

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

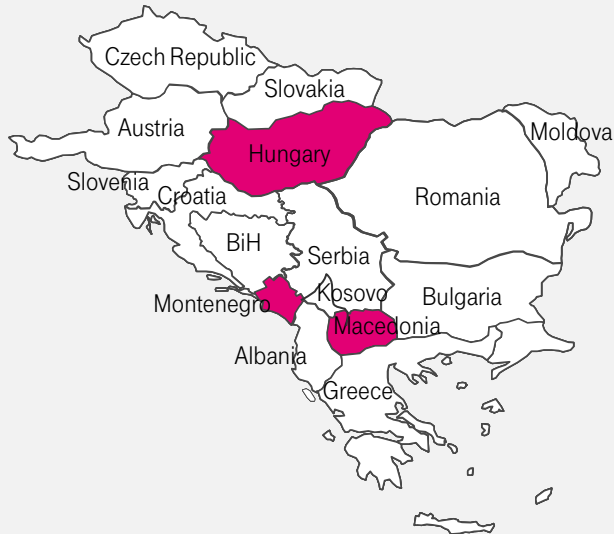


LIFE IS FOR SHARING.

STRATEGY, OUTLOOK AND GUIDANCE

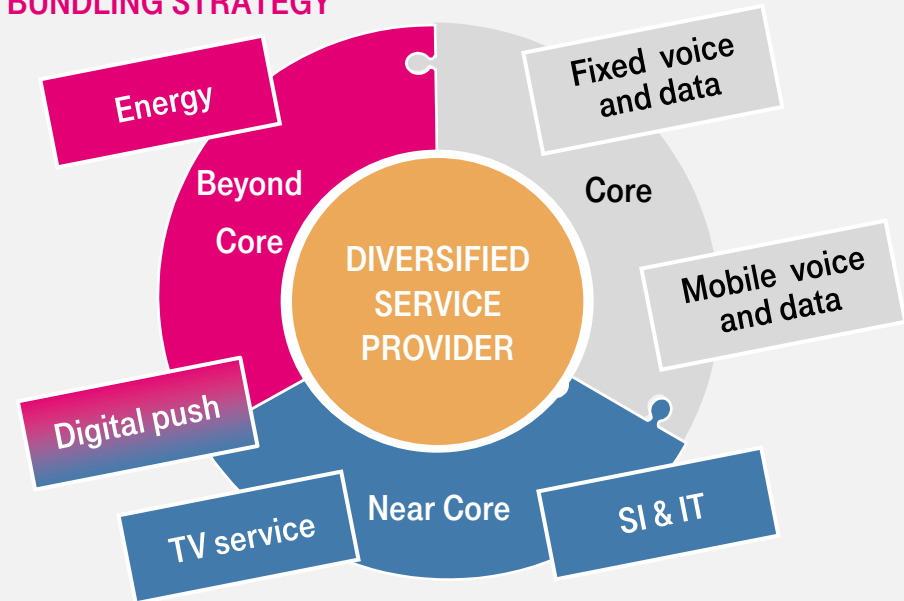
OVERVIEW – MAGYAR TELEKOM GROUP AT A GLANCE

INTERNATIONAL PRESENCE



- Leading telecommunications operator in Hungary, Macedonia and Montenegro
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.1 bn market capitalization
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

BUNDLING STRATEGY

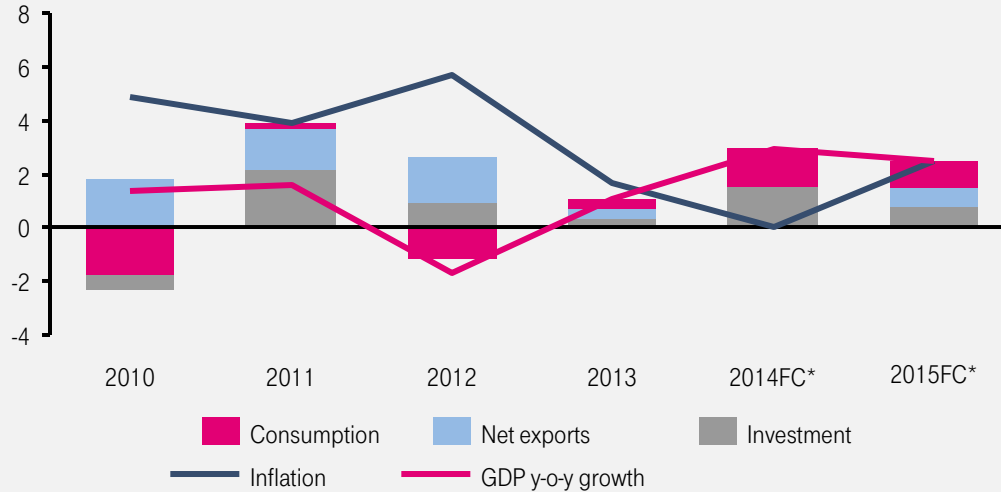


- Strategy of bundling core, near-core, and beyond core services since 2007
- Customer value enhanced through bundling of products and services
- Core portfolio optimization also supported by bundling strategy
- Turnaround of financial performance has commenced

HUNGARIAN ECONOMIC ENVIRONMENT

GROWTH STRUCTURE

Contribution to
GDP growth (%)

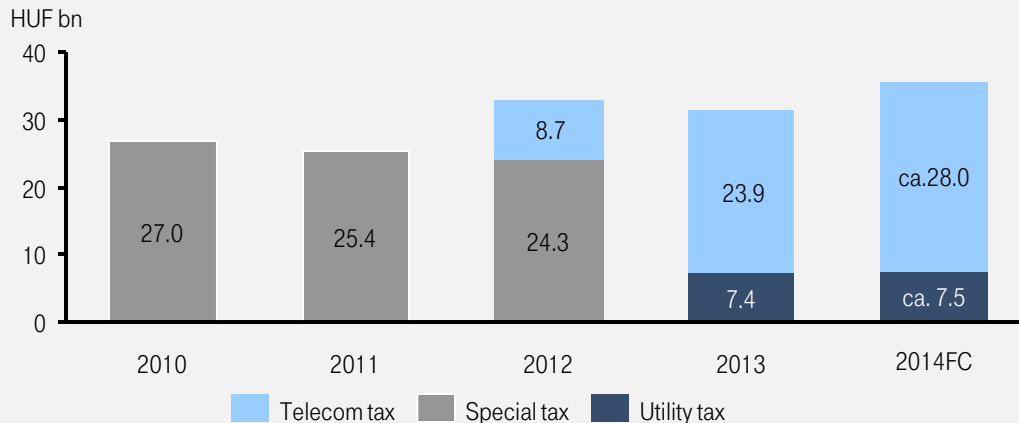


* Central Bank June 2014 forecasts

CONTINUED DELEVERAGING KEEPS DOMESTIC DEMAND LOW

- Consumer spending and investments slowly turn the trend but growth remains fragile
- EU transfers act as vital source of investments
- MT financials strongly correlate to trends in domestic demand

ADDITIONAL TAXES LEVIED ON MAGYAR TELEKOM

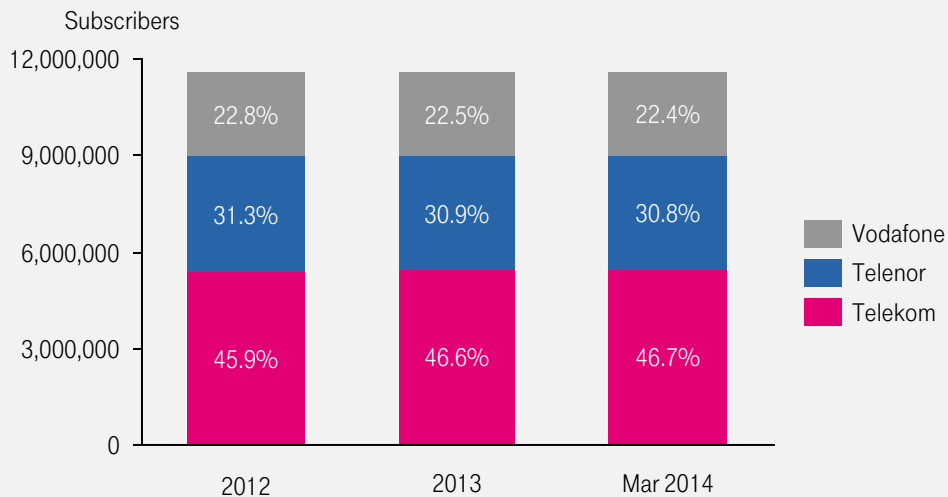


TAX BURDENS INTRODUCED TO REDUCE BUDGET DEFICIT

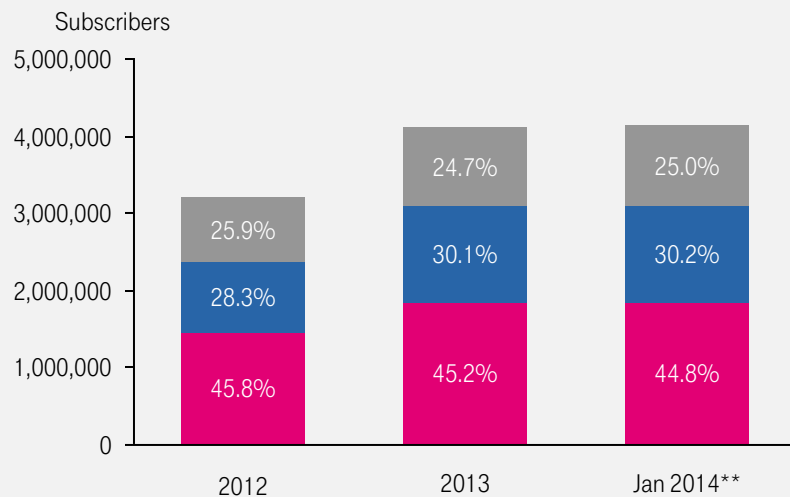
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied from 2013

