# On track to meet full year target

2006 interim results

Magyar Telekom

# Agenda

Overview and public targets

Regulatory snapshot

Segment analysis

Acquisition strategy and dividend policy

As disclosed in the full-year 2005 results announcement made on February 13, 2006, in the first quarter 2006 results announcement made on May 11, 2006 as well as in announcements made on March 30, 2006, on April 26, 2006, on July 3, 2006 and on July 27, 2006, the Company is still inquiring into certain contracts and certain actions taken subsequent to these contracts including potential interference with the investigation to determine whether they have been entered into in violation of Company policy or applicable law or regulation. This inquiry, which is being conducted by an independent law firm and supervised by the Audit Committee, is still ongoing and it is at this point still too early to determine its outcome. The Company also announced that due to the delay to the respective Annual General Meetings, the Company and some of its subsidiaries have failed and may fail to meet certain deadlines prescribed by the Hungarian and other applicable laws and regulations for preparing and filing audited annual results. The Company has notified the Hungarian Financial Supervisory Authority, the U.S. Securities and Exchange Commission and the U.S. Department of Justice of the investigation and is in contact with these authorities regarding the investigation. The Company is committed to complying fully with the requirements and requests of these and other authorities with jurisdiction over it. In its Resolution No J-III-B/86.332/2006, the Hungarian Financial Supervisory Authority ordered Magyar Telekom to prepare its annual report and to take all possible and necessary legal measures in order to comply with the statutory obligations. At its meeting held on August 14, 2006 the Board of Directors of the Company discussed the current status of the ongoing investigation and the related circumstances, stating it was not in a position to approve the company's 2005 annual report at this time. However, it decided to call the company's Extraordinary General Meeting to inform its shareholders. The EGM will be held on October 9, 2006. No assurance can be given that, as a result of the investigation, the audited financial statements for 2005 and financial statements for any other period will not vary from those published prior to the completion of the investigation.

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 Group at a glance

Magyar Telekom

## Market leader in all core businesses

### Integrated operations in Hungary, Macedonia and Montenegro

- alternative/wholesale operations in Romania, Bulgaria and Ukraine

### Fixed – mobile integration

- Merger of Magyar Telekom and T-Mobile Hungary
- Further exploiting synergies and financial benefits

### Rebranding to be extended to Macedonia and Montenegro

T··Com· T··Online· T··Mobile· T··Systems· T··Kábel·

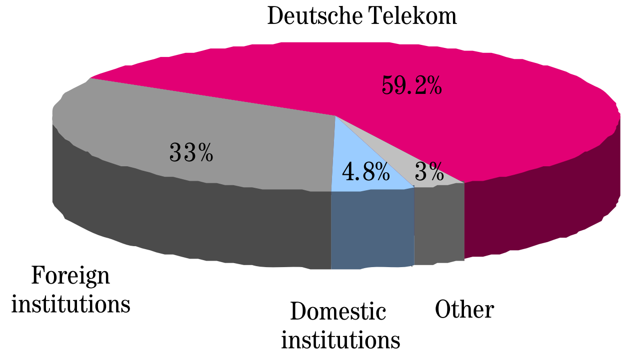
## Stock information

### ~EUR 3.5bn market capitalization

### Stock exchange listing

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

Ownership structure, approximate figures



# First half 2006 summary

Magyar Telekom

| | Revenues | | EBITDA | | EBITDA margin |
|---|---|---|---|---|---|
| **Group** | **HUF 316,147m** | +5.4% | **HUF 124,722m** | +0.5% | **39.5%** |
| Fixed-line* | HUF 168,055m | +3.4% | HUF 59,603m | -4.8% | 35.5% |
| Hungarian<br>▪ growth in broadband connections<br>▪ SI/IT opportunities captured<br>▪ continuous fall in traffic | 143,150 | 0.0% | 46,740 | -12.5% | 32.7% |
| International<br>▪ includes MakTel and TCG<br>▪ focus on efficiency and cost control | 33,036 | +27.5% | 12,863 | +40.6% | 38.9% |
| Mobile* | HUF 148,092m | +7.8% | HUF 65,118m | +5.8% | 44.0% |
| Hungarian<br>▪ sound underlying financial position<br>▪ strong market position | 135,459 | +3.2% | 52,785 | +1.8% | 39.0% |
| International<br>▪ very high margin at Mobimak<br>▪ impressive growth at Monet | 23,523 | +26.4% | 12,333 | +27.4% | 52.4% |

