

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

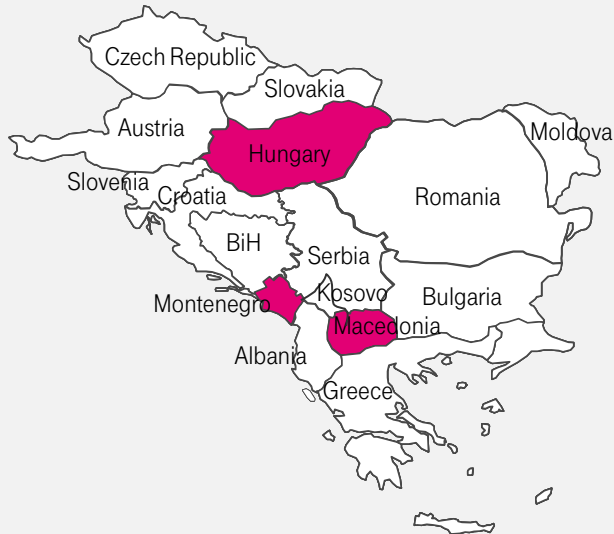


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STRATEGY, OUTLOOK AND GUIDANCE

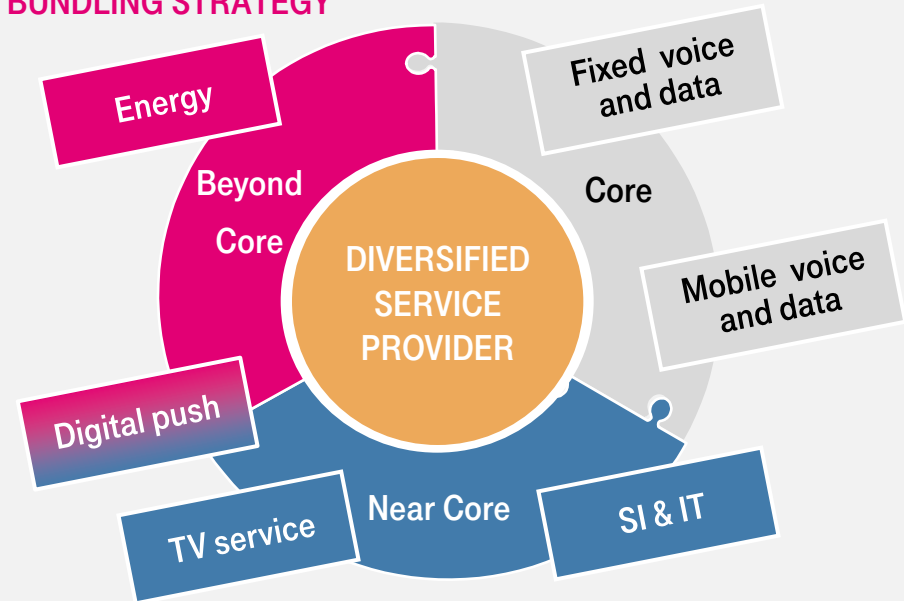
OVERVIEW – MAGYAR TELEKOM GROUP AT A GLANCE

INTERNATIONAL PRESENCE



- Leading telecommunications operator in Hungary, Macedonia and Montenegro
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.3bn market capitalization
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

BUNDLING STRATEGY

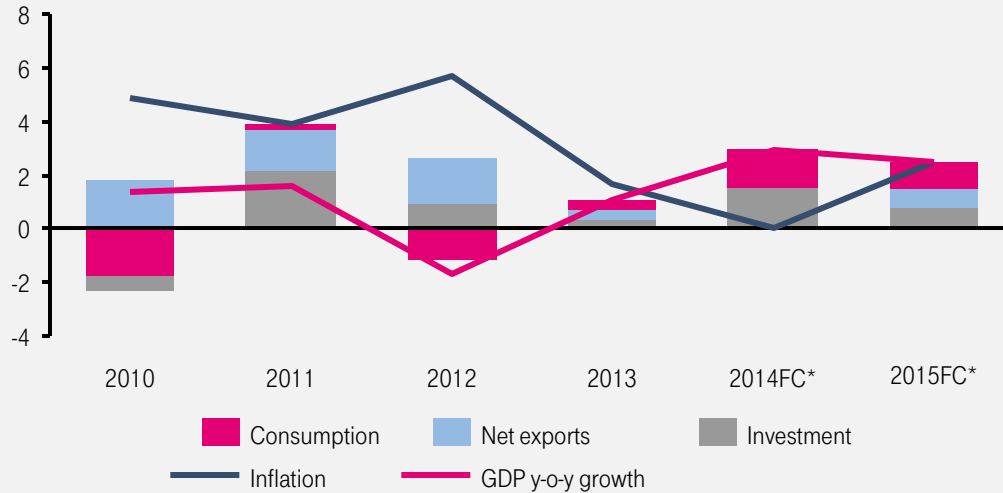


- Strategy of bundling core, near-core, and beyond core services since 2007
- Customer value enhanced through bundling of products and services
- Core portfolio optimization also supported by bundling strategy
- Turnaround of financial performance has commenced

HUNGARIAN ECONOMIC ENVIRONMENT

GROWTH STRUCTURE

Contribution to
GDP growth (%)



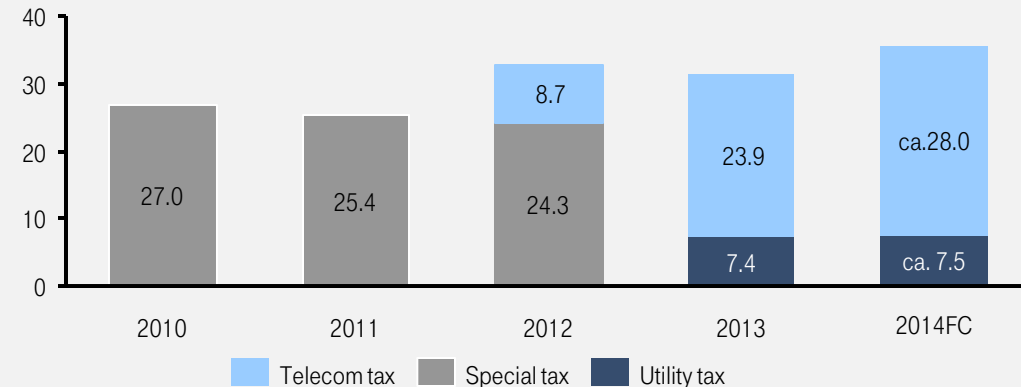
* Central Bank June 2014 forecasts

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

HUF bn

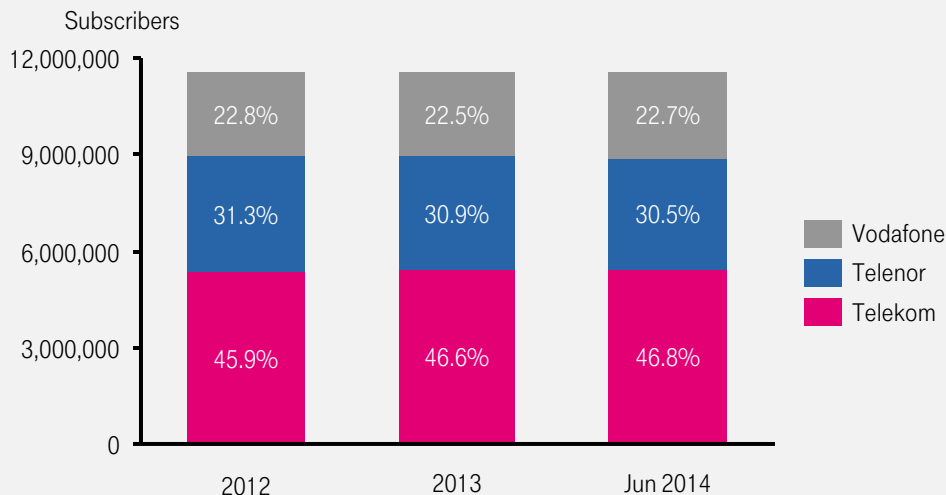


TAX BURDENS INTRODUCED TO REDUCE BUDGET DEFICIT

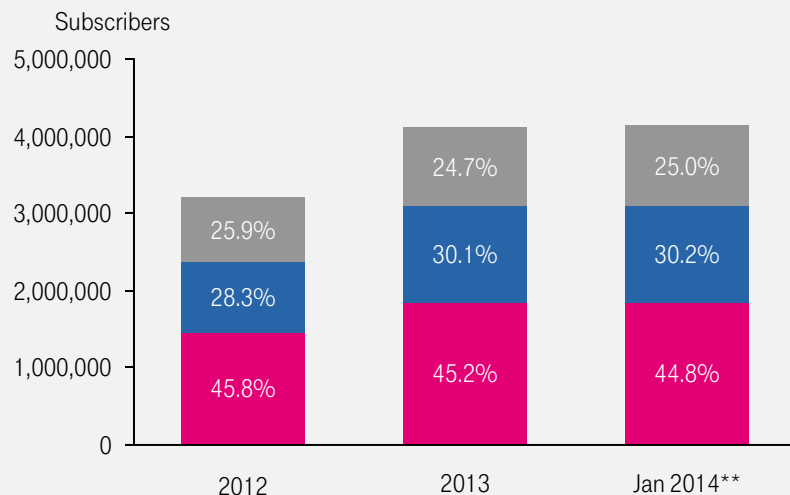
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied from 2013

