Public targets met, leading positions maintained despite intense competition

Full year 2004 results

matáv

Agenda

Overview, full year 2004 results

Segment analysis

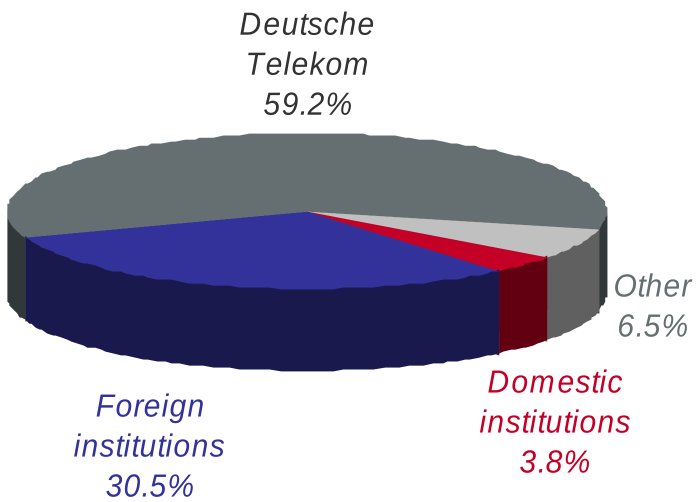
2005-2006 public targets and guidance

Mid-term strategy: restructuring, dividend, acquisition

Matáv at a glance

- *EUR 3.7bn market capitalisation*
- *Market leader in all core businesses*
  - *fixed line incumbent operator*
  - *100% stake in the leading Hungarian mobile operator*
  - *full scale telecommunications services in Macedonia*
- *Rebranding to Magyar Telekom*
  - *introduction of the T-brand portfolio*
  - *does not signify an ownership change*
- *Listed on NYSE and Budapest Stock Exchange, traded in London (SEAQ)*

*Ownership structure**



** approximate figures*

Full year 2004 summary

Revenues | EBITDA | EBITDA margin

Group

Fixed-line

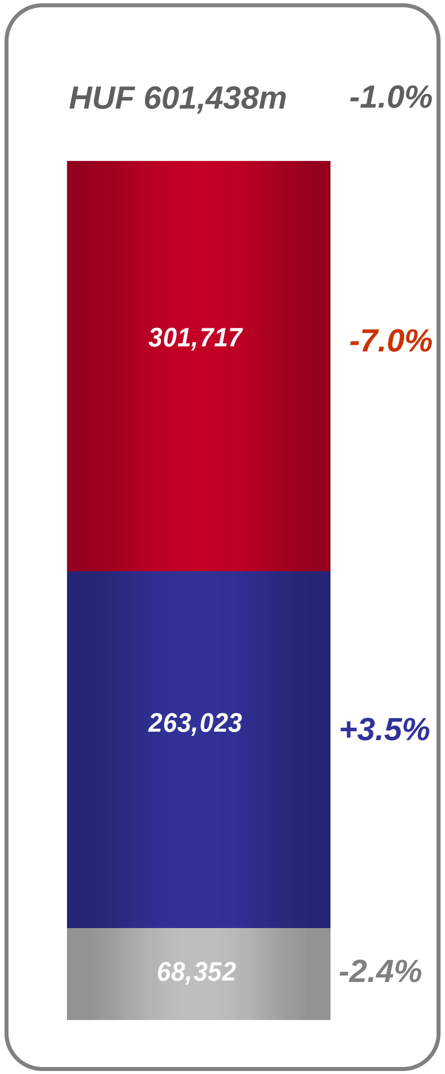
- Competitive pressure
- Success in line preservation
- Fast broadband rollout
- Efficiency improvement measures

