

Q3 2012 Results

Magyar Telekom Group

Significant achievements in challenging environment, on track to meet full year revenue and EBITDA guidance

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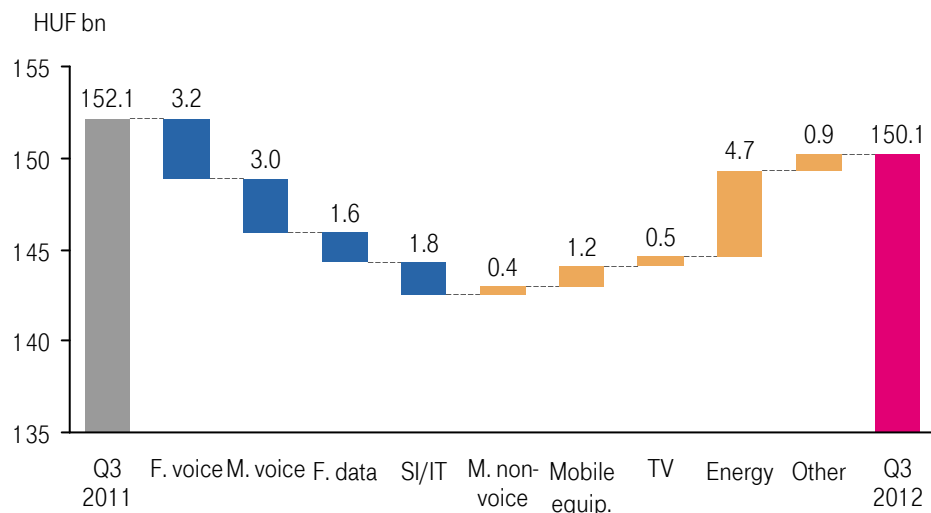
Q3 2012 highlights

Revenues down by 1.3%	<ul style="list-style-type: none">▪ further pressure on traditional voice and data revenues▪ lower SI/IT revenues▪ growth in energy service revenues▪ higher mobile equipment, TV and mobile internet revenues
Underlying EBITDA up by 5.4%	<ul style="list-style-type: none">▪ benefits of widespread and deep cost-cutting measures becoming visible▪ positive impact of the Macedonian real estate transaction and the Pro-M sale▪ changing product mix put pressure on margin
FCF hit by one-offs	<ul style="list-style-type: none">▪ SEC/DOJ settlement payment hit FCF by HUF 22.1bn in 2012▪ HUF 10.9bn paid for the 900MHz frequency license▪ positive contribution of the Pro-M sale
Revenue & EBITDA targets unchanged	<ul style="list-style-type: none">▪ despite deteriorating economic environment we are on track to meet revenue and EBITDA targets▪ Capex target modified to HUF 90bn for 2012 due to the Macedonian real estate transaction

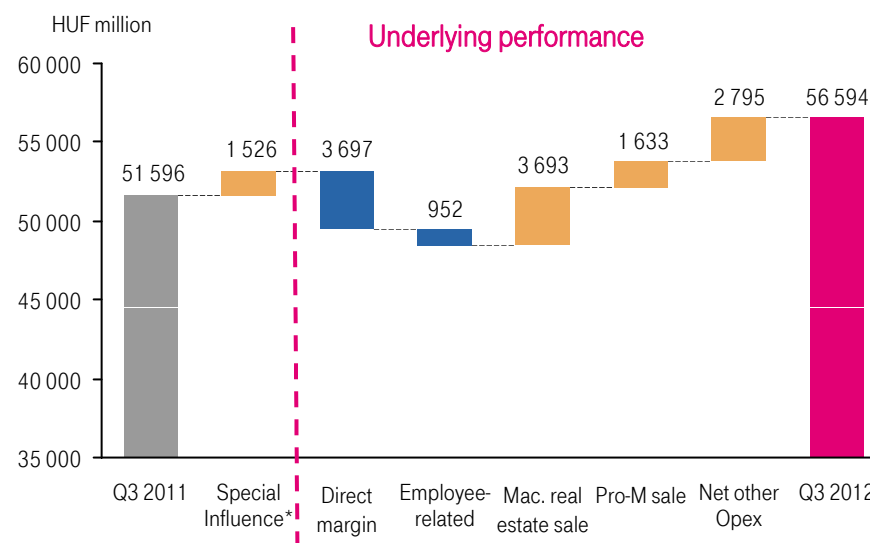


2012 Q3 Group results – Revenues and EBITDA

Group revenues



Group EBITDA



Revenue development

Group revenues down by 1.3% y-o-y

- fixed and mobile voice revenues declined primarily due to depressed household consumption
- decreasing fixed data revenues reflect public sector insourcing
- increasing contribution from smartphone sales
- mobile BB subscriber and revenue growth, higher TV revenues

