

Roadshow presentation

Magyar Telekom Group – September 2011

Growth in underlying margins, reflecting continued focus on cost discipline



Strategy, Outlook and Guidance

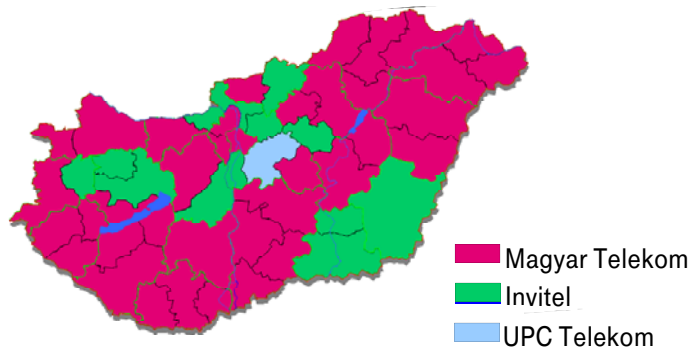


Overview – Magyar Telekom Group at a glance

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 1.7bn market capitalization

Stock exchange listings

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

Majority owned by Deutsche Telekom (59.2%)

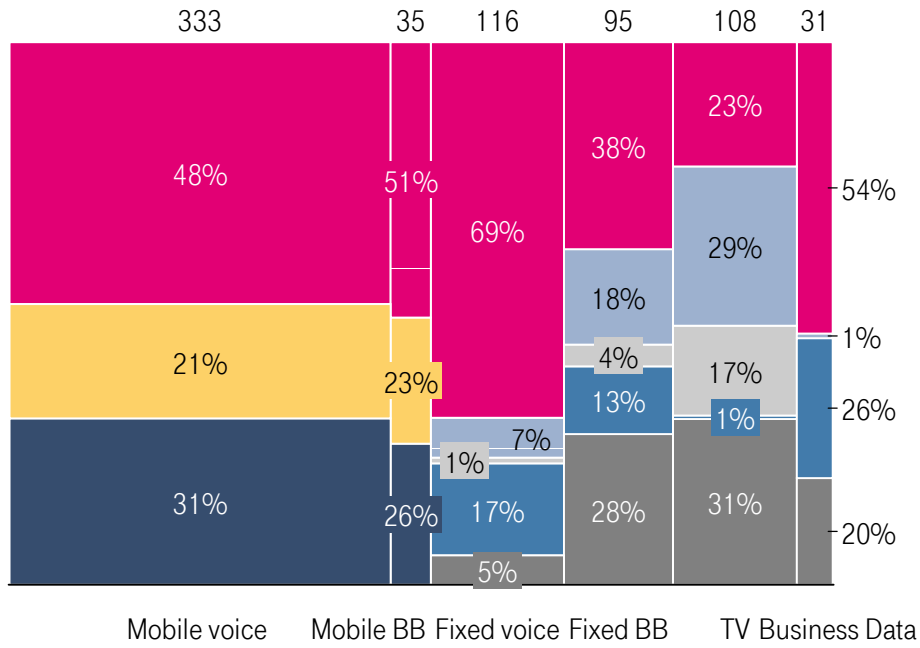
Strategic priorities

- Save 4 Service (simplified and focused lean operation)
- maintain market leadership (maintain or increase market shares)
- focused innovation (add new services to increase share of wallet)



Market trends

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

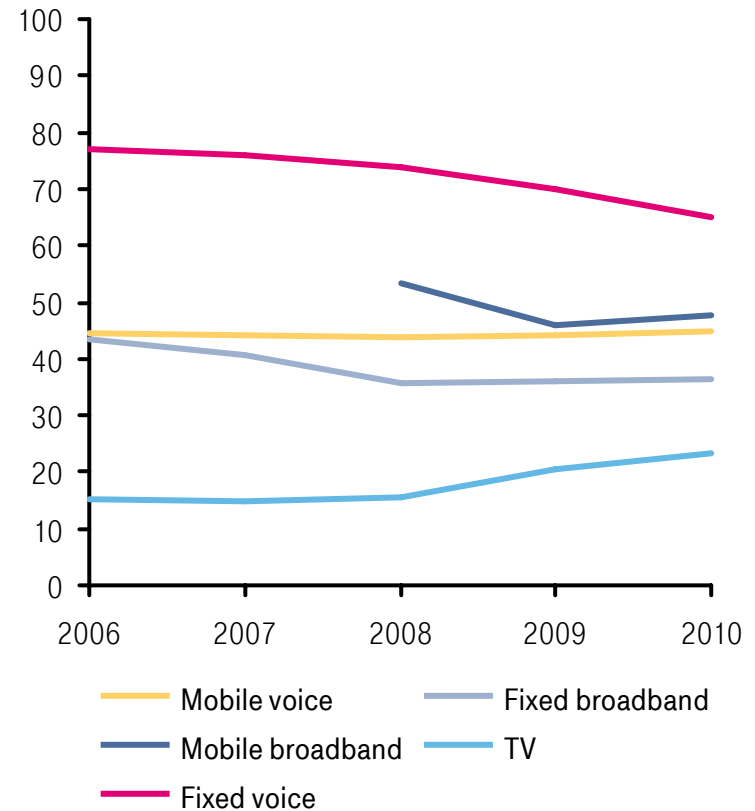


■ MT ■ Digi ■ Vodafone ■ Others
■ UPC ■ Invitel ■ Telenor

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

Magyar Telekom's market share development (%)



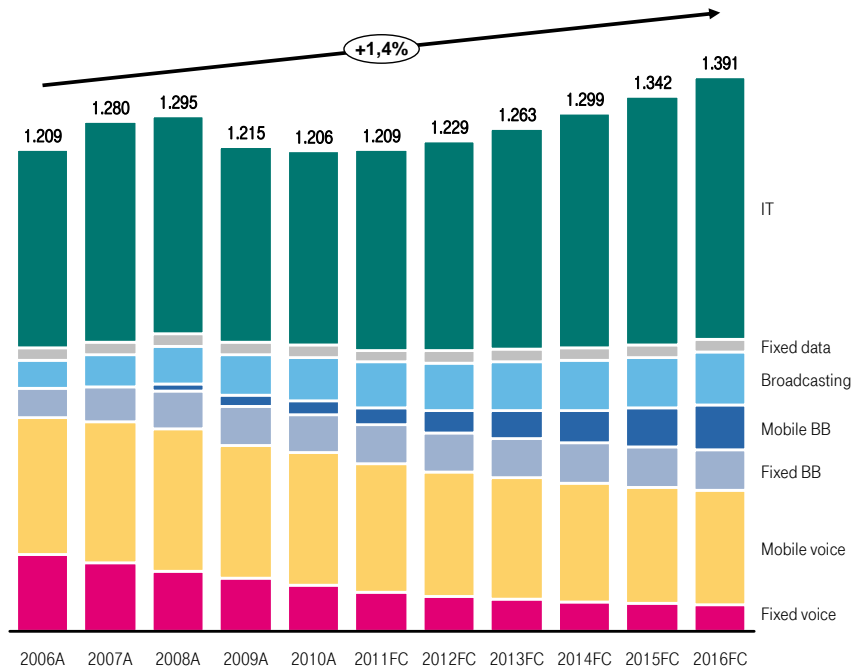
Market share development

- 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)

