

MAGYAR TELEKOM GROUP

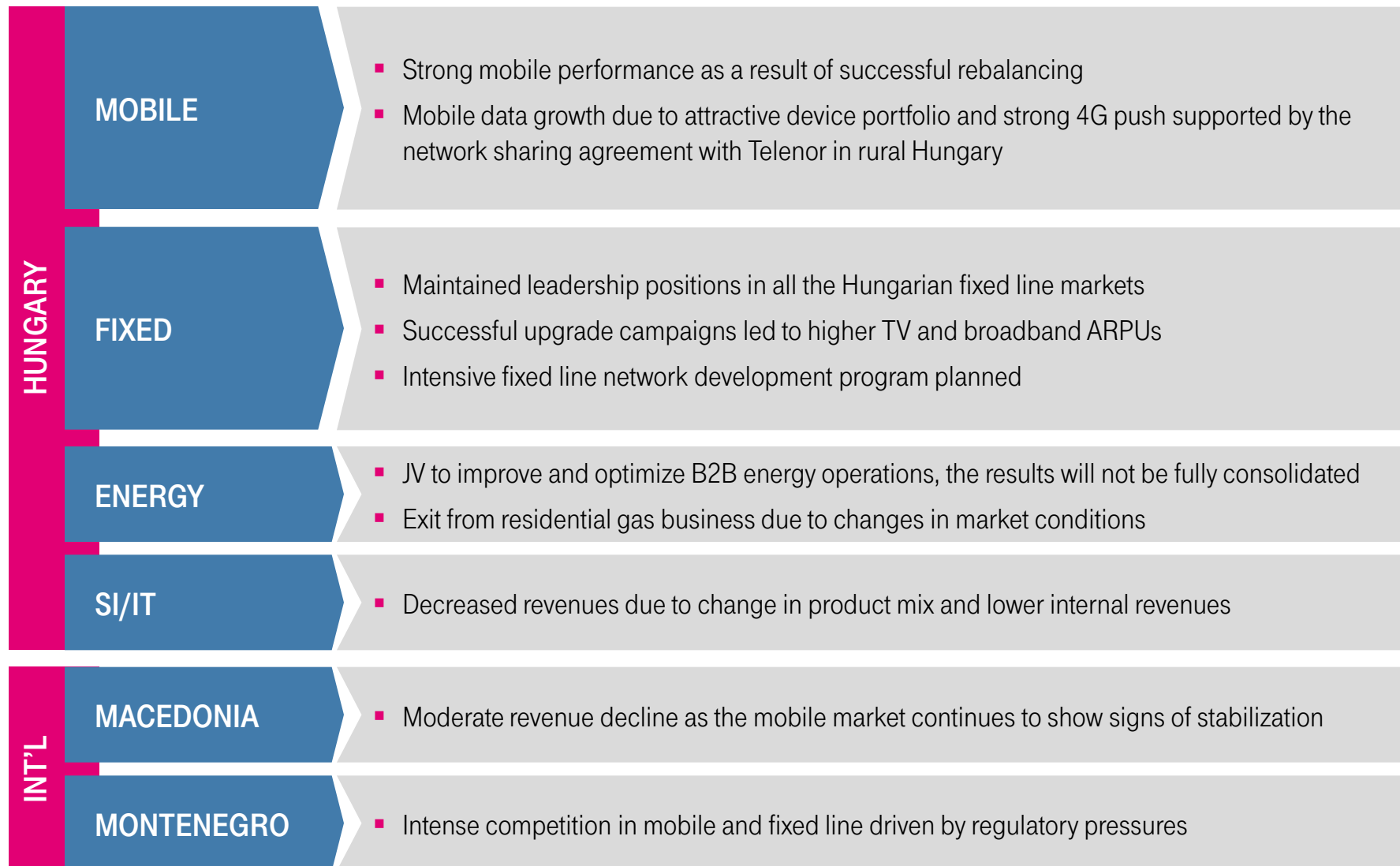
Q1 2015 RESULTS PRESENTATION

MAY 12, 2015



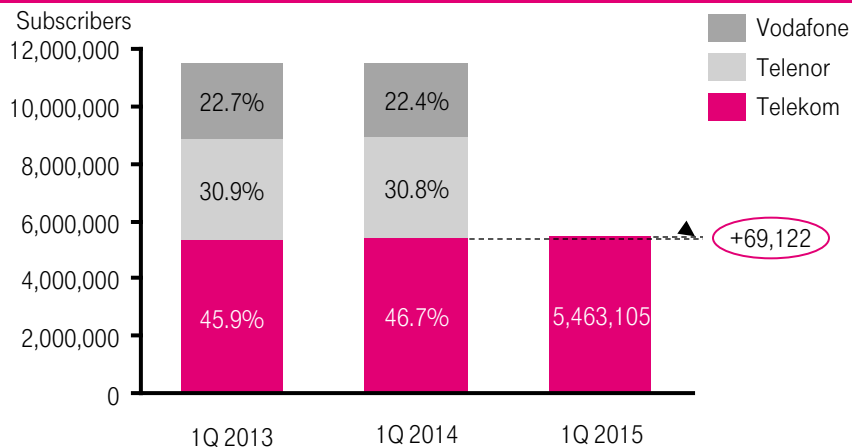
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STRATEGIC HIGHLIGHTS