MARKET POSITIONS ON THE HUNGARIAN TELECOMMUNICATION MARKET

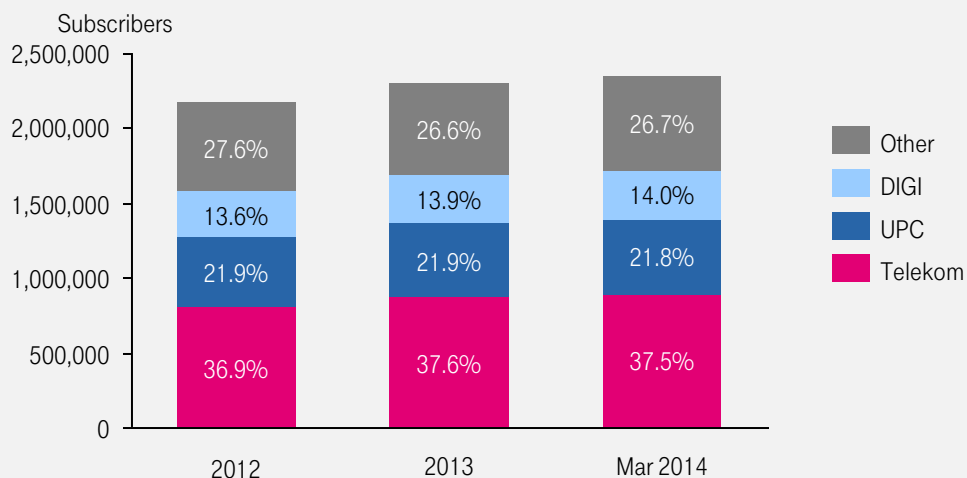
MOBILE VOICE MARKET SHARES (TOTAL SIM BASED)



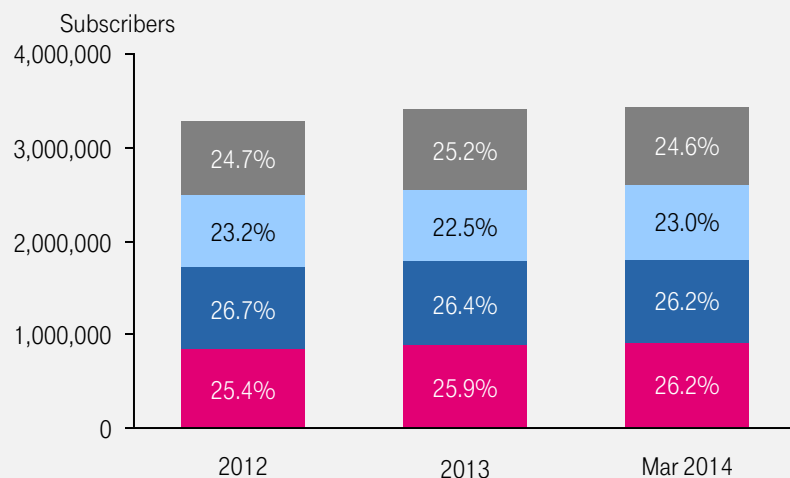
MOBILE BROADBAND MARKET SHARES (TOTAL SIM BASED)



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 (NMAIAH)


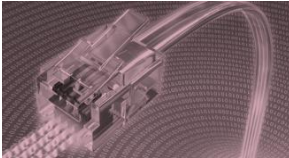




**mobile Internet data available only for January 2014 due to definition update by NMAIAH

WIDE RANGE OF TELECOM SERVICES, SYSTEM INTEGRATION AND IT INFRASTRUCTURE COMPETENCES

CONNECTIVITY

40% of total revenue

64 % of total margin*

Fixed voice	Fixed data	Fixed internet	Mobile voice	Mobile internet	Mobile data
					

SYSTEM INTEGRATION

17% of total revenue

10% of total margin*

Business Intelligence	Integration & Developm.	ERP & CRM	Transport	Billing & Cloud	E- Health
					

IT INFRASTRUCTURE

43% of total revenue

26% of total margin*

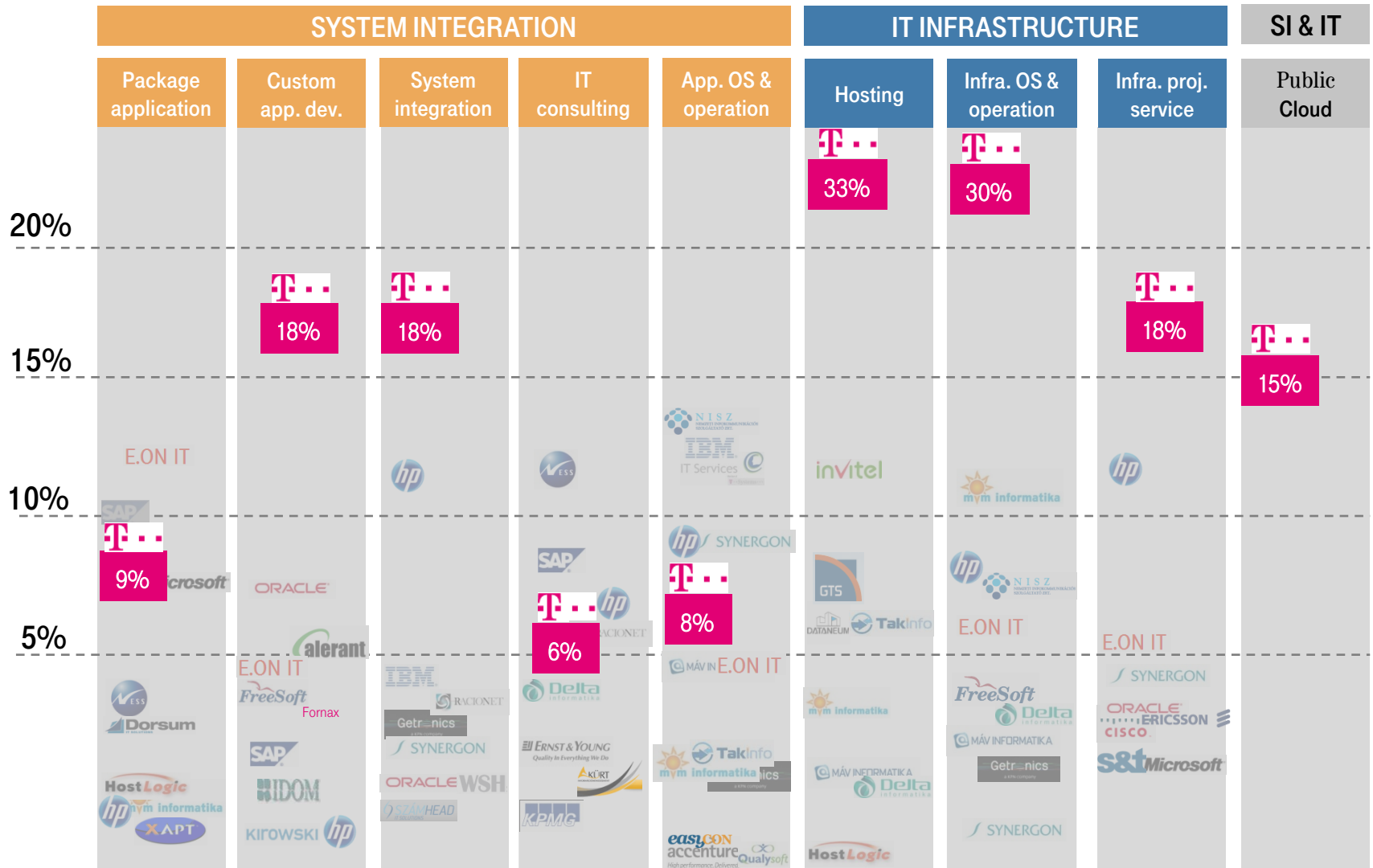
Computer systems	Network solutions	Communication	IT service & systems management	IT Security	Datacenter services
					

*Margin= Adjusted margin = Direct margin – Direct Delivery expenses



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MARKET LEADER IN IT SERVICES