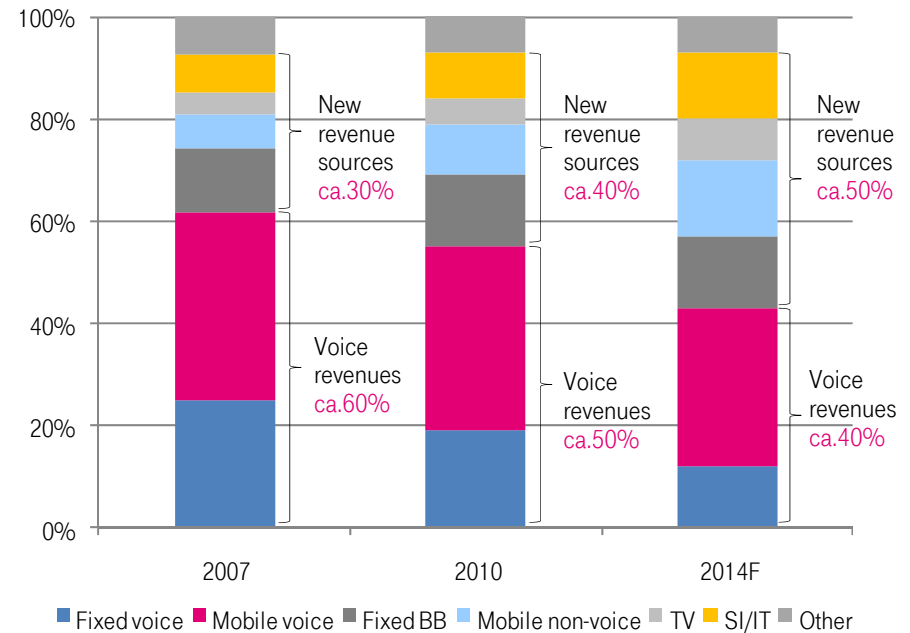


Source: Bell Research-Ariosz

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 Magyar Telekom's Hungarian revenue mix



Change in revenue mix

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

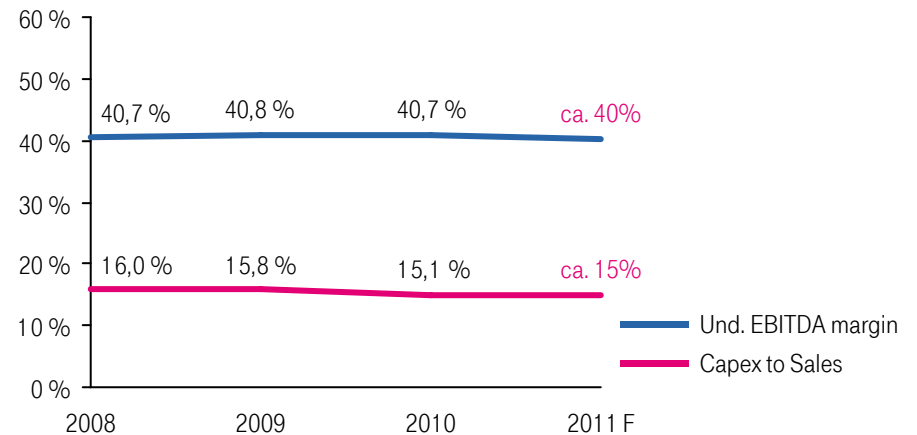


Continued efficiency improvements in core operations

Cost saving



Stable underlying margin and CAPEX spending



Headcount reduction in 2011

- target: TWM expenses to decrease by 9.5bn at the parent company between 2009 and 2011
- headcount reduction of 300 in 2011, severance-related expenses of HUF 3.5bn accounted for in Q4 2010
- cost efficiency improvements reflected in declining other operating expenses

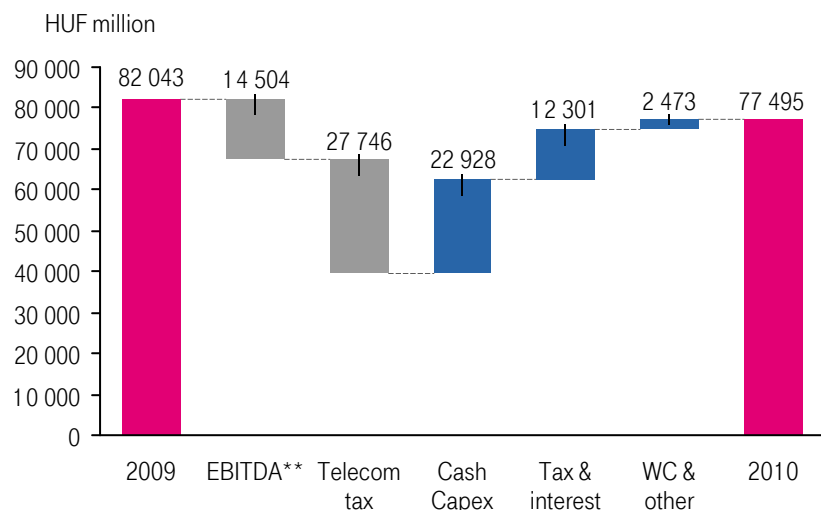
Stable profitability

- despite declining revenues and changing revenue mix, stable underlying margin maintained at above 40%
- Capex spending cuts in line with the revenue decline
- Capex cut by 10% in 2010 and by a further 5% in 2011



Free cash flow generation and dividend policy

Free cash flow* generation



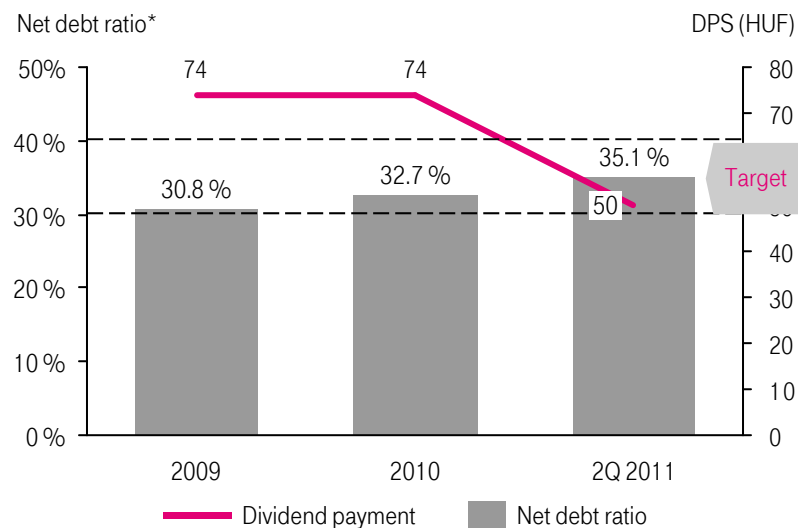
*defined as Operating CF + Investing CF adjusted for proceeds from/payments for other financial assets

**excluding special influences and the telecom tax

Strong cash flow generation in 2010

- despite the advance payment of special telecoms tax, FCF was down by only HUF 5bn
- FCF was helped by:
 - lower interest payments, due to lower interest rates
 - cut in CAPEX (-10% y-o-y)
 - significant decrease in adjustments to cash purchases

Dividend payment



* net debt to total capital

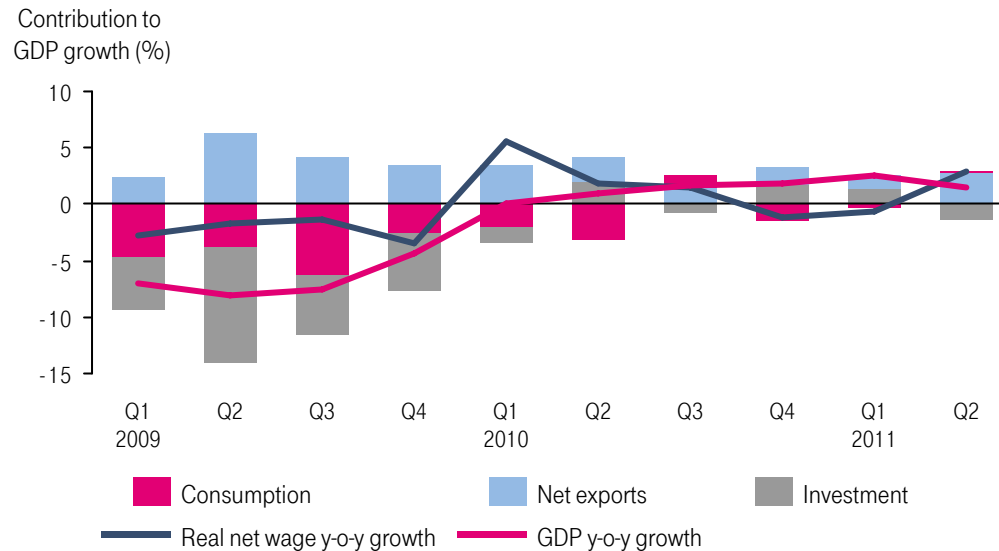
Dividend policy

- keep net debt ratio within 30-40% range
- maintain a flexible balance sheet in case value-creating acquisition opportunities arise
- 9% dividend yield (based on the share price of HUF 554 at February 24, 2011)

