

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

MAY 2018



LIFE IS FOR SHARING.

STRATEGY AND MARKET POSITION

OVERVIEW – MAGYAR TELEKOM AT A GLANCE

Overview

- Integrated operations in Hungary and Macedonia*
 - leading telecommunications service provider in both countries
 - leading SI/IT service provider in Hungary
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.5bn market capitalization**
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

Strategic pillars

TOGETHER. FOR OUR CUSTOMERS

We listen: customer and colleague opinions form an important part of our decision making

INTEGRATED PRODUCTS & NETWORK

As a number 1 integrated service provider we give all our customers the opportunity to connect seamlessly




IT & DIGITAL SERVICES

IT and digital services are important areas of focus for us and will be key drivers of future growth

DIGITAL TELEKOM

Magyar Telekom's transformation into a digital company is part of our efforts to ensure efficiency and customer satisfaction

Main services offered

	Mobile	Copper	Coax	Fiber
	✓	✓	✓	✓
	✓	✓	✓	✓
	✓	✓	✓	✓

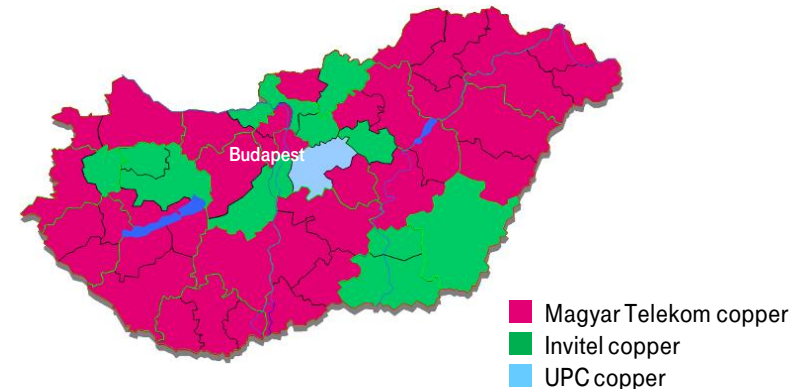


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*As announced on January 10, 2017, Magyar Telekom disposed of its majority stake in Crnogorski Telekom. The transaction closed at the end-January 2017;

