

MAGYAR TELEKOM GROUP

Q4 2013 RESULTS PRESENTATION

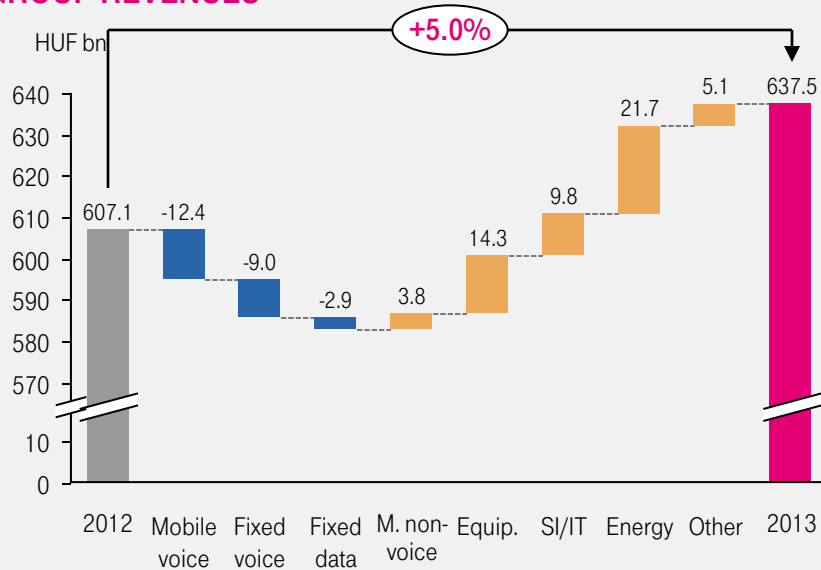
FEBRUARY 27, 2014



LIFE IS FOR SHARING.

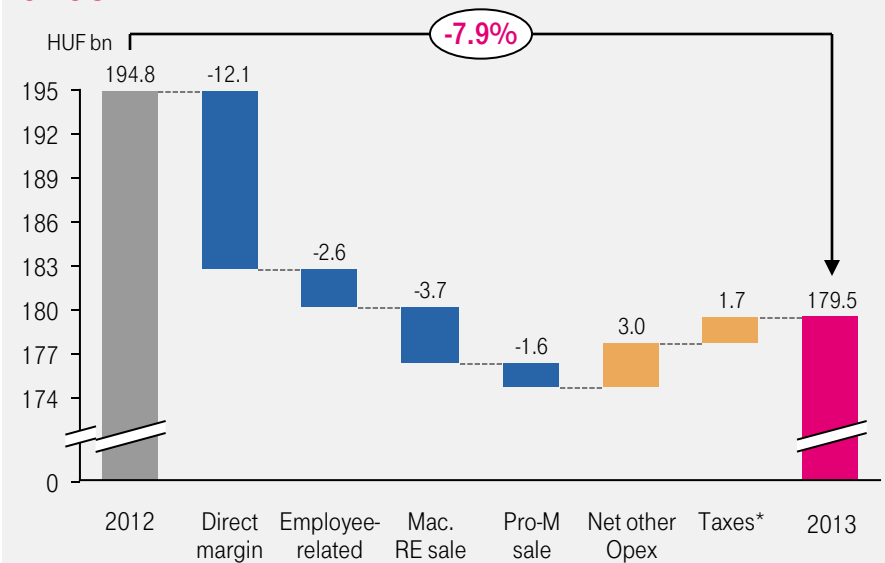
2013 GROUP RESULTS – REVENUES AND EBITDA

GROUP REVENUES



- Strong contribution from energy service revenues
- Increase in contribution from smart-device sales both in fixed and mobile business
- SI/IT revenue growth fueled by application and infrastructure projects
- Decline in fixed and mobile voice revenues reflects the lower contribution from Macedonian operation and MTR cuts