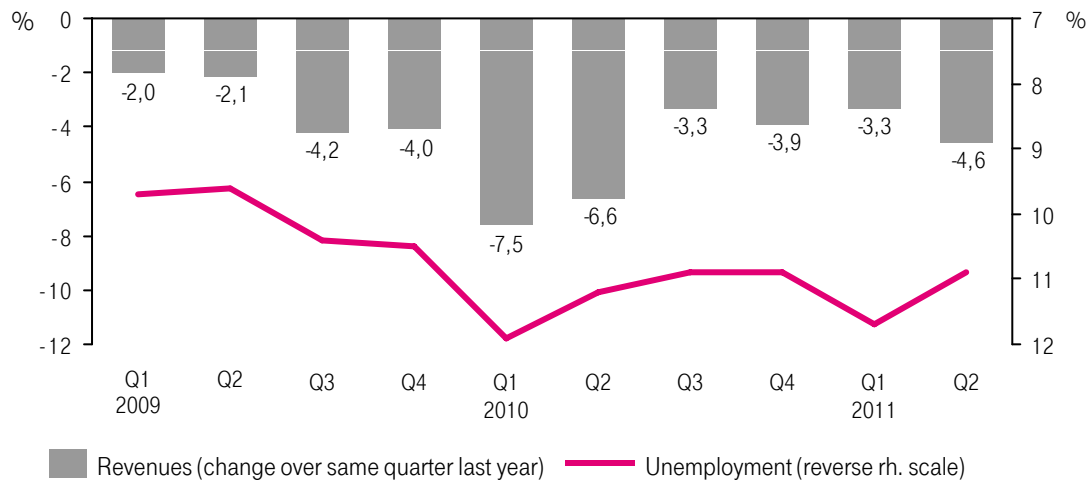


Results and Hungarian macro-economy trends 2009-2011

Growth structure and wages



Magyar Telekom revenue and unemployment



Macro effects

Economic recovery still doubtful and hurts MT results

- MT results are most sensitive to developments in internal demand
- the pick-up in internal demand lost momentum in 2011, while the sustainability of an export-led recovery turns doubtful as external demand slows
- consumption outlook worsens as households' and municipalities' BS deteriorates as a result of CHF strengthening



Public targets for 2011

	2011 Public targets	2011 H1 Results
Revenue	<p>3-5% decline</p> <ul style="list-style-type: none"> intense competition, slow recovery of economy further decrease in governmental revenues 2010 comparable figure: HUF 609 579 million 	<p>-3.9%</p> <ul style="list-style-type: none"> intense competition and recessionary impacts restrictive governmental measures to hit SI/IT revenues
Underlying EBITDA <i>Excluding investigation and severance expenses, as well as telecom tax</i>	<p>4-6% decline</p> <ul style="list-style-type: none"> new revenue streams with lower EBITDA margin governmental cost saving measures 2010 comparable figure: HUF 248 304 million 	<p>+0.8%</p> <ul style="list-style-type: none"> negative trends in high margin voice revenues fully offset by cost cutting initiatives FY results expected to be closer to the more optimistic end of the range
CAPEX	<p>5% decline</p> <ul style="list-style-type: none"> 2010 comparable figure: HUF 91 762 million 	<p>-29.3%</p> <ul style="list-style-type: none"> timing difference, to reverse by year-end



Q2 2011 Results



Q2 highlights

Revenues under pressure,
down by 4.6%

- slowing economic recovery, unemployment still flat at 11%
- fixed voice and internet revenues declined driven by falling price levels
- SI/IT revenues down due to government budget constraints
- increasing TV and mobile internet revenues

Strong operational
performance, underlying
EBITDA down by 2.1%

- savings in employee-related and other operating expenses
- decrease in handset subsidies
- improvement in bad debts
- underlying EBITDA margin improved to 43%

Full year target maintained

- underlying EBITDA decline expected to be towards the more optimistic end of the 4-6% range
- revenue target of a 3-5% decline and CAPEX target of approx. 5% reduction remain unchanged

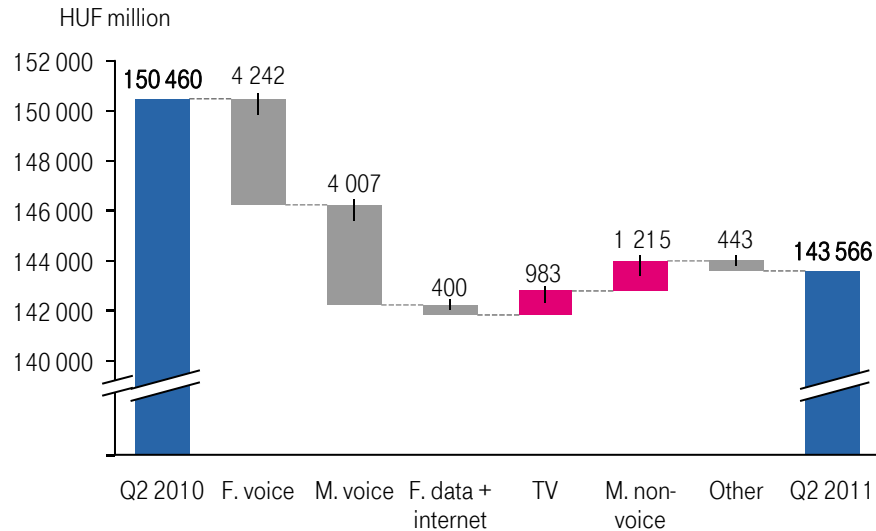
Provisions related to the
investigation

- agreement in principle with the staff of the U.S. SEC
- a provision of HUF 11.5 bn (USD 62.4 million) realized in Q2 2011
 - HUF 10.4bn accounted for within Other operating expenses
 - HUF 1.1 bn was accounted for within the Net financial results



Q2 2011 Group results

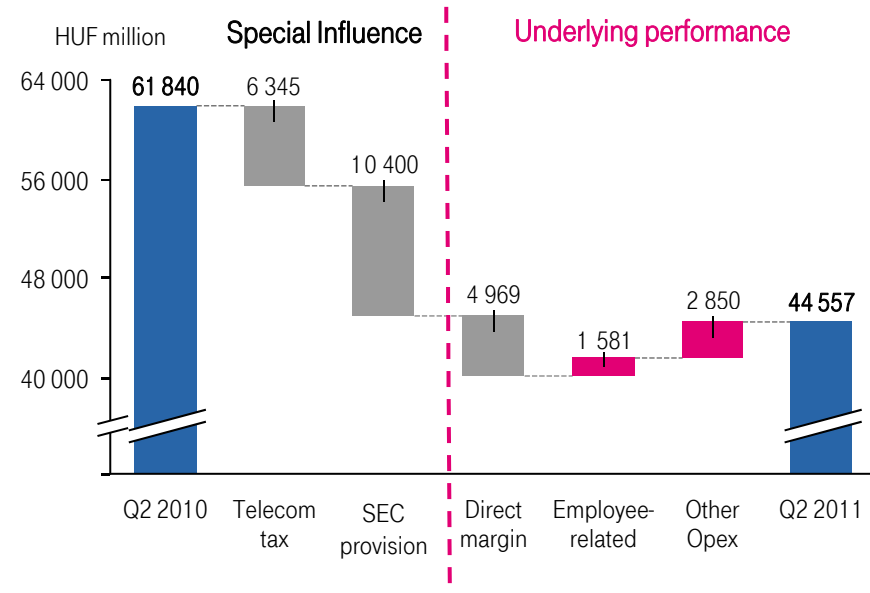
Group revenues



4.6% revenue decline

- fixed voice revenues down primarily due to continuing intense competition, depressed household consumption and dilution impact of the Hoppá package
- mobile voice revenues decreased due to MTR cuts and intense competition in the Macedonian mobile market
- increasing TV and mobile internet revenues thanks to growing subscriber base