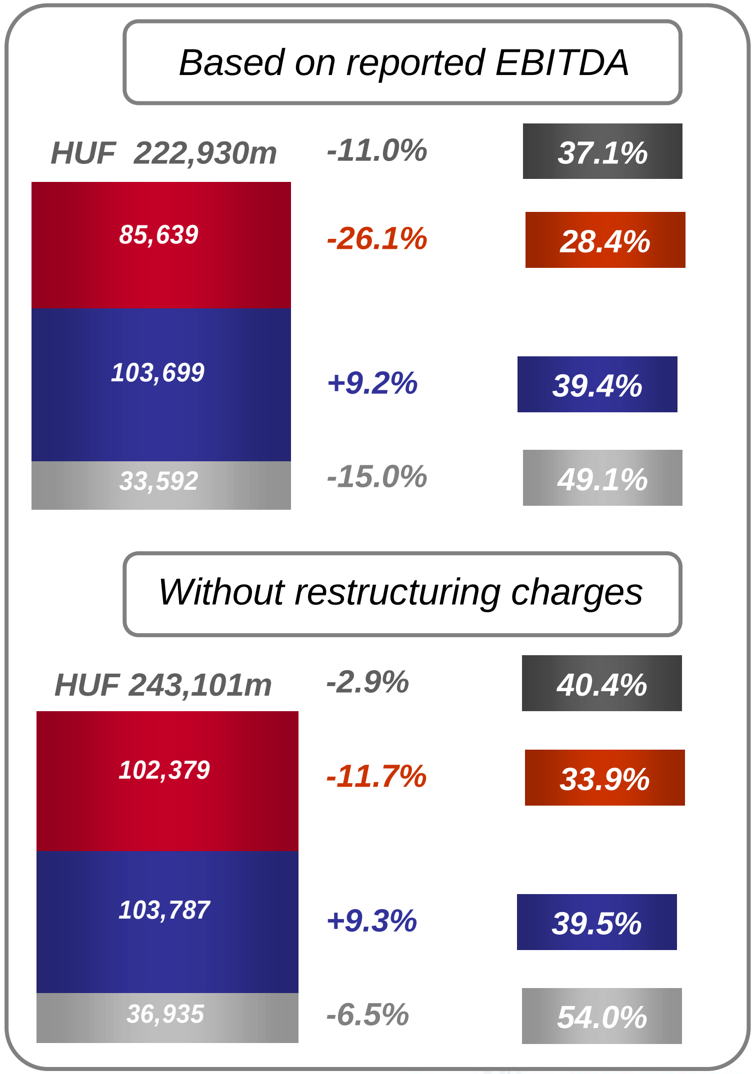
Mobile

- Healthy financials and leading position despite competition
- Improving customer mix
- Successful rebranding

International

- Limited top line growth
- Improving workforce efficiency
- Strong EBITDA preserved





matáv

Full year 2004 highlights: Matáv met its public targets

Public target		Reported	
Revenue	in the region of HUF 600bn	HUF 601.4bn	✓
EBITDA margin (before restructuring charges)	around 40%	40.4%	✓
Gross additions to tangible and intangible assets (excl. acquisitions and UMTS)	around HUF 90bn	HUF 85bn	✓
Fixed line churn	zero erosion	roughly zero erosion	✓
D&A guidance	in the range of HUF 136-139bn	HUF 137.7bn	✓
ADSL lines at year end	200,000	203,654	✓

Regulatory snapshot

Fixed-line

- *Market analysis to be completed*
  - *aggregate CPI price cap on voice access fees*
  - *draft resolution implies"retail minus" price regulation for WS national bitstream access and WS leased line termination*
- *IC fees approaching EU benchmarks*
  - *next calculation model after final market analysis resolution is published*
  - *last reduction: 19% cut in traffic fees from June 2004*
    - *new services: FRIACO, Internet call origination, carrier selection for local calls*
- *Geographical number portability*
  - *in effect since January 2004*