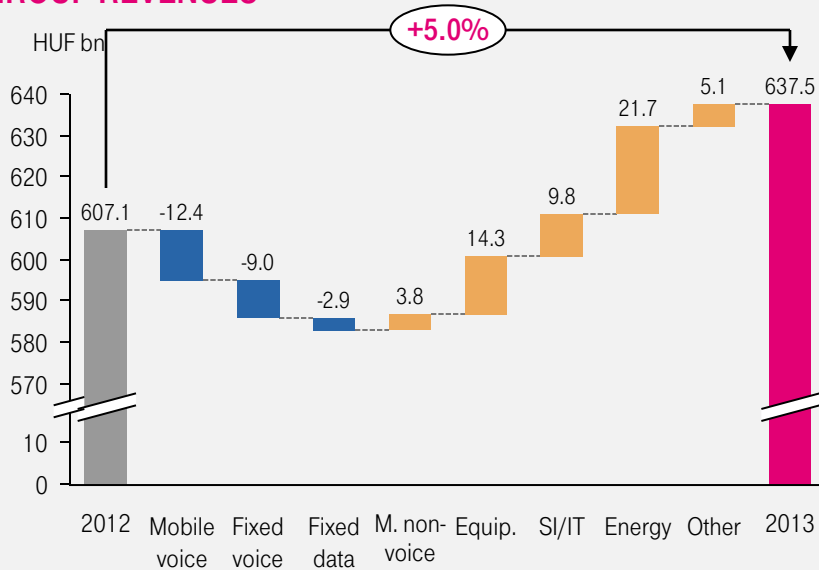
Revenue based market share in 2013



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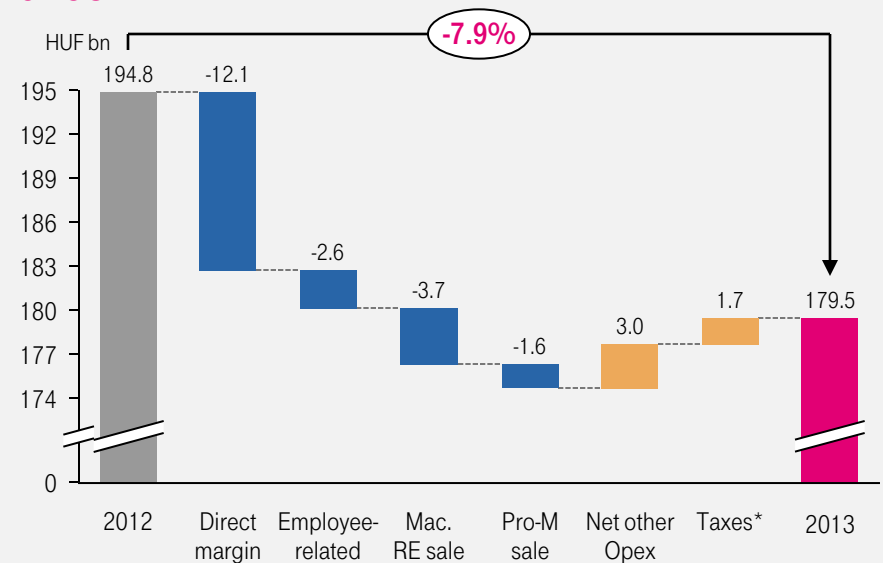
2013 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Strong contribution from energy service revenues
- Increase in contribution from smart-device sales both in fixed and mobile business
- SI/IT revenue growth fueled by application and infrastructure projects
- Decline in fixed and mobile voice revenues reflects the lower contribution from Macedonian operation and MTR cuts

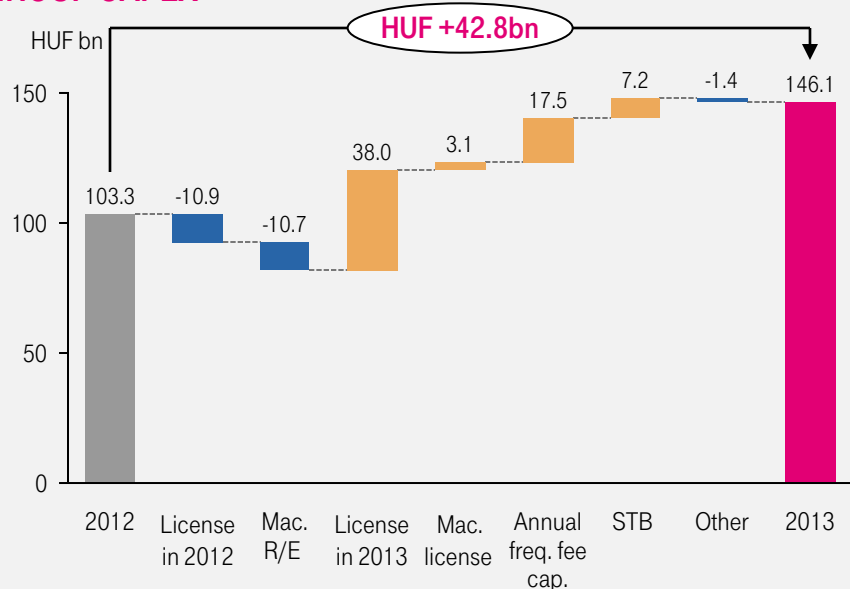
GROUP EBITDA



- Direct margin erosion due to:
 - further erosion of traditional voice revenues
 - lower direct margin contribution of equipment sales and SI/IT
 - negative margin of energy services due to the 10% and 11% cuts in regulated energy prices effective from January and November respectively
- Lower operating taxes* could not fully offset the impact of the sale of Pro-M and Macedonian real estates in Q3 2012

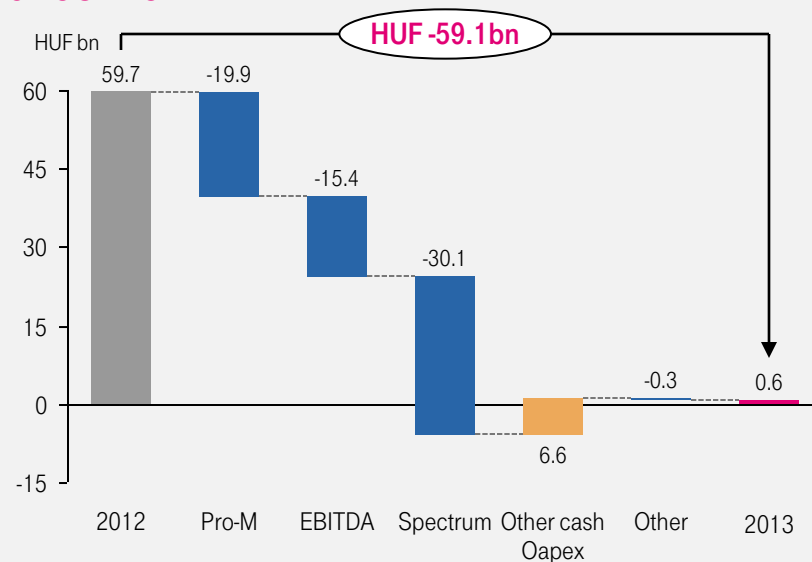
2013 GROUP RESULTS – CAPEX AND FCF

GROUP CAPEX



- Spectrum license fee of HUF 10.9bn booked in 2012 in relation to the 900MHz spectrum
- Macedonian real estate exchange transaction resulting in book Capex of HUF 10.7bn in 2012
- HUF 38.0bn Capex relating to the Hungarian spectrum license extension in 2013
- HUF 3.1bn 4G spectrum license fee in Macedonia
- Hungarian annual frequency fees were capitalized resulting in HUF 17.5bn increase in book Capex
- Change in the accounting treatment of set top boxes

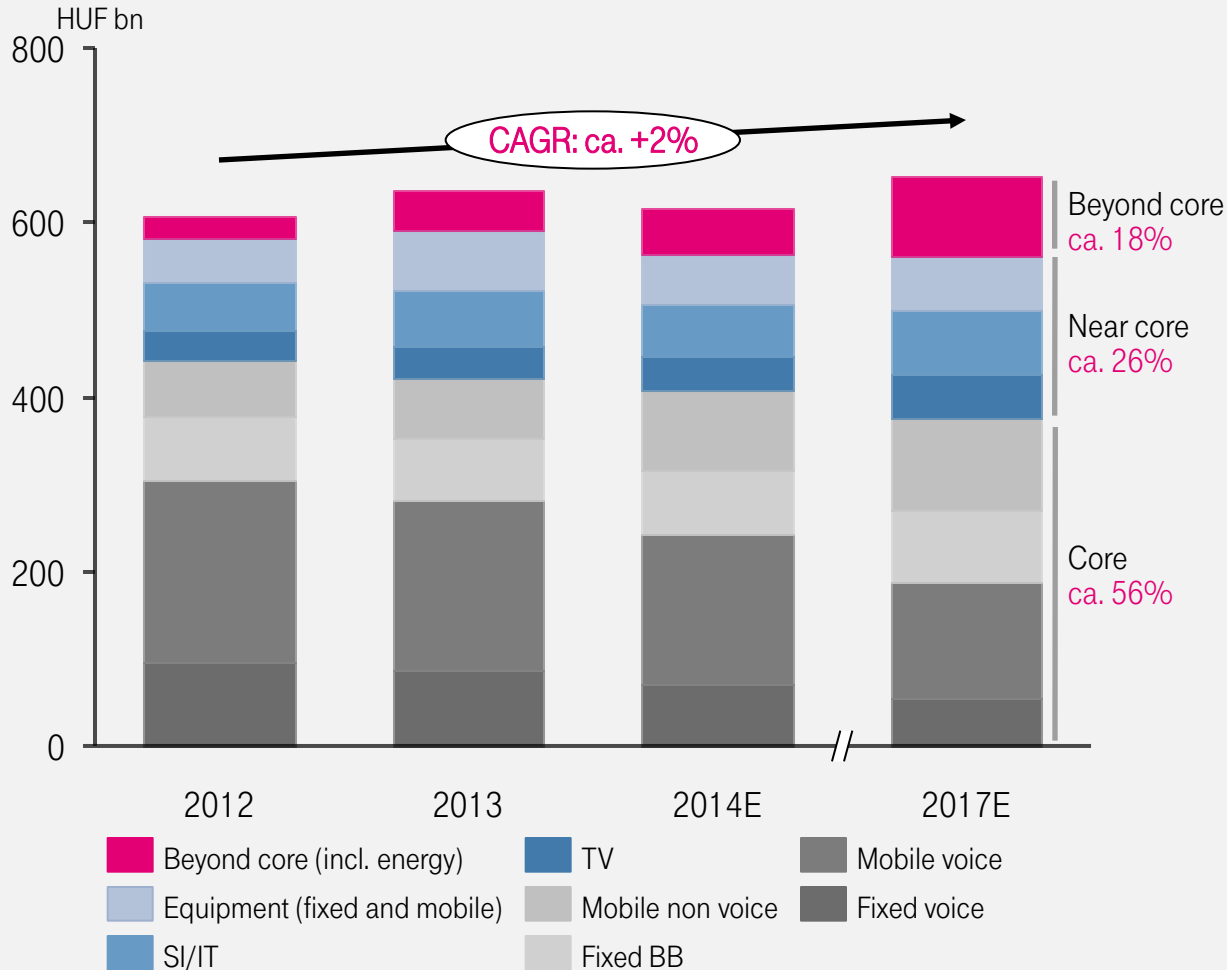
GROUP FCF*



- Sale of Pro-M supported 2012 results
- Higher spectrum related payments in 2013
- Other includes:
 - deterioration in working capital offset by improvement in other operating CF (reverse factoring)
 - higher net financial charges
 - lower amount spent on acquisitions