Group EBITDA



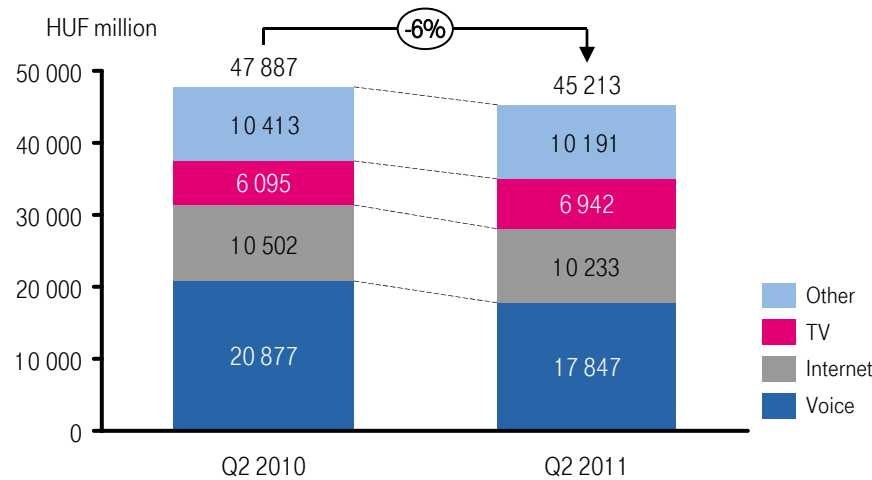
2.1% underlying EBITDA decline

- underlying EBITDA (excluding investigation, severance expenses and telecom tax) down by 2.1%, underlying EBITDA margin 43.0%
- margin improvement driven by cost savings in employee-related and other operating expenses, lower handset subsidies and improvement in bad debt

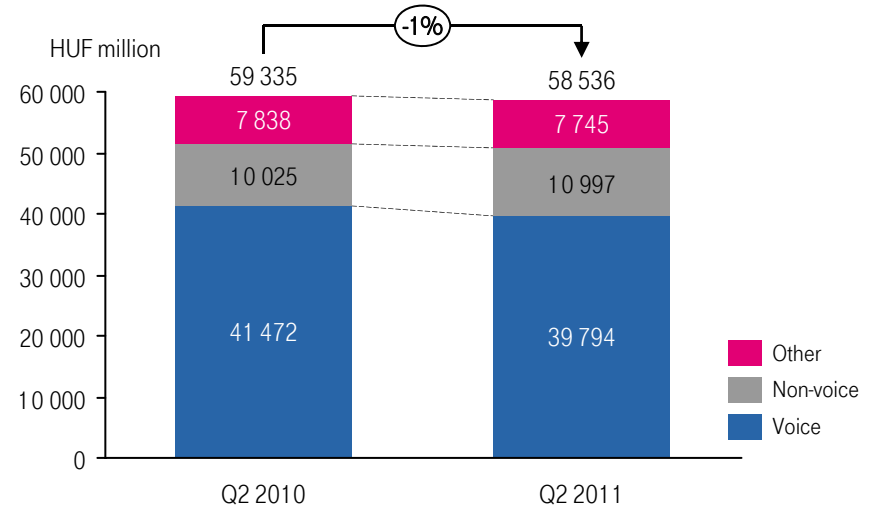


Hungary – Q2 2011 Financial performance

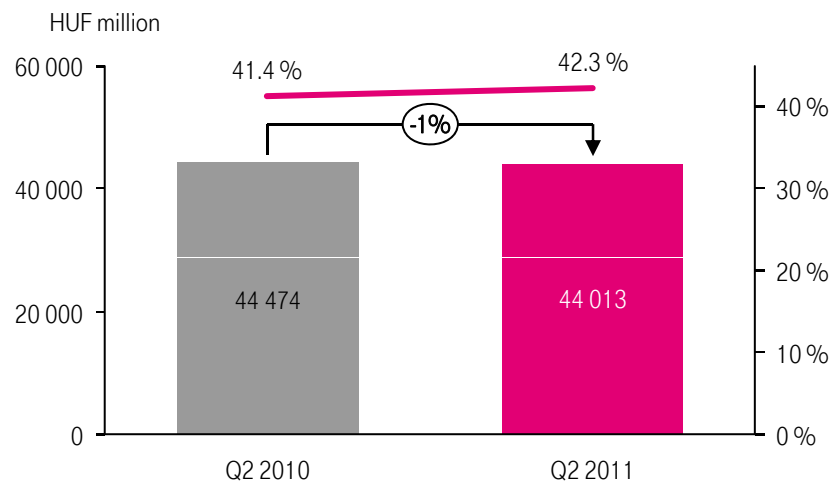
Fixed line revenues



Mobile revenues



Underlying EBITDA and margin



Hungary

Revenues down by 3.2%

- declining voice revenues and lower fixed internet revenues, partly offset by higher TV and mobile non-voice revenues
- regulatory impacts on mobile revenues (cut in mobile termination rates and roaming tariffs)

Improvement in EBITDA margin

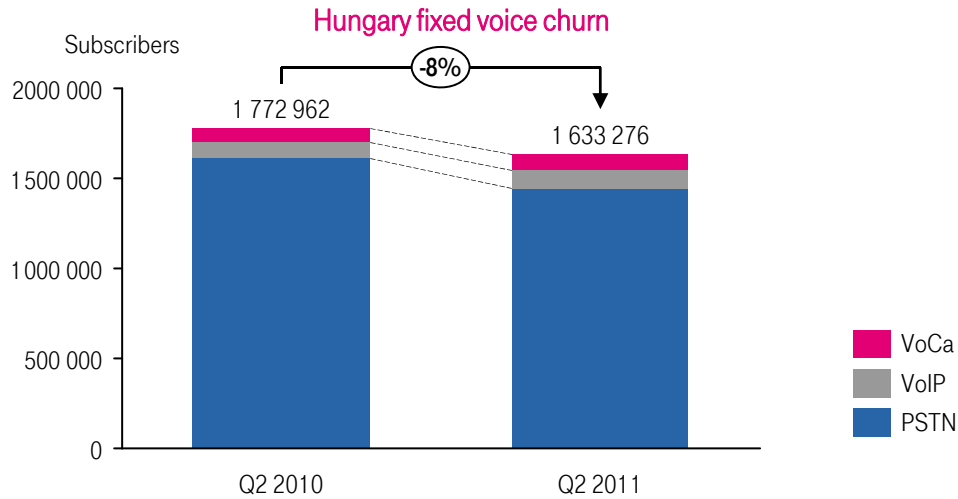
- significant employee-related and other opex savings, as well as lower handset subsidies helped to offset the negative revenue trend