Mobile

- *Market analysis completed*

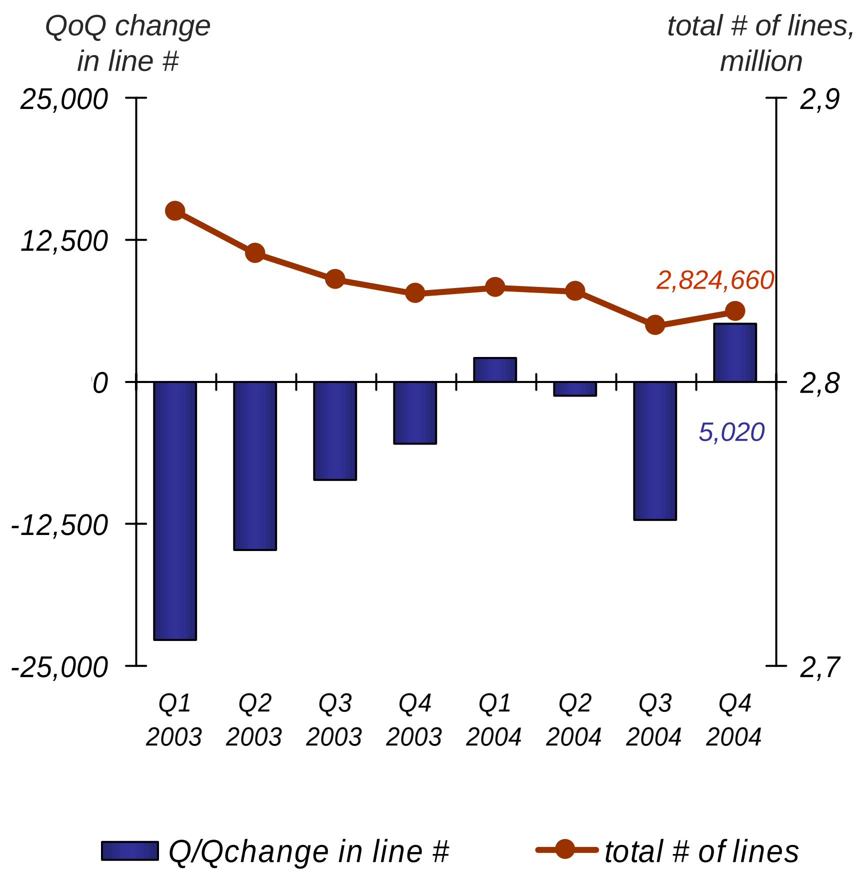
  (except for mobile roaming)
  - *all three mobile operators identified as SMPs in mobile call termination market*
  - *from 2005, Vodafone mobile termination fees also to be regulated*
  - *regulator to reduce differences in termination fees between operators*
- *Modification of termination fees*
  - *no imminent change in January*
  - *after review of new calculations, any change can come into effect from around June*
  - *maximum cut: 15% minus CPI (max. 10%)*
- *Mobile number portability*
  - *in effect since May 2004*

In line with EU New Regulatory Framework

Fixed-line: active role in intensifying competition

- Strengthening competitive pressure
  - entry of new players: Tele2, UPC
  - fixed-line geographical number portability mainly affects business customer base
- Initiatives to reverse erosion
  - successful customised packages, special offers
    - positive effect on residential usage, RPC
    - pressure on traffic revenues
  - offers in all call directions through call-by-call selection & carrier preselection in non-Matáv areas
- Efficiency improvement measures started
  - related expenses and provision hit EBITDA
    - reported: 28.4%, before restructuring: 33.9%