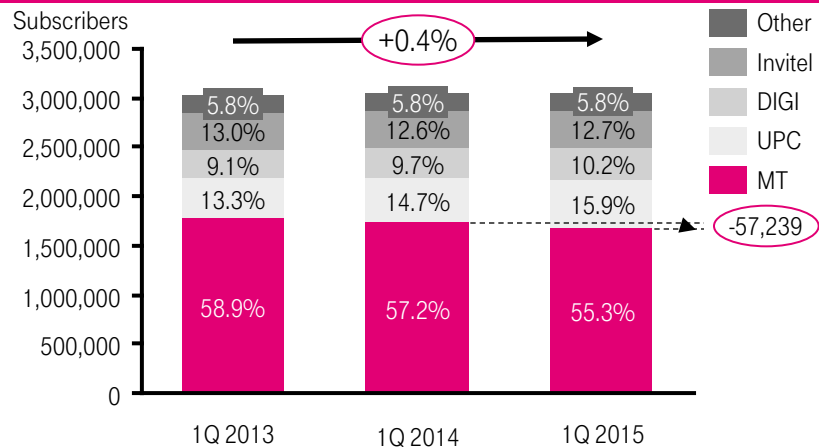


HUNGARY MARKET POSITIONS

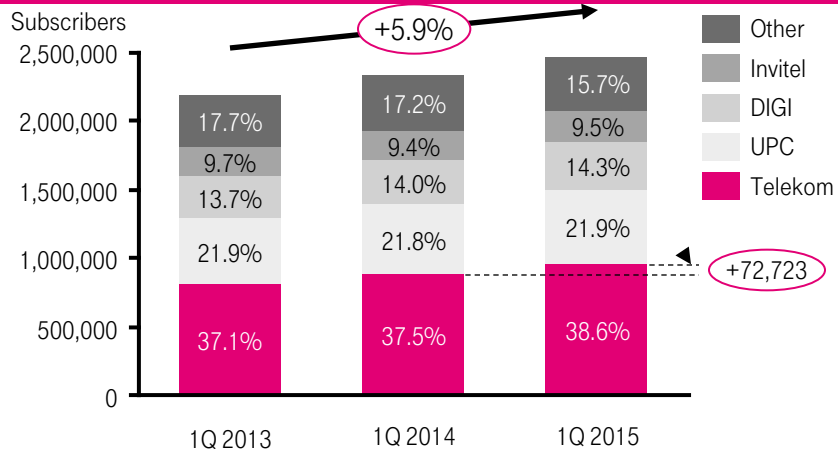
Total mobile market*



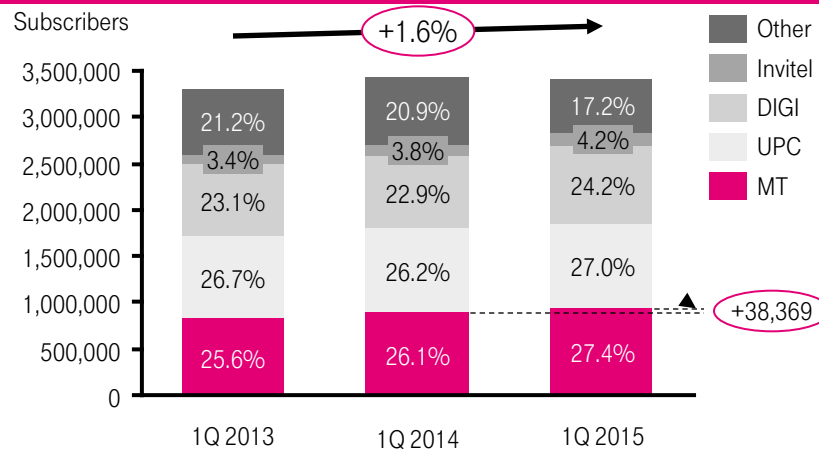
Fixed voice market**



Fixed broadband market**



TV market**



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* based on the total SIMs, data available only until June 2014 by National Media and Infocommunications Authority (NMAIA) due to definition debate
 ** based on the total fixed voice / BB / pay TV market estimated by the NMAIA

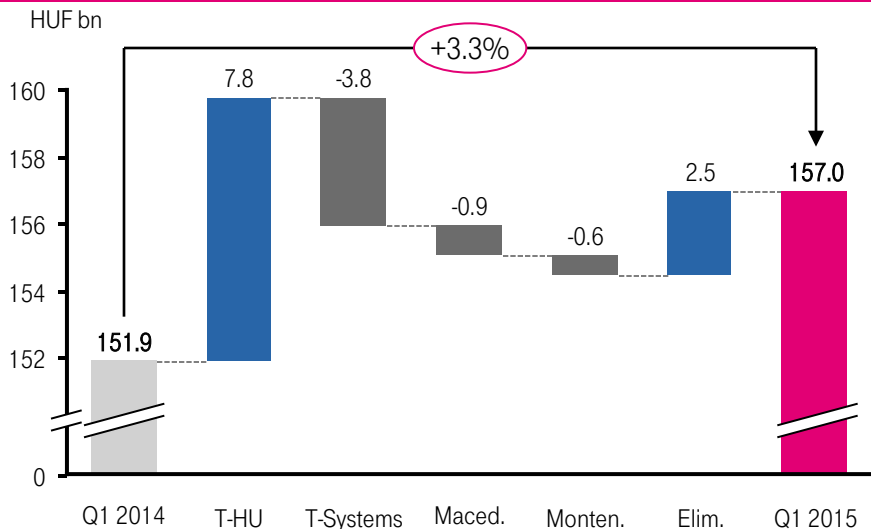
FINANCIAL HIGHLIGHTS AND TARGETS

	1Q 2015 RESULTS	2015 TARGETS	2017 TARGETS
REVENUE	+3.3%	up to 3% increase	roughly stable compared to 2014
	<ul style="list-style-type: none"> Mobile data growth due to successful rebalancing Increased device sales No impact from Hungarian MTR cut (effective as of April 2015) Larger fixed broadband and TV customer base Energy revenue uplift 	NEW roughly stable	NEW roughly stable excluding energy compared to 2014
EBITDA	+4.8%	up to 3% decline	surpassing HUF 185bn
	<ul style="list-style-type: none"> Increased mobile margin due to ARPU uplift Lower energy discounts resulting in higher margin Savings in employee related expenses but no severance payments in Q1 		
CAPEX*	HUF 12.2bn	around HUF 105bn	around HUF 80bn
	<ul style="list-style-type: none"> Lower spending on 3G/4G network investments Hungarian fixed High Speed Internet roll-out program to affect capex in coming quarters 		