MARKET POSITIONS ON THE HUNGARIAN TELECOMMUNICATION MARKET

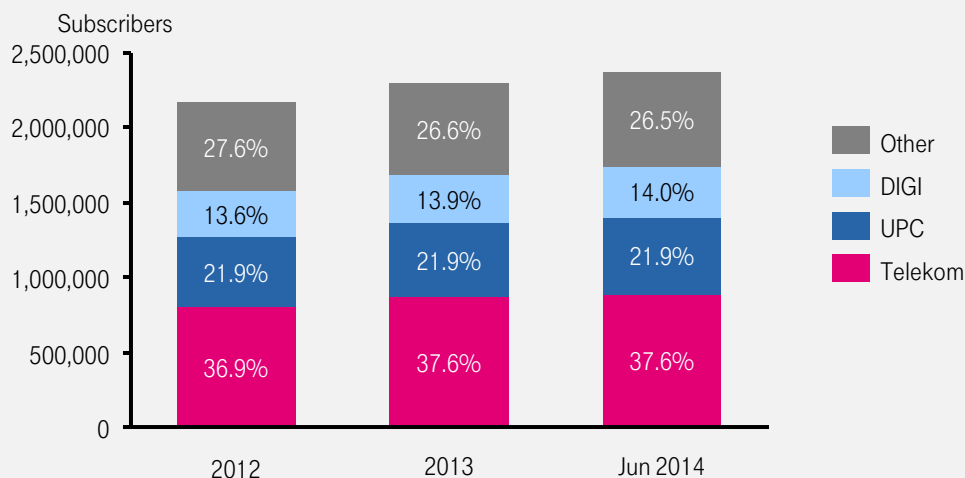
TOTAL MOBILE MARKET SHARES (TOTAL SIM BASED)



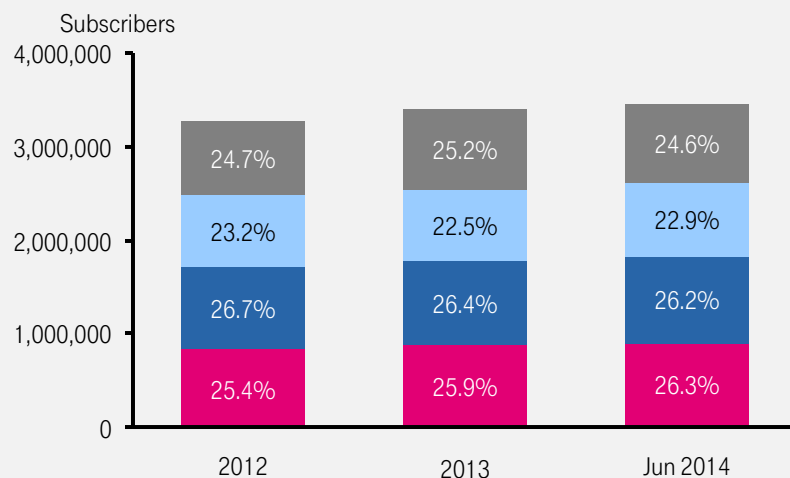
MOBILE BROADBAND MARKET SHARES (TOTAL SIM BASED)



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)


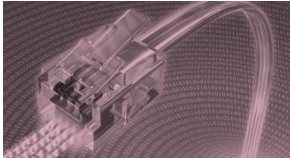




**mobile Internet data available only until January 2014 due to definition update by NMAIAH

WIDE RANGE OF TELECOM SERVICES, SYSTEM INTEGRATION AND IT INFRASTRUCTURE COMPETENCES AT T-SYSTEMS HUNGARY

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

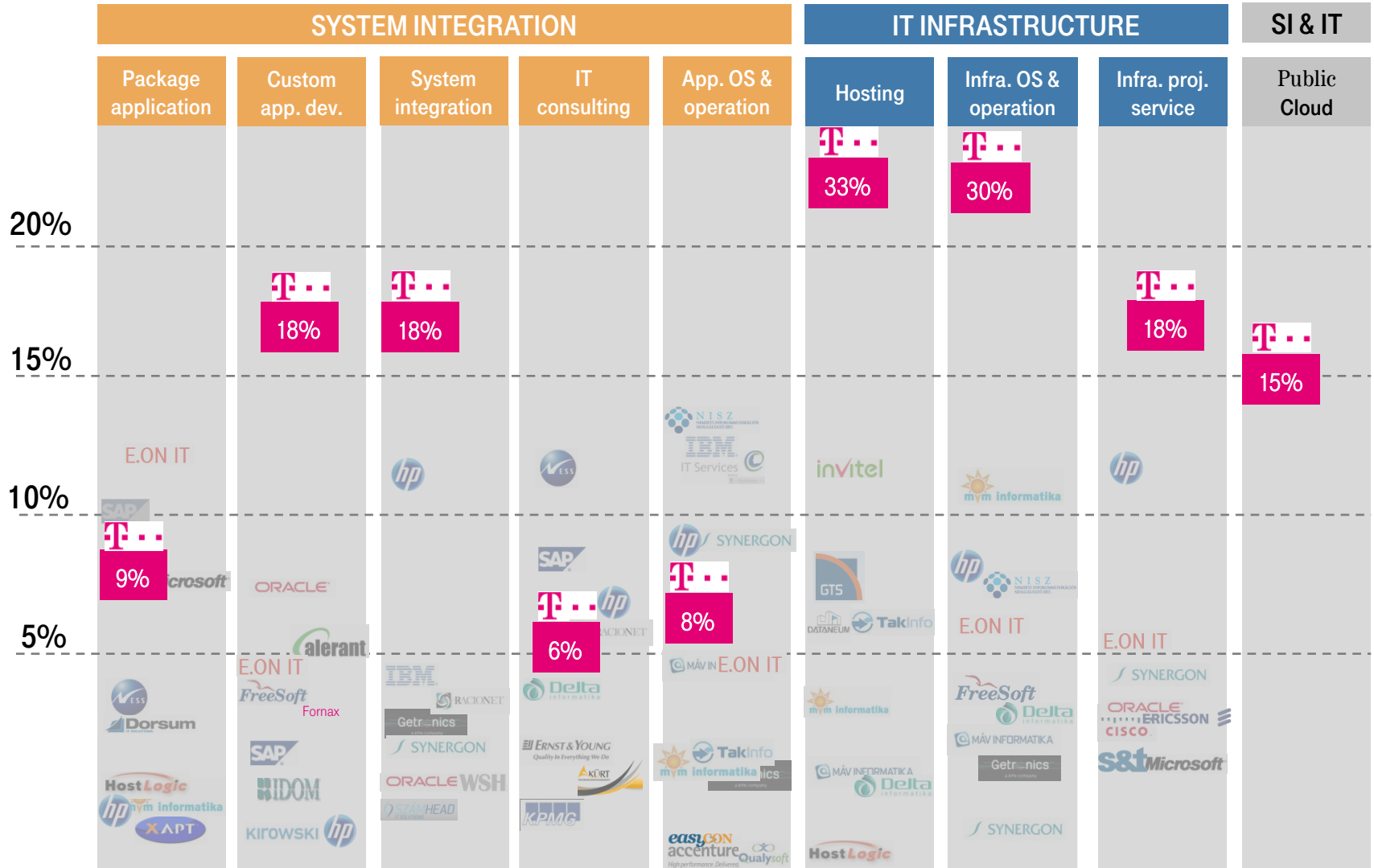
43% of total revenue

26% of total margin*

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

Financial figures are based on T-Systems Hungary's 2013 performance
 *Margin= Adjusted margin = Direct margin – Direct Delivery expenses