EBITDA development

Underlying EBITDA up by 5.4% y-o-y

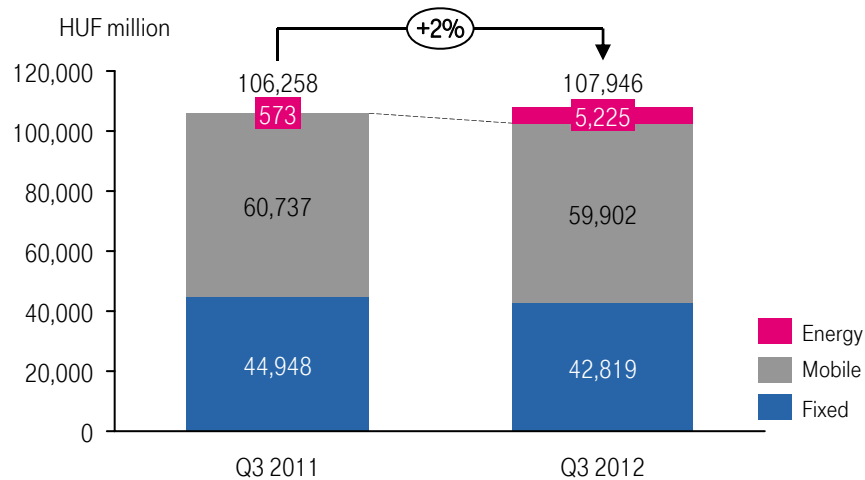
- direct margin decline driven by further erosion of traditional voice and data revenues
- performance supported by the sale of Macedonian real estates and Pro-M
- Q3 2011 EBITDA hit by HUF 5.5bn provision for SEC/DOJ settlement

*investigation- and severance-related expenses, as well as the special and the new telecom tax

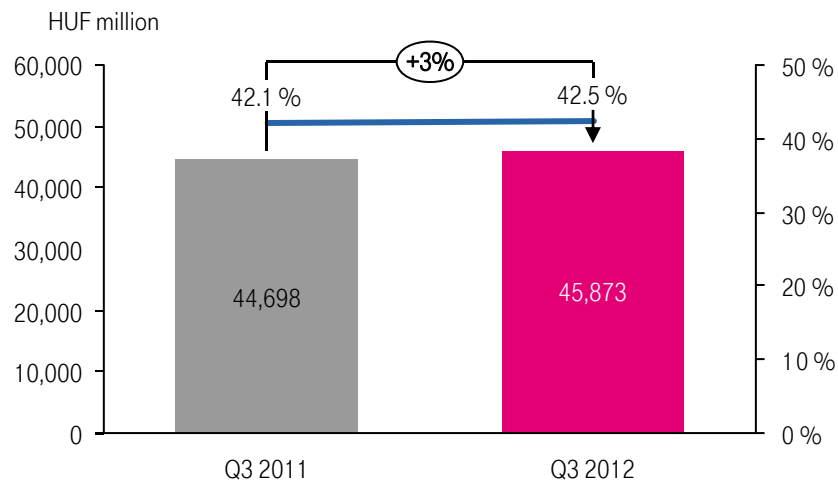


Telekom Hungary – Energy retail compensates for voice losses

Telekom Hungary revenues



Underlying EBITDA and margin



Telekom Hungary

- **fixed line revenues** down by 5%
 - higher revenues from TV services partly compensating for voice revenue erosion
- **mobile revenues** declined by 1%
 - higher non-voice and equipment revenues offset by decreasing tariffs and MTR rates
- significantly higher **energy retail revenues**
 - increasing number of PODs

Increase in underlying EBITDA margin of 0.4pp

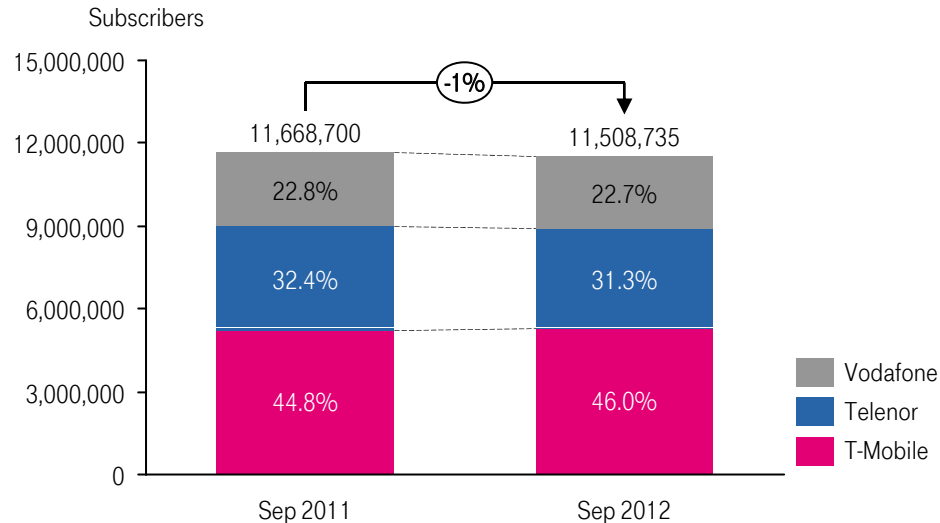
- reduction in high-margin voice revenues
- offset by cost savings in other opex and employee related expenses



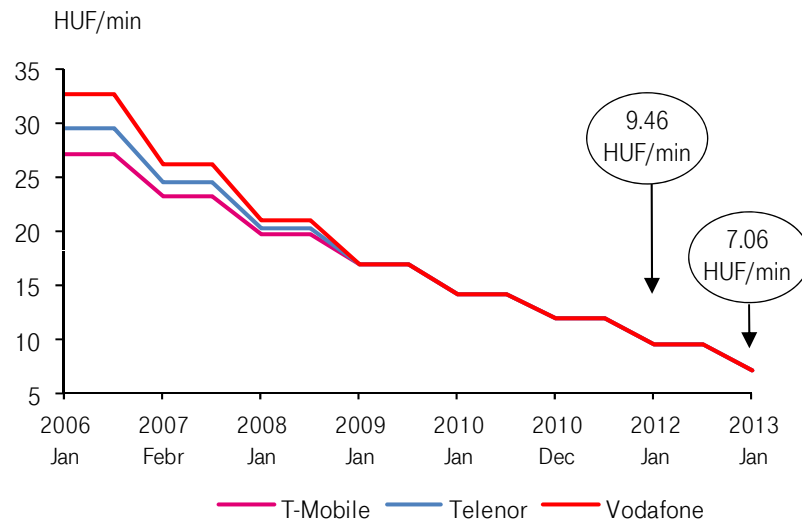
Hungary – Mobile voice: increased market share



