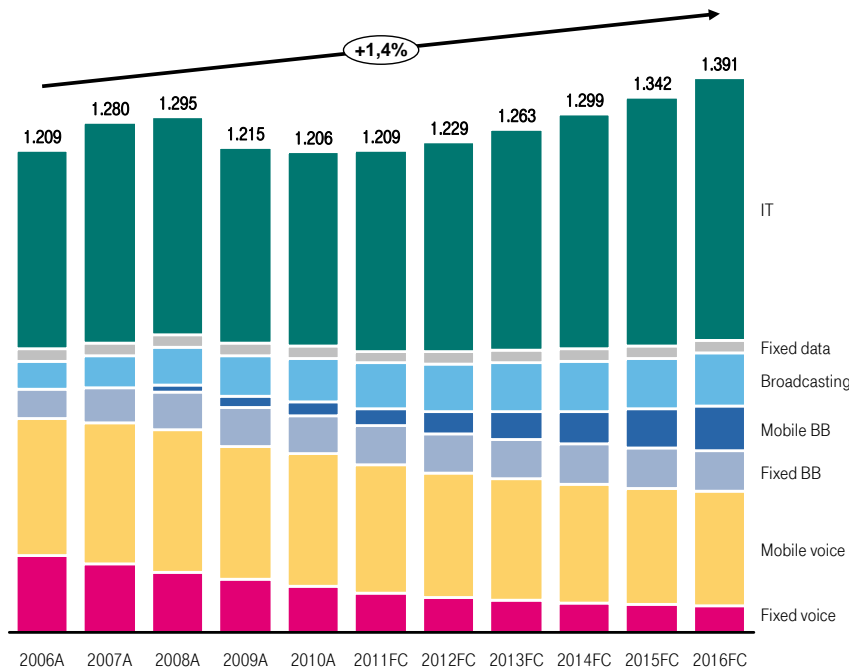
Market share development

- increasing market share in the TV market
- stable market shares in the broadband markets
- further potential in the IT market



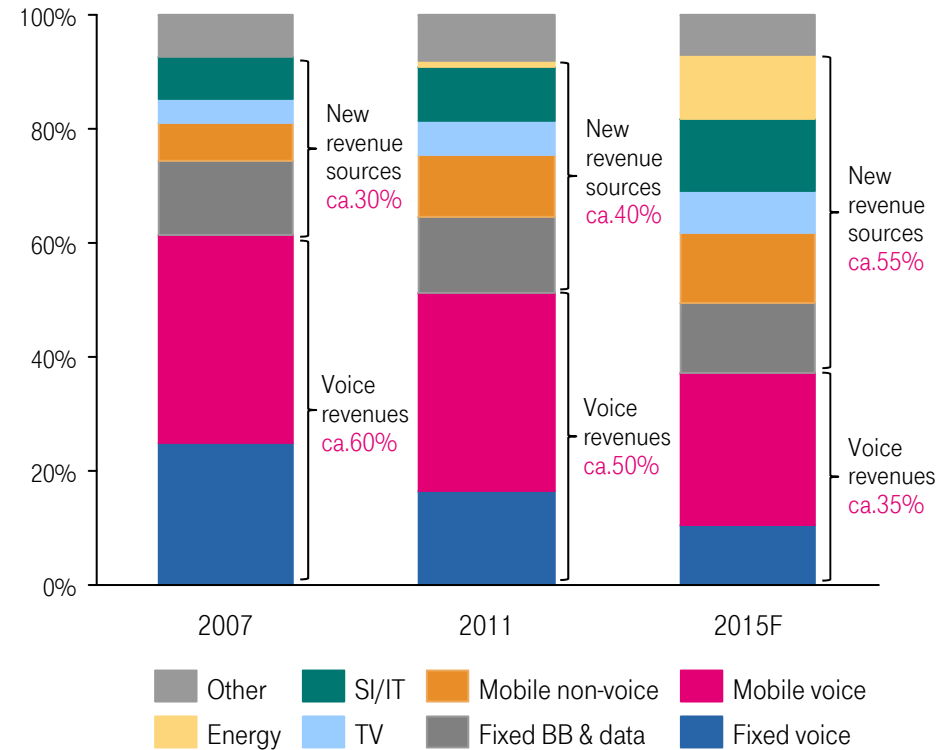
Change in revenue trends

Hungarian ICT market development (HUF bn)



Source: Bell Research-Ariosz, April-2011

Change in Magyar Telekom's Hungarian revenue mix



Hungarian ICT market expected to recover

- following the contraction of the market in 2009, economic recovery is expected to expand the total market size mainly driven by mobile broadband and IT services
- CAGR of ca. 2% between 2010 and 2016 projected

Change in revenue mix

- the revenues from new services projected to surpass traditional voice revenues in a few years
- revenue potential in non-core revenues (insurance, energy, etc)

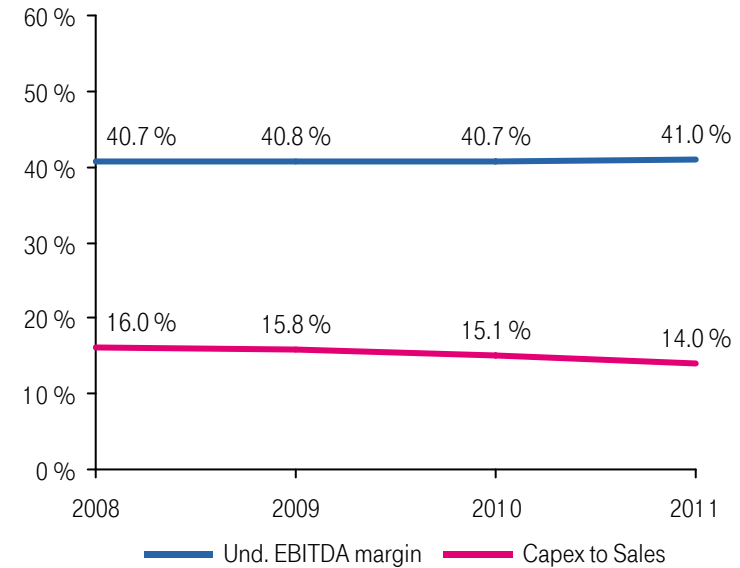


Continued efficiency improvements in core operations

Cost saving



Stable underlying margin and CAPEX



Headcount reduction in 2011

- target: TWM saving of HUF 3.4 bn in 2012 compared to end 2010
- cost efficiency improvements reflected in declining other operating expenses

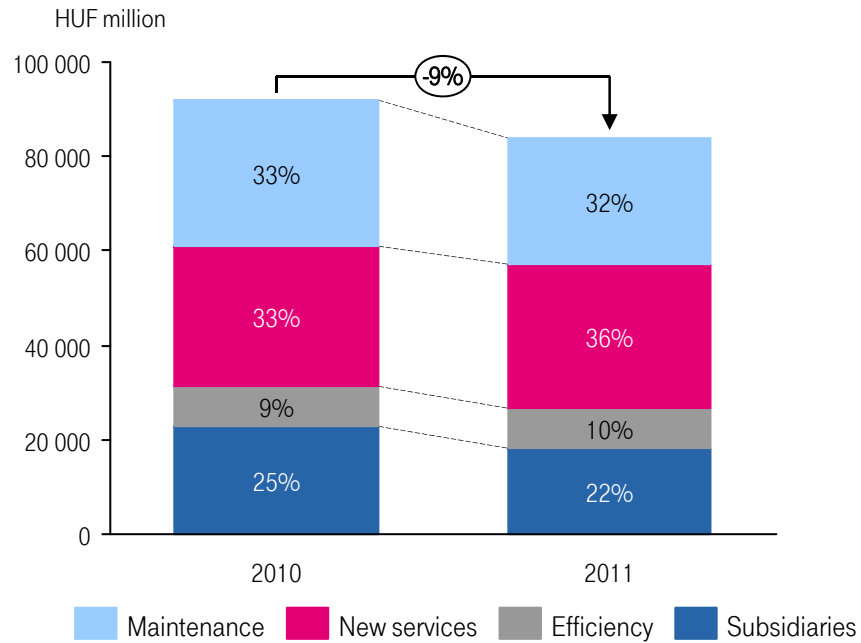
Stable profitability

- despite declining revenues and changing revenue mix, stable underlying margin maintained at above 40%
- Capex cuts in line with the revenue decline

