

Q2 2012 Results

Magyar Telekom Group

Strong market position maintained, but difficult economic environment puts increasing pressure on EBITDA

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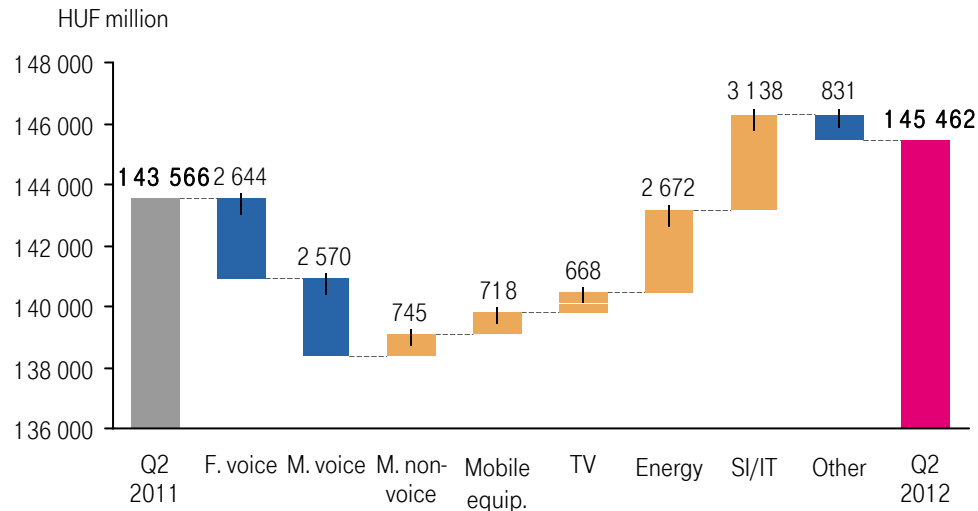
Q2 2012 highlights

Revenues up by 1.3%	<ul style="list-style-type: none">▪ growth in SI/IT and energy resale revenues▪ higher mobile equipment, TV and mobile internet revenues▪ international subsidiaries' performance was flat thanks to HUF weakening
Underlying EBITDA down 9%	<ul style="list-style-type: none">▪ deteriorating economic outlook negatively impacting customer's telco spending▪ pressure on high margin voice services▪ more even within year distribution of market invest in 2012 vs. back-end loaded in 2011
FCF hit by one-offs	<ul style="list-style-type: none">▪ SEC/DOJ settlement payment hit FCF by HUF 21.1bn in 2012▪ HUF 10.9bn paid for the 900MHz frequency license▪ higher Cash Capex (more even distribution in 2012)
Guidance maintained	<ul style="list-style-type: none">▪ wide and deep cost cutting initiatives from the second half of the year▪ lower market invest in H2 2012 compared to last year▪ price increase from the autumn

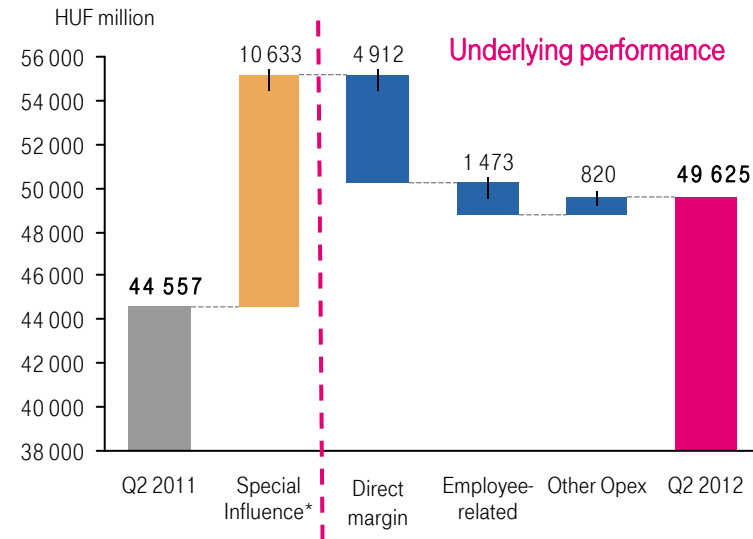


2012 Q2 Group results – Revenues and EBITDA

Group revenues



Group EBITDA



Revenue development

- Group revenues up by 1.3% y-o-y
- HUF 3.1bn revenues from energy resale in Q2 2012
- fixed and mobile voice revenues declined primarily due to continuing intense competition, depressed household consumption and MTR cuts
- SI/IT revenue improvement driven by HW/SW sales
- mobile BB subscriber and revenue growth, higher TV revenues

EBITDA development

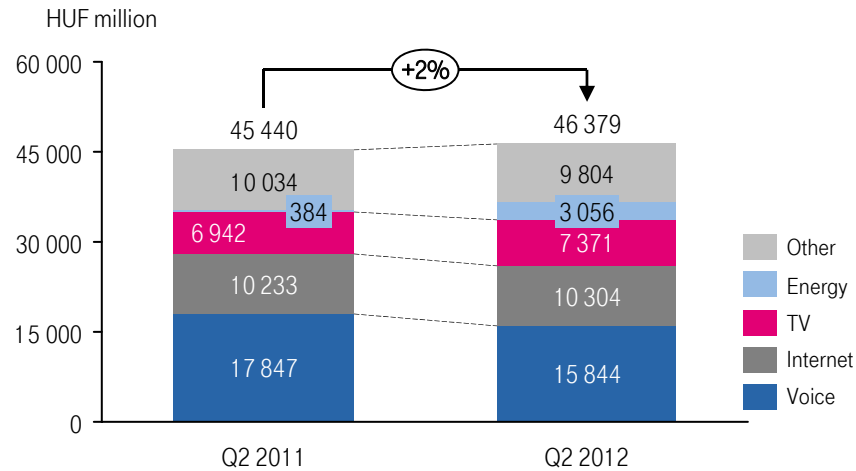
- underlying EBITDA down by 9% y-o-y
- direct margin decline driven by further erosion of traditional voice revenues
- energy resale and SI/IT businesses are further diluting margins
- Q2 2011 EBITDA hit by HUF 10.4bn provision for SEC/DOJ settlement

