MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

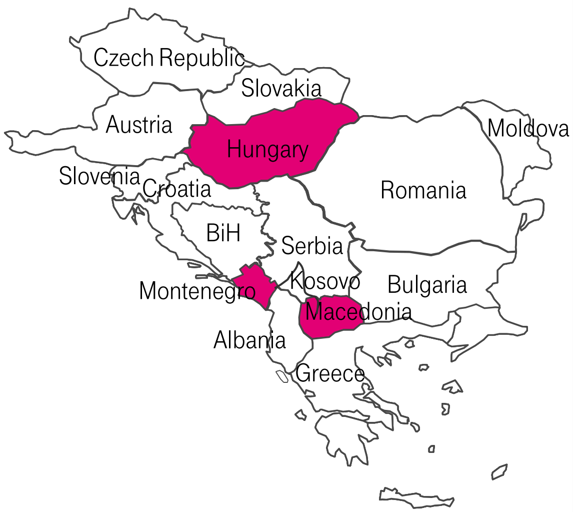
NOVEMBER, 2015

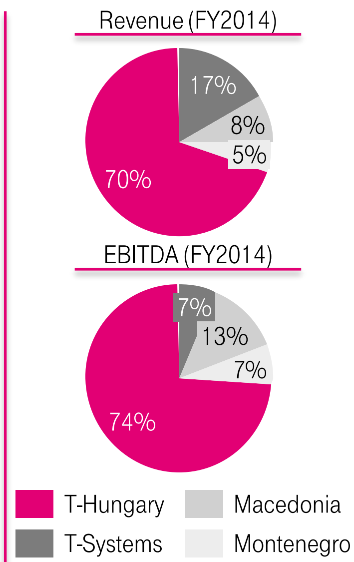
LIFE IS FOR SHARING.

STRATEGY AND MARKET POSITION

OVERVIEW – MAGYAR TELEKOM AT A GLANCE

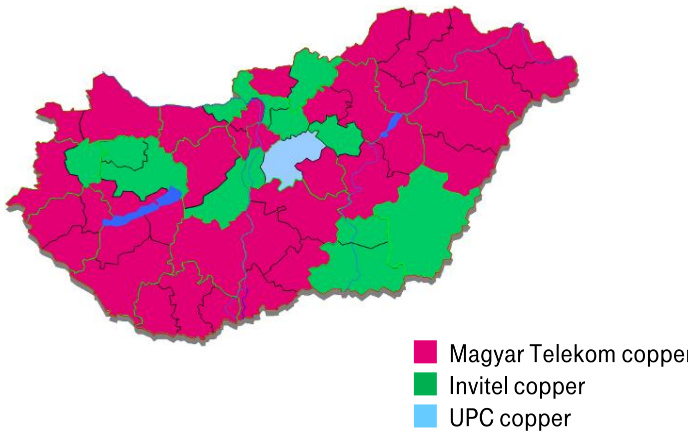
International presence





- Leading telecommunications operator in Hungary, Macedonia and Montenegro
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.3bn market capitalization
- Stock exchange listings
  - Primary listing on Budapest Stock Exchange
  - Level I ADR program, ADSs traded on the OTC Market

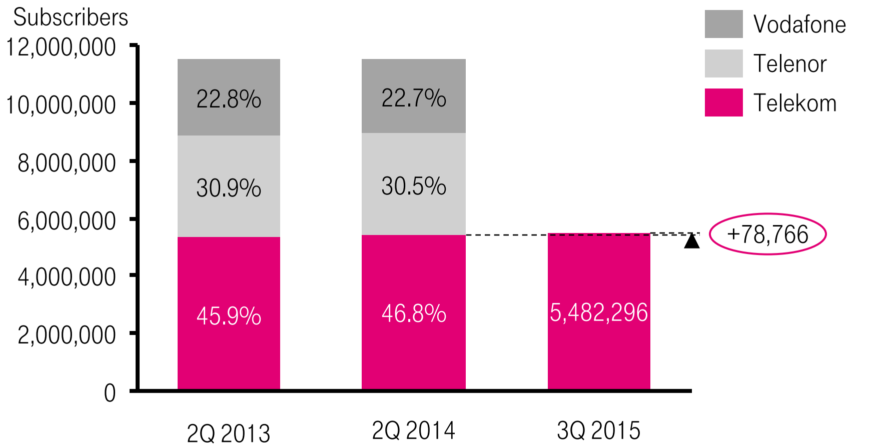
Hungary



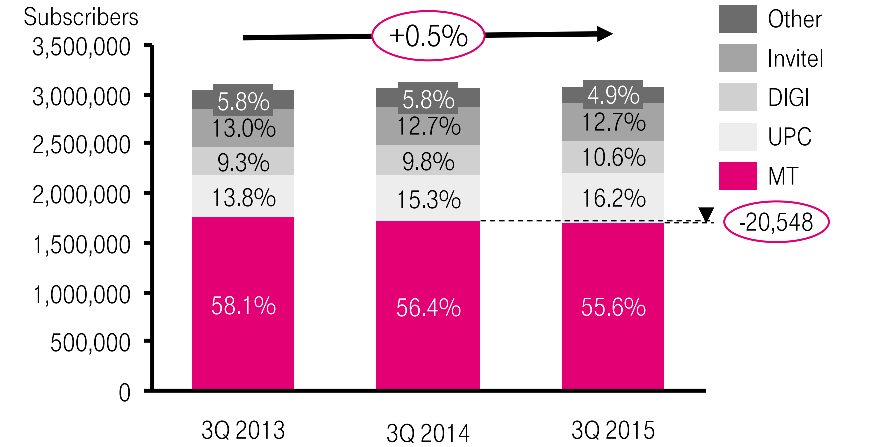
- MT is the incumbent fixed telco provider on ca. 75% of primary copper areas of Hungary
- 2 million households covered with High Speed Internet (HSI) access across country
  - FTTx (376k HHs) – ongoing countrywide roll-out
  - ED3 (715k HHs) – participating in market consolidation
  - VDSL (897k HHs) – revitalizing copper
- 83% population coverage of 3G
- 95% population coverage of 4G

