

Q1 2012 Results

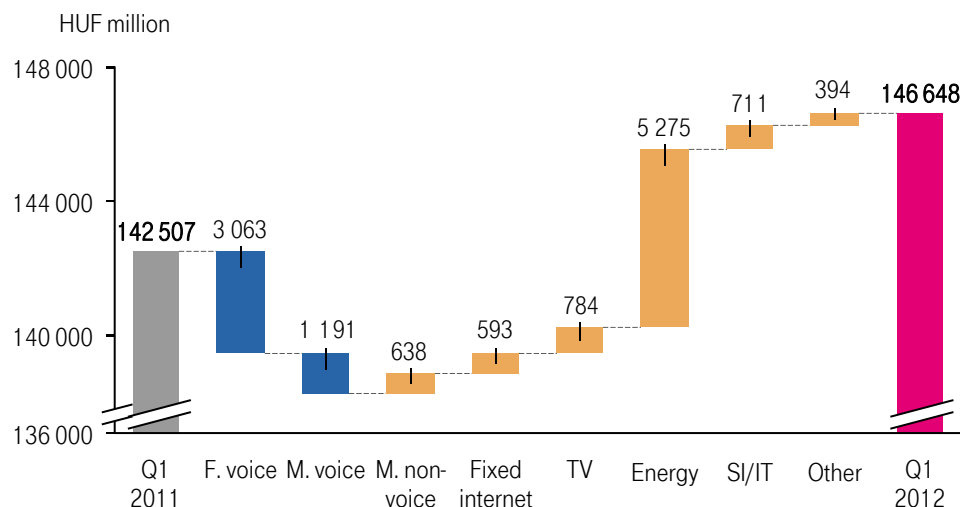
Magyar Telekom Group

Revenue growth driven by energy resale in Hungary;
EBITDA margin under pressure

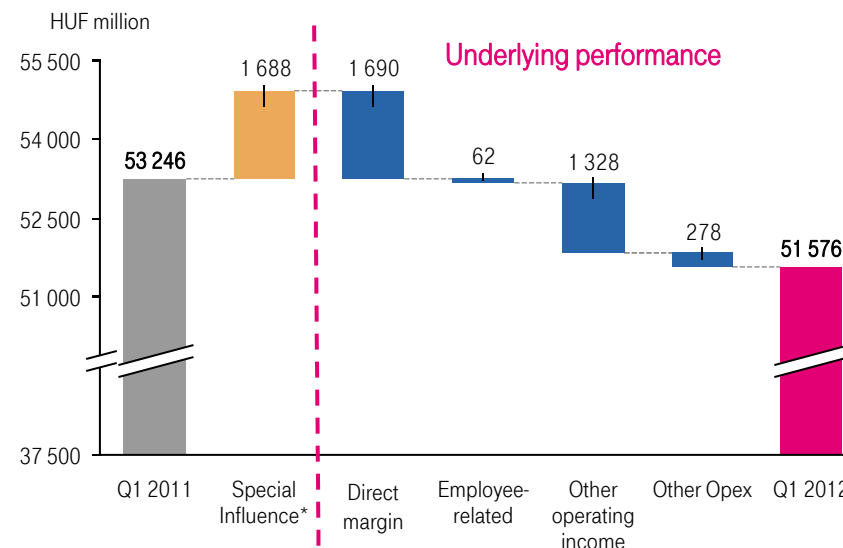


2012 Q1 Group results – Revenues and EBITDA

Group revenues



Group EBITDA



Revenue development

- Group revenues up by 2.9% y-o-y
- HUF 6.0bn revenues from energy resale in Q1 2012
- fixed and mobile voice revenues declined primarily due to continuing intense competition, depressed household consumption and MTR cut
- SI/IT improvement, mobile BB subscriber and revenue growth, higher TV and fixed internet revenues
- general price increase from January 2012

EBITDA development

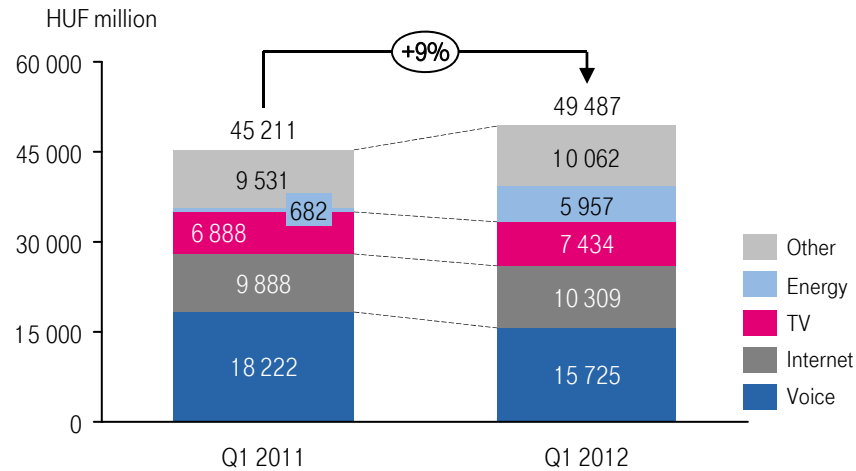
- underlying EBITDA down by 5.5% y-o-y
- Direct margin decline driven by further erosion of traditional voice revenues, while energy resale is further diluting margins
- other operating income decline due to the HUF 1.4bn gain on real estate sale in Hungary accounted in Q1 2011