* segment figures based on external segment revenues

# Public targets for 2006-2007

| | 2006 | 2007 |
|---|---|---|
| Revenue | above 3% growth | |
| EBITDA<br>recent investments and initiatives to show tangible contribution from 2007 | maintain 2005 level | growth in HUF terms |
| Capex / Sales<br>excl. EDR investment of max. HUF 22bn in 2006 | below 15% | below 14% |
| Broadband connections<br>Hungarian fixed line operations incl. ADSL, cable broadband, leased line & wireless | ~ 600,000 | |
| Lines / employee (parent co.)<br>end-2006 public target reached at end-February, 2006 | over 500 ✓ | |

# Regulatory snapshot
## Hungarian regulation in line with new EU regulatory framework

| Fixed-line | Mobile |
|---|---|

### New Electronic Communications Act in effect since January 2004

Fixed-line:
- geographic number portability since January 2004

Mobile:
- mobile number portability since May 2004

### IC fees close to EU average

Fixed-line:
- approx 14% cut in average traffic fees announced in March 2006
- significant cut to the price of related services of reference offers

Mobile:
- draft resolution aims to eliminate asymmetry among the 3 players and further decrease prices (16.84 HUF/minute average voice termination fee from 2009)

### Market analysis based on EU recommendation

Fixed-line:
- aggregate CPI price cap on voice access fees from 2005
- "retail minus" price regulation for WS national bitstream access

Mobile:
- all three mobile operators identified as SMPs in mobile call termination market

### Macedonia – fixed line competition emerging in 2006

- reference interconnection and unbundling offers approved
- number portability from 2007

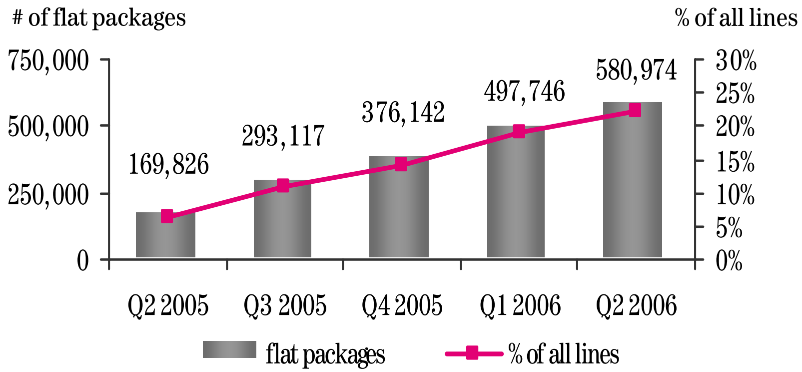
# Hungarian fixed line operations
## Increasing access revenues; growth in broadband

### Focus on stabilizing revenues

Aim to migrate traffic revenues to access revenues with flat rate offers

- line and usage erosion due to mobile substitution, alternative and cable operators

Increasing number of flat rate* packages




*including Favorit, XL and XXL packages

Capturing SI/IT opportunities

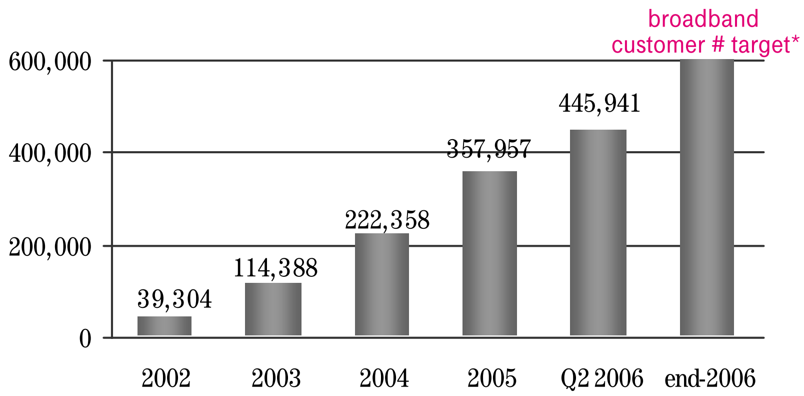
- integrated telecommunication outsourcing services (e.g. E-ON, ING)
- governmental system integration project
- acquisition of IT companies