Mobile voice market shares (based on total SIM cards)



Mobile termination rate cuts



Mobile voice

- population-based **penetration at 116%**
- higher market share, slight growth in customer numbers
- improving customer mix: postpaid ratio increased from 45% to 47% y-o-y
- MTR cuts:**
 - 20% cut from Jan 2012, further 25% cut from Jan 2013 to 2.4 €c

KPIs (changes Q3-o-Q3)

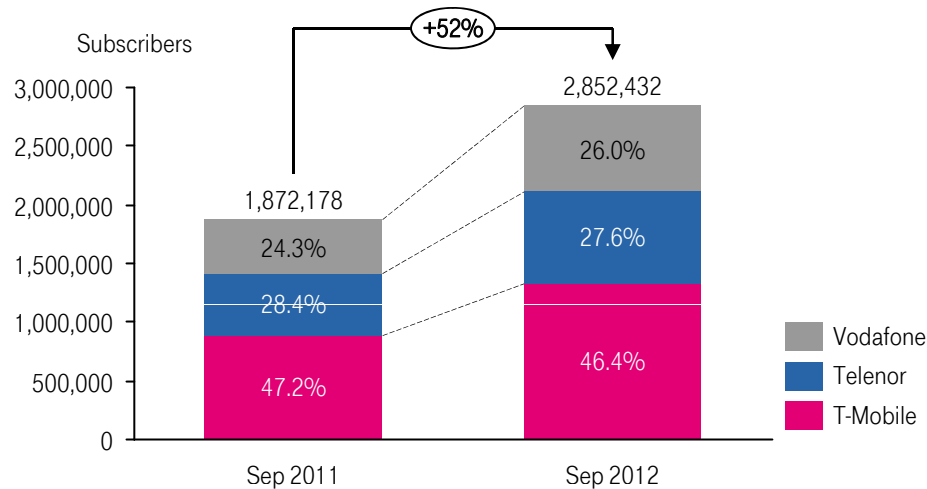
- ARPU: HUF 3,542 (-5%)
- MOU: 159 (-4%)
- Churn: 19% (-0.5ppt)
- SAC/gross add: HUF 4,236 (-29%)
- SRC/retained customer: HUF 9,952 (-45%)



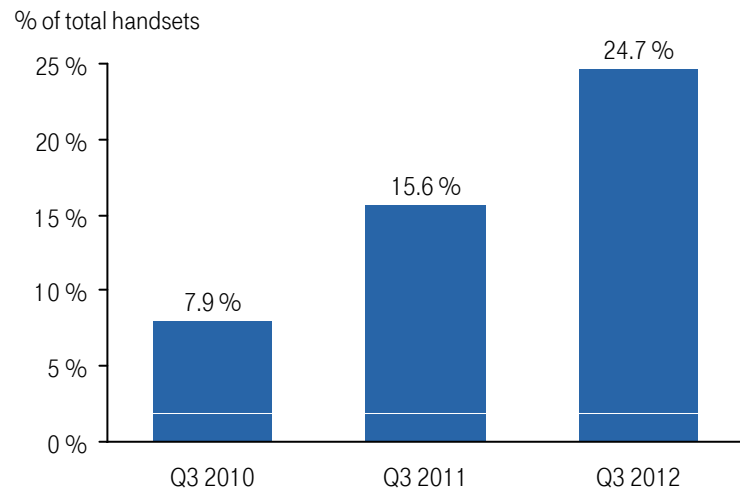
Hungary – Mobile broadband: continued dynamic growth



Mobile broadband market shares (based on total SIM cards)



T-Mobile smartphone penetration



Mobile broadband

- already 938 HSPA+ base stations offering 21 Mbps download speed
- **smartphone sales in the postpaid segment reached 85%** in Q3 2012 (vs. 71% a year ago)
- **BB subscription attach rate is ca. 80%**
- 71% of bundled mobile subscribers were in the smallest packages (MediaMania /Mozaik XS, S)

KPIs (changes Q3-o-Q3)

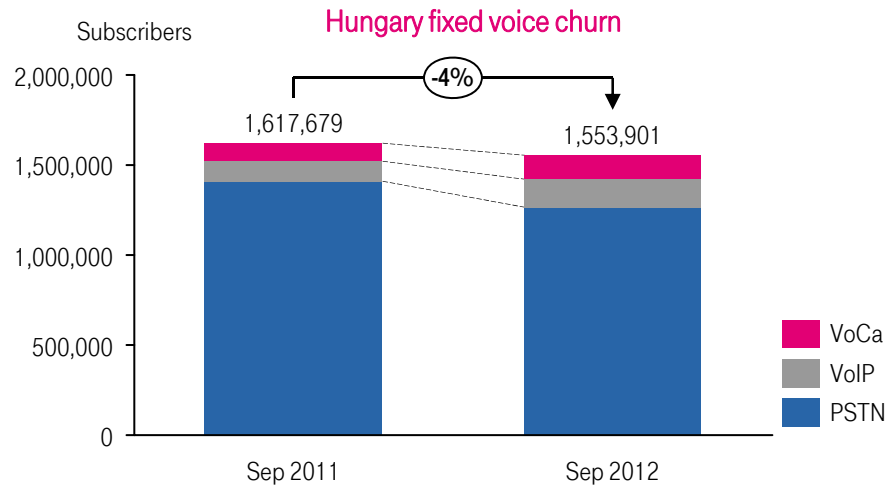
- VAS within ARPU: 23% (+2ppt)
- VAS within ARPU (HUF): 818 (+5%)