GROUP REVENUE DEVELOPMENTS

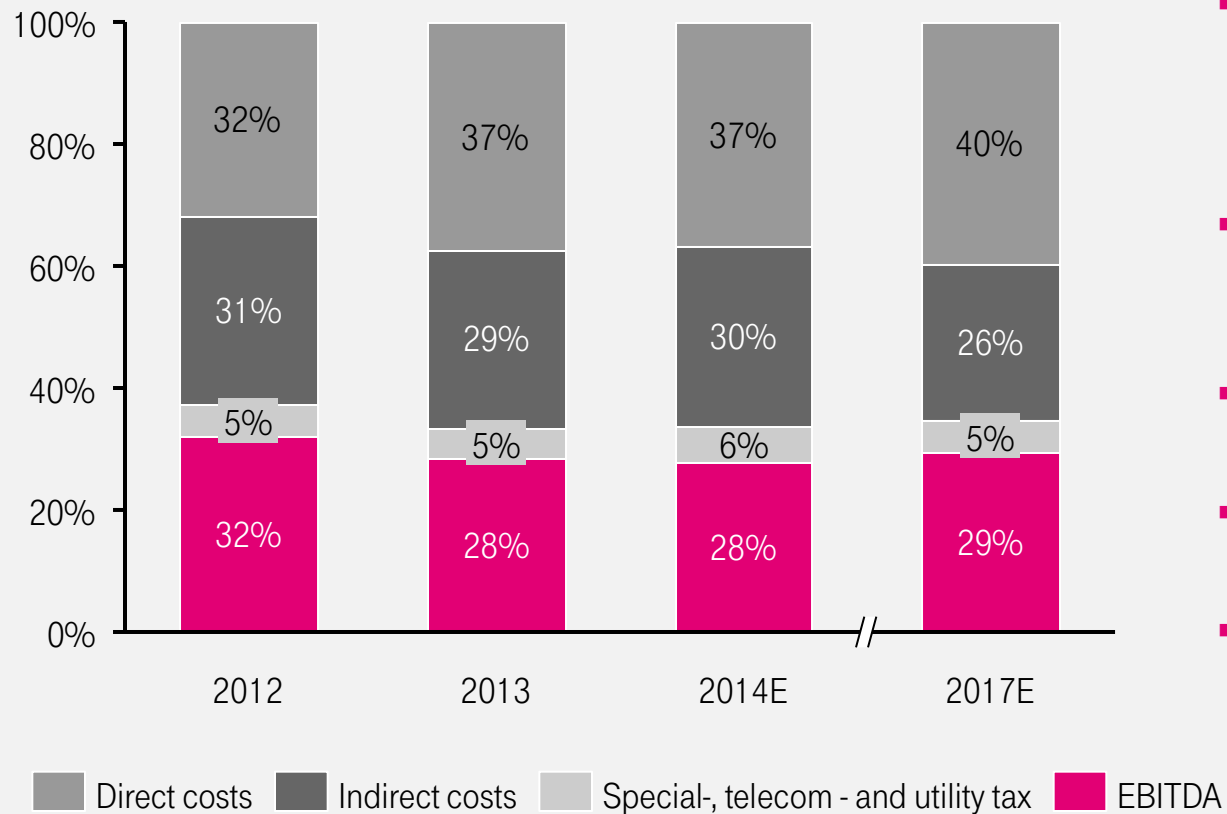
SIGNIFICANT REVENUE POTENTIAL FROM NON-CORE ACTIVITIES



- Mobile broadband growth only partially compensates for decline in voice revenue
- Further growth in near-core revenues expected
- Increasing demand for energy service
- Plans to launch additional new services

DISCIPLINED COST MANAGEMENT

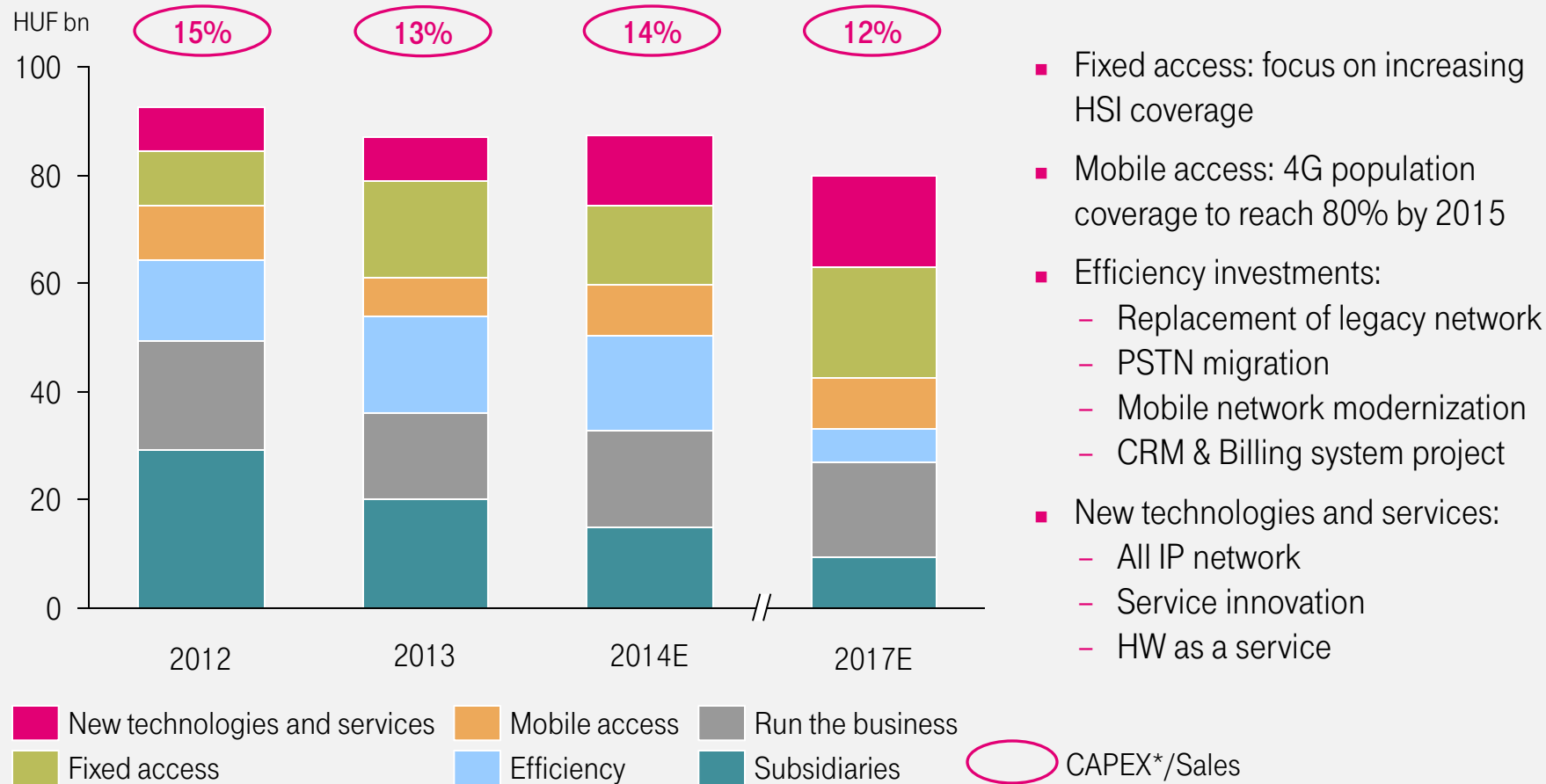
EBITDA AND COST DEVELOPMENTS (RELATIVE TO REVENUES)



- Direct costs expected to rise in parallel with increase in revenues and change in product mix
- Indirect costs to decline by CAGR ca. 2% by 2017 vs. 2012
- Constant operating taxes assumed
- EBITDA to decline by CAGR 6%-8% in 2014 vs. 2012
- 2017 EBITDA expected to surpass 2013 level