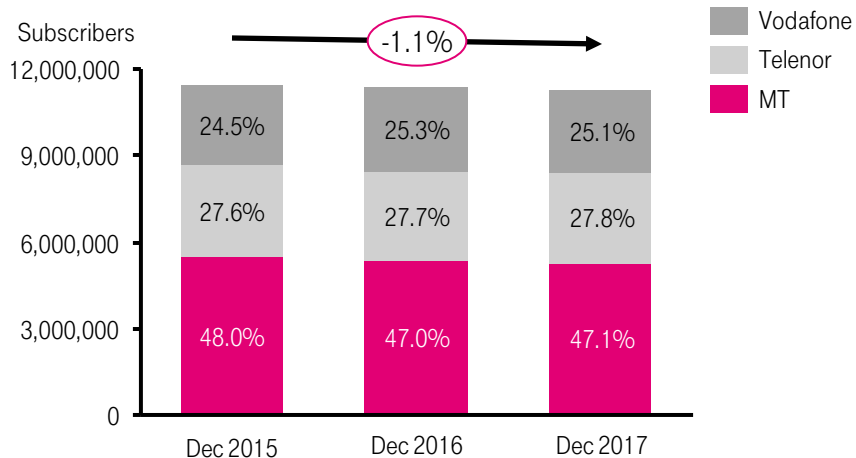
**As of March 19, 2018

Incumbents in Hungary

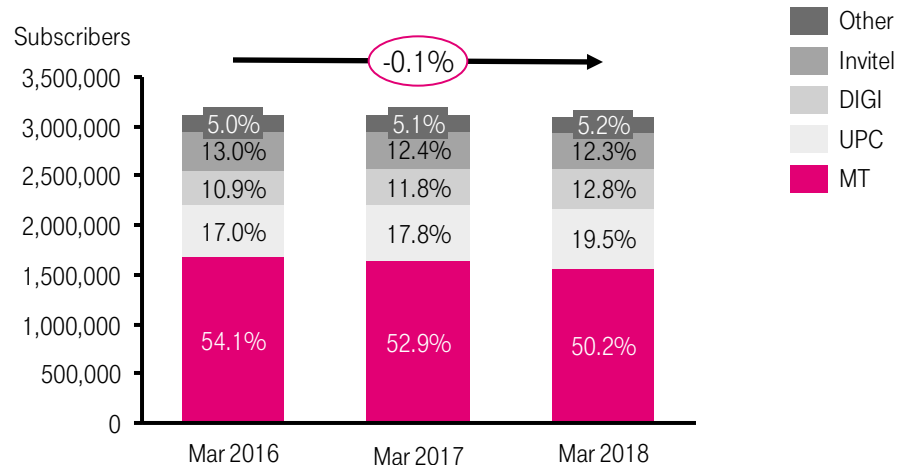


MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

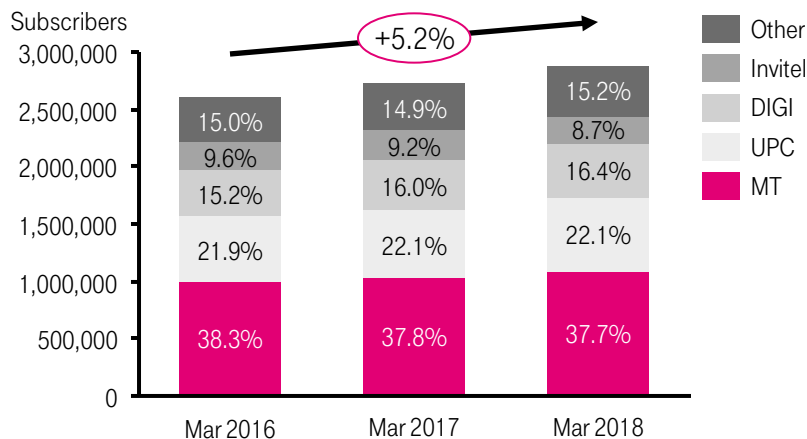
Total mobile market*



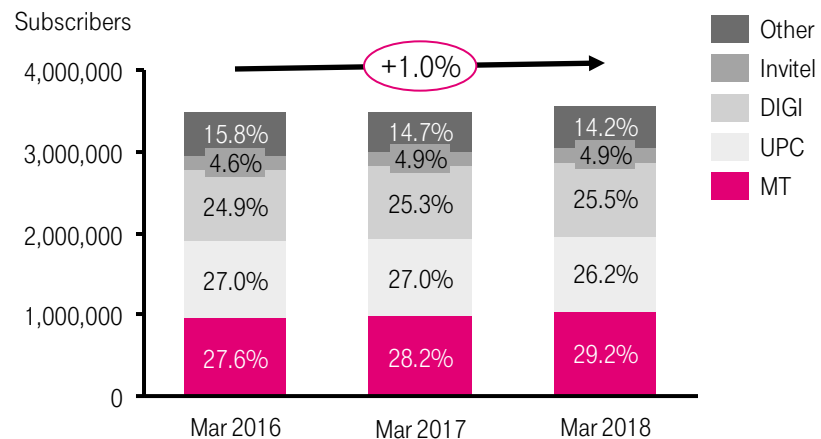
Fixed voice market**



Fixed broadband market**



TV market**



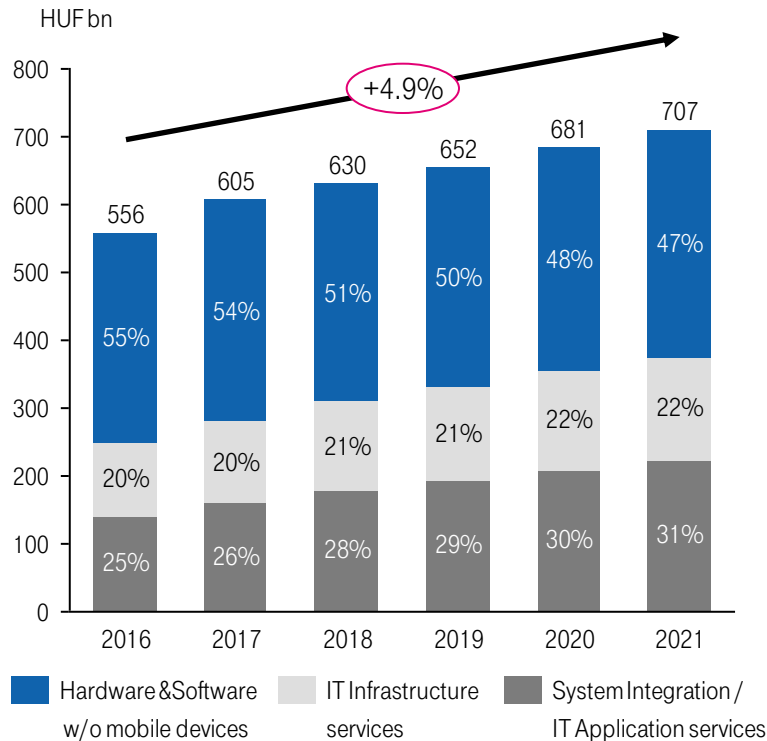
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*Based on internal calculations from Vodafone Group and Telenor Group reports

**Based on the total fixed voice channels/BB access/pay TV access market estimated by the National Media and Infocommunications Authority(NMIA)

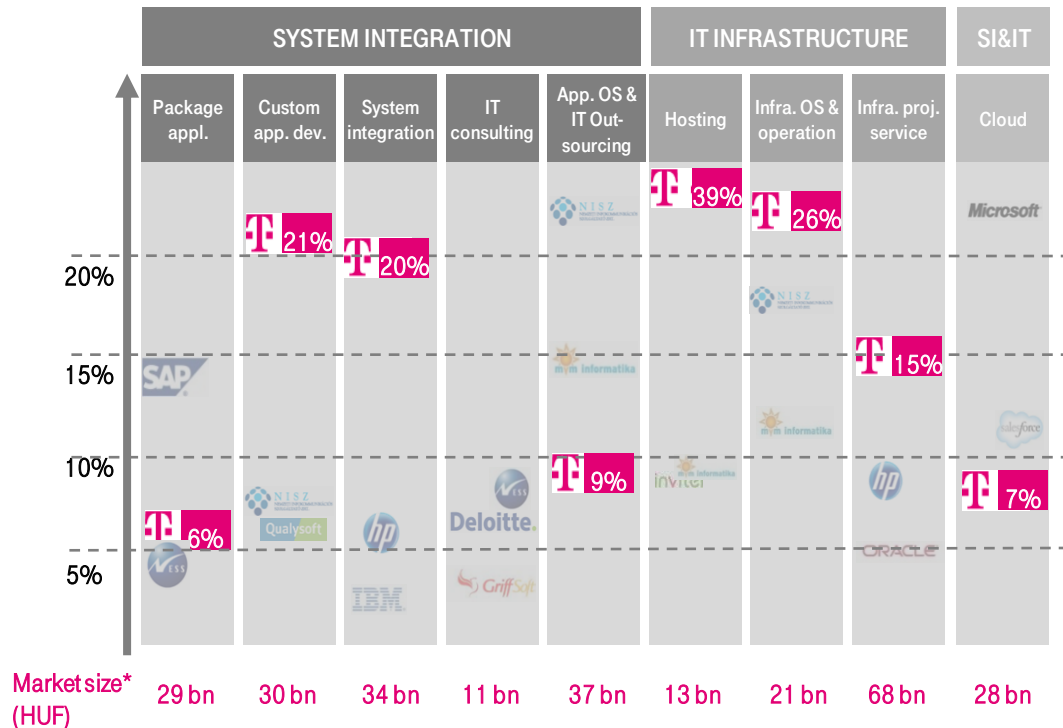
IT MARKET IN HUNGARY

Total B2B IT market (HW&SW and IT services)*



- Magyar Telekom is the only fully integrated ICT company in Hungary
- Total IT market expected to grow by 4.9% CAGR over the next 5 years
- EU fund inflows are a major driver of IT spending in Hungary
- Magyar Telekom's total revenue based IT market share is ca. 13%*

IT Services market shares (by revenue)**



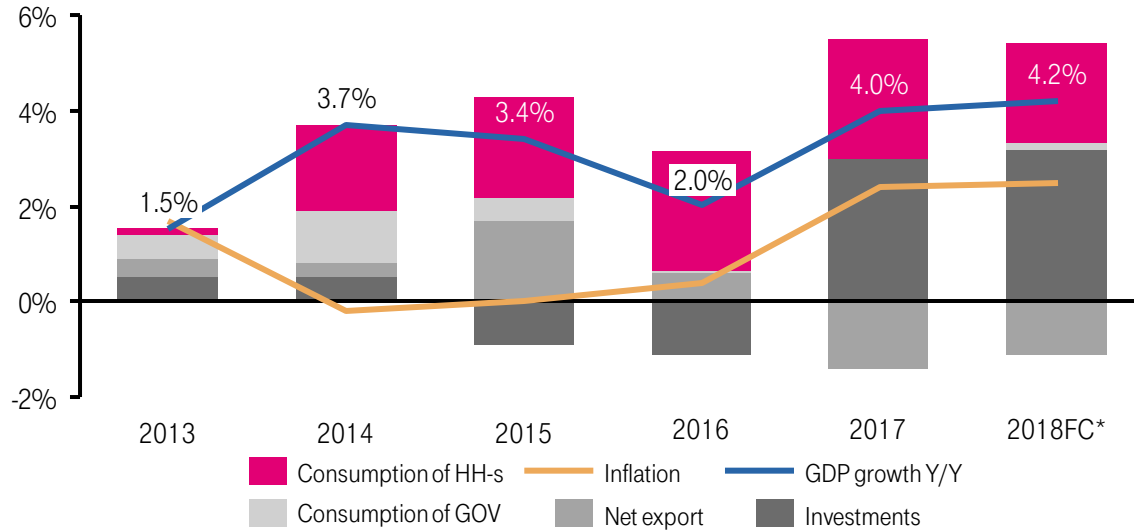
- IT services market represents ca. 45% of the total IT market
- IT Services market in Hungary very fragmented
- Presence of government owned players (NISZ, MVMI) and major international players, such as HP, IBM, SAP
- Magyar Telekom is the market leader with 15.8% market share in the IT services market