GROUP SEGMENT REVENUE AND EBITDA

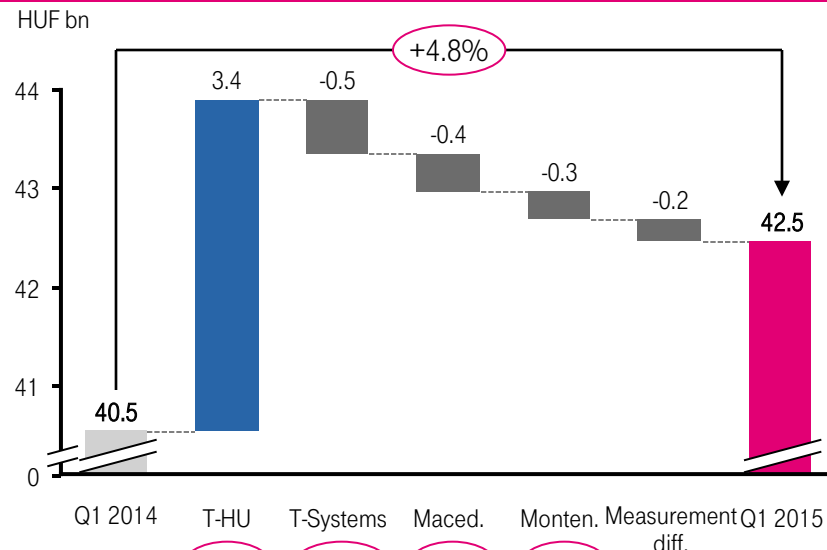
Group segmental revenue



Change Y-o-Y **+7%** **-14%** **-7%** **-8%**

- **Telekom Hungary:** primary driver of Group revenue as a result of strong mobile performance
- **T-Systems:** change in SI/IT product mix and lower internal revenues lead to decline despite quite stable telco revenues
- **Macedonia:** slowing mobile revenue decline due to higher TV revenue and continuing stabilization in the mobile market
- **Montenegro:** declining mobile revenues partly as a result of regulatory pressure in fixed voice and broadband

Group segmental EBITDA



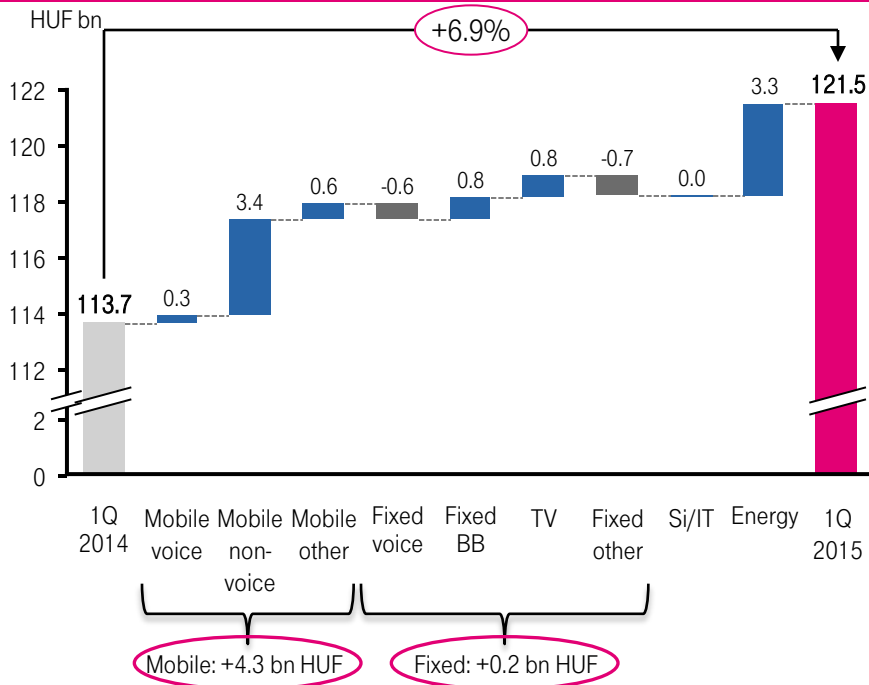
Change Y-o-Y **+12%** **-17%** **-7%** **-11%**

- **Telekom Hungary:** higher gross margins in mobile and energy, lower bad debt coupled with savings in operating expenses
- **T-Systems:** competitive pressure led to lower telco margins partly counterbalanced by the lower employee-related expenses
- **Macedonia:** slower decline in overall EBITDA and gross margins
- **Montenegro:** lower gross margin partly mitigated by improved employee related expenses

SEGMENTAL OVERVIEW

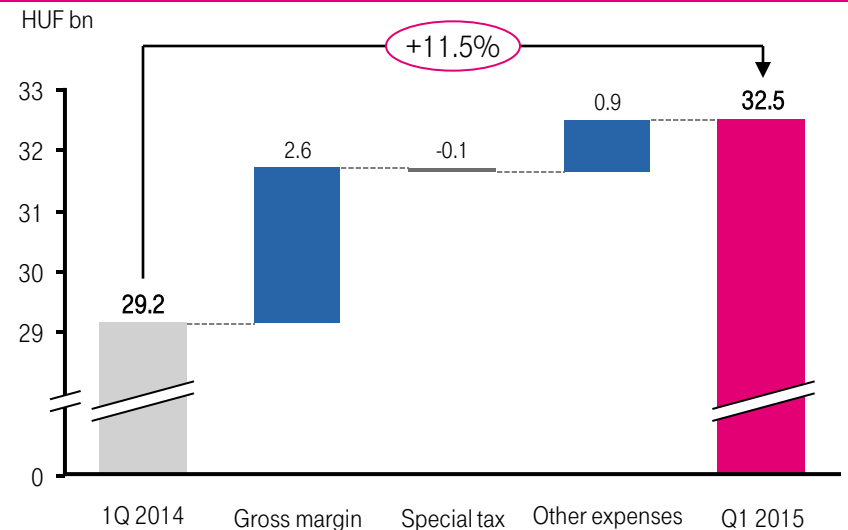
T-HUNGARY

T-Hungary revenue



- Larger postpaid customer base with higher ARPU
- Strong mobile broadband growth due to 4G push
- Higher equipment sales driven by attractive device portfolio
- Successful fixed line restructuring with fixed broadband and TV offsetting the price erosion in fixed voice
- Higher energy revenues due to lower discounts

