

MAGYAR TELEKOM GROUP

Q3 2013 RESULTS PRESENTATION

NOVEMBER 7, 2013



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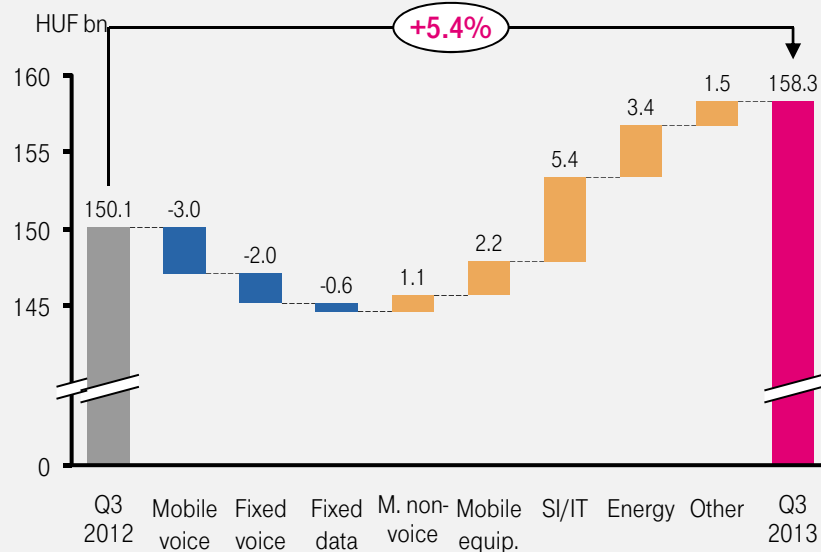
HIGHLIGHTS AND PUBLIC GUIDANCE

	2013 GUIDANCE	Q3-o-Q3	9M-o-9M	Q3 2013 HIGHLIGHTS
REVENUE	increasing	+5.4%	+6.7%	<ul style="list-style-type: none"> ▪ Increase fueled by equipment, energy and SI/IT revenue growth ▪ Slowdown in the erosion of fixed and mobile voice revenues
EBITDA	9%-12% decline	-8.2%	-10.8%	<ul style="list-style-type: none"> ▪ One-off sales totalling HUF 6.2bn EBITDA gain in base period ▪ Slowing direct margin erosion
CAPEX*	5% decline	-39.9%	-1.5%	<ul style="list-style-type: none"> ▪ Spectrum prolongation and acquisitions, annual frequency fee capitalization amounting to HUF 55.3bn ▪ Macedonian real estate transaction required HUF 10.7bn non-cash CAPEX in Q3 2012

*excluding spectrum license fees and annual frequency fee capitalization

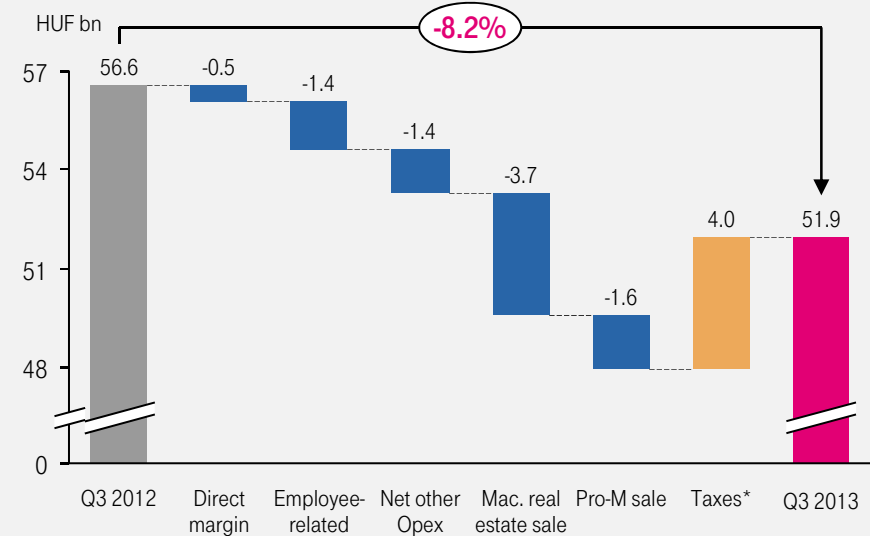
Q3 2013 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Strong contribution from energy service revenues
- SI/IT revenue growth fueled by application and infrastructure projects
- Increase in contribution from smart-device sales
- Decline in fixed and mobile voice revenues reflects the lower contribution from Macedonian operation and MTR cuts
- Decrease in fixed data revenues primarily due to public sector insourcing

