

MAGYAR TELEKOM GROUP

Q2 2017 RESULTS PRESENTATION

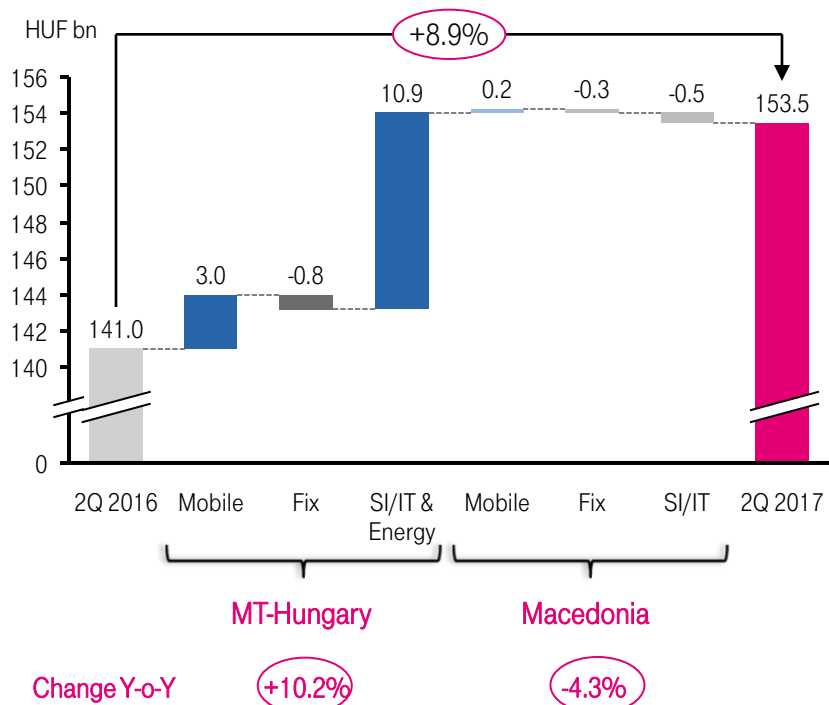
AUGUST 2, 2017



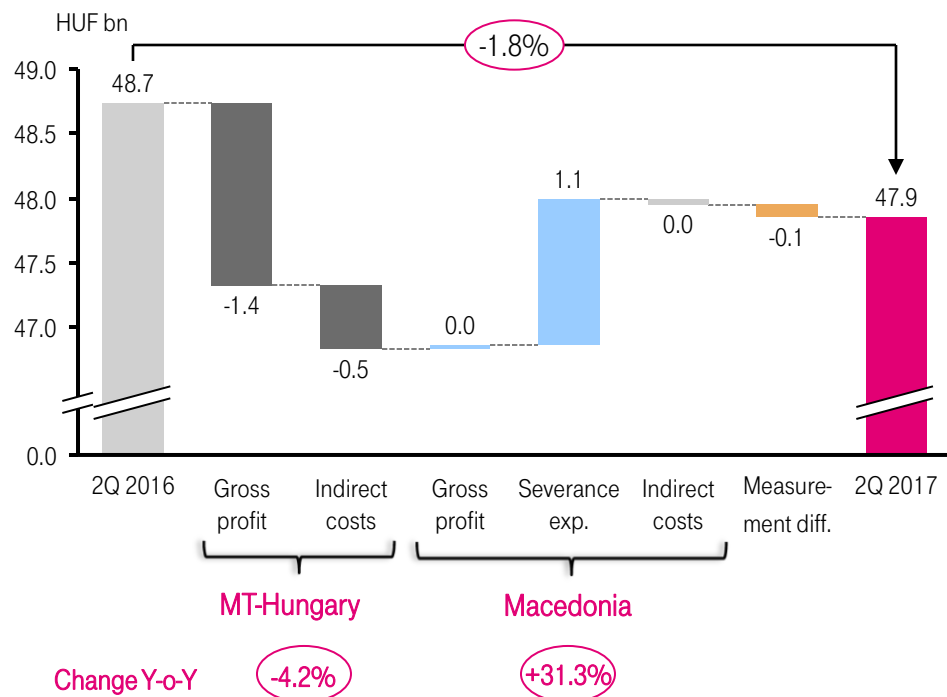
LIFE IS FOR SHARING.

Q2 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



Q2 2017 STRATEGIC HIGHLIGHTS

NEW MOBILE PORTFOLIO

- Over 300,000 subscribers
- Increased data subscription resulting in elevated ARPU levels

PREPAID REGISTRATION

- Successful registration process closed on June 30, 2017
- Over 95% of prepaid revenues secured

LAND GRABBING

- HSI network rollout continues, now reaching over 2.9 million Hungarian households
- Further expansion of the 3Play customer base with increasing household ARPUs

FLIP

- New brand launched with a standard 3Play service
- Provides simplified, online and self-care focused customer service

4PLAY

- Magenta 1, our flagship 4Play offer, attracted over 140,000 subscribers
- 25% of customers who subscribed to the new postpaid plans use fixed-mobile bundles