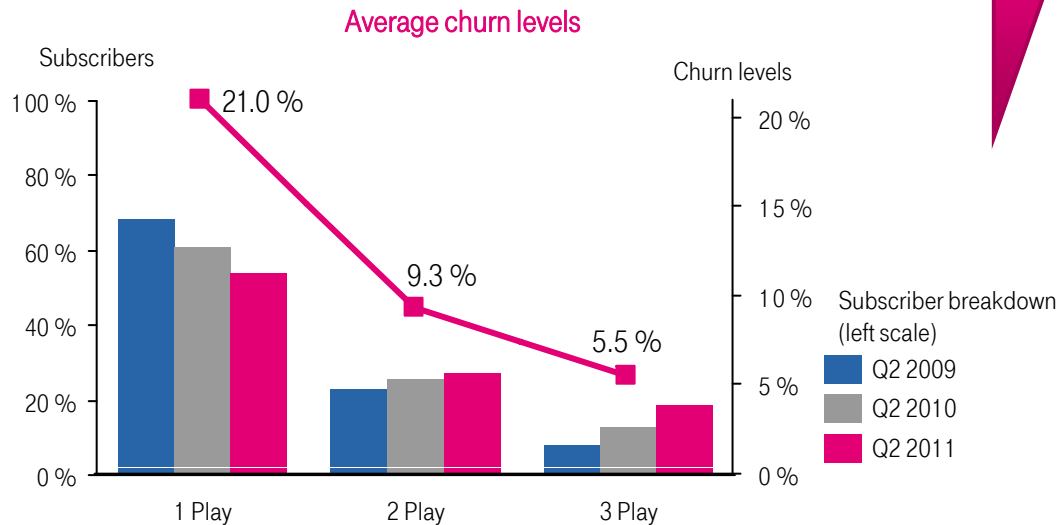
Fixed voice market – focus on retention



Hungary fixed voice subscribers



Multi-Play developments



Fixed voice

- declining trend in fixed voice churn (down to 8% in Q2 2011 from 9% in Q1 2011) thanks to the retention effect of the Hoppá package
 - flat package with unlimited calls to Hungarian fixed line and T-Mobile numbers
 - 18% of fixed voice customers migrated since launch in Jan '11
 - majority signing 2-year contract
- churn levels significantly decrease with higher number of services
- 4Play offer launched in 2010

KPIs

- ARPA: HUF 3 200 (-10% y-o-y)
- MOU: 158 (+8% y-o-y)

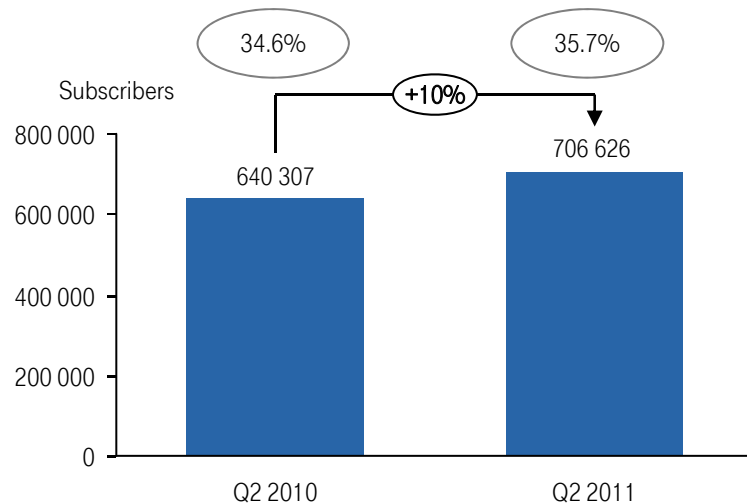


Fixed broadband market – stable market position

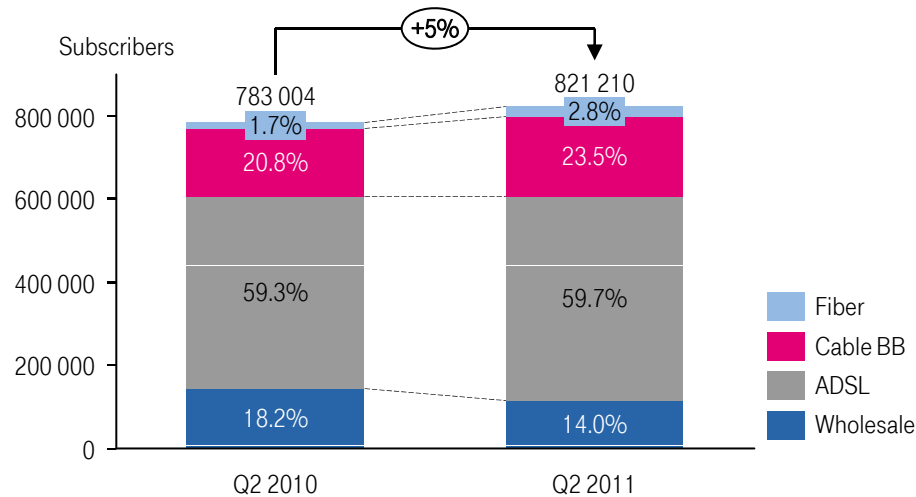


Fixed broadband market developments in Hungary

T-Home retail fixed BB market share



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%
- ARPU dilution driven by migration to multi-play packages and more favorable offers
- residential standalone fixed BB prices:
 - 5Mbps speed: HUF 5 600/month (EUR 21)
 - 80Mbps speed: HUF 11 600/month (EUR 43)

KPIs

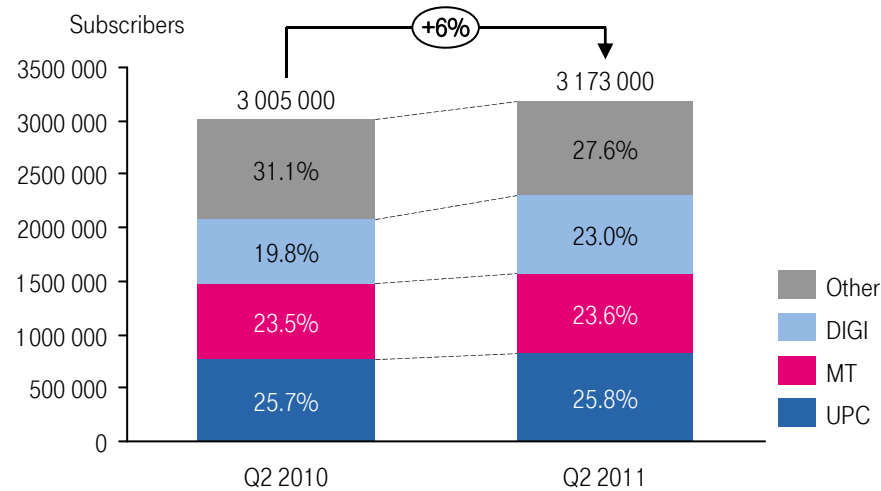
- ARPU: HUF 3 970 (-9% y-o-y)