GROUP EBITDA

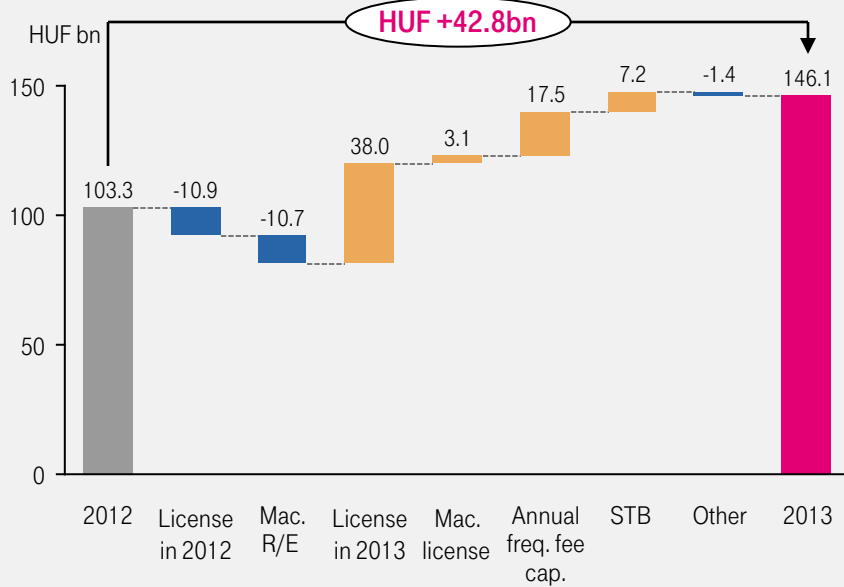


- Direct margin erosion due to:
 - further erosion of traditional voice revenues
 - lower direct margin contribution of equipment sales and SI/IT
 - negative margin of energy services due to the 10% and 11% cuts in regulated energy prices effective from January and November respectively
- Lower operating taxes* could not fully offset the impact of the sale of Pro-M and the Macedonian real estate transaction in Q3 2012



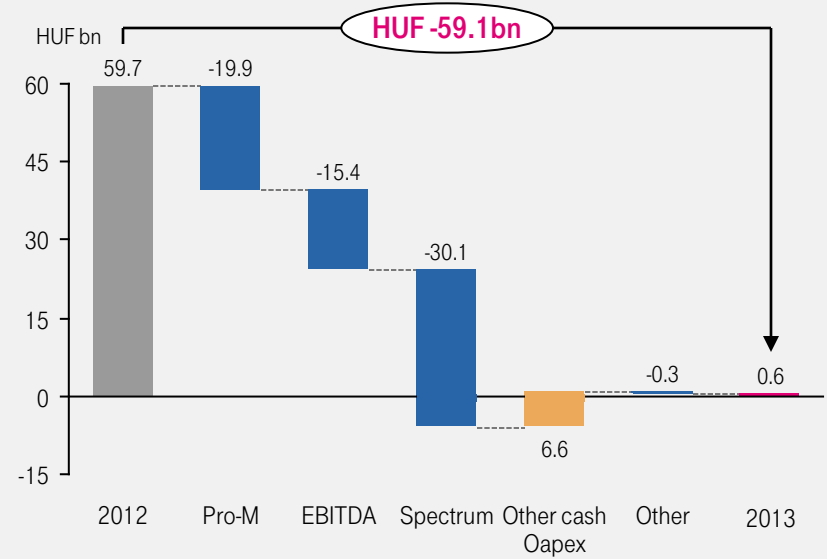
2013 GROUP RESULTS – CAPEX AND FCF

GROUP CAPEX



- Spectrum license fee of HUF 10.9bn booked in 2012 in relation to the 900MHz spectrum
- Macedonian real estate exchange transaction resulting in book Capex of HUF 10.7bn in 2012
- HUF 38.0bn Capex relating to the Hungarian spectrum license extension in 2013
- HUF 3.1bn 4G spectrum license fee in Macedonia
- Hungarian annual frequency fees were capitalized resulting in HUF 17.5bn increase in book Capex
- Change in the accounting treatment of set top boxes

GROUP FCF*



- Sale of Pro-M supported 2012 results
- Higher spectrum related payments in 2013
- Other includes:
 - deterioration in working capital offset by improvement in other operating CF (reverse factoring)
 - higher net financial charges
 - lower amount spent on acquisitions

PUBLIC TARGETS FOR 2014

	2014 TARGETS	2013 RESULTS
REVENUE <ul style="list-style-type: none"> ▪ Cuts in regulated retail energy prices ▪ Spending power in the business sector is expected to remain limited ▪ Continued pressure on Macedonian price levels 	Flat to 3% decline	+5.0%
REPORTED EBITDA <ul style="list-style-type: none"> ▪ Increasing proportion of sales made up by lower margin services ▪ Higher telecommunication tax 	3%-6% decline	-7.9%
CAPEX* <ul style="list-style-type: none"> ▪ Network modernization, LTE roll-out ▪ PSTN migrations 	ca. HUF 87bn	HUF 87.5bn