MACEDONIA

- SI/IT revenues suffered from temporary delays in major public projects
- Increased mobile revenues and stable gross profit despite MTR cut



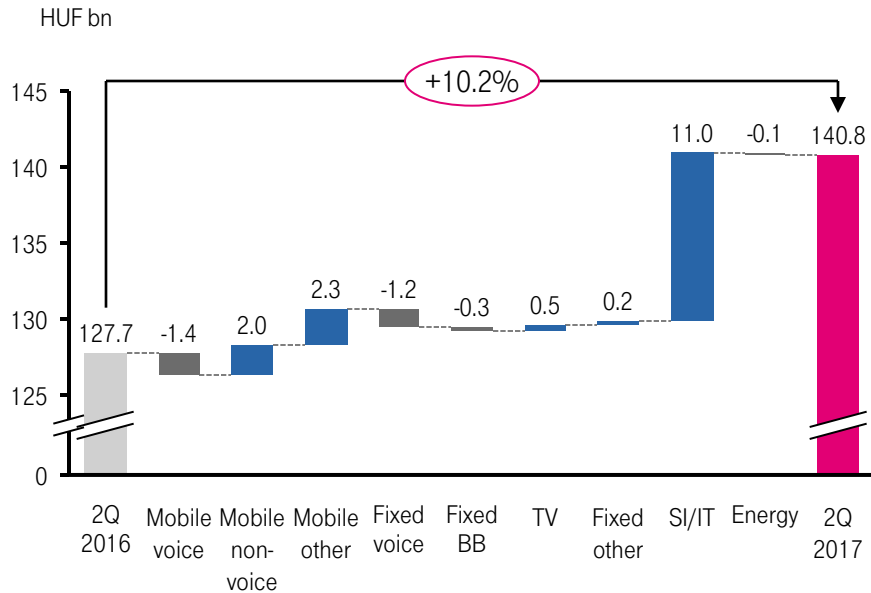
H1 2017 FINANCIAL RESULTS AND 2017 TARGETS*

| | | H1 2017 RESULTS | 2017 TARGETS |
|----------------|---|-----------------|---------------------|
| REVENUE | <ul style="list-style-type: none"> Strong growth in Hungarian SI/IT driven by uptick in EU fund inflows Mobile service revenue growth continues Equipment sales used to establish customer relationships and to secure higher-margin contracts going forward | HUF 294.0 bn | around HUF 580 bn** |
| EBITDA | <ul style="list-style-type: none"> Increased ratio of low margin services in the revenue mix TV content fee introduced in July 2016 adding to gross profit decline Indirect costs remain flat thanks to cost efficiency measures | HUF 86.2 bn | around HUF 182 bn |
| CAPEX | <ul style="list-style-type: none"> Balanced distribution of spending throughout the year Increased spending on fixed customer connections Savings on efficiency projects concluded (e.g. PSTN migration) | HUF 37.7 bn | around HUF 85 bn |
| FCF | <ul style="list-style-type: none"> Absence of one-off profit items (Building and Origo sale in Q1 2016) Lower provisions and interest payments partly offset EBITDA decline Cable acquisitions weighing on investing CF performance | HUF 10.7 bn | around HUF 55 bn |



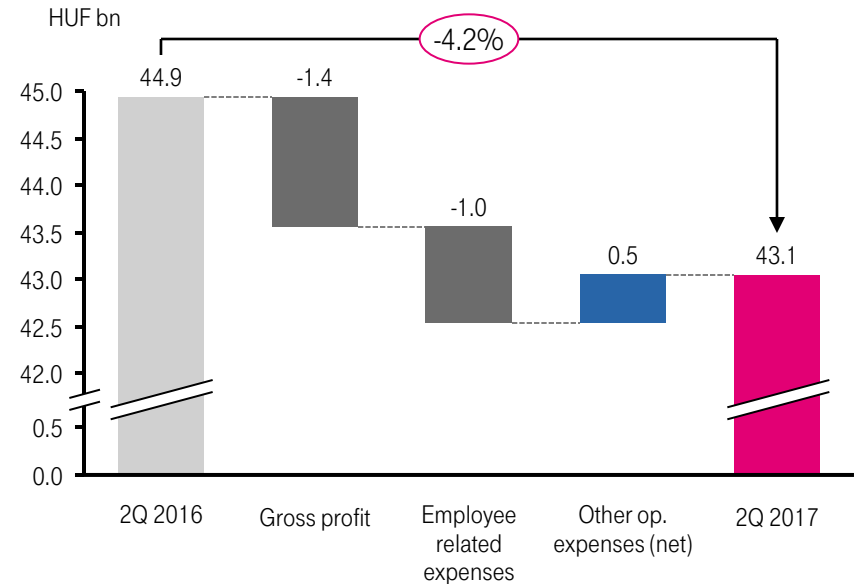
HUNGARY

Revenue*



- Mobile revenue increase driven by mobile data usage and equipment sales
- Fixed line revenue decline due to pressure on voice and broadband
- Significant increase in SI/IT driven by EU fund support