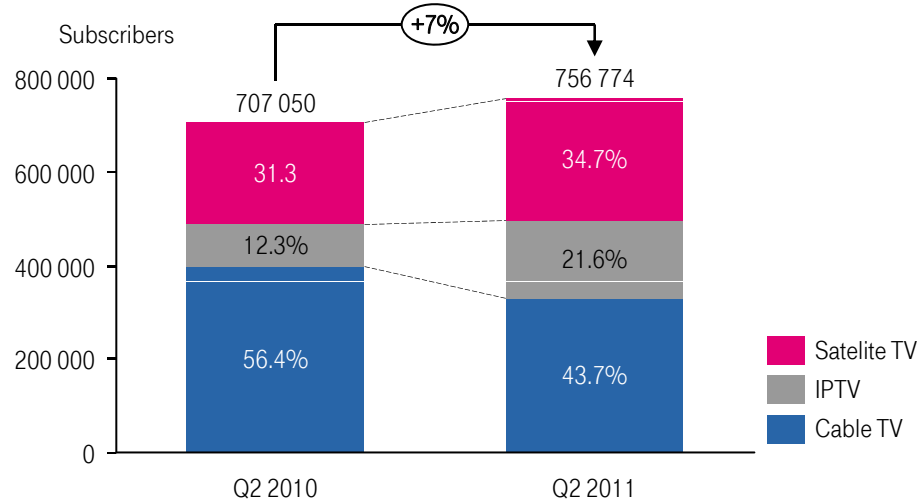
TV market – significant growth achieved



TV market growth in Hungary



T-Home TV subscriber growth



TV customer growth

- growth mainly driven by IPTV service offered on EuroDocsis 3-enabled cable network
- number of TV customers exceeded 756k, stable market position with 24% market share*
- retention benefit: 80% of TV customers are 2Play or 3Play package subscribers
- increasing ratio of interactive IPTV customers improve ARPU (+20% compared to cable)
- 3Play offers from HUF 5 600/month (EUR 21)

KPIs

- ARPU: HUF 3 000 (+5% y-o-y)

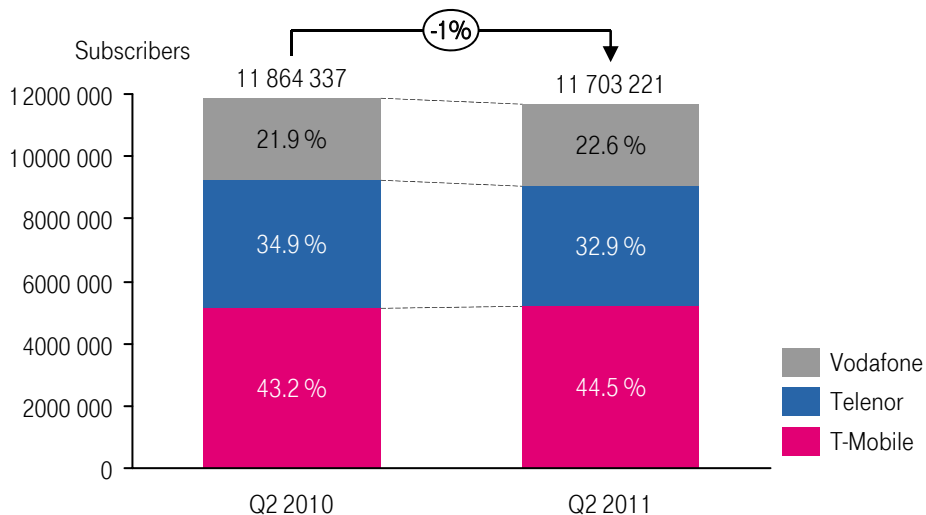
*based on the total TV market estimated by the National Media and Infocommunications Authority Hungary



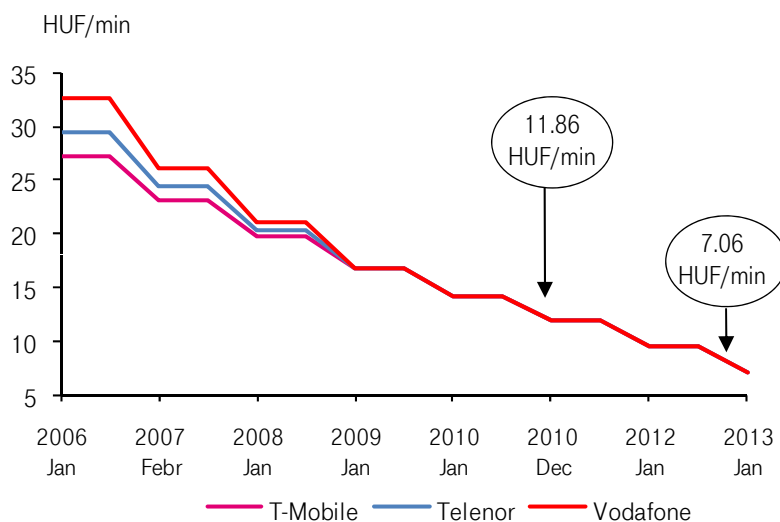
Mobile voice market – Stable market share



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 42% to 45% y-o-y
- mobile termination rate regulation:
 - further cuts: 20% from Jan 2012, 25% from Jan 2013 to 2.6 €c

KPIs

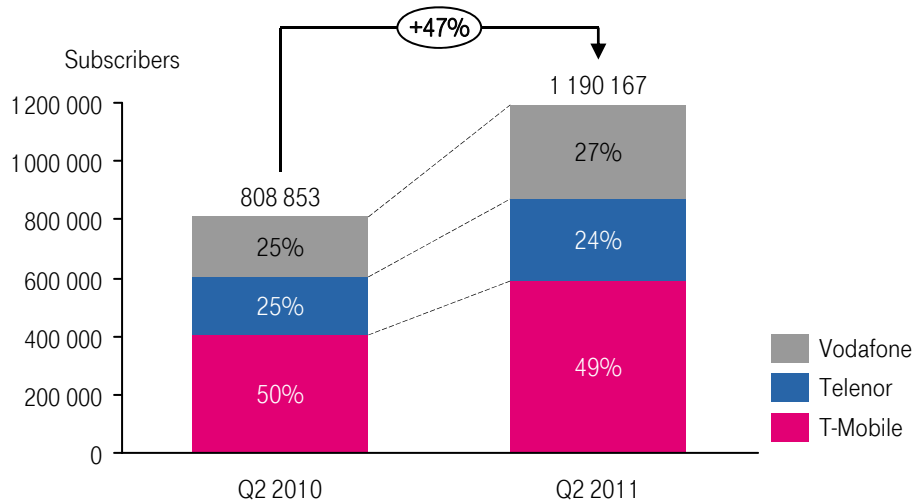
- ARPU: HUF 3 330 (-2% y-o-y)
- MOU: 158 (+8% y-o-y)
- Churn: 19% (-1 ppt)
- SAC: HUF 5 300 (-25% y-o-y)



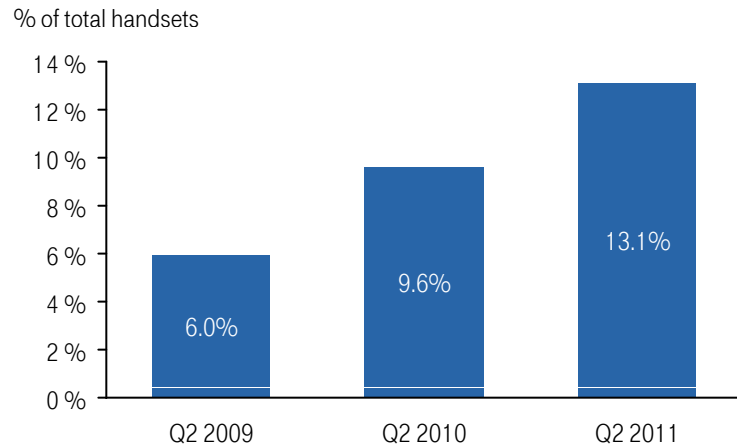
Mobile broadband market – major growth driver



Mobile broadband market developments (based on total SIM cards)



T-Mobile smartphone penetration



Mobile broadband

- 3G/HSDPA network coverage of ca. 75%
- 300 HSPA+ base stations offering 21 Mbps, full coverage by 2013
- significantly increasing smartphone sales
 - the ratio of smartphone sales reached 60% in Q2 2011 (40% in Q1 2011)
 - BB subscription attach rate at ca. 50%
- the most widely used operating system is Symbian, but Android is gaining market share
- 60% of bundled mobile subscribers were in the two smallest packages (MediaMania XS,S)