Fixed-line erosion minimised

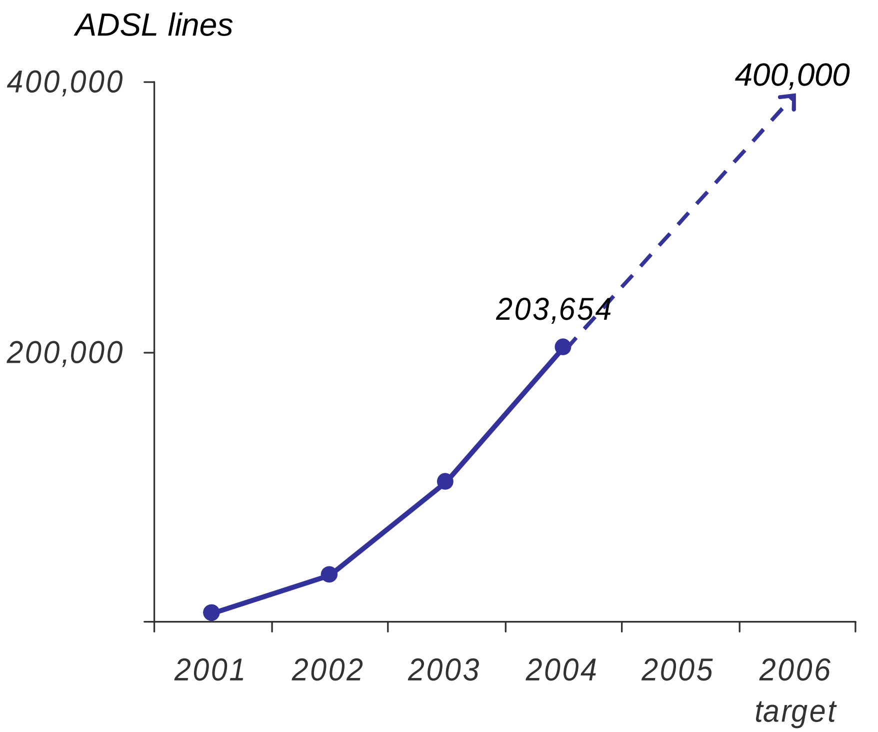


Restructuring to drive fixed line/employee ratio above 500 by end-2006

matáv

Data: steady growth in the broadband business

2004 YE ADSL line target achieved



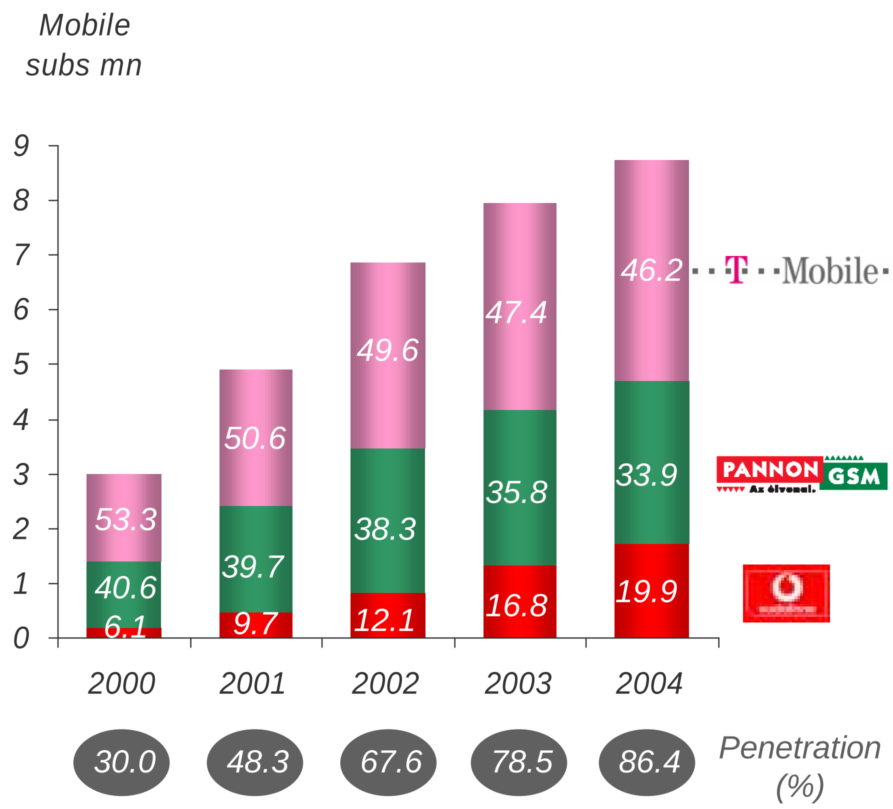
- *Incentives to encourage broadband usage*
  - *new broadband content offers*
  - *free upgrade of ADSL access speed from November 2004*
  - *traffic based ADSL packages from February 2005*
  - *state tax incentives continue*
- *Data and leased line transmission revenues grew by 21% y/y*