EBITDA

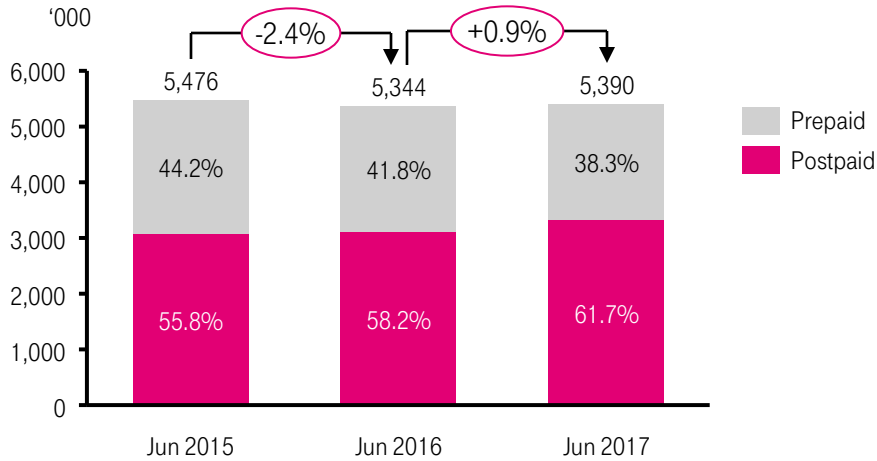


- Gross profit decline reflects the shift from high margin voice to lower margin SI/IT services and equipment sales
- Higher employee related expenses due to increase in headcount
- Savings in other operating expenses partly mitigated margin pressure