EFFICIENCY INVESTMENTS FREE UP CAPEX FOR NEW TECHNOLOGIES AND SERVICES

CAPEX DEVELOPMENTS*



*CAPEX excluding spectrum license fees and annual frequency fee capitalization

CURRENT SPECTRUM SITUATION

BAND

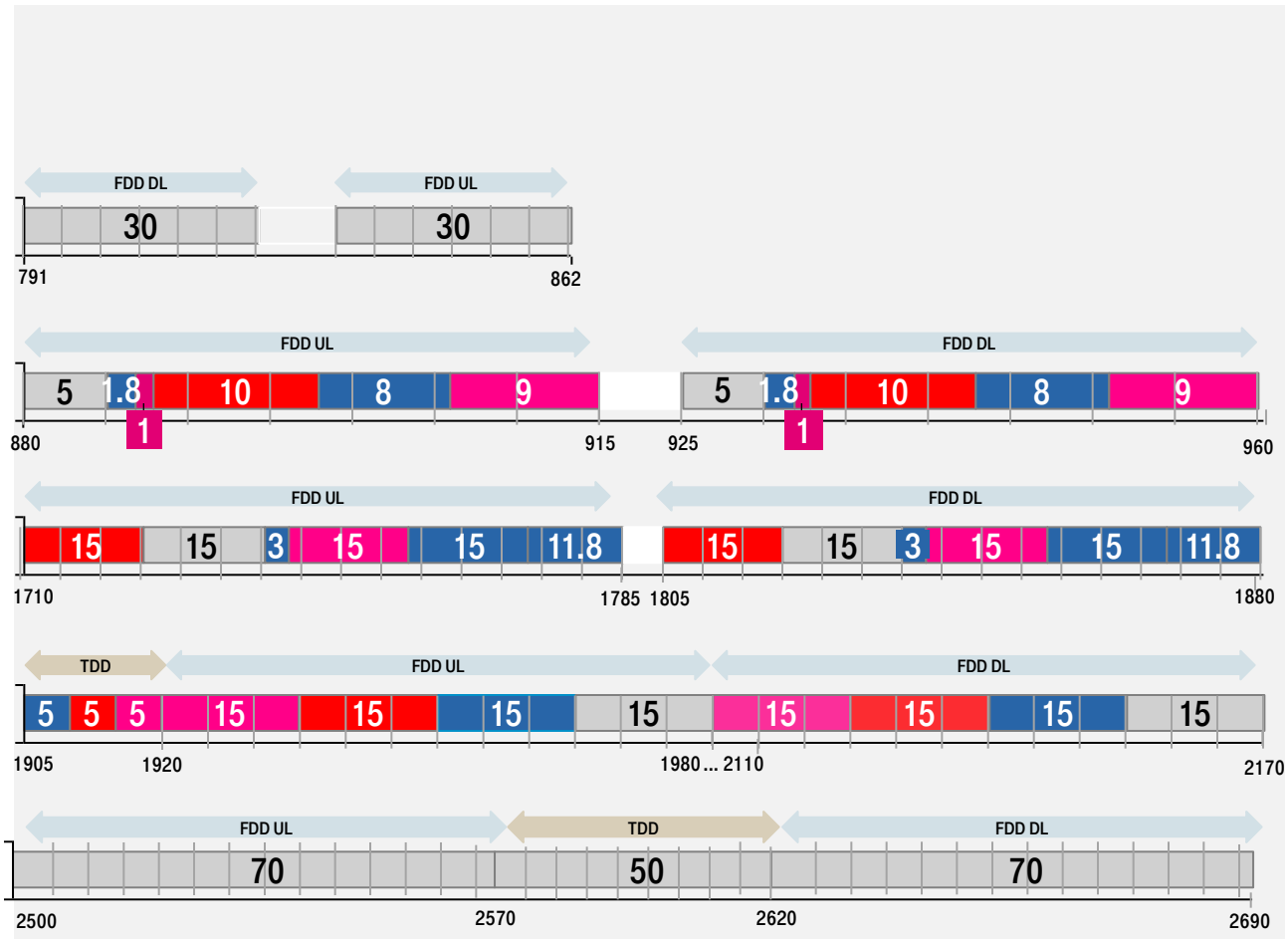
800 MHz

900 MHz

1800 MHz

2100 MHz

2600 MHz



UNUSED FREQUENCIES

2 × 30 MHz

2 × 5 MHz

2 × 15 MHz

2 × 15 MHz

2 × 70 MHz FDD
50 MHz TDD

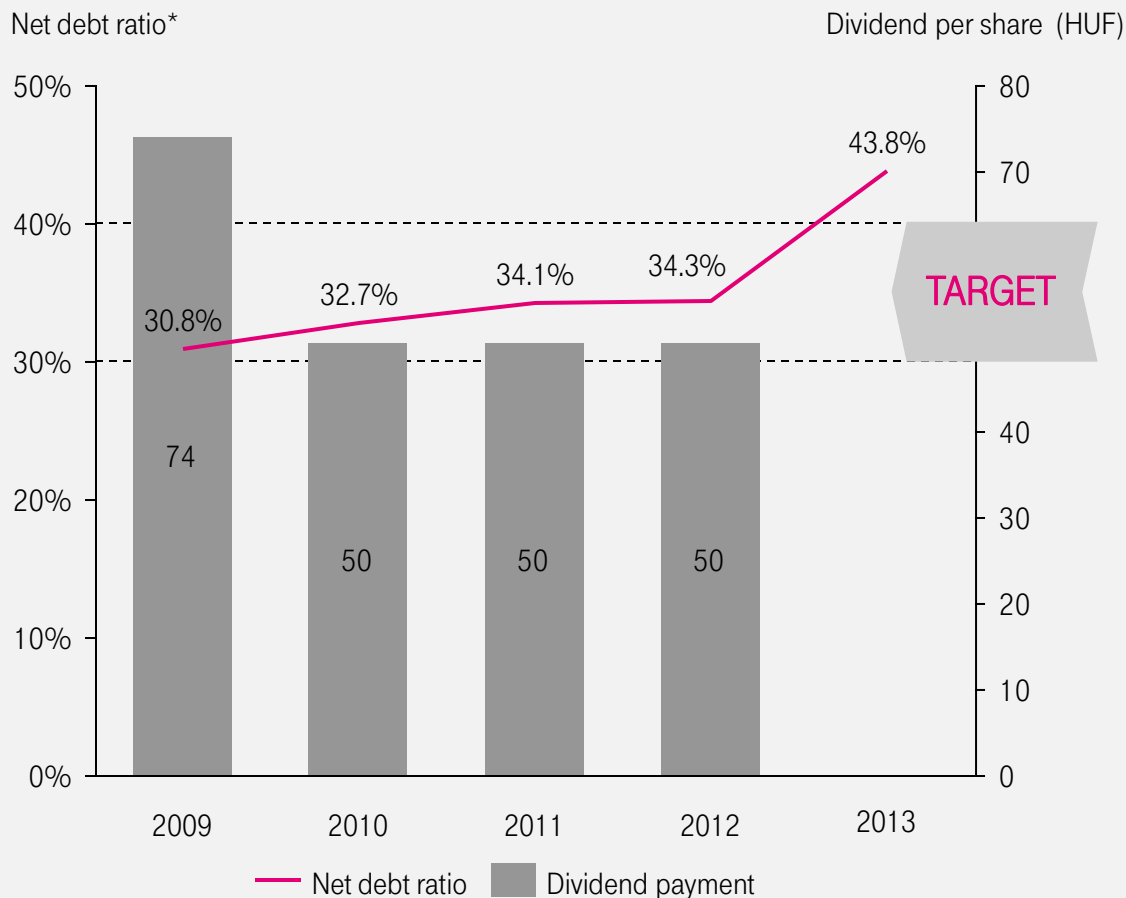
Magyar Telekom Vodafone Telenor Unused



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DIVIDEND POLICY

DIVIDEND PAYMENT



- Maintain net debt ratio (net debt/total capital) target of 30% - 40% reflecting the current unpredictable environment
- The AGM approved that no dividend payment should be made on 2013 earnings

*defined as net debt / total capital

FINANCIAL OUTLOOK

	2013 RESULTS	2014 TARGETS	2017 TARGETS
REVENUE	HUF 637.5bn (+5.0%)	flat to 3% decline	increasing at a CAGR of ca. 2% compared to 2012
EBITDA	HUF 179.5bn (-7.9%)	3% - 6% decline	surpassing 2013 level of HUF 179.5bn
CAPEX*	HUF 87.5bn	around HUF 87bn	around HUF 80bn
FCF	HUF -7.6bn	bottoming out in 2014	surpassing 2012 level of HUF 46.1bn

*excluding spectrum license fees and annual frequency fee capitalization



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Q1 2014 RESULTS

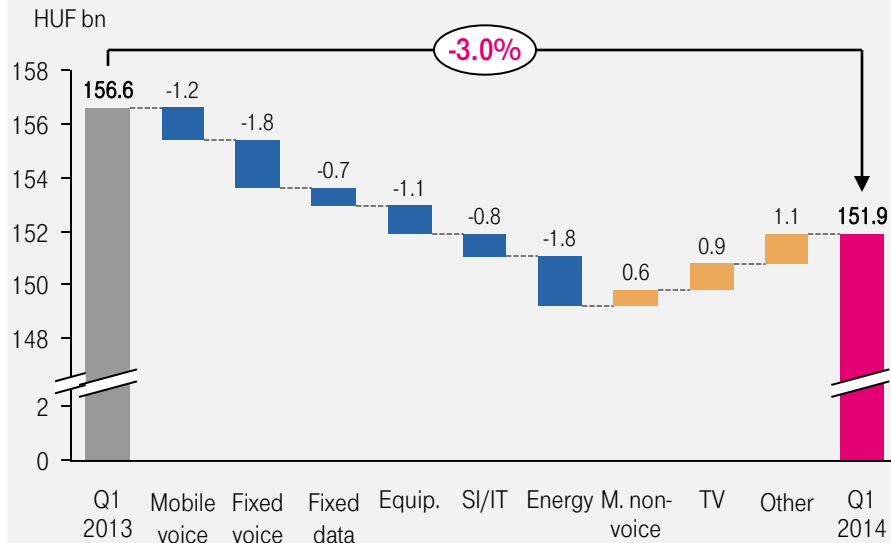
Q1 2014 RESULTS AND PUBLIC TARGETS FOR 2014

	Q1 2014 RESULTS	2014 TARGETS
REVENUE <ul style="list-style-type: none"> Lower energy revenues due to November 2013 cut in regulated retail energy prices and the mild winter Decline in equipment sales and SI/IT revenues 	-3.0%	Flat to 3% decline
REPORTED EBITDA <ul style="list-style-type: none"> Strong improvement in energy margin as Q1 2013 was heavily hit by the price reduction Set-top-box financial lease treatment and annual frequency fee reduction and capitalization supports performance 	+3.8%	3% - 6% decline
CAPEX* <ul style="list-style-type: none"> Network modernization, LTE roll-out Efficiency improving projects 	HUF 17.3bn	around HUF 87bn