*IT market share in B2B segment (in the Enterprise segment: 14%; in the SMB: 3%)

** Source: IDC 2017; Market size calculated by demand side, while market shares by supply side data

HUNGARIAN ECONOMIC ENVIRONMENT

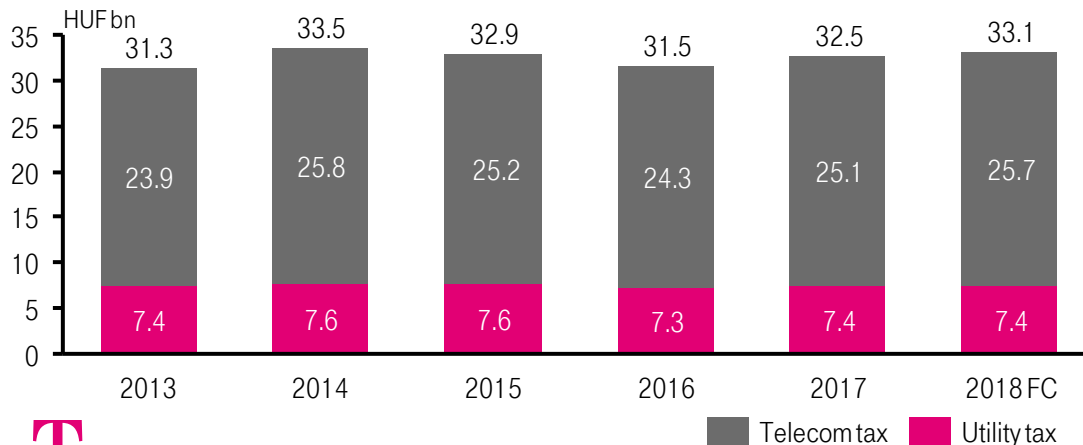
Growth structure



Domestic demand

- Domestic demand to remain strong
- Governmental measures support consumer spending
- Investment levels show volatility due to EU fund cycles
- MT leverages positive trends of domestic demand

Taxes levied on Magyar Telekom

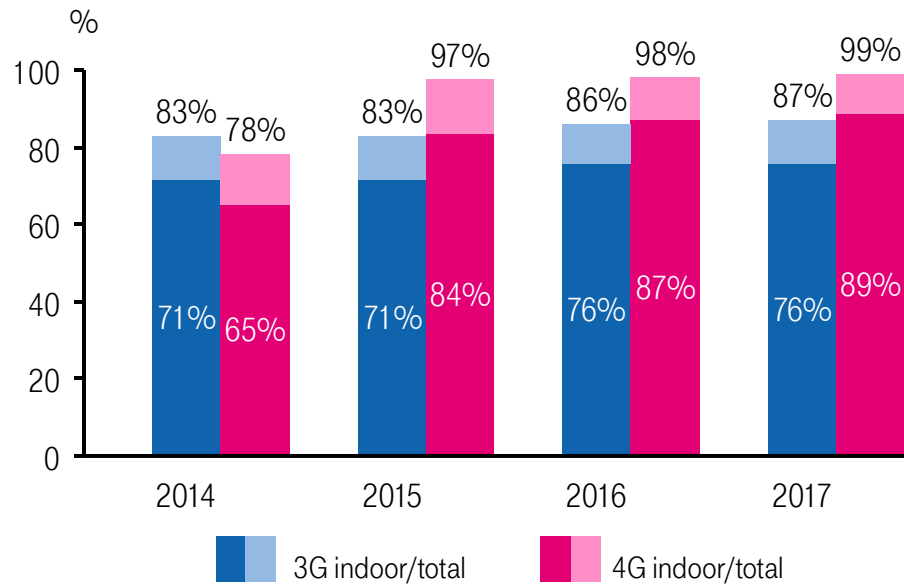


Tax burdens to reduce budget deficit

- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013, 5-year tax holiday on new networks > 100Mbps since 2016

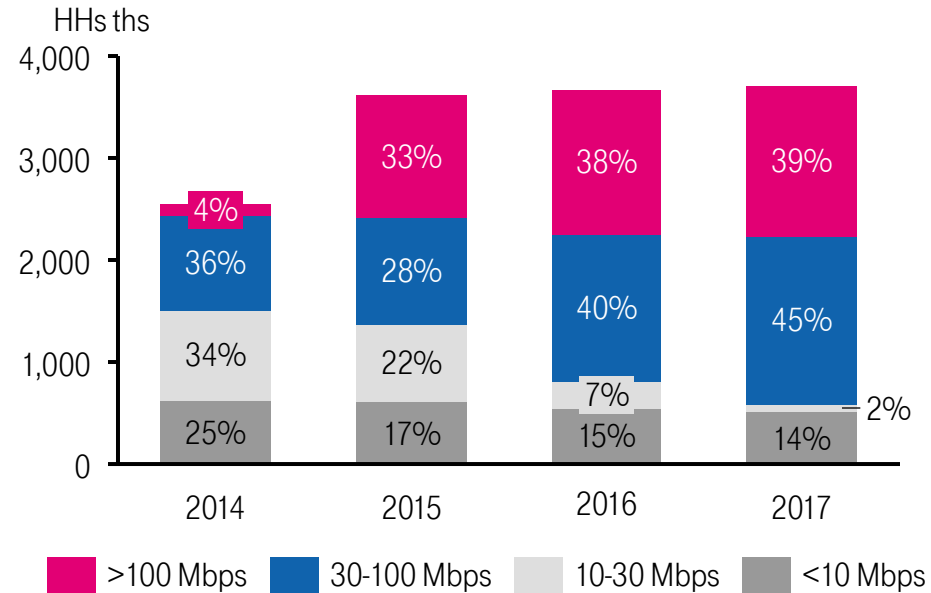
NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



- Network sharing on 800 MHz with Telenor
- 4G+ coverage, enabling 250Mbps exceeded 30%
- Continuous growth of mobile data subscribers (ca. 15% annually)
- Average data usage increase of 18% CAGR (2014-2017)