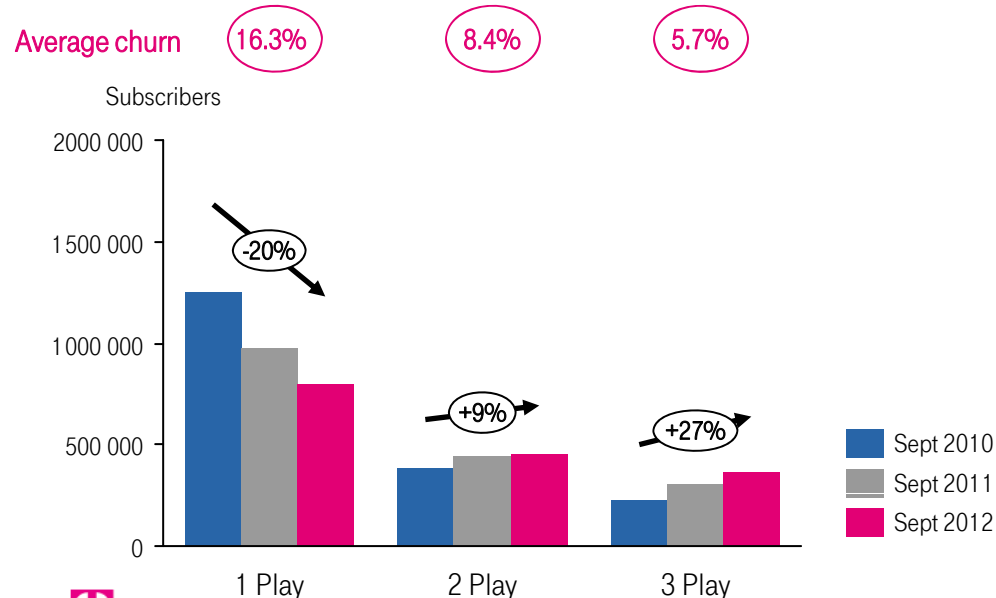
Hungary – improvement in fixed voice churn



Telekom Hungary fixed voice subscribers



Multi-Play developments



Fixed voice

- significant **reduction in fixed voice churn** thanks to the retention effect of:
 - Hoppá package: flat fee package; 37% of fixed customers already subscribed
 - discounts offered in bundled packages, 4Play offer
 - retail energy bundling
- increasing VoIP and VoCable subscriber base giving already 17% of total voice subscribers
- 1Play customer base declined to 50%**

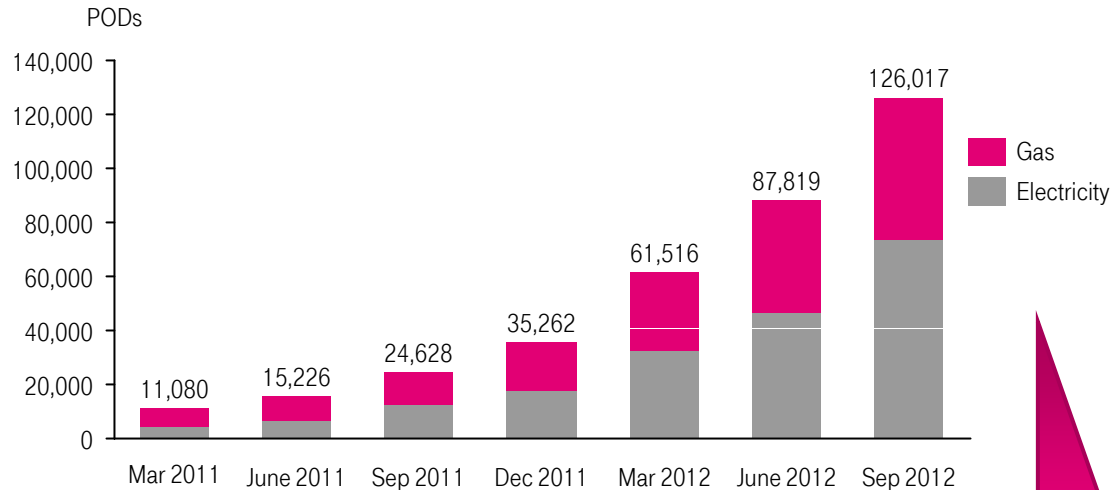
KPIs (changes Q3-o-Q3)

- ARPA: HUF 2,802 (-9%)
- MOU: 173 (+5%)