ADSL to drive future increase of Internet penetration

Mobile: strong leader in a shaping environment

- UMTS licences awarded
  - 3 current operators won licences, no 4th entrant
  - TMH licence fee: HUF 17bn in 3 instalments
- Successful rebranding of Westel to T-Mobile from June 2004
- High migration to flat-rate postpaid Relax package with lower average minute fees
  - increased usage but pressure on revenues
  - discounted fees and bundled minutes in loyalty program instead of further general price cuts
- Additional cost-cutting initiatives to be implemented in 2005
  - renegotiation of contracts, e-procurement, lower marketing expenditure

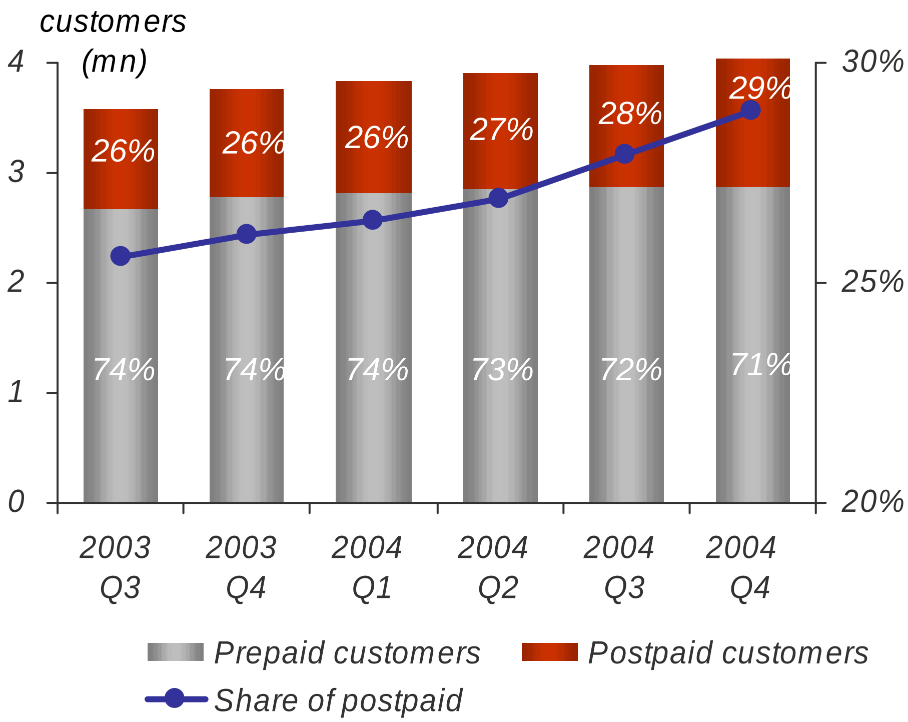
Mobile market shares (%)