*excluding spectrum license fees and annual frequency fee capitalization

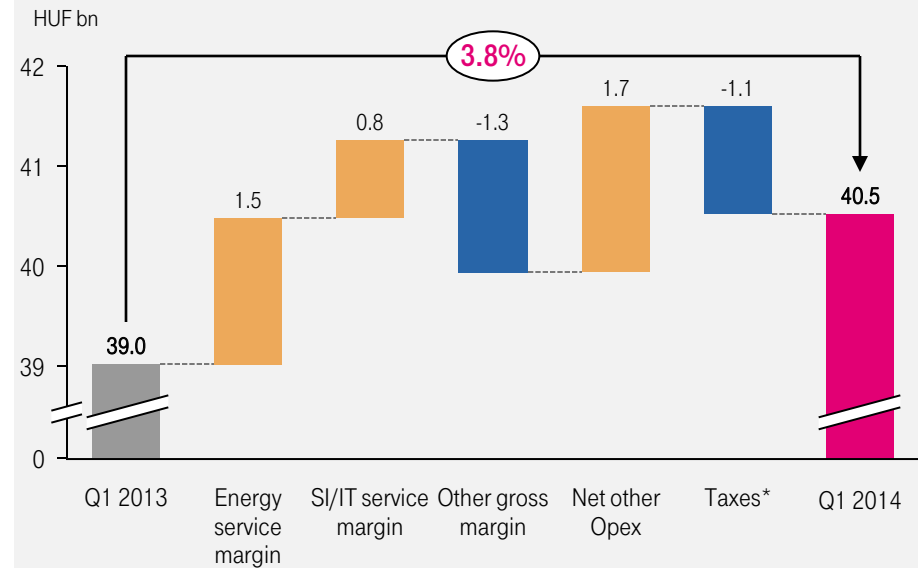
Q1 2014 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Decline in energy service revenues due to 11% retail price cut in November 2013 coupled with lower gas consumption due to the mild winter
- Lower equipment sale revenues reflecting change in sales approach
- SI/IT revenue decline reflects shift in our focus to less equipment intensive deals

GROUP EBITDA

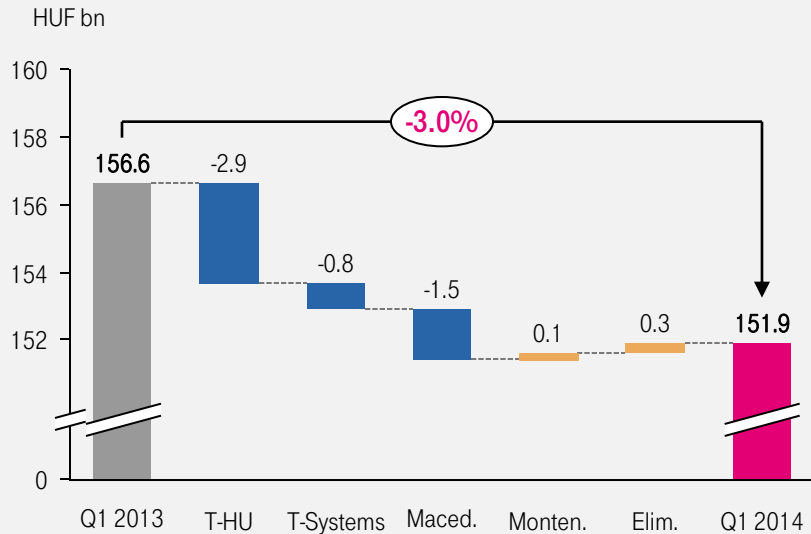


- Energy service margin improvement thanks to change in relevant legislation
- SI/IT service margin increase reflects shift to projects where we can act as a real service or transformation partner
- Other gross margin decline due to higher bad debt driven by one-off write-off at T-Systems and increased impairment related to equipment instalment sales
- Taxes* increased due to higher telecom tax rate from August 2013 on non-private individuals subscription



Q1 2014 SEGMENT RESULTS – REVENUES AND EBITDA

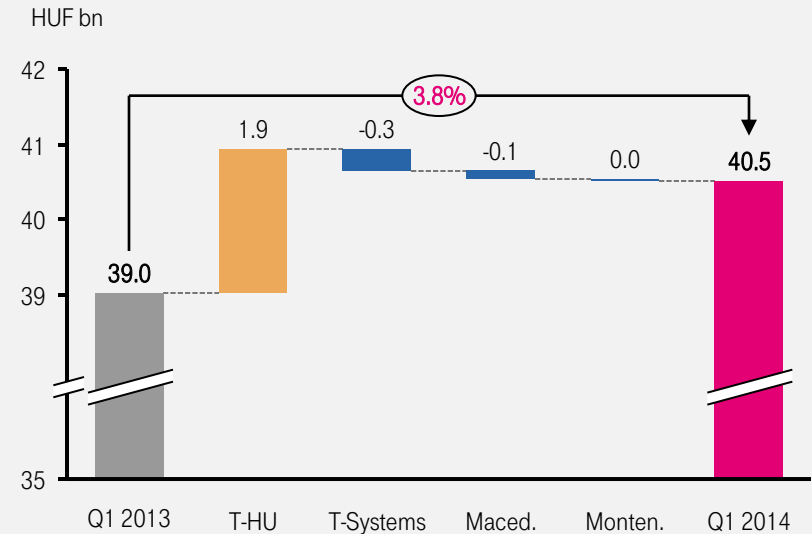
SEGMENTS' REVENUE DEVELOPMENTS



Change Y-o-Y: -3% (T-HU), -3% (T-Systems), -10% (Maced.), +2% (Monten.)

- **T-Hungary:** lower revenues from energy, equipment sales and fixed voice partially mitigated by higher mobile BB and TV revenues
- **T-Systems:** stabilizing telco revenues but lower volume of application revenues
- **Macedonia:** mobile voice revenue decline driven by fierce competitive pressures and 60% MTR cut effective from November 2013
- **Montenegro:** TV and internet growth mitigated voice revenue decline

SEGMENTS' EBITDA DEVELOPMENT



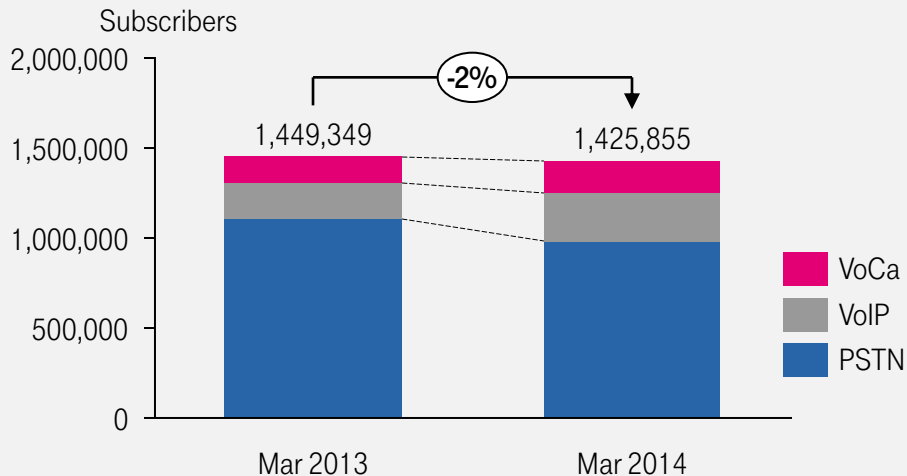
Change Y-o-Y: +7% (T-HU), -8% (T-Systems), -2% (Maced.), -1% (Monten.)

- **T-Hungary:** higher energy margin coupled with lower net opex (savings in service fees, fees and levies and marketing expenses)
- **T-Systems:** increased gross margin offset by higher employee and other costs
- **Macedonia:** competition driven margin pressure mitigated with cost saving; EBITDA margin up by 3.2ppt to 40.5%
- **Montenegro:** severance expense leading to moderate decline; EBITDA margin at 35.8%

HUNGARY – FIXED VOICE MARKET



TELEKOM HUNGARY FIXED VOICE SUBSCRIBERS

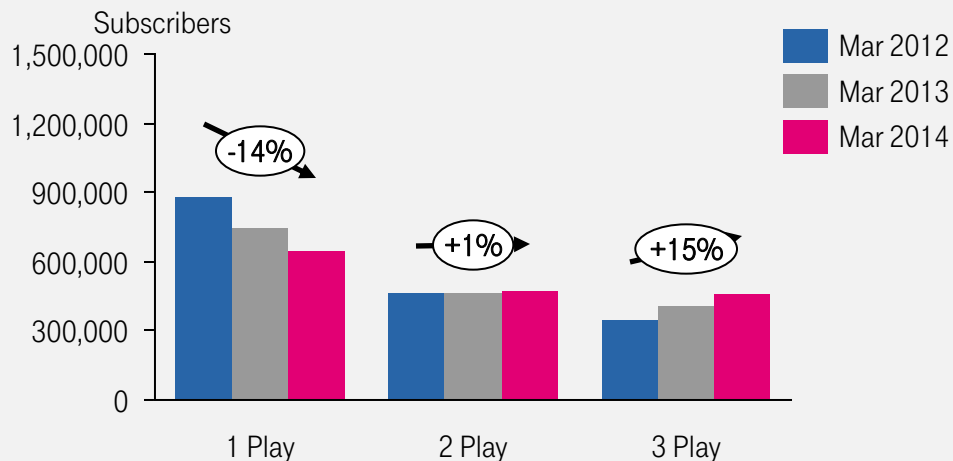


- Significant reduction in fixed voice churn due to the retention effect of:
 - Hoppá package
 - 2Play/3Play offers
 - Retail energy bundling
- Decline in 1Play customer base to 42%

