

# Presentation

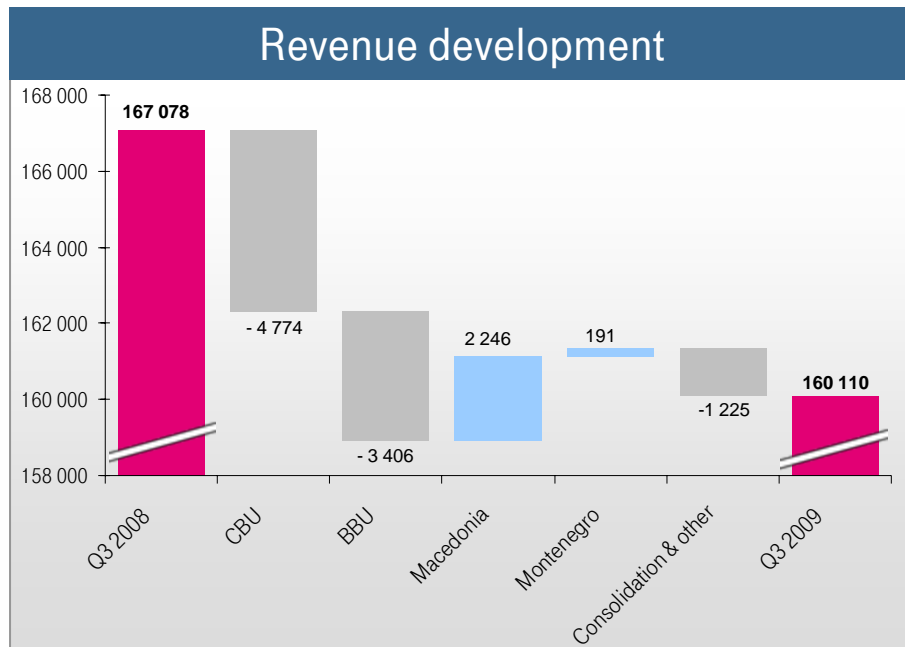
## Magyar Telekom Q3 2009 Results

Difficult economic environment continues to put pressure on revenues; cost efficiency remains the key priority



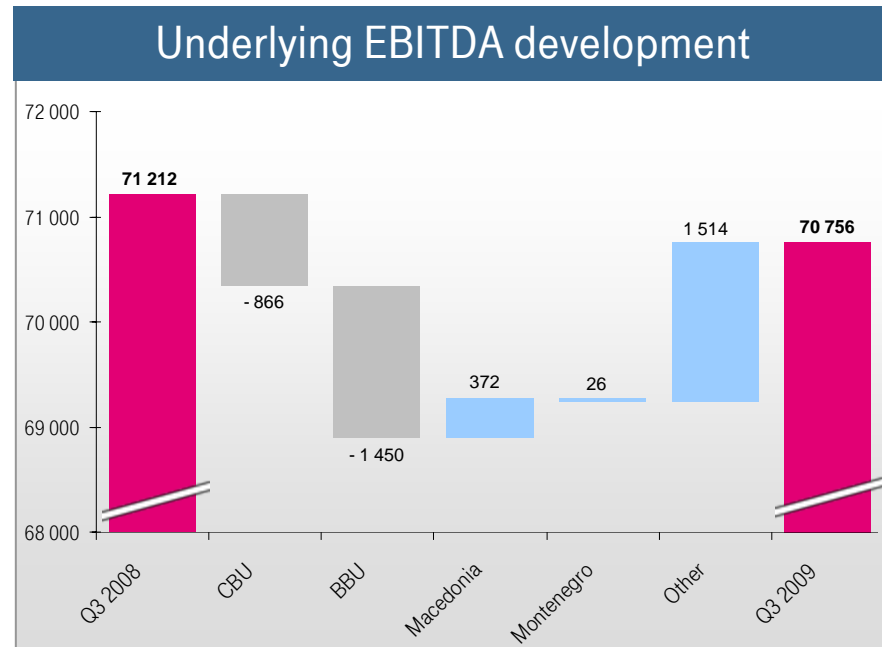
# Third quarter 2009 results

## Business Unit analysis



4.2% revenue decline driven by recession, competition and regulation

- CBU revenues declined primarily due to the worsening economic environment with the austerity measures launched in July contracting private consumption further
- BBU revenues down as public sector spend now also under pressure, not just corporate spend, IT revenues declined
- international revenues increased due to favorable FX translation impact and thanks to strong Macedonian results



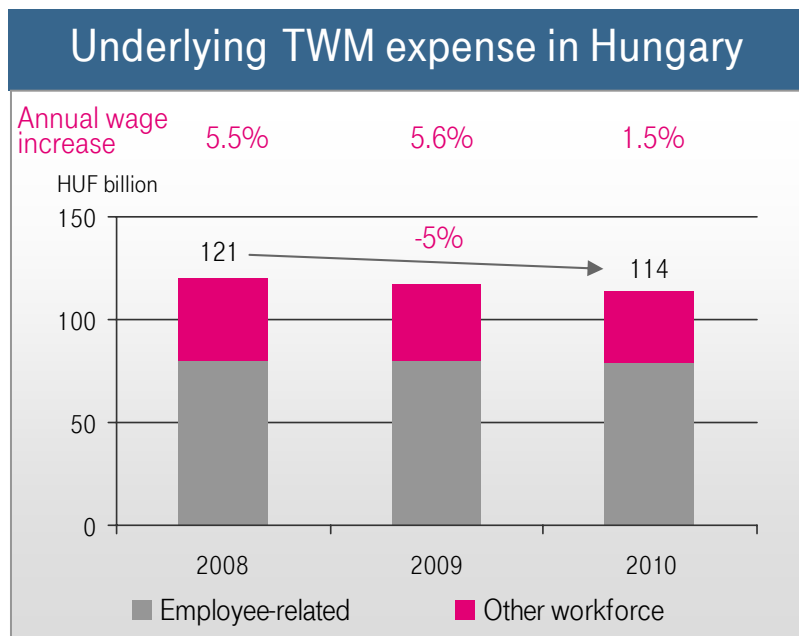
0.6% underlying EBITDA decline thanks to successful cost cutting measures; margin 44.4%

- further erosion of traditional voice revenues put pressure on business units' results
- cost cutting achievements mainly in employee-related and other operating expenses stabilized EBITDA in the third quarter
- positive FX impact on result of international subsidiaries



# Focus on efficiency

## Headcount rationalization

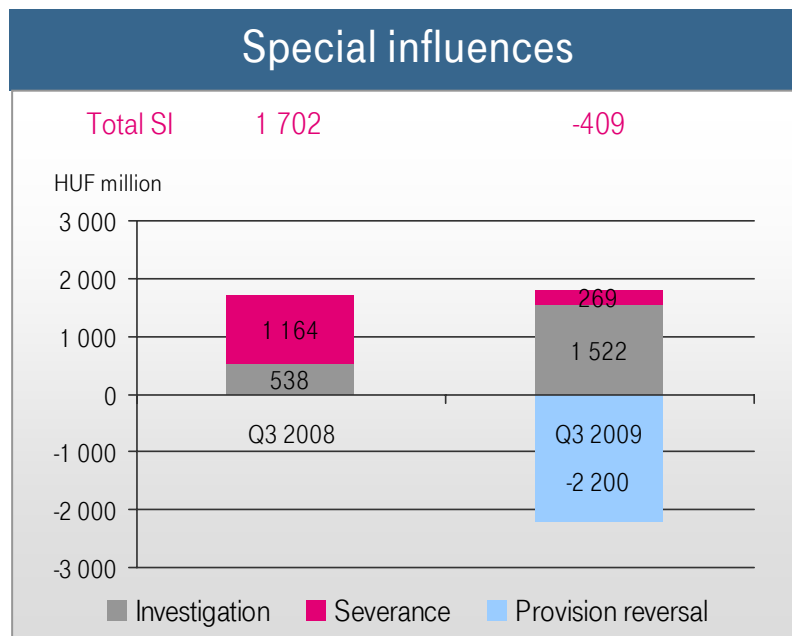


### Headcount reduction in 2010

- agreement with trade unions reached in September 2009
- 400+ employee redundancies at the parent company by end-2010
- goal is to reduce underlying total workforce management (TWM) related expenses by HUF 6.5bn in two years despite wage increases
- severance-related expenses will amount to HUF7bn (the majority to be accounted for in Q4 2009; the remainder in 2010)