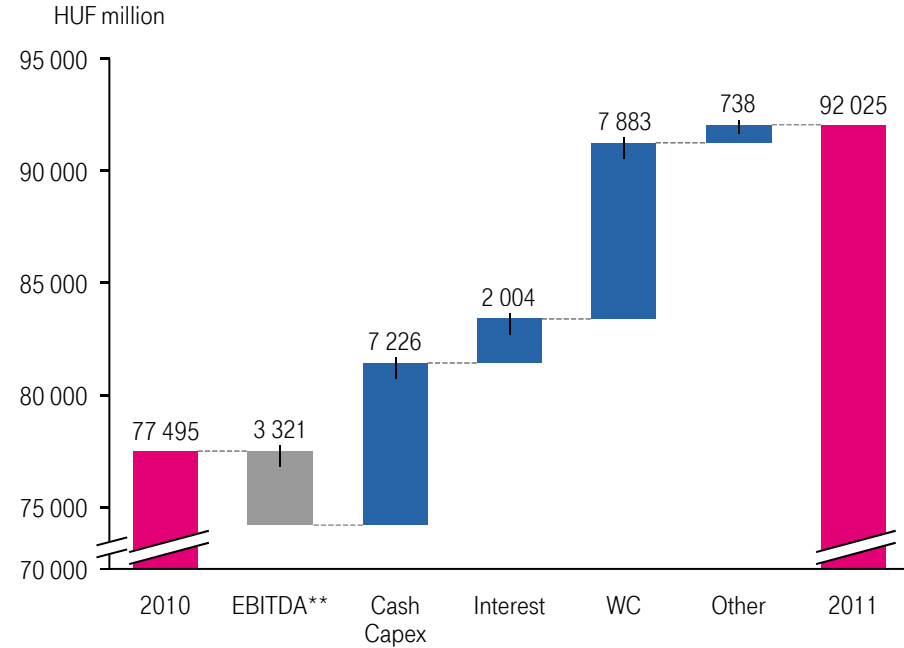


Capex and Free cash flow generation

Capex breakdown



Free cash flow* generation



Capex

- Capex cut by 10% in 2010 and by a further 9% in 2011
- flat Capex* targeted for 2012
 - network modernization, LTE
 - internal efficiency projects

*excluding spectrum acquisitions

FCF generation

- slight decline in underlying EBITDA offset by lower Capex and more efficient working capital management
- **free cash flow increased by HUF 14.5 bn in 2011**

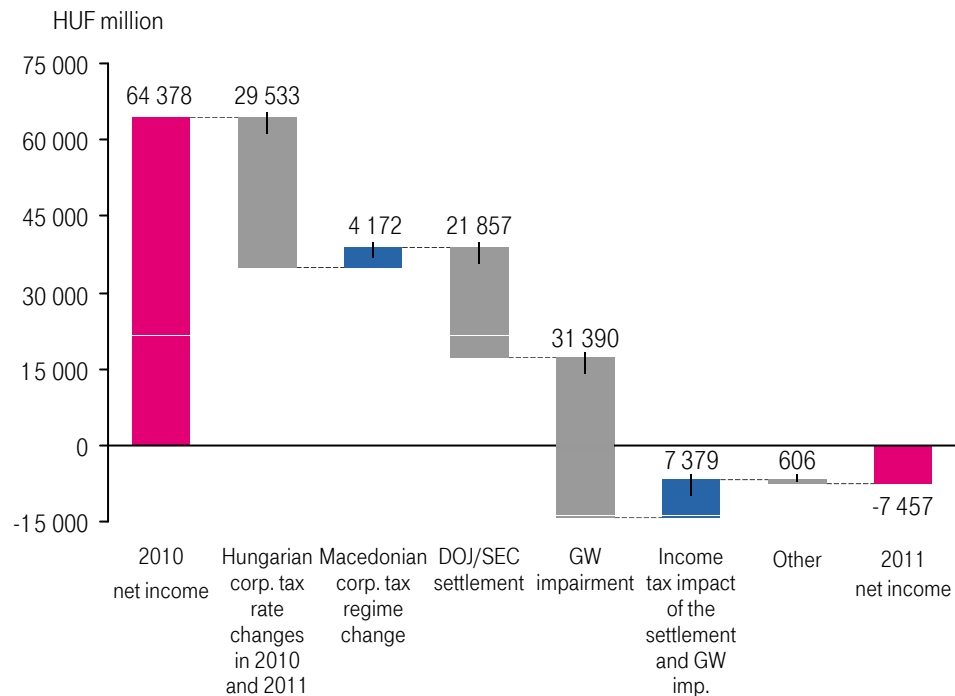
*defined as Operating CF + Investing CF adjusted for proceeds from/payments for other financial assets

**excluding investigation and severance expenses, as well as telecom tax



2011 FY Group results – Net income and dividend policy

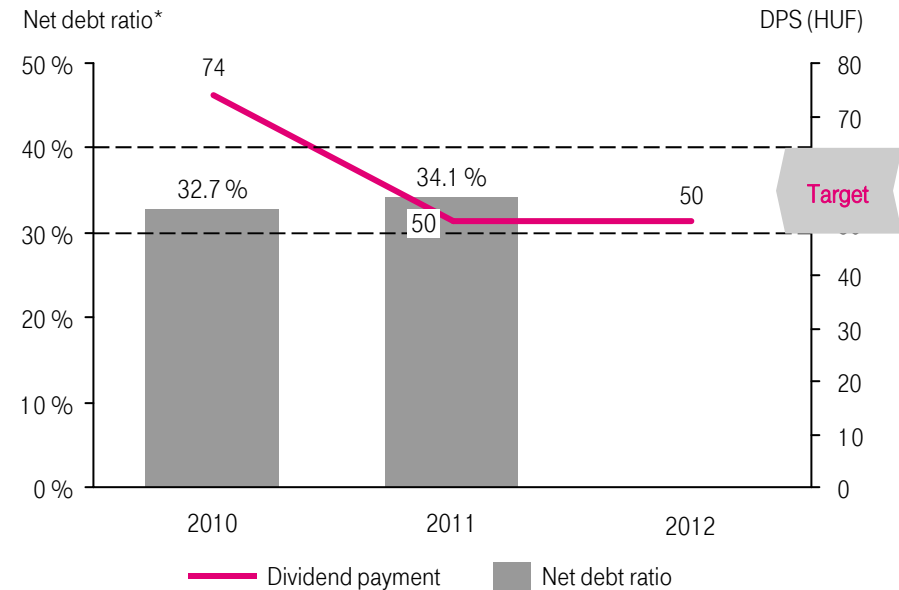
Net income development



Drivers of the decline in net income

- net income declined due to the following factors
 - change to the corporate tax regime in Hungary
 - goodwill impairment accounted for on the Macedonian operation
 - final resolution of the SEC/DOJ investigation

Dividend payment



* net debt to total capital

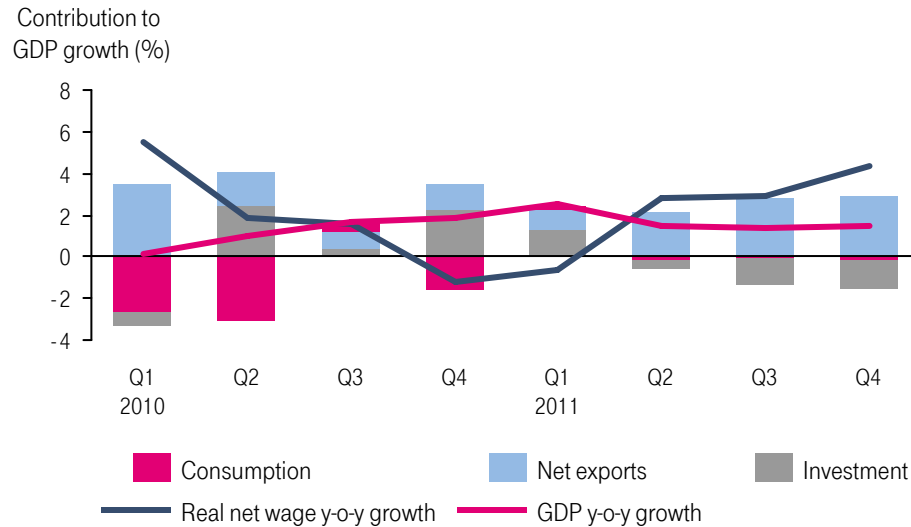
Dividend policy

- keep net debt ratio within 30-40% range
- maintain a flexible balance sheet in case value-creating acquisition opportunities arise
- AGM approved the HUF 50 DPS after 2011 earnings
- 9% dividend yield (based on the share price of HUF 586 at February 23, 2012)