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

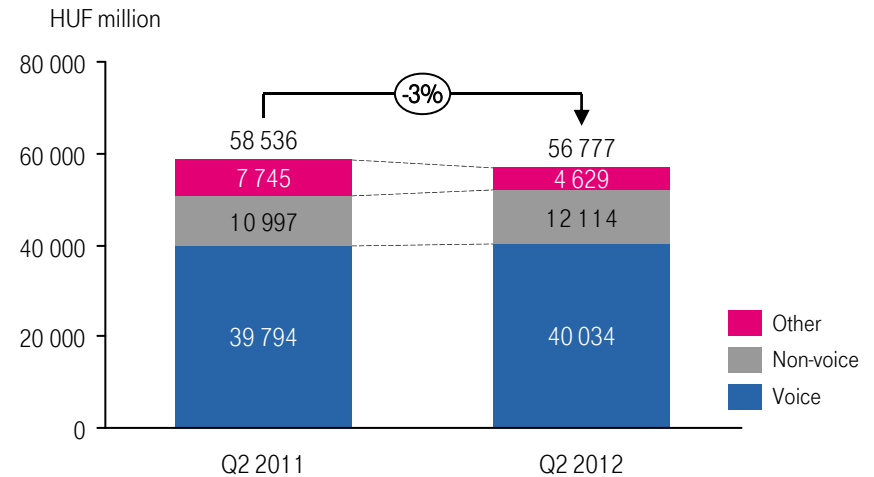


Telekom Hungary –energy resale compensates for voice loss

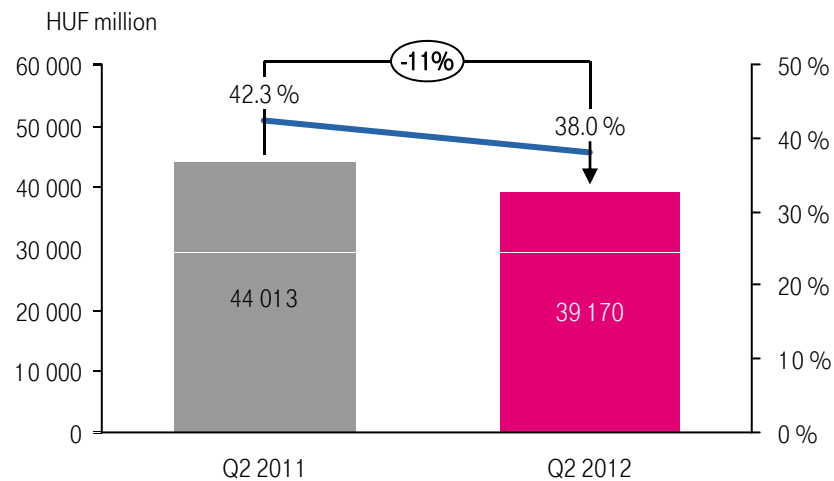
Fixed line and Energy resale revenues



Mobile revenues



Underlying EBITDA and margin



Telekom Hungary

Revenues declined by 1%

- seasonality visible in energy resale revenues
- difficult economic environment limits revenue performance

Decrease in underlying EBITDA margin by 4.3pp

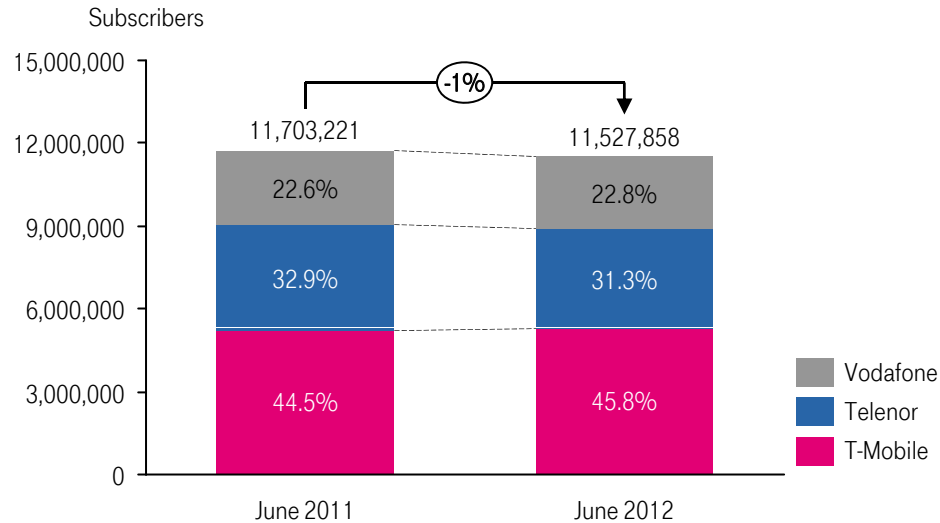
- reduction in high-margin voice revenues
- dilution impact of energy sales



