Improvement driven by Hungarian mobile, consolidation impact of Telekom Montenegro

2005 interim results

Magyar Telekom

Agenda

Overview, first half 2005 results

Segment analysis

Dividend and acquisition policy

This presentation contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors are described in, among other things, our Annual Report on Form 20-F for the year ended December 31, 2004 filed with the U.S. Securities and Exchange Commission.

Magyar Telekom at a glance

Market leader in all core businesses

Hungarian operations

- fixed line incumbent operator in Hungary
- 100% stake in the leading Hungarian mobile operator

International presence

- full scale telecommunications services in Macedonia
- successful acquisition of majority stake in Telekom Montenegro

Rebranding from Matáv to Magyar Telekom from May 2005

T-Com T-Online T-Mobile T-Systems T-Kábel

- introduction of the full T-brand portfolio
- does not signify any ownership change
- ticker on BSE changed to MTELEKOM; NYSE ticker unchanged (MTA)

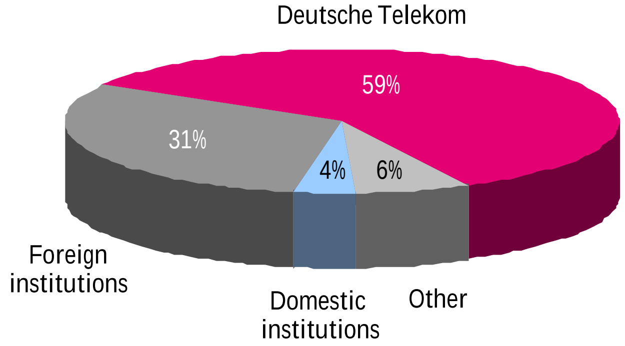
Stock information

Nearly EUR 4bn market capitalisation

Stock exchange listing

- listed on NYSE and Budapest Stock Exchange
- traded in London

Ownership structure, approximate figures



First half 2005 summary

	Revenues		EBITDA		EBITDA margin
Group	HUF 299,927m	+0.7%	HUF 124,106m	-1.6%	41.4%
Fixed-line*	HUF 162,529m	-4.6%	HUF 62,587m	-3.8%	38.5%
Hungarian	143,515	-6.8%	53,481	-4.2%	37.3%
International	24,957	+7.6%	9,106	-1.0%	36.5%
Mobile*	HUF 137,398m	+7.8%	HUF 61,522m	+0.8%	44.8%
Hungarian	131,319	+3.5%	51,843	-1.8%	39.5%
International	18,612	+16.5%	9,679	+17.6%	52.0%

Fixed-line*

Hungarian
- increased competitor activity
- improving workforce efficiency

International
- includes MakTel and TCG
- focus on efficiency and cost control

Mobile*

Hungarian
- highly competitive market
- stable market leading position

International
- includes MobiMak and Monet
- competition-led price erosion

* segment figures based on external segment revenues

Regulatory snapshot
Hungarian regulation in line with new EU regulatory framework

Fixed-line	Mobile

New Electronic Communications Act in effect from January 2004

Fixed-line
- geographical number portability from January 2004
- new services, eg. local bitstream access, FRIACO, internet call origination
- carrier selection for local and internet calls

Mobile
- mobile number portability from May 2004

IC fees close to EU average

Fixed-line
- last reduction: 19% cut in traffic fees from June 2004
- next calculation model after final market analysis resolution is published

Mobile
- in July 2005 NRA decided to cut the average termination fee of T-Mobile Hungary by 10%

Market analysis based on the EU recommendation

Fixed-line
- aggregate CPI price cap on voice access fees from 2005
- draft resolution implies“retail minus” price regulation for WS national bitstream access and WS leased line termination

Mobile
- all three mobile operators identified as SMPs in mobile call termination market
- regulator intends to reduce differences in termination fees between operators to 20%

Hungarian fixed line operations
Focus on efficiency and broadband program

Pressure on traffic revenues

Line and usage churn

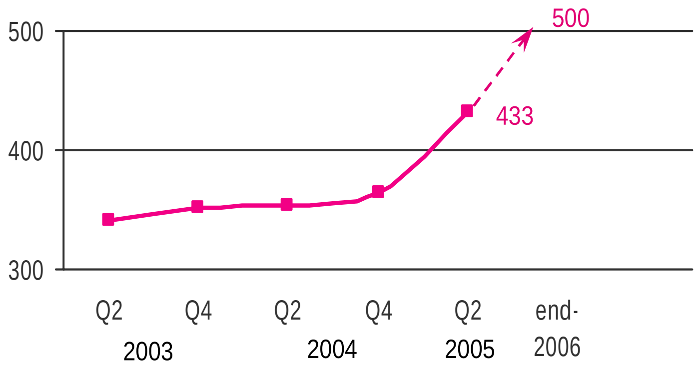
- increased competitor activity
- mobile substitution due to mobile price premium erosion and closed-user-group offers

Initiatives to slow erosion

- new bundled flat-rate packages and integrated offers (e.g. Favorite package)
- triple play offers through cable in other LTO areas

Restructuring increases efficiency

Fixed-line per employee ratio at parent co.