Balanced focus on profitability and preserving leading market share

Mobile: solid financial and operational indicators

Breakdown of the customer base



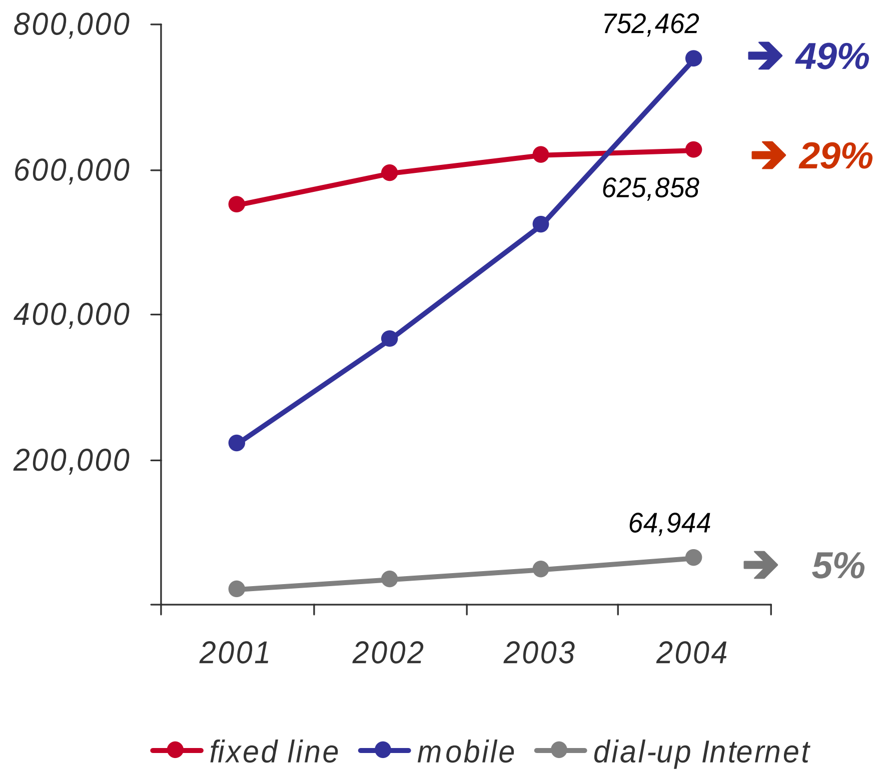
- *EBITDA margin up to 39.4%*
  - *EBITDA level grew by 9.2%*
- *ARPU: HUF 4,945 (~EUR 20)*
  - *postpaid: HUF 11,828*
  - *prepaid: HUF 2,380*
  - *enhanced services: 12.4% of ARPU*
- *Acquisition cost/customer fell by 16.8% to HUF 10,275*
- *Churn back to historic levels*
  - *21.3% in Q4 2004, 15.9% in FY 2004*
- *MOU increased to 115*

Positive shift in the customer mix toward postpaid users

MakTel: leading positions on all markets

- *Unfavourable macro environment*
  - *low disposable income, stagnating GDP levels, high unemployment*
  - *no obvious sign of recovery*
- *Fixed-line*
  - *liberalisation to commence this year*
  - *penetration close to saturation*
- *Mobile*
  - *rapid penetration growth*
  - *MobiMak: 76% market share*
- *Internet*
  - *limited but increasing demand*
  - *strong leadership position in dial-up, sole provider of ADSL*