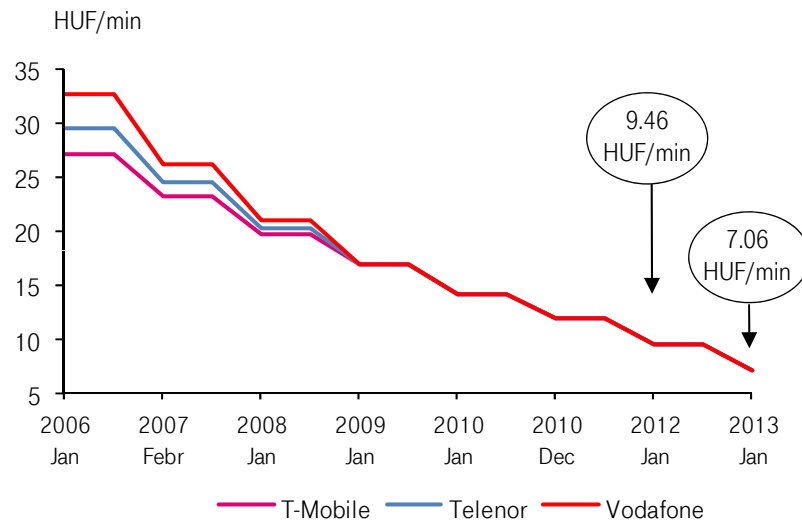
Hungary – Mobile voice: increased market share



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 Q2-o-Q2)

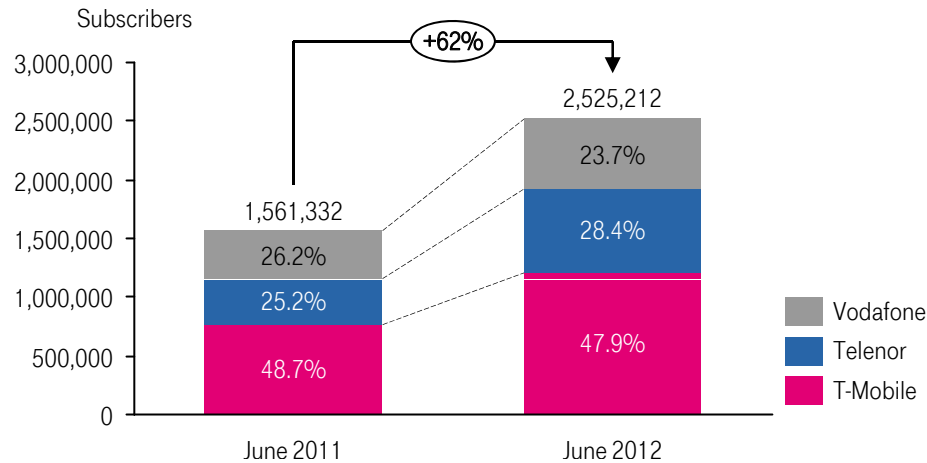
- ARPU: HUF 3,425 (-5%)
- MOU: 161 (-1%)
- Churn: 17% (-2ppt)
- SAC/gross add: HUF 6,014 (+5%)
- SRC/retained customer: HUF 16,476 (-8%)



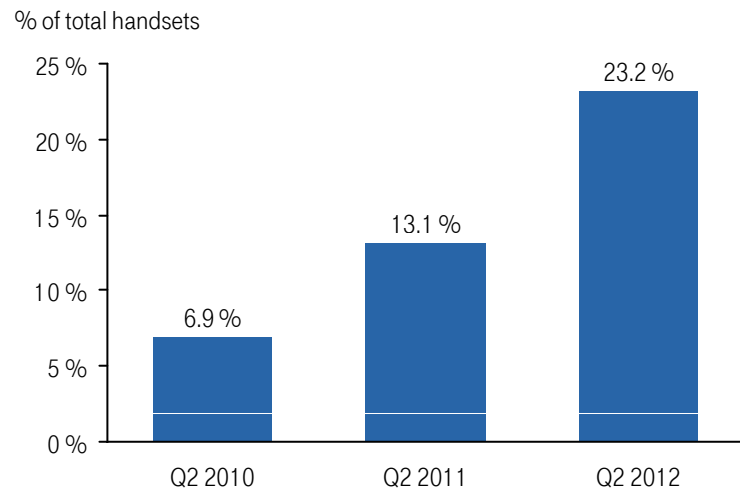
Hungary – Mobile broadband: continued dynamic growth



Mobile broadband market shares (based on total SIM cards)



T-Mobile smartphone penetration



Mobile broadband

- already 770 HSPA+ base stations offering 21 Mbps download speed
- **smartphone sales in the postpaid segment reached 82%** in Q2 2012 (vs. 56% a year ago)
- **BB subscription attach rate is ca. 80%**
- 61% of bundled mobile subscribers were in the two smallest package (MediaMania XS, S)

KPIs (changes Q2-o-Q2)