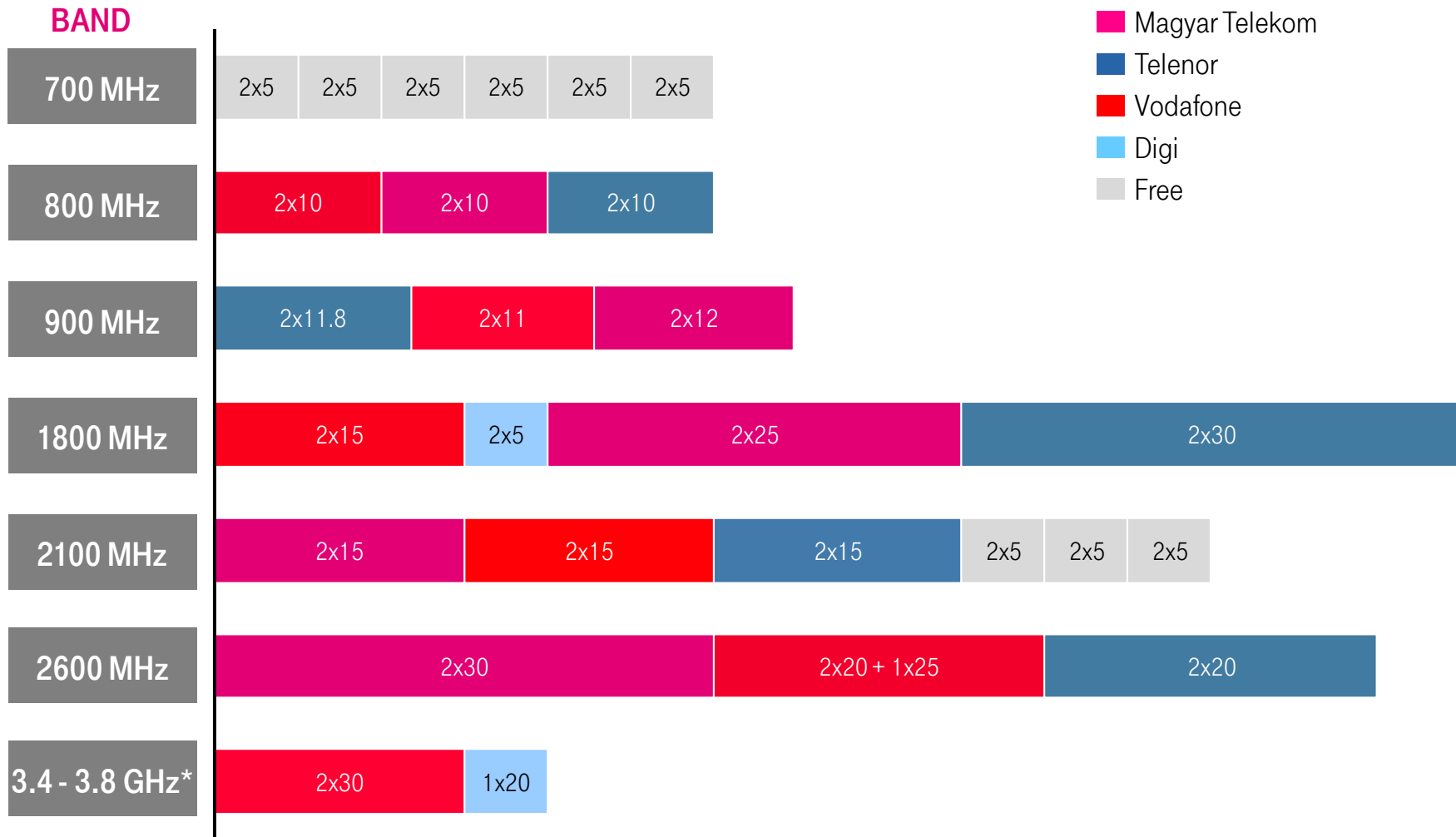
Fixed network (Households covered)



- Over 3.0 million households across the country covered by High Speed Internet (HSI) access
 - FTTx (830 HHs) – ongoing countrywide roll-out
 - ED3 (784k HHs) – participating in market consolidation
 - VDSL (1,430 HHs) – revitalizing copper, excl. overlaps
- Roll-out is ongoing, aim to reach in another ca. 300,000 households in 2018 with HSI

HUNGARIAN MOBILE SPECTRUM ALLOCATION

Current spectrum allocation (MHz)



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* TDD band

2018 GUIDANCE AND DIVIDEND

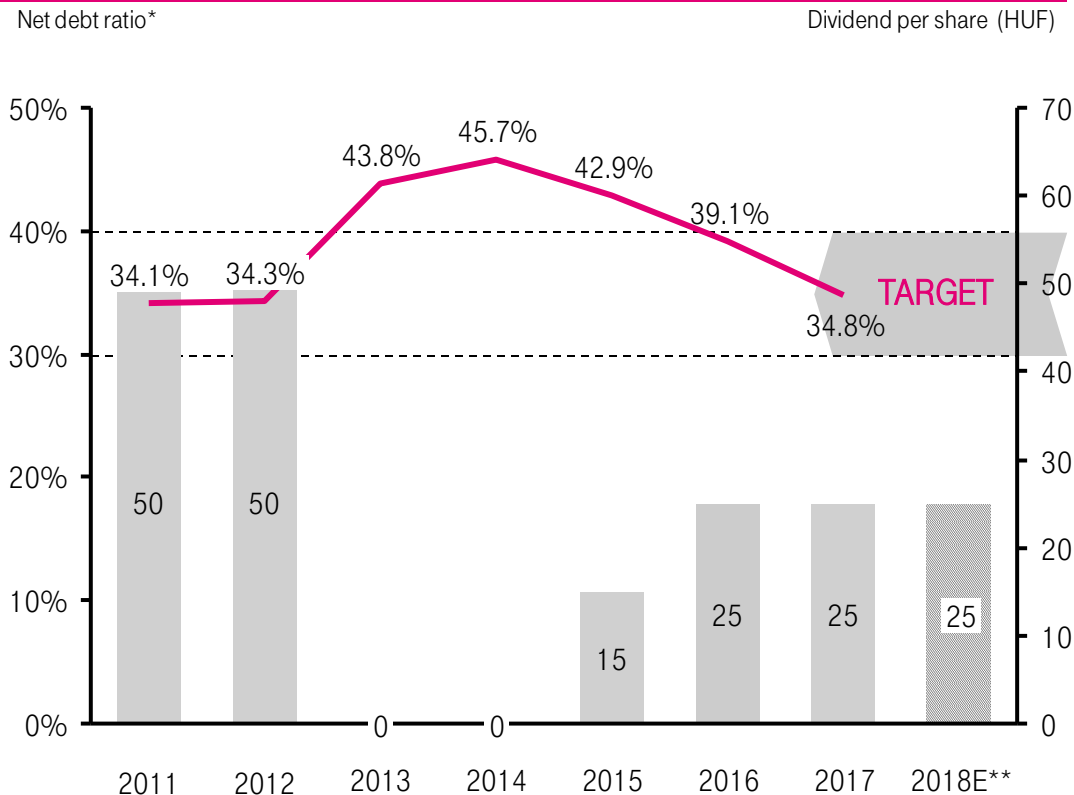
2018 FINANCIAL TARGETS

		2017* RESULTS	2018 TARGETS
REVENUE	<ul style="list-style-type: none"> Temporarily slowdown in SI/IT revenue growth Follout of energy revenues following the energy market exit in Nov. 2017 	HUF 610.9 bn	around HUF 600 bn
EBITDA	<ul style="list-style-type: none"> Continued focus on cost optimization to offset impacts from lower revenues One-off profit from real-este sales 	HUF 185.7 bn	around HUF 190 bn
CAPEX	<ul style="list-style-type: none"> Accelerated fiber rollout with ca. 300,000 new fiber optic connections planned in 2018 Increased spending on fixed customer connections 	HUF 86.2 bn	around HUF 90 bn
FCF	<ul style="list-style-type: none"> Deteroration of working capital driven by implications of the loyalty legislation (lenght of equipment installement periods expanded to 2 years) One- off cash inflow related to real estate sales 	HUF 58.4 bn	around HUF 60 bn