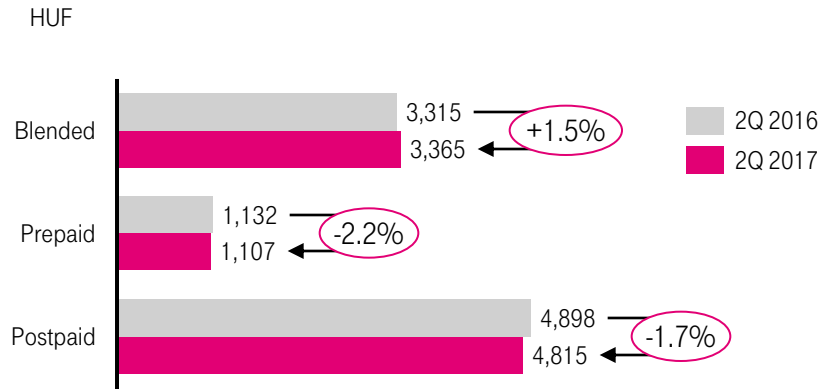
HUNGARY - MOBILE



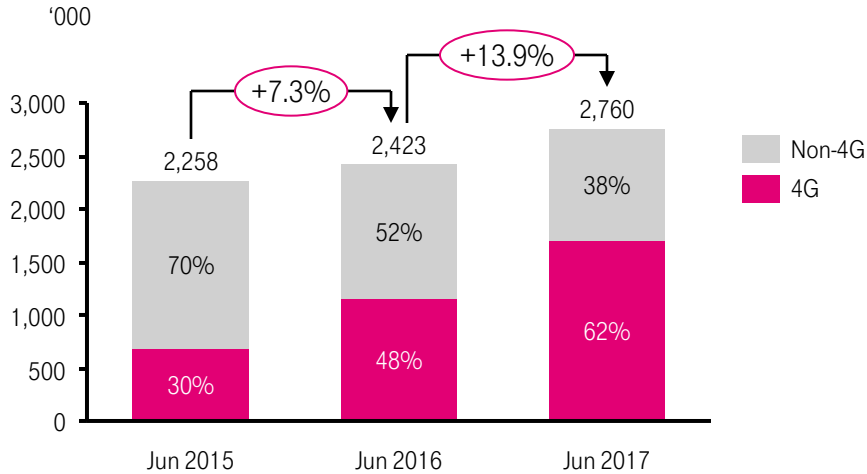
Mobile SIMs



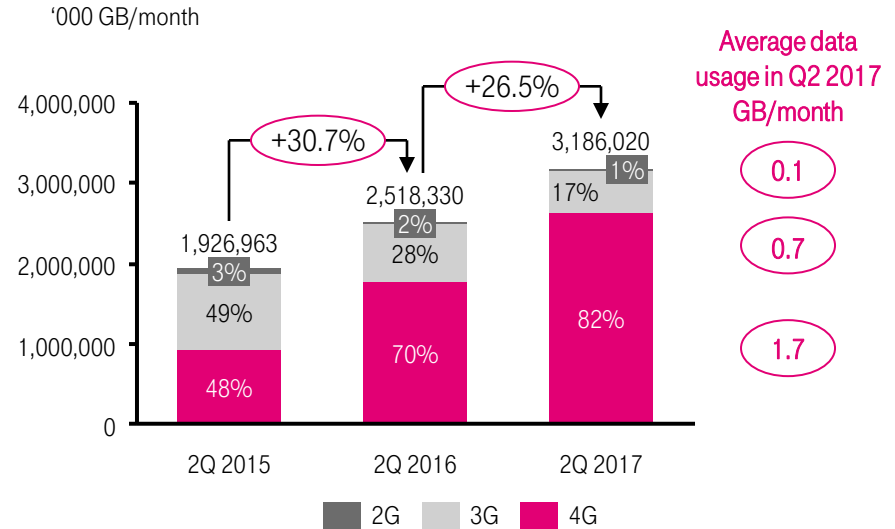
Mobile ARPU



Total mobile data subscriber development



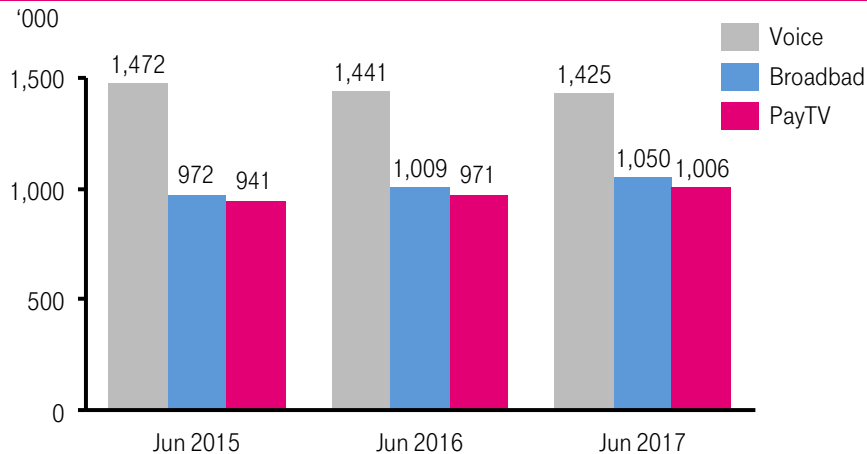
Mobile broadband usage developments



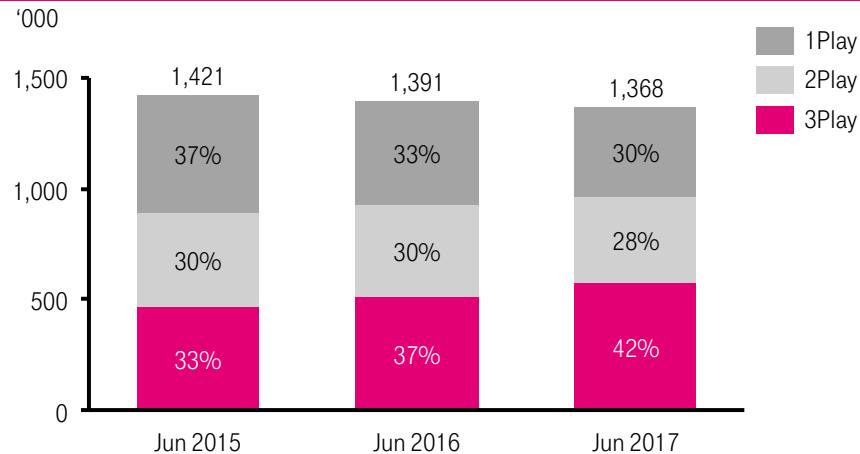
HUNGARY - FIXED VOICE, BROADBAND AND TV



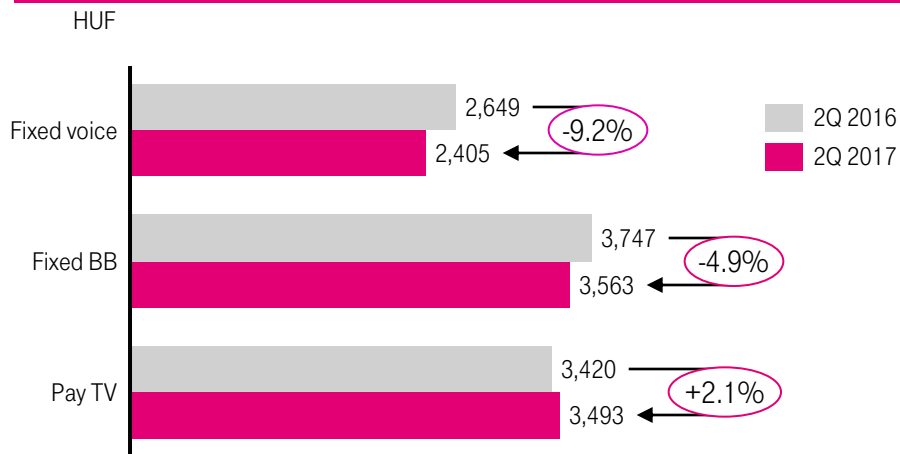