# Special influences

## Provision reversal in Q3 2009



### Severance expenses

- in Montenegro HUF 0.9bn was booked in Q3 2008 for a trade union agreement on headcount reduction

### Provision reversals

- HUF 1.2 bn severance provision was reversed in Q3 2009 at the Headquarters, relating to the provisions booked in 2008 for headcount reductions
- at Crnogorski Telekom further HUF 1.0 bn provision was reversed that was made in 2007 for litigation in connection with a voluntary leave program



# Public targets for 2009 confirmed

## Revenue

- excluding IC fees related reversal of provisions in 2008
- comparable 2008 figure is HUF 664.5 bn

Around 2% decline compared to 2008

- significant drop in disposable income of households due to recession (resulting in lower usage and tariffs, higher churn levels)
- intensifying competition
- regulatory impacts

## 2009 nine month results

2.8% decline

- significant pressure on private consumption and heavily scaled back spending by business clients
- stronger than expected forint in the second half of the year

## Underlying EBITDA

- excluding special influences and IC fees related reversal of provisions in 2008
- comparable 2008 figure is HUF 273.7 bn

Up to 5% decline compared to 2008

- difficult economic environment
- margin pressure due to faster than expected change in revenue mix
- regulatory impacts

2.9% decline

- cost cutting measures launched in the beginning of the year show promising results

## Capex

- excluding the 3G license fee in Macedonia and non-cash items totaling HUF 4.3bn in 2008
- comparable 2008 figure is HUF 103.6 bn

Capex: maintain 2008 level

- strong infrastructure based competition in Hungary
- cut in business-as-usual CAPEX, increased spending on new initiatives (satellite TV, fibre optic network)

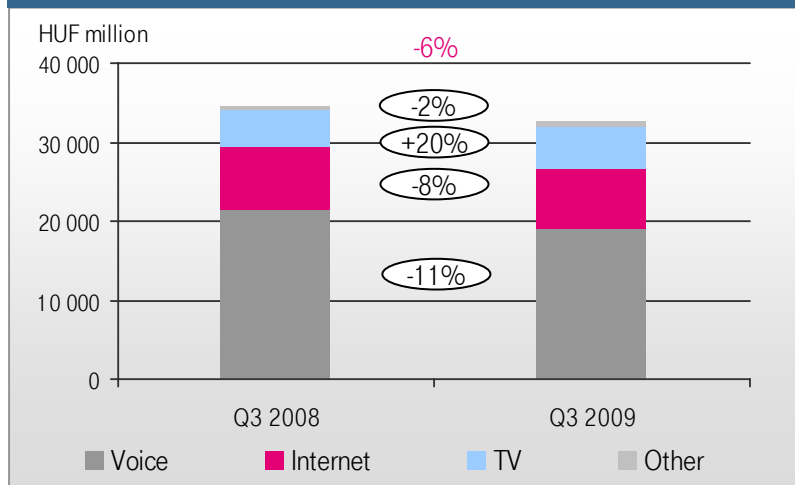
23% increase

- higher spending in the first half of the year due to strong satellite TV sales
- fibre-to-the-home roll-out Capex cut by HUF 2bn
- pressure from weaker HUF

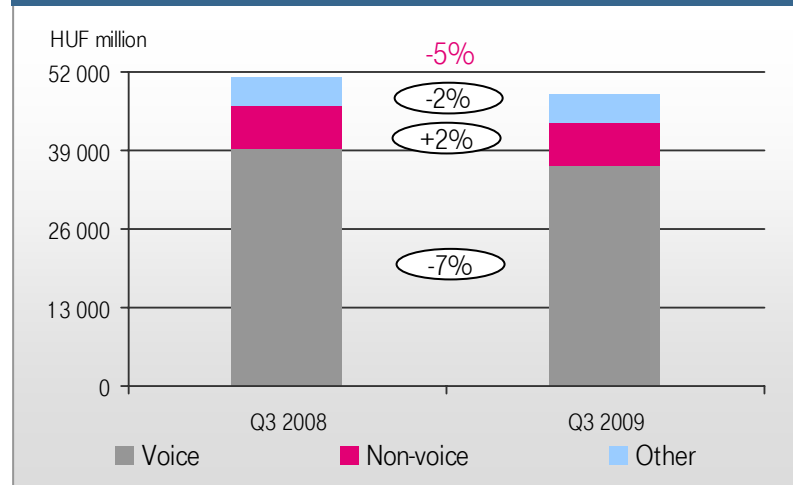


# Consumer Services Business Unit (CBU) - Financials

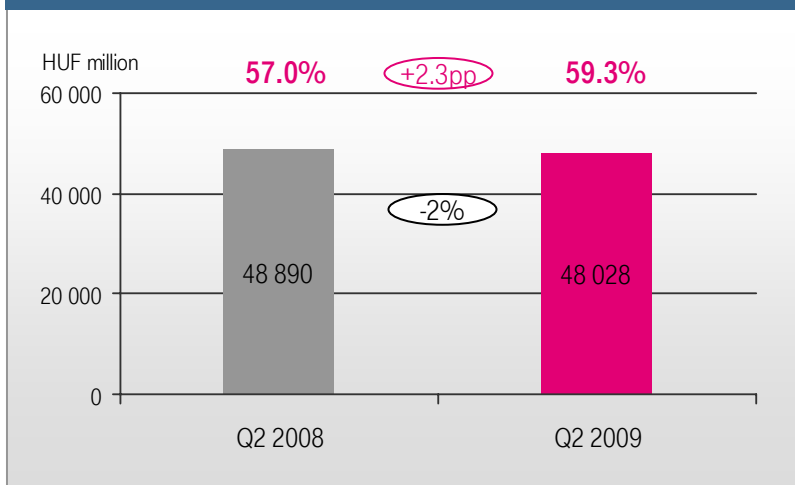
## CBU Fixed line revenues



## CBU Mobile revenues



## CBU EBITDA and margin



### Revenue decline mostly driven by recession

- depressed consumer spending remains the most significant negative driver; usage declined and churn accelerated both in fixed line and mobile
- voice migration towards IP based solutions
- Internet revenues down due to price reductions
- regulatory impacts on mobile revenues (cut in mobile termination rates and roaming tariffs)