GROUP EBITDA

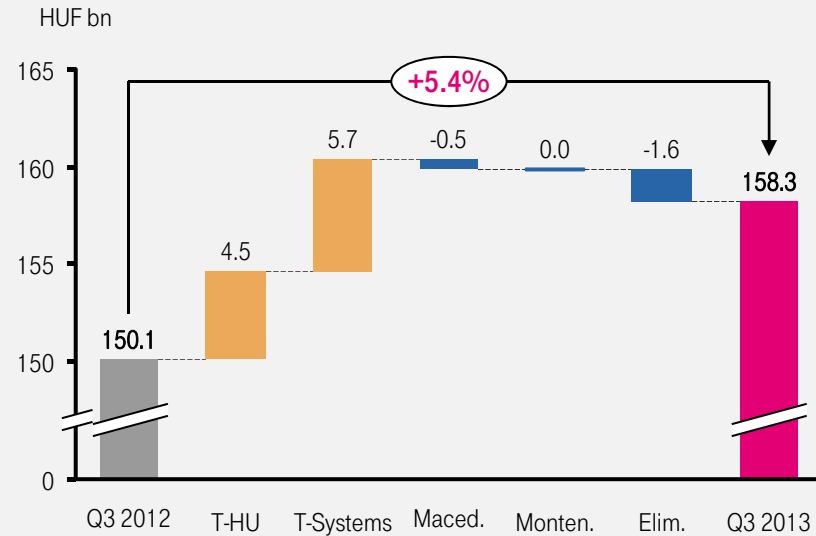


- Direct margin erosion was successfully limited by:
 - Erosion of traditional voice revenues at minimal level
 - Improving direct margin contribution of energy sales and SI/IT
- Higher employee related expenses due to Macedonian severance of HUF 1.3bn
- Lower operating taxes* could not fully offset the impact of the sale of Pro-M and the Macedonian real estate transaction in Q3 2012

*special, telecom and utility taxes

Q3 2013 SEGMENT RESULTS – REVENUES AND EBITDA

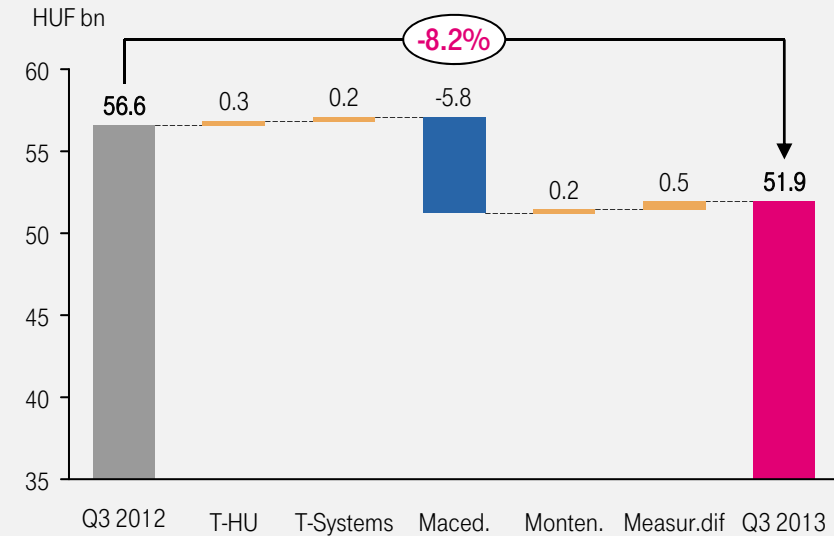
SEGMENTS' REVENUE DEVELOPMENTS



Change Y-o-Y: +4% (T-HU), +22% (T-Systems), -3% (Maced.), 0% (Monten.)