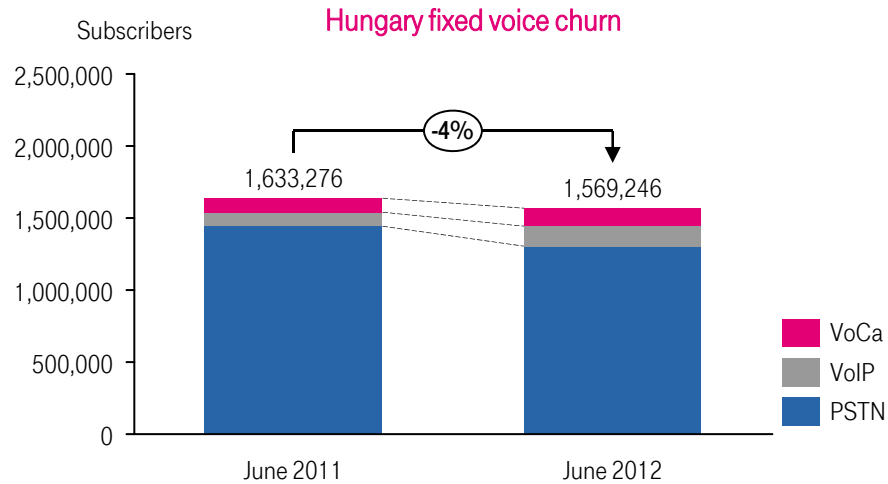
- VAS within ARPU: 23% (+3ppt)
- VAS within ARPU (HUF): 798 (+8%)



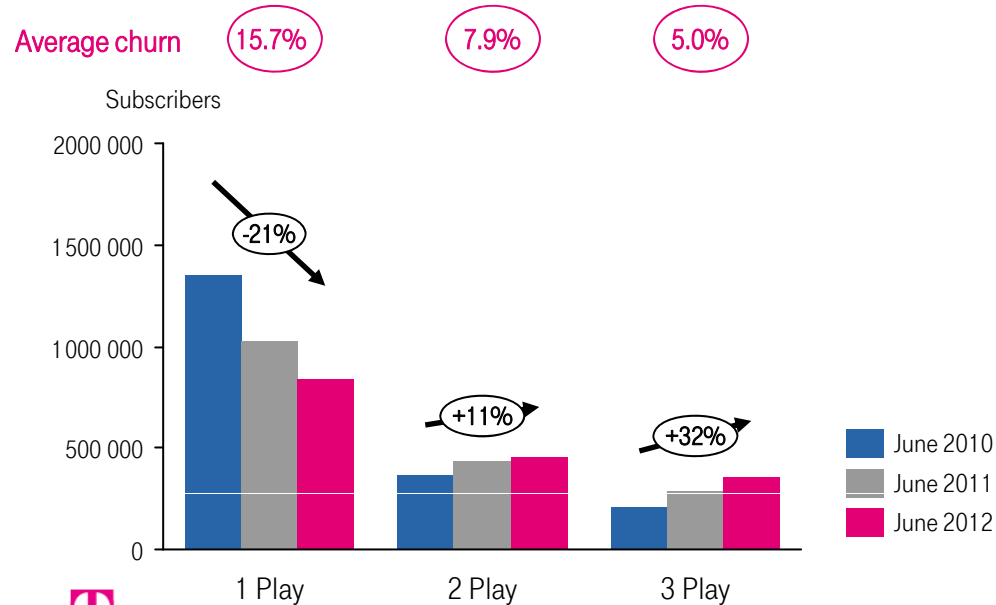
Hungary – improvement in fixed voice churn



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; 34% of fixed customers already subscribed
 - discounts offered in bundled packages, 4Play offer
 - retail energy bundling
- as a result, number of lines lost was 16k in Q2 2012 vs. 22k in Q2 2011
- 1Play customer base declined to 51%**

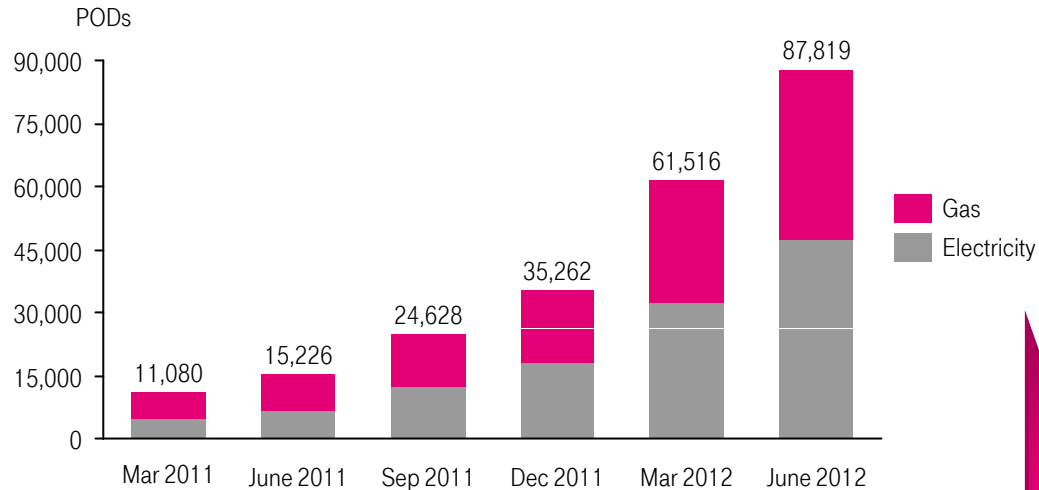
KPIs (changes Q2-o-Q2)

- ARPA: HUF 2,862 (-9%)
- MOU: 173 (+9%)