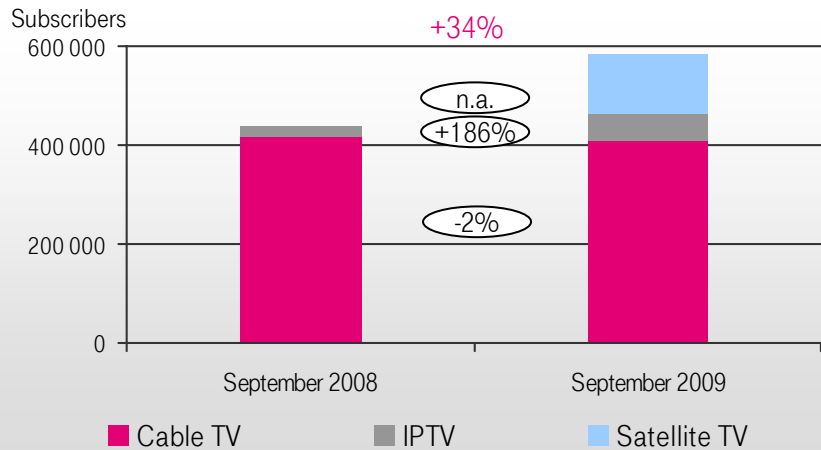
### EBITDA margin improved thanks to cost cutting

- strong savings in other opex driven mainly by cuts in marketing expenses
- lower employee expenses thanks to increasing efficiency



# CBU – focus on triple play services

## TV customer growth



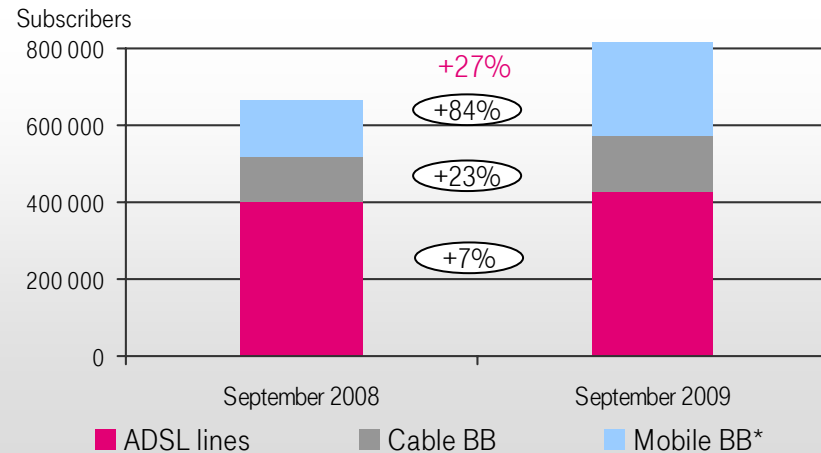
Strong focus on service bundling on all our networks - fixed line, cable and mobile



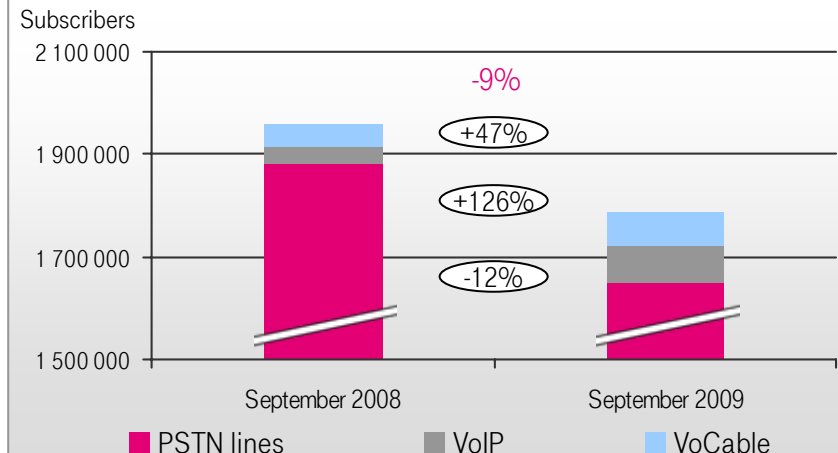
- voice access churn accelerated by the recession, focus on retention through product bundling
- conscious migration towards IP based solutions
- building on our TV portfolio – satellite, cable and IPTV
- triple play offers start from HUF 5,040/month (~EUR 17)

One third of our customers subscribe to xPlay package

## Broadband customer growth



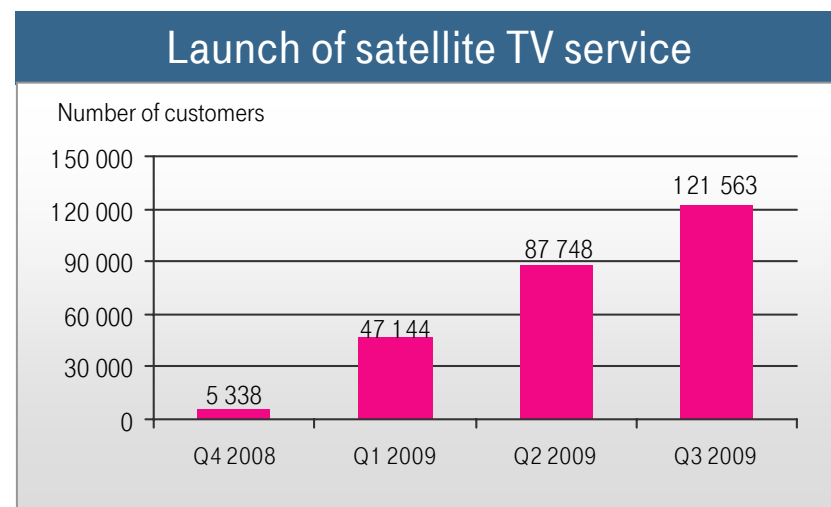
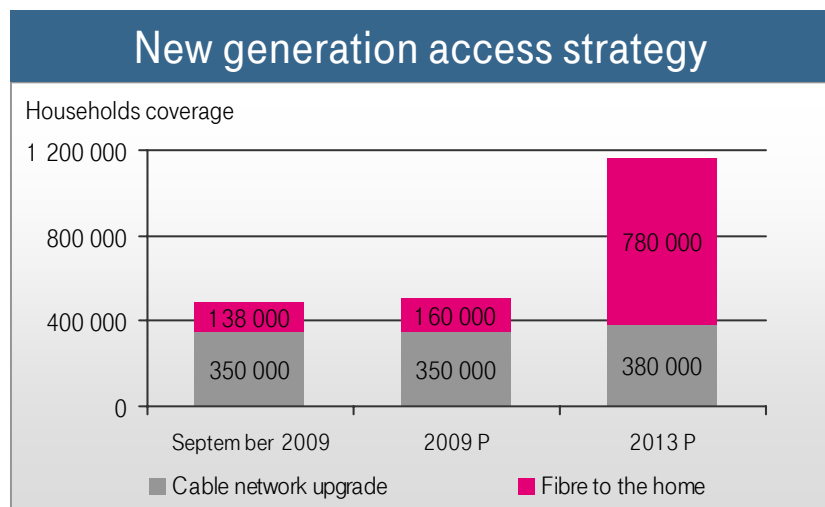
## Fixed voice access



\*Q3 2008 data estimated only



# Improving service quality and portfolio



5-year plan to cover ~30% of Hungarian households with bandwidth of up to 100 Mbps

- fibre roll-out using mainly FTTH G-PON technology
- cable network upgrade with Docsis 3.0 technology