*excluding spectrum license fees and annual frequency fee capitalization

Q4 2013 HIGHLIGHTS

REVENUE

- Revenues increased slightly by 0.5%, from HUF 164.9 billion to HUF 165.7 billion
- Improved market positions
- Higher energy and mobile non-voice revenues
- Lower Hungarian and Macedonian fixed and mobile voice revenues

REPORTED EBITDA

- EBITDA increased by 4.7%, from HUF 37.0 billion to HUF 38.8 billion
- Lower operating taxes by HUF 3.7 billion
- Savings in other operating expenses, including marketing, consultancy, rental fees and fees and levies

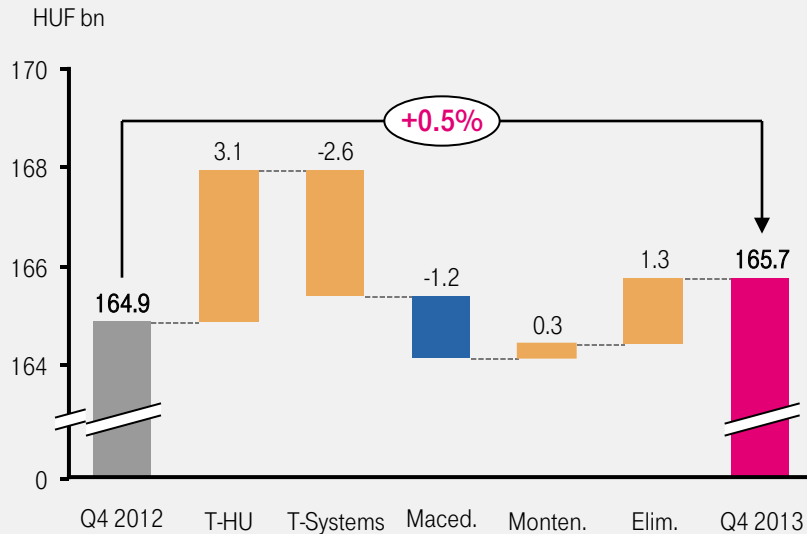
FREE CASH FLOW*

- Changed definition to better reflect real operational performance
- Free cash flow in Q4 2013 was HUF -6.6 billion
- HUF 34 billion for extension of frequency licenses in Hungary was paid in October 2013
- Net debt ratio was at 43.8% at the end of 2013

* Free cash flow defined as Net cash generated from operating activities + Net cash used in investing activities, adjusted with Proceeds from / Payments for other financial assets + Repayment of other financial liabilities

Q4 2013 SEGMENT RESULTS – REVENUES AND EBITDA

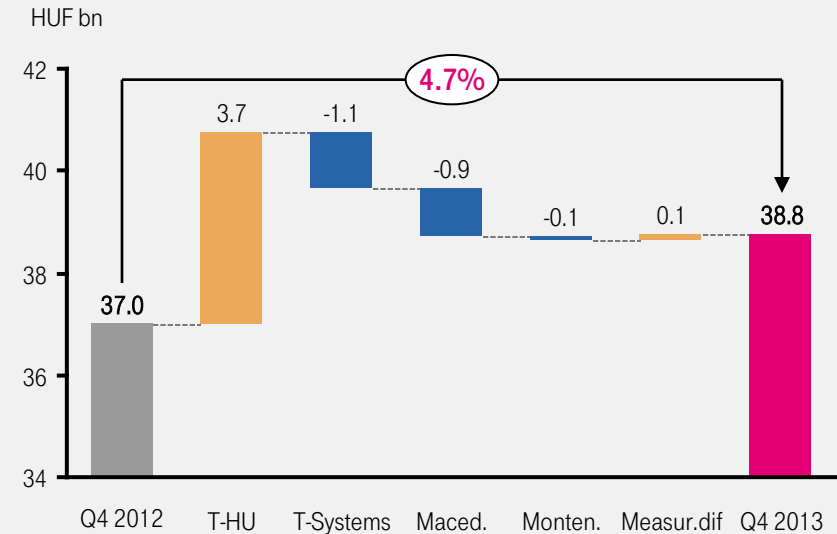
SEGMENTS' REVENUE DEVELOPMENTS



Change Y-o-Y **+3%** **-7%** **-8%** **+4%**

- **T-Hungary:** higher revenues from energy, equipment sales and mobile BB coupled with limited voice revenue decline
- **T-Systems:** stabilizing telco revenues but lower volume of application revenues
- **Macedonia:** mobile voice revenue decline driven by fierce competitive pressures
- **Montenegro:** TV and internet growth mitigated mobile voice revenue decline