### Successful broadband operations

Accelerated broadband rollout program

- number of broadband customers* close to 450,000

Broadband growth: ADSL rollout




* including cable broadband, leased line and wireless LAN customers

Incentives to encourage usage

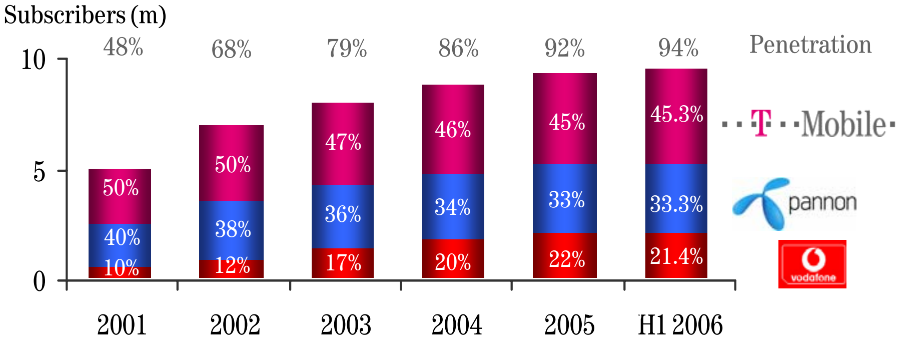
- additional broadband offerings
- IPTV commercial launch planned for year-end

# Hungarian mobile operations
## Clear market leadership preserved, stable financials

Magyar Telekom

## Highly competitive environment

### Subscribers, market shares and penetration




### Tariff erosion

- Widening use of closed-user-group services
- More conscious package selection puts pressure on average tariff levels

### UMTS commercial service launched

- Gradual rollout of HSDPA started

### Unified Digital Radio Network

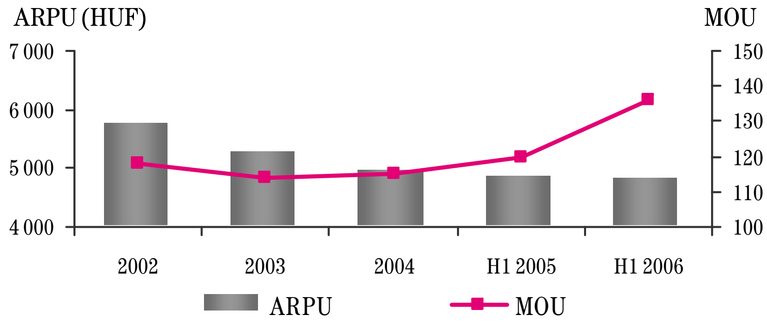
- Rollout of the network in 2006, maximum investment of HUF 22bn required
- Government to pay annual service fee of HUF 9 bn between 2007 and 2015, Q2 revenue of HUF 0.7 bn

## Solid operational performance

### Price elasticity boosts usage

- MOU increased by 13% y/y to 136
- continuously improving customer mix
- growing importance of VAS (15% of ARPU)
- ARPU broadly flat at HUF 4,816 (~EUR 18)

### Usage increase stabilizing ARPU level




### Focus both on acquisition and retention

- market share maintained at above 45%
- acquisition cost/new RPC fell by 10% y/y to HUF 6,504

### EBITDA margin at 39%

# Merger of T-Mobile Hungary and Magyar Telekom

Magyar Telekom

## Synergies

### Enhanced product and client offerings

- bundled packages
- targeted cross-selling, up-sell opportunities
- strengthened retention potential

### Front office / sales / communication

- unified retail shop network & call-center
- unified relationship management towards business clients
- integrated brand communication

### Back office and support systems

- integrated client database
- joint CRM & SAP systems
- integrated real estate and car fleet management
- harmonized procurement activities