- **T-Hungary:** strong revenues from energy and equipment sales coupled with only limited voice revenue decline
- **T-Systems:** SI/IT revenue growth compensates for lower fixed revenues and Pro-M revenue fallout
- **Macedonia:** fixed and mobile voice revenue decline driven by fierce competitive pressures
- **Montenegro:** fixed and mobile internet growth mitigated retail voice revenue decline driven by the unfavorable economic environment

SEGMENTS' EBITDA DEVELOPMENT



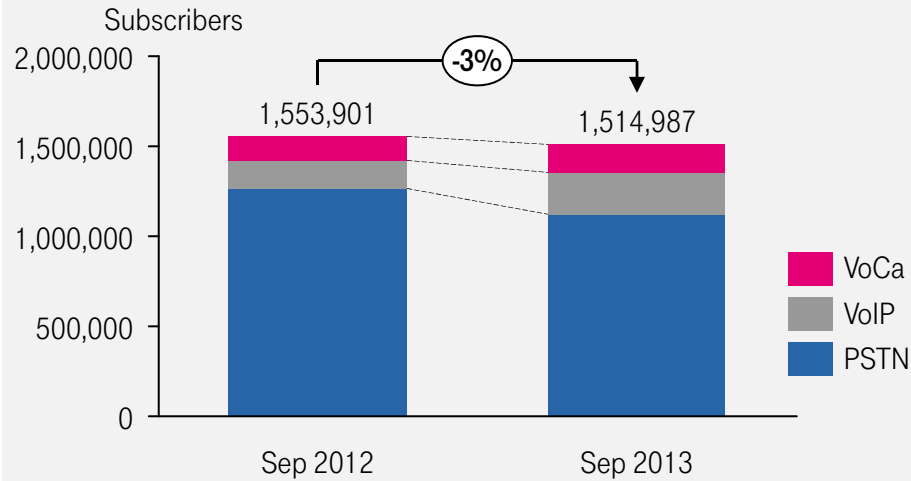
Change Y-o-Y: +1% (T-HU), +4% (T-Systems), -48% (Maced.), +6% (Monten.)

- **T-Hungary:** lower taxes offset higher net opex (higher service fees, marketing expenses and distorting impact of Pro-M sale)
- **T-Systems:** higher profit contribution from the increased volume of SI/IT projects
- **Macedonia:** R/E sale impact and severance expense distorts comparison; EBITDA w/o these declined by HUF 0.8bn
- **Montenegro:** improved performance reflects one-time VAT charge in Q3 2012; EBITDA margin at 41%

HUNGARY – FIXED VOICE MARKET



TELEKOM HUNGARY FIXED VOICE SUBSCRIBERS



Significant reduction in fixed voice churn due to the retention effect of:

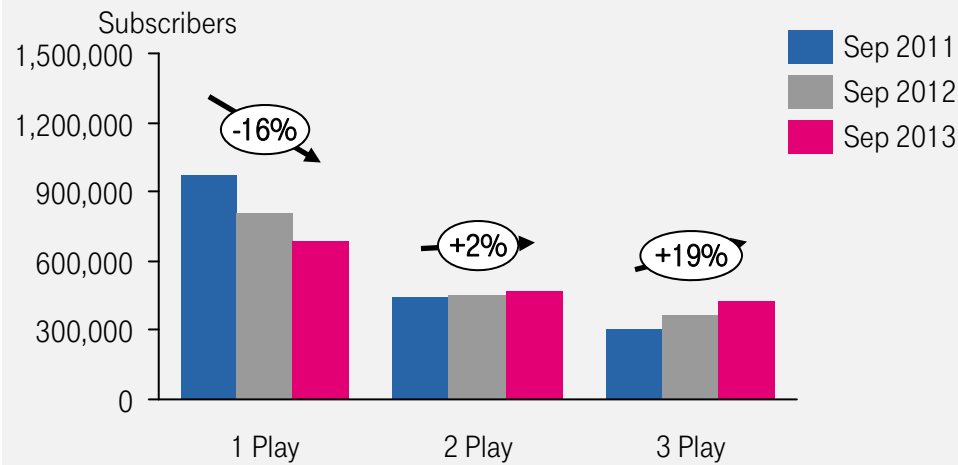
- Hoppá package
- 2Play/3Play offers
- Retail energy bundling