SEGMENTS' EBITDA DEVELOPMENT



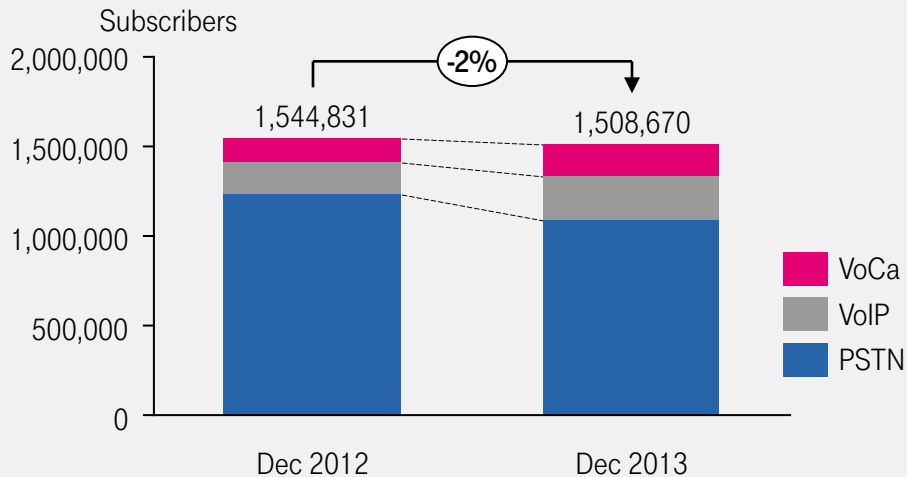
Change Y-o-Y **+15%** **-35%** **-14%** **-3%**

- **T-Hungary:** lower taxes coupled with lower net opex (service fees, fees and levies and marketing expenses)
- **T-Systems:** stable direct margin but one-off booking of non-deductable VAT
- **Macedonia:** competition driven margin pressure; EBITDA margin down 2.8ppt to 39.2%
- **Montenegro:** slightly higher severance expense leading to moderate decline; EBITDA margin at 29%

HUNGARY – FIXED VOICE MARKET



TELEKOM HUNGARY FIXED VOICE SUBSCRIBERS



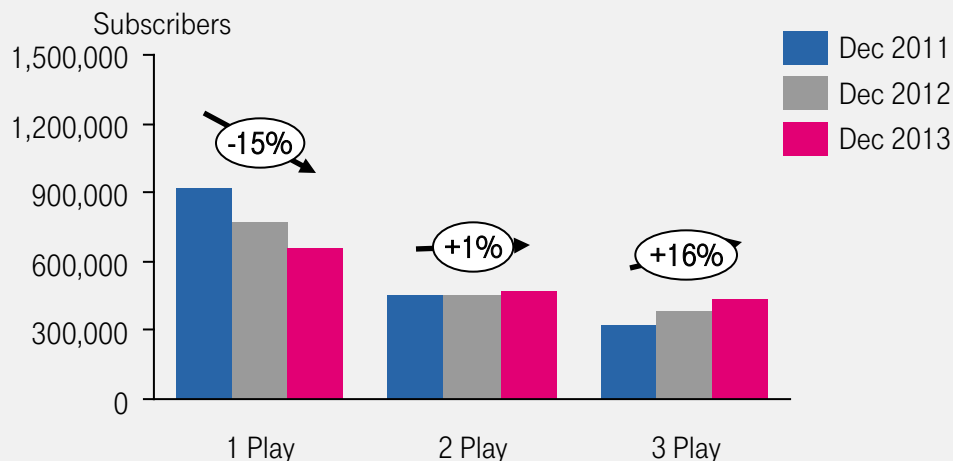
- Significant reduction in fixed voice churn due to the retention effect of:
 - Hoppá package
 - 2Play/3Play offers
 - Retail energy bundling

- Decline in 1Play customer base to 42%

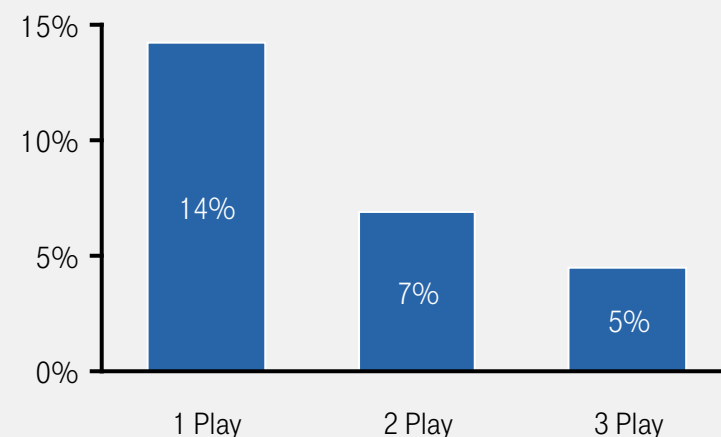
KPIs (Q4-o-Q4):

