

Magyar Telekom and MET Holding a Hungarian company whose main activities are the wholesale and retail trading of natural gas, entered into an agreement to establish an equally shared joint venture that will provide natural gas and electricity services primarily for business customers.

The new joint venture will enter the market of business energy services with favourable terms and competitive offers. The change in the business energy service operation will have no impact on the residential energy service currently offered by Magyar Telekom. The primary aim of the joint venture is to develop and improve the energy operations serving the business customers of both Magyar Telekom and MET in a competitive energy market environment.

The joint venture will be set up on a 50:50 ownership basis with balanced rights in the management structure. Therefore, once the joint venture has commenced effective operations, business energy services will no longer be accounted for by the parties on a fully consolidated basis, but rather the 50 percent share of dividends payable by the joint venture will appear in the consolidated financial results of both owners.

As a direct consequence, total revenues for Magyar Telekom are now anticipated to be proportionally lower than previously guided, down by around HUF 35-40 billion in 2017. Due to the establishment of this joint venture, natural gas and electricity services currently provided by Magyar Telekom to business customers will be ceased in mid-term and transferred to this new joint venture. During the establishment of the joint venture, Telekom's business customers will be served seamlessly and customer relations maintained continuously. The completion of the transaction, which requires approval by the relevant authorities, is anticipated in the second half of 2015.