Fixed line customer number development



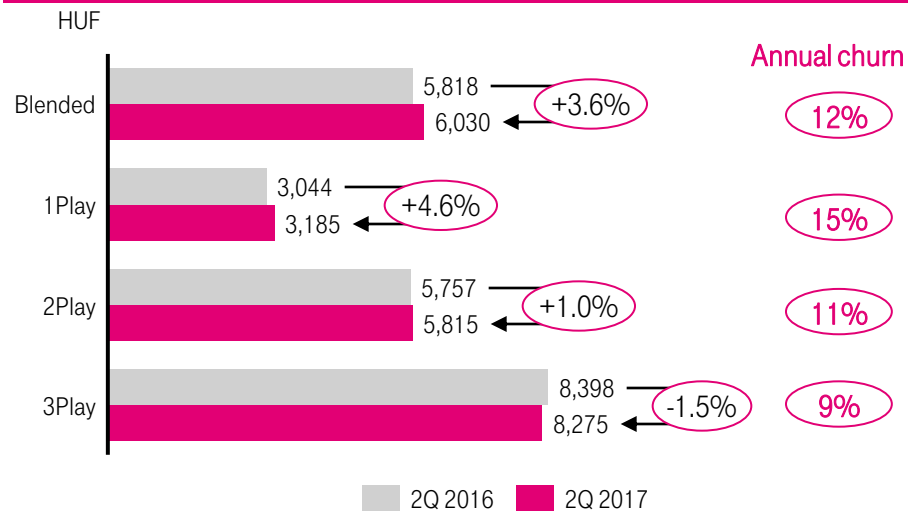
Fixed line multiplay residential subs. development



Fixed Voice, BB and TV ARPU developments

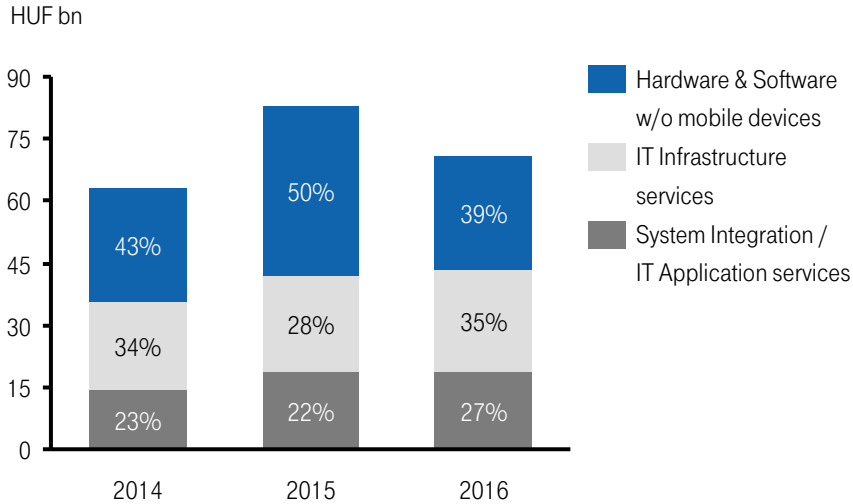


Fixed line multiplay residential ARPU developments

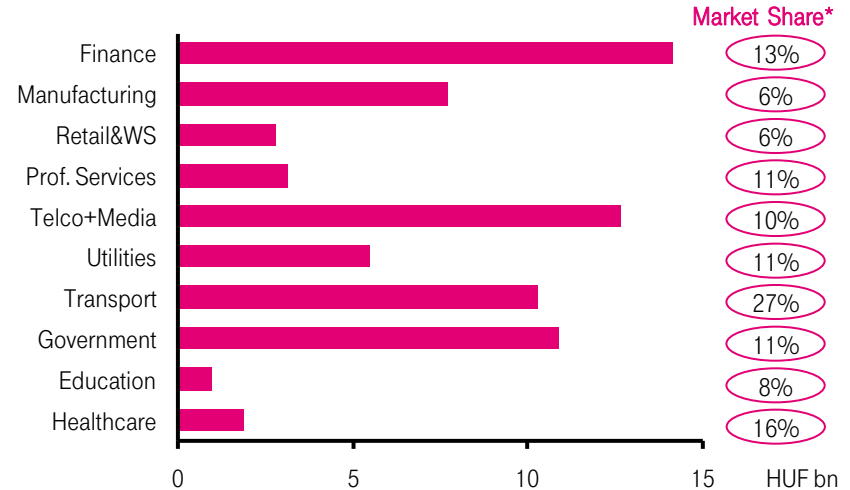


HUNGARY - SI/IT

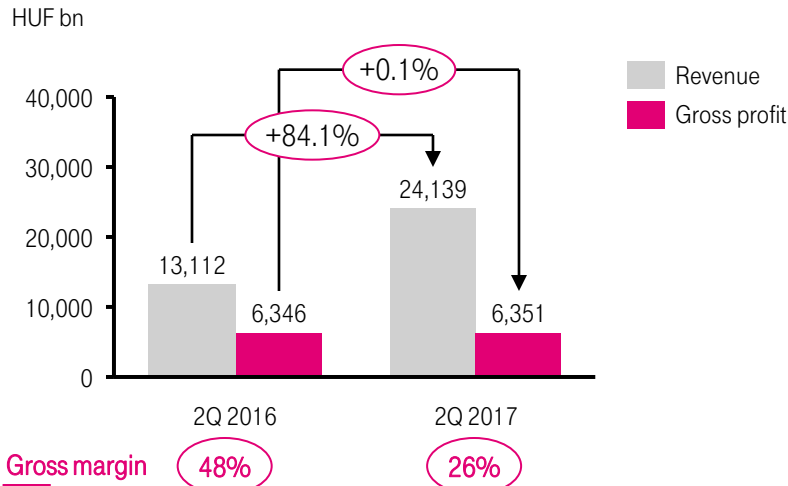
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT-Hungary