- ARPU: HUF 2,727 (-3%)
- MOU: 178 (-5%)

MULTI-PLAY DEVELOPMENTS

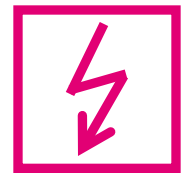


AVERAGE ANNUAL CHURN LEVEL

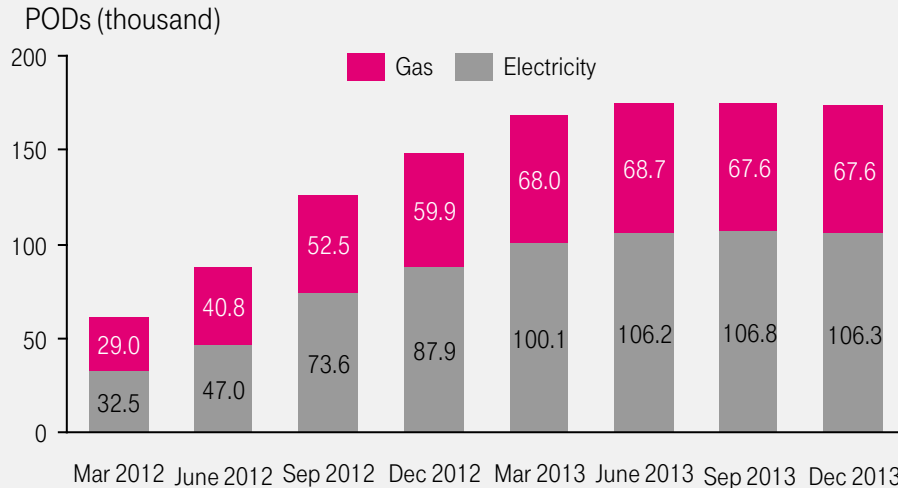


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HUNGARY – ENERGY RETAIL



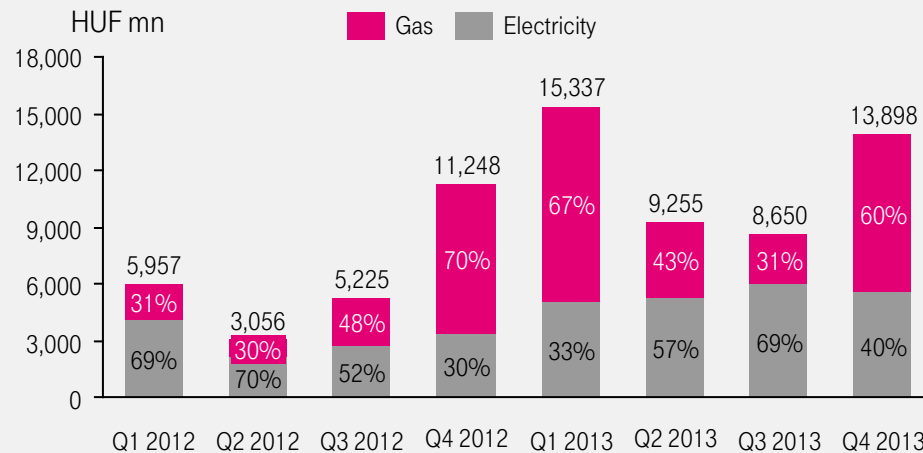
GAS AND ELECTRICITY POINTS OF DELIVERY (POD)