T-Hungary EBITDA

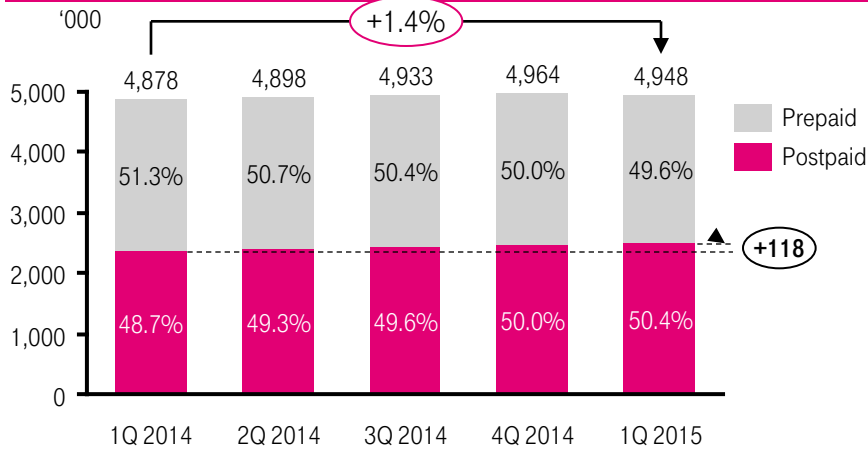


- Higher gross mobile margin driven by prepaid to postpaid migration, higher mobile broadband attach rate, and larger flat rate customer base with a higher ARPU
- Improvement in fixed line gross margin due to successful fixed line cross-sell and upgrade campaigns resulting in higher broadband and TV ARPUs
- A more streamlined business model in residential gas and electricity
- Further savings in employee related and other operating expenses

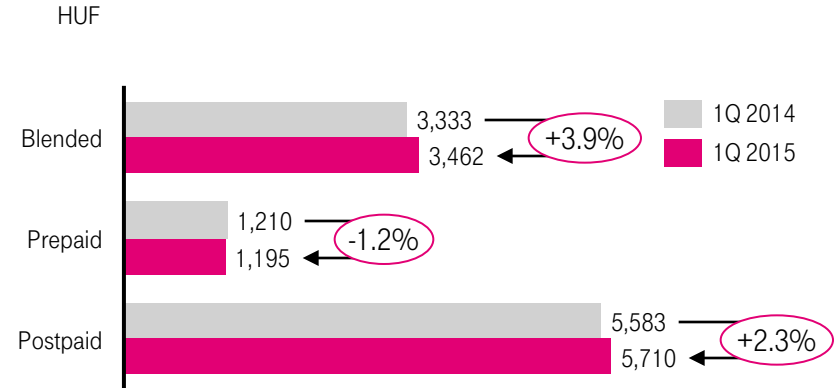
T-HUNGARY - MOBILE



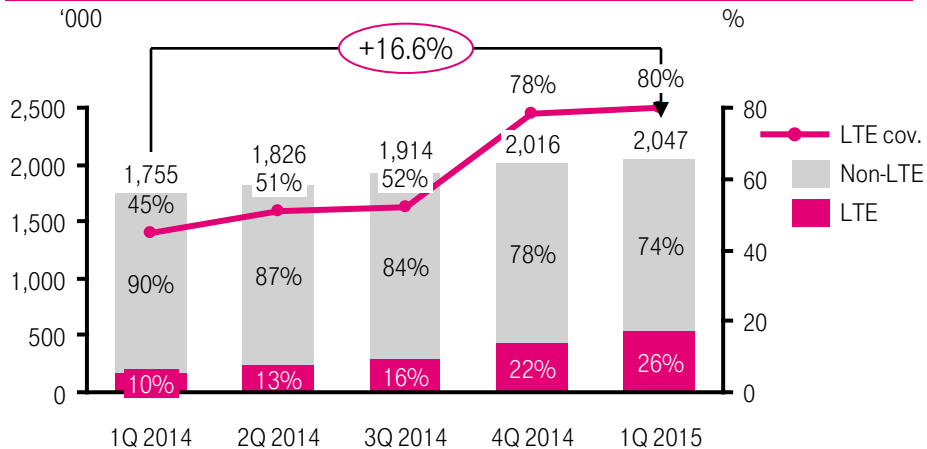
Mobile RPC



Mobile ARPU (HUF)



Mobile broadband development



Highlights

- 5% increase in postpaid RPC driven by lower churn and higher prepaid to postpaid migration
- Continuous acceleration in postpaid ratio growth
- Higher MOU reflecting flat rate customer base growth, but average tariff levels in decline
- 4G coverage significantly increased following frequency tender resulting in a three-times higher 4G subscriber base within a year
- Growing postpaid ARPU despite the dilutive tariff effect of pre to post migration leading to a higher blended ARPU
- Smartphone sales account for over 90% of postpaid handsets



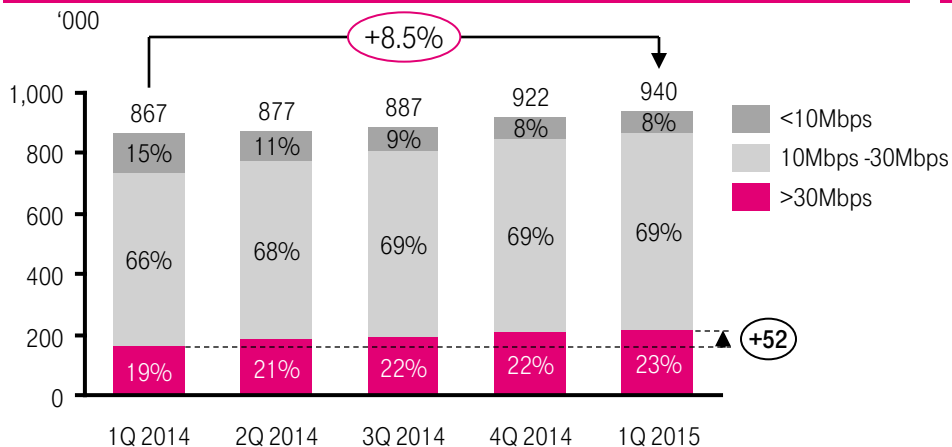
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* outdoor population coverage