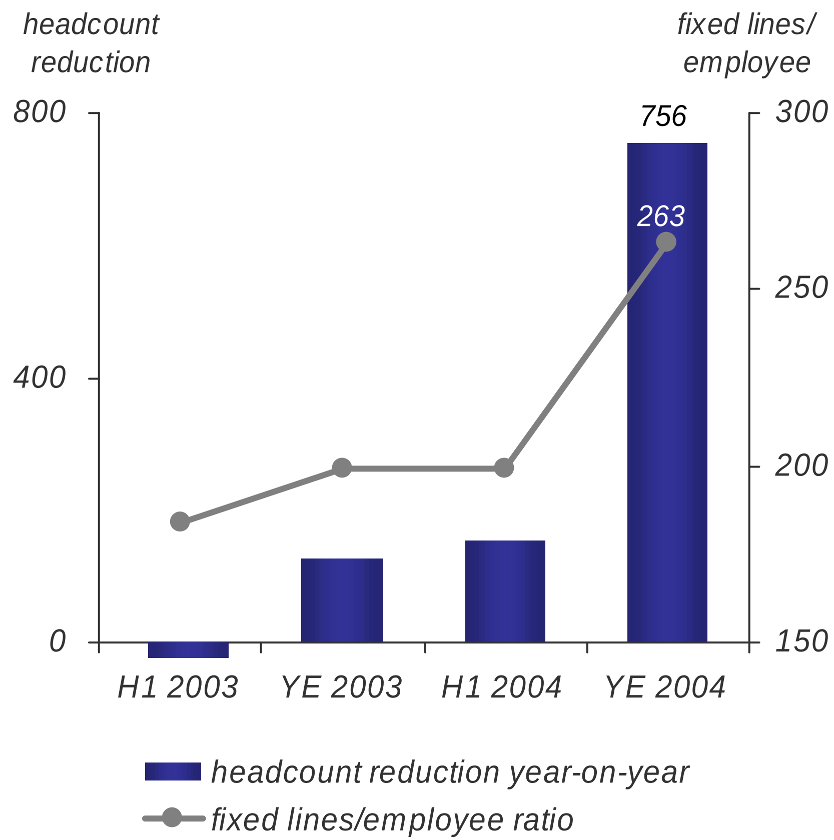
MakTel subscribers and penetration



Limited top-line growth due to difficult macroeconomic environment

MakTel: Productivity is the main focus

Increasing workforce efficiency



- Slightly decreasing revenues
  - growing mobile revenues offset by lower fixed-line revenues
- Major headcount reduction to contribute to improving efficiency
- Additional cost-cutting initiatives
- EBITDA margin hit by restructuring charges
  - reported: 49.1%
  - before restructuring charges: 54.0%

Restructuring and cost-cutting help to keep profitability at high level

matáv

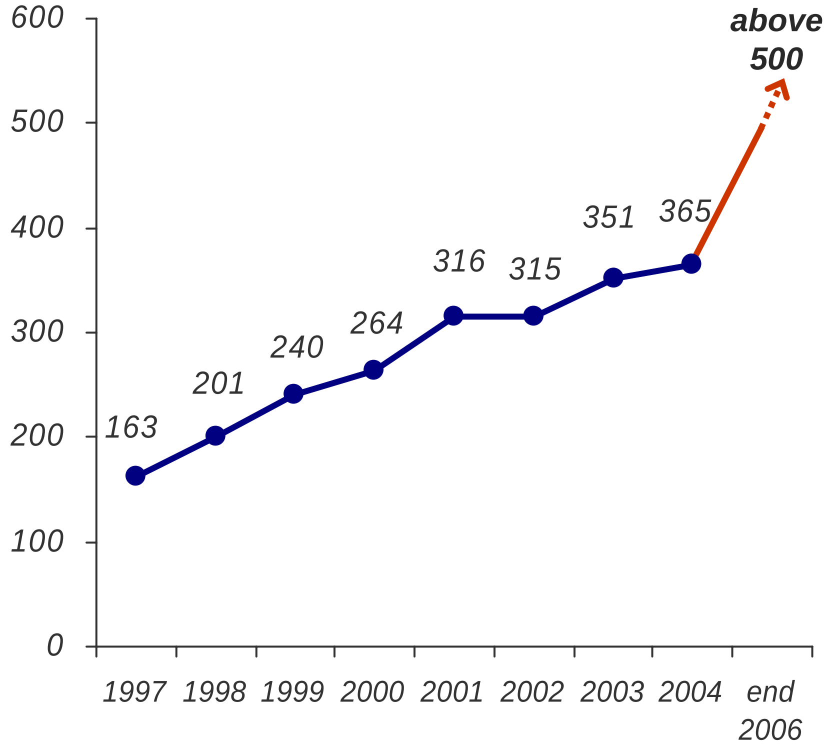
Public targets and guidance for 2005-2006

Revenue *(without potential acquisitions)*	***low single digit growth***
EBITDA margin *(before restructuring charges)*	***above 40%***
Capex / sales *(excl. potential acquisitions and UMTS)*	***below 15%***
Gross additions to tangible and intangible assets in 2005 *(excl. potential acquisitions)*	***maximum HUF 105bn including cca. HUF 15bn UMTS expenditure***

Workforce efficiency improvement through restructuring

	Parent co.	Subsidiaries*
Efficiency target	>500 lines/ employee	17.3% staff reduction
Headcount affected	~2,600 incl. ~800 outsource	~1,150
Total charges in 2004	HUF 15.8bn	HUF 4.4bn
	additional employee benefits relating to future terminations: HUF 0.5bn at Group level	
Total charges in 2005-2006	small additional charges	