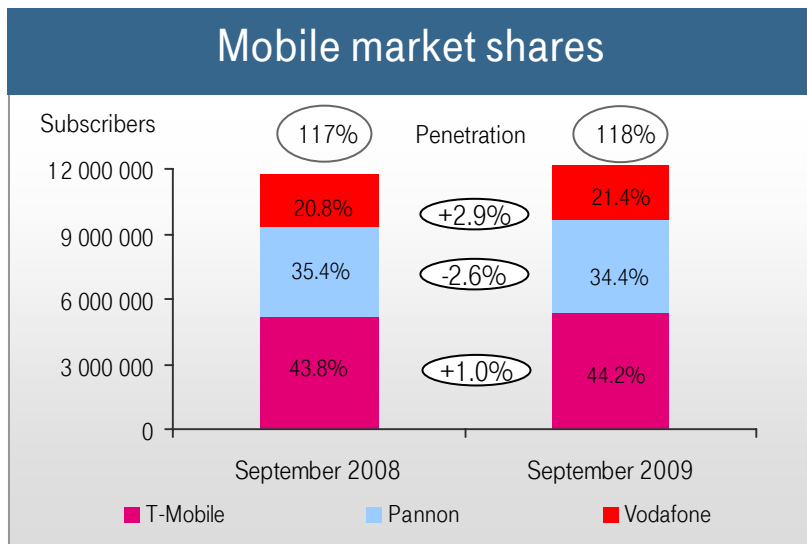
Total investment need of HUF 40 billion

- 2009 CAPEX of around HUF 8bn (cut by HUF 2bn)

## T-Home Sat TV

- recessionary environment has a positive impact on demand for TV services, better than expected sales results
- significant retention benefit: more than two-thirds of satellite TV customers are part of a 2Play or 3Play package
- T-Home's market share on the pay-TV market reached 23% by September

# CBU - mobile operations

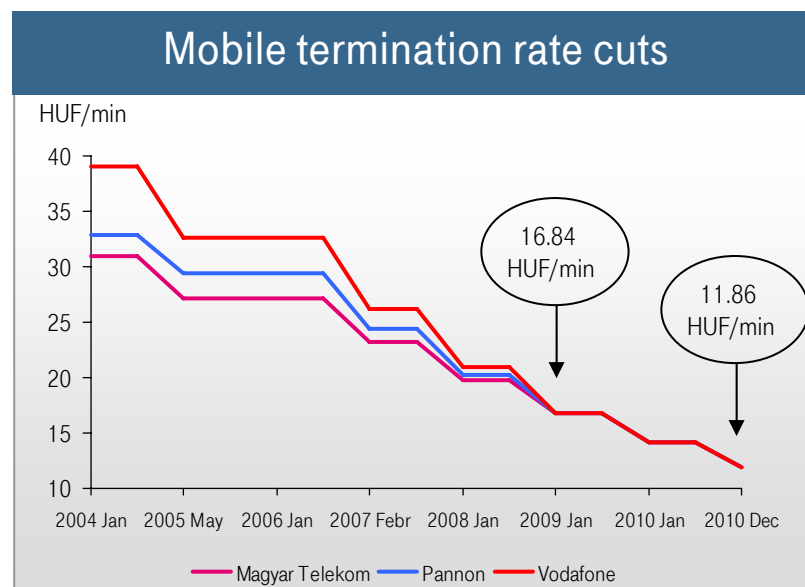
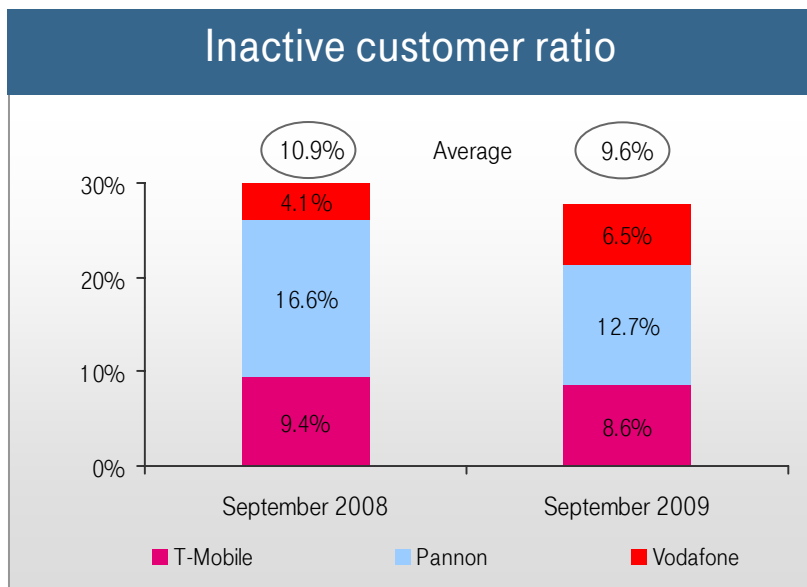


## Penetration growth stopped in the recessionary environment

- penetration even declined since beginning of the year due to declining number of inactive customers
- residential customer base down by 1%
- due to lower disposable income customers became more cost sensitive, usage decreased despite falling tariff levels
- average voice revenue per minute decreased by 9% y-o-y

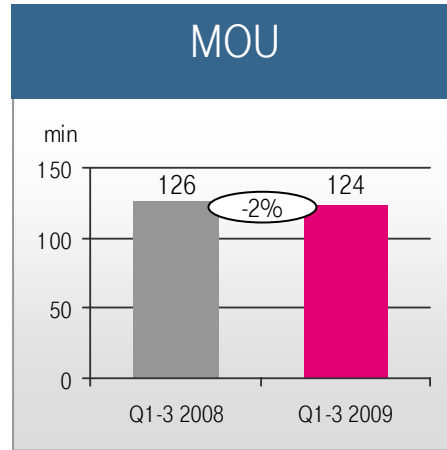
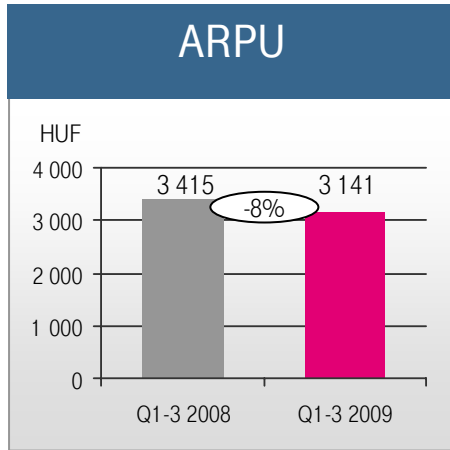
## Mobile termination fee regulation

- asymmetry eliminated from beginning of this year, current rates are 17 HUF/min (EUR 0.06)
- further 16% cut in Jan-2010 and Dec-2010 for all operators