MARKET LEADER IN IT SERVICES



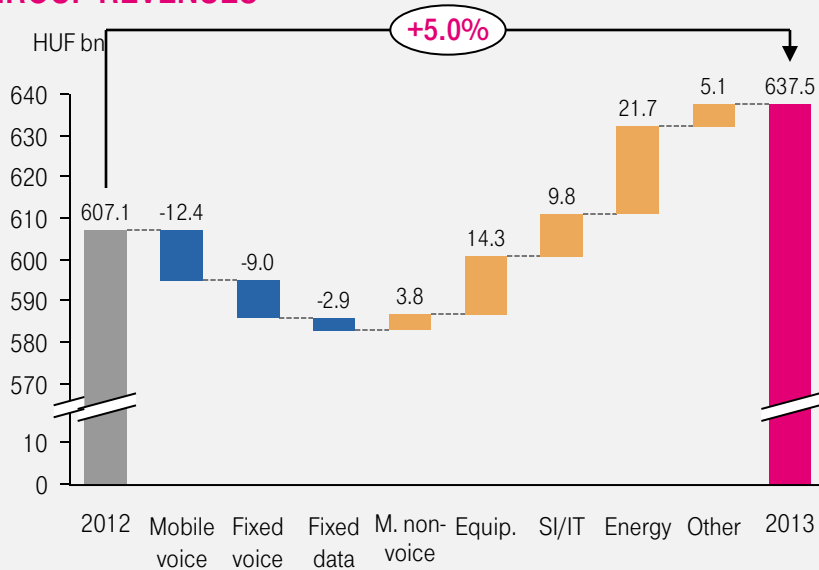
Revenue based market share in 2013



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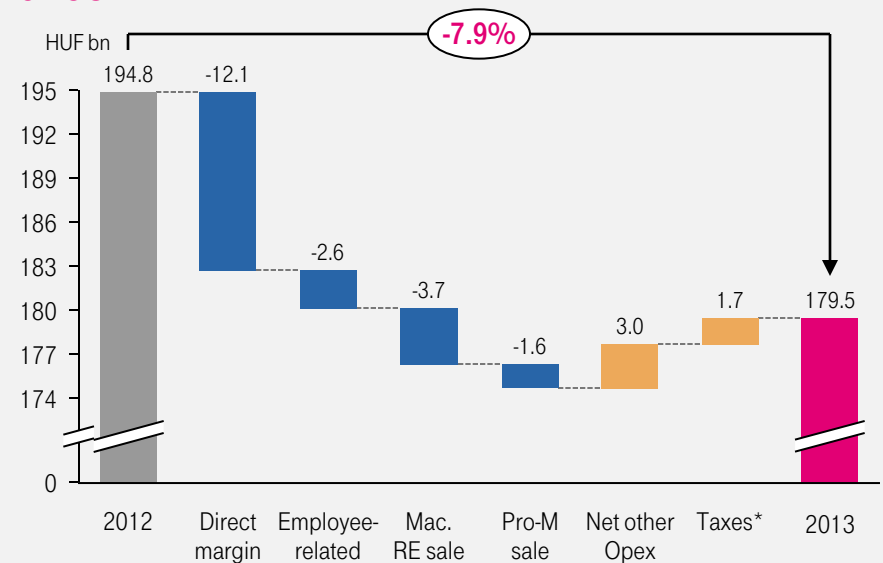
2013 GROUP RESULTS – REVENUES AND EBITDA