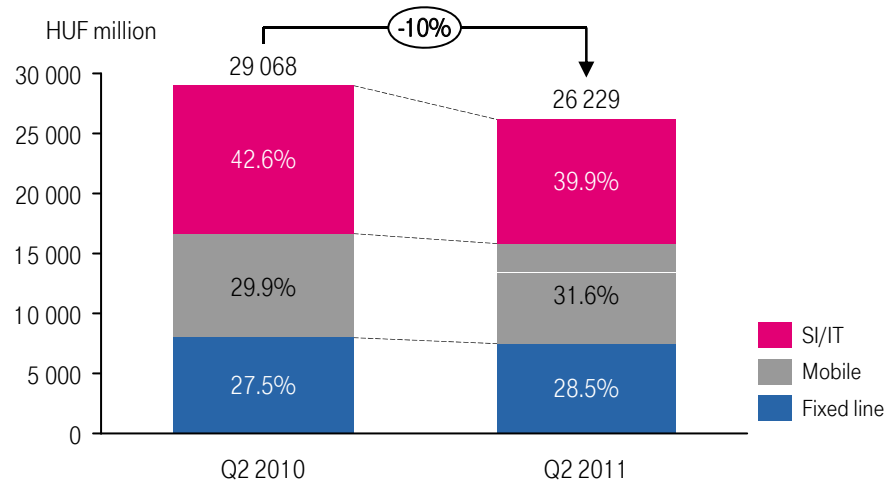
KPIs

- VAS within ARPU (%): 21% (+3 ppt y-o-y)
- VAS within ARPU (HUF): 690 (+12% y-o-y)

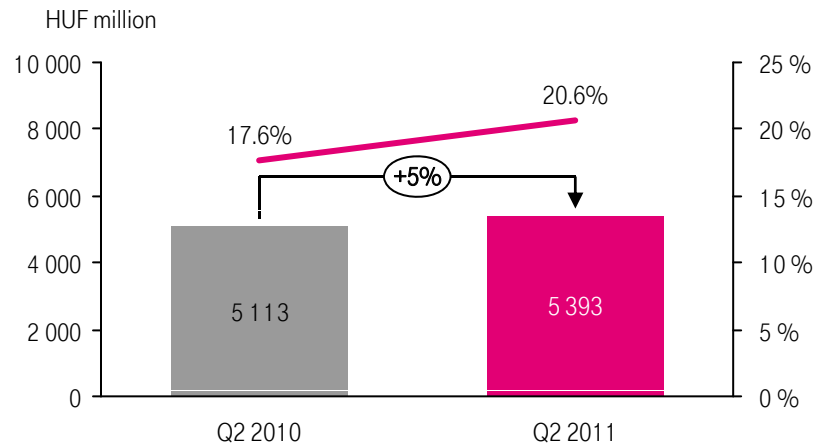


T-Systems – Financial performance

Revenues



Underlying EBITDA and margin



T-Systems

Falling voice and data revenues

- corporate clients remain very cautious, while public sector clients are still facing budget cuts
- high fixed churn, continued pressure on mobile tariff levels
- negative effect of governmental measures

Decrease in SI/IT revenues

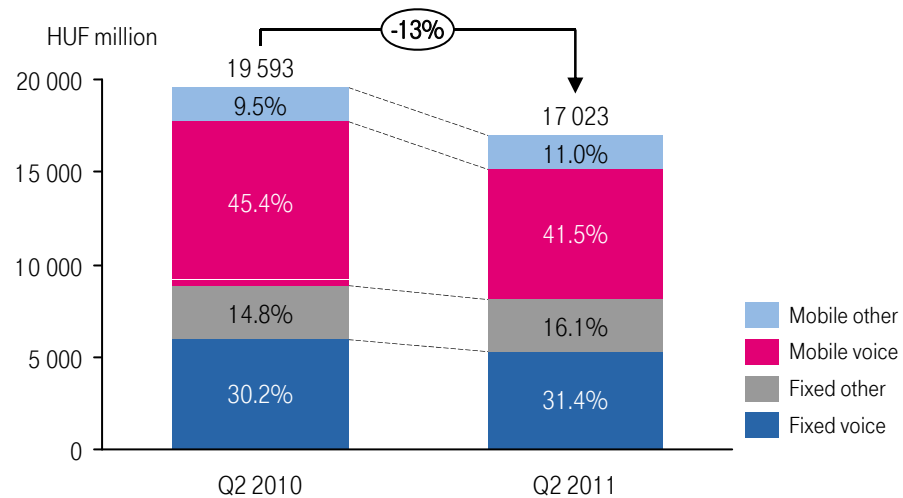
- lack of public projects due to budget constraints
- leading market position with 15% market share maintained

Underlying EBITDA margin improved

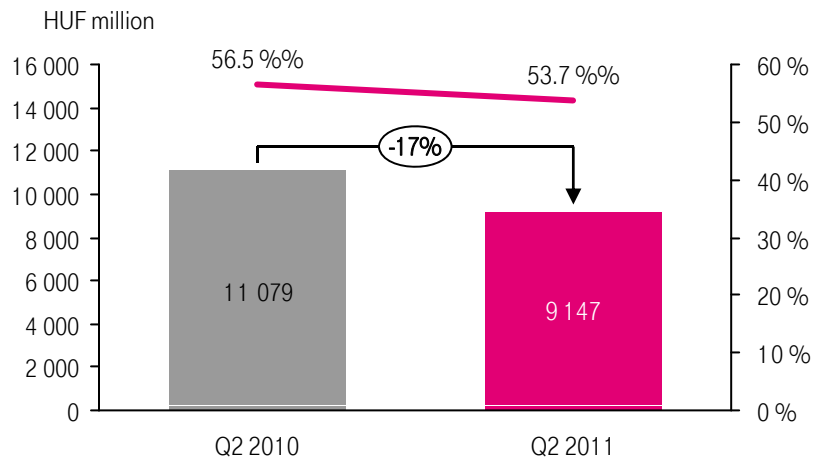
- cost efficiency measures mainly in employee-related costs and other opex
- lower bad debt due to collecting some outstanding public receivables

Macedonia – Financial performance

Revenues



Underlying EBITDA and margin



Macedonia

Declining fixed line revenues

- decreasing fixed retail voice revenues due to cable competition and strong mobile substitution
- higher wholesale voice revenues and positive contribution from broadband and TV revenues

Mobile competition getting fierce

- strong price competition in the business and prepaid segments
- declining tariff levels and higher subsidies put pressure on margin
- leading position with 50% market share

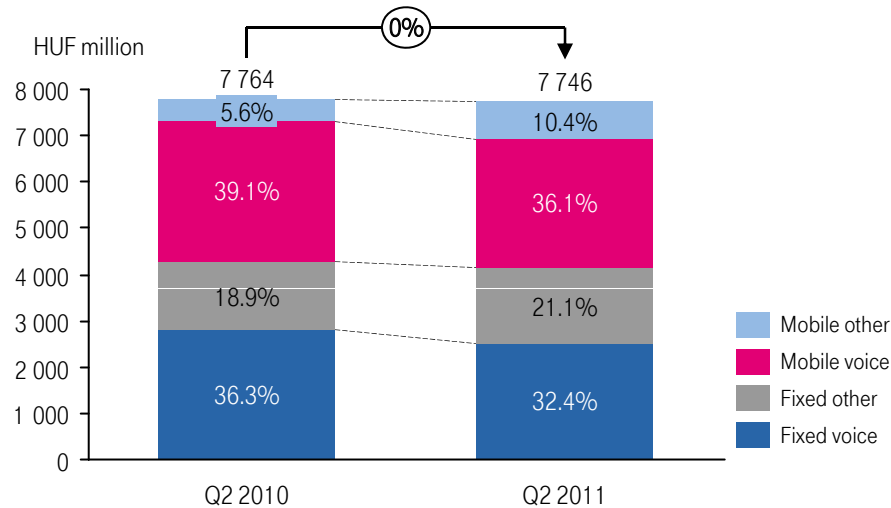
KPIs

- Fixed churn: 8.5%
- Mobile ARPU: HUF 2 400 (down by 8%)
- MOU : 135 (up by 5%)