*investigation- and severance-related expenses, as well as telecom tax

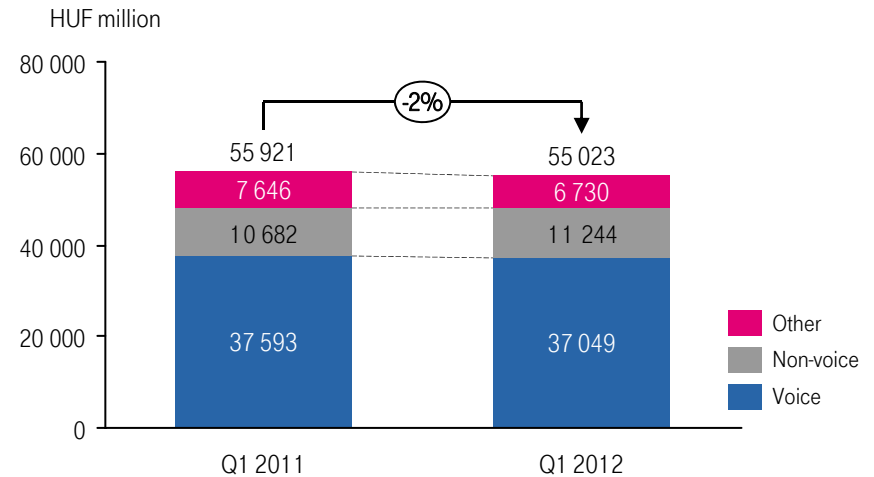


Telekom Hungary – significant contribution from energy resale

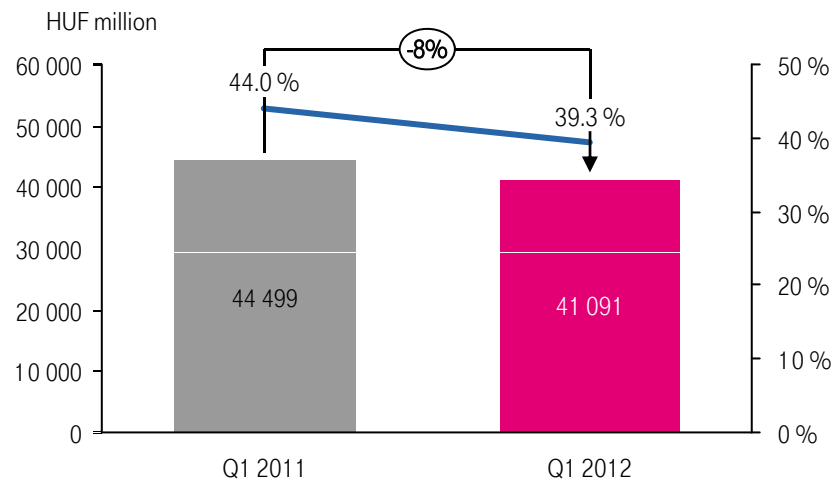
Fixed line and Energy resale revenues



Mobile revenues



Underlying EBITDA and margin



Telekom Hungary

Revenues up by 3.3%

- significant increase in energy resale revenues
- regulatory impacts on mobile revenues

Decrease in underlying EBITDA margin by 7.7pp

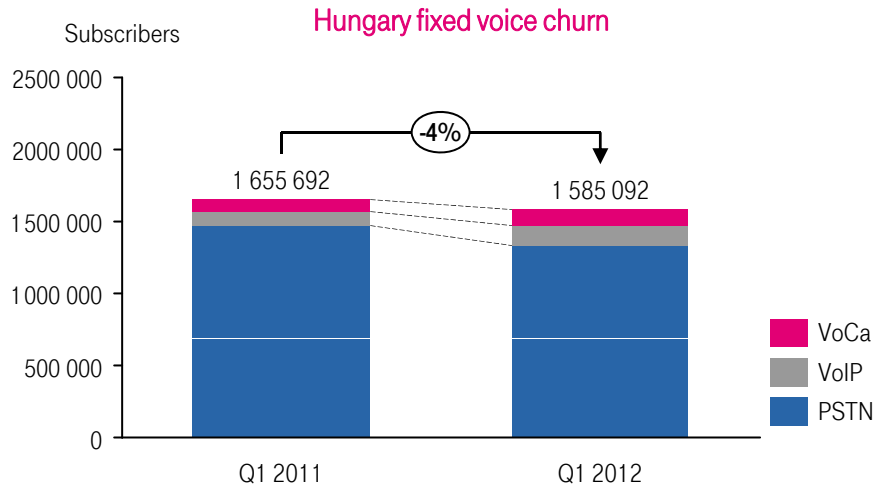
- reduction in high-margin voice revenues
- dilution impact of energy sales
- gain on real estate sales accounted in Q1 2011