### Shared IP platform

- synergies from joint planning and coordinated operations
- development of an integrated NGN

## Benefits

### Financial impact

After full implementation, we expect significant financial benefits from the following factors:

- Increased revenue
- Improved cost efficiency
- CAPEX savings
- Utilization of tax credit and tax losses

# International fixed line operations
## Competition started in Macedonia, seasonality impact at TCG

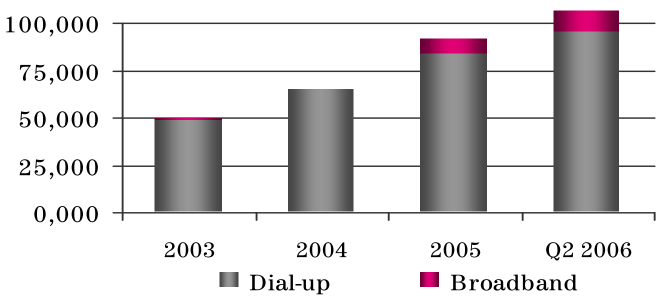
### Macedonia

**Main drivers of revenue increase**
- favourable FX movement
- positive impact of tariff rebalancing (August 2005)
- higher internet revenues

**Pressure coming from**
- strong mobile substitution (traffic declines)
- weak macro economy limiting top-line growth
- decreasing number of RPCs

**EBITDA margin at 46%**
- 24% headcount reduction year-on-year
- continuing strict cost control
- non-recurring impact increasing operating costs

Strong increase in internet subscribers




### Montenegro

**Saturated fixed line market**
- fixed line penetration rate at 31%, minor line erosion
- higher usage
- favourable FX impact

**Integration of fixed and mobile operations**
- stronger position ahead of liberalization
- plan to introduce the 'T' brand both for fixed and mobile operation in H2 2006

**EBITDA margin was 33 %**
- strong seasonality helped revenue and EBITDA increase
- cost cutting initiatives increased efficiency

**Further headcount rationalization**

### POP and alternative operations

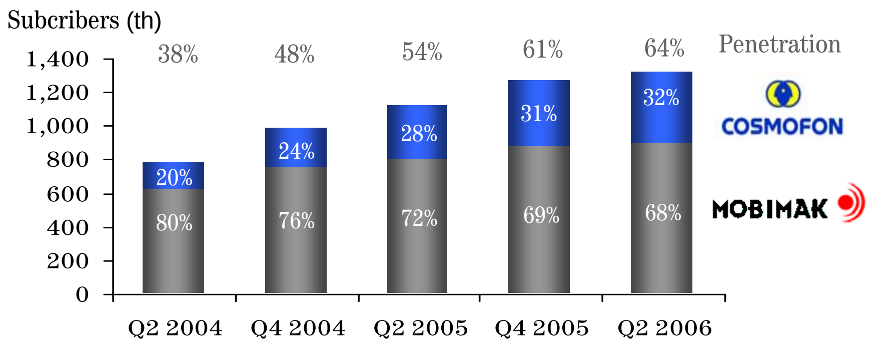
**H1 2006 revenues of HUF 2.2bn**
- POP in Bulgaria, Romania and Ukraine
- Alternative services in Bulgaria and Romania

# International mobile operations

## Robust EBITDA margin at Mobimak; impressive growth at Monet

| Macedonia | Montenegro |
|---|---|

### Subscribers, market shares and penetration




Competition-driven price erosion

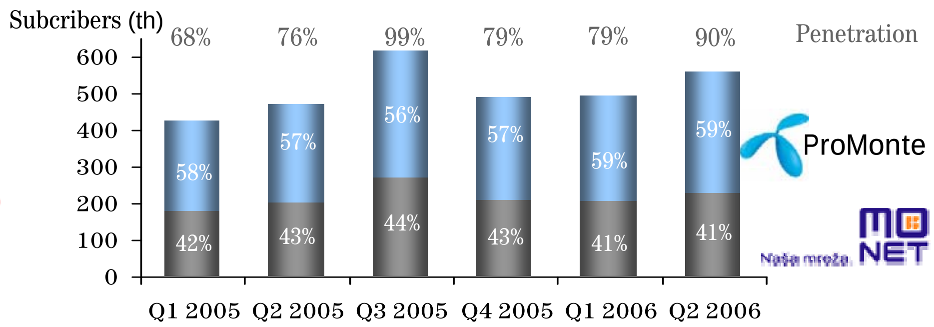
- customer growth at above 11%
- decreasing tariff levels
- increase in postpaid share in the RPC base
- ARPU stable at HUF 2,992 (~EUR 11)