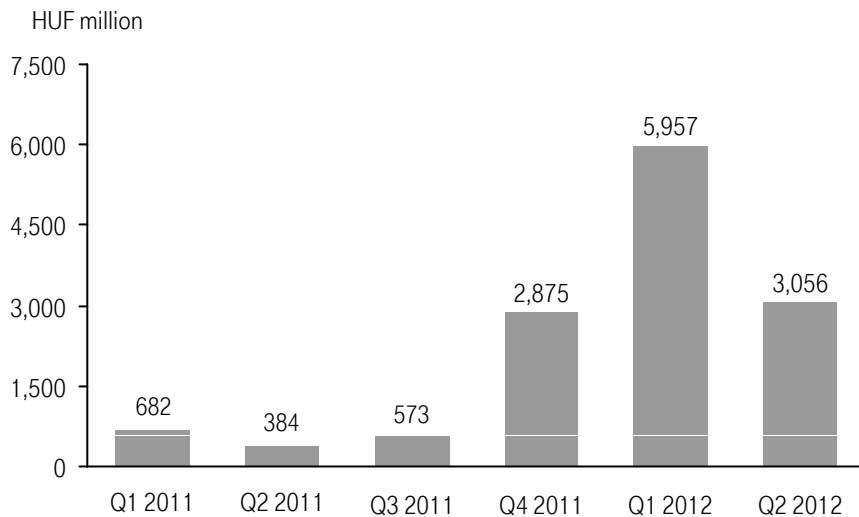


Hungary – Energy resale business as major growth driver

Gas and electricity points of delivery (POD)



Revenue performance



Energy resale

- 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

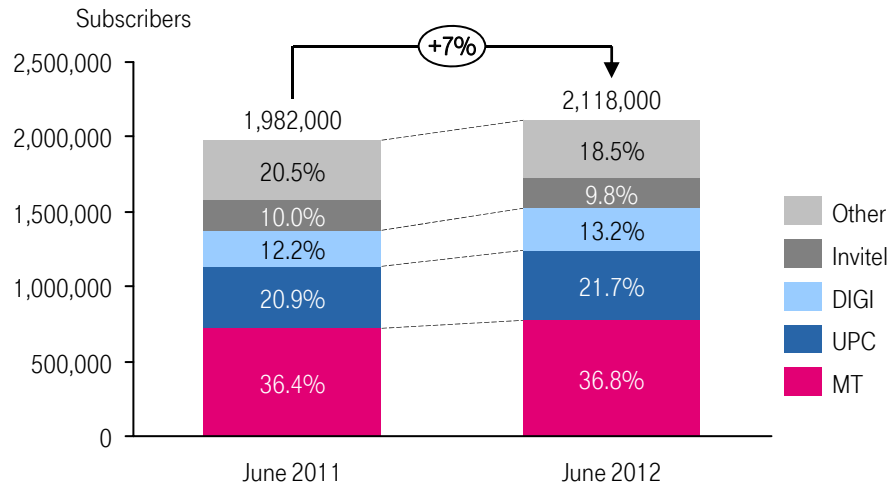
- energy market is strongly seasonal
- gas ARPU: ca. HUF 30,000 in H1 2012
- electricity ARPU: ca. HUF 10,000 in H1 2012



Hungary – Fixed broadband: solid market position

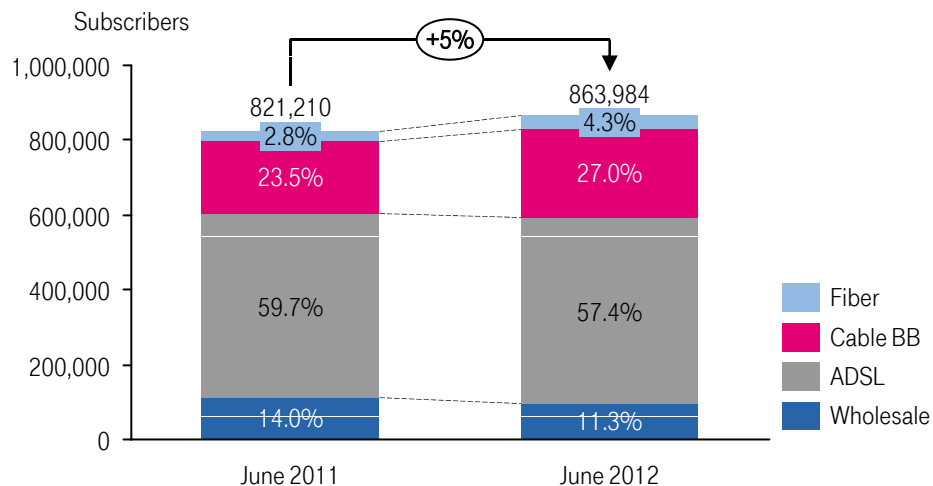


Fixed broadband market shares in Hungary*



*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**
- **ARPU** under continuous pressure
- residential standalone fixed BB prices:
 - 5Mbps speed: HUF 5,830/month (EUR 15)
 - 80Mbps speed: HUF 11,930/month (EUR 35)

KPIs (changes Q2-o-Q2)