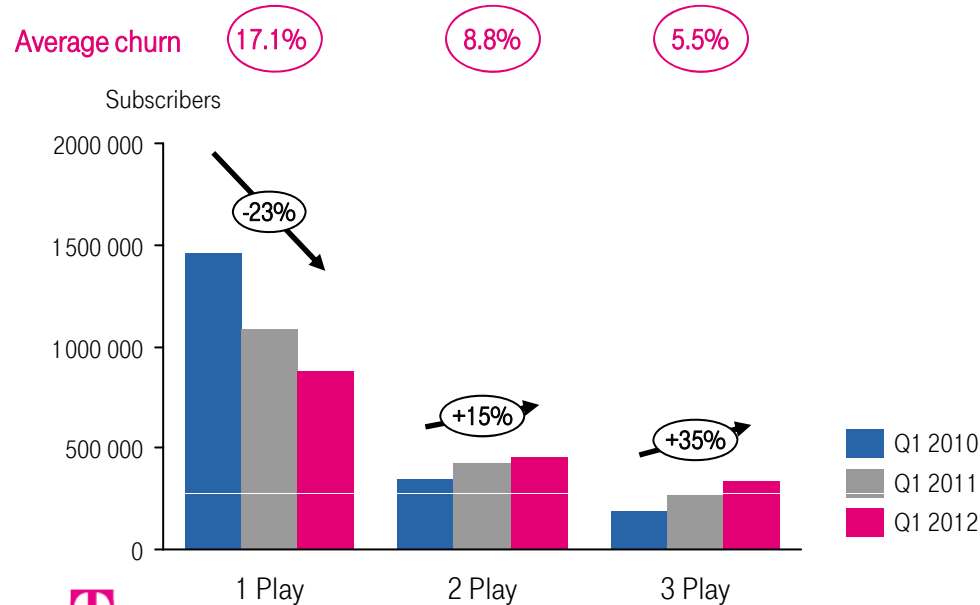
Hungary – improvement in fixed voice churn



Telekom Hungary fixed voice subscribers



Multi-Play developments



Fixed voice

- significant **reduction in fixed voice churn** thanks to the retention effect of:
 - Hoppá package: flat fee package; 32% of fixed customers already subscribed
 - discounts offered in bundled packages, 4Play offer
 - retail energy bundling
- as a result, number of lines lost was 19k in Q1 2012 vs. 33k in Q1 2011
- 1Play customer base declined to 52%**

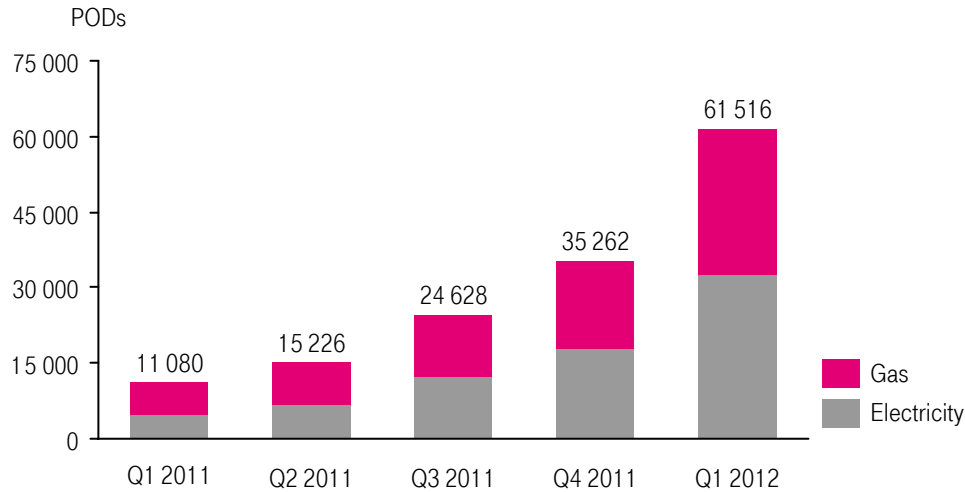
KPIs

- ARPA: HUF 2 927 (-10% y-o-y)
- MOU: 191 (+21% y-o-y)

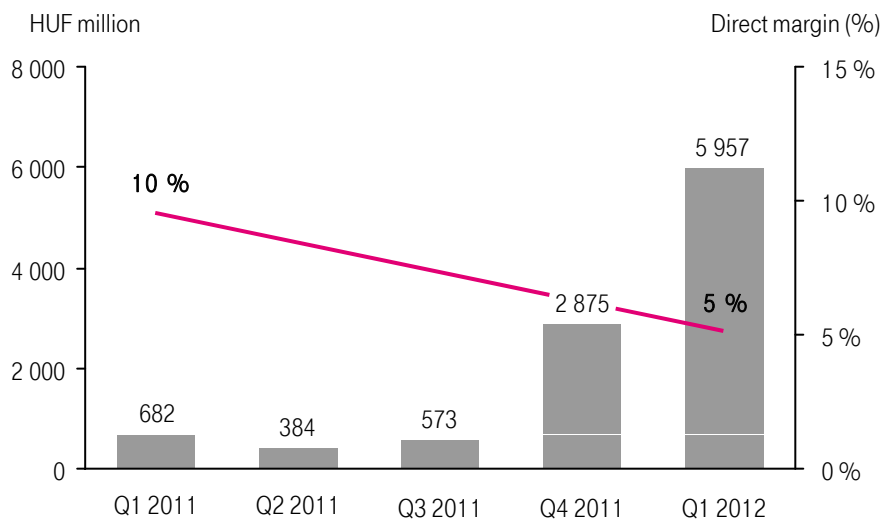


Hungary – Energy resale business as major growth driver

Gas and electricity points of delivery (POD)



Revenue and direct margin performance



Energy resale

- soft launch in 2010, **nationwide from April 2012**
- customers get 5-8% discounts on their energy bill depending on the amount of their fixed subscriptions
- **retention impact is significant:** fixed churn may halve with energy contract
- 45% of energy customers have 3Play package