# CBU - mobile KPIs

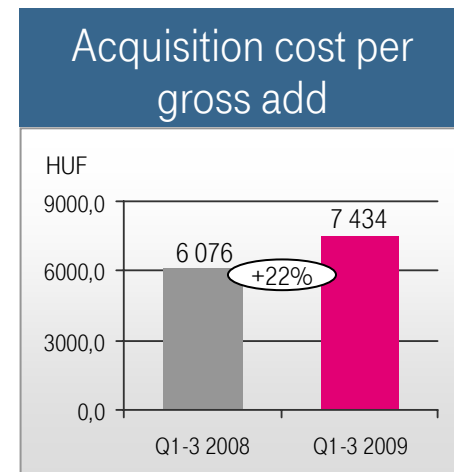
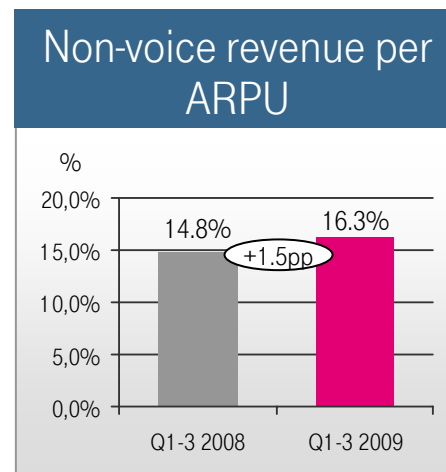
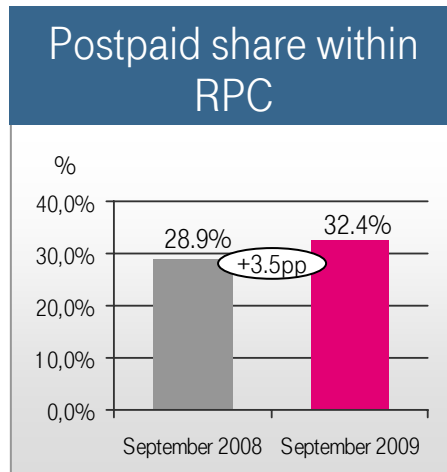
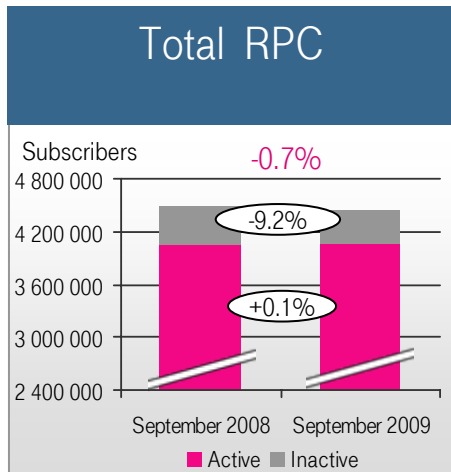


## Declining tariff and usage levels

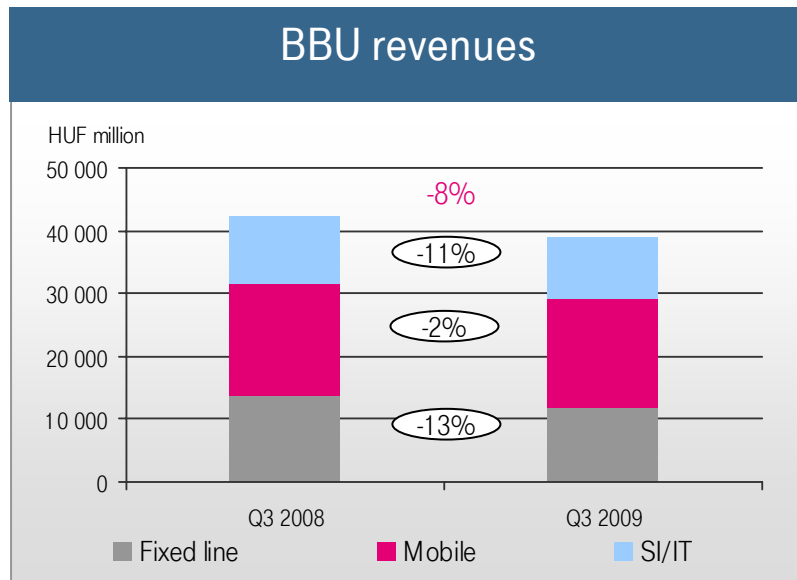
- average tariff levels declined due to competitive pressure, closed-user-group offers and regulation
- recession negatively influencing usage
- mobile termination rate cuts and roaming regulation also negatively affect ARPU

## Mobile internet development

- strong demand for mobile broadband service
- number of subscribers exceeded 360,000 at end of September 2009
- 3G/HSDPA network covering ~73% of population



# Business Services Business Unit (BBU) - Financials

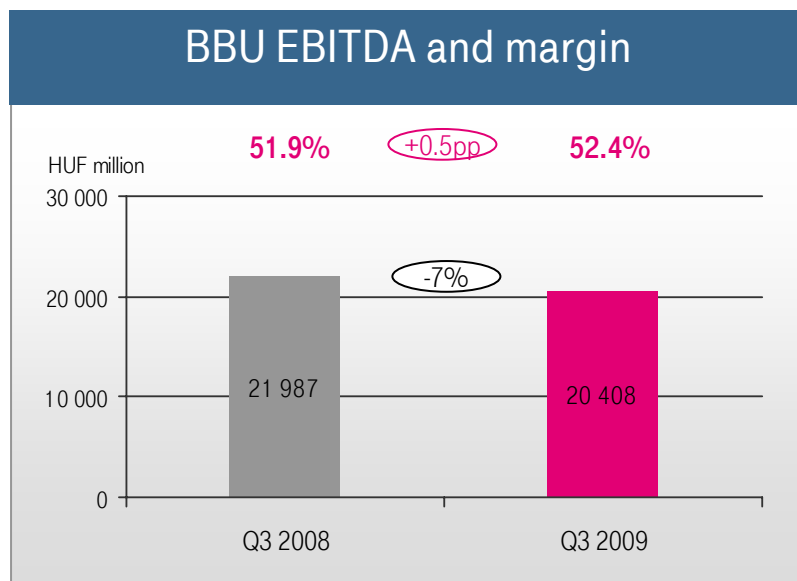


Falling voice revenues now coupled with pressure on SI/IT services

- rationalization and cost cutting initiatives at our key corporate clients lead to a reduction in their telecom spending
- not just private but public sector also impacted
- both voice and internet customer numbers decreased
- strong pressure on mobile tariffs

SI/IT revenues also under pressure

- several projects delayed/cancelled both at the private and the public sector due to cost restrictions
- strengthening market position through acquisition of KFKI Direkt and ISH, consolidation expected from Q3 and Q4, respectively