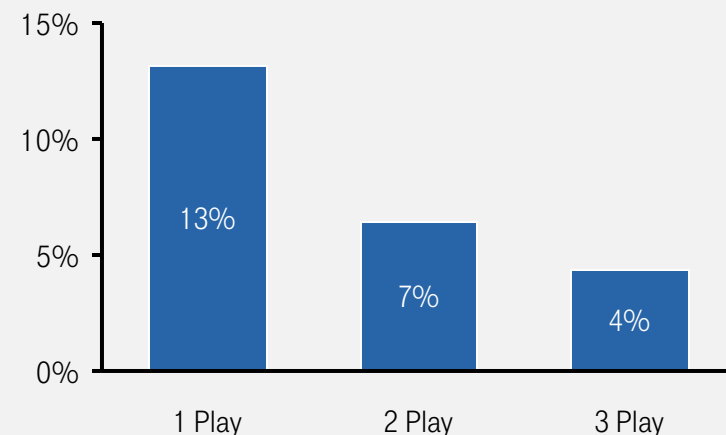
KPIs (Q1-o-Q1):

- ARPU: HUF 2,638 (-5%)
- MOU: 174 (-11%)

MULTI-PLAY DEVELOPMENTS



AVERAGE ANNUAL CHURN LEVEL

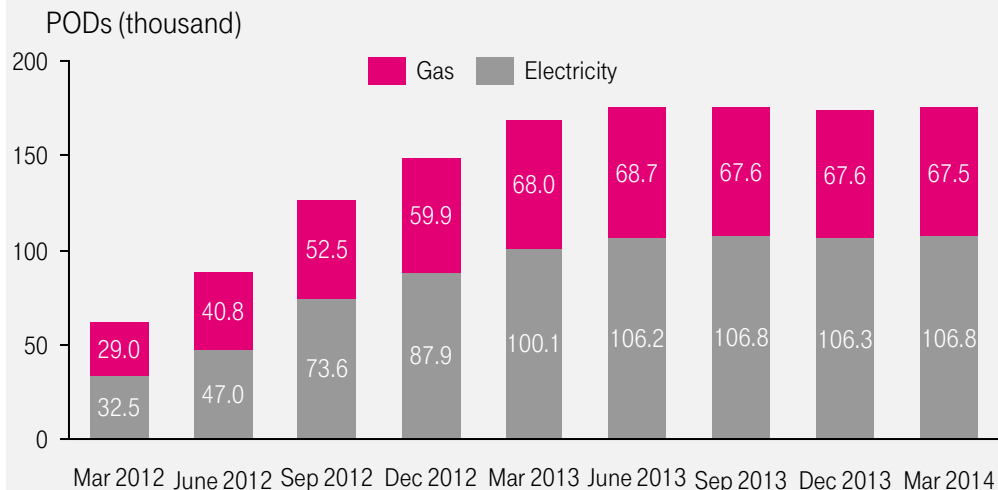


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HUNGARY – ENERGY RETAIL



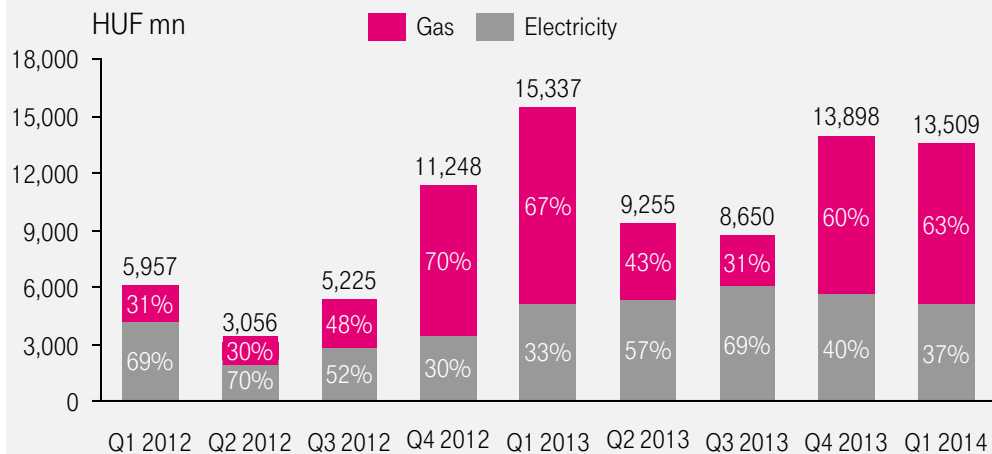
GAS AND ELECTRICITY POINTS OF DELIVERY (POD)



RETAIL ENERGY BUSINESS

- Soft launch in 2010, nationwide since April 2012
- Residential customers receive a 3-8% discount to regulated universal service prices on their energy bill depending on the number of fixed line services they subscribe to
- Significant retention and upsell impact
- Increasing ratio of energy revenues generated from competitive segment customers
- Energy market is strongly seasonal

REVENUE PERFORMANCE



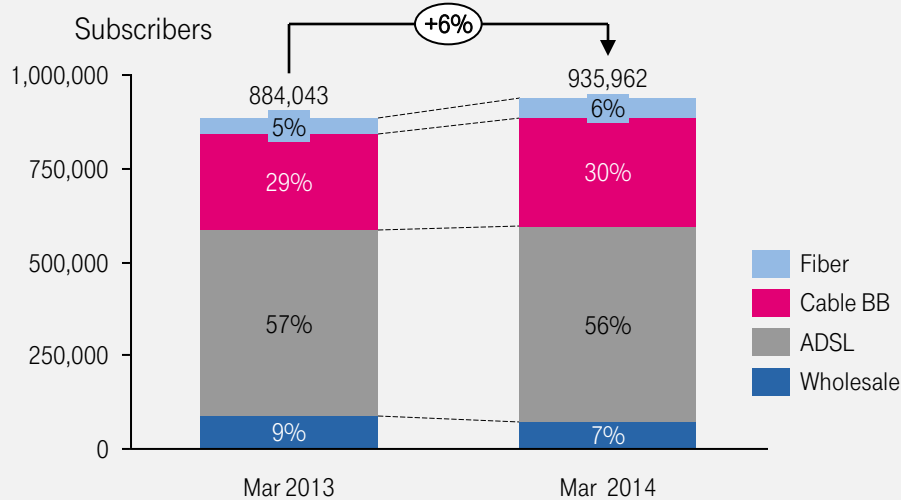
REGULATORY DEVELOPMENTS

- 10% and 11% retail price reduction since January and November 2013 respectively
- Further 6.5% gas and 5.7% electricity price reduction approved effective from April and September 2014 respectively

TELEKOM HUNGARY – BROADBAND AND TV MARKET

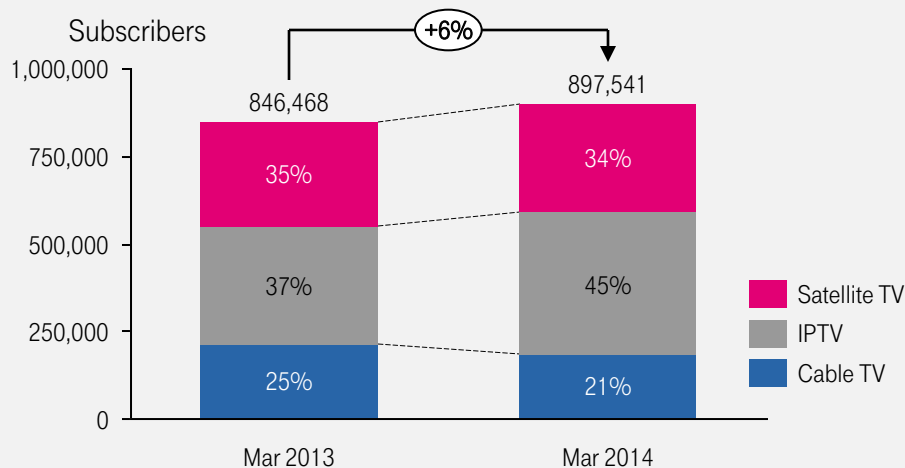


FIXED BROADBAND SUBSCRIBER BREAKDOWN

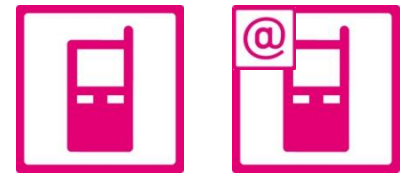


- Growth in broadband market driven by cable and fiber
- Significant ARPU pressure from multiplay migration and local pricing
- Broadband ARPU: HUF 3,421 (-8% Q1-o-Q1)

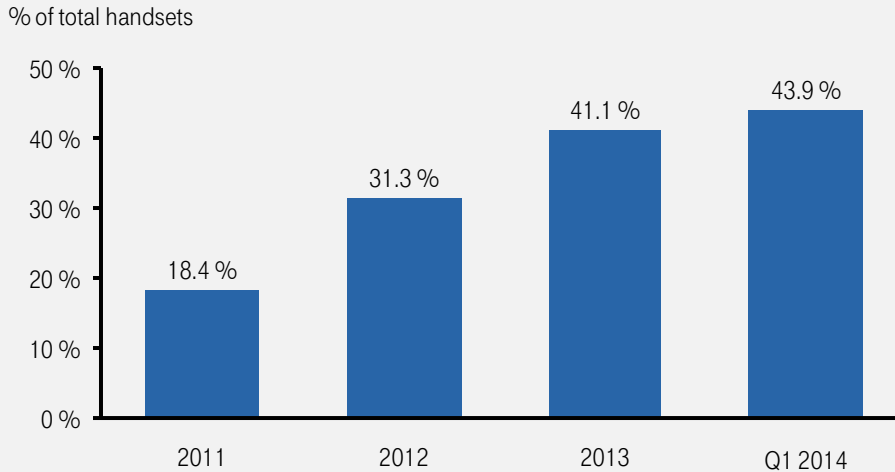
TV SUBSCRIBER BREAKDOWN



- TV ARPU stabil thanks to increasing number of interactive IPTV customers
- Significant migration from cable to IPTV
- 3Play offers from HUF 4,550/month (EUR 15)
- TV ARPU: HUF 3,069 (flat Q1-o-Q1)