KPIs

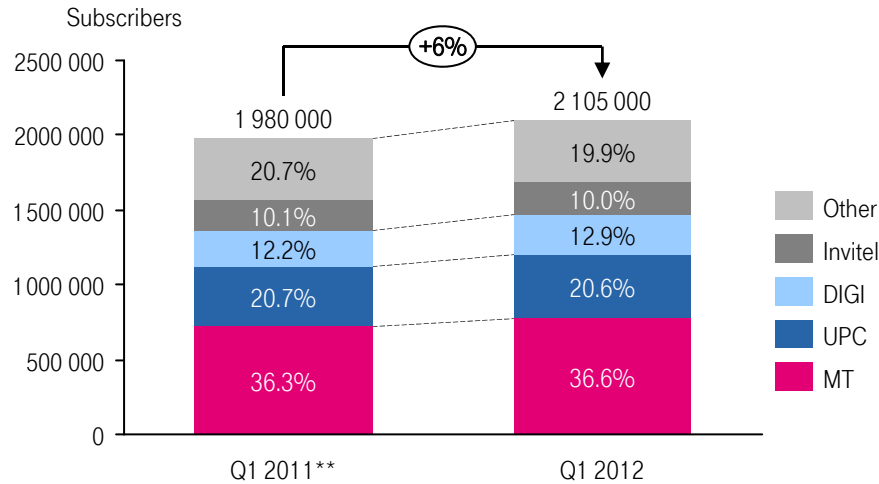
- Gas ARPU: c.a. HUF 18 000
- Electricity ARPU: c.a. HUF 9 000



Hungary – Fixed broadband: stable market position

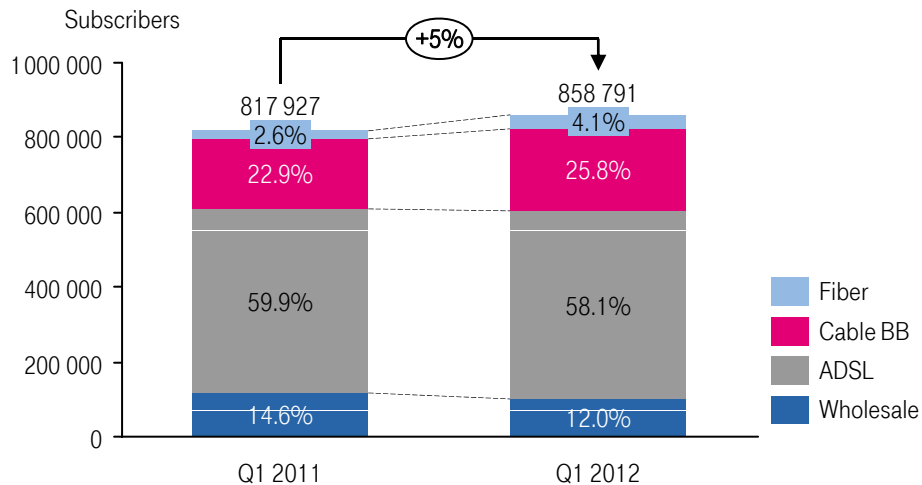


Fixed broadband market shares in Hungary*



*based on the total fixed BB market estimated by the National Media and Infocommunications Authority
 **data as of May-2011

T-Home fixed broadband subscriber breakdown



Fixed broadband

- market **growth driven by cable and fiber**, while ADSL growth has slowed down
- **stable fixed BB market share**
- residential standalone fixed BB prices:
 - 5Mbps speed: HUF 5 630/month (EUR 20)
 - 80Mbps speed: HUF 11 730/month (EUR 40)

KPIs

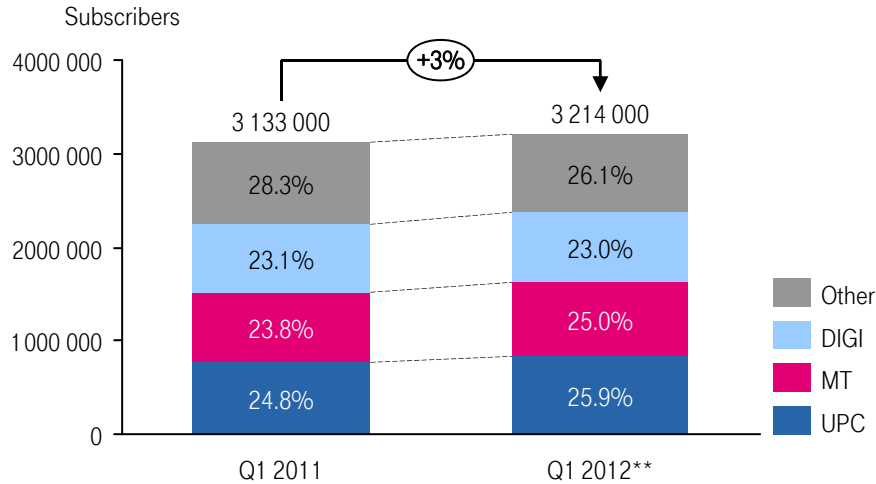
- ARPU: HUF 3 862 (-2% y-o-y)