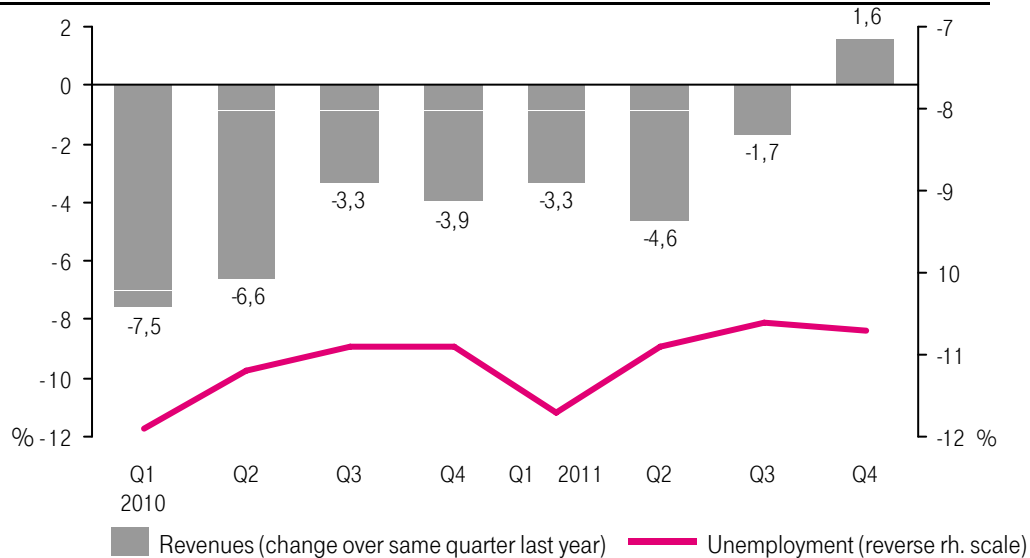


Results and Hungarian macro-economy trends 2010-2011

Growth structure and wages



Magyar Telekom revenue and unemployment



Macro effects

Economic downturn impacting MT results

- MT results are very sensitive to fluctuations in domestic demand
- strong correlation with unemployment levels and disposable income
- consumption outlook worsens as households' balance sheets deteriorate as a result of HUF weakening
- gradual improvement in the economy reflected in the revenue trends of the last two years



2011 results versus guidance and 2012 targets

	2011 targets vs. achieved results	2012 targets
Revenue	3-5% decline -2.0% <ul style="list-style-type: none"> increasing revenues from energy resale higher revenues from handset sales driven by increasing smartphone penetration strong SI/IT performance 	Flat to -2% <ul style="list-style-type: none"> fears for recession, declining household income strengthen changing revenue mix and energy resale enable revenue turnaround 2010 comparable figure: HUF 597.6 bn
Underlying EBITDA <i>Excluding telecom tax, investigation and severance expenses</i>	4% decline -1.3% <ul style="list-style-type: none"> strong cost cutting higher margin at T-Systems Hungary compared to 2010 	4-6% decline <ul style="list-style-type: none"> changing revenue mix with increasing ratio of low margin services CRM/billing system replacement to be delivered in 2012 2011 comparable figure: HUF 245.0 bn
CAPEX <i>Excluding spectrum acquisitions</i>	5% decline -8.7% <ul style="list-style-type: none"> more efficient CAPEX management despite weakening HUF 	Flat <ul style="list-style-type: none"> internal efficiency program network modernization, LTE 2011 comparable figure: HUF 83.8 bn

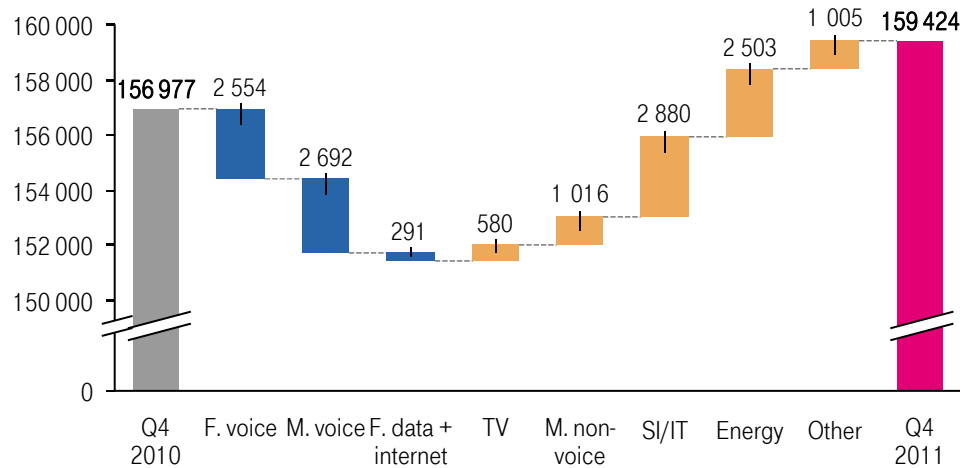


Q4 2011 Results

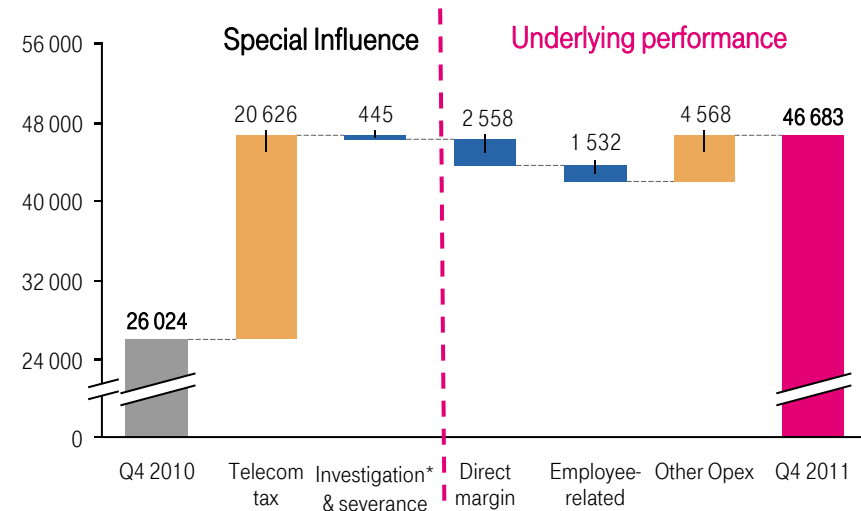


2011 Q4 Group results – Revenues and EBITDA

Group revenues



Group EBITDA



* also including the SEC/DOJ related provisions

Revenue development

- Group revenues up by 1.6% y-o-y
- fixed and mobile voice revenues declined primarily due to continuing intense competition, depressed household consumption and MTR cut in Hungary
- significant SI/IT improvement and mobile BB subscriber and revenue growth, higher TV and mobile equipment sales revenues
- HUF 4.5bn revenue contribution from energy resale

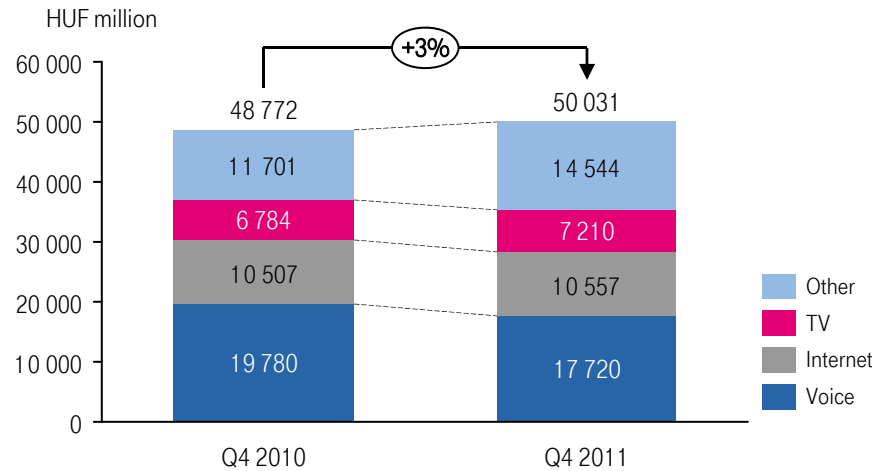
EBITDA development

- underlying EBITDA up by 0.8% y-o-y
- underlying EBITDA margin under pressure due to continued erosion of traditional voice revenues
- cost efficiency improvements reflected in declining other operating expenses