Successful broadband operations

Accelerated broadband roll-out to bring new impetus to fixed-line business

ADSL roll-out

- new target: 600,000 broadband customers by end-2006

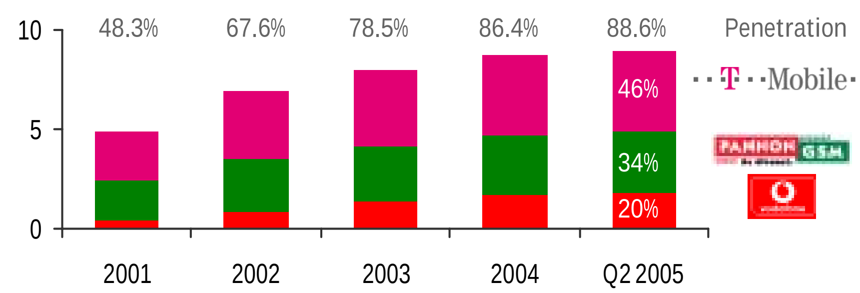
Incentives to encourage usage

- new round of free ADSL access speed upgrade from May 2005
- additional broadband offerings to be launched
- state tax incentives continue

Hungarian mobile operations
Stable position despite competitive pressure

Highly competitive environment

Subscribers, market shares and penetration



Tariff-based competition

- simple flat-rate offers
- wide use of closed-user-group services and more conscious package selection puts pressure on average tariff level

UMTS licences awarded in Dec-2004

- Commercial network available in central Budapest

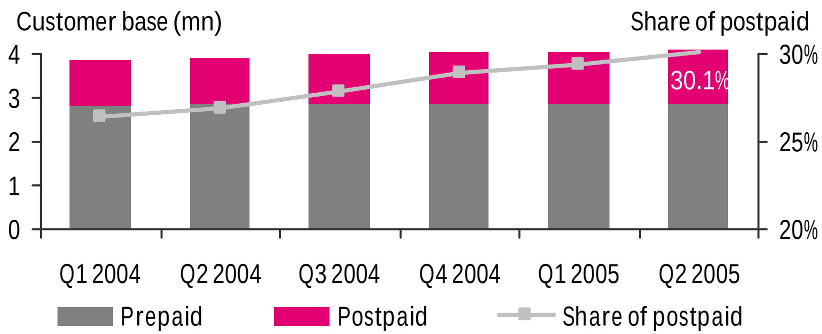
Additional cost-cutting initiatives to be implemented throughout 2005

Solid operational indicators

Tariff erosion boosts usage through price elasticity

- MOU increased by 8% y/y to 120
- ARPU was HUF 4,847 (~EUR 20)
  - postpaid: HUF 11,067; prepaid: HUF 2,251
- growing importance of VAS (14% of ARPU)
- positive change in customer mix

Breakdown of the customer base



Focus shifts from acquisition to retention

- acquisition cost/new RPC fell by 30% y/y to HUF 7,187

Churn back to historic levels: 16.1%

- increase of prepaid churn due to technical reason

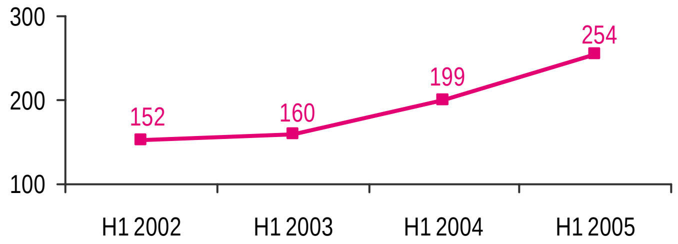
International fixed line operations
Restructuring and cost control to preserve profitability

Macedonia

Main drivers of revenue decrease
- weak macroeconomy limits top-line growth
- decreased number of RPC
- intensifying mobile substitution
- unfavorable FX movement

Major restructuring contributes to improving efficiency
- significant headcount reduction from Q3 2004
- continuing strict cost control

Fixed lines / employee ratio



Increasing demand for internet services
- leading position in dial-up, successful ADSL take-up