Hungary – TV market: further growth achieved

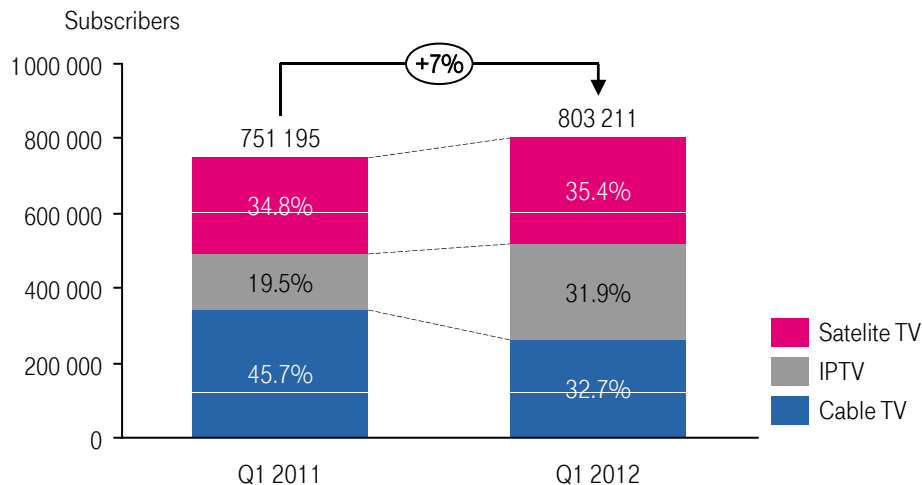


TV market share*



*based on the total TV market estimated by the National Media and Infocommunications Authority
 **data as of February-2012

T-Home TV subscriber growth



TV customer growth

- significant **migration from cable to IPTV** driven by ED3-enabled cable network
- increasing ratio of interactive IPTV customers improve ARPU
- retention benefit: 80% of TV customers are 2Play or 3Play package subscribers
- 3Play offers from HUF 7 530/month (EUR 25)

KPIs

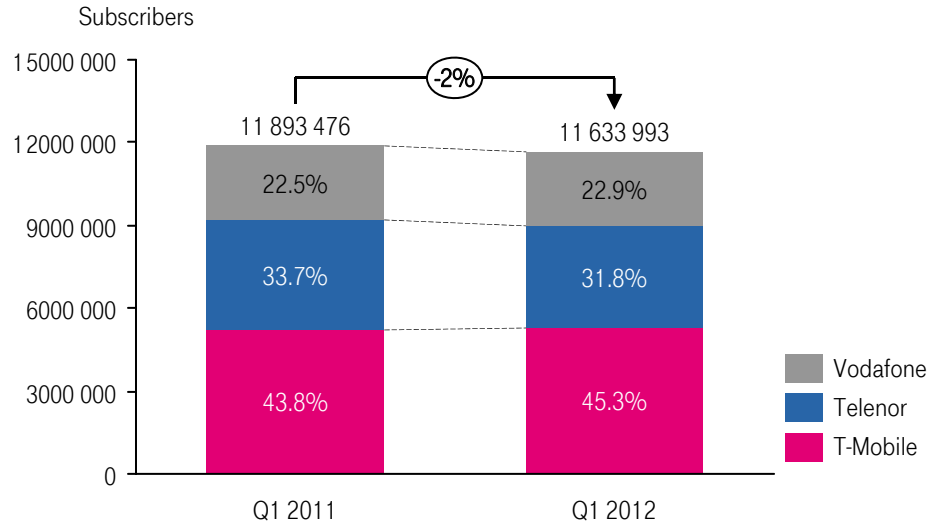
- ARPU: HUF 3 061 (+2% y-o-y)



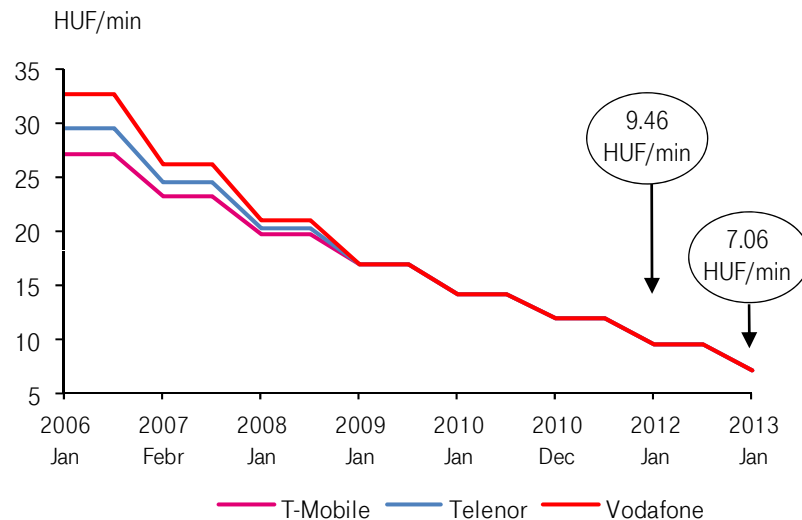
Hungary – Mobile voice: increased market share



Mobile voice market shares (based on total SIM cards)



Mobile termination rate cuts



Mobile voice

- population-based **penetration at 117%**
- higher market share, slight growth in customer numbers
- improving customer mix: postpaid ratio increased from 44% to 46% y-o-y
- MTR cuts:**
 - 20% cut from Jan 2012, further 25% cut from Jan 2013 to 2.4 €c