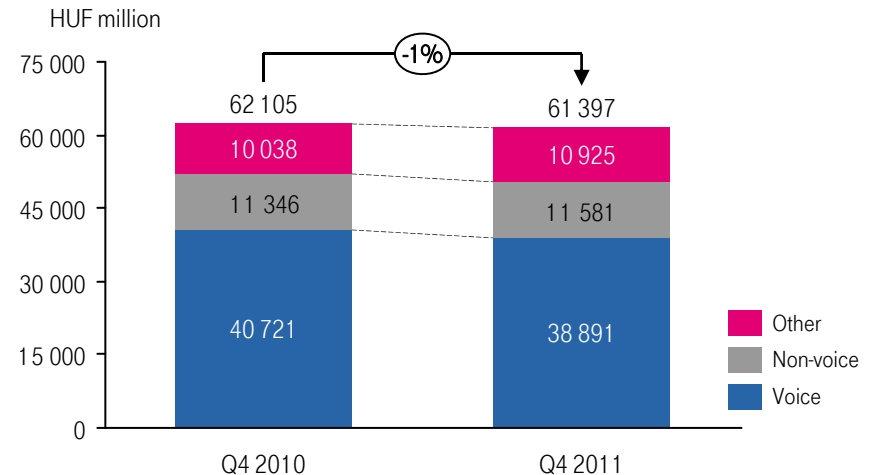


Telekom Hungary – fixed revenue decline slowing down

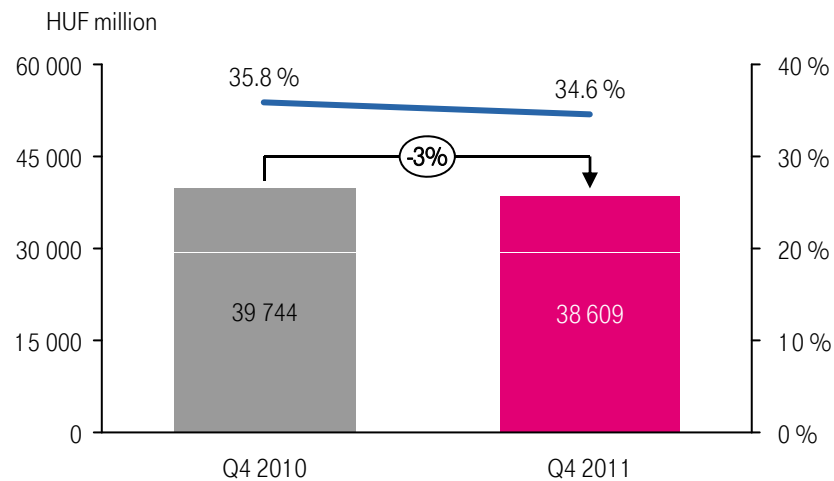
Fixed line and SI/IT revenues



Mobile revenues



Underlying EBITDA and margin



Telekom Hungary

Revenues up by 0.5%

- declining voice revenues partly offset by higher TV, other fixed, mobile non-voice and mobile equipment sales revenues
- 28.6% other fixed line revenue increase driven by retail energy offers
- regulatory impacts on mobile revenues

Decrease in underlying EBITDA margin by 1.2pp

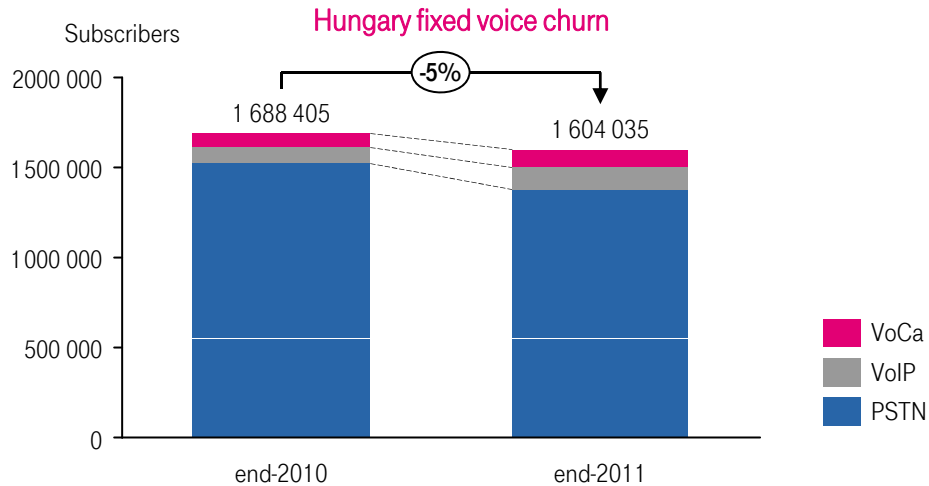
- reduction in high-margin voice revenues
- dilution impact of energy sales



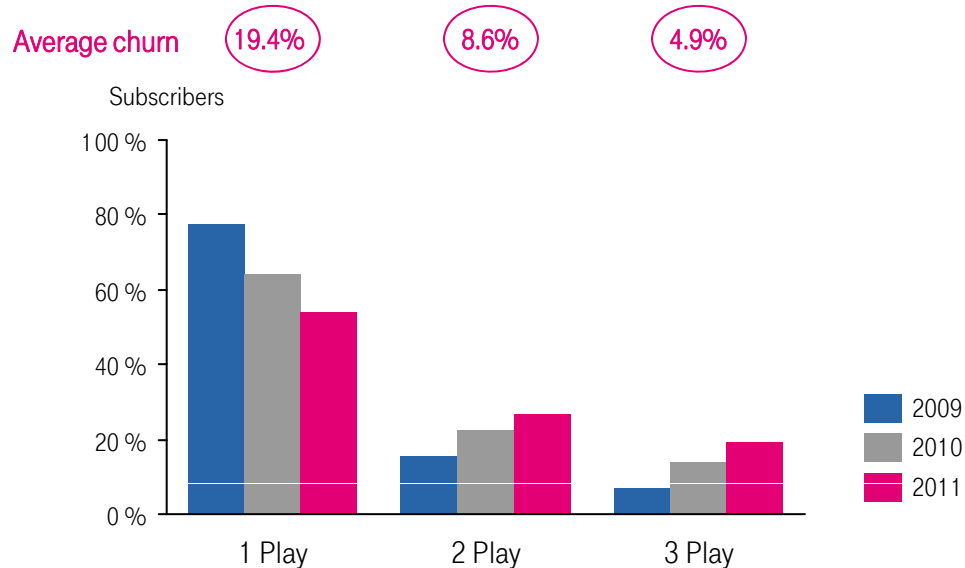
Hungary – improvement in fixed voice churn



Telekom Hungary fixed voice subscribers



Multi-Play developments and average churn levels



Fixed voice

- significantly lower fixed voice churn thanks to the retention effect of:
 - Hoppá package: flat fee package with unlimited calls to domestic fixed line and T-Mobile numbers; 28% of fixed customers subscribed with majority signing a 2-year contract
 - discounts offered in bundled packages, 4Play offer launched in 2010
 - retail energy bundling
- as a result, number of lines lost was 14k in Q4 2011 vs. 39k in Q4 2010