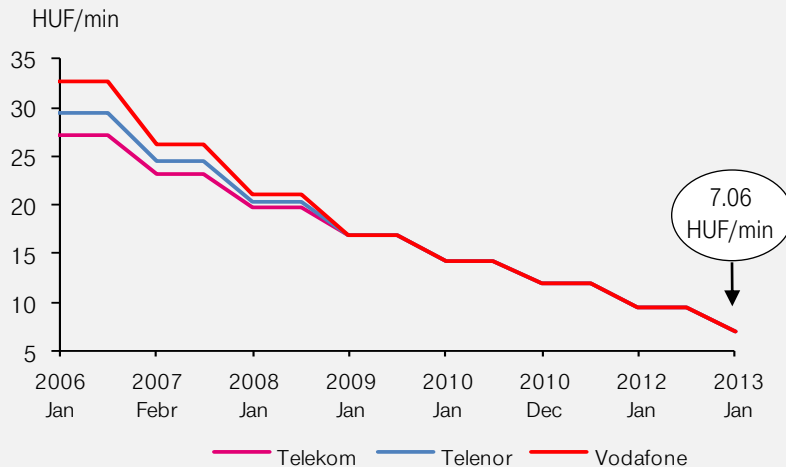


TELEKOM SMARTPHONE PENETRATION



- Improving customer mix: y-o-y increase in postpaid ratio from 47.5% to 48.7%
- Smartphone sales reached 92% of postpaid handsets
- Broadband subscription attach rate at ca. 90%
- Full LTE coverage in Budapest and 45% population-based coverage countrywide
- MTR cut: no further glide path is announced yet

MOBILE TERMINATION RATE CUTS

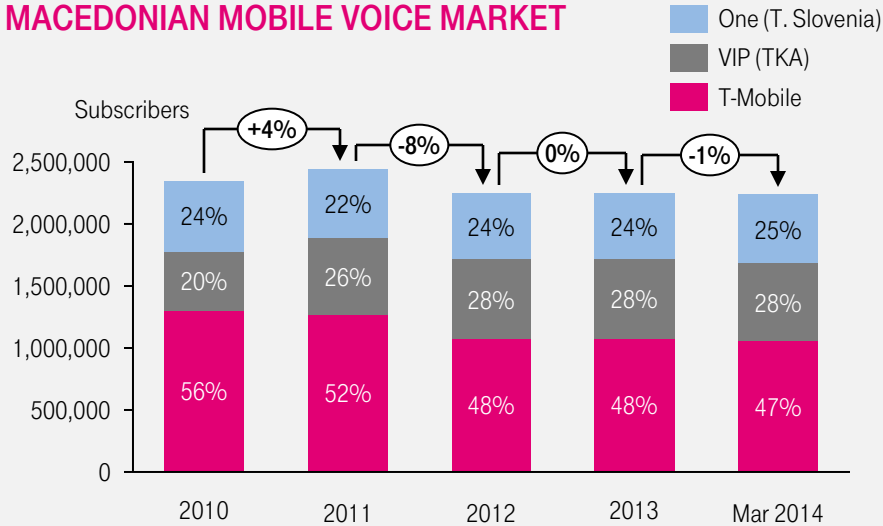


KPIs (Q1-o-Q1):

- ARPU: HUF 3,333 (+3%)
- Mobile MOU: 159 (+2%)
- SAC/gross add: HUF 5,703 (-1%)
- SRC/retained customer: HUF 13,935 (+2%)
- VAS within ARPU: HUF 887 (+7%)

MACEDONIA AND MONTENEGRO

MACEDONIAN MOBILE VOICE MARKET

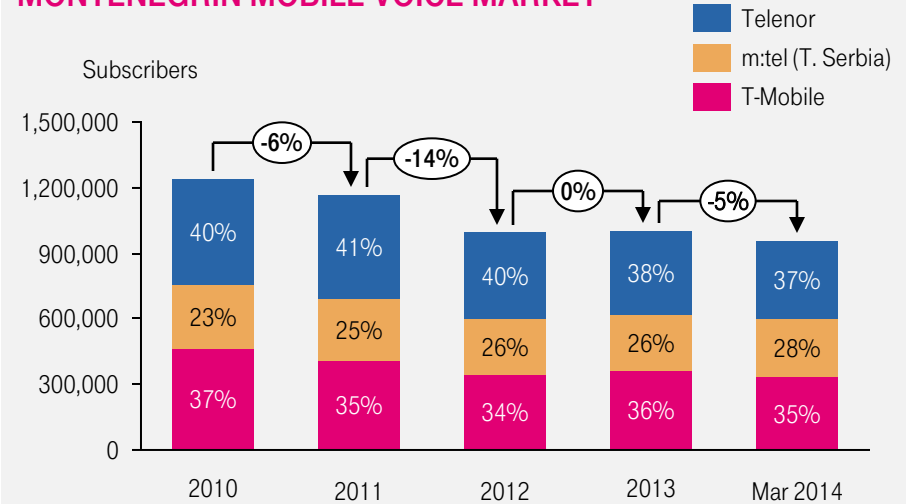


- Leading fixed line operation with 66% voice, 52% internet and 22% TV market shares
- Intense competition from cable operators on the fixed market
- Declining mobile revenues due to strong price competition

KPIs (Q1-o-Q1):

- Fixed voice churn: 6%
- Fixed outgoing traffic: -22%
- Mobile ARPU: HUF 1,750 (-18%)
- Mobile MOU: 188 (+5%)

MONTENEGRIN MOBILE VOICE MARKET



- Leading fixed line operation with 98% voice, 82% internet and 43% TV market shares
- Strong seasonality on the mobile market driven by tourism
- Economic environment put limitation on performance

KPIs (Q1-o-Q1):

- Fixed voice churn: 2%
- Fixed outgoing traffic: -15%
- Mobile ARPU: HUF 2,729 (-1%)
- Mobile MOU: 164 (+1%)

FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q1 2013	Q1 2014	Change
Mobile revenues	73,213	73,382	0.2%
Fixed line revenues	54,047	51,813	-4.1%
System Integration/Information Technology revenues	14,012	13,189	-5.9%
Revenue from Energy Services	15,337	13,509	-11.9%
Revenues	156,609	151,893	-3.0%
Direct costs	(59,504)	(53,879)	-9.5%
Employee-related expenses	(22,601)	(22,563)	-0.2%
Depreciation and amortization	(24,779)	(24,434)	-1.4%
Hungarian telecommunications and other crisis taxes	(12,850)	(13,912)	8.3%
Other operating expenses	(23,483)	(21,478)	-8.5%
Total operating expenses	(143,217)	(136,266)	-4.9%
Other operating income	856	467	-45.4%
Operating profit	14,248	16,094	13.0%
Net financial results	(7,745)	(6,046)	-21.9%
Share of associates' profits	0	0	n.a.
Profit before income tax	6,503	10,048	54.5%
Income tax expense	(3,574)	(5,058)	41.5%
Profit for the period	2,929	4,990	70.4%
Non-controlling interests	1,234	162	-86.9%
Equity holders of the Company (Net income)	1,695	4,828	184.8%

MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

HUF million	Mar 31, 2013	Mar 31, 2014	Change
Current assets	231,042	202,910	-12.2%
Cash and cash equivalents	34,799	13,748	-60.5%
Other current financial assets	42,560	33,916	-20.3%
Non current assets	845,670	893,699	5.7%
Property, plant and equipment - net	505,277	492,312	-2.6%
Intangible assets	314,685	379,370	20.6%
Total assets	1,076,712	1,096,609	1.8%
Equity	521,970	494,135	-5.3%
Current liabilities	251,038	320,634	27.7%
Financial liabilities to related parties	25,947	73,658	183.9%
Other financial liabilities	62,989	103,869	64.9%
Non current liabilities	303,704	281,840	-7.2%
Financial liabilities to related parties	265,830	226,695	-14.7%
Other financial liabilities	5,531	25,776	366.0%
Total equity and liabilities	1,076,712	1,096,609	1.8%



MAGYAR TELEKOM - CONSOLIDATED CASH FLOW STATEMENT

HUF million	Mar 31, 2013	Mar 31, 2014	Change
Net cash generated from operating activities	13,003	25,263	94.3%
Investments in tangible and intangible assets	(16,712)	(17,292)	3.5%
Adjustments to cash purchases	(3,875)	(8,031)	107.3%
Purchase of subsidiaries and business units	0	(201)	n.a.
Cash acquired through business combinations	0	0	n.a.
Payments for / proceeds from other financial assets - net	12,716	(1,992)	-115.7%
Proceeds from disposal of subsidiaries	0	0	n.a.
Proceeds from disposal of PPE and intangible assets	165	268	62.4%
Net cash used in investing activities	(7,706)	(27,248)	253.6%
Dividends paid to shareholders and minority interest	(10)	(4)	-60.0%
Net payments of loans and other borrowings	13,591	12,246	-9.9%
Repayment of other financial liabilities	(118)	(11,430)	9586.4%
Net cash used in financing activities	13,463	812	-94.0%
Free cash flow*	(7,537)	(11,423)	51.6%

* 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 and Repayment of other financial liabilities

For further questions please contact the IR department:

Investor Relations

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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: 307.81 (average Q1 2014)

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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