Decline in 1Play customer base below 45%

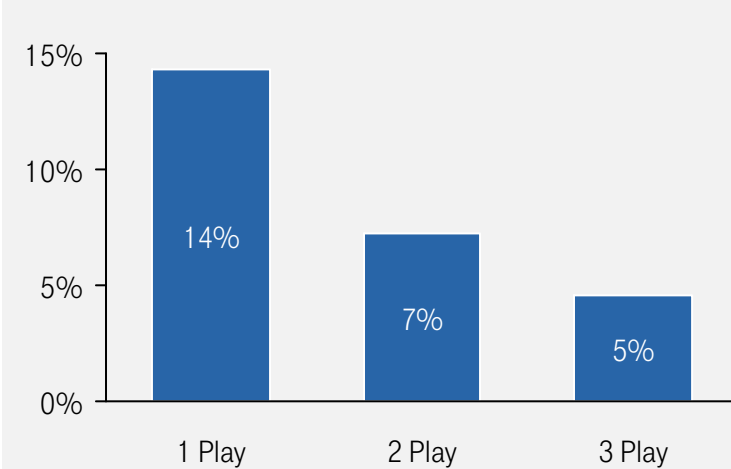
KPIs (Q3-o-Q3):

- ARPU: HUF 2,764 (-1%)
- MOU: 171 (-1%)