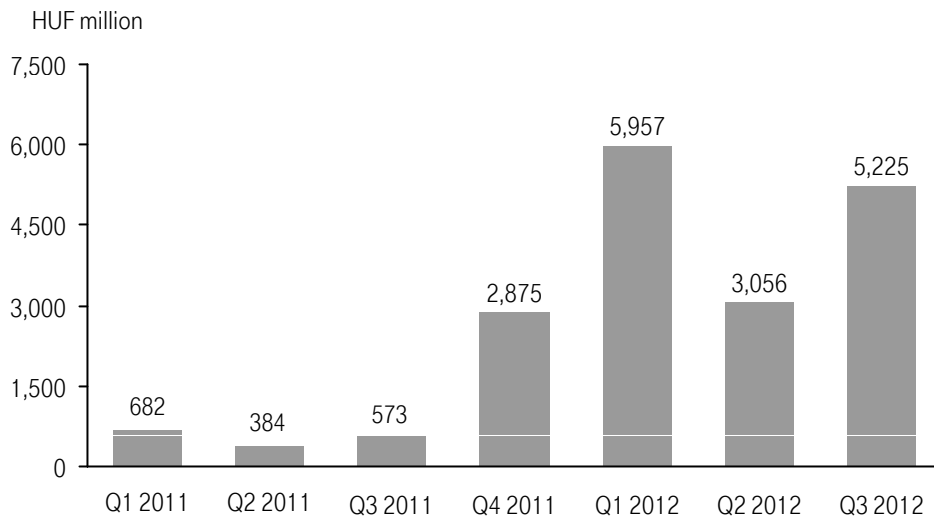


Hungary – Energy retail business as major growth driver

Gas and electricity points of delivery (POD)



Revenue performance



Energy retail

- soft launch in 2010, **nationwide from April 2012**
- customers get 5-8% discounts on their energy bill depending on the amount of their fixed subscriptions
- **retention impact is significant:** fixed churn may halve with energy contract
- 45% of energy customers have 3Play package

KPIs

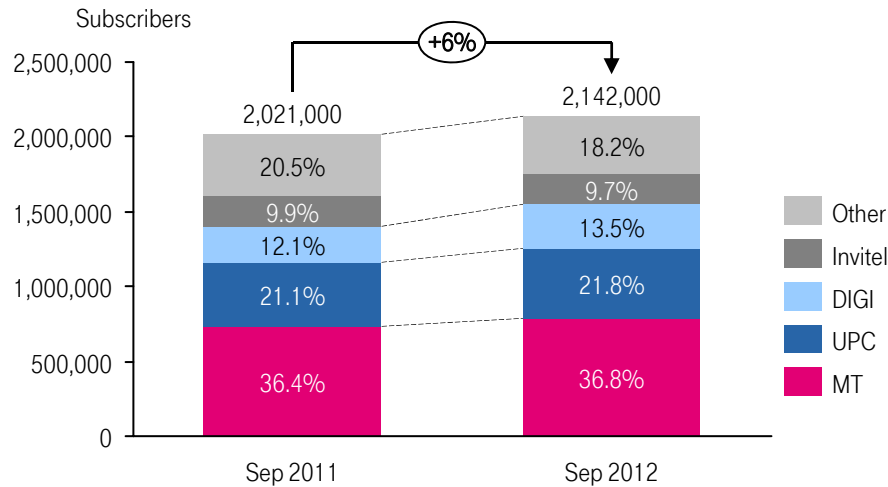
- energy market is strongly seasonal
- gas ARPU: ca. HUF 22,000 in 9M 2012
- electricity ARPU: ca. HUF 16,000 in 9M 2012



Hungary – Fixed broadband: solid market position

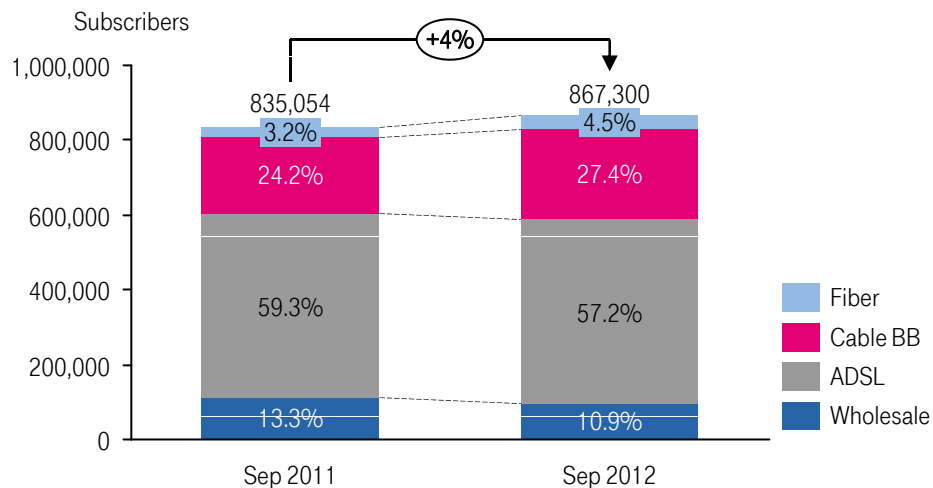


Fixed broadband market shares in Hungary*



*based on the total fixed BB market estimated by the National Media and Infocommunications Authority

T-Home fixed broadband subscriber breakdown



Fixed broadband

- market **growth driven by cable and fiber**, while ADSL growth has slowed down
- **stable fixed BB market share** supported also by repositioned portfolio
- **ARPU** under continuous pressure
- residential standalone fixed BB prices:
 - 10Mbps speed: HUF 6,240/month (EUR 22)
 - 120Mbps speed: HUF 10,240/month (EUR 36)

KPIs (changes Q3-o-Q3)