DIVIDEND POLICY

Dividend payment and net debt ratio developments



Highlights

- Aiming to maintain net debt ratio (net debt/total capital) target of 30% - 40%
- AGM approved HUF 25 dividend per share payment based on 2017 results
- We also expect the Company to pay HUF 25 dividend per share in relation to 2018 earnings, maintaining a stable dividend level compared to 2017 earnings**



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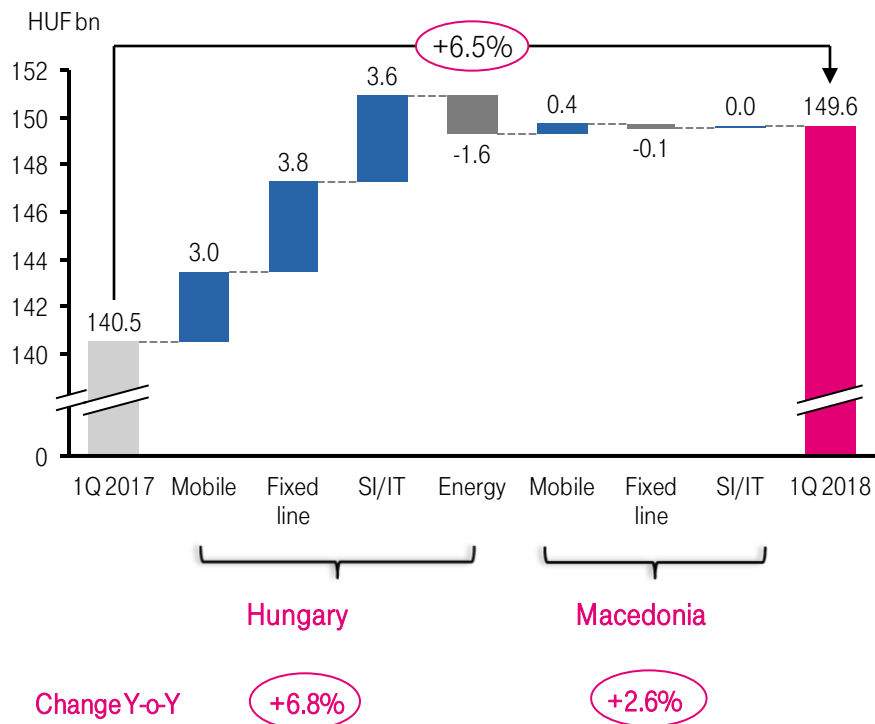
* Defined as net debt / total capital.

** Subject to the Board of Directors' future proposal to the General Meeting, which will be made in due course, when all necessary information is available and all prerequisites to making such proposal are met

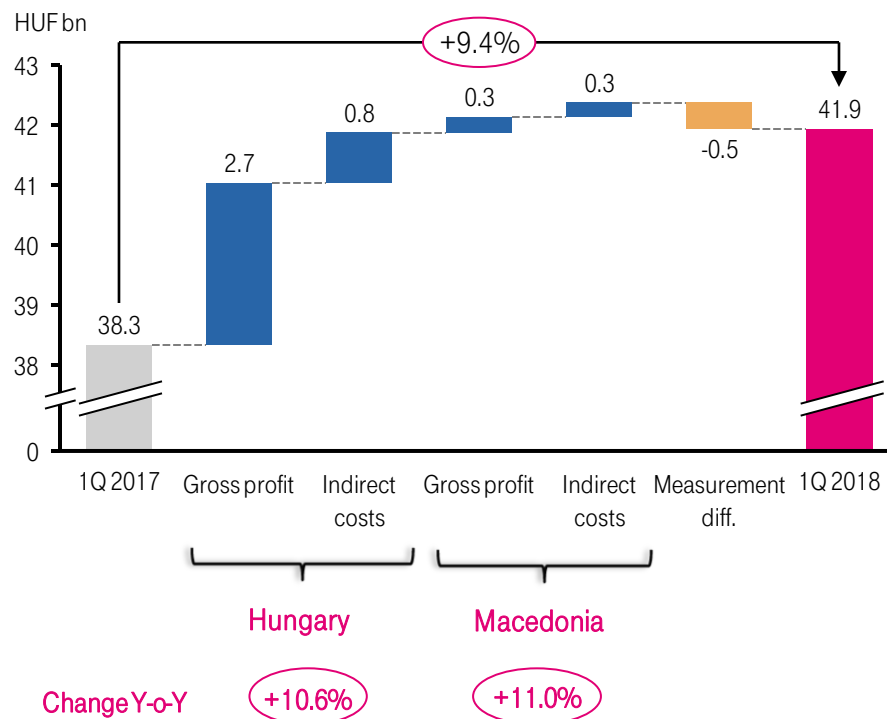
Q1 2018 RESULTS

Q1 2018 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues*



Group segmental EBITDA*



Q1 2018 STRATEGIC HIGHLIGHTS

MOBILE

- Almost 1 million subscribers signed up to new postpaid tariff plans (launched in March 2017)
- Strong growth in data continued, boosted by hard cut limits and increased customer uptake of more expensive packages
- Strong equipment sales due to more expensive handsets in the sales mix

FIXED

- Revenue growth in broadband due to increased subscriber numbers and a growing number of fiber connections becoming eligible for higher bandwidth
- Continued dynamic growth in TV customer base and ARPU thanks expansion in the IPTV customer base

SI/IT

- Significant public sector asset sales
- License deliveries in Health Care sector
- Strong momentum in high revenue software and hardware sales projects continued

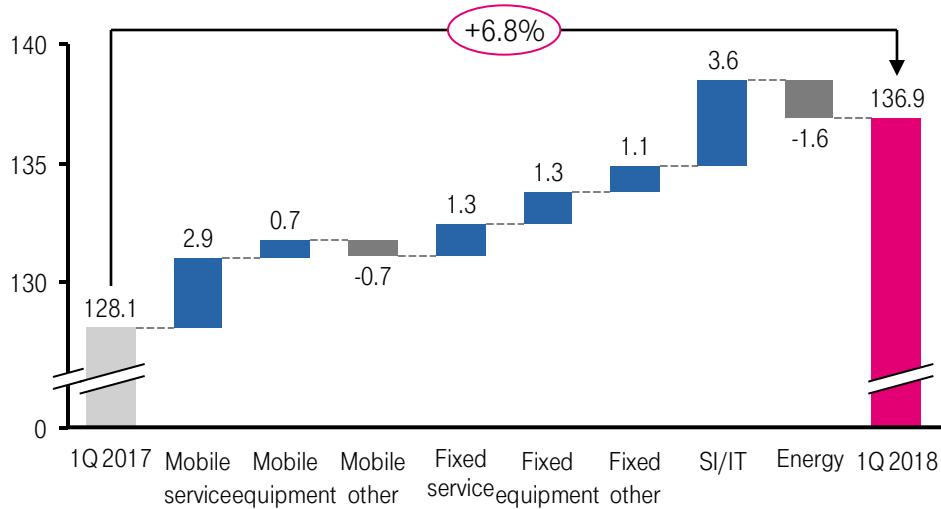
MACEDONIA

- Intense competition in fixed line has put pressure on revenues but this was offset by growth in mobile and SI/IT revenue segments
- EBITDA reflects strong gross profit and effective cost saving measures