KPIs

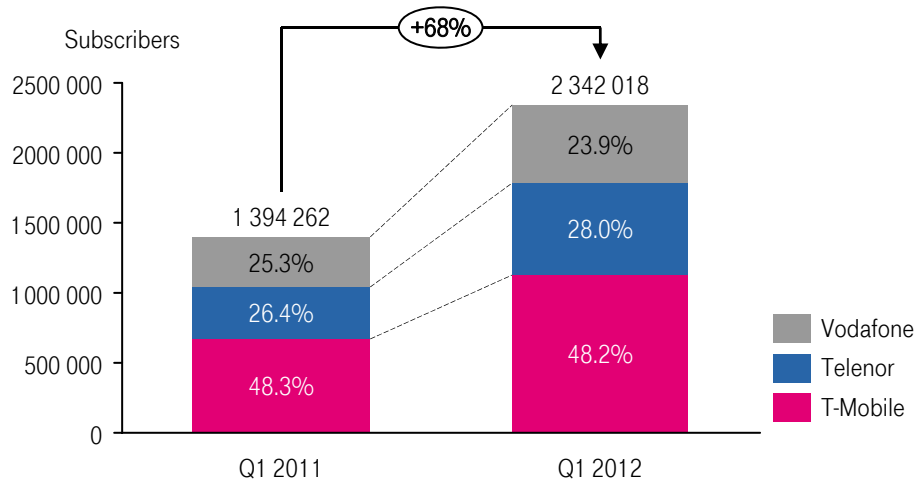
- ARPU: HUF 3 344 (-3% y-o-y)
- MOU: 159 (+3% y-o-y)
- Churn: 17% (-1ppt y-o-y)
- SAC/gross add: HUF 5 569 (+14% y-o-y)
- SRC/retained customer: HUF 13 581 (-18% y-o-y)



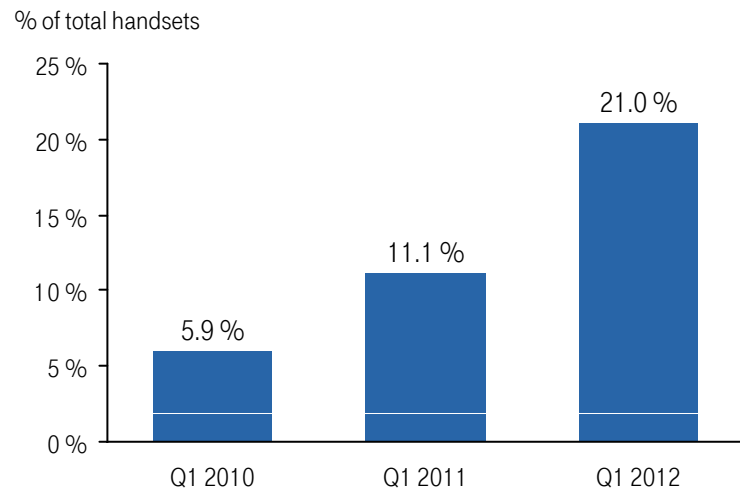
Hungary – Mobile broadband: continued dynamic growth



Mobile broadband market shares (based on total SIM cards)



T-Mobile smartphone penetration



Mobile broadband

- already 600 HSPA+ base stations offering 21 Mbps download speed
- **smartphone sales in the postpaid segment reached 79% in Q1 2012** (vs. 47% a year ago)
- **BB subscription attach rate is ca. 76%**
- 67% of bundled mobile subscribers were in the two smallest package (MediaMania XS, S)

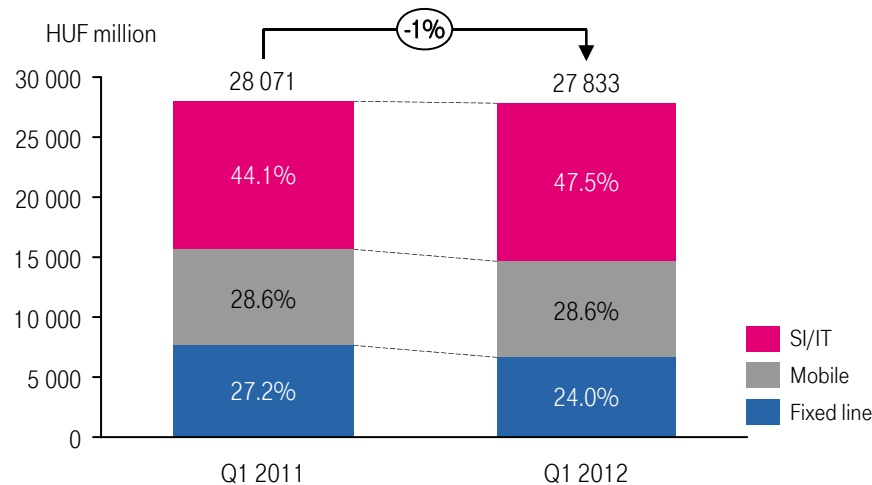
KPIs

- VAS within ARPU: 23% (+2ppt y-o-y)
- VAS within ARPU (HUF): 779 (+9% y-o-y)

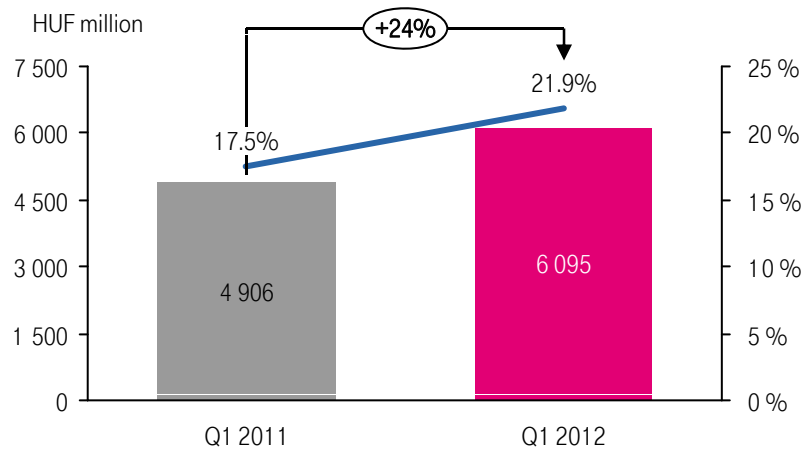


T-Systems Hungary – SI/IT revenue growth and healthy margin

Revenues



Underlying EBITDA and margin



T-Systems Hungary

Falling voice and data revenues

- lower usage and high fixed churn, principally caused by mobile substitution
- continued pressure on mobile tariff levels