Montenegro

Consolidation
- balance sheet as of 31 March, 2005
- income statement from Q2 2005

Saturated wireline market
- wireline penetration rate at 31%
- focus on retention and usage increase
- launch of ADSL service in Q2

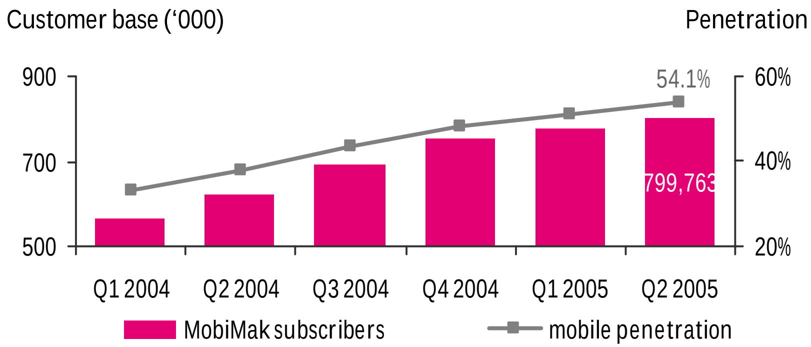
Restructuring
- voluntary headcount reduction started in Q2 (around 20% by the end of 2005)
- HUF 1.3bn severance provision created
- additional cost cutting initiatives

International mobile operations
Strong leadership and high profitability preserved

Macedonia

Rapidly growing penetration level
- Leadership maintained with 72% market share

MobiMak customers and market penetration

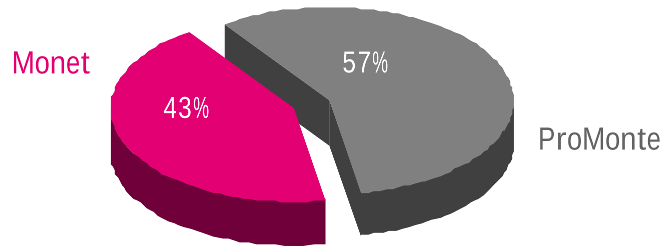


Competition-led price erosion
- continued relatively high tariffs and low price elasticity limit usage growth (MOU: 61)
- New additions mainly driven by low ARPU customers
- ARPU: HUF 3,016 (~EUR 12)

Profitability maintained at high level

Montenegro

RPC-based market shares



High penetration level at 76%
- growth mainly comes from the prepaid segment

Strong seasonality in the mobile market
- Higher usage and customer growth in Q2-Q3
- MOU 128 and ARPU 3,861 (~EUR 16) in H1

State of the art network
- GPRS and EDGE services available
- potential in value added services

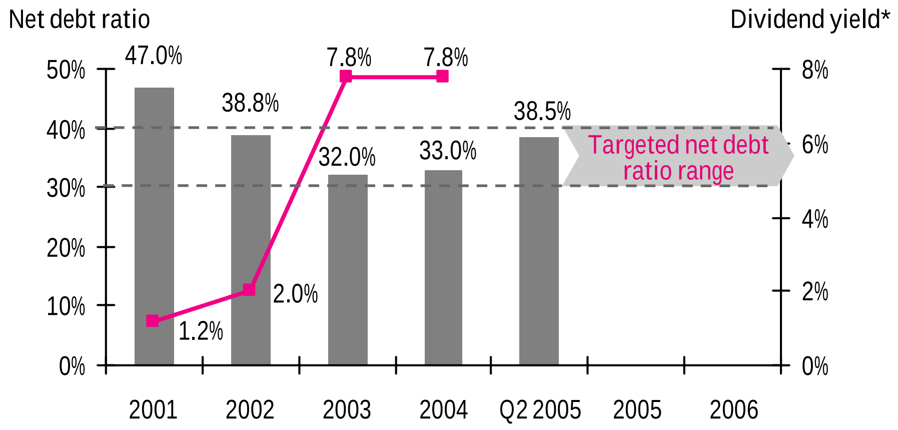
Q2 EBITDA margin of 41%

Dividend policy and acquisition driven growth

Dividend policy

AGM approved dividend of HUF 70 per share for the year 2004

Net debt ratio and dividend yield



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

Acquisition driven growth

Growth through value-accretive acquisitions remains a priority

Target selection criteria

- 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
- acceptable country & regulatory risk

Closure of the acquisition of Telekom Montenegro

- 51.12% from Government for EUR 114m
- 21.92% minority shares for EUR 22.9m
- additional 3.49% through public offer for EUR 3.6m

Totaling 76.53% stake for EUR 140.5m