

**Investor Release****Magyar Telekom**

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**Magyar Telekom transfers treasury shares to the ESOP Organization**

**Budapest – August 23, 2016 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB, hereinafter the “Company”), the leading Hungarian telecommunications service provider, hereby announces the transfer of 1,533,636 treasury shares on August 23, 2016 to the established employee share ownership organization (ESOP Organization). Following this transaction the number of treasury shares held by Magyar Telekom decreased to 77,335.**

Magyar Telekom shares will be distributed to the vast majority of employees of Magyar Telekom Plc. and T-Systems Hungary Ltd. The award of shares is contingent on the Company’s actual internal operating Free Cash Flow (oFCF) of MT-Hungary segment of the year ending December 31, 2016 exceeding that of the year ended December 31, 2015.

Upon the confirmation of the improvement of the oFCF of MT-Hungary segment by the Board of Directors in late February 2017, the ESOP Organization is expected to distribute the shares amongst 6,786 employees in April 2017, where each eligible individual will be entitled to receive 226 shares.

This investor news may contain 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 should not have undue reliance placed upon 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 Reports for the year ended December 31, 2015 available on our website at <http://www.telekom.hu>.