HUNGARY

Revenue*

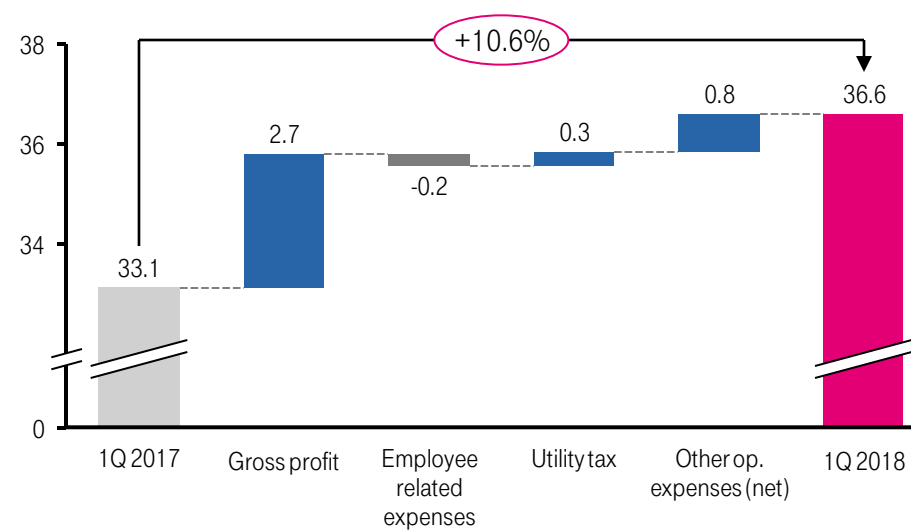
HUFbn



- Mobile service revenue increase primarily driven by growth in mobile data usage and subscriber acquisition
- Fixed service revenue up thanks to higher TV and broadband subscriber bases
- Increase in SI/IT revenue driven by strong demand for HW&SW delivery projects

EBITDA*

HUFbn



- Gross profit increase due to higher revenues and one-off decline in bad debt
- Increase in employee related expenses reflects insourcing of trainees
- Utility tax reduction driven by network upgrades
- Savings in energy costs and HR-related expenses



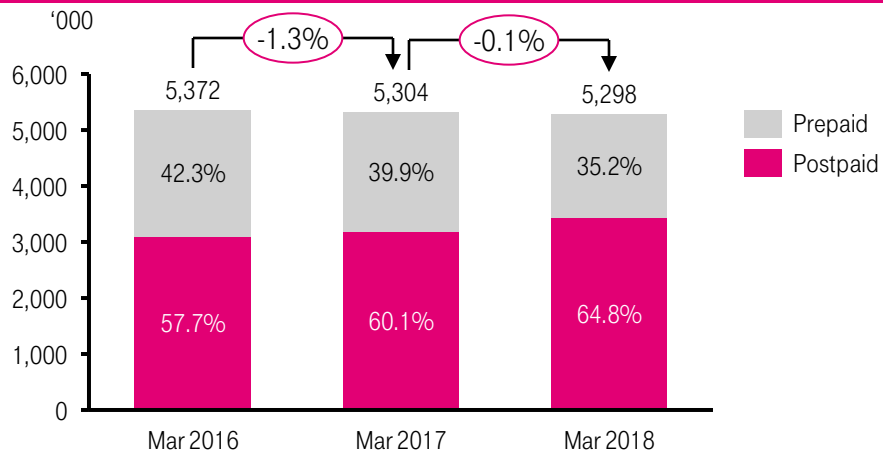
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*Excluding IFRS 9 & 15 effects