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

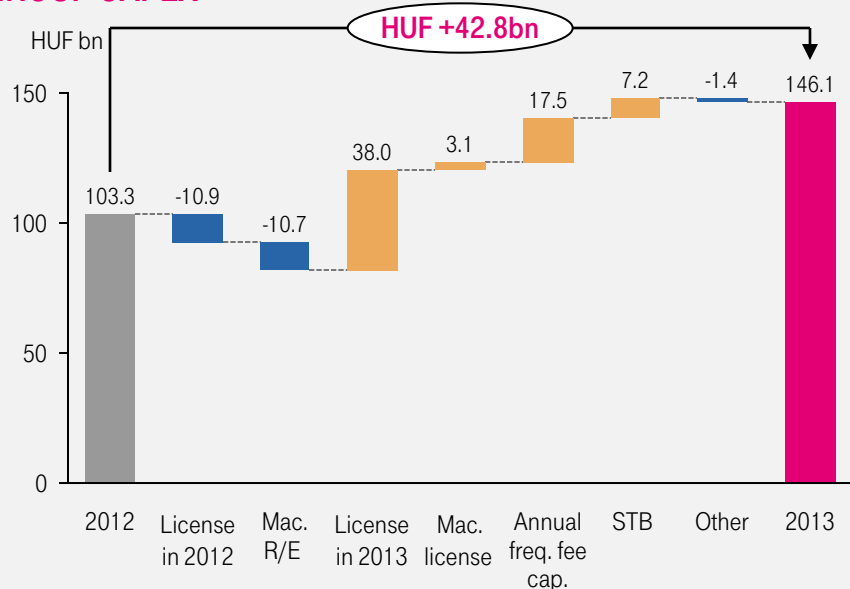
GROUP EBITDA



- 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

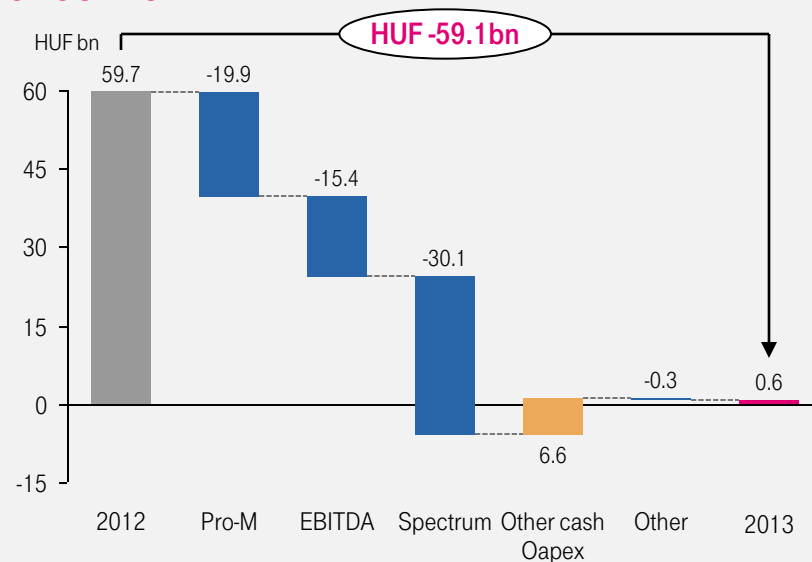
2013 GROUP RESULTS – CAPEX AND FCF

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

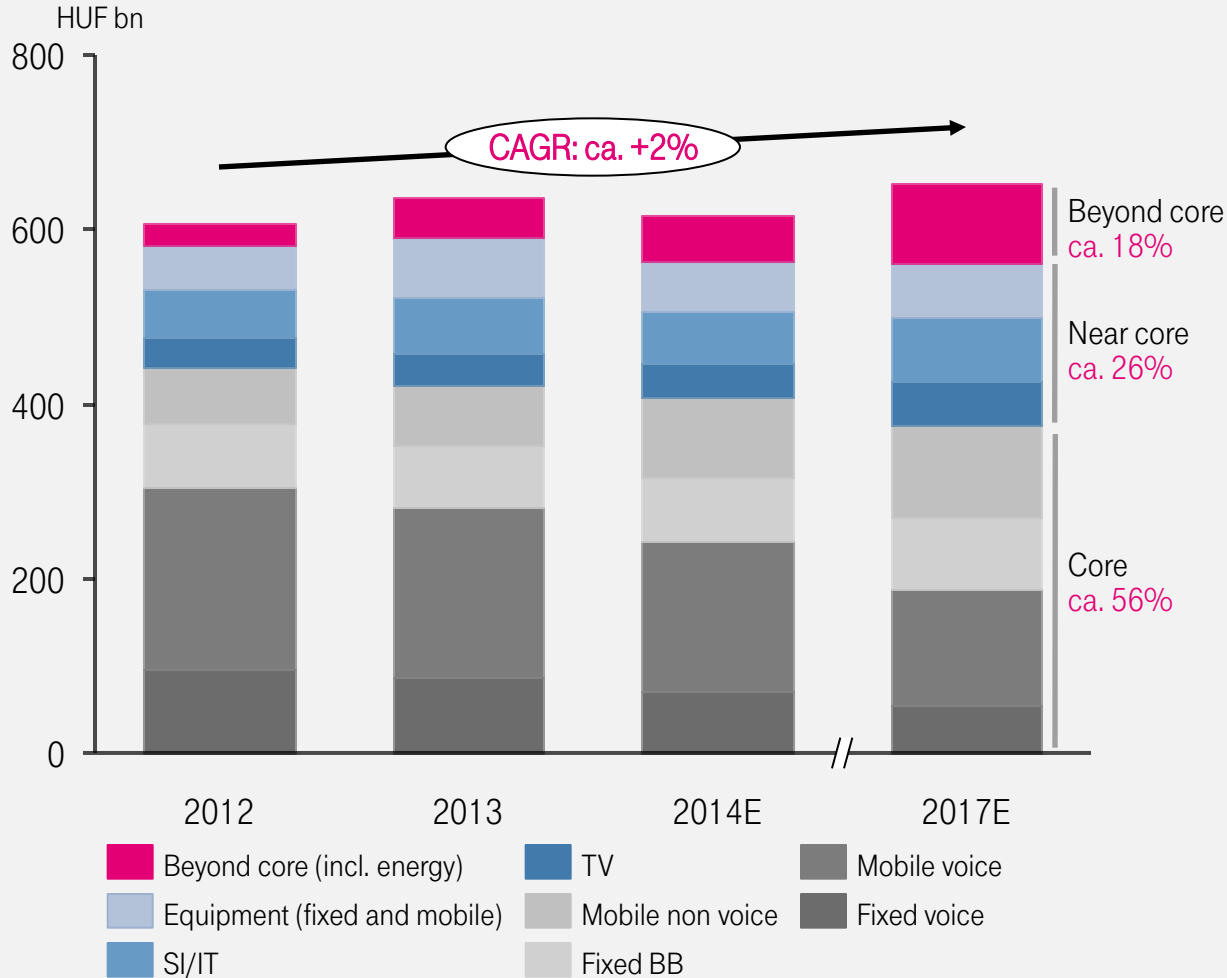
GROUP FCF*



- 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

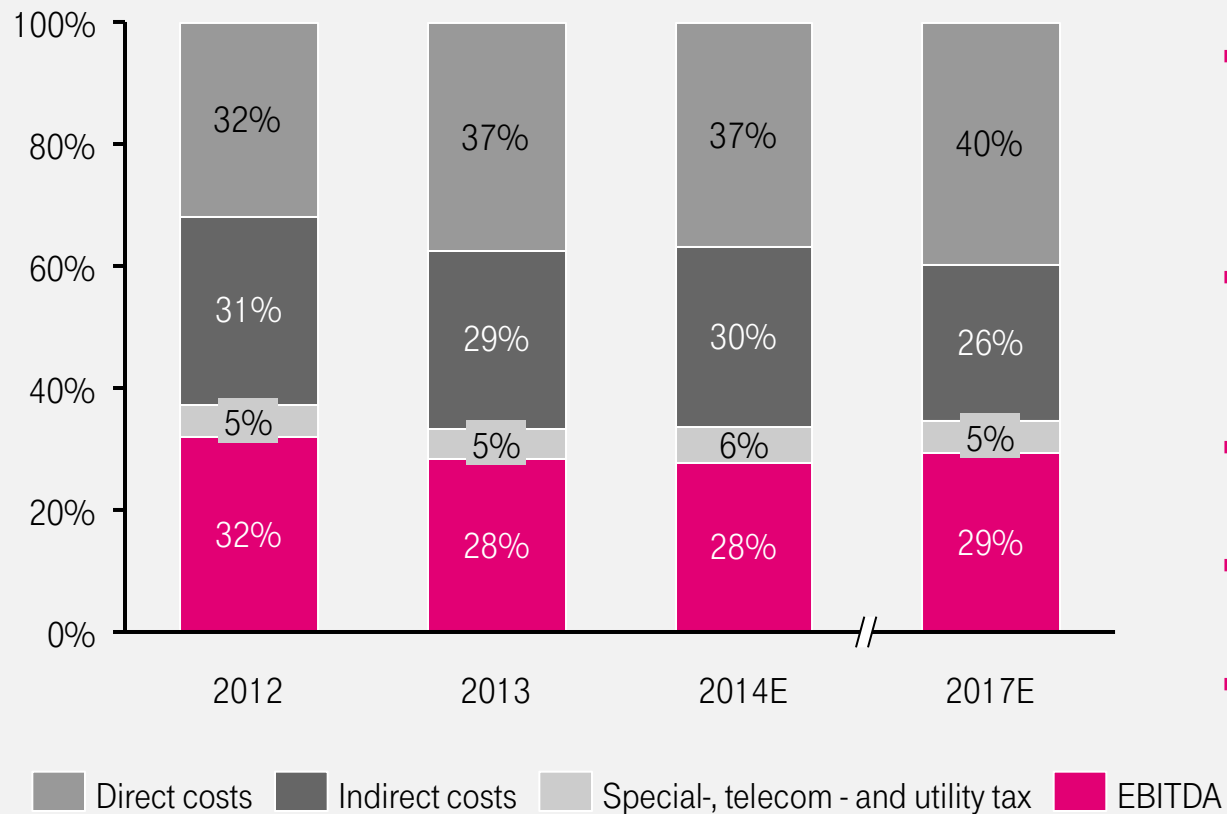
SIGNIFICANT REVENUE POTENTIAL FROM NON-CORE ACTIVITIES



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

DISCIPLINED COST MANAGEMENT

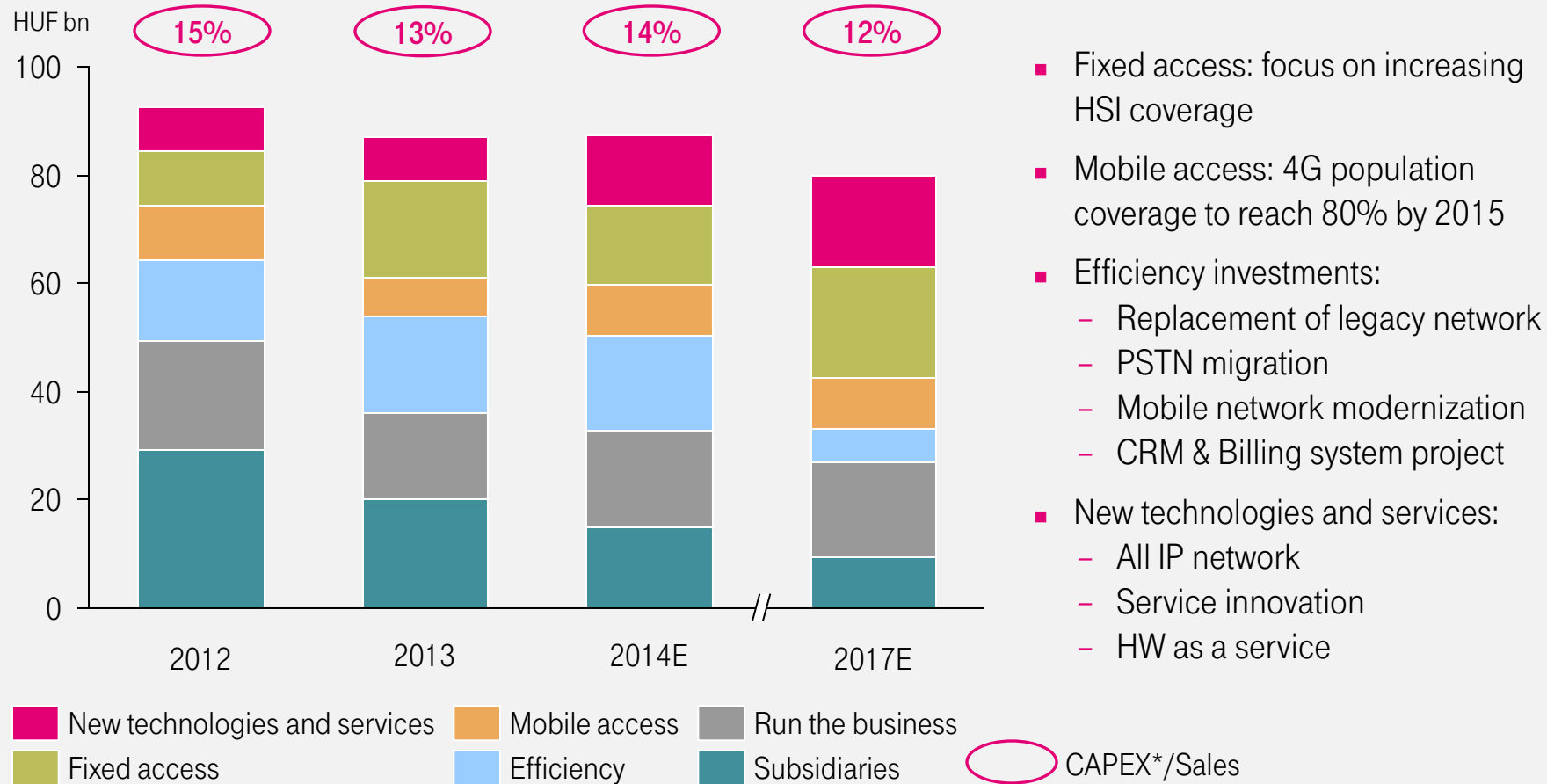
EBITDA AND COST DEVELOPMENTS (RELATIVE TO REVENUES)



- 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
- 2014 EBITDA to decline by maximum 3% vs. 2013 level
- 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