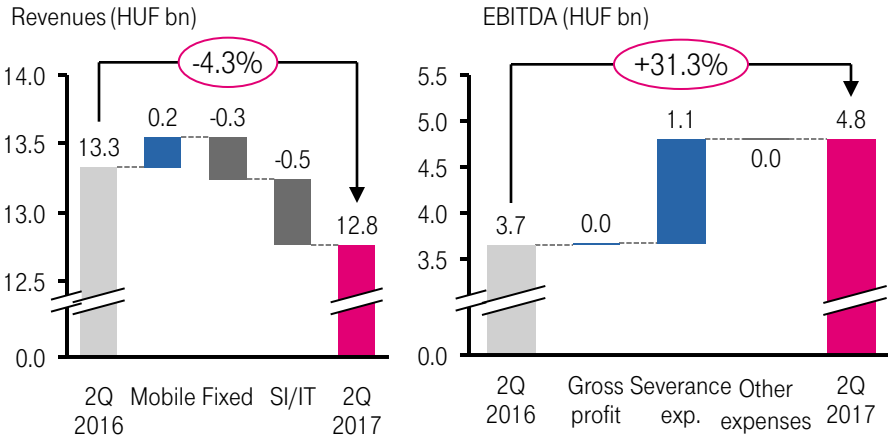
Highlights

- Strong increase in SI/IT revenues in 2017 as a result of accelerating EU fund inflows
- EU funded projects relatively low margin and are hardware and software focused
- Infrastructure delivery projects serve as starting point for developing long term customer relations and as a foundation for IT service contracts
- Q2 2017 increase driven mainly by infrastructure delivery projects for the public sector and IT system development for healthcare modernization

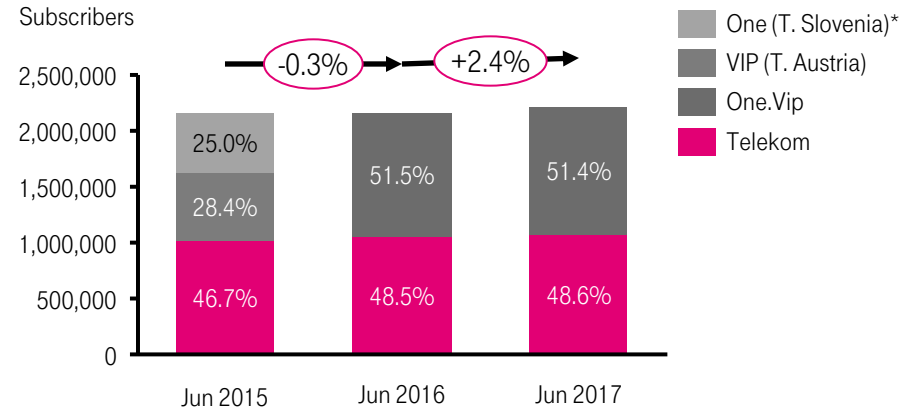
*Based on IDC Research 2016, market shares based on revenues