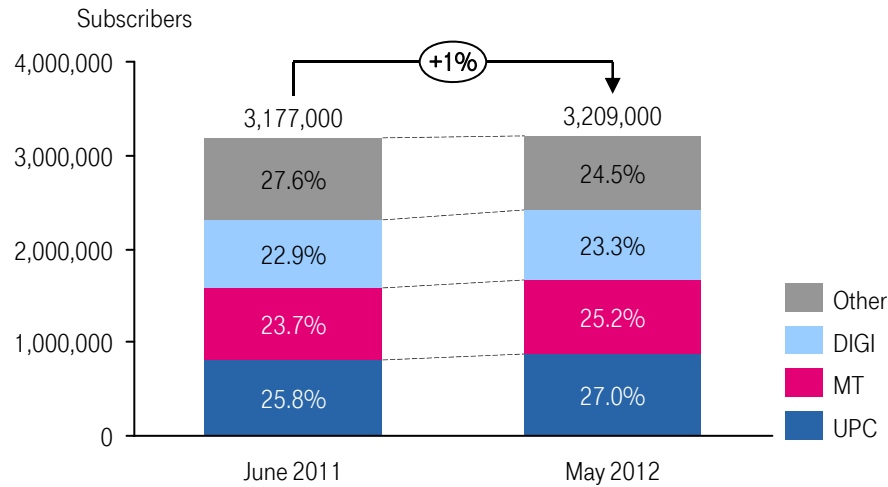
- ARPU: HUF 3,809 (-5%)



Hungary – TV market: strong subscriber growth

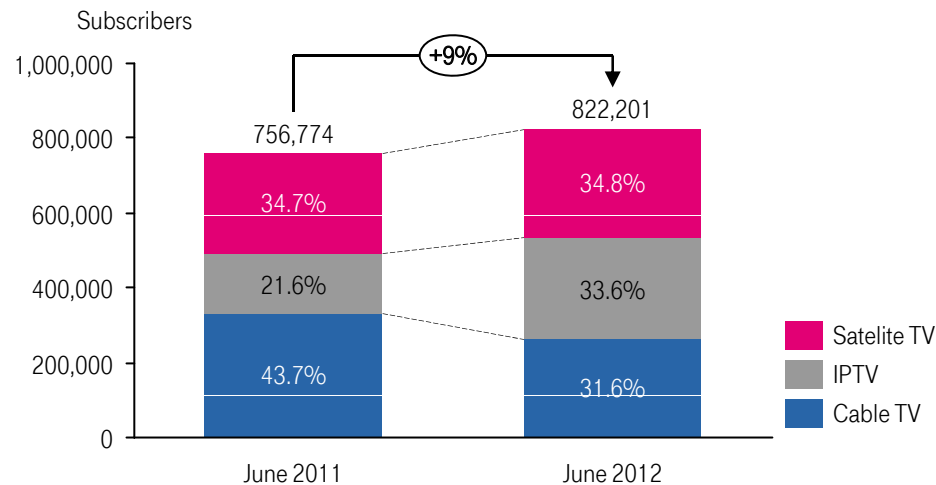


TV market shares in Hungary*



*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: 82% of TV customers are 2Play or 3Play package subscribers
- 3Play offers from HUF 7,530/month (EUR 27)

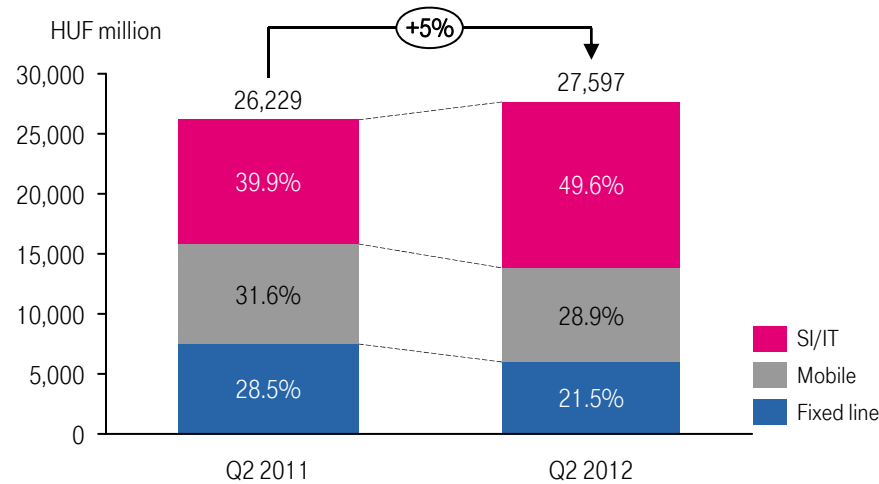
KPIs (changes Q2-o-Q2)

- ARPU: HUF 3,038 (-1%)

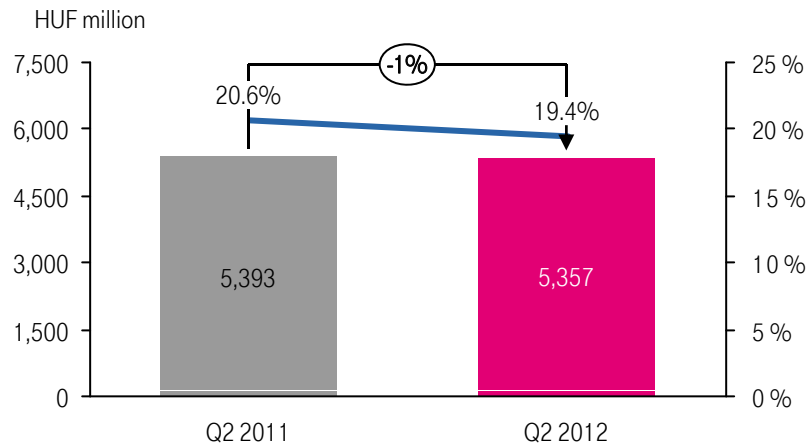


T-Systems Hungary – strong growth in SI/IT revenues

Revenues



Underlying EBITDA and margin



T-Systems Hungary

Falling voice and data revenues

- lower usage both on fixed and mobile networks
- continued pressure on tariff levels