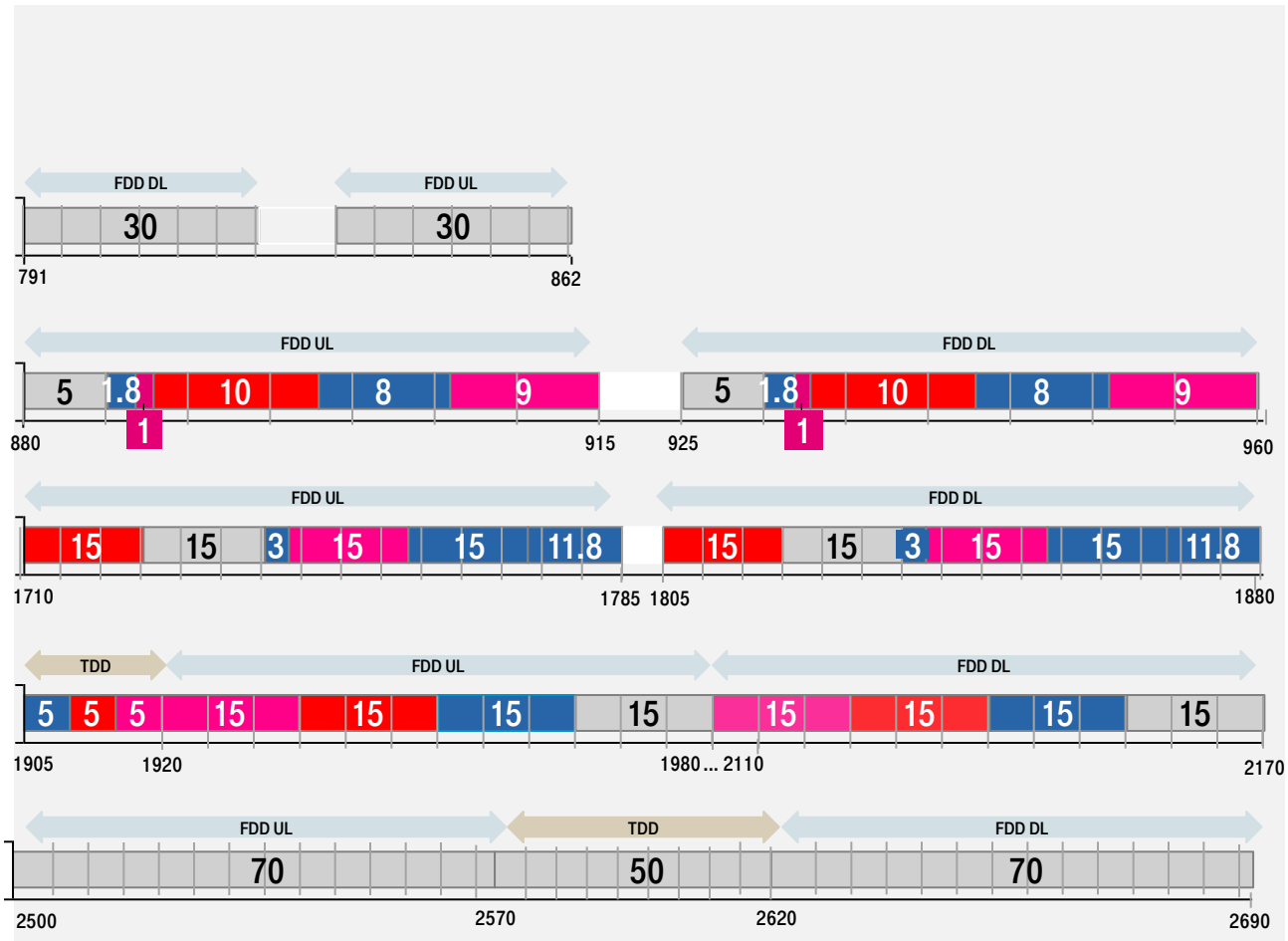
800 MHz

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

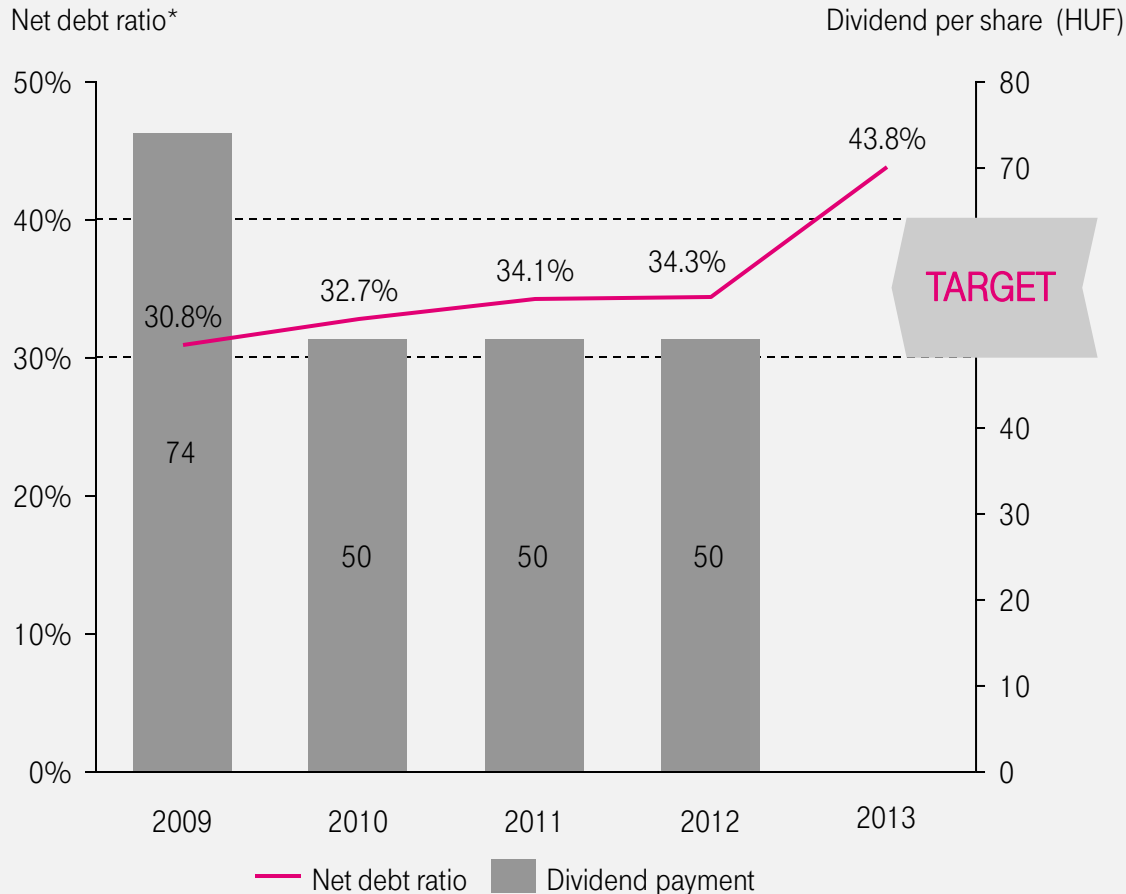
Magyar Telekom Vodafone Telenor Unused



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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
- Net debt ratio stood at 42.5% at the end June 2014

*defined as net debt / total capital

FINANCIAL OUTLOOK

	2013 RESULTS	2014 TARGETS	2017 TARGETS
REVENUE	HUF 637.5bn (+5.0%)	up to 3% decline	increasing at a CAGR of ca. 2% compared to 2012
EBITDA	HUF 179.5bn (-7.9%)	up to 3% 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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Q2 2014 RESULTS

Q2 2014 FINANCIAL HIGHLIGHTS

REVENUE

-3.3%; HUF 151.8bn



Increase in TV, fixed and broadband revenues
Higher mobile broadband revenues



Lower fixed and mobile voice revenues
Lower revenues from SI/IT and energy services

REPORTED EBITDA

-0.3%; HUF 49.6bn



Expansion in the gross margins of energy and SI/IT services
Reduction in employee related expenses



Rise in the telecom tax charge
Competition driven margin erosion in Macedonia

FREE CASH FLOW*

HUF 0.7bn



Operating cash flow improvement



Higher cash Capex
Higher levels of repayment of other financial liabilities (factored vendor contracts coupled with 2014 payments of periodic frequency fees)

*Free cash flow defined as Net cash generated from operating activities + Net cash used in investing activities, adjusted with Proceeds from / Payments for other financial assets + Repayment of other financial liabilities

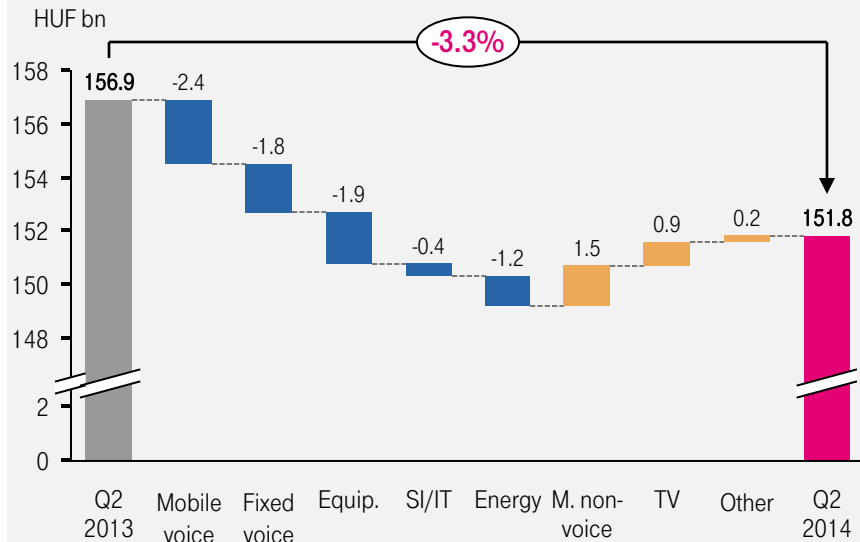


H1 2014 RESULTS AND PUBLIC TARGETS FOR 2014

	H1 2014 RESULTS	2014 TARGETS
REVENUE	-3.1%	up to 3% decline
	<ul style="list-style-type: none"> Lower energy revenues due to cuts in regulated retail energy prices and the mild winter Decline in equipment sales and SI/IT revenues 	
REPORTED EBITDA	+1.5%	up to 3% decline*
	<ul style="list-style-type: none"> Strong improvement in energy margin from low level of H1 2013 Set-top-box financial lease treatment and annual frequency fee reduction and capitalization supported performance 	
CAPEX**	HUF 33.3bn	around HUF 87bn
	<ul style="list-style-type: none"> Network modernization, 4G roll-out Efficiency improving projects 	
	<p>*modified from 3%-6% decline</p> <p>**excluding spectrum license fees and annual frequency fee capitalization</p>	