MACEDONIA

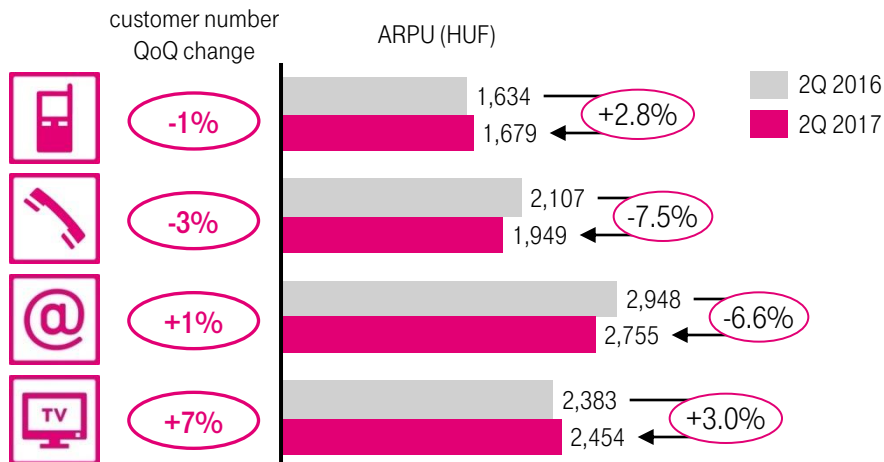
Financials



Mobile market



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



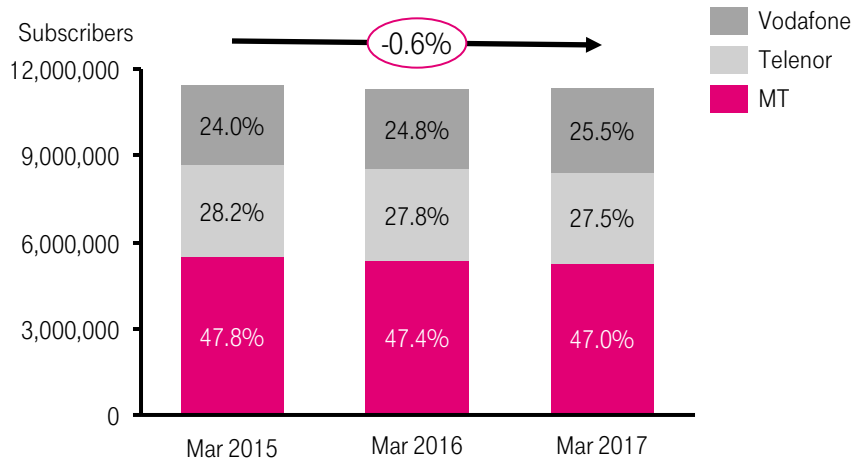
Highlights

- Continued mobile revenue increase despite 30% mobile termination rate cut, effective from December 2016
- Strong TV revenue growth mitigates fixed voice and BB revenue pressure induced by competition
- Temporary SI/IT revenue pressure due to recent political turmoil
- Stable gross profit despite total revenue erosion
- EBITDA improvement mostly reflective of Q2 2016 comparison figure which was negatively impacted by the severance expense related to outsourcing of network maintenance

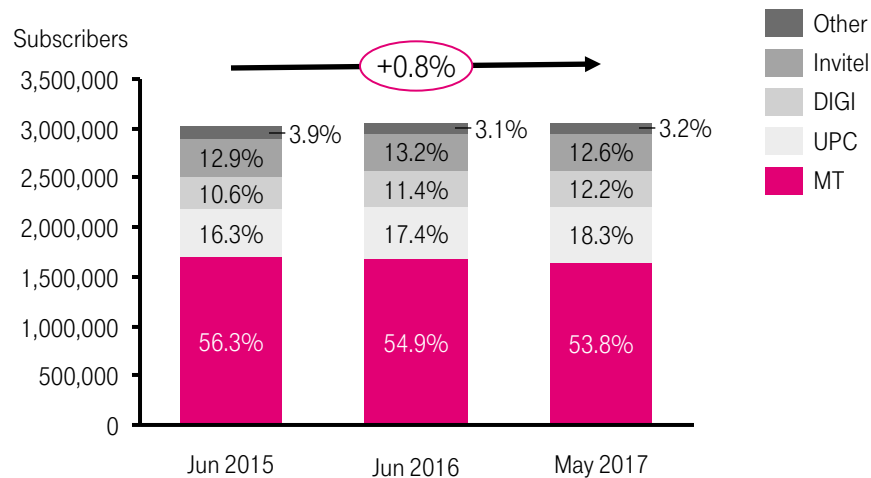
APPENDIX

MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

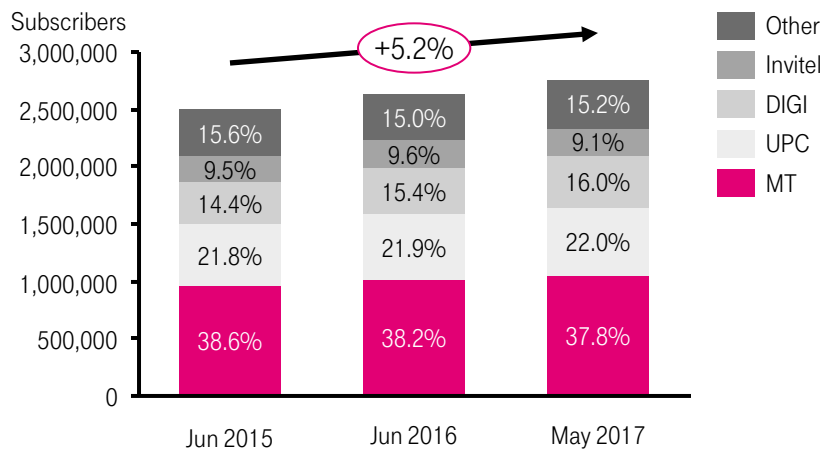
Total mobile market*



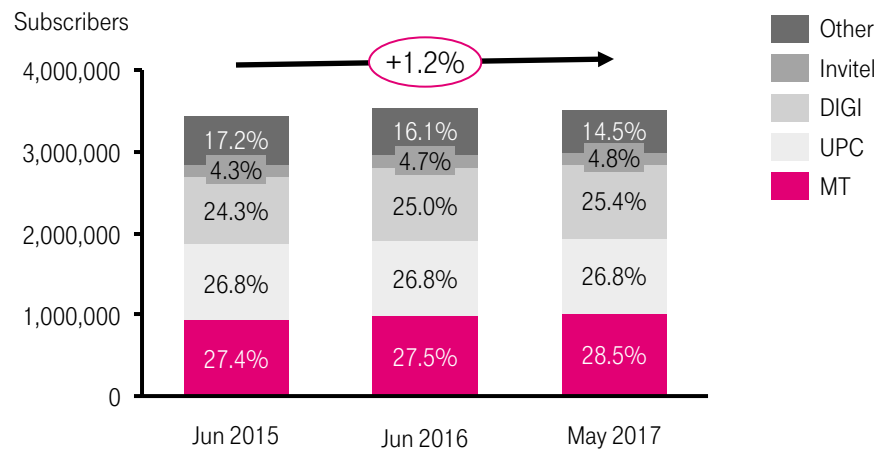
Fixed voice market**



Fixed broadband market**



TV market**



LIFE IS FOR SHARING.