MULTI-PLAY DEVELOPMENTS

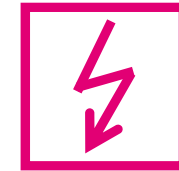


AVERAGE ANNUAL CHURN LEVEL

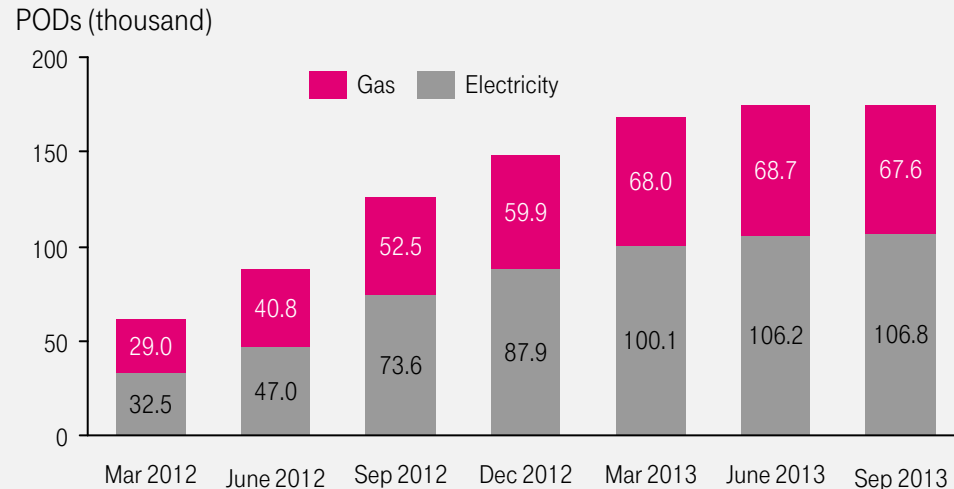


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HUNGARY – ENERGY RETAIL



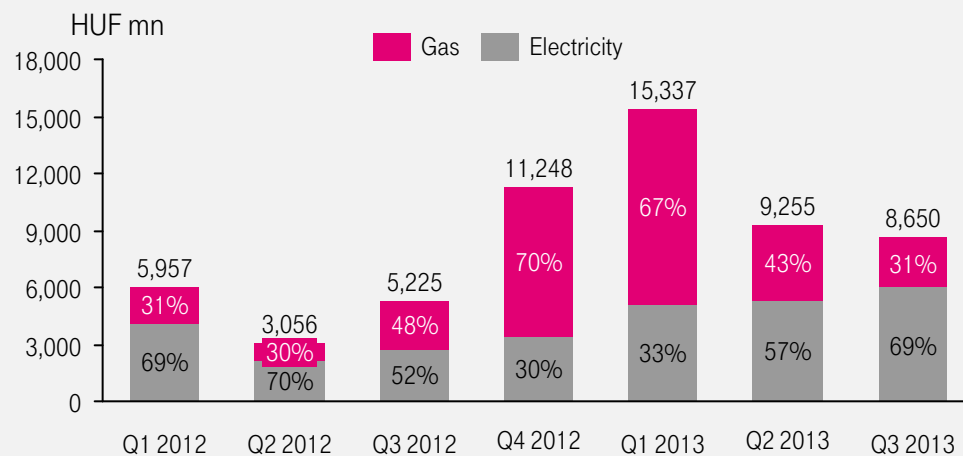
GAS AND ELECTRICITY POINTS OF DELIVERY (POD)



RETAIL ENERGY BUSINESS

- Soft launch in 2010, nationwide since April 2012
- Residential customers receive a 3-8% discount to regulated universal service prices on their energy bill depending on the number of fixed line services they subscribe to
- Significant retention and upsell impact
- Increasing ratio of energy revenues generated from competitive segment customers
- Energy market is strongly seasonal

REVENUE PERFORMANCE



REGULATORY DEVELOPMENTS

- 10% retail price reduction since January 1, 2013 and further 11.1% from November 1, 2013
- Sustainable solution to serve universal customers:
 - Access to gas sources as offered to universal service providers from July 1, 2014
 - Exemption from membership fee to the Hungarian Hydrocarbon Stockpiling Association from October 1, 2013
 - Exemption from obligation to take over of "green" electricity from October 1, 2013

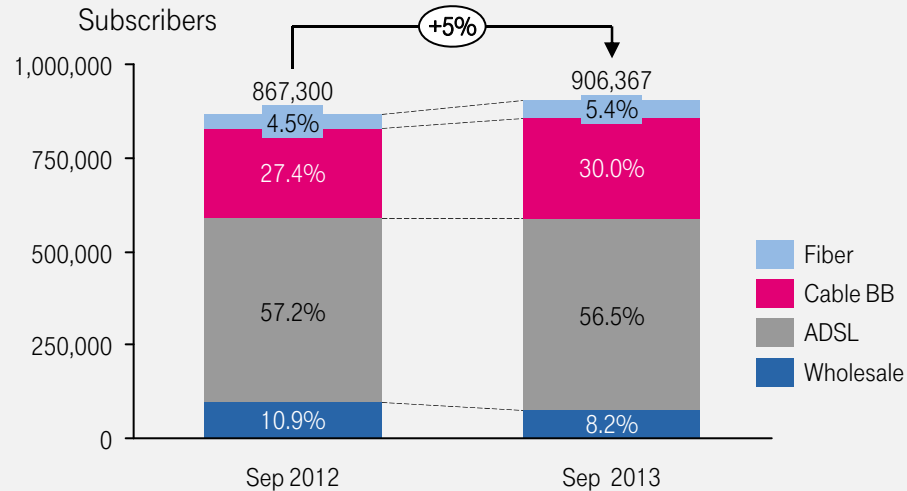


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TELEKOM HUNGARY – BROADBAND AND TV MARKET

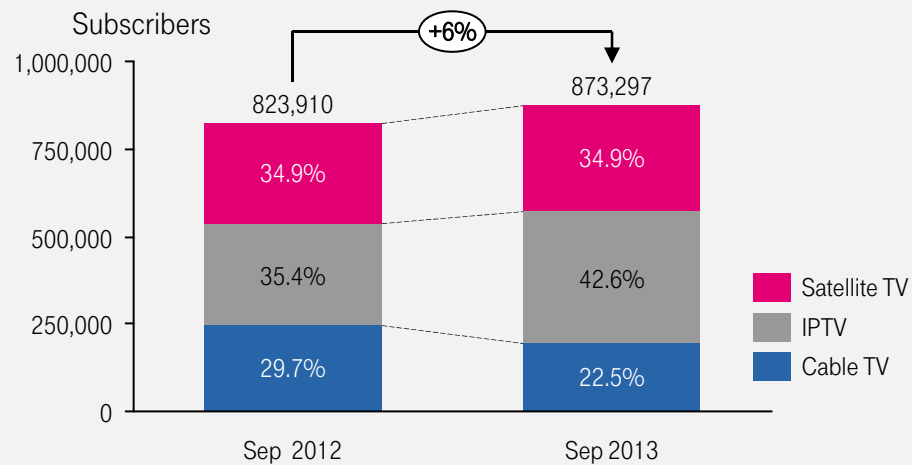


FIXED BROADBAND SUBSCRIBER BREAKDOWN



- Growth in broadband market driven by cable and fiber
- Internet service portfolio restructured to support fixed broadband subscriber acquisitions
- Broadband ARPU: HUF 3,465 (-8% Q3-o-Q3)

TV SUBSCRIBER BREAKDOWN

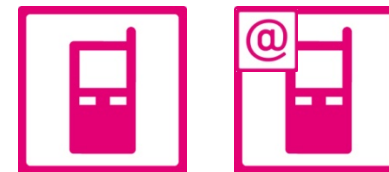


- TV ARPU supported by increasing number of interactive IPTV customers
- Significant migration from cable to IPTV
- 3Play offers from HUF 4,550/month (EUR 15)
- TV ARPU: HUF 3,120 (+3% Q3-o-Q3)

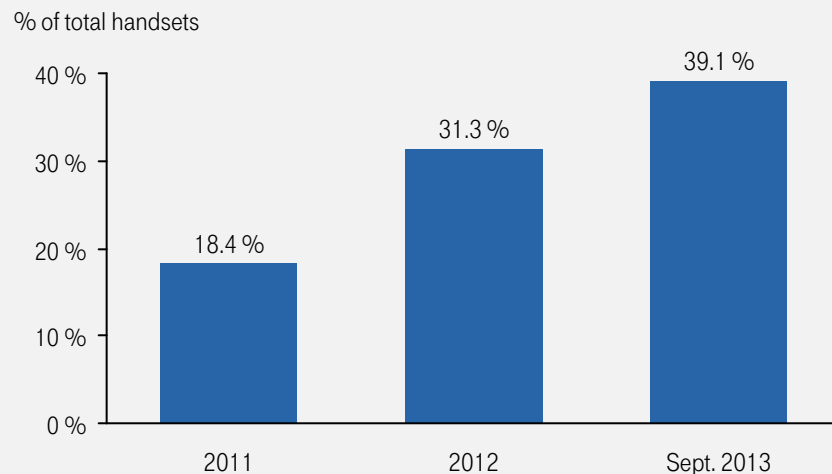


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TELEKOM HUNGARY – MOBILE MARKET

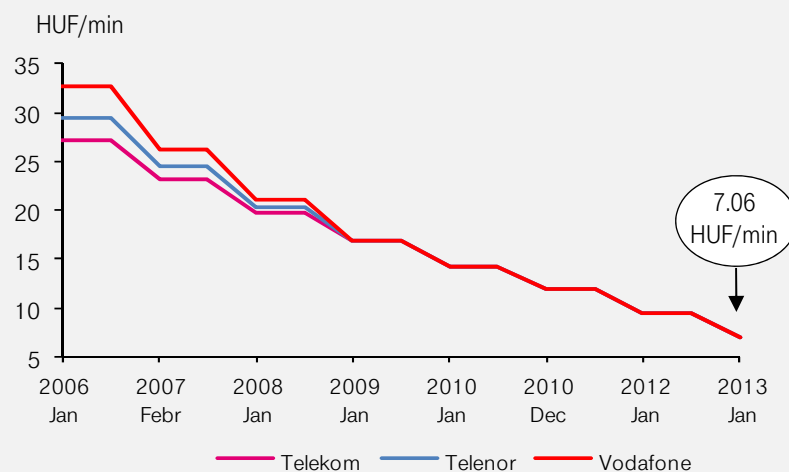


TELEKOM SMARTPHONE PENETRATION



- Improving customer mix: y-o-y increase in postpaid ratio from 46.5% to 48%
- Smartphone sales reached 67% of total handsets
- Broadband subscription attach rate at ca. 84%
- Full LTE coverage in Budapest and 37% population-based coverage countrywide
- MTR cut: 25% from Jan 2013 to 2.4 eurocents

MOBILE TERMINATION RATE CUTS



KPIs (Q3-o-Q3):

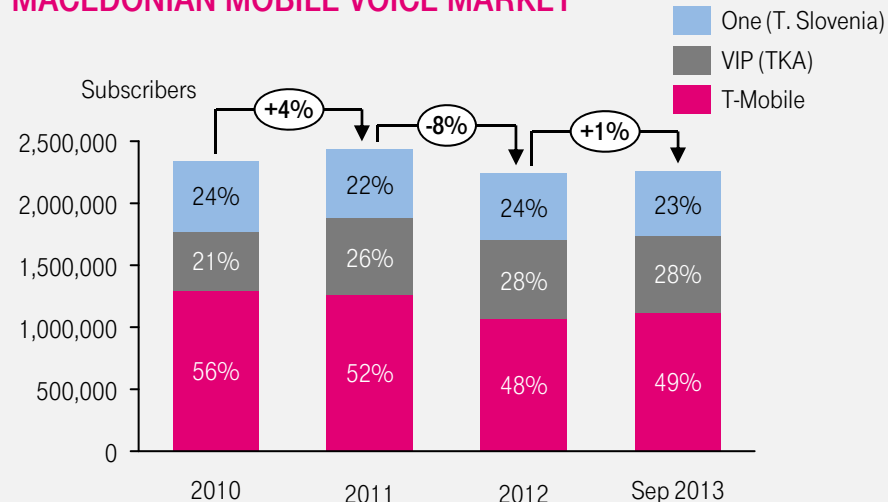
- ARPU: HUF 3,474 (-2%)
- Mobile MOU: 162 (+2%)
- SAC/gross add: HUF 6,444 (+52%)
- SRC/retained customer: HUF 13,504 (+36%)
- VAS within ARPU: HUF 878 (+7%)



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MACEDONIA AND MONTENEGRO

MACEDONIAN MOBILE VOICE MARKET

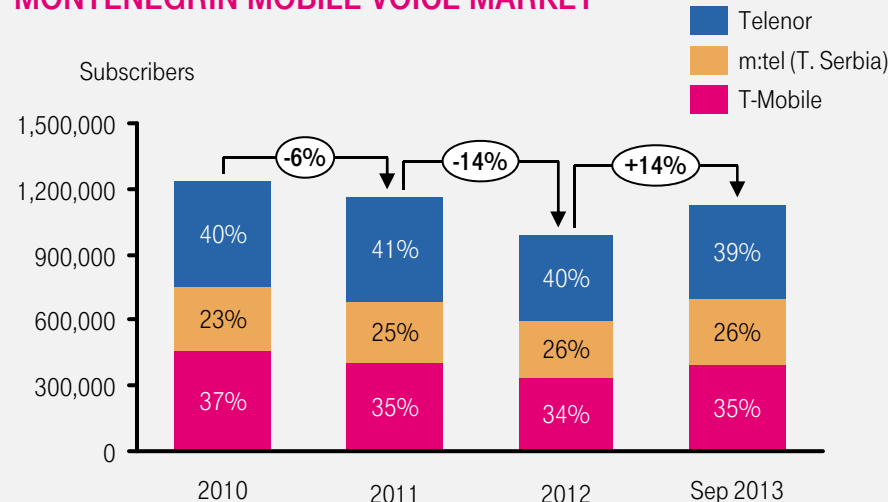


- Leading fixed line operation with 70% voice, 53% internet and 20% TV market shares
- Intense competition from cable operators on the fixed market
- Declining mobile revenues due to strong price competition

KPIs (Q3-o-Q3):

- Fixed churn: 8%
- Fixed outgoing traffic: -19%
- Mobile ARPU: HUF 2,357 (-7%)
- Mobile MOU: 197 (+18%)

MONTENEGRIN MOBILE VOICE MARKET



- Leading fixed line operation with 98% voice, 82% internet and 42% TV market shares
- Strong seasonality on the mobile market driven by tourism
- Economic environment put limitation on performance

KPIs (Q3-o-Q3):

- Fixed churn: 2%
- Fixed outgoing traffic: -11%
- Mobile ARPU: HUF 2,968 (-17%)
- Mobile MOU: 168 (+2%)

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	3Q 2012	3Q 2013	Change
Mobile revenues	80,021	80,040	0.0%
Fixed line revenues	53,662	52,946	-1.3%
System Integration/Information Technology revenues	11,237	16,628	48.0%
Revenue from Energy Services	5,225	8,650	65.6%
Revenues	150,145	158,264	5.4%
Direct costs	(45,067)	(53,704)	19.2%
Employee-related expenses	(21,628)	(23,061)	6.6%
Depreciation and amortization	(26,474)	(27,442)	3.7%
Hungarian telecommunications and other crisis taxes	(10,504)	(6,529)	-37.8%
Other operating expenses	(22,827)	(23,355)	2.3%
Total operating expenses	(126,500)	(134,091)	6.0%
Other operating income	6,475	316	-95.1%
Operating profit	30,120	24,489	-18.7%
Net financial results	(5,243)	(9,240)	76.2%
Share of associates' profits	0	0	n.a.
Profit before income tax	24,877	15,249	-38.7%
Income tax expense	(5,860)	(4,405)	-24.8%
Profit for the period	19,017	10,844	-43.0%
Non-controlling interests	4,242	1,539	-63.7%
Equity holders of the Company (Net income)	14,775	9,305	-37.0%



MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

HUF million	Sep 30, 2012	Sep 30, 2013	Change
Current assets	179,666	198,502	10.5%
Cash and cash equivalents	13,867	15,922	14.8%
Other current financial assets	40,038	24,354	-39.2%
Non current assets	845,175	898,065	6.3%
Property, plant and equipment - net	512,645	496,251	-3.2%
Intangible assets	316,269	377,986	19.5%
Total assets	1,024,841	1,096,567	7.0%
Equity	517,613	489,211	-5.5%
Current liabilities	182,238	312,620	71.5%
Financial liabilities to related parties	24,703	49,853	101.8%
Other financial liabilities	36,800	89,704	143.8%
Non current liabilities	324,990	294,736	-9.3%
Financial liabilities to related parties	281,849	237,248	-15.8%
Other financial liabilities	7,372	28,745	289.9%
Total equity and liabilities	1,024,841	1,096,567	7.0%



MAGYAR TELEKOM - CONSOLIDATED CASH FLOW STATEMENT

HUF million	Sep 30, 2012	Sep 30, 2013	Change
Net cash generated from operating activities	105,441	75,256	-28.6%
Investments in tangible and intangible assets	(70,891)	(117,445)	65.7%
Adjustments to cash purchases	(1,658)	51,018	n.a.
Purchase of subsidiaries and business units	(2,388)	(494)	-79.3%
Cash acquired through business combinations	48	0	n.a.
Payments for / proceeds from other financial assets - net	15,567	18,264	17.3%
Proceeds from disposal of subsidiaries	13,421	0	n.a.
Proceeds from disposal of PPE and intangible assets	777	548	-29.5%
Net cash used in investing activities	(45,124)	(48,109)	6.6%
Dividends paid to shareholders and minority interest	(66,063)	(65,361)	-1.1%
Net payments of loans and other borrowings	5,819	38,715	565.3%
Net cash used in financing activities	(60,244)	(26,646)	-55.8%
Free cash flow*	44,750	8,883	-80.1%

* 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



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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: 297.1 (average Q2 2013)

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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