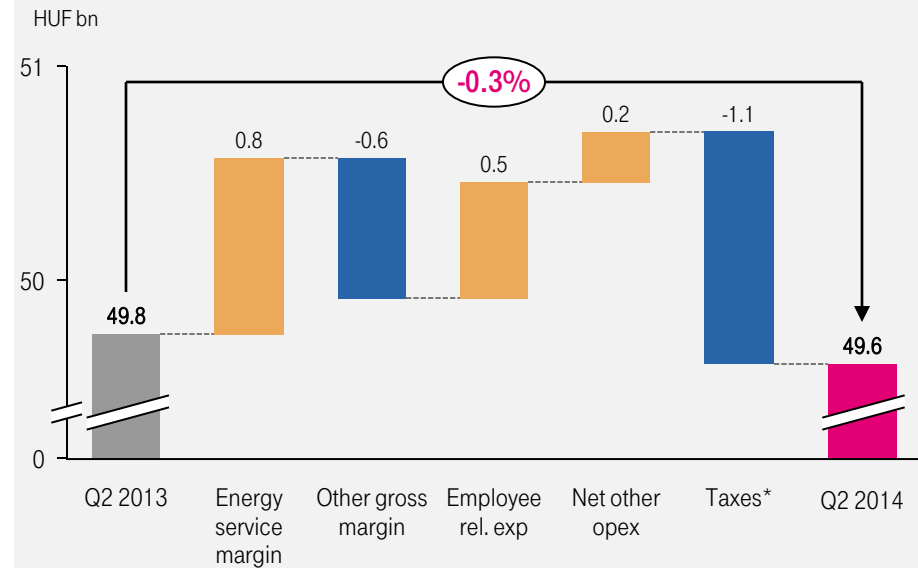
Q2 2014 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Mobile voice revenue decline reflects intense competitive pressure in Macedonia
- Lower equipment sale revenues reflecting temporary saturation in the targeted segments
- Decline in energy service revenues due to retail price cuts
- SI/IT revenue decline due to a shift in focus to less equipment intensive deals
- Mobile non-voice revenues boosted by increasing customer base and usage of mobile internet

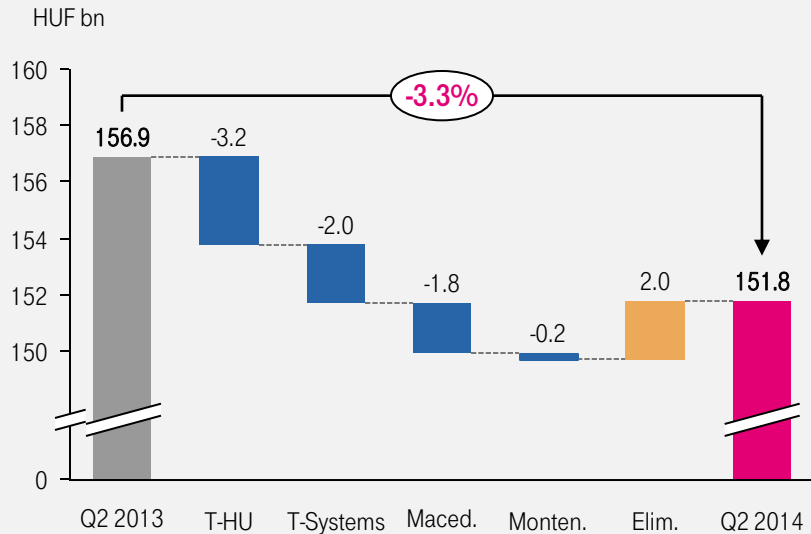
GROUP EBITDA



- Energy service margin improvement thanks to change in relevant legislation and increase in the share of business segment customers
- Other gross margin decline due to a fallout of high margin voice revenues and increased impairment related to equipment instalment sales
- Taxes* increased due to higher telecom tax rate from August 2013 on non-private individuals subscription

Q2 2014 SEGMENT RESULTS – REVENUES AND EBITDA

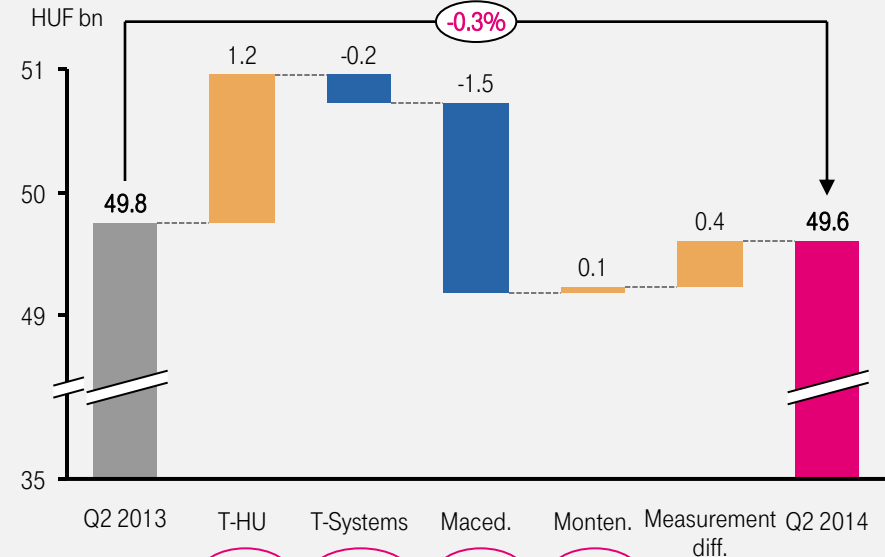
SEGMENTS' REVENUE DEVELOPMENTS



Change Y-o-Y **-3%** **-7%** **-12%** **-2%**

- **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 mostly mitigated voice revenue decline

SEGMENTS' EBITDA DEVELOPMENT



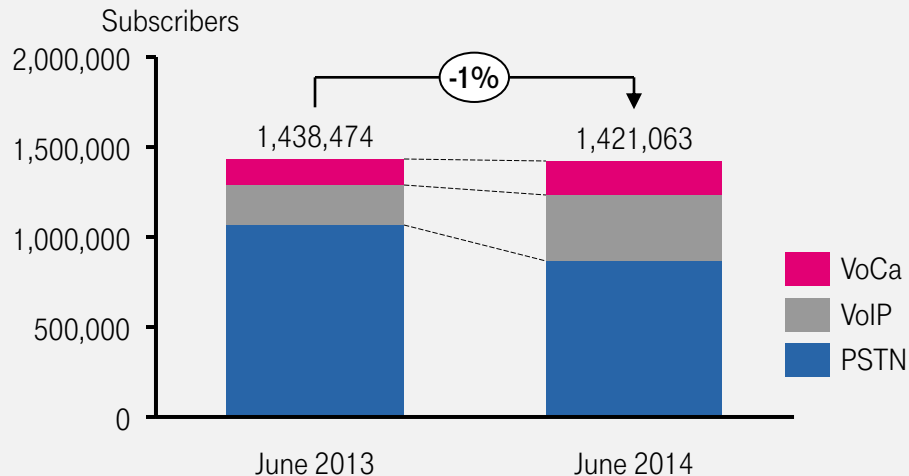
Change Y-o-Y **+3%** **-6%** **-23%** **+2%**

- **T-Hungary**: higher energy margin coupled with lower net opex (savings in fees and levies and profit from R/E sales)
- **T-Systems**: increased gross margin offset by higher telecom taxes and other costs
- **Macedonia**: competition driven margin pressure coupled with higher market investment to mitigate price pressure
- **Montenegro**: gross margin decline offset thanks to lower employee expenses

HUNGARY – FIXED VOICE MARKET



TELEKOM HUNGARY FIXED VOICE SUBSCRIBERS

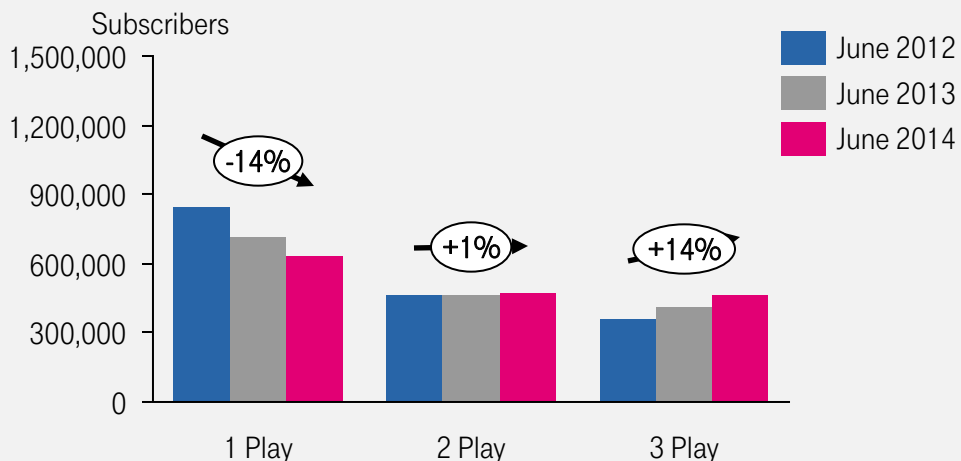


- Significant reduction in fixed voice churn due to the retention effect of:
 - Hoppá package
 - 2Play/3Play offers
 - Retail energy bundling
- Decline in 1Play customer base to 40%