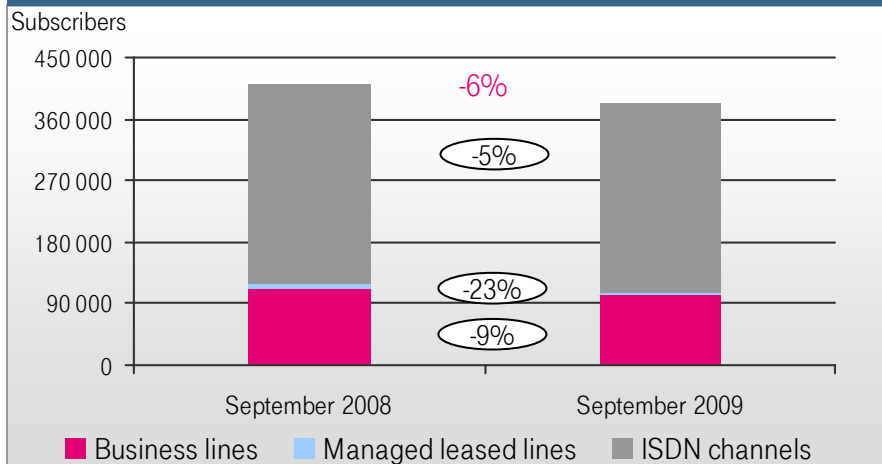


EBITDA margin slightly up

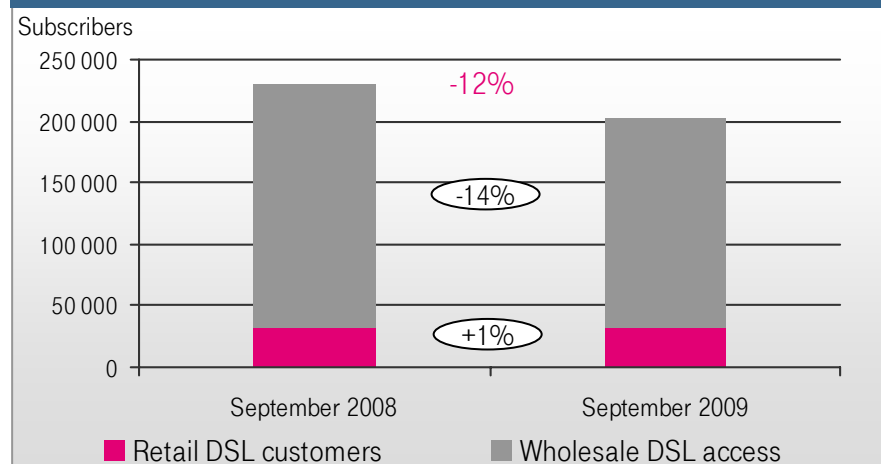
- implemented efficiency improvements helped EBITDA margin

# BBU KPIs

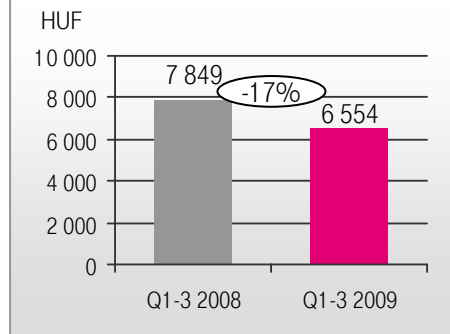
## Fixed voice access



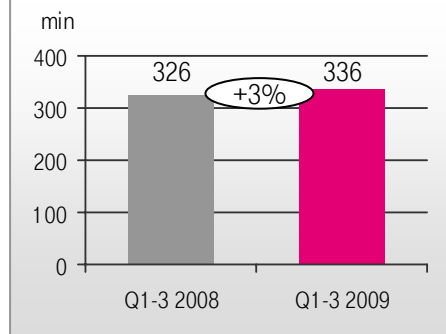
## DSL customers



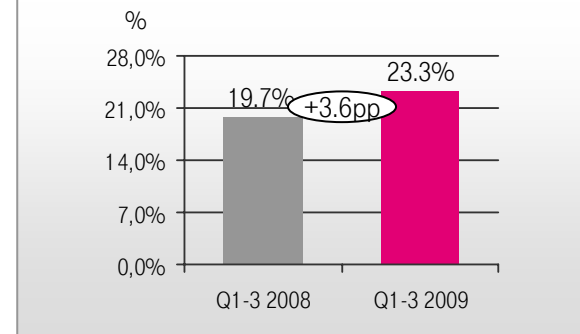
## Mobile ARPU



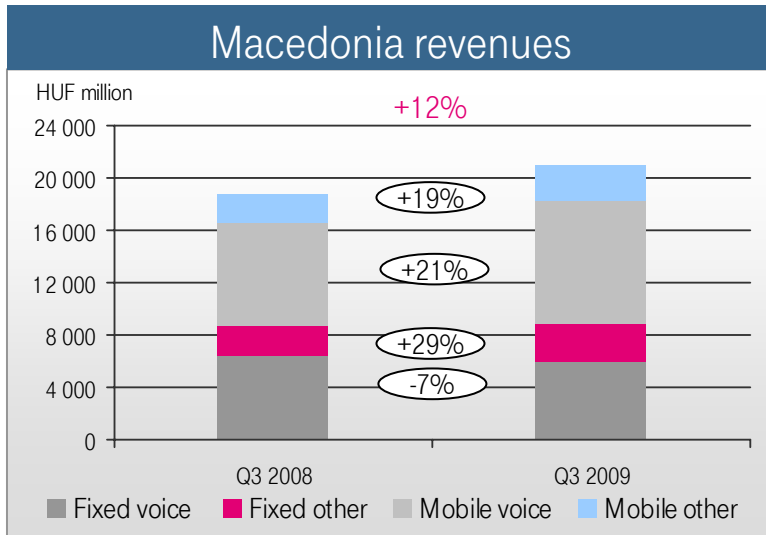
## Mobile MOU



## Non-voice revenue per ARPU



# Macedonia



## Results supported by significant FX impact

- HUF weakened on average by 14.0% to the Macedonian Denar in Q3
- excluding FX impact revenues are down by 2%, EBITDA down by 8%

## Declining traditional fixed line voice revenues

- strong mobile substitution, competition from altnets, cables resulted in elevated churn rates and a further decline in outgoing traffic volumes
- decreasing fixed tariff levels

## Increasing internet revenues

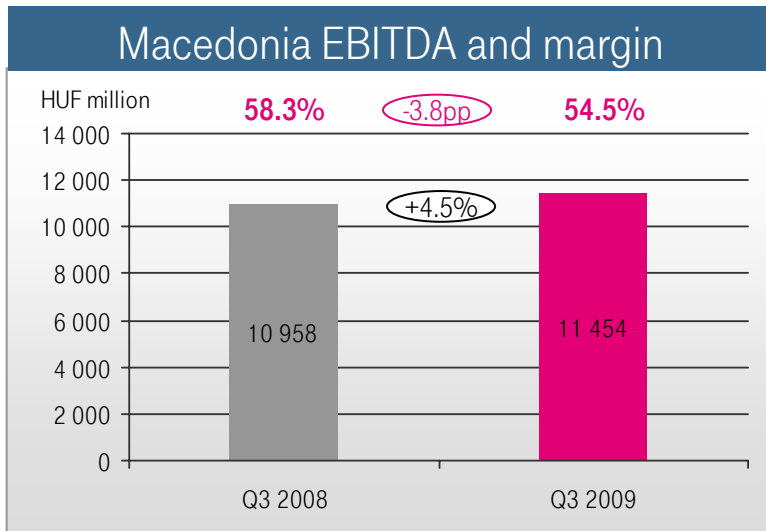
- number of ADSL lines at 119,000 (up 40%)
- successful launch of IPTV and 2Play/3Play offers