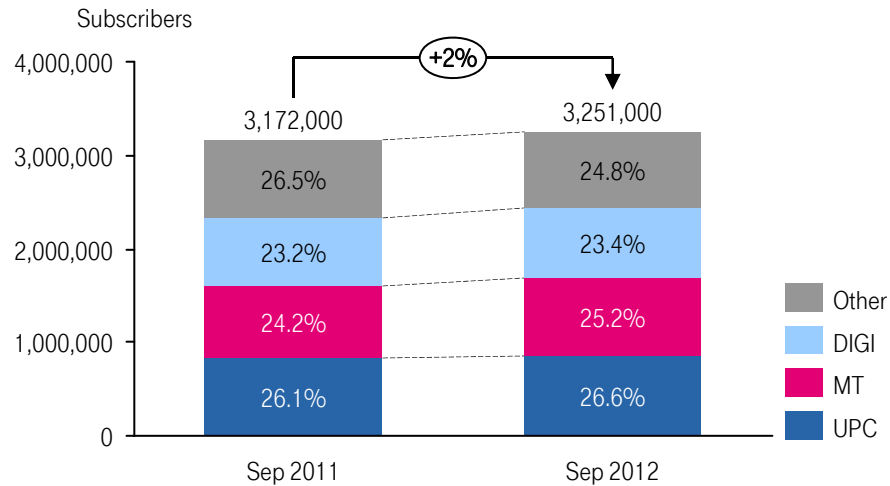
- ARPU: HUF 3,751 (-6%)



Hungary – TV market: continued subscriber growth

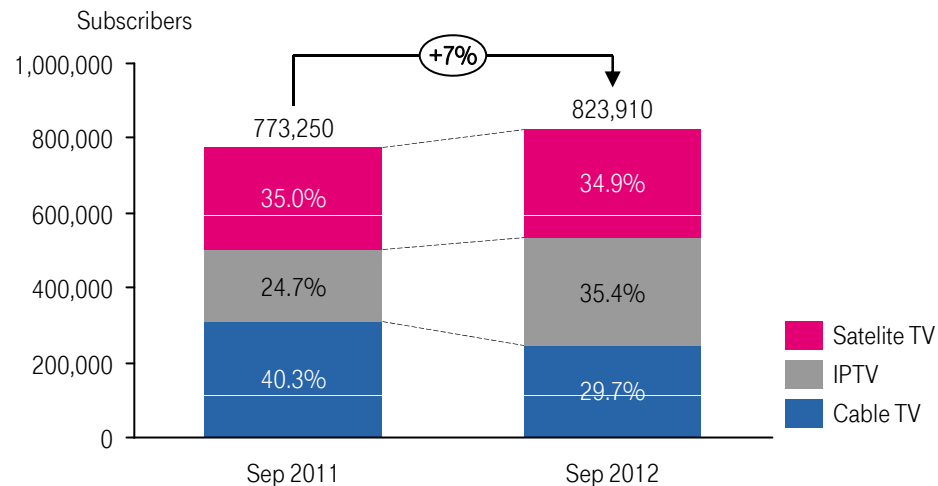


TV market shares in Hungary*



*based on the total TV market estimated by the National Media and Infocommunications Authority

T-Home TV subscriber growth



TV customer growth

- significant **migration from cable to IPTV** driven by ED3-enabled cable network
- increasing ratio of interactive IPTV customers stabilizes ARPU
- retention benefit: 85% of TV customers are 2Play or 3Play package subscribers
- 3Play offers from HUF 7,640/month (EUR 27)

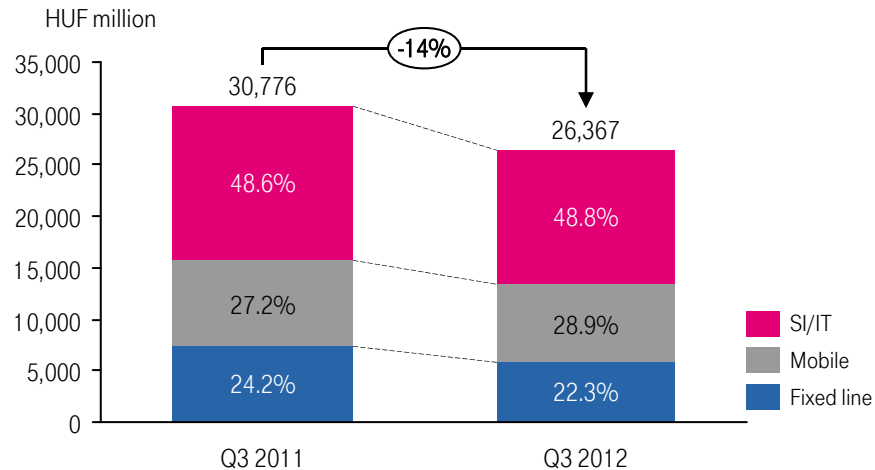
KPIs (changes Q3-o-Q3)

- ARPU: HUF 3,040 (-2%)

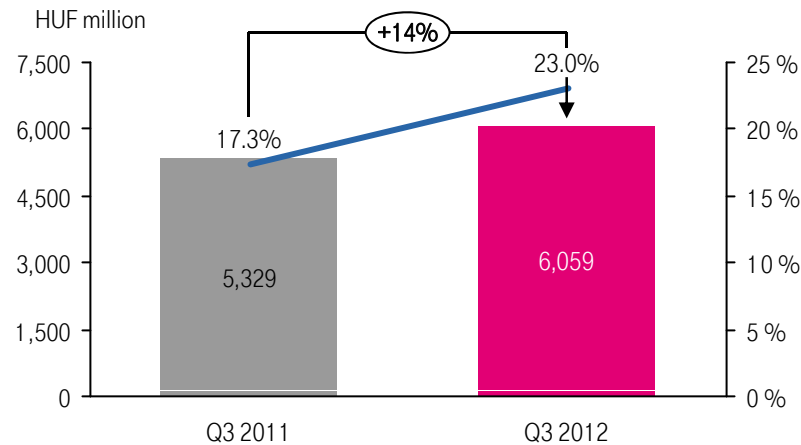


T-Systems Hungary – strong pressure on traditional revenues

Revenues



Underlying EBITDA and margin



T-Systems Hungary

Falling voice and data revenues

- lower usage on fixed voice and data networks
- continued pressure on tariff levels