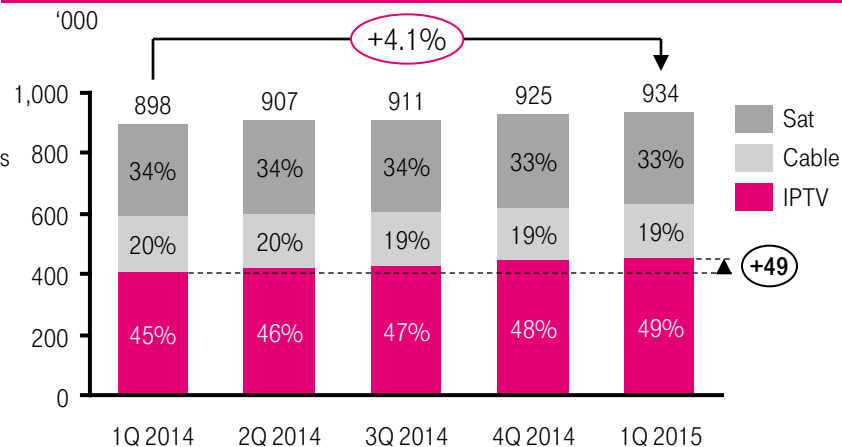
T-HUNGARY - FIXED BROADBAND AND TV



Fixed BB RPC

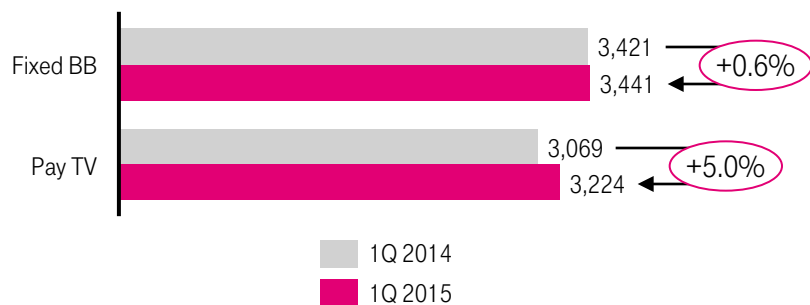


Pay TV RPC



Fixed BB and TV ARPU

HUF



Highlights

- 74 thousand broadband and 37 thousand TV net adds, which helped maintain leading market positions
- Growth in broadband market driven by cable and fiber
- Increasing ratio of higher bandwidth packages due to upselling activities driven by network upgrades
- Focusing on IPTV to offer more value to our customers
- Higher ARPUs driven by upselling and price increase

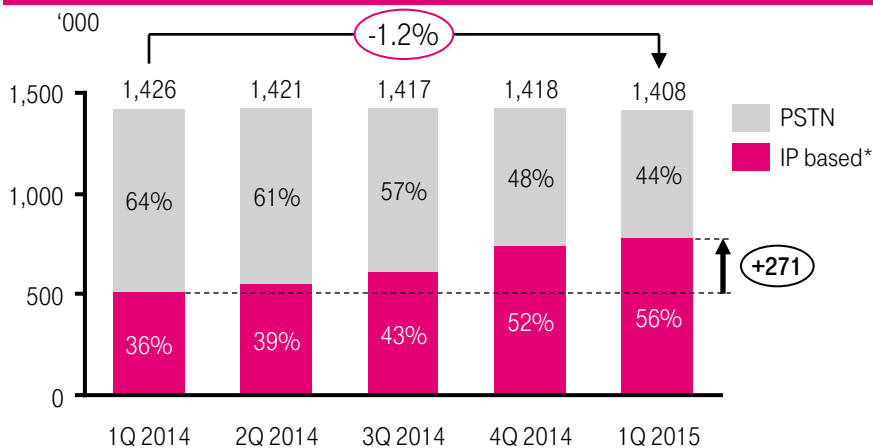


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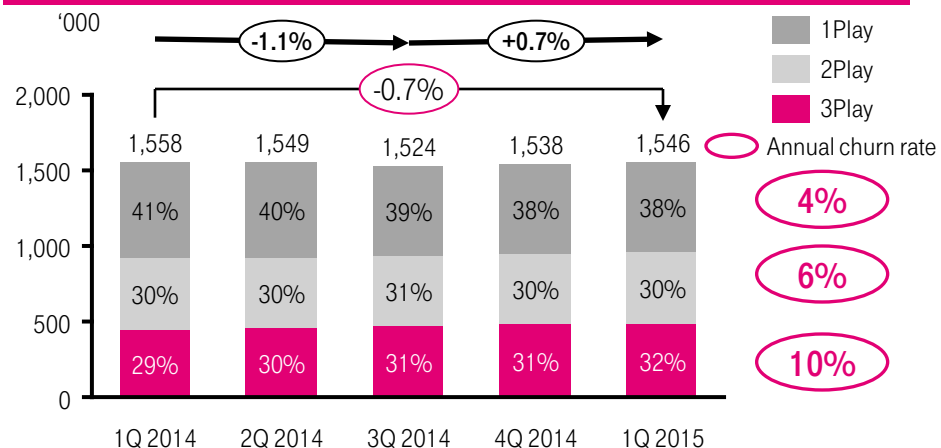
T-HUNGARY - FIXED VOICE, MULTIPLAY AND ENERGY