## Growth in mobile revenues

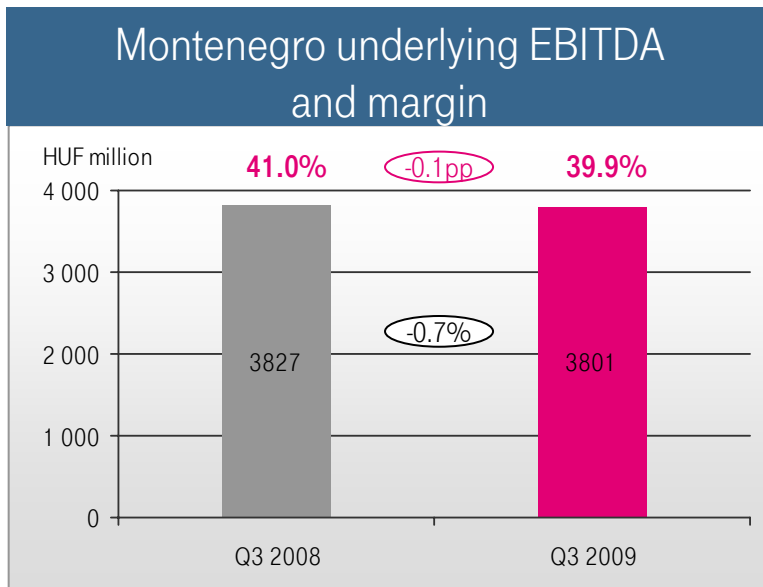
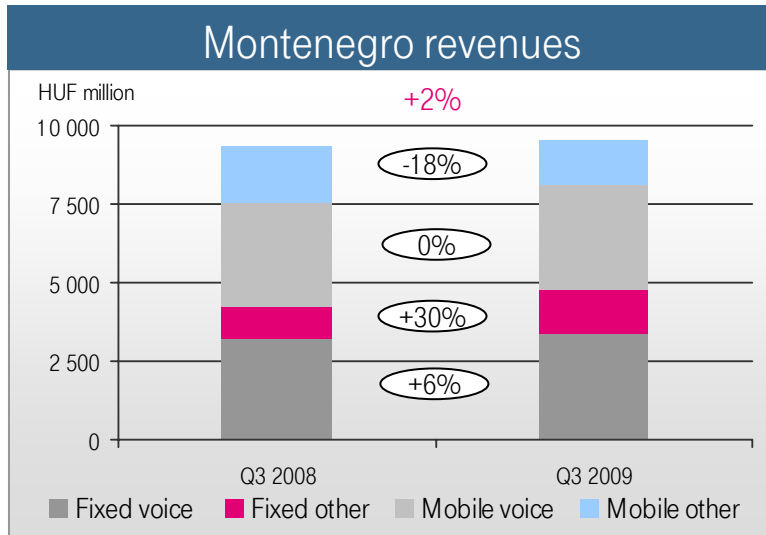
- focus on customer acquisition, 7% growth in customer base and improving customer mix
- MOU at 100 (up by 5%)
- ARPU of HUF 2,732 (~EUR 10)
- 3G services launched in June this year

## EBITDA and margin declined

- driven by increased mobile equipment sales in relation to retention campaigns



# Montenegro



## Results supported by significant FX impact

- HUF weakened on average by 14.1% to the Euro in Q3
- excluding FX impact revenues are down by 11%, underlying EBITDA down by 13%

## Fixed voice revenue decline

- decrease in voice retail revenues driven by high mobile substitution
- growing internet and TV revenues thanks to the strong increases in the number of ADSL and IPTV customers

## Mobile revenues under pressure

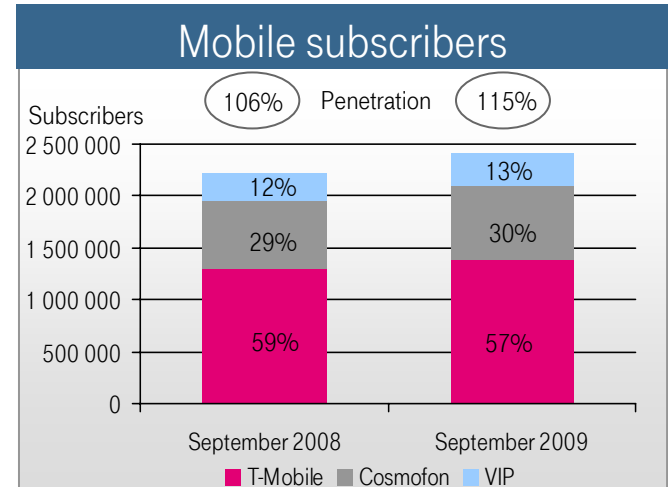
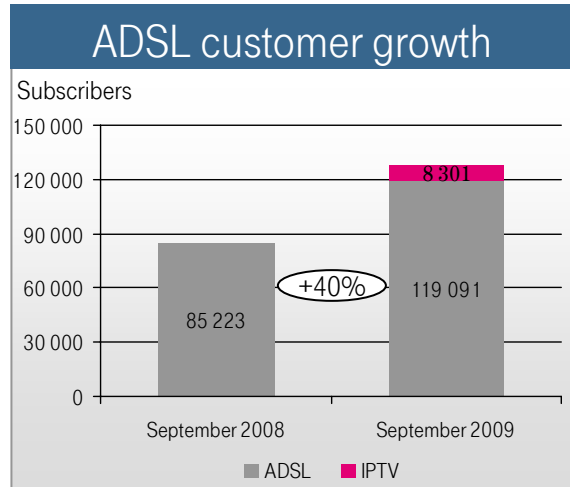
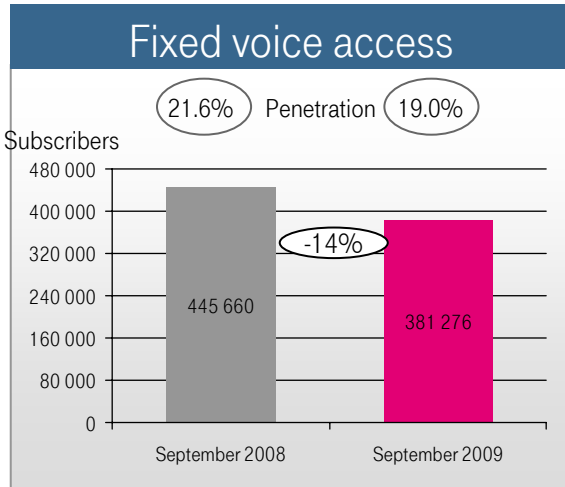
- very intense competition since the entrance of the 3rd mobile operator, lower tariff levels, higher subsidies
- fallout in visitor revenues as economic recession negatively affected tourism
- MOU declined by 12% to 94
- ARPU of HUF 2,528 (~EUR 9)

## Special influences

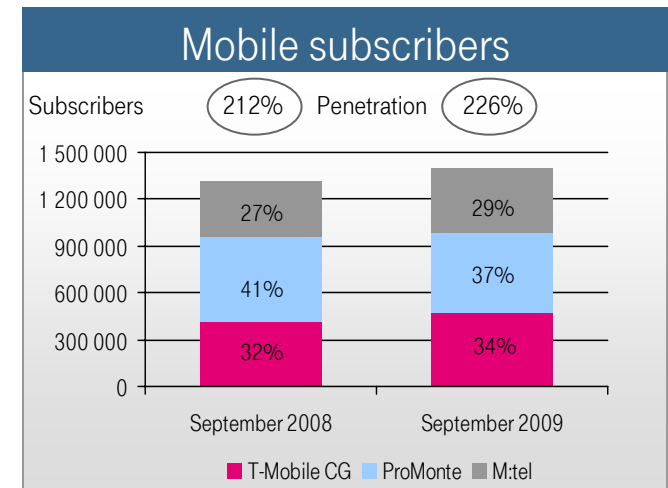
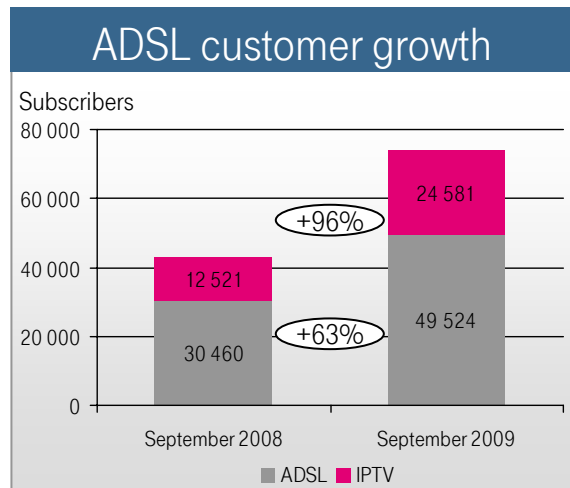
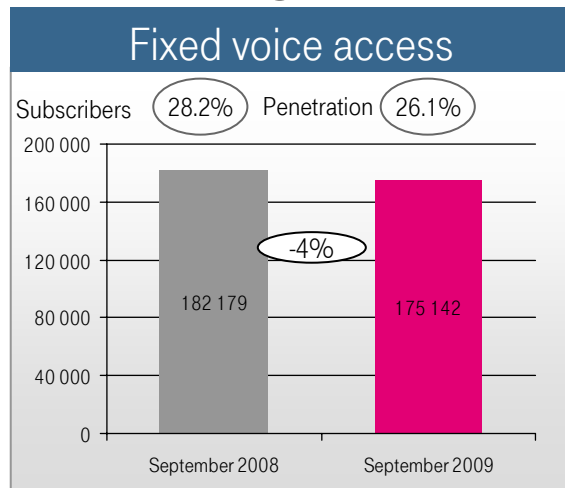
- HUF 0.9 bn headcount-reduction related severance expense in Q3 2008
- HUF 1.0 bn provision (created in Q1 2007) related to litigation in connection with a voluntary redundancy program was reversed in Q3 2009