Decline in SI/IT revenues

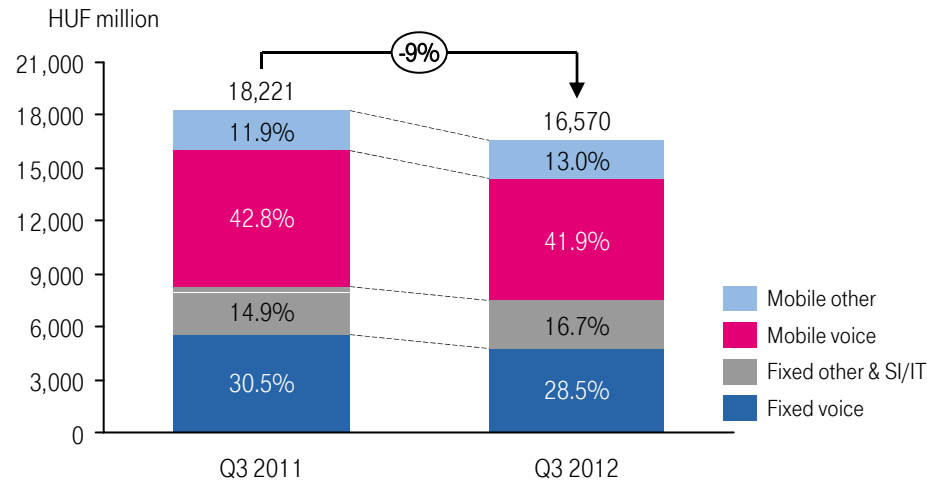
- lower amount of infrastructure and application projects this year
- major public projects remain subdued
- leading market position with 16% market share

Underlying EBITDA margin up to 23%

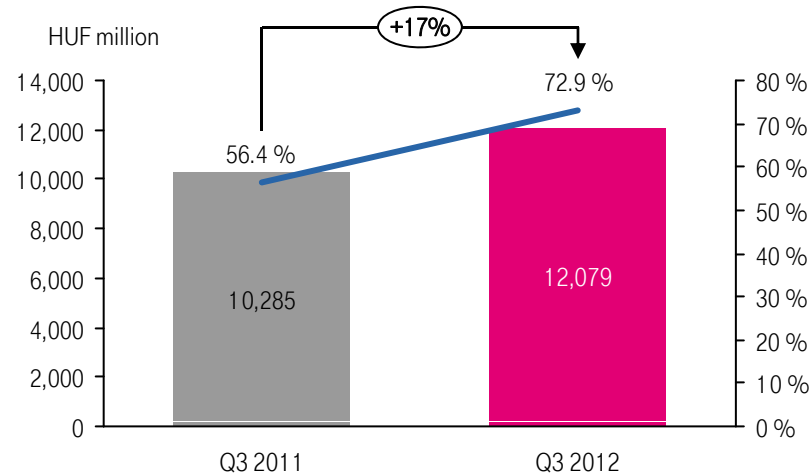
- HUF 1.4bn other operating income supporting performance – incl. contribution from sale of Pro-M

Macedonia – Financial performance

Revenues



Underlying EBITDA and margin



Macedonia

Mobile revenues under pressure

- strong price competition
- MOU up due to increasing volume of bundled minutes
- #1 position maintained with 48% market share

Fixed voice hit primarily by cable competition

- repositioned portfolio with attractively priced bundled offers

EBITDA supported by HUF 3.7bn gain on real estate transaction

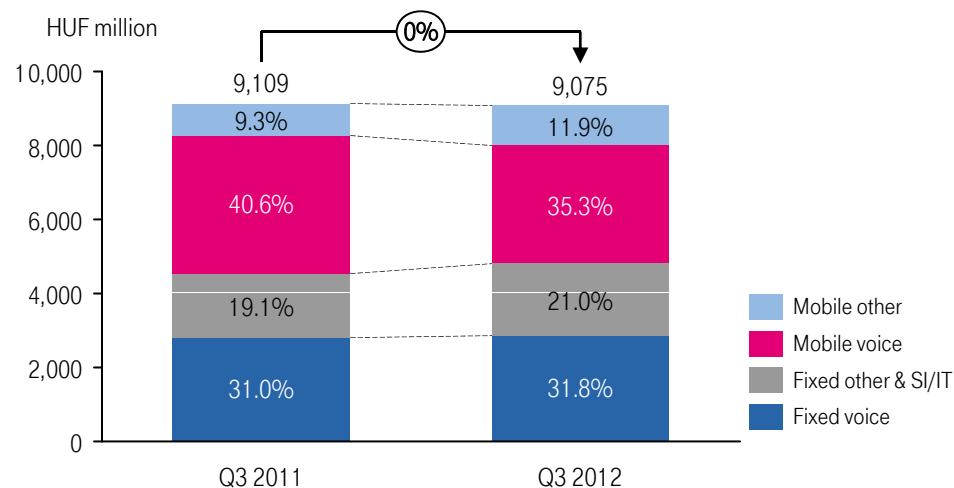
KPIs (changes Q3-o-Q3)