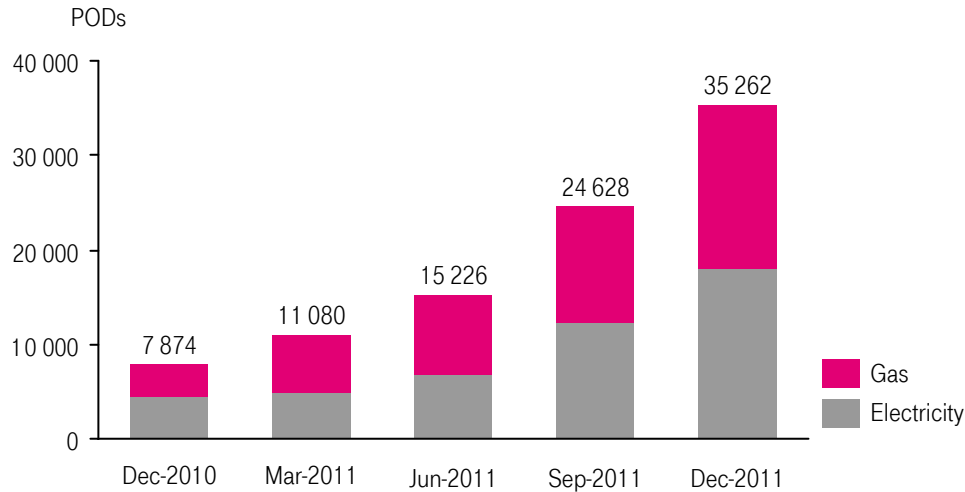
KPIs

- ARPA: HUF 3 138 (-11% y-o-y)
- MOU: 166 (+15% y-o-y)

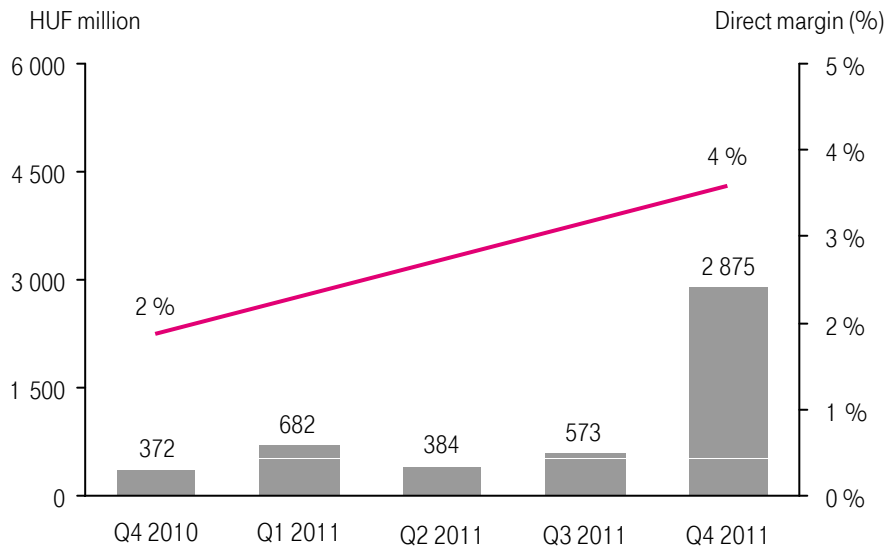


Hungary – Energy resale business

Gas and electricity points of delivery (POD)



Revenue and direct margin performance



Energy resale

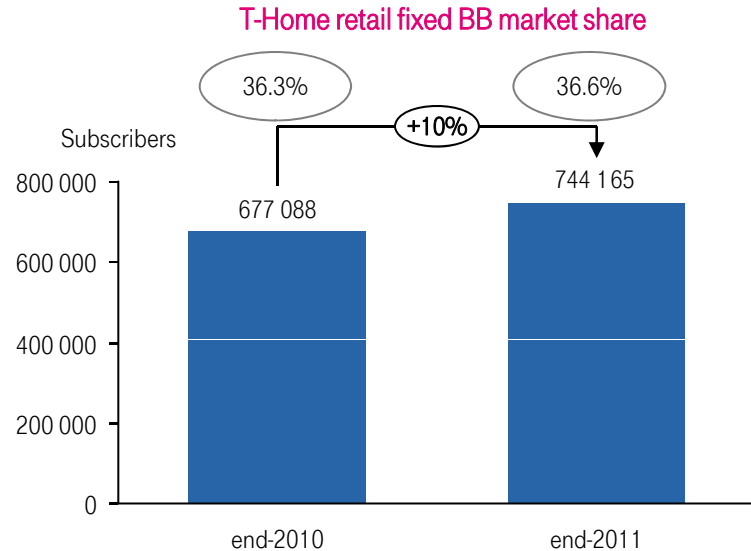
- low direct and EBITDA margin, however retention impact is significant
- lower churn in HHs subscribing for energy service as well
- leveraging off our extensive sales networks
- customers get **5-8% on their energy bill** depending on the amount of their fixed subscriptions
- soft launch in 2010, extended **nationwide on April 1, 2012**



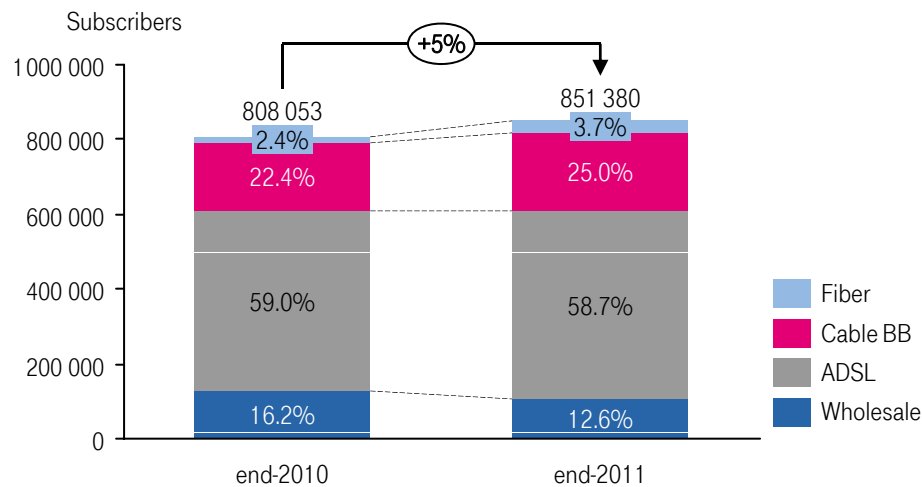
Hungary – Fixed broadband: stable market position



Fixed broadband market developments in Hungary



T-Home fixed broadband subscriber breakdown



Fixed broadband

- market growth driven by cable and fiber, while ADSL market growth has slowed down
- stable fixed BB market share at 36-37%
- ARPU dilution driven by migration to multi-play packages and more favorable offers
- residential standalone fixed BB prices:
 - 5Mbps speed: HUF 5 630/month (EUR 20)
 - 80Mbps speed: HUF 11 730/month (EUR 40)

KPIs

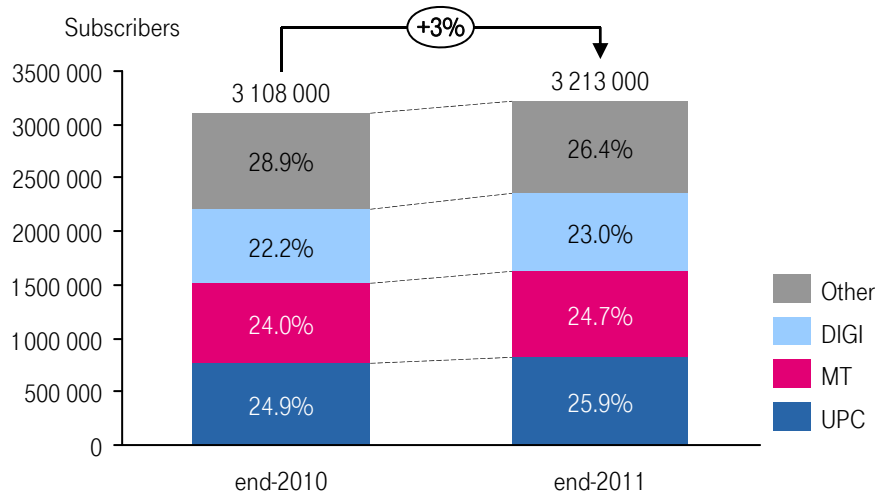
- ARPU: HUF 3 950 (-7% y-o-y)