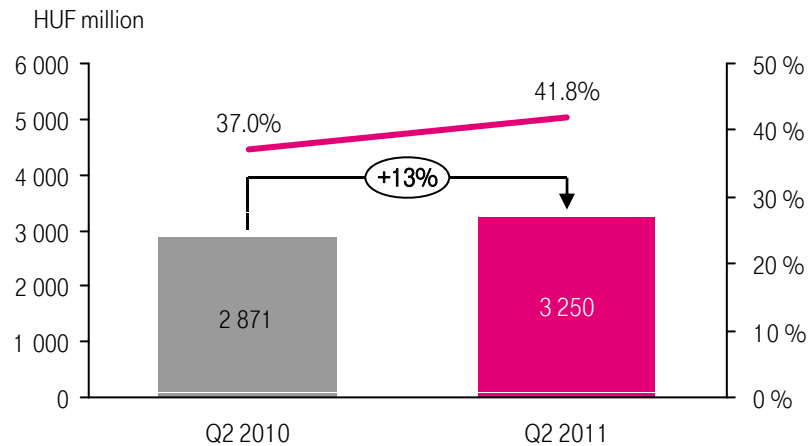


Montenegro – Financial performance

Revenues



Underlying EBITDA and margin



Montenegro

Fixed voice revenues under pressure

- deterioration in retail voice revenues driven by strong mobile substitution
- growing internet and TV revenues
- #1 position in the pay-TV market with a 38% market share

Mobile revenues impacted by a one-off

- comparison distorted by a fraud case booked last year, excluding that mobile revenues declined by 2.5%
- intense competition resulting in lower tariff levels

KPIs

- Fixed churn: 0%
- Mobile ARPU: HUF 2 400 (up 9%)
- MOU: 115 (up 11%)



Back-up



Magyar Telekom - Consolidated Income Statement

HUF million	Jun 30, 2010	Jun 30, 2011	Change
Fixed line revenues	61 617	58 470	-5.1%
Mobile revenues	78 252	75 798	-3.1%
System Integration/Information Technology revenues	10 591	9 298	-12.2%
Revenues	150 460	143 566	-4.6%
Direct costs	(36 785)	(34 860)	-5.2%
Employee-related expenses	(23 063)	(21 482)	-6.9%
Depreciation and amortization	(25 285)	(24 024)	-5.0%
Hungarian telecommunications and other crisis taxes	0	(6 345)	n.a.
Other operating expenses	(29 205)	(37 467)	28.3%
Total operating expenses	(114 338)	(124 178)	8.6%
Other operating income	433	1 145	
Operating profit	36 555	20 533	-43.8%
Net financial expenses	(5 783)	(8 051)	39.2%
Share of associates' profits	(9)	0	-100.0%
Profit before income tax	30 763	12 482	-59.4%
Income tax	(11 152)	(5 156)	-53.8%
Profit for the period	19 611	7 326	-62.6%
Non-controlling interests	3 668	2 964	-19.2%
Equity holders of the Company (Net income)	15 943	4 362	-72.6%



Magyar Telekom - Consolidated Balance Sheet

HUF million	Dec 31, 2011	Jun 30, 2011	Change
Current assets	200 574	176 270	-12,1%
Cash and cash equivalents	15 841	15 727	-0,7%
Other current financial assets	56 560	38 120	-32,6%
Non current assets	908 432	877 928	-3,4%
Property, plant and equipment - net	549 752	527 920	-4,0%
Intangible assets - net	332 993	326 662	-1,9%
Total assets	1 109 006	1 054 198	-4,9%
Equity	594 712	545 474	-8,3%
Current liabilities	246 817	283 875	15,0%
Financial liabilities to related parties	72 208	91 154	26,2%
Other financial liabilities	46 587	55 894	20,0%
Non current liabilities	267 477	224 849	-15,9%
Financial liabilities to related parties	234 164	192 727	-17,7%
Other financial liabilities	8 828	9 132	3,4%
Total equity and liabilities	1 109 006	1 054 198	-4,9%



Magyar Telekom - Consolidated Cashflow Statement

HUF million	Jun, 2010	Jun, 2011	Change
Net cash generated from operating activities	92 353	95 464	3,4%
Investments in tangible and intangible assets	(36 176)	(26 656)	-26,3%
Adjustments to cash purchases	(3 797)	(7 948)	109,3%
Purchase of subsidiaries and business units	(96)	(1 263)	1215,6%
Cash acquired through business combinations	0	455	-
Proceeds from / (Payments for) other financial assets - net	17 120	11 413	-33,3%
Proceeds from disposal of subsidiaries	780	0	-
Proceeds from disposal of PPE and intangible assets	361	3 786	948,8%
Net cash used in investing activities	(21 808)	(20 213)	-7,3%
Dividends paid to shareholders and minority interest	(77 031)	(63 337)	-17,8%
Net payments of loans and other borrowings	5 028	(11 654)	-331,8%
Other	0	0	-
Net cash used in financing activities	(72 003)	(74 991)	4,1%
Free cash flow	53 425	63 838	19,5%



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 United States Department of Justice (the "DOJ"), the United States Securities and Exchange Commission (the "SEC") and the Ministry of Interior of the Republic of Macedonia commenced investigations into certain of the activities that were the subject of the internal investigation. Further, in relation to certain activities that were the subject of the internal investigation, the Hungarian Central Investigating Chief Prosecutor's Office has commenced a criminal investigation into alleged corruption with the intention of violating obligations in international relations and other alleged criminal offenses. In addition, the Montenegrin Supreme State Prosecutor is also investigating the activities of the Company that were the subject of the internal investigation and has requested information from the Company in relation to the relevant contracts. These governmental investigations are continuing, and the Company continues to cooperate with these investigations.

On June 24, 2011, Magyar Telekom announced that its Board of Directors had approved an agreement in principle with the staff of the SEC to resolve the SEC's investigation of the Company's possible violations of the FCPA through a settlement. Pursuant to the agreement in principle, the Company, without admitting or denying the allegations against it, would consent to a U.S. court order permanently enjoining it from any future FCPA violations and pay disgorgement and a conditional civil penalty. The agreement in principle reflects the SEC staff's consideration of the Company's self-reporting, remediation and cooperation with the SEC's investigation. The agreement in principle is not a final settlement of the SEC's investigation and the terms of any final settlement would be subject to final approval by the Company's Board of Directors, the SEC and a U.S. District Court.

The Company continues to engage in discussions with the DOJ regarding the possibility of resolving the DOJ's investigation of the Company through a negotiated settlement. The Company may be unable to reach a negotiated settlement with the DOJ. Any resolution of the DOJ investigation could result in criminal sanctions, including monetary penalties, which could have a material effect on the Company's financial position, results of operations or cash flows, as well as require additional changes to its business practices and compliance program. The Company cannot predict whether or when a resolution of the DOJ investigation will occur, or the terms, conditions, or other parameters of any such resolution.

In light of the agreement in principle with the SEC staff, and the ongoing negotiations with the DOJ, the Company has recognized a provision of HUF 11.5 bn (USD 62.4 million) in connection with these governmental investigations in the second quarter of 2011. However, the amount of any payment obligation upon final settlement or other resolution of these investigations may differ from the amount of the provision.

In addition to the provision, Magyar Telekom incurred HUF 0.6 bn expenses relating to the investigations in the first half of 2011, which are included in other operating expenses of the Telekom Hungary segment.



For further questions please contact the IR department:

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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, 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: 269.1 (average H1 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.