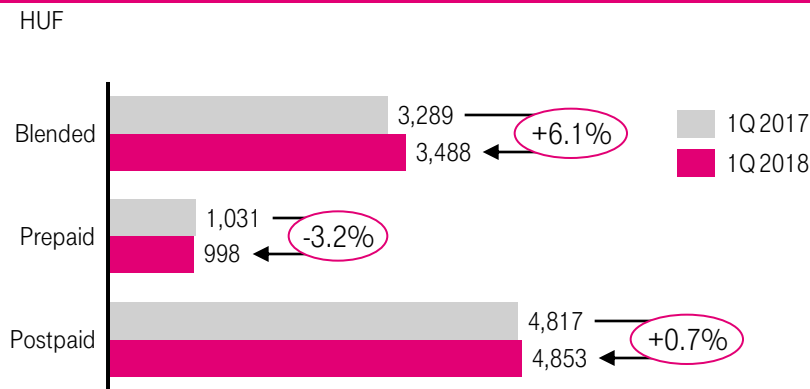
HUNGARY - MOBILE



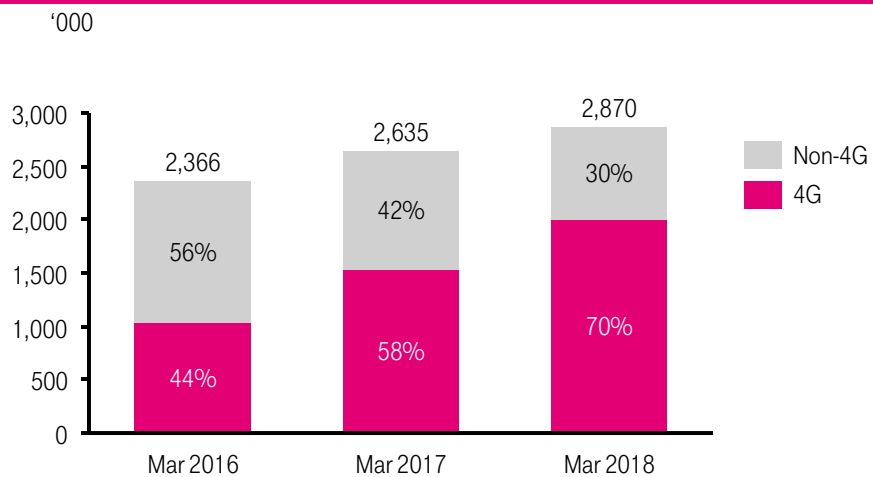
Mobile SIMs



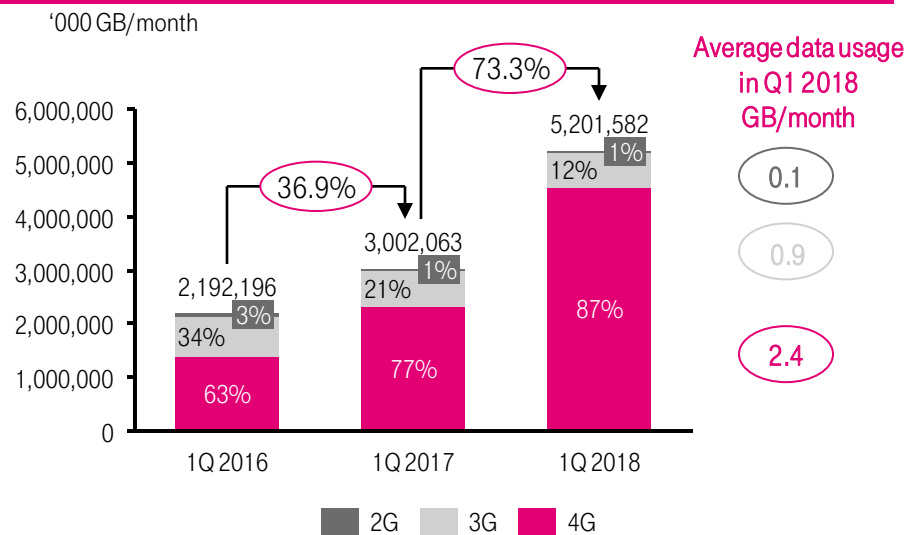
Mobile ARPU*



Total mobile data subscriber development



Mobile broadband usage developments



Average data usage in Q1 2018 GB/month

0.1

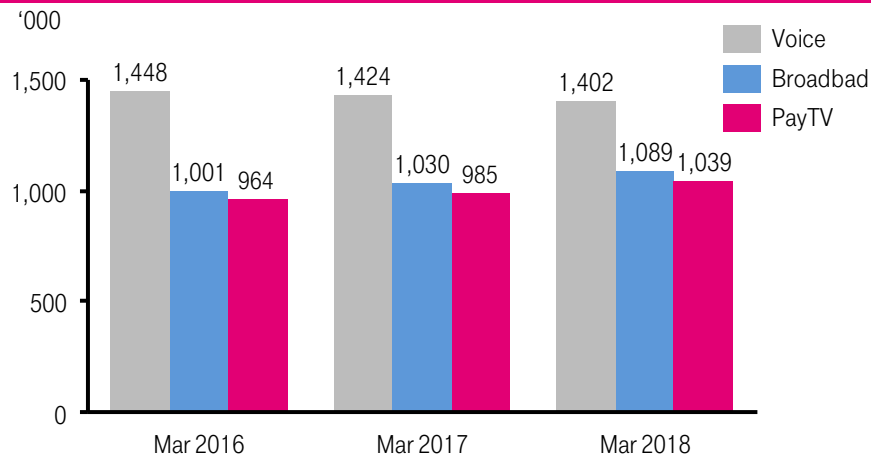
0.9

2.4

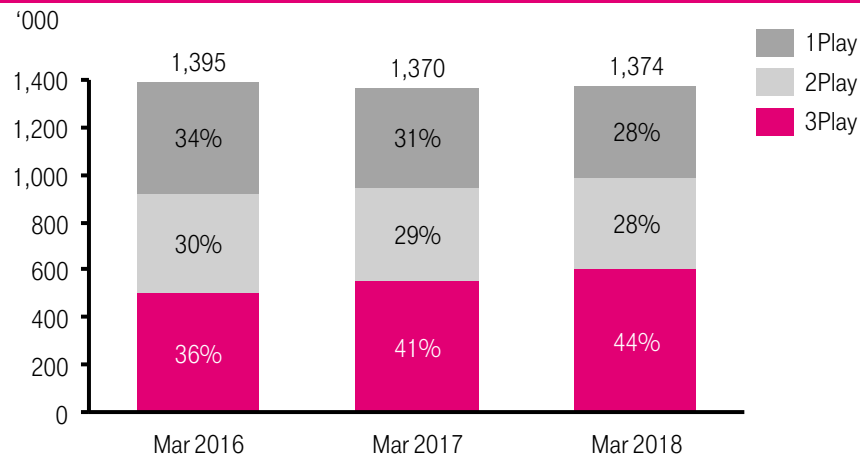
HUNGARY – FIXED VOICE, BROADBAND AND TV



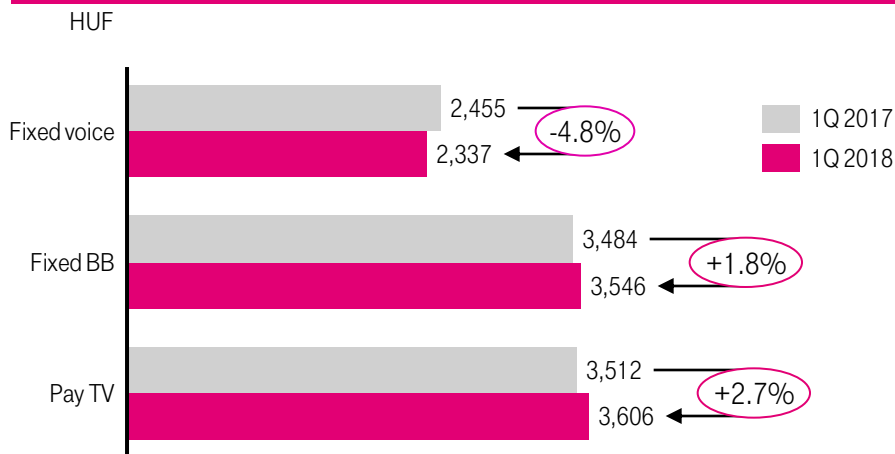
Fixed line customer number development



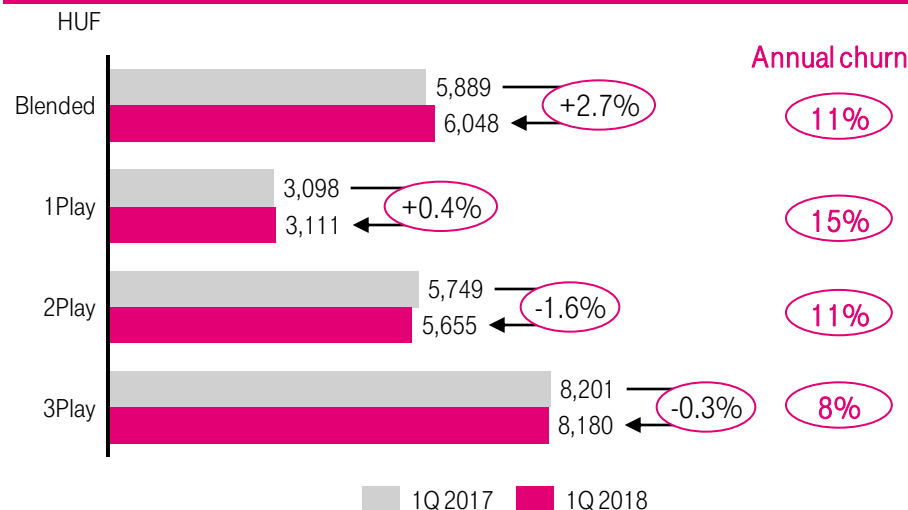
Fixed line multiplay residential subs. development