- Fixed churn: 8%
- Fixed outgoing traffic: -17%
- Mobile ARPU: HUF 2,215(-5%)
- MOU: 167 (+23%)

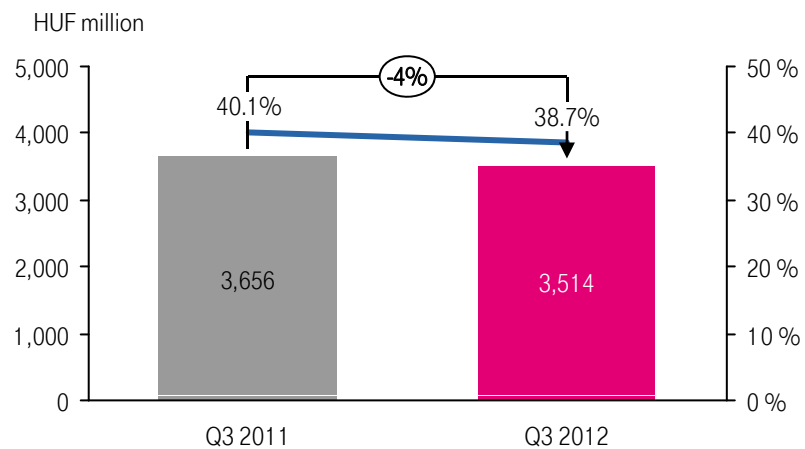


Montenegro – Financial performance

Revenues



Underlying EBITDA and margin



Montenegro

Competitive mobile market

- lower wholesale revenues driven by cut in interconnection tariffs in 2011
- MOU up due to tariff discounts and widening CUG offers
- 34% market share on the mobile voice market

Stable performance of the fixed segment

- growing internet and TV revenues
- mobile substitution leading to lower usage

EBITDA decline driven by one-off

- VAT charged on mobile handset subsidy retrospectively for 2009-2011 deteriorated performance

KPIs (changes Q3-o-Q3)

- Fixed churn: 1%
- Mobile ARPU: HUF 3,172 (-4%)
- MOU: 164 (+18%)



Financials



Magyar Telekom – Consolidated Income Statement

HUF million	3Q 2011	3Q 2012	Change
Mobile revenues	79,922	78,890	-1.3%
Fixed line revenues	58,594	54,793	-6.5%
System Integration/Information Technology revenues	13,031	11,237	-13.8%
Revenue from Energy Services	573	5,225	
Revenues	152,120	150,145	-1.3%
Direct costs	(43,345)	(45,067)	4.0%
Employee-related expenses	(20,688)	(21,628)	4.5%
Depreciation and amortization	(24,043)	(26,474)	10.1%
Hungarian telecommunications and other crisis taxes	(6,320)	(10,504)	n.a.
Other operating expenses	(30,968)	(22,827)	-26.3%
Total operating expenses	(125,364)	(126,500)	0.9%
Other operating income	797	6,475	
Operating profit	27,553	30,120	9.3%
Net financial expenses	(4,187)	(5,243)	25.2%
Share of associates' profits	5	0	
Profit before income tax	23,371	24,877	6.4%
Income tax	(6,710)	(5,860)	-12.7%
Profit for the period	16,661	19,017	14.1%
Non-controlling interests	3,324	4,242	27.6%
Equity holders of the Company (Net income)	13,337	14,775	10.8%



Magyar Telekom - Consolidated Balance Sheet

HUF million	Dec 31, 2011	Sep 30, 2012	Change
Current assets	220,396	179,666	-18.5%
Cash and cash equivalents	14,451	13,867	-4.0%
Other current financial assets	65,286	40,038	-38.7%
Non current assets	877,632	845,175	-3.7%
Property, plant and equipment	536,224	512,645	-4.4%
Intangible assets	308,313	316,269	2.6%
Total assets	1,098,028	1,024,841	-6.7%
Equity	556,091	517,613	-6.9%
Current liabilities	255,390	182,238	-28.6%
Financial liabilities to related parties	49,865	24,703	-50.5%
Other financial liabilities	70,155	36,800	-47.5%
Non current liabilities	286,547	324,990	13.4%
Financial liabilities to related parties	230,166	281,849	22.5%
Other financial liabilities	17,928	7,372	-58.9%
Total equity and liabilities	1,098,028	1,024,841	-6.7%



Magyar Telekom - Consolidated Cashflow Statement

HUF million	Sep 30, 2011	Sep 30, 2012	Change
Net cash generated from operating activities	134,233	105,441	-21.4%
Investments in tangible and intangible assets	(43,875)	(70,891)	61.6%
Adjustments to cash purchases	(6,705)	(1,658)	-75.3%
Purchase of subsidiaries and business units	(2,263)	(2,388)	5.5%
Cash acquired through business combinations	455	48	-89.5%
Proceeds from / (Payments for) other financial assets - net	7,109	15,567	119.0%
Proceeds from disposal of subsidiaries	0	13,421	n.a.
Proceeds from disposal of PPE and intangible assets	3,862	777	-79.9%
Net cash used in investing activities	(41,417)	(45,124)	9.0%
Dividends paid to shareholders and minority interest	(64,436)	(66,063)	2.5%
Net payments of loans and other borrowings	(29,543)	5,819	-119.7%
Net cash used in financing activities	(93,979)	(60,244)	-35.9%
Free cash flow	85,707	44,750	-47.8%

* 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



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: 282.74 (average Q3 2012)

In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, underlying EBITDA, underlying 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.