# International KPIs

## Macedonia



## Montenegro



Data based on the active SIM cards published by the Montenegrin Telecom Agency

## 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, 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: 269.95 (average Q3 2009)

As previously disclosed, in the course of conducting their audit of Magyar Telekom's 2005 financial statements, PwC identified two contracts the nature and business purposes of which were not readily apparent to them. In February 2006, the Company's Audit Committee retained White & Case (the "independent investigators"), as its independent legal counsel, to conduct an internal investigation into whether the Company had made payments under those, or other contracts, potentially prohibited by U.S. laws or regulations, including Foreign Corrupt Practices Act ("FCPA") or internal Company policy. The Company's Audit Committee also informed the U.S. Department of Justice ("DOJ"), the U.S. Securities and Exchange Commission ("SEC") and the Hungarian Supervisory Financial Authority ("HSFA") of the internal investigation. Based on the documentation and other evidence obtained by it, White & Case preliminarily concluded that there was reason to believe four consulting contracts entered into in 2005 were entered into to serve improper objectives, and further found that during 2006 certain employees had destroyed evidence that was relevant to the investigation. White & Case also identified several contracts at our Macedonian subsidiary that could warrant further review. In February 2007, our Board of Directors determined that those contracts should be reviewed and expanded the scope of the internal investigation to cover these additional contracts and any related or similarly questionable contracts or payments. In May 2008, the independent investigators provided us with a "Status Report on the Macedonian Phase of the Independent Investigation." In the Status Report, White & Case stated, among other things, that "there is affirmative evidence of illegitimacy in the formation and/or performance" of six contracts for advisory, marketing, acquisition due-diligence and/or lobbying services in Macedonia, entered into between 2004 and 2006 between us and/or various of our affiliates on the one hand, and a Cyprus-based consulting company and/or its affiliates on the other hand, under which we and/or our affiliates paid a total of over EUR 6.7 million. The internal investigation is continuing into these and other contracts and certain related issues identified by the independent investigators. In 2007, the Supreme State Prosecutor of the Republic of Montenegro informed the Board of Directors of Crnogorski Telekom, our Montenegrin subsidiary, of her conclusion that the contracts subject to the internal investigation in Montenegro included no elements of any type of criminal act for which prosecution would be initiated in Montenegro. Hungarian authorities also commenced their own investigations into the Company's activities in Montenegro. The Hungarian National Bureau of Investigation ("NBI") has informed us that it closed its investigation of the Montenegrin contracts as of May 20, 2008 without identifying any criminal activity. On March 28, 2009, the NBI informed the Company that, based on a report received by it, it had begun a criminal investigation into alleged misappropriation of funds relating to payments made in connection with the Company's ongoing internal investigation into certain contracts entered into by members of the Magyar Telekom group and related matters. On September 21, 2009, the NBI informed the Company that it had extended the scope of its investigation to examine possible misuse of personal data of employees in the context of the internal investigation. The NBI has requested from the Company materials and information relating to such payments. The Company is cooperating with the ongoing NBI investigation. United States authorities commenced their own investigations concerning the transactions which are the subject of our internal investigation, to determine whether there have been violations of U.S. law. The Ministry of Interior of the Republic of Macedonia has also issued requests to our Macedonian subsidiaries, requesting information and documents concerning certain of our subsidiaries' procurement and dividend payment activities in that country (together with U.S. investigations, and the ongoing NBI investigation, the "Government investigations"). During 2007, the U.S. authorities expanded the scope of their investigations to include an inquiry into our actions taken in connection with the internal investigation and our public disclosures regarding the internal investigation. By letter dated February 27, 2009 addressed to counsel to the Audit Committee, the DOJ requested that the Audit Committee pursue all reasonable avenues of investigation prior to completing and issuing a final report of the internal investigation, including investigation into matters recently identified to counsel for the Audit Committee by the DOJ. The DOJ recognized that a delay in the completion of the report may result from investigation into these matters. The DOJ also requested that the Audit Committee refrain from disseminating any such final report until further notice from the DOJ because of the DOJ's concern that such dissemination could interfere with the DOJ's investigation. The Company, its Board of Directors, and its Audit Committee continue to support the internal investigation and the continuing cooperation with and assistance to the Governmental investigations, as being in the best interests of the Company and its shareholders. In its February 27 letter, the DOJ stated that the internal investigation has been of assistance to the DOJ and that such assistance will be taken into account in determining the appropriate disposition of this matter by the DOJ, if any. According to an extract of a press conference published on the official web site of the Macedonian Ministry of Interior on December 10, 2008, the Organized Crime Department of the Ministry submitted files to the Basic Public Prosecution Office of Organized Crime and Corruption in Macedonia, with a proposal to bring criminal charges against four individuals, including three former Magyar Telekom Group employees. According to that public information, these individuals are alleged to have committed an act of "abuse of office and authorizations" in their position in Makedonski Telekom by concluding five consultancy contracts with Chaptex Holdings Ltd in the period 2005-2006 for which there was allegedly no intention nor need for any services in return. We cannot predict when the internal investigation or the ongoing Government investigations will be concluded, what the final outcome of those investigations may be, or the impact, if any, they may have on our financial statements or results of operations. We cannot predict what impact, if any, these investigations will have on each other. Government authorities could seek criminal or civil sanctions, including monetary penalties, against us or our affiliates, as well as additional changes to our business practices and compliance programs. Magyar Telekom incurred HUF 5.1 bn expenses relating to the investigation in the first three quarters of 2009, which are included in other operating expenses of Group Headquarters. Neither the Audit Committee nor its counsel has been able to provide sufficient information to the Company's independent auditors relating to the matters under independent internal investigation, or concerning the impact, if any, of such issues on the financial statements of Magyar Telekom. In the absence of such information, the independent auditors have not been in the position to perform their quarterly review (in accordance with International Standard on Review Engagements 2410). In addition, the Audit Committee has indicated that it cannot evaluate the Company's financial statements for the Third Quarter. If the underlying issues are not resolved, the publication and timing of the Company's future financial statements could be affected.