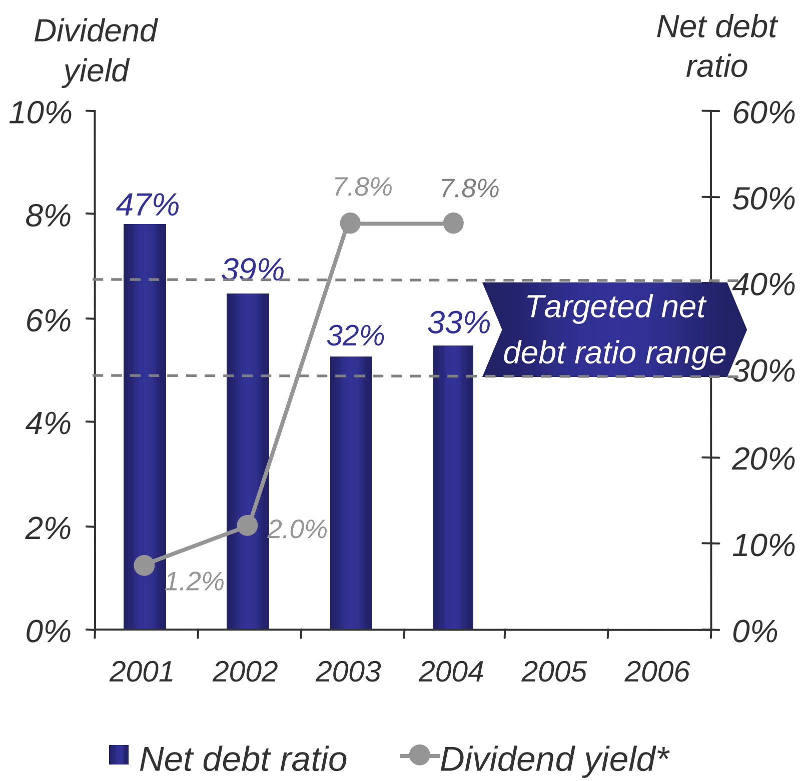
Fixed line/employee ratio



* existing subsidiaries at the announcement of the mid-term strategic targets (August 12, 2004)

Dividend policy and acquisition driven growth

Net debt ratio and dividend yield



* Dividend yield calculation based on HUF 900 share price (22 March 2005)

Priority: acquisition driven growth

- Strategic priority remains growth through value-accretive acquisitions
  - target selection criteria for continuous monitoring of regional opportunities:
    - located in South-Eastern Europe
    - good earnings potential in growing market
    - strong position in relevant markets
    - transaction not dilutive on EBITDA level
    - majority ownership / controlling stake
    - restructuring potential is advantageous
    - acceptable country & regulatory risk
- Board of Directors proposes HUF 70 per share dividend for the year 2004
  - this level of dividend payment ensures that capital structure remains at the targeted level

Acquisition of a majority stake in Telekom Montenegro

TCG Group companies

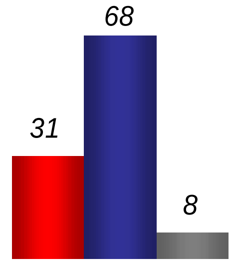
Telekom Montenegro
fixed line operator
incumbent

- 100% → **Monet** – mobile operator – 42% market share
- 85% → **Internet CG*** – ISP – dominant position
- 51% → **Montecard** – public payphones – 60% market share

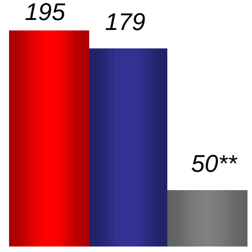
* consolidated only from 2004

2004 operational and financial figures

market penetration (%)

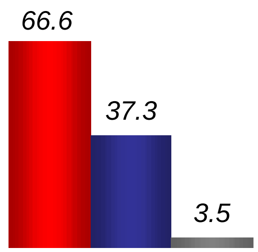


customers ('000)



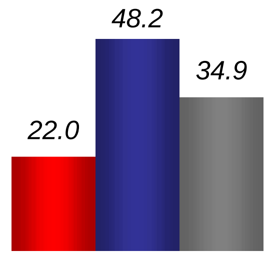
** approximate data

revenue (mEUR)



Group: EUR 97.7m

EBITDA margin (%)



Group: 34.4%

Maximum price offered for 100% of TCG: EUR 165m

- 51.12% from Government for EUR 114m, 21.92% minority shares so far for EUR 22.9m
- bid for remaining shares at EUR 2.2 per share