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

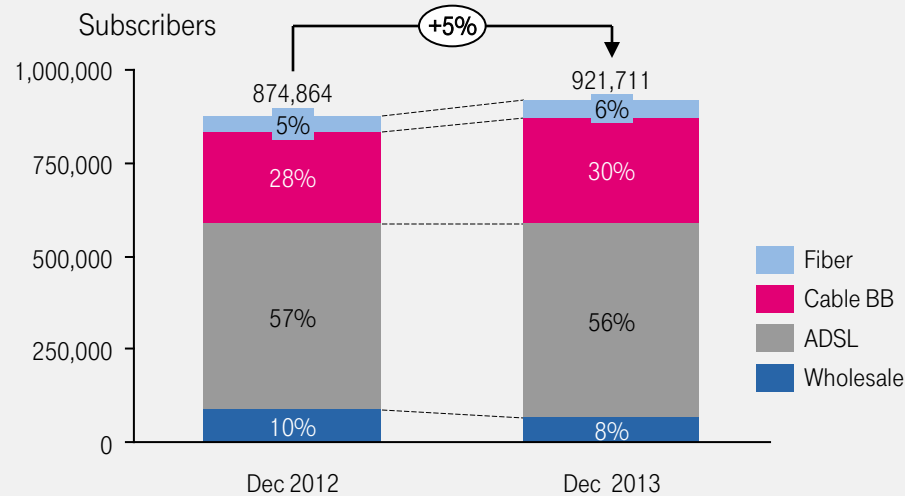


REGULATORY DEVELOPMENTS

- 10% and 11% retail price reduction since January and November 2013 respectively
- Further 6.5% gas and 5.7% electricity price reduction approved effective from April and September 2014 respectively

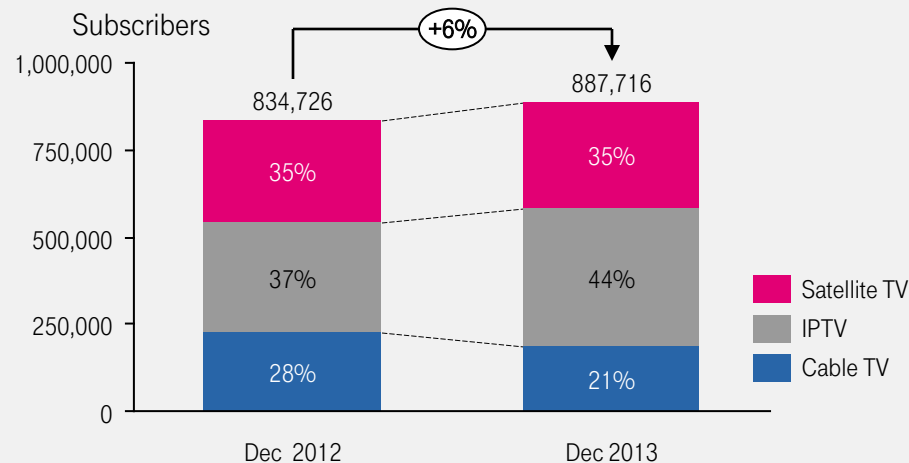


FIXED BROADBAND SUBSCRIBER BREAKDOWN

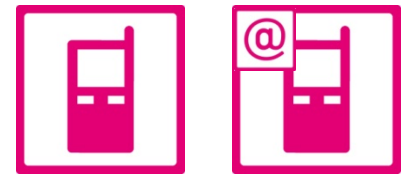


- Growth in broadband market driven by cable and fiber
- Significant ARPU pressure from multiplay migration and local pricing
- Broadband ARPU: HUF 3,442 (-10% Q4-o-Q4)

TV SUBSCRIBER BREAKDOWN

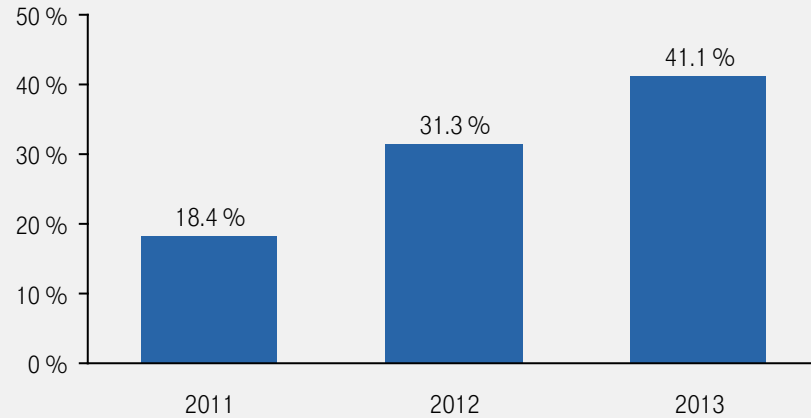


- TV ARPU supported by increasing number of interactive IPTV customers
- Significant migration from cable to IPTV
- 3Play offers from HUF 4,550/month (EUR 15)
- TV ARPU: HUF 3,139 (+1% Q4-o-Q4)