MARKET POSITION IN HUNGARY

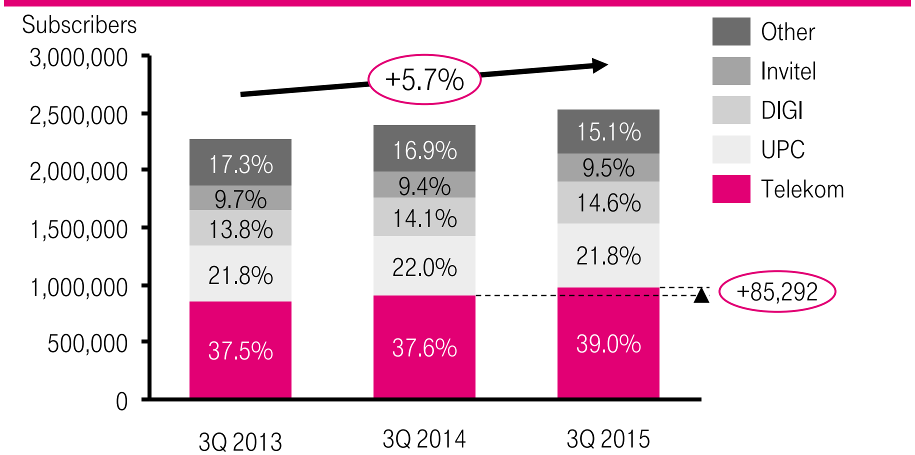
Total mobile market*



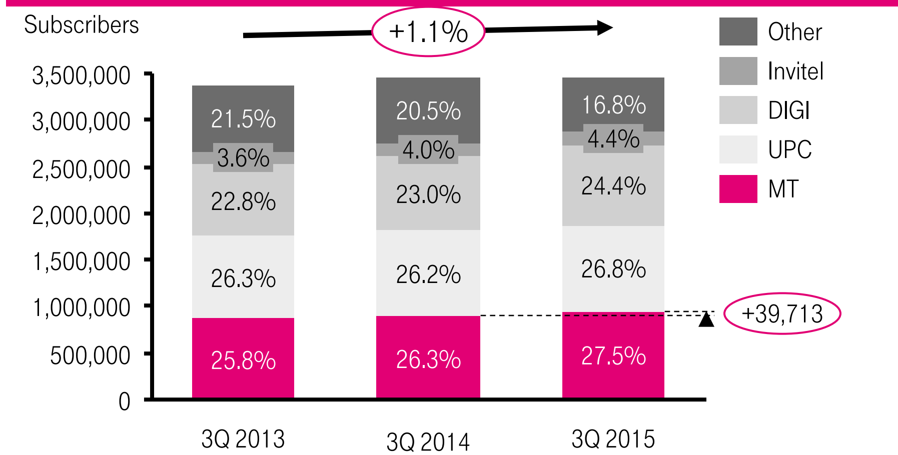
Fixed voice market**



Fixed broadband market**



TV market**



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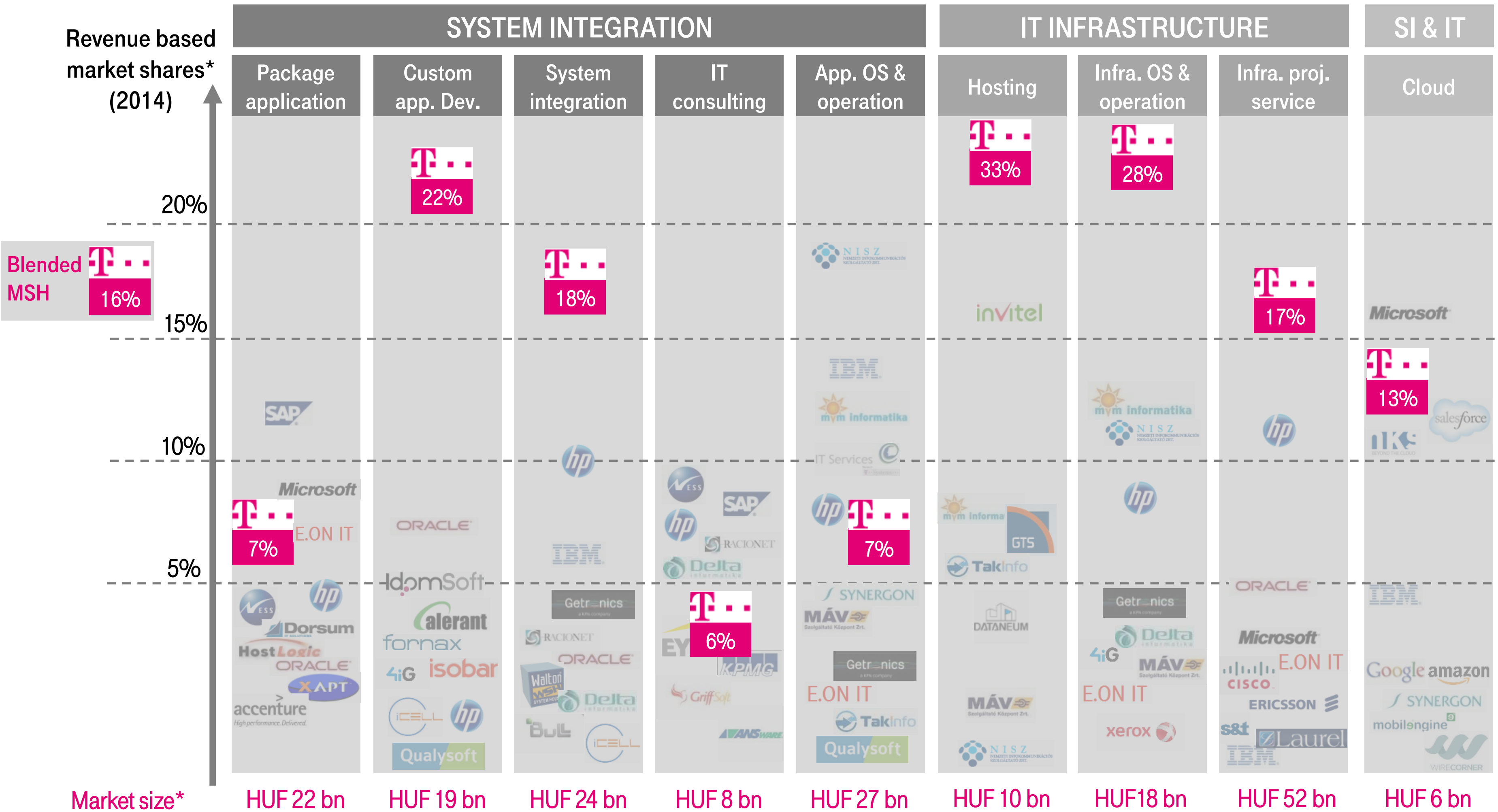
* based on the total SIMs, data available only until June 2014 by National Media and Infocommunications Authority (NMIAH) due to definition debate
** based on the total fixed voice / BB / pay TV market estimated by the NMIAH

MARKET LEADER IN IT SERVICES IN HUNGARY DUE TO WIDE RANGE OF IT SOLUTIONS BOTH IN IT PROJECTS AND IT OUTSOURCING

Total SI/IT market



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* Source: IDC 2014; Market size by demand side, while market shares by supply side data

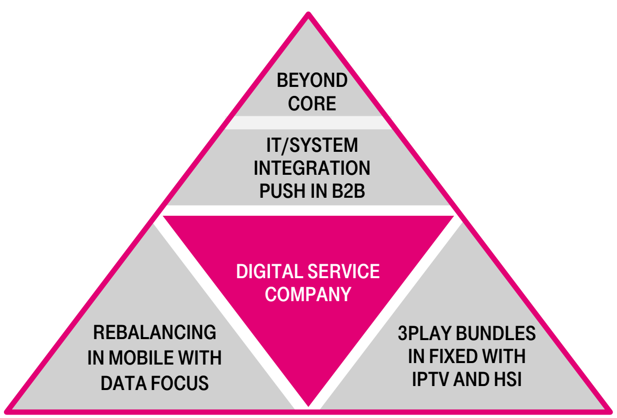
STRATEGY OVERVIEW

Telekom 2017 strategy and EoY 2015 targets

BEST CUSTOMER EXPERIENCE

1	LEADING INTEGRATED QUALITY BRAND	▪ Increase the awareness of the Telekom brand to the level of our previous brands
2	EFFORTLESS PRODUCTS & SIMPLIFIED PROCESSES	▪ Cut billable / sellable products by 50%
3	ONLINE CUSTOMER SERVICING	▪ Cut # of non-selling transactions by 50%
4	INTEGRATED ALL-IP NETWORK	▪ Increase # of IP voice customers to 1 million ▪ Roll out 440k additional HSI households ▪ Increase LTE coverage (pop. outdoor) to at least 97% ▪ Increase # of 4G users to 1 million
5	WINNING CULTURE	▪ Maintain employee satisfaction

Bundling strategy



- Restructuring revenues: shift from traditional (voice, data) to near-core (IT, TV) and beyond-core (energy, insurance)
- Strategy of bundling fixed, mobile, IT and beyond core services since 2007
- Customer loyalty improved through bundling
- Beyond core services to support core portfolio optimization leading to financial stabilization
- Turnaround of financial performance has commenced

STRATEGIC HIGHLIGHTS

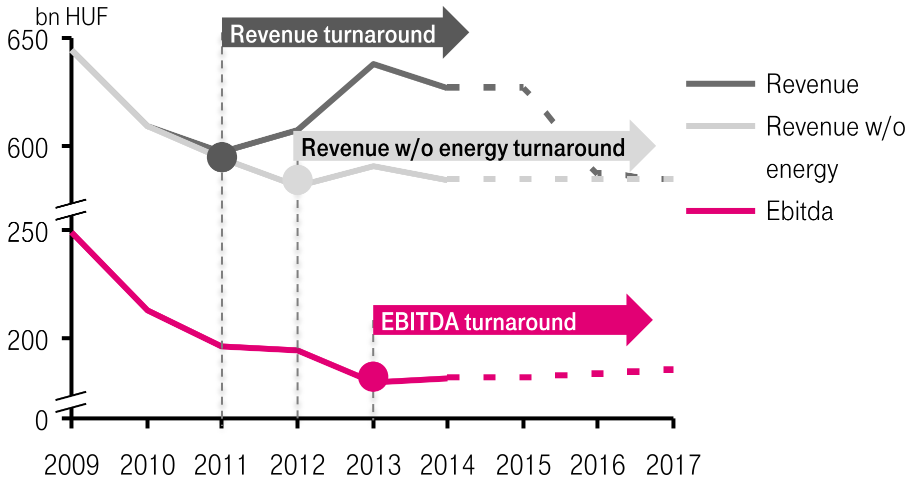
TURNAROUND	▪ After turning around revenue and EBITDA in recent years, we have managed to return to positive Free Cash Flow generation as the basis for the resumption of dividend payments ▪ Consolidated our market positions through an integrated T brand and network developments ▪ Sustained focus on cost efficiency by product and process simplification and online
NETWORK	▪ Acquisition of necessary spectrum blocks in 2014 to reinforce mobile market leadership in Hungary ▪ Agreement with Telenor Hungary to develop and maintain shared 4G network in 800 MHz band ▪ Fixed High Speed Internet roll-out program (mostly fiber) commenced in Hungary; push Digital Hungary program
ACQUISITION OF GTS HUNGARY	▪ Acquisition of GTS Hungary to strengthen our market position among business customers ▪ Expected synergies from process, network and headcount rationalization; fixed and mobile and IT cross-selling
STRENGTHENING MARKET POSITIONS	▪ With #1 position in the TV market, now leader in all segments of the Hungarian ICT market ▪ Increasing ARPU in fixed Broadband, TV and mobile (ecl. MTR effect), revenue growth in SI/IT
ENERGY	▪ JV with MET Holding to improve and optimize B2B energy operations – greater economies of scale and risk sharing ▪ Exit from the residential gas business due to changes in the market environment
SUBSIDIARIES	▪ Macedonia: slower mobile revenue decline and successful rebranding ▪ Montenegro: maintaining stable market share under regulatory pressure