Growth in SI/IT revenues

- Daten-Kontor consolidation impact (inclusion from March 2011)
- some bigger equipment delivery contracts in Q1 2012 in the public sector
- major public projects remain subdued
- leading market position with 16% market share

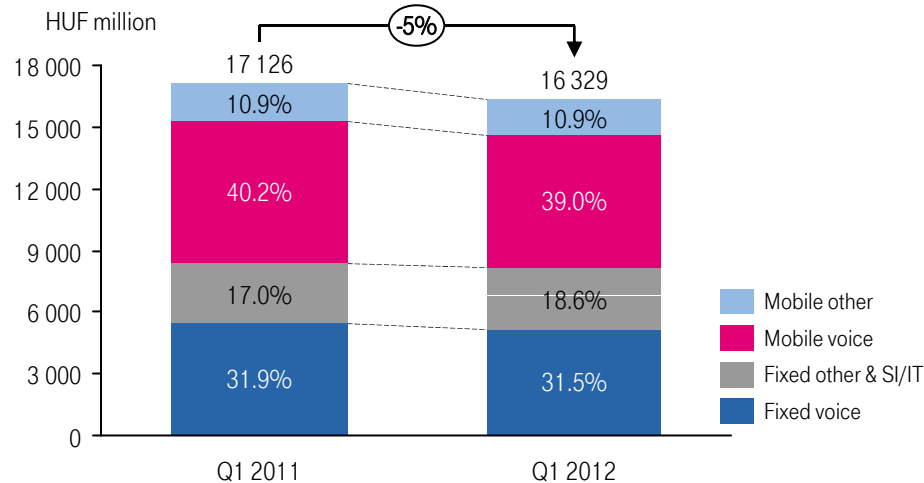
Underlying EBITDA margin improved

- strict cost control
- lower bad debt due to collecting some outstanding public receivables

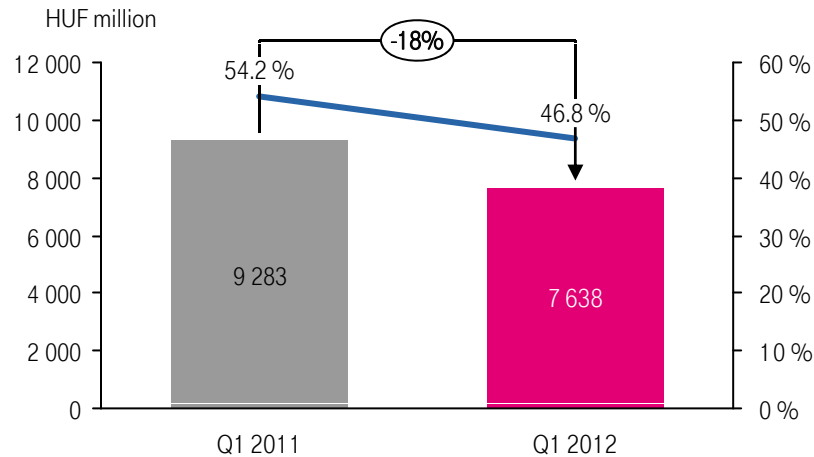


Macedonia – Financial performance

Revenues



Underlying EBITDA and margin



Macedonia

Significant FX impact: HUF weakened by 8.6% Q1-o-Q1 against MKD

Declining fixed line revenues in MKD

- cable competition and strong mobile substitution

Mobile competition getting fierce

- strong price competition
- MOU up due to free bundled minutes and widening CUG offers
- #1 position maintained, stable 50% market share

Declining tariff levels and higher subsidies put pressure on margin

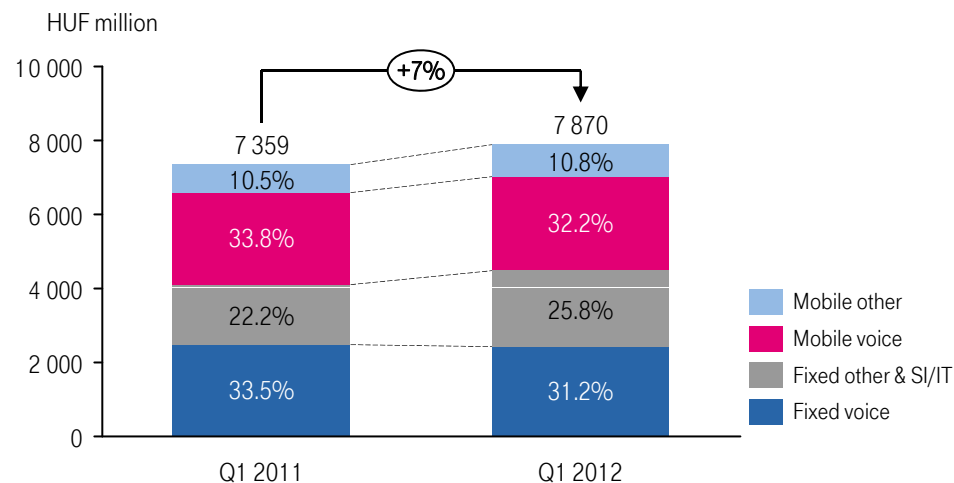
KPIs

- Fixed churn: 9%
- Mobile ARPU: HUF 1 968(-4% y-o-y)
- MOU : 146 (+19% y-o-y)