Growth in SI/IT revenues

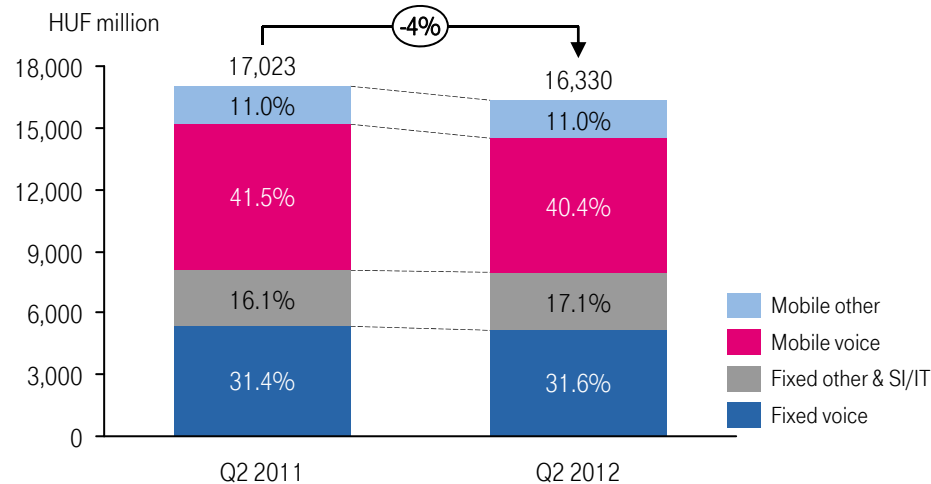
- some bigger equipment delivery contracts in Q2 2012 in the public sector
- major public projects remain subdued
- leading market position with 16% market share

Underlying EBITDA margin declined

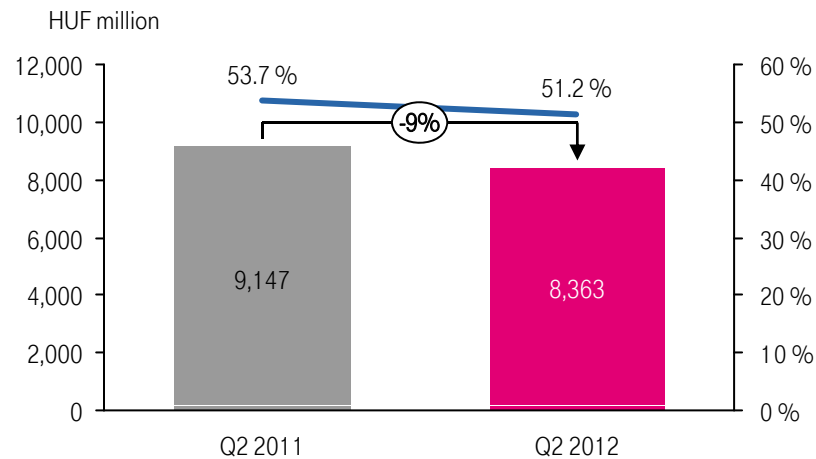
- IT equipment sale projects have lower margin contribution
- higher bad debt is the result of collection of outstanding public receivables in Q2 2011

Macedonia – Financial performance

Revenues



Underlying EBITDA and margin



Macedonia

Significant FX impact: HUF weakened by 10.4% Q2-o-Q2 against MKD

Mobile revenues under pressure

- strong price competition
- MOU up due to increasing volume of bundled minutes
- #1 position maintained, stable 50% market share

Fixed voice hit primarily by cable competition

- repositioned portfolio with attractively priced bundled offers

Declining tariff levels and higher subsidies put pressure on margin

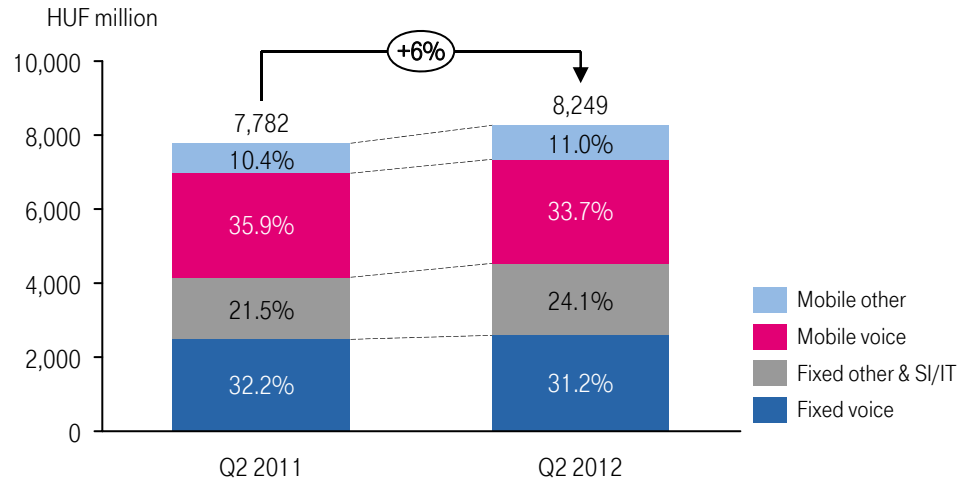
KPIs (changes Q2-o-Q2)