Rebranding to commence in September

Profitability maintained at high level

- EBITDA margin at nearly 55 %

### Subscribers, market shares and penetration




Intense competition in a relatively saturated market

- Rebranding planned for H2 expected to strengthen market position

Strong seasonality in the mobile market

- higher usage
- high number of tourists buying prepaid cards
- MOU 135 and ARPU 4,037 (~EUR 15) in H1 2006

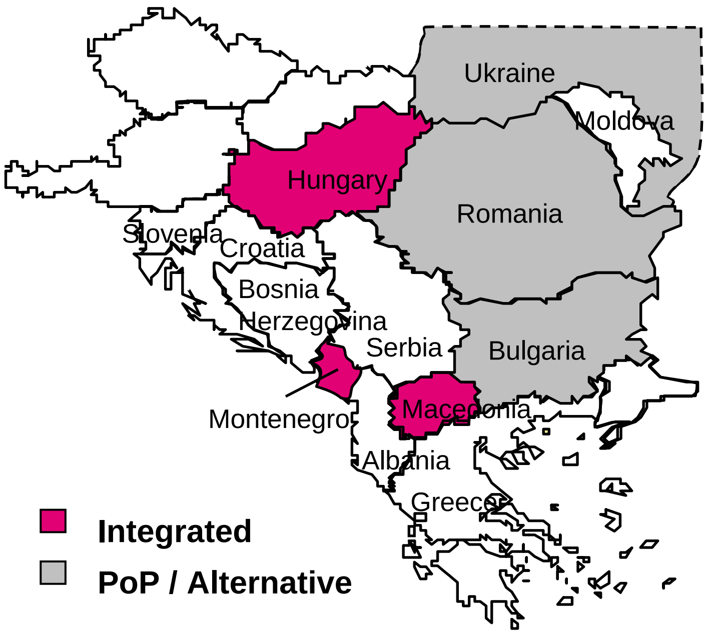
EBITDA margin at 44%

# Acquisition-driven growth and dividend policy

## Acquisition-driven growth

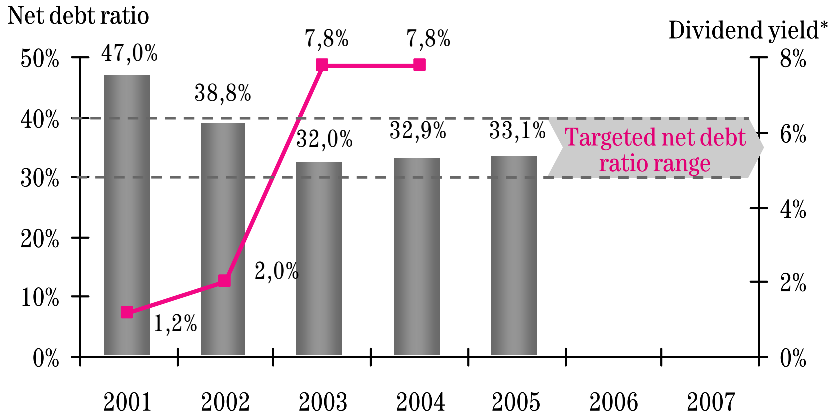
Growth through value-accretive acquisitions remains a priority

- integrated operations in Macedonia and Montenegro
- alternative service provider in Romania and Bulgaria, point of presence in the Ukraine
- strengthening position in the IT market – acquisition of KFKI and Dataplex in Hungary




## Dividend policy

### Net debt ratio and dividend yield




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

Despite the delay to the AGM, the BoD considers a dividend for 2005 in line with last year's level to be reasonable, based on a review of the unaudited 2005 financials.