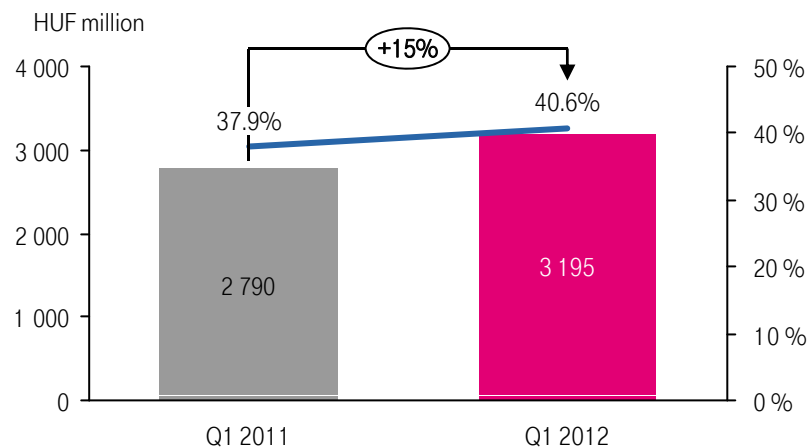


Montenegro – Financial performance

Revenues



Underlying EBITDA and margin



Montenegro

Significant FX impact: HUF weakened by 8.4% Q1-o-Q1 against EUR

Flat fixed revenues in EUR

- strong mobile substitution
- growing internet and TV revenues
- #1 position in the pay-TV market with a 42% market share

Higher mobile revenues

- lower wholesale revenues driven by cuts in interconnection tariffs in 2011
- MOU up due to free bundled minutes and widening CUG offers
- 35% market share on the mobile voice market

Margin improvement driven by lower headcount

KPIs

- Fixed churn: 2%
- Mobile ARPU: HUF 3 175 (+21% y-o-y)
- MOU: 160 (+31% y-o-y)



Financials



Magyar Telekom – Consolidated Income Statement

HUF million	March 31, 2011	March 31, 2012	Change
Mobile revenues	72,449	72,614	0.2%
Fixed line revenues	58,431	56,421	-3.4%
System Integration/Information Technology revenues	10,945	11,656	6.5%
Revenue from Energy Services	682	5,957	
Revenues	142,507	146,648	2.9%
Direct costs	(37,175)	(43,006)	15.7%
Employee-related expenses	(22,177)	(21,218)	-4.3%
Depreciation and amortization	(23,994)	(25,312)	5.5%
Hungarian telecommunications and other crisis taxes	(6,341)	(6,085)	n.a.
Other operating expenses	(25,695)	(25,562)	-0.5%
Total operating expenses	(115,382)	(121,183)	5.0%
Other operating income	2,127	799	
Operating profit	29,252	26,264	-10.2%
Net financial expenses	(8,440)	(7,600)	-10.0%
Share of associates' profits	(1)	0	-100.0%
Profit before income tax	20,811	18,664	-10.3%
Income tax	(2,944)	(3,724)	26.5%
Profit for the period	17,867	14,940	-16.4%
Non-controlling interests	2,700	1,922	-28.8%
Equity holders of the Company (Net income)	15,167	13,018	-14.2%



Magyar Telekom - Consolidated Balance Sheet

HUF million	Dec 31, 2011	March 31, 2012	Change
Current assets	220,396	223,028	1.2%
Cash and cash equivalents	14,451	41,364	186.2%
Other current financial assets	65,286	38,259	-41.4%
Non current assets	877,632	863,704	-1.6%
Property, plant and equipment - net	536,224	521,526	-2.7%
Intangible assets	308,313	315,305	2.3%
Total assets	1,098,028	1,086,732	-1.0%
Equity	556,091	559,752	0.7%
Current liabilities	255,390	253,926	-0.6%
Financial liabilities to related parties	49,865	64,908	30.2%
Other financial liabilities	70,155	64,714	-7.8%
Non current liabilities	286,547	273,054	-4.7%
Financial liabilities to related parties	230,166	216,121	-6.1%
Other financial liabilities	17,928	17,504	-2.4%
Total equity and liabilities	1,098,028	1,086,732	-1.0%



Magyar Telekom - Consolidated Cashflow Statement

HUF million	March 31, 2011	March 31, 2012	Change
Net cash generated from operating activities	44,620	22,255	-50.1%
Investments in tangible and intangible assets	(12,314)	(23,841)	93.6%
Adjustments to cash purchases	(8,097)	(13,974)	72.6%
Purchase of subsidiaries and business units	(941)	(23)	-97.6%
Cash acquired through business combinations	455	0	-100.0%
Proceeds from / (Payments for) other financial assets - net	(8,160)	21,781	-366.9%
Proceeds from disposal of subsidiaries	0	84	n.a.
Proceeds from disposal of PPE and intangible assets	3,282	261	-92.0%
Net cash used in investing activities	(25,775)	(15,712)	-39.0%
Dividends paid to shareholders and minority interest	(10)	(27)	170.0%
Net payments of loans and other borrowings	(8,198)	21,395	-361.0%
Net cash used in financing activities	(8,208)	21,368	-360.3%
Free cash flow	27,005	(15,238)	-156.4%

* 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:

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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: 295.65 (average Q1 2012)

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.