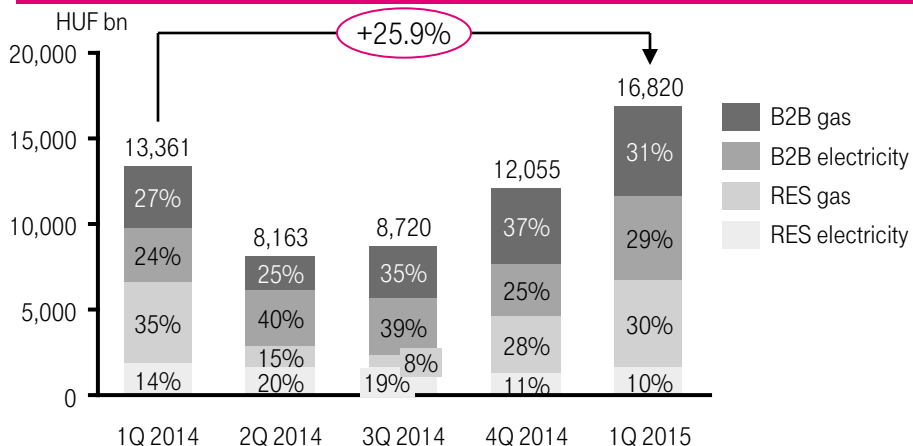
Fixed voice RPC



Multiplay development among residential customers



Energy revenues



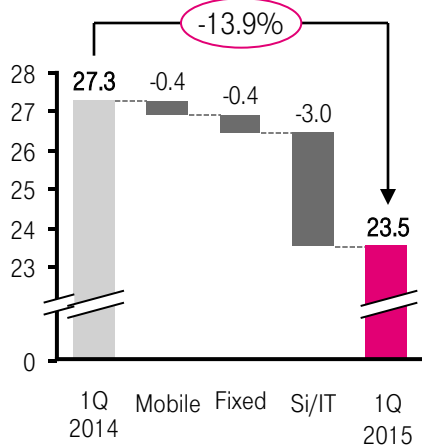
Highlights

- Low fixed voice erosion due to smart bundling strategy and strong IP based migration to strive for efficiency
- Fixed voice ARPU decline of 4% driven by 5% lower MOU
- Number of homes with fixed Telekom service up for the second quarter after many years of decline
- Energy revenue growth driven by to the increased gas and electricity revenues from the business sub-segment
- Higher energy margin driven by narrowing discounts

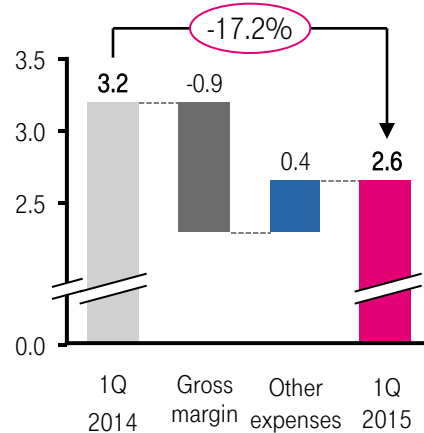
T-SYSTEMS

Financials

Revenues (HUF bn)

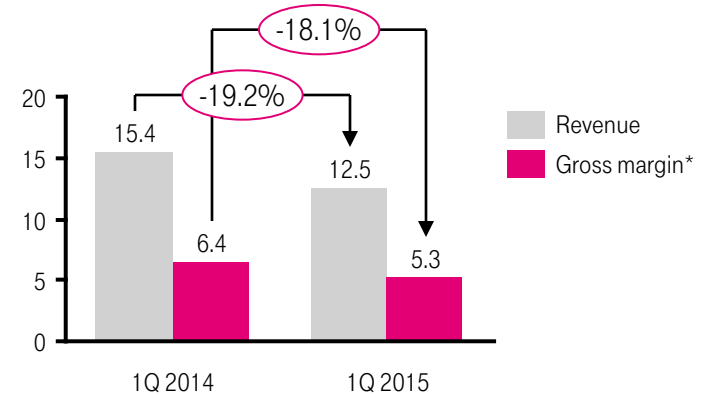


EBITDA (HUF bn)



SI/IT revenue and margin

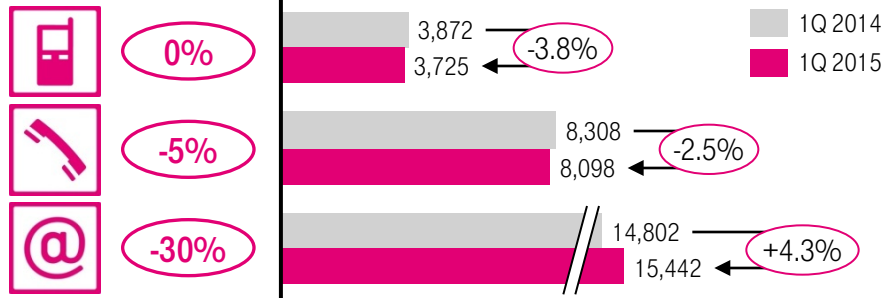
HUF bn



KPIs (mobile/fixed voice/fixed BB)

RPC QoQ change

ARPU (HUF)