*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)

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

| HUF million | Q2 2016 | Q2 2017 | Change |
|---|------------------|------------------|---------------|
| Mobile revenues | 76,454 | 79,617 | 4.1% |
| Fixed line revenues | 49,191 | 48,159 | -2.1% |
| System Integration/Information Technology revenues | 13,852 | 24,398 | 76.1% |
| Revenue from energy services | 1,490 | 1,347 | -9.6% |
| Revenues | 140,987 | 153,521 | 8.9% |
| Direct costs | (48,799) | (62,674) | -28.4% |
| Employee-related expenses | (20,144) | (20,144) | 0.0% |
| Utility tax | 0 | 0 | n.a. |
| Depreciation and amortization | (26,871) | (27,574) | -2.6% |
| Other operating expenses | (24,551) | (24,188) | 1.5% |
| Total operating expenses | (120,365) | (134,580) | -11.8% |
| Other operating income | 1,242 | 1,341 | 8.0% |
| Operating profit | 21,864 | 20,282 | -7.2% |
| Net financial results | (5,933) | (5,480) | 7.6% |
| Share of associates' profits | 102 | (2) | n.m. |
| Profit before income tax | 16,033 | 14,800 | -7.7% |
| Income tax expense | (5,326) | (3,872) | 27.3% |
| Profit for the period from continuing operations | 10,707 | 10,928 | 2.1% |
| Profit from discontinued operation | 889 | 0 | n.m. |
| Total profit for the period | 11,596 | 10,928 | -5.8% |



MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

| HUF million | Dec 31, 2016 | Jun 30, 2017 | Change |
|--|------------------|------------------|---------------|
| Current assets | 193,978 | 188,050 | -3.1% |
| Cash and cash equivalents | 10,805 | 7,789 | -27.9% |
| Other current financial assets | 5,104 | 4,392 | -13.9% |
| Non current assets | 981,551 | 925,067 | -5.8% |
| Property, plant and equipment - net | 483,174 | 457,842 | -5.2% |
| Intangible assets | 260,165 | 235,228 | -9.6% |
| Total assets | 1,175,529 | 1,113,117 | -5.3% |
| Equity | 581,333 | 556,671 | -4.2% |
| Current liabilities | 277,561 | 241,149 | -13.1% |
| Financial liabilities to related parties | 72,589 | 59,697 | -17.8% |
| Other financial liabilities | 22,600 | 14,173 | -37.3% |
| Non current liabilities | 316,635 | 315,297 | -0.4% |
| Financial liabilities to related parties | 247,179 | 247,443 | 0.1% |
| Other financial liabilities | 50,098 | 48,290 | -3.6% |
| Total equity and liabilities | 1,175,529 | 1,113,117 | -5.3% |



MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

| HUF million | Jun 30, 2016 | Jun 30, 2017 | Change |
|---|-----------------|-----------------|----------------|
| Net cash generated from operating activities | 61,225 | 62,109 | 1.4% |
| Investments in tangible and intangible assets | (33,587) | (37,686) | -12.2% |
| Adjustments to cash purchases | (14,120) | (6,219) | 56.0% |
| Purchase of subsidiaries and business units | (28) | (3,786) | n.m. |
| Cash acquired through business combinations | 0 | 475 | n.a. |
| Payments for / proceeds from other financial assets - net | (4,181) | (1,801) | 56.9% |
| Proceeds from disposal of subsidiaries | 3,484 | 0 | -100.0% |
| Proceeds from disposal of PPE and intangible assets | 8,346 | 362 | -95.7% |
| Payments for interests in associates and joint ventures | 0 | 0 | n.a. |
| Net cash used in investing activities | (40,086) | (48,655) | -21.4% |
| Dividends paid to shareholders and minority interest | (18,008) | (26,672) | -48.1% |
| Net payments of loans and other borrowings | (3,401) | (22,888) | n.m. |
| Repayment of other financial liabilities | (4,000) | (4,506) | -12.7% |
| Repurchase of treasury shares | 0 | (673) | n.a. |
| Net cash used in financing activities | (25,409) | (54,739) | -115.4% |
| Free cash flow from continuing operation | 21,320 | 10,749 | -49.6% |

*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:

Linda László

Head of Investor Relations

Phone: +36 1 481-7676

e-mail: laszlo.linda@telekom.hu

Rita Walfisch

Investor Relations Manager

Phone: +36 1 457-6084

e-mail: walfisch.rita@telekom.hu

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, 2016 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.



LIFE IS FOR SHARING.