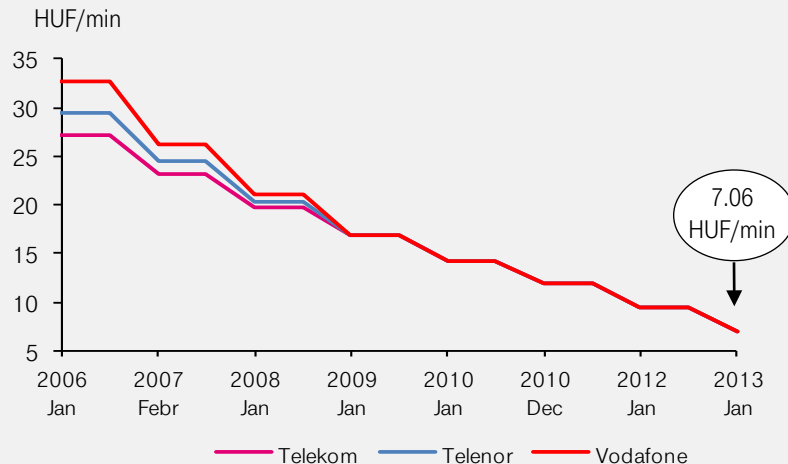
TELEKOM SMARTPHONE PENETRATION

% of total handsets



- Improving customer mix: y-o-y increase in postpaid ratio from 47.3% to 48.5%
- Smartphone sales reached 67% of total handsets
- Broadband subscription attach rate at ca. 85%
- Full LTE coverage in Budapest and 40% population-based coverage countrywide
- MTR cut: no further glide path is announced yet

MOBILE TERMINATION RATE CUTS

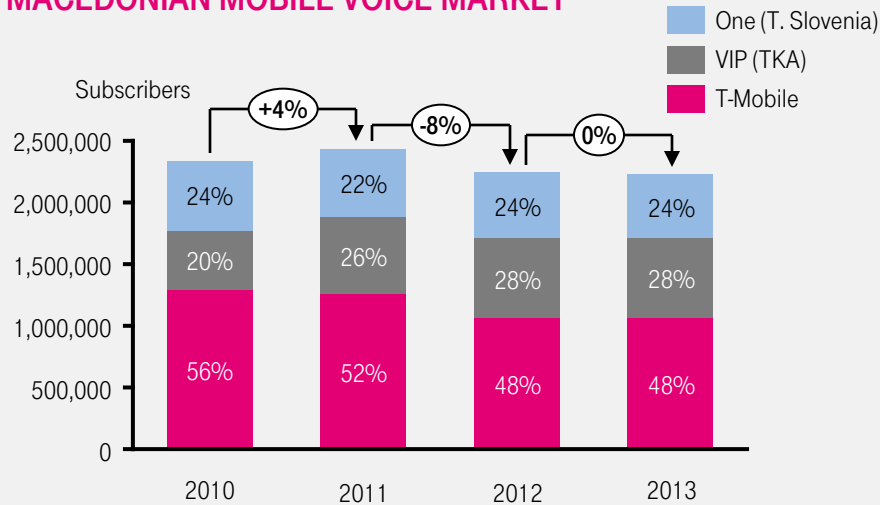


KPIs (Q4-o-Q4):

- ARPU: HUF 3,429 (-2%)
- Mobile MOU: 162 (+1%)
- SAC/gross add: HUF 7,760 (+28%)
- SRC/retained customer: HUF 19,204 (+39%)
- VAS within ARPU: HUF 898 (+6%)

MACEDONIA AND MONTENEGRO

MACEDONIAN MOBILE VOICE MARKET

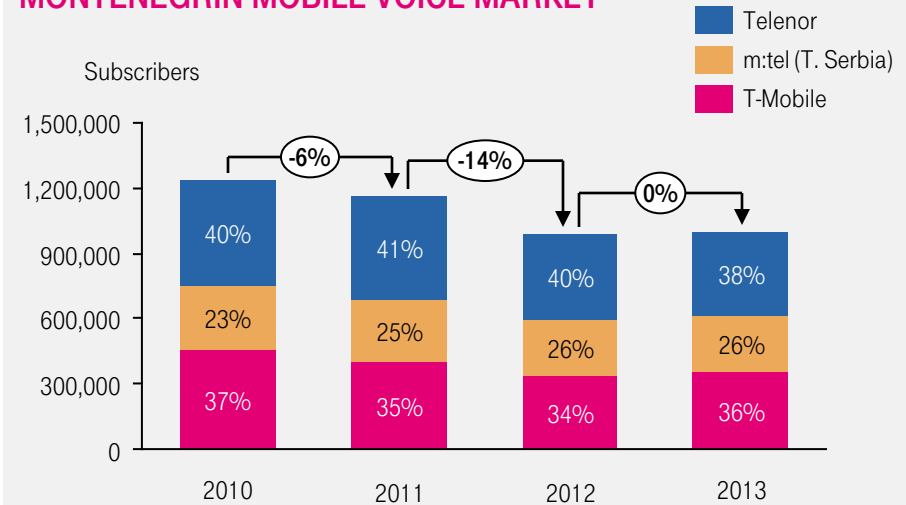


- Leading fixed line operation with 69% voice, 53% internet and 21% TV market shares
- Intense competition from cable operators on the fixed market
- Declining mobile revenues due to strong price competition