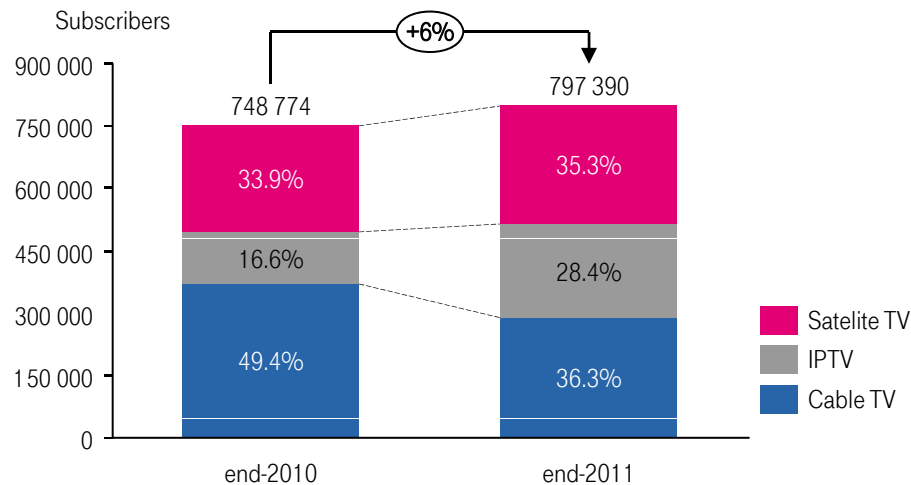
Hungary – TV market: significant growth achieved



TV market share



T-Home TV subscriber growth



TV customer growth

- significant migration from cable to IPTV driven by EuroDocsis 3-enabled cable network
- number of TV customers exceeded 797k, slightly increasing market share*
- retention benefit: 80% of TV customers are 2Play or 3Play package subscribers
- increasing ratio of interactive IPTV customers improve ARPU
- 3Play offers from HUF 7 530/month (EUR 26)

KPIs

- ARPU: HUF 3 048 (+3% y-o-y)

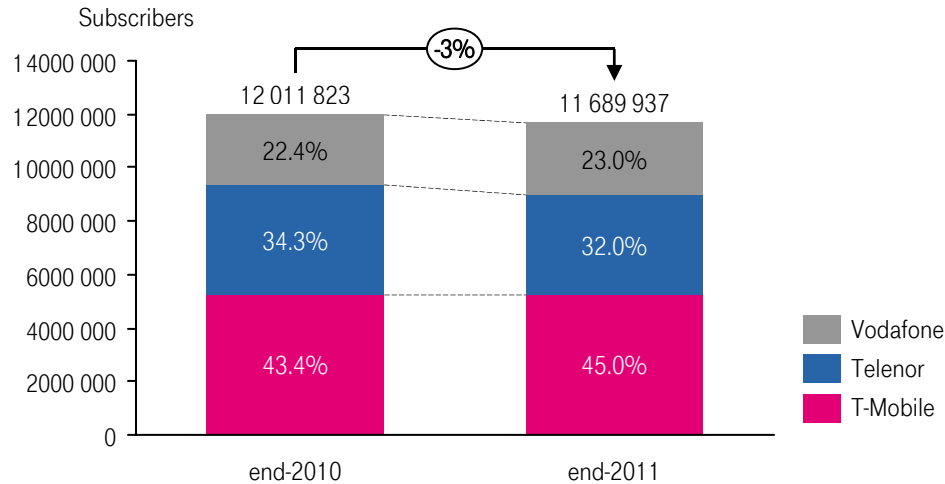
*based on the total TV market estimated by the National Media and Infocommunications Authority Hungary



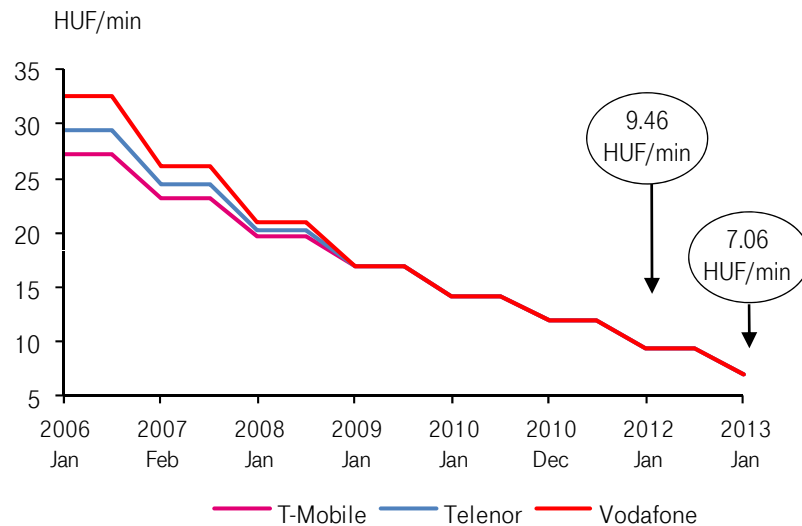
Hungary – Mobile voice: stable market share



Mobile voice market shares (based on total SIM cards)



Mobile termination rate cuts



Mobile voice

- population-based penetration at 117%
- stable market share, slight growth in customer numbers
- improving customer mix: postpaid ratio increased from 44% to 46% y-o-y
- mobile termination rate regulation:
 - 20% cut from Jan 2012, further 25% cut from Jan 2013 to 2.4 €/minute

KPIs

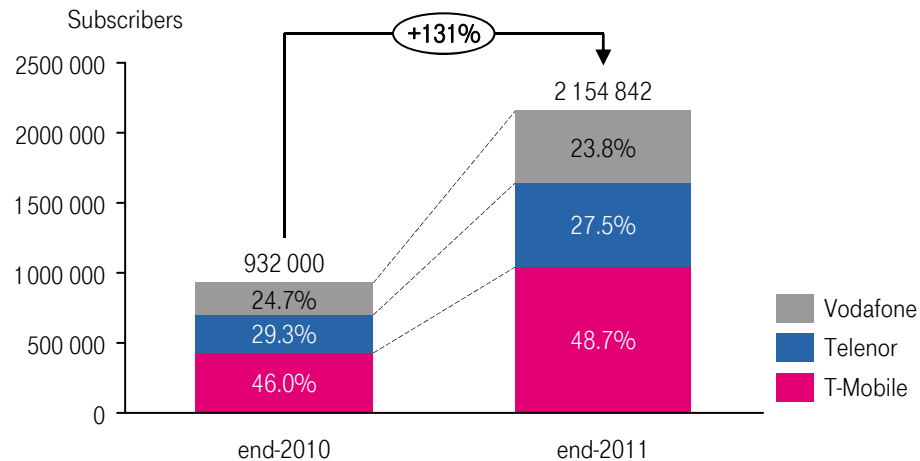
- ARPU: HUF 3 393 (-3% y-o-y)
- MOU: 161 (+5% y-o-y)
- Churn: 20% (-1ppt y-o-y)
- SAC: HUF 6 449 (-3% y-o-y)



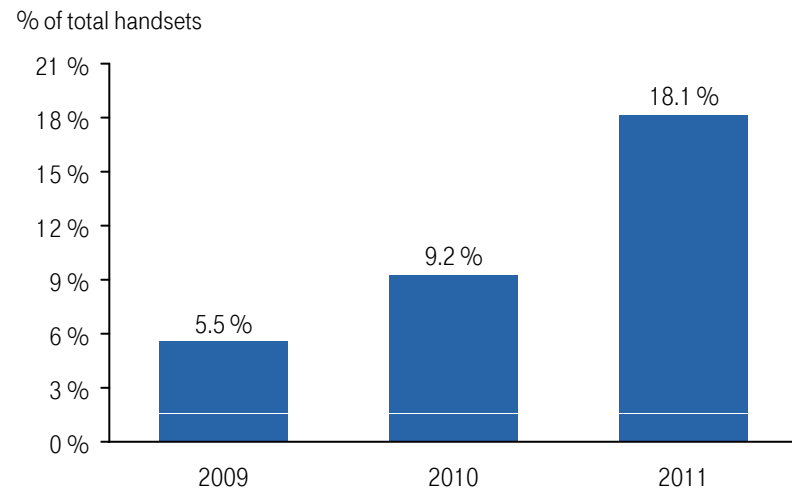
Hungary – Mobile broadband: major growth driver



Mobile broadband market developments (based on total SIM cards)



T-Mobile smartphone penetration



Mobile broadband

- already 600 HSPA+ base stations offering 21 Mbps download speed
- significantly increasing smartphone sales
 - the ratio of smartphone sales in the postpaid segment reached 78% in Q4 2011 (vs. 38% a year ago)
 - BB subscription attach rate is ca. 68%
- the most widely used operating system is Symbian, but Android is gaining market share
- 65% of bundled mobile subscribers were in the two smallest package (MediaMania XS,S)

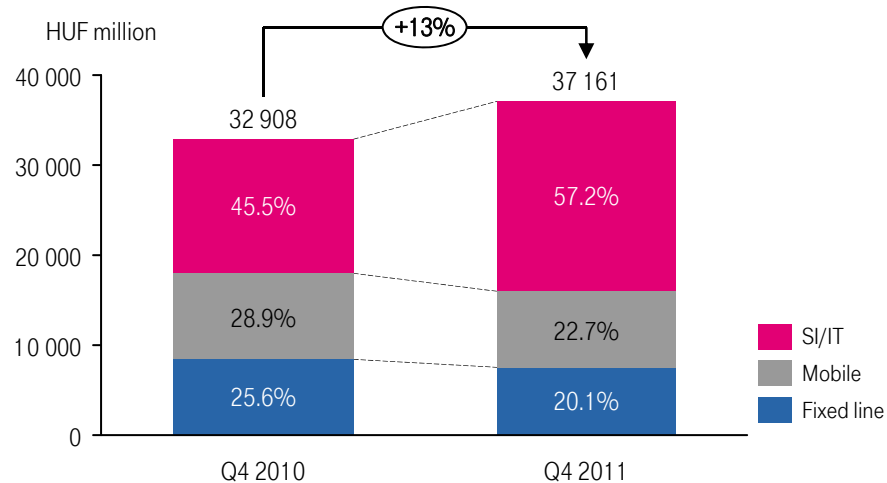
KPIs

- VAS within ARPU (%): 21% (+2ppt y-o-y)
- VAS within ARPU (HUF): 713 (+9% y-o-y)

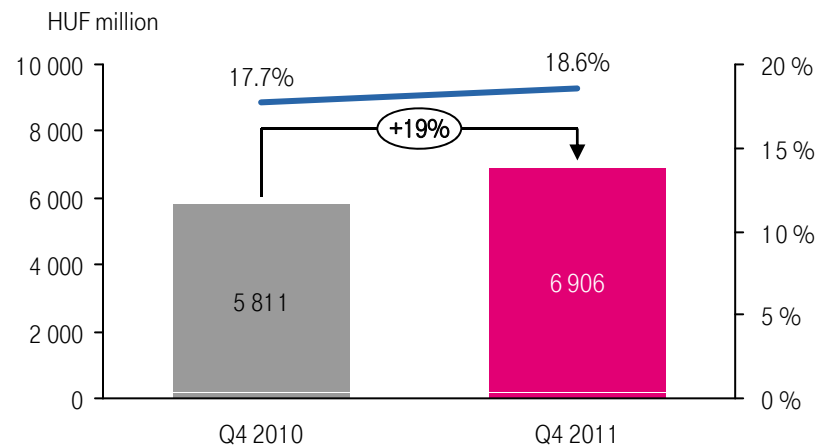


T-Systems Hungary – Strong revenue growth in Q4

Revenues



Underlying EBITDA and margin



T-Systems

Falling voice and data revenues

- lower usage and high fixed churn, principally caused by mobile substitution
- continued pressure on mobile tariff levels
- lower mobile revenues mainly due to a positive one-off reversal in Q4 2010 in other mobile revenues relating to governmental contract renegotiation

Significant growth in SI/IT revenues

- some big infrastructure projects in the corporate segment
- public sector projects still not launched
- leading market position with 15% market share maintained

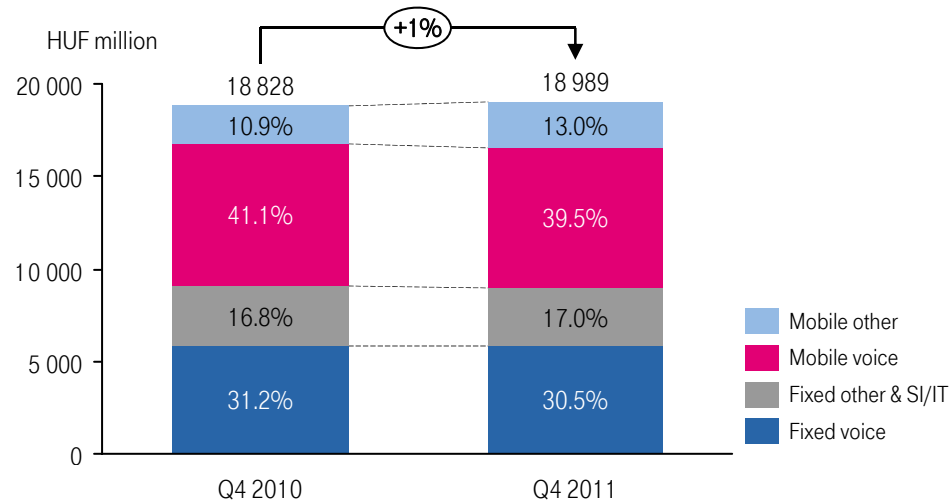
Underlying EBITDA margin improved

- healthier SI/IT margins in Q4 2011 than in Q4 2010
- lower bad debt following collection of some outstanding public receivables

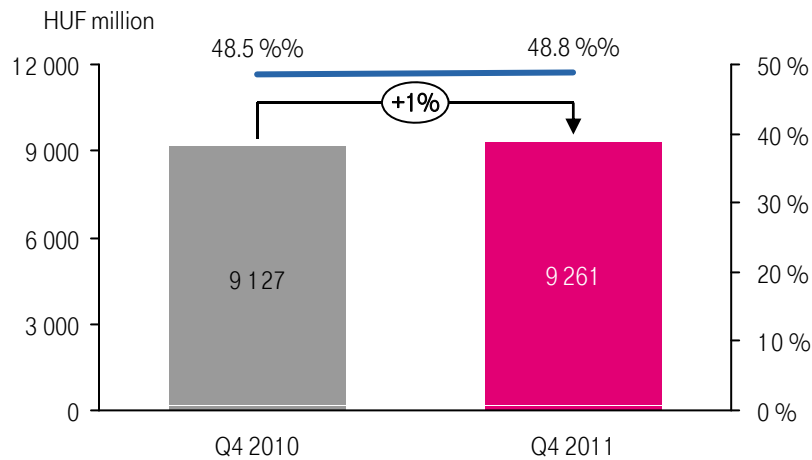


Macedonia – Financial performance

Revenues



Underlying EBITDA and margin



Macedonia

Significant FX impact: HUF weakened by 9.3% against MKD in Q4 2011 vs. Q4 2010

Declining fixed line revenues in MKD

- decreasing fixed retail voice revenues due to cable competition and strong mobile substitution

Mobile competition intensifying

- strong price competition in the business and prepaid segments
- declining tariff levels and higher subsidies put pressure on margin
- #1 position maintained, 50% market share stabilized after price war in prev. quarters

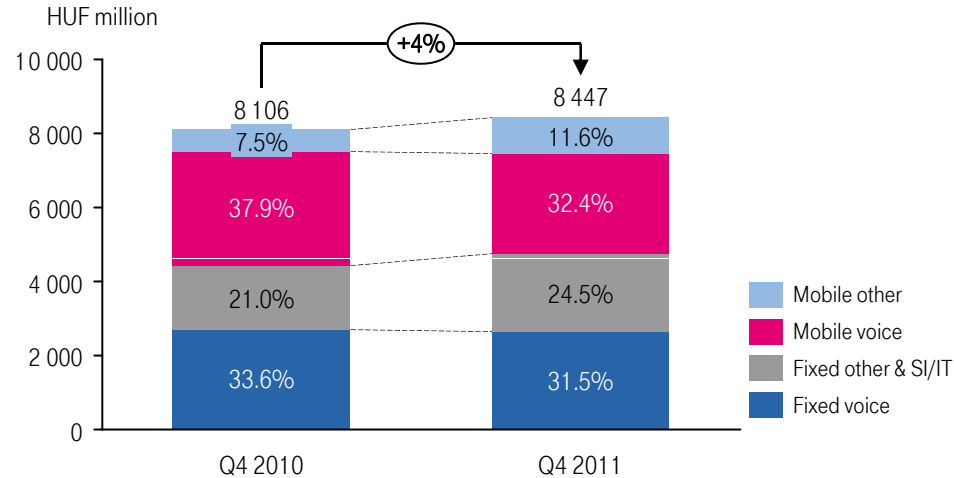
KPIs

- Fixed churn: 9%
- Mobile ARPU: HUF 2,533 (-6% y-o-y)
- MOU: 142 (+5% y-o-y)