- Fixed churn: 9%
- Fixed outgoing traffic: -19%
- Mobile ARPU: HUF 2,099(-1%)
- MOU : 159 (+20%)

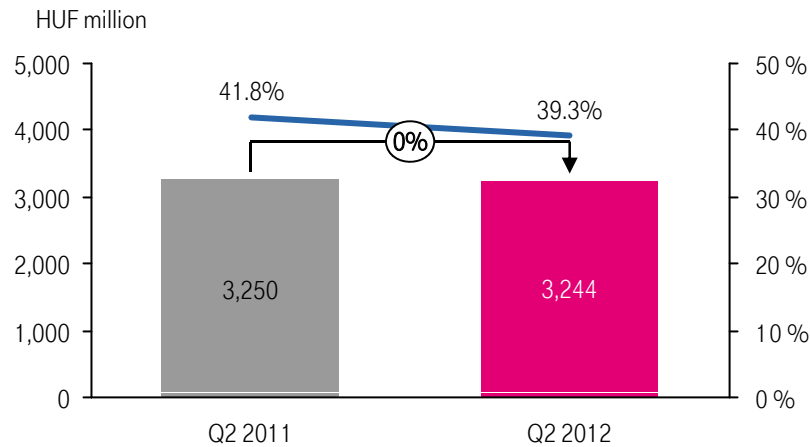


Montenegro – Financial performance

Revenues



Underlying EBITDA and margin



Montenegro

Significant FX impact: HUF weakened by 10.5% Q2-o-Q2 against EUR

Competitive mobile market

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

Pressure on fixed voice revenues

- strong mobile substitution
- growing internet and TV revenues

One-off items deteriorated margin, w/o these margin slightly improved

KPIs (changes Q2-o-Q2)

- Fixed churn: 2%
- Mobile ARPU: HUF 3,510 (+16%)
- MOU: 165 (+13% y-o-y)



Financials



Magyar Telekom – Consolidated Income Statement

HUF million	2Q 2011	2Q 2012	Change
Mobile revenues	75,798	74,799	-1.3%
Fixed line revenues	58,086	55,171	-5.0%
System Integration/Information Technology revenues	9,298	12,436	33.7%
Revenue from Energy Services	384	3,056	
Revenues	143,566	145,462	1.3%
Direct costs	(35,975)	(42,783)	18.9%
Employee-related expenses	(21,482)	(23,161)	7.8%
Depreciation and amortization	(24,024)	(26,128)	8.8%
Hungarian telecommunications and other crisis taxes	(6,345)	(6,136)	-3.3%
Other operating expenses	(36,352)	(24,885)	-31.5%
Total operating expenses	(124,178)	(123,093)	-0.9%
Other operating income	1,145	1,128	-1.5%
Operating profit	20,533	23,497	14.4%
Net financial expenses	(8,051)	(7,313)	-9.2%
Share of associates' profits	0	0	
Profit before income tax	12,482	16,184	29.7%
Income tax	(5,156)	(3,113)	-39.6%
Profit for the period	7,326	13,071	78.4%
Non-controlling interests	2,964	2,392	-19.3%
Equity holders of the Company (Net income)	4,362	10,679	144.8%



Magyar Telekom - Consolidated Balance Sheet

HUF million	Dec 31, 2011	June 30, 2012	Change
Current assets	220,396	183,176	-16.9%
Cash and cash equivalents	14,451	11,992	-17.0%
Other current financial assets	65,286	36,461	-44.2%
Non current assets	877,632	851,077	-3.0%
Property, plant and equipment - net	536,224	512,170	-4.5%
Intangible assets	308,313	313,836	1.8%
Total assets	1,098,028	1,034,253	-5.8%
Equity	556,091	501,691	-9.8%
Current liabilities	255,390	199,546	-21.9%
Financial liabilities to related parties	49,865	24,619	-50.6%
Other financial liabilities	70,155	50,623	-27.8%
Non current liabilities	286,547	333,016	16.2%
Financial liabilities to related parties	230,166	281,365	22.2%
Other financial liabilities	17,928	16,025	-10.6%
Total equity and liabilities	1,098,028	1,034,253	-5.8%



Magyar Telekom - Consolidated Cashflow Statement

HUF million	June 30, 2011	June 30, 2012	Change
Net cash generated from operating activities	95,464	63,559	-33.4%
Investments in tangible and intangible assets	(26,656)	(40,181)	50.7%
Adjustments to cash purchases	(7,948)	(13,881)	74.6%
Purchase of subsidiaries and business units	(1,263)	(2,173)	72.1%
Cash acquired through business combinations	455	108	-76.3%
Proceeds from / (Payments for) other financial assets - net	11,413	22,591	97.9%
Proceeds from disposal of subsidiaries	0	84	n.a.
Proceeds from disposal of PPE and intangible assets	3,786	435	-88.5%
Net cash used in investing activities	(20,213)	(33,017)	63.3%
Dividends paid to shareholders and minority interest	(63,337)	(65,954)	4.1%
Net payments of loans and other borrowings	(11,654)	33,459	-387.1%
Net cash used in financing activities	(74,991)	(32,495)	-56.7%
Free cash flow	63,838	7,951	-87.5%

* 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: 293.30 (average Q2 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.