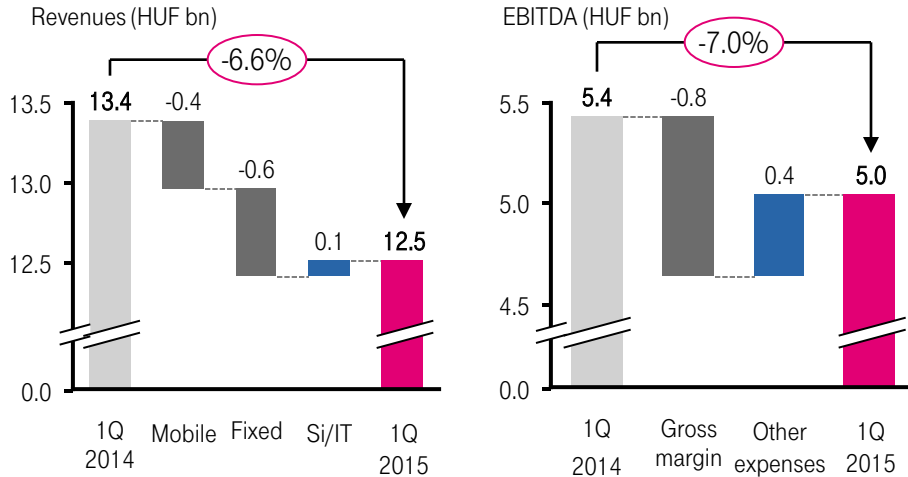


Highlights

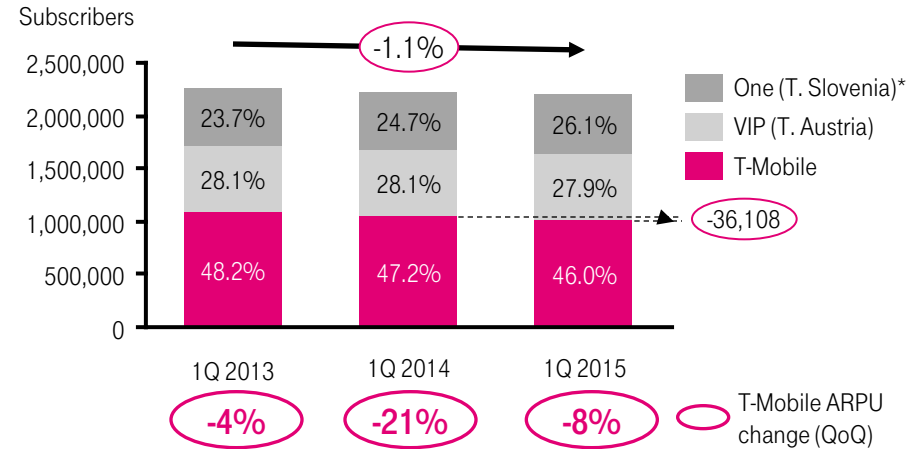
- Intense competition erodes mobile ARPU but not customer base
- Continued fixed voice churn
- State-owned operator behind significant churn among government related broadband and fixed data customers
- Fixed data revenue decline of 14% responsible for two thirds of overall fixed line revenue decline
- Lower SI/IT revenue due to a change in product mix, lost government related deals and intersegment cost allocation

MACEDONIA

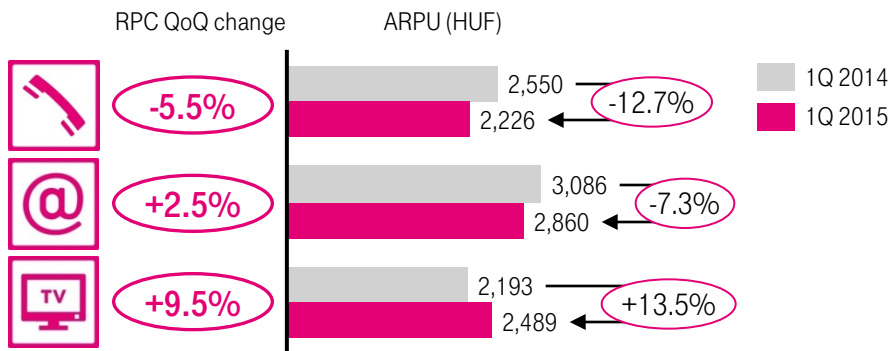
Financials



Mobile KPIs



Fixed KPIs (voice/BB/TV)

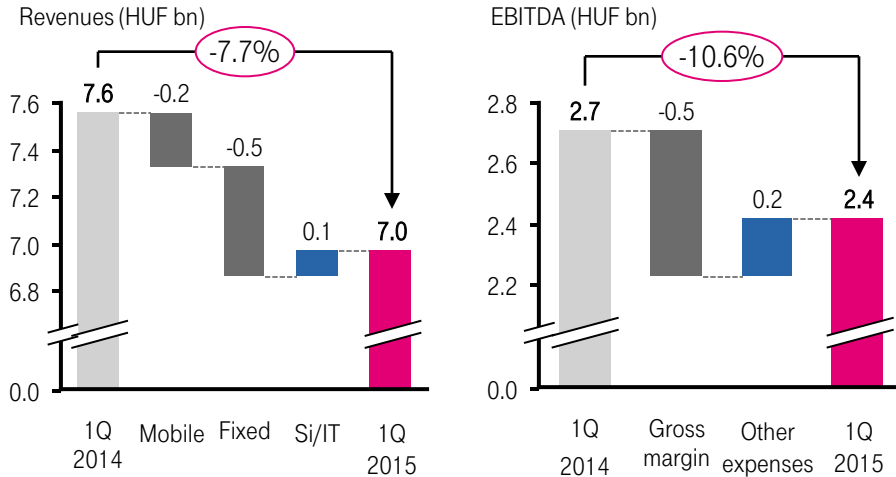


Highlights

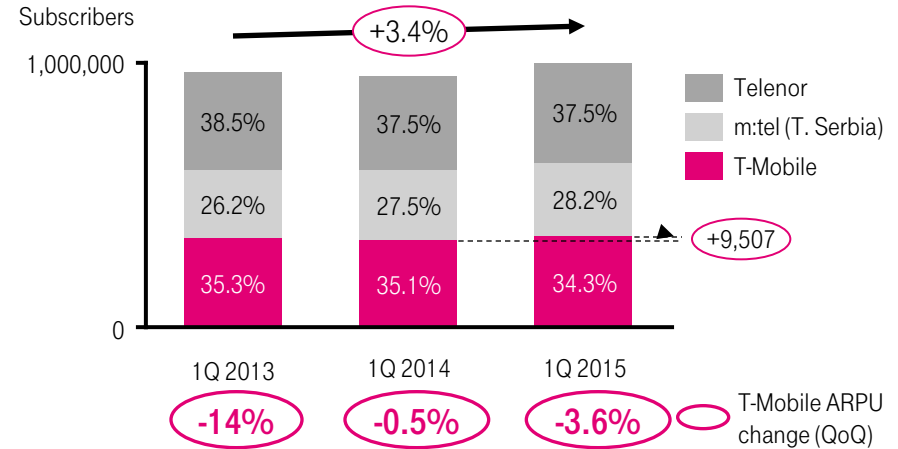
- Despite higher mobile data and TV revenues, overall revenues down by 7% driven by lower mobile and fixed voice, as well as wholesale revenues
- Signs of stabilization in the rate of revenue decline
- EBITDA decrease due to lower gross margin partly offset by lower employee related expenses
- Continued decline in fixed voice
- Strong growth in TV net adds and ARPU driven by IPTV uptake

MONTENEGRO

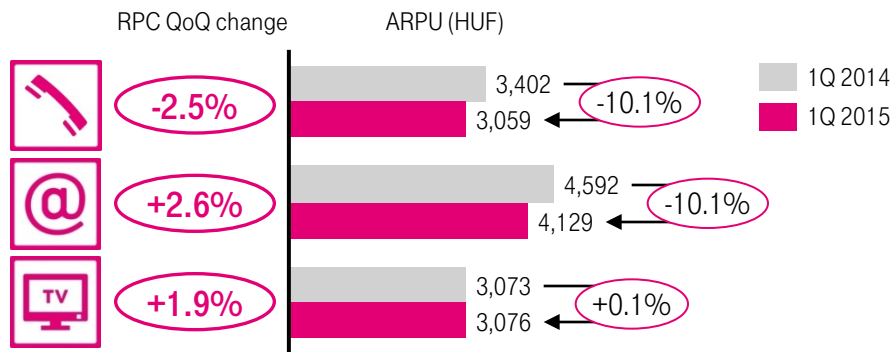
Financials



Mobile KPIs



Fixed KPIs (voice/BB/TV)



Highlights

- Revenues down by 8% due to significant termination fee decrease and fixed voice and BB regulation price cap, partly counterbalanced by increased Si/IT revenues driven by higher number of ICT customers
- EBITDA decline of 11% despite slight improvement in direct costs and other operating expenses
- Slightly lower mobile MSH due to prepaid subscriber churn
- Restructuring in fixed line RPC from voice to BB and TV
- High fixed voice/BB MSHs but falling ARPUs due to regulation

FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q1 2014	Q1 2015	Change
Mobile revenues	73 616	76 938	4,5%
Fixed line revenues	51 579	50 649	-1,8%
System Integration/Information Technology revenues	13 189	12 581	-4,6%
Revenue from energy services	13 509	16 789	24,3%
Revenues	151 893	156 957	3,3%
Direct costs	(53 879)	(57 777)	-7,2%
Employee-related expenses	(22 563)	(21 898)	2,9%
Depreciation and amortization	(24 434)	(27 668)	-13,2%
Hungarian telecommunications and other crisis taxes	(13 912)	(13 875)	0,3%
Other operating expenses	(21 478)	(21 711)	-1,1%
Total operating expenses	(136 266)	(142 929)	-4,9%
Other operating income	467	770	64,9%
Operating profit	16 094	14 798	-8,1%
Net financial results	(6 046)	(8 613)	-42,5%
Profit before income tax	10 048	6 185	-38,4%
Income tax expense	(5 058)	(2 863)	43,4%
Profit for the period	4 990	3 322	-33,4%
Non-controlling interests	162	816	403,7%
Equity holders of the Company (Net income)	4 828	2 506	-48,1%



MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Mar 31, 2014	Mar 31, 2015	Change
Current assets	202 910	197 487	-2,7%
Cash and cash equivalents	13 748	13 333	-3,0%
Other current financial assets	33 916	19 154	-43,5%
Non current assets	893 699	971 503	8,7%
Property, plant and equipment - net	492 312	474 692	-3,6%
Intangible assets	161 265	253 299	57,1%
Total assets	1 096 609	1 168 990	6,6%
Equity	494 135	520 551	5,3%
Current liabilities	320 634	317 859	-0,9%
Financial liabilities to related parties	73 658	105 177	42,8%
Other financial liabilities	103 869	75 567	-27,2%
Non current liabilities	281 840	330 580	17,3%
Financial liabilities to related parties	226 695	239 661	5,7%
Other financial liabilities	25 776	58 268	126,1%
Total equity and liabilities	1 096 609	1 168 990	6,6%

MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Mar 31, 2014	Mar 31, 2015	Change
Net cash generated from operating activities	25 263	25 240	-0,1%
Investments in tangible and intangible assets	(17 292)	(12 179)	29,6%
Adjustments to cash purchases	(8 031)	(10 734)	33,7%
Purchase of subsidiaries and business units	(201)	(1 469)	-630,8%
Cash acquired through business combinations	0	0	n.a.
Payments for / proceeds from other financial assets - net	(1 992)	4 134	-307,5%
Proceeds from disposal of subsidiaries	0	0	n.a.
Proceeds from disposal of PPE and intangible assets	268	235	-12,3%
Net cash used in investing activities	(27 248)	(20 013)	26,6%
Dividends paid to shareholders and minority interest	(4)	(37)	-825,0%
Net payments of loans and other borrowings	12 246	(3 456)	-128,2%
Repayment of other financial liabilities	(11 430)	(2 534)	77,8%
Net cash used in financing activities	812	(6 027)	842,2%
Free cash flow*	(11 423)	(1 441)	-87,4%

*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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DISCLAIMER

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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 Reports for the year ended December 31, 2014 available on our website at <http://www.telekom.hu>.

Abbreviations: 3G: third generation, 4G: fourth generation, ARPU: average revenue per user, BB: broadband, IP: internet protocol, IT: information technology, LTE: long term evolution, MOU: minutes of use, MTR: mobile termination rate, NRA: National Regulatory Authority, POD: points of delivery, R/E: real estate, RPC: revenue producing customer, SAC: subscriber acquisition cost, SRC: subscriber retention cost, SI: system integration, SIM: subscriber identity module, SMB: small and medium businesses, TWM: Total Workforce Management, VAS: value added services, VoCaTV: Voice over Cable TV, WS: wholesale

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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