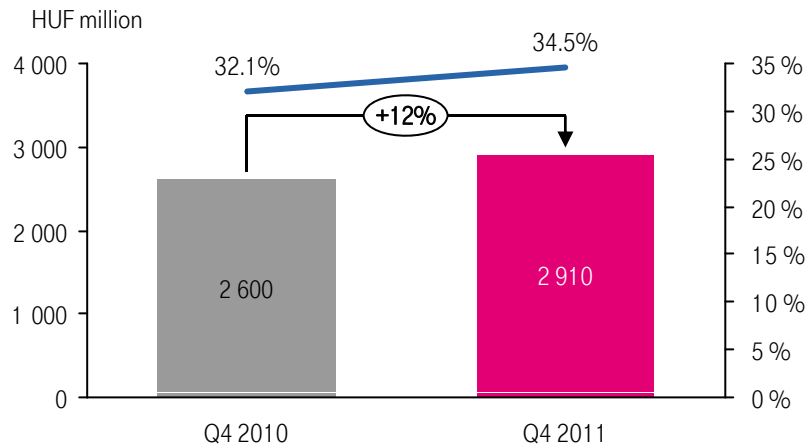


Montenegro – Financial performance

Revenues



Underlying EBITDA and margin



Montenegro

Significant FX impact: HUF weakened by 9.3% against EUR in Q4 2011 vs. Q4 2010

Fixed voice revenues under pressure

- deterioration in retail voice revenues (in EUR) driven by strong mobile substitution
- growing internet and TV revenues
- #1 position in the pay-TV market with a 41% market share

Mobile revenues down due to FX

- increased mobile substitution and discounts offered in flat-rate packages
- lower wholesale revenues driven by two cuts in interconnection tariffs from April and November 2011

KPIs

- Fixed churn: 2%
- Mobile ARPU: HUF 2 521 (+4% y-o-y)
- MOU: 117 (+11% y-o-y)



Financials



Magyar Telekom –2011 Consolidated Income Statement

HUF million	2010	2011	Change
Fixed line revenues	249 633	240 552	-3.6%
Mobile revenues	315 173	308 518	-2.1%
System Integration/Information Technology revenues	44 773	48 547	8.4%
Revenues	609 579	597 617	-2.0%
Direct costs	(157 427)	(161 047)	2.3%
Employee-related expenses	(93 884)	(91 823)	-2.2%
Depreciation and amortization	(100 872)	(132 915)	31.8%
Hungarian telecommunications and other crisis taxes	(26 970)	(25 350)	n.a.
Other operating expenses	(121 780)	(129 707)	6.5%
Total operating expenses	(500 933)	(540 842)	8.0%
Other operating income	3 448	6 392	
Operating profit	112 094	63 167	-43.6%
Net financial expenses	(28 113)	(32 462)	15.5%
Share of associates' profits	(27)	12	-144.4%
Profit before income tax	83 954	30 717	-63.4%
Income tax expense	(6 583)	(27 538)	318.3%
Profit for the period	77 371	3 179	-95.9%
Non-controlling interests	12 993	10 636	-18.1%
Equity holders of the Company (Net income)	64 378	(7 457)	-111.6%



Magyar Telekom - Consolidated Balance Sheet

HUF million	Dec 31, 2010	Dec 31, 2011	Change
Current assets	200 574	220 396	9.9%
Cash and cash equivalents	15 841	14 451	-8.8%
Other current financial assets	56 560	65 286	15.4%
Non current assets	908 432	877 632	-3.4%
Property, plant and equipment - net	549 752	536 224	-2.5%
Intangible assets	332 993	308 313	-7.4%
Total assets	1 109 006	1 098 028	-1.0%
Equity	594 712	556 091	-6.5%
Current liabilities	246 817	255 390	3.5%
Financial liabilities to related parties	72 208	49 865	-30.9%
Other financial liabilities	46 647	70 155	50.4%
Non current liabilities	267 477	286 547	7.1%
Financial liabilities to related parties	234 164	230 166	-1.7%
Other financial liabilities	8 828	17 928	103.1%
Total equity and liabilities	1 109 006	1 098 028	-1.0%



Magyar Telekom - Consolidated Cashflow Statement

HUF million	2010	2011	Change
Net cash generated from operating activities	164 670	168 781	2.5%
Investments in tangible and intangible assets	(91 762)	(83 796)	-8.7%
Adjustments to cash purchases	4 462	3 722	-16.6%
Purchase of subsidiaries and business units	(1 534)	(2 675)	74.4%
Cash acquired through business combinations	6	468	7700.0%
Proceeds from / (Payments for) other financial assets - net	34 327	(997)	-102.9%
Proceeds from disposal of subsidiaries	780	0	n.a.
Proceeds from disposal of PPE and intangible assets	873	5 526	533.0%
Net cash used in investing activities	(52 848)	(77 752)	47.1%
Dividends paid to shareholders and minority interest	(91 819)	(64 626)	-29.6%
Net payments of loans and other borrowings	(38 748)	(28 602)	-26.2%
Other	(22)	0	n.a.
Net cash used in financing activities	(130 589)	(93 228)	-28.6%
Free cash flow*	77 495	92 026	18.8%

* 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



Investigations into certain consultancy contracts

As previously disclosed, the Company's Audit Committee conducted an internal investigation regarding certain contracts relating to the activities of the Company and/or its affiliates in Montenegro and Macedonia that totaled more than EUR 31 million. In particular, the internal investigation examined whether the Company and/or its Montenegrin and Macedonian affiliates had made payments prohibited by U.S. laws or regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"). The Company has previously disclosed the results of the internal investigation. For further information regarding the internal investigation, see the Company's annual report for the year ended December 31, 2010.

The Company's Audit Committee informed the U.S. Department of Justice (the "DOJ") and the U.S. Securities and Exchange Commission (the "SEC") of the internal investigation. The DOJ and the SEC commenced investigations into the activities that were the subject of the internal investigation.

On December 29, 2011, the Company announced that it had entered into final settlements with the DOJ and the SEC to resolve the DOJ's and the SEC's investigations relating to the Company. The settlements concluded the DOJ's and the SEC's investigations. The Company disclosed the key terms of the settlements with the DOJ and the SEC on December 29, 2011. On January 6, 2012 the Company paid a criminal penalty of USD 59.6 million (HUF 14.7bn) pursuant to the settlement with the DOJ and on January 23, 2012 the Company paid USD 25.2 million for disgorgement of profits and USD 6.0 million of prejudgment interest (HUF 7.4bn in total) pursuant to the settlement with the SEC, totaling USD 90.8 million (HUF 22.1 bn) paid with respect to the settlements with the DOJ and the SEC.

The aggregate amount of USD 90.8 million payable by the Company in settlement of the DOJ's and SEC's investigations was fully provided for before the end of 2011.

In addition to the DOJ's and the SEC's investigations, the Ministry of Interior of the Republic of Macedonia, the Montenegrin Supreme State Prosecutor and the Hungarian Central Investigating Chief Prosecutor's Office commenced investigations into certain of the activities that were the subject of the internal investigation. These governmental investigations are continuing, and the Company and/or its relevant subsidiaries continue to cooperate with these investigations.

Magyar Telekom incurred HUF 17.5bn operating expenses relating to the investigations in 2011 (HUF 1.3bn legal costs and HUF 16,2bn provision for the settlements) included in the Hungary segment, and additional losses and expenses of HUF 5.7bn included in the net financial results (HUF 1.1bn interest expense and HUF 4.5bn foreign exchange loss).

For further questions please contact the IR department:

Investor Relations

Phone: +36 1 458-0423
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, CBC: call-by-call, CPS: carrier pre-selection, 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, 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, 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: 279.1 (average 2011)

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.