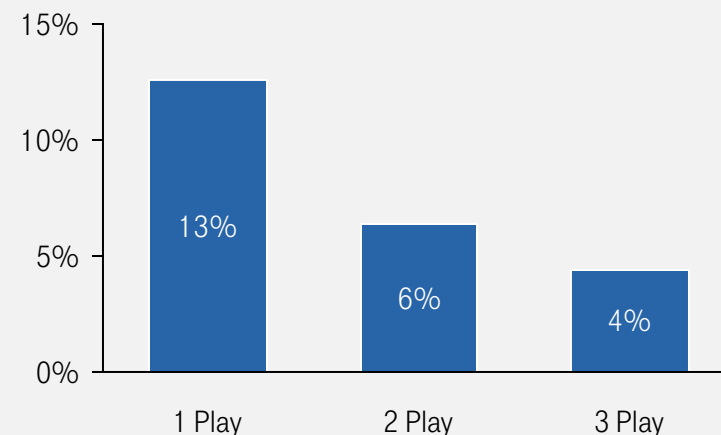
KPIs (Q2-o-Q2):

- ARPU: HUF 2,598 (-7%)
- MOU: 161 (-10%)

MULTI-PLAY DEVELOPMENTS

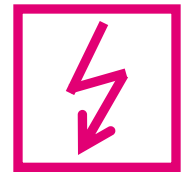


AVERAGE ANNUAL CHURN LEVEL

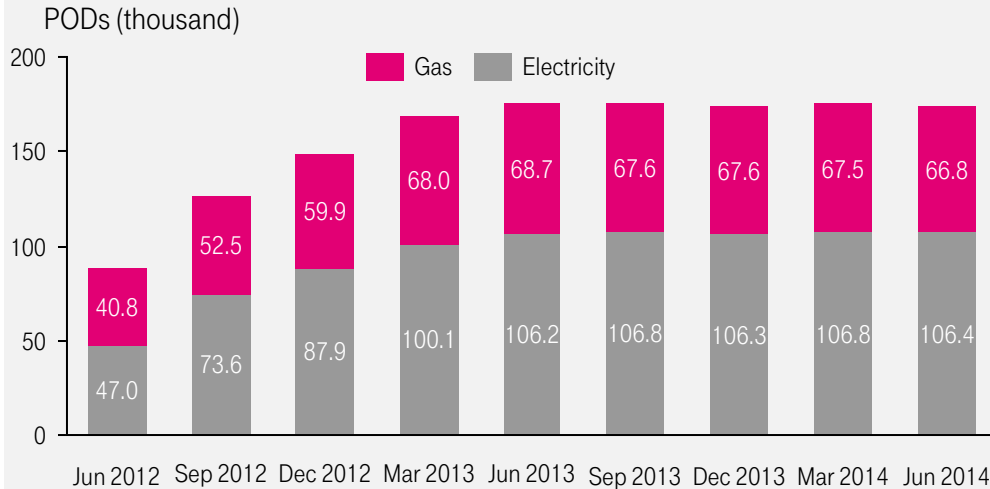


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HUNGARY – ENERGY RETAIL



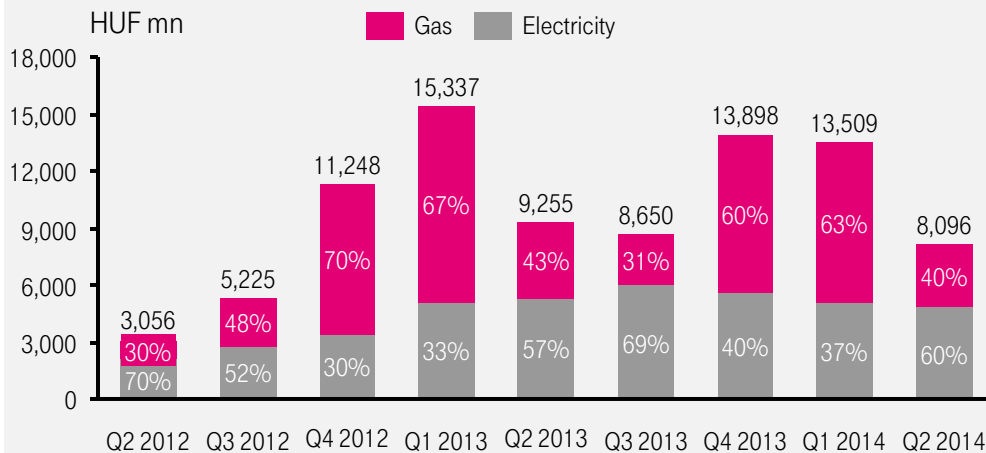
GAS AND ELECTRICITY POINTS OF DELIVERY (POD)



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

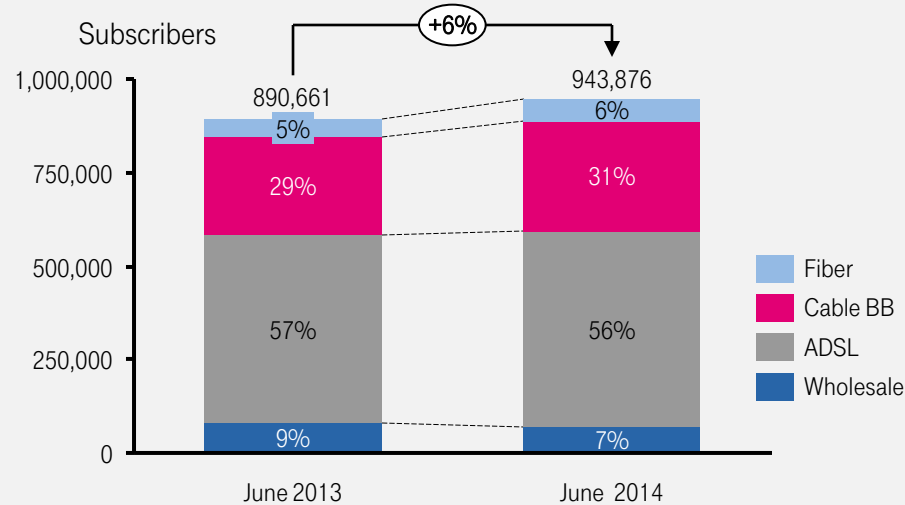


REGULATORY DEVELOPMENTS

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

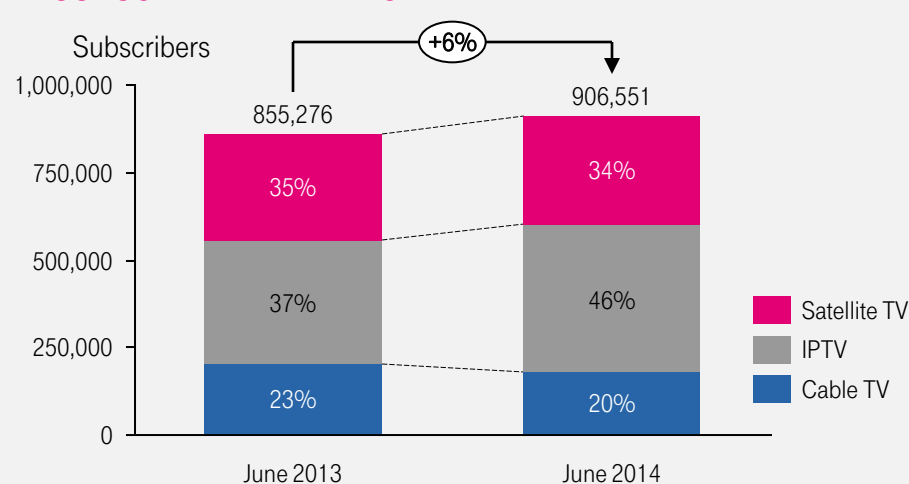


FIXED BROADBAND SUBSCRIBER BREAKDOWN

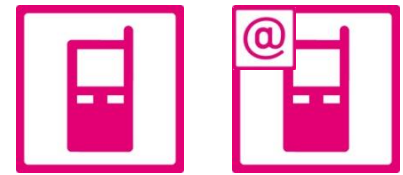


- Growth in broadband market driven by cable and fiber
- Significant ARPU pressure from multiplay migration and local pricing
- Broadband ARPU: HUF 3,415 (-3% Q2-o-Q2)

TV SUBSCRIBER BREAKDOWN

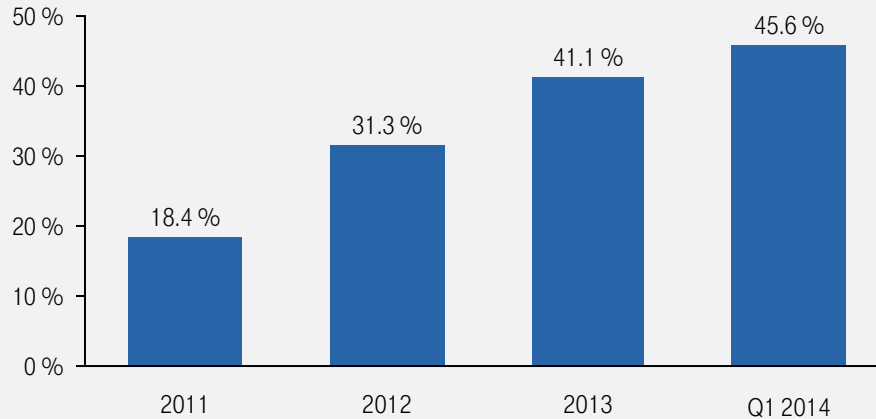


- TV ARPU stable thanks to increasing number of interactive IPTV customers
- Significant migration from cable to IPTV
- 3Play offers from HUF 4,550/month (EUR 15)
- TV ARPU: HUF 3,090 (flat Q2-o-Q2)



TELEKOM SMARTPHONE PENETRATION

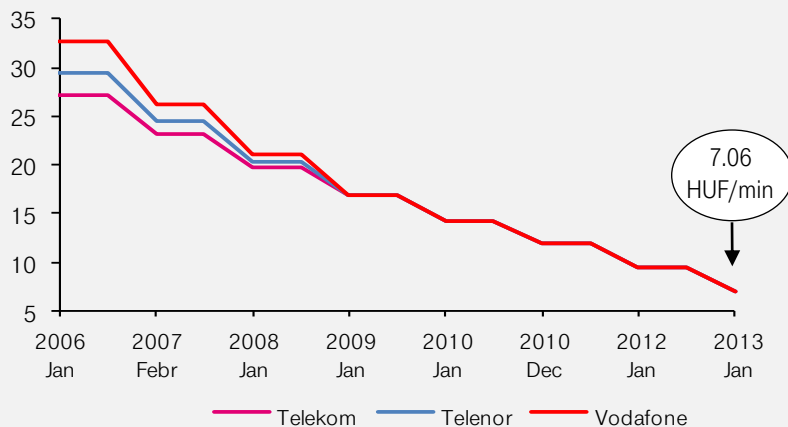
% of total handsets



- Improving customer mix: y-o-y increase in postpaid ratio from 48.0% to 49.3%
- Smartphone sales reached 90% of postpaid handsets
- Broadband subscription attach rate at ca. 90%
- Full 4G coverage in Budapest and 51% population-based coverage countrywide
- MTR cut: no further glide path announced

MOBILE TERMINATION RATE CUTS

HUF/min

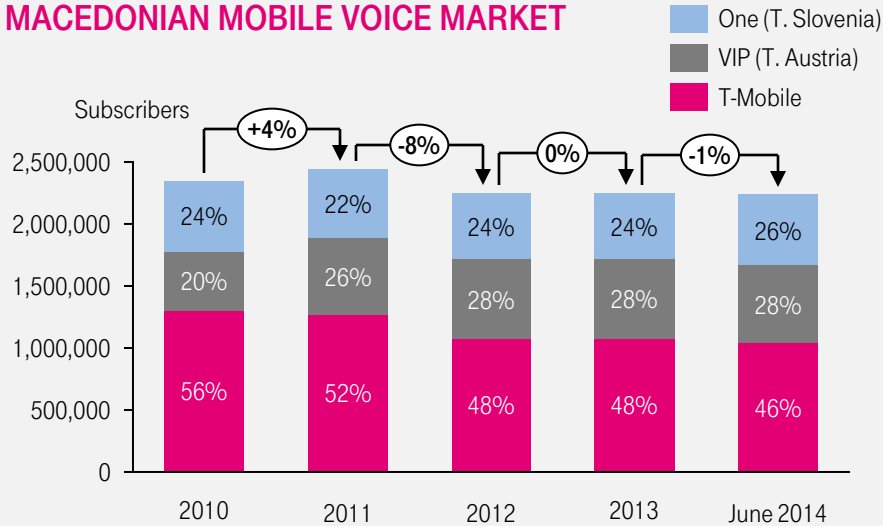


KPIs (Q2-o-Q2):

- ARPU: HUF 3,477 (+3%)
- Mobile MOU: 171 (+5%)
- SAC/gross add: HUF 4,975 (-7%)
- SRC/retained customer: HUF 12,826 (+5%)
- VAS within ARPU: HUF 928 (+10%)

MACEDONIA AND MONTENEGRO

MACEDONIAN MOBILE VOICE MARKET

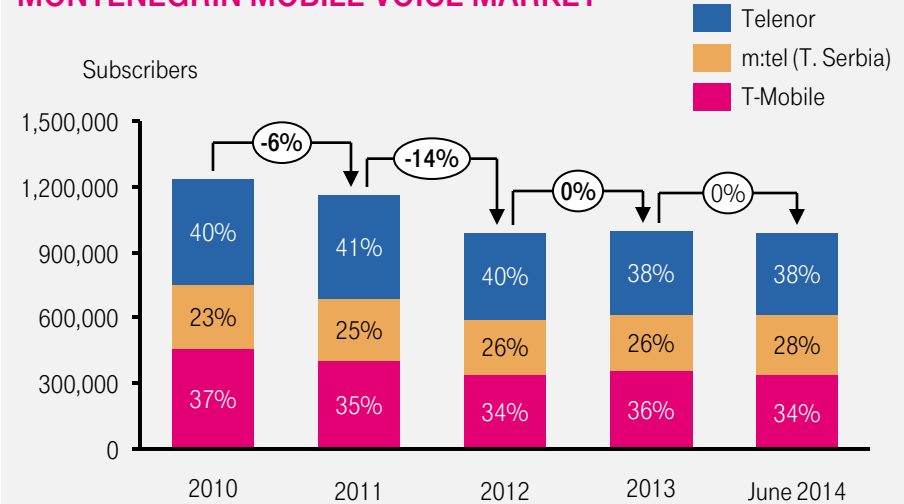


- Leading fixed line operation with 65% voice, 52% internet and 23% TV market shares
- Intense competition from cable operators on the fixed market
- Declining mobile revenues due to strong price competition

KPIs (Q2-o-Q2):

- Fixed voice churn: 5%
- Fixed outgoing traffic: -21%
- Mobile ARPU: HUF 1,852 (-16%)
- Mobile MOU: 206 (+9%)

MONTENEGRIN MOBILE VOICE MARKET



- Leading fixed line operation with 98% voice, 81% internet and 42% TV market shares
- Strong seasonality on the mobile market driven by tourism
- Economic environment put limitation on performance

KPIs (Q2-o-Q2):

- Fixed voice churn: -2%
- Fixed outgoing traffic: -14%
- Mobile ARPU: HUF 2,892 (-4%)
- Mobile MOU: 162 (-7%)

FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q2 2013	Q2 2014	Change
Mobile revenues	78,939	77,372	-2.0%
Fixed line revenues	53,522	51,533	-3.7%
System Integration/Information Technology revenues	15,191	14,785	-2.7%
Revenue from Energy Services	9,255	8,096	-12.5%
Revenues	156,907	151,786	-3.3%
Direct costs	(55,534)	(50,242)	-9.5%
Employee-related expenses	(23,683)	(23,143)	-2.3%
Depreciation and amortization	(25,514)	(24,511)	-3.9%
Hungarian telecommunications and other crisis taxes	(5,342)	(6,425)	20.3%
Other operating expenses	(23,104)	(23,157)	0.2%
Total operating expenses	(133,177)	(127,478)	-4.3%
Other operating income	507	794	56.6%
Operating profit	24,237	25,102	3.6%
Net financial results	(6,549)	(7,767)	18.6%
Share of associates' profits	0	9	n.a.
Profit before income tax	17,688	17,344	-1.9%
Income tax expense	(3,851)	(4,757)	23.5%
Profit for the period	13,837	12,587	-9.0%
Non-controlling interests	1,630	1,004	-38.4%
Equity holders of the Company (Net income)	12,207	11,583	-5.1%

MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

HUF million	Jun 30, 2013	Jun 30, 2014	Change
Current assets	195,657	182,923	-6.5%
Cash and cash equivalents	15,118	13,967	-7.6%
Other current financial assets	31,009	14,420	-53.5%
Non current assets	842,406	886,558	5.2%
Property, plant and equipment - net	501,989	487,346	-2.9%
Intangible assets	314,211	377,492	20.1%
Total assets	1,038,063	1,069,481	3.0%
Equity	476,226	506,951	6.5%
Current liabilities	261,224	314,605	20.4%
Financial liabilities to related parties	48,187	101,806	111.3%
Other financial liabilities	72,984	82,908	13.6%
Non current liabilities	300,613	247,925	-17.5%
Financial liabilities to related parties	237,024	194,266	-18.0%
Other financial liabilities	35,014	23,990	-31.5%
Total equity and liabilities	1,038,063	1,069,481	3.0%

MAGYAR TELEKOM - CONSOLIDATED CASH FLOW STATEMENT

HUF million	Jun 30, 2013	Jun 30, 2014	Change
Net cash generated from operating activities	41,468	56,216	35.6%
Investments in tangible and intangible assets	(40,620)	(33,330)	-17.9%
Adjustments to cash purchases	2,758	(9,390)	-440.5%
Purchase of subsidiaries and business units	(100)	(428)	n.a.
Cash acquired through business combinations	0	0	n.a.
Payments for / proceeds from other financial assets - net	20,765	17,526	-15.6%
Proceeds from disposal of subsidiaries	0	0	n.a.
Proceeds from disposal of PPE and intangible assets	336	1,616	381.0%
Net cash used in investing activities	(16,861)	(24,006)	42.4%
Dividends paid to shareholders and minority interest	(65,174)	(6,411)	-90.2%
Net payments of loans and other borrowings	41,107	(12,828)	-131.2%
Repayment of other financial liabilities	(739)	(14,027)	1798.1%
Net cash used in financing activities	(24,806)	(33,266)	34.1%
Free cash flow*	3,103	657	-78.8%

*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 and Repayment of other financial liabilities

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, 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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