KPIs (Q4-o-Q4):

- Fixed voice churn: 9%
- Fixed outgoing traffic: -13%
- Mobile ARPU: HUF 1,951 (-14%)
- Mobile MOU: 197 (+10%)

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 (Q4-o-Q4):

- Fixed voice churn: 2%
- Fixed outgoing traffic: -11%
- Mobile ARPU: HUF 2,532 (-20%)
- Mobile MOU: 160 (-2%)

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	4Q 2012	4Q 2013	Change
Mobile revenues	79 709	78 753	-1,2%
Fixed line revenues	54 989	54 867	-0,2%
System Integration/Information Technology revenues	18 927	18 223	-3,7%
Revenue from Energy Services	11 248	13 898	23,6%
Revenues	164 873	165 741	0,5%
Direct costs	(63 122)	(67 728)	7,3%
Employee-related expenses	(28 077)	(27 346)	-2,6%
Depreciation and amortization	(28 983)	(27 006)	-6,8%
Hungarian telecommunications and other crisis taxes	(10 367)	(6 666)	-35,7%
Other operating expenses	(28 052)	(26 758)	-4,6%
Total operating expenses	(158 601)	(155 504)	-2,0%
Other operating income	1 768	1 510	-14,6%
Operating profit	8 040	11 747	46,1%
Net financial results	(8 442)	(8 026)	-4,9%
Share of associates' profits	0	0	n.a.
Profit before income tax	(402)	3 721	-1025,6%
Income tax expense	(771)	(2 476)	221,1%
Profit for the period	(1 173)	1 245	-206,1%
Non-controlling interests	440	992	125,5%
Equity holders of the Company (Net income)	(1 613)	253	-115,7%



MAGYAR TELEKOM - CONSOLIDATED BALANCE SHEET

HUF million	Dec 31, 2012	Dec 31, 2013	Change
Current assets	215 923	193 941	-10,2%
Cash and cash equivalents	15 211	14 633	-3,8%
Other current financial assets	53 966	28 615	-47,0%
Non current assets	841 921	897 307	6,6%
Property, plant and equipment - net	510 962	493 619	-3,4%
Intangible assets	311 066	381 199	22,5%
Total assets	1 057 844	1 091 248	3,2%
Equity	522 083	489 576	-6,2%
Current liabilities	234 907	307 223	30,8%
Financial liabilities to related parties	35 344	58 682	66,0%
Other financial liabilities	40 341	100 060	148,0%
Non current liabilities	300 854	294 449	-2,1%
Financial liabilities to related parties	261 126	239 522	-8,3%
Other financial liabilities	5 498	26 214	376,8%
Total equity and liabilities	1 057 844	1 091 248	3,2%



MAGYAR TELEKOM - CONSOLIDATED CASH FLOW STATEMENT

HUF million	Dec 31, 2012	Dec 31, 2013	Change
Net cash generated from operating activities	145 227	131 612	-9,4%
Investments in tangible and intangible assets	(103 315)	(146 122)	41,4%
Adjustments to cash purchases	6 701	25 984	n.a.
Purchase of subsidiaries and business units	(2 388)	(871)	-63,5%
Cash acquired through business combinations	48	0	n.a.
Payments for / proceeds from other financial assets - net	10 645	13 772	29,4%
Proceeds from disposal of subsidiaries	14 388	0	n.a.
Proceeds from disposal of PPE and intangible assets	1 046	1 188	13,6%
Net cash used in investing activities	(72 875)	(106 049)	45,5%
Dividends paid to shareholders and minority interest	(66 104)	(65 405)	-1,1%
Net payments of loans and other borrowings	(2 922)	50 244	-1819,5%
Repayment of other financial liabilities	(2 036)	(11 157)	448,0%
Net cash used in financing activities	(71 062)	(26 318)	-63,0%
Free cash flow*	59 671	634	-98,9%

* 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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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: 297.7 (average Q4 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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