Fixed Voice, BB and TV ARPU* developments

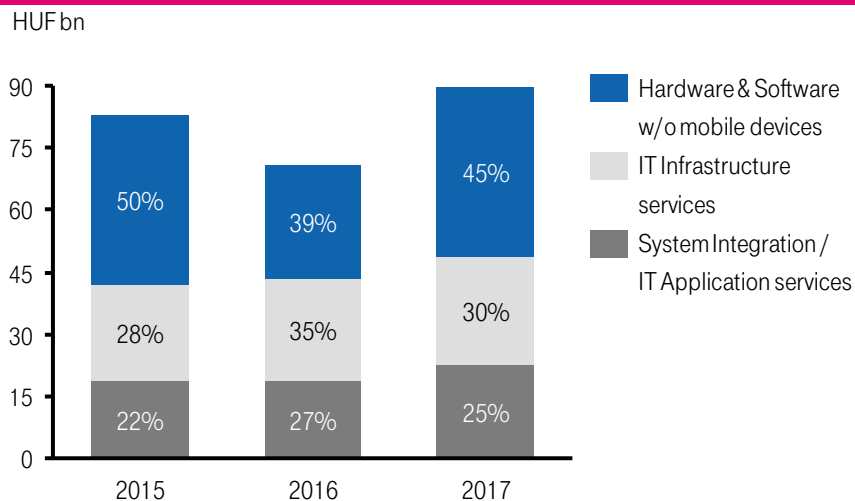


Fixed line multiplay residential ARPU* developments



HUNGARY - SI/IT

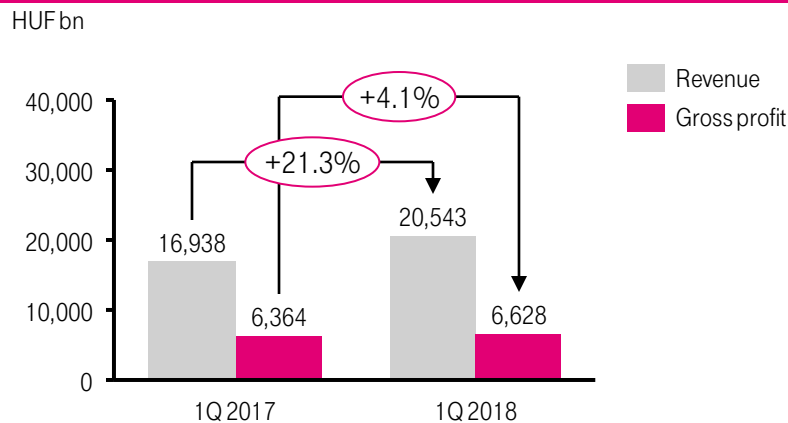
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT-Hungary



Gross margin

38%

29%



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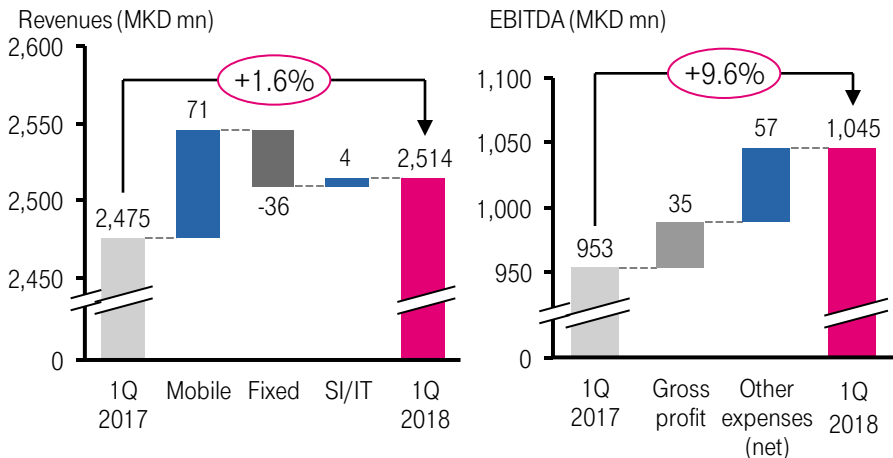
Highlights

- Positive trajectory of SI/IT revenues maintained
- EU funded projects are hardware and software focused and relatively low margin
- Infrastructure delivery projects serve as a starting point to developing long term customer relationships and as a foundation for IT service contracts
- Revenue increase driven mainly by public sector infrastructure delivery projects

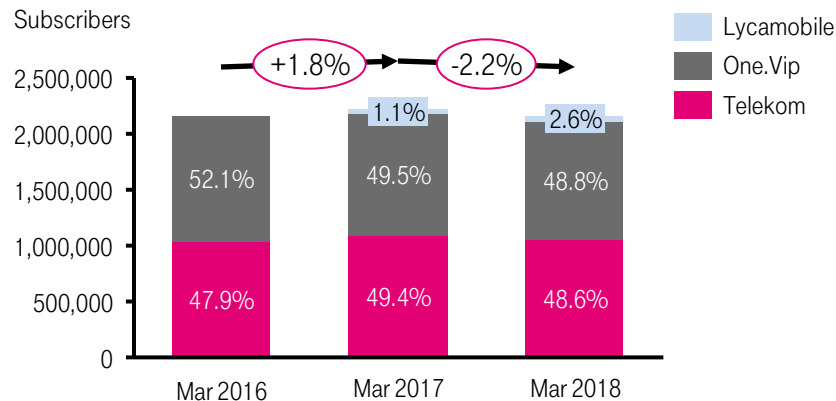
*Based on IDC Research 2017, market shares based on revenues

MACEDONIA

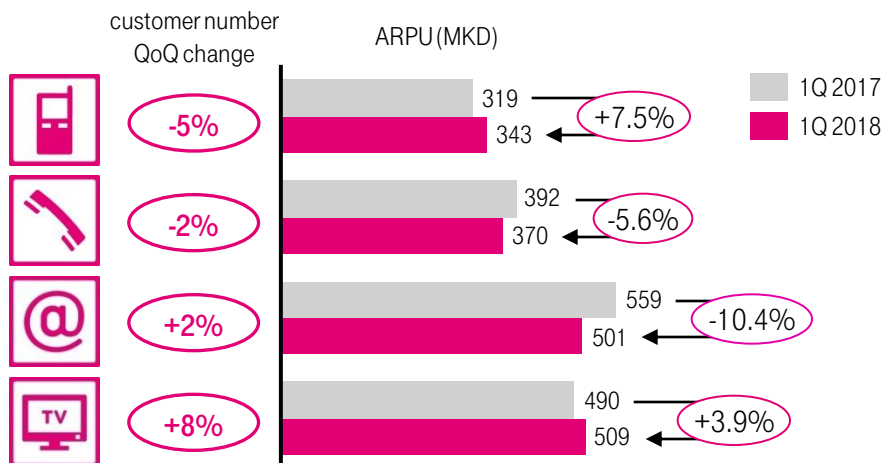
Financials*



Mobile market



KPIs (mobile/fixed voice/fixed BB/TV)*



Highlights

- Increase in mobile data and fixed TV customer base mitigates revenue pressure from competition driven tariff erosions
- Continued strong focus on 3 Play and FMC offers on the market
- Lycamobile, an ethnic MVNO using VIP's network, stabilized its market share at around 3%
- EBITDA improvement attributable to savings in marketing, HR-related material and consultancy costs



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*Excluding IFRS 9 and 15 impacts

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DISCLAIMER

This investor presentation contains 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, 2017 available on our website at <http://www.telekom.hu>.

Abbreviations: 3G: third generation, 4G: fourth generation, ARPU: average revenue per user, BB: broadband, IP: internet protocol, IT: information technology, LTE: long term evolution, MOU: minutes of use, MTR: mobile termination rate, NRA: National Regulatory Authority, POD: points of delivery, R/E: real estate, RPC: revenue producing customer, SAC: subscriber acquisition cost, SRC: subscriber retention cost, SI: system integration, SIM: subscriber identity module, SMB: small and medium businesses, TWM: Total Workforce Management, VAS: value added services, WS: wholesale

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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