TURNAROUND STORY OF MAGYAR TELEKOM

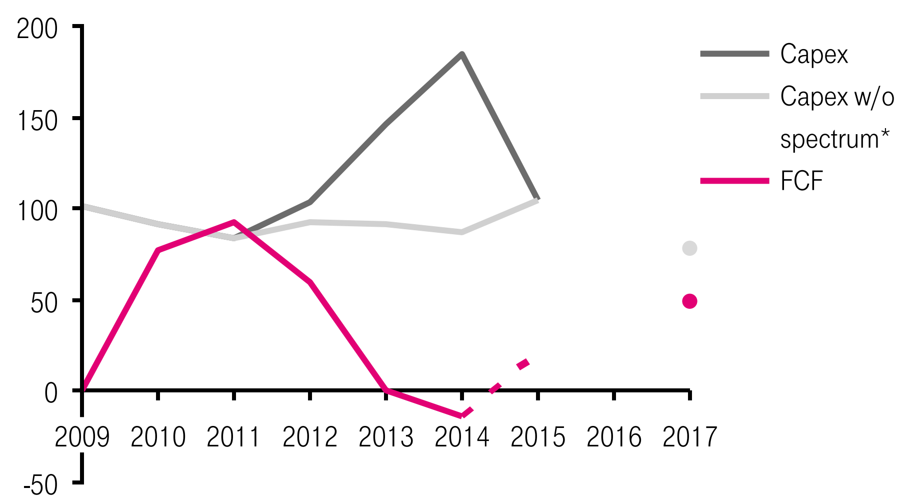
Major financial and strategic milestones

Integrated Telco and SI/IT operator	Multiplay ICT provider		Diversified service provider			Digital service company	
2007-2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016-2018**
Continuous decline in revenue and EBITDA	Change in strategy	Execution of „turn the bend" strategy	Topline revenue turnaround	Turnaround in revenue w/o energy	EBITDA turnaround	FCF turnaround	Sustainable operation and FCF generation
▪ Building up ICT capabilities ▪ Loyalty system ▪ Launching SAT TV	▪ Launching energy ▪ Full ICT integration ▪ Flat fixed voice offer introduced	▪ Mobile BB focus ▪ Insurance takeup ▪ Cross selling, multiplay offers	▪ Smartphone push ▪ IPTV focus ▪ M-commerce	▪ Frequency prolongation ▪ Push beyond core	▪ Frequency tender ▪ Smart device push ▪ HSI / 4G roll-out	▪ Upsell focus ▪ 4G push ▪ Growth in SI/IT	▪ Online transformation ▪ Simplification ▪ Digital Hungary ▪ Digital Home and Office ▪ Big Data ▪ M2M and IoT

Revenue and Ebitda turnaround



Capex and free cash-flow development



* Excluding spectrum license fees and annual frequency fee capitalization

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TELEKOM AS THE LEADEING OPERATOR AND BRAND IN HUNGARY

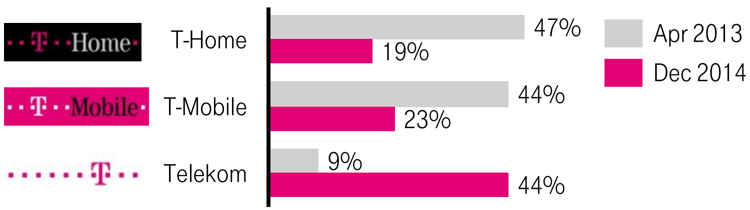
Our vision

Our mission

OUR MISSION IS TO MAKE THE DIGITAL WORLD MORE UNDERSTANDABLE AND ACCESSIBLE FOR EVERYONE.

WE ENABLE PEOPLE TO HAVE A MORE EFFORTLESS, COLOURFUL AND SUCCESSFUL LIFE.

Brand awareness* and brand values



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INNOVATION

SIMPLICITY

COMPETENCE

Our major awards

EXCELLENCE IN CUSTOMER SERVICE AWARD

FAMILY-FRIENDLY WORKPLACE AWARD

BICYCLE-FRIENDLY WORKPLACE AWARD

SUSTAINABLITY AWARDS (OEKOM, CEERIUS, DELOITTE)

DIVERSE ORGANIZATION AWARD

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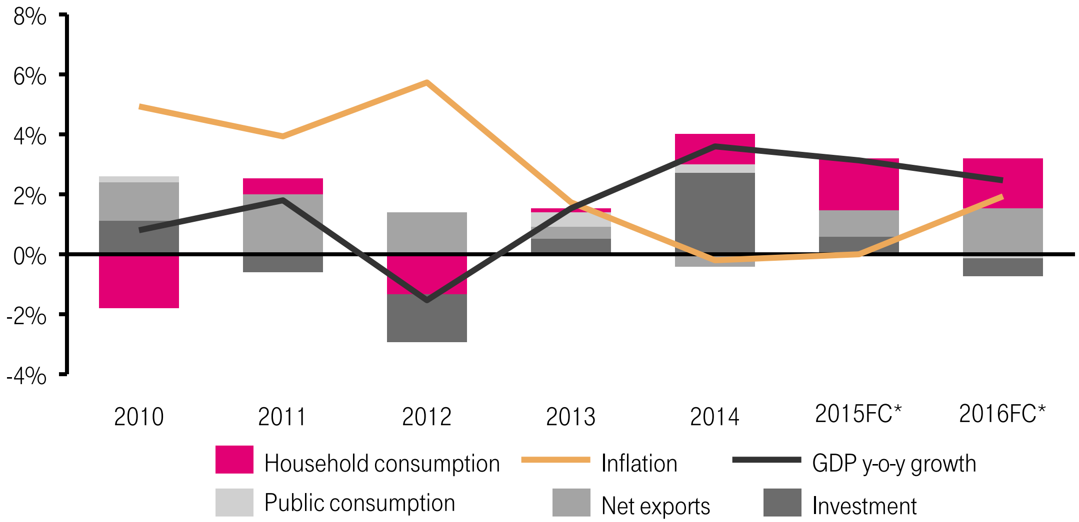
* Source: Brand tracking research, TNS, Dec 2014
(Brands identified by the logos)

HUNGARIAN ECONOMIC ENVIRONMENT

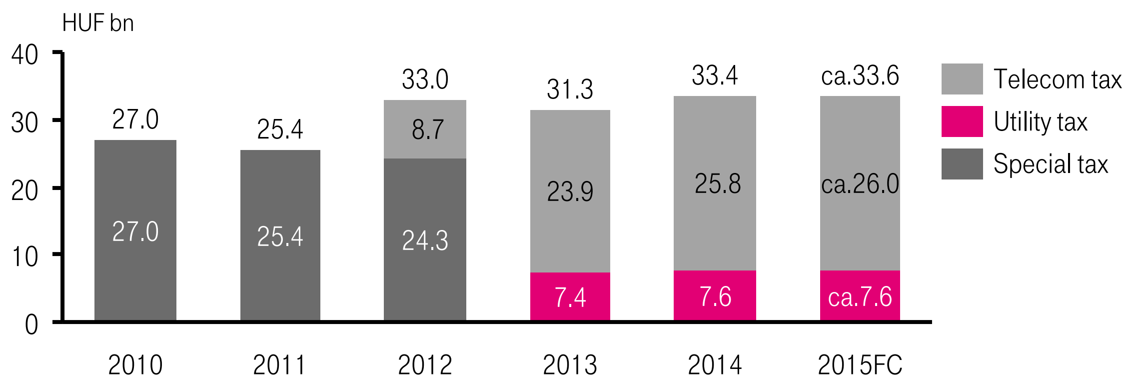
Growth strucutre



Domestic demand

- Domestic demand improved as economy recovers
- Governmental measures support consumer spending
- Investment levels show strong volatility due to EU fund cycles
- MT is expected to benefit from positive trends of domestic demand

Taxes levied on Magyar Telekom



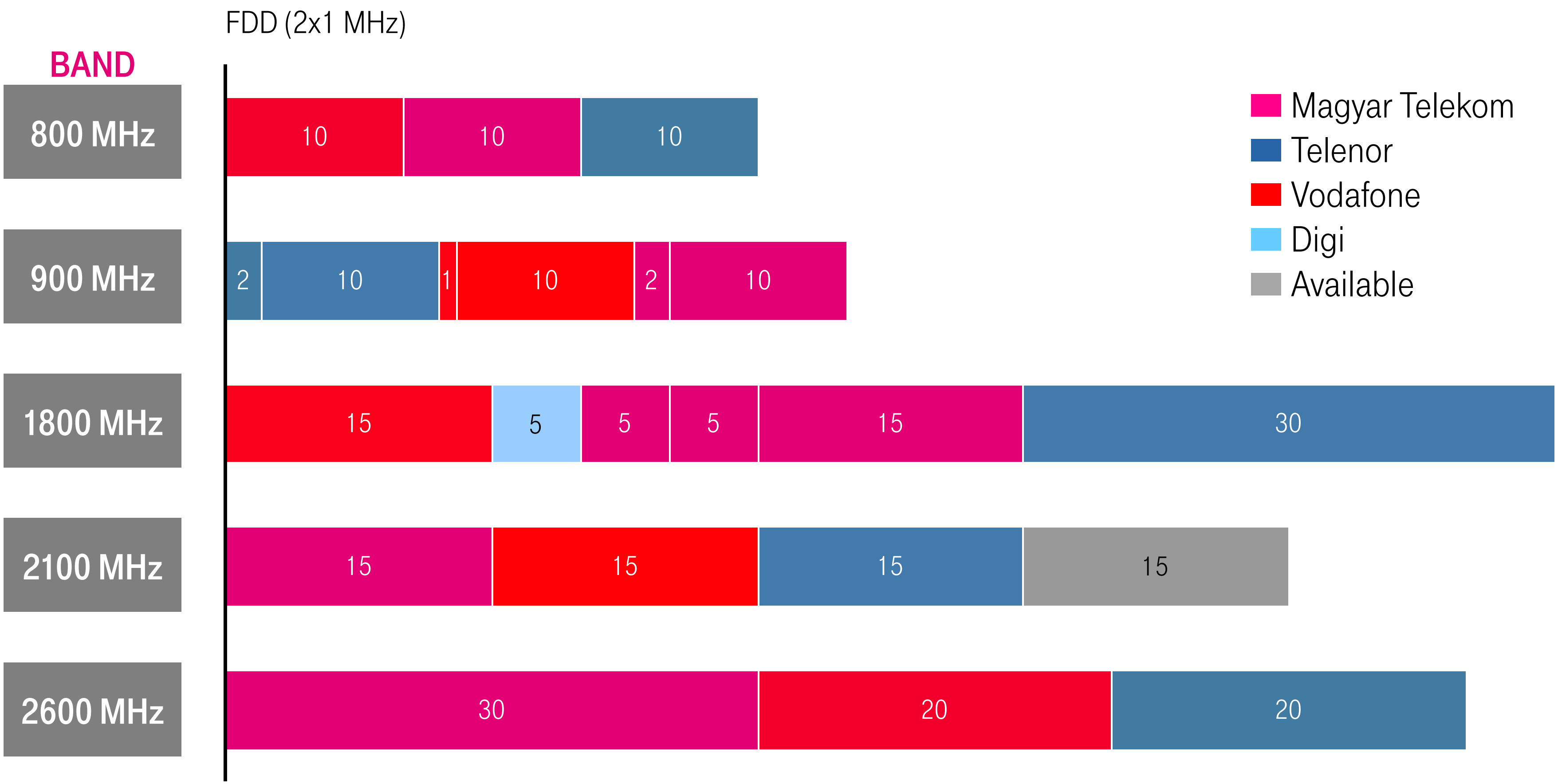
Tax burdens to reduce budget deficit

- 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 between 2013-2015, but slight decrease is expected from 2016

* Central Bank June 2015 forecasts

HUNGARIAN MOBILE SPECTRUM SITUATION

Current spectrum situation



GUIDANCE AND OUTLOOK

FINANCIAL HIGHLIGHTS AND TARGETS

	2014 RESULTS	2015 TARGETS	2017 TARGETS
REVENUE	HUF 626.4bn (-1.7%)	roughly stable	roughly stable excluding energy compared to 2014
EBITDA	HUF 181.2bn (+1.0%)	roughly stable	surpassing HUF 185bn
CAPEX*	HUF 86.8bn	around HUF 105bn	around HUF 80bn
FCF**	HUF -19.9bn		surpassing HUF 50bn
DIVIDEND	HUF 0	Minimum HUF 15 per share	

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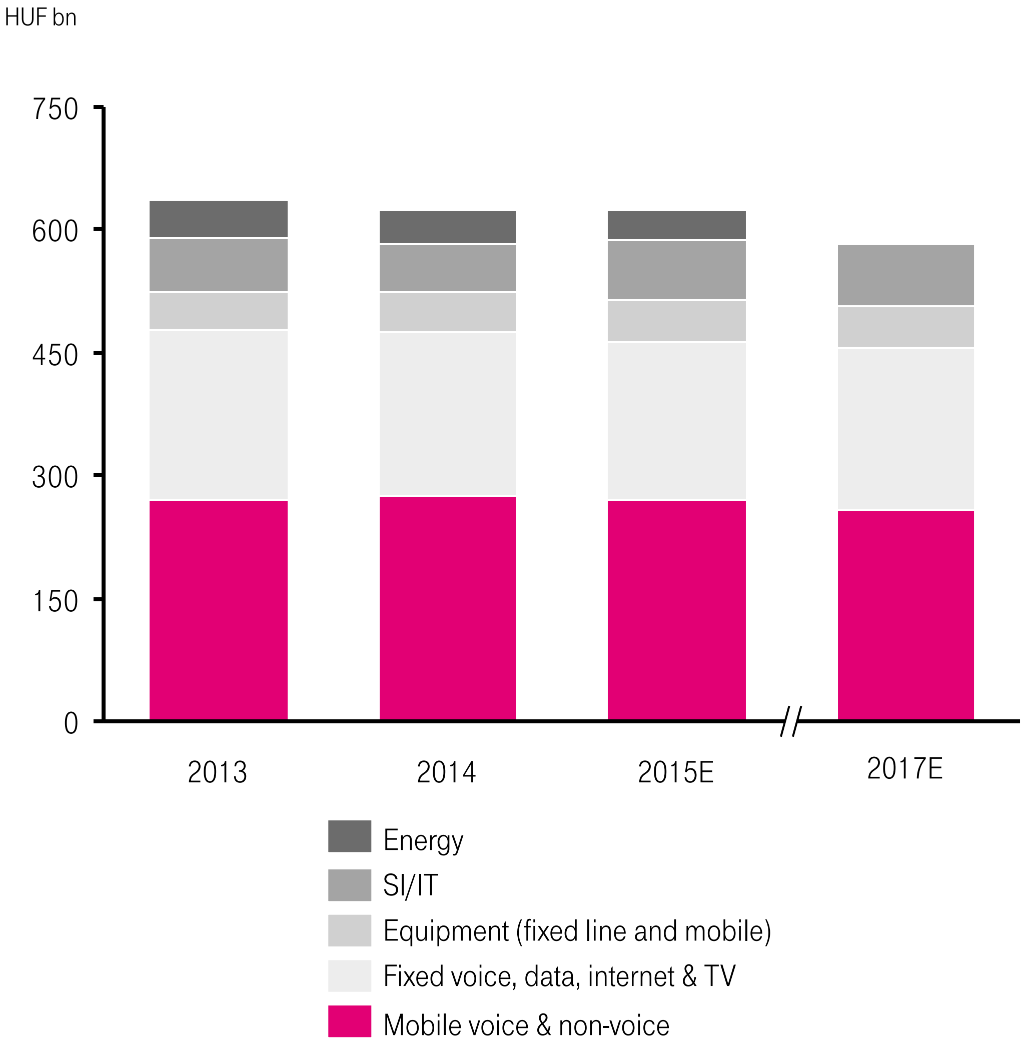
* Excluding spectrum license fees and annual frequency fee capitalization
** After minority dividend payments

ROUGHLY STABLE REVENUES EXCLUDING ENERGY

Group revenue developments

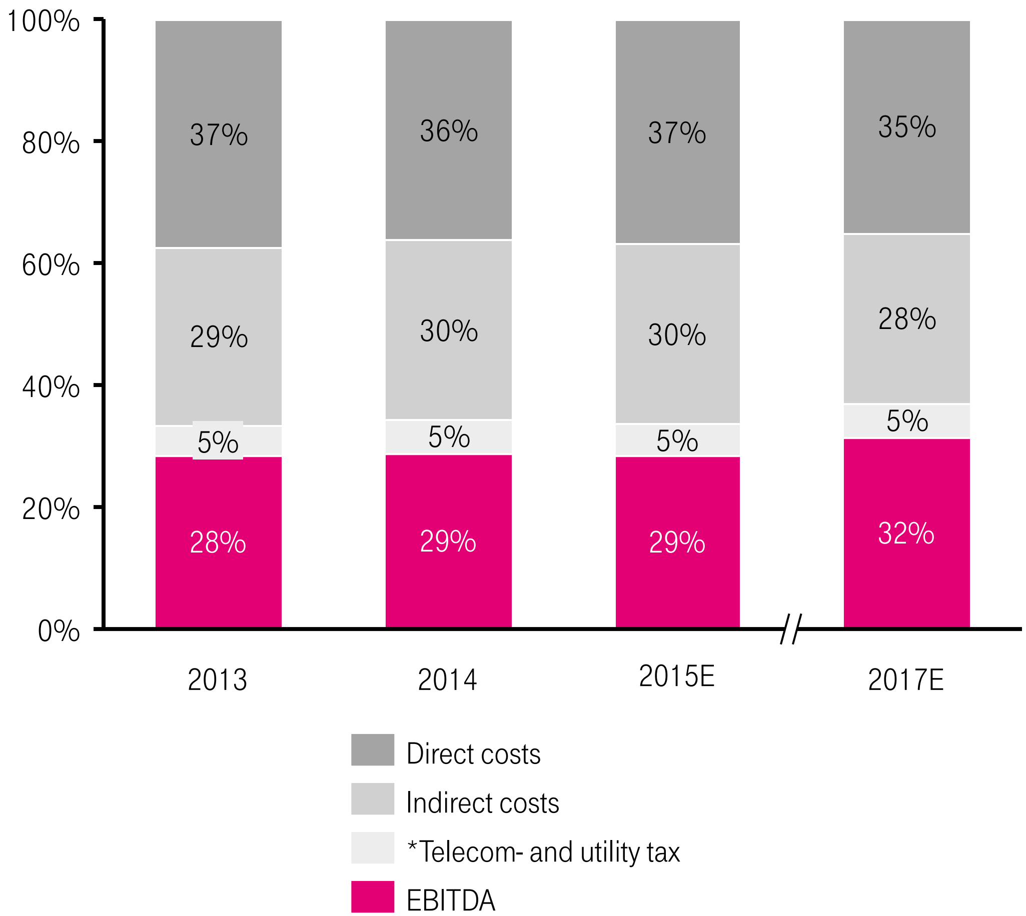


Highlights

- Roughly stable revenue anticipated for 2015 vs. 2014
- 2017 revenues to be roughly stable compared to the 2014 level due to the fall out of energy revenues
- Mobile broadband cannot fully compensate for the decline in voice revenue due to MTR cut
- Fixed voice revenue decline mitigated by growth in TV and BB revenues
- Growth in SI/IT revenues supported by market expansion

INCREASING EBITDA MARGIN

EBITDA and cost developments (relative to revenues)

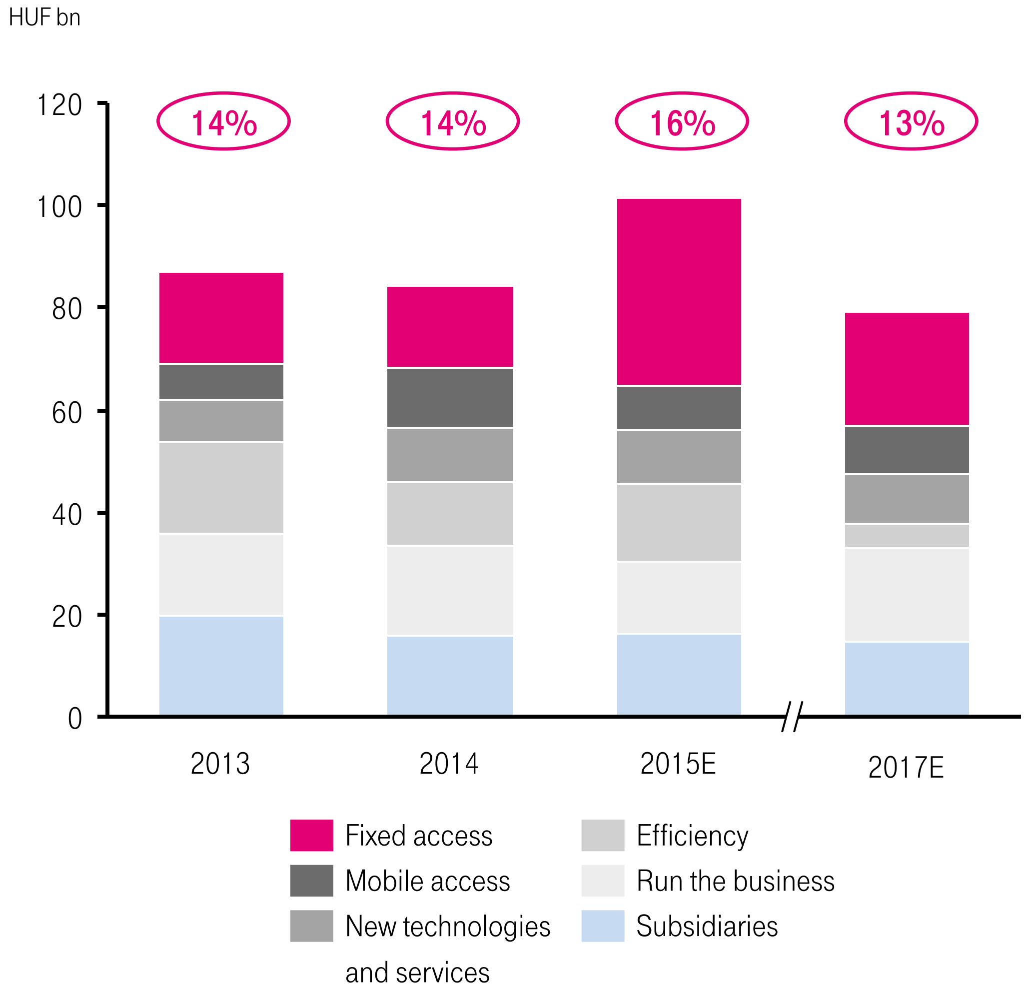


Highlights

- 2015 EBITDA to remain roughly stable on 2014 level
- 2017 EBITDA expected to surpass HUF 185 billion
- 2015 indirect costs include the expected ca. HUF 8 billion severance expense related to the redundancy program involving ca. 1,000 employees
- Direct costs expected to moderately rise in parallel with increasing revenues and change in product mix
- Slightly decreasing operating* taxes assumed

EFFICIENCY INVESTMENTS FREE UP CAPEX FOR ACCESS DEVELOPMENTS

Capex developments*



Highlights

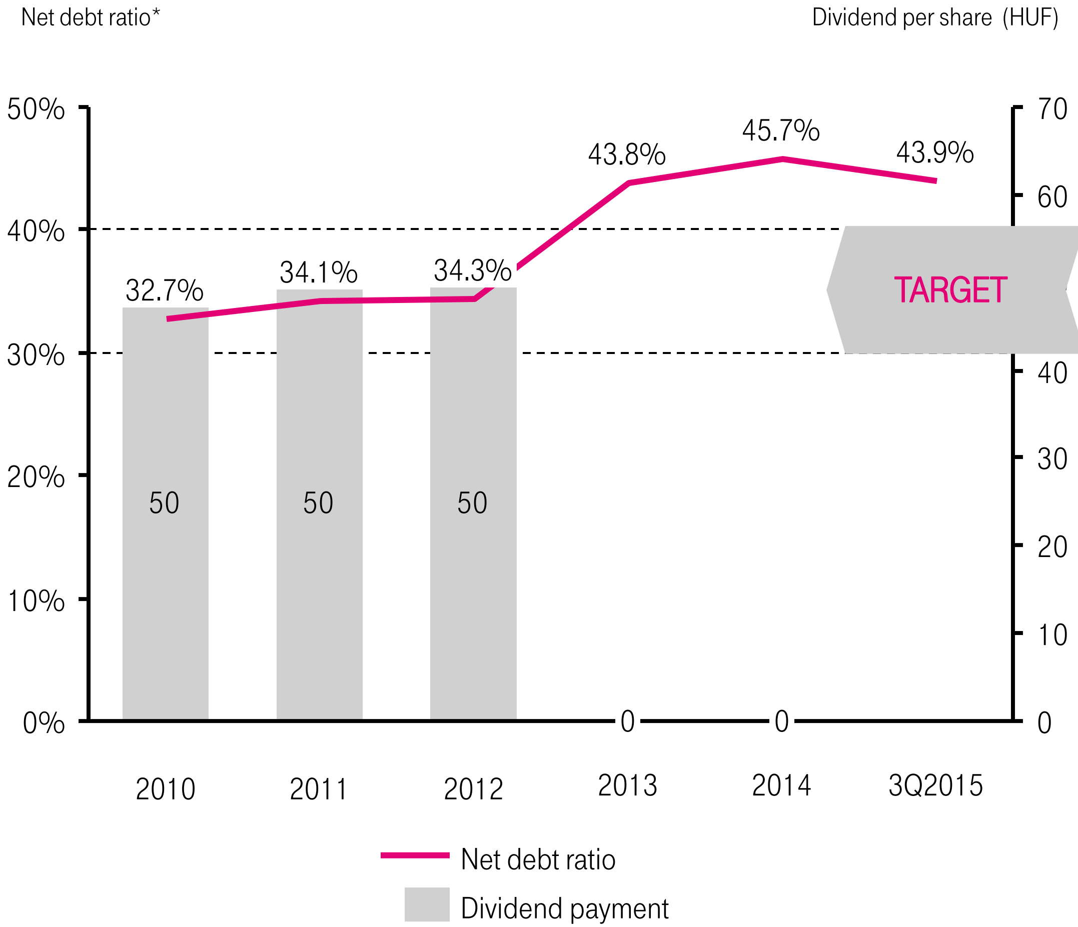
- Ca. HUF 105 billion Capex earmarked for 2015
- Fixed access: focus on increasing HSI coverage
- Mobile access: 4G population coverage to reach 97% by end 2015
- Efficiency investments:
  - Replacement of legacy network
  - PSTN migration
  - Online front end development
  - Mobile network modernization
  - CRM & Billing system project
- New technologies and services:
  - All IP network
  - Service innovation
  - HW as a service

CAPEX*/Sales

* CAPEX excluding spectrum license fees and annual frequency fee capitalization

DIVIDEND POLICY

Dividend payment and net debt ratio developments



Highlights

- Maintain net debt ratio (net debt/total capital) target of 30% - 40%
- Board of Directors proposed no dividend payment on 2014 earnings for approval to the AGM
- Based on the current operating, regulatory and taxation environment and outlook coupled with the anticipated significant improvement in the free cash flow generation, the Company believes that it will be able to pay at least HUF 15 dividend per share on 2015 results**

* 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

Q3 2015 RESULTS

STRATEGIC HIGHLIGHTS IN Q3

HUNGARY

TELCO
- Underlying mobile growth thanks to strong 4G push but wholesale revenue loss due to MTR cut
- Organic growth in both fixed broadband and TV, ex-acquisition effect of GTS Hungary
- Introduced quad-play offer, Magenta1 to maximize share of wallet in household spending
- Over 95% 4G population coverage and significant fixed line network development program

ENERGY
- Revenue growth in B2B segment ahead of preparing to set up joint venture

SI/IT
- Year-to-date revenue turnaround in SI/IT at enterprise segment by T-Systems

INT'L

MACEDONIA
- Rebranding to one integrated Telekom brand and launched quad-play offer, called Magenta1
- VIP/One merger has created a strong integrated competitor

MONTENEGRO
- Introduced one billing to enhance integrated operator image and strive for efficiency
- Intense competition in mobile and fixed line driven by regulatory pressures

FINANCIAL HIGHLIGHTS AND TARGETS

	9M 2015 RESULTS	2015 TARGETS	2017 TARGETS
REVENUE	+2.7%	roughly stable	roughly stable excluding energy compared to 2014
EBITDA	+3.0%	roughly stable	surpassing HUF 185bn
CAPEX	HUF 59.9bn	around HUF 105bn	around HUF 80bn

Revenue

- Group wide mobile data growth due to 4G push offset by Hungarian MTR cuts
- Revenue growth in fixed line
- Increased SI/IT revenues across all segments
- Higher energy sales in Hungarian B2B segment

EBITDA

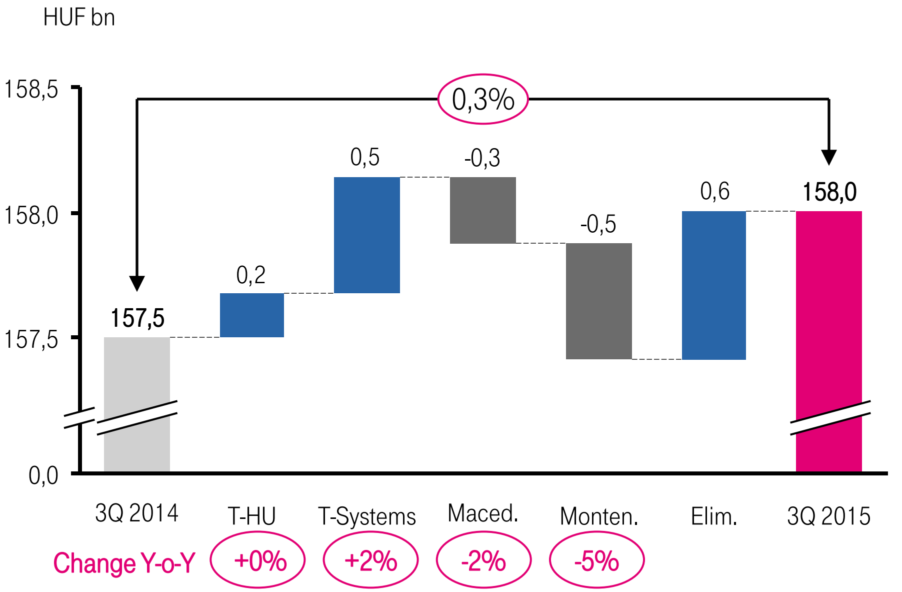
- Improved fixed and mobile broadband performance driven by higher ARPUs and larger customer base
- Higher SI/IT margin but lower margin levels
- Lower bad debts
- HUF 1 bn higher one-off severance payment (HUF 4.6 bn) compared to last year in Hungary more than offset by recurring core savings in employee related expenses

CAPEX

- Acceleration of Fixed High Speed Internet roll-out program in Hungary
- Continuing PSTN replacement and process simplifications
- Lower spending on Hungarian mobile networks than initially expected due to NW sharing agreement

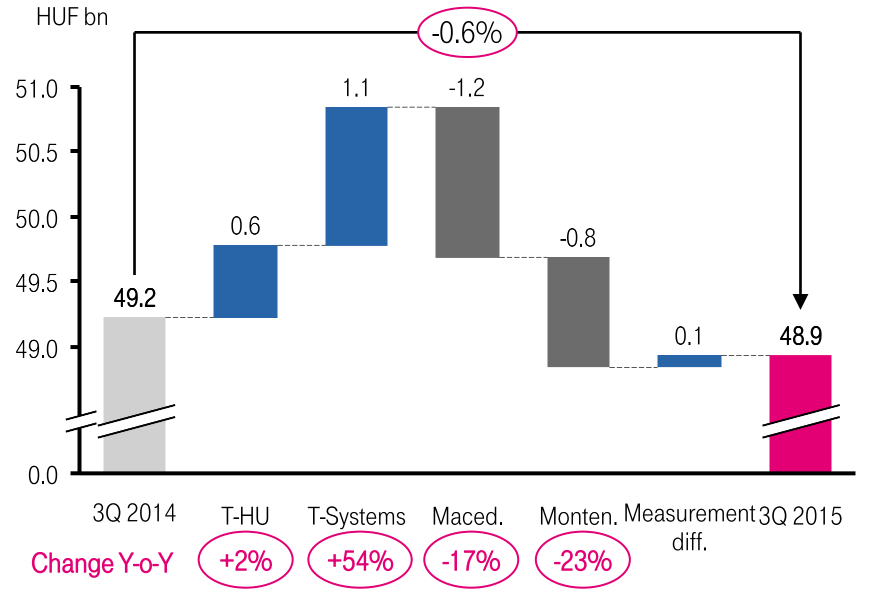
GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenue



- **Telekom Hungary:** strong fixed and energy performance despite regulatory pressure on mobile IC
- **T-Systems:** boosted by outstanding SI/IT performance, revenue grew by 2% despite decline in mobile and fixed revenues
- **Macedonia:** slight decline in revenues due to lower mobile and fixed voice revenues, partly offset by strong SI/IT
- **Montenegro:** revenue decline due to intense competition and OTTs in mobile, and regulatory pressure on fixed revenue

Group segmental EBITDA

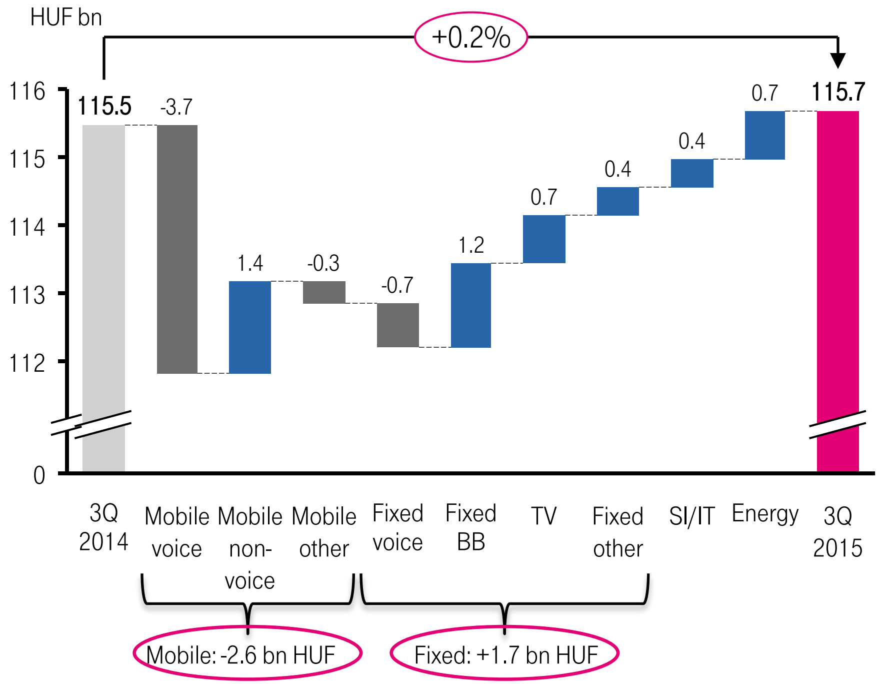


- **Telekom Hungary :** higher gross margins in fixed line coupled with savings in employee related expenses
- **T-Systems:** improved gross margin and lower employee related expenses lead to 4pp expansion in EBITDA margin, overall EBITDA 50% higher
- **Macedonia:** material EBITDA decrease due to significantly lower gross margin
- **Montenegro:** lower gross margin and outsourcing of technological functions lead to decline in EBITDA

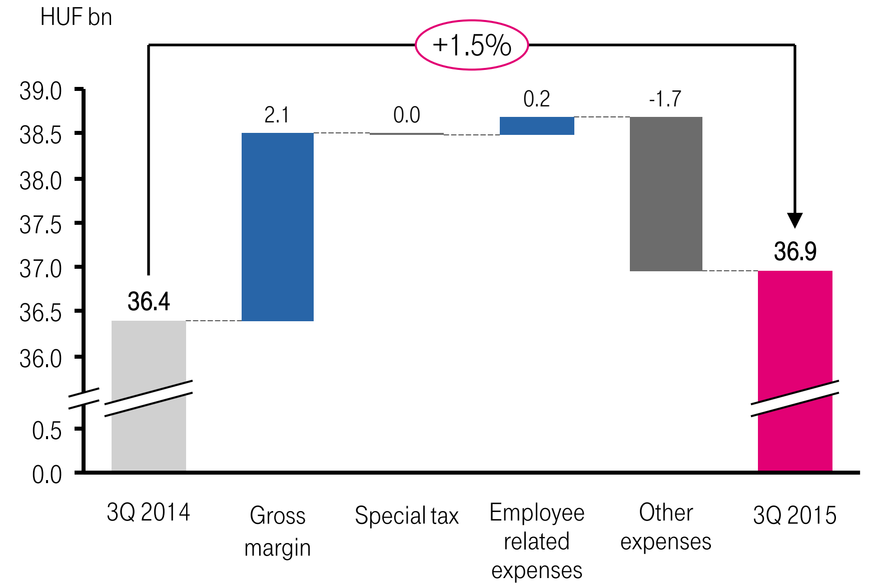
SEGMENTAL OVERVIEW

T-HUNGARY

T-Hungary revenue



T-Hungary EBITDA



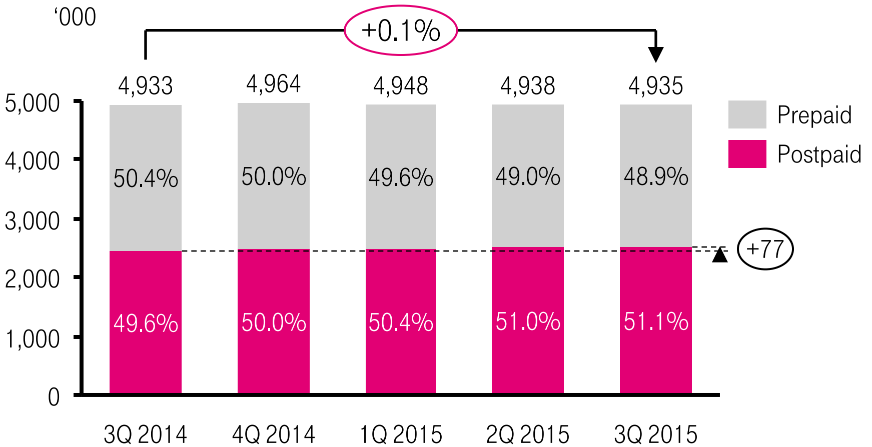
- Strong mobile broadband growth due to 4G push
- MTR cut by 76% resulting in a HUF 4bn loss in revenues
- Significant growth in both fixed broadband and TV thanks to ever larger customer bases and higher ARPUs
- Higher fixed WS, data and SI/IT revenues due to GTS acquisition
- Higher energy revenues in B2B sub-segment partly offset by residential gas market exit

- Improvement in gross margin driven mostly by ARPU increases both in mobile (excl. MTR effect), fixed broadband and TV due to successful fixed line cross-sell and upgrade campaigns
- Further savings in employee-related expenses despite the ca. HUF 1.0 bn higher severance payment thanks to savings deriving from the headcount reduction program

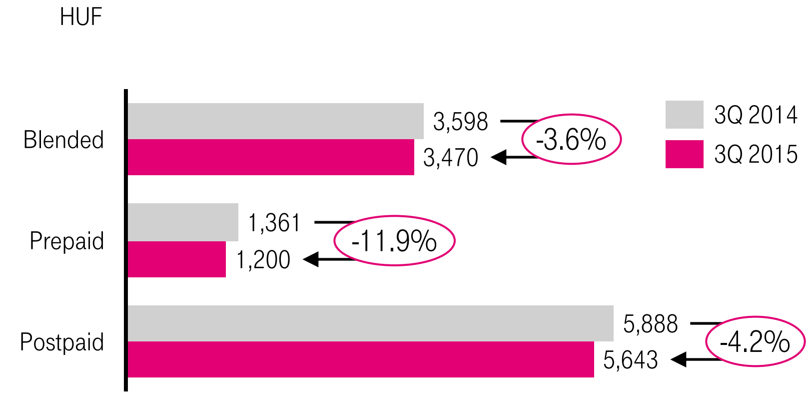
* Mobile voice includes mobile retail voice only; Mobile non-voice includes data, SMS and equipment; Mobile other includes wholesale and other

T-HUNGARY – MOBILE

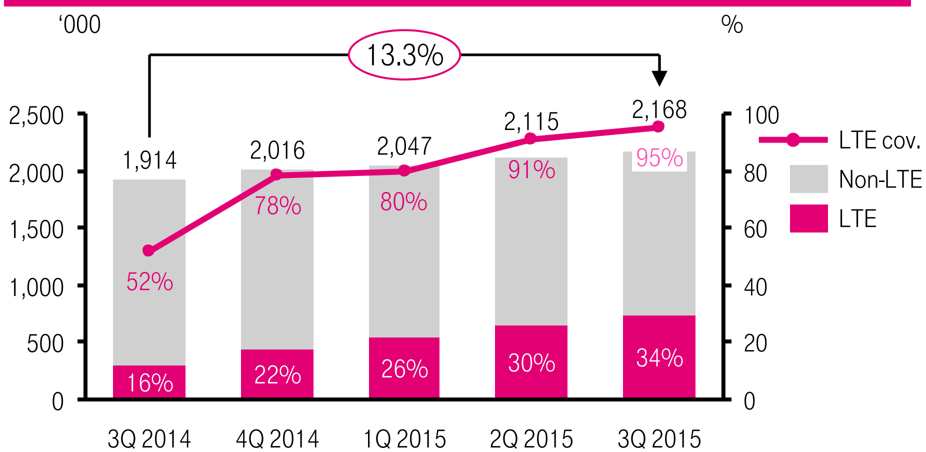
Mobile RPC



Mobile ARPU (HUF)



Mobile broadband development



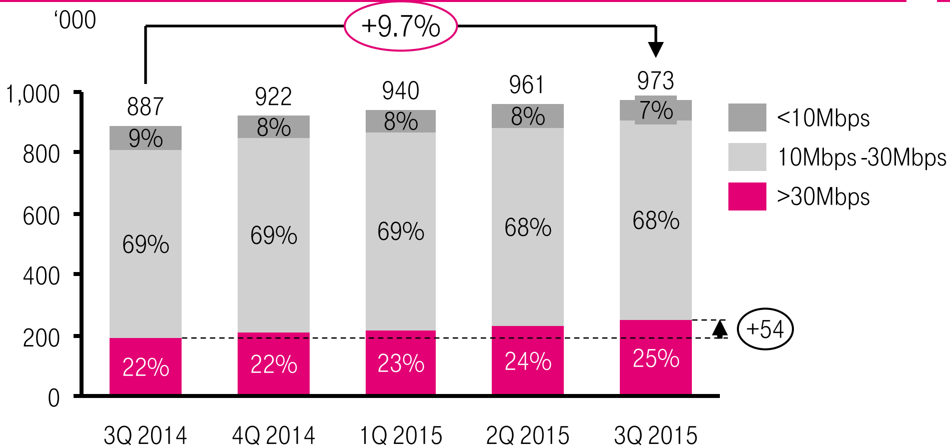
* outdoor population coverage

Highlights

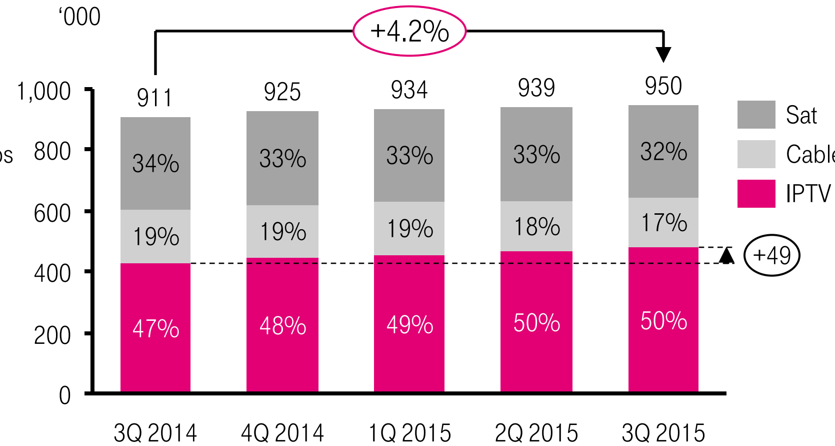
- 3% increase in postpaid RPC driven by data hunger
- MOU increased by 8%, consistent with the growth in flat tariff subscriber base
- Decreasing ARPU due to sharp MTR cut (outgoing voice ARPU increased by 1%)
- 4G outdoor population coverage above 95%
- Smartphone sales account for over 90% of postpaid handsets
- 1.5 GB monthly traffic by average 4G user
- 14% higher total 4G traffic than 3G

T-HUNGARY – FIXED BROADBAND AND TV

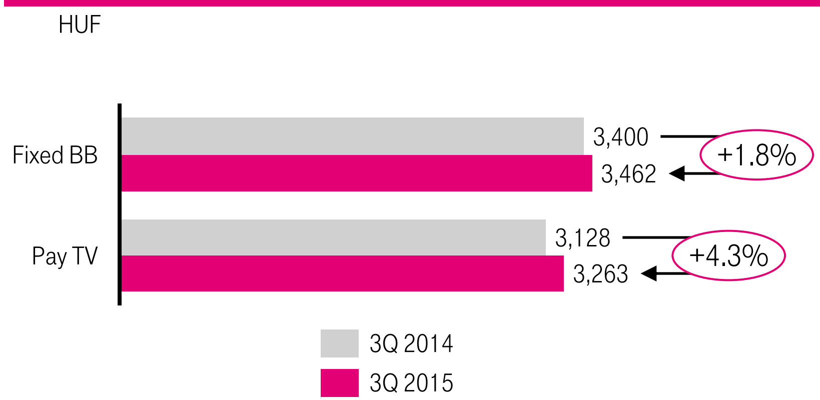
Fixed BB RPC



Pay TV RPC



Fixed BB and TV ARPU

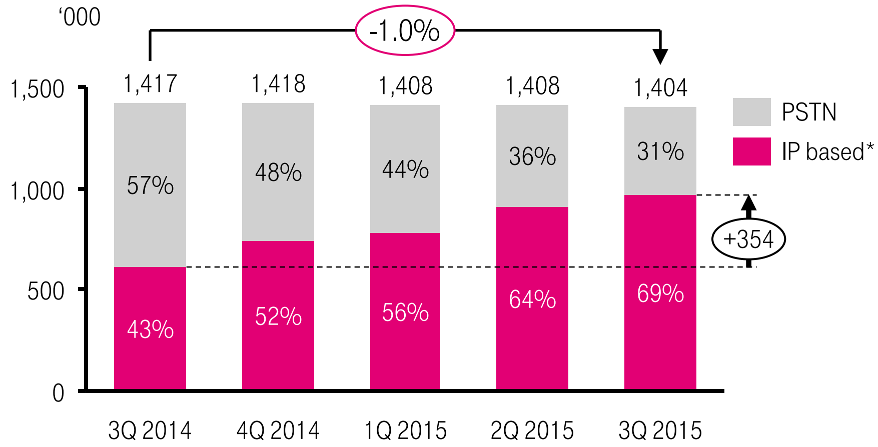


Highlights

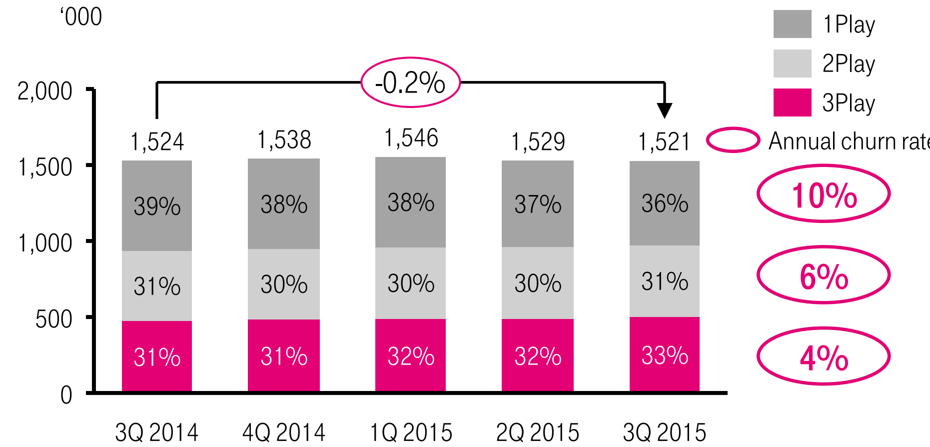
- 86 thousand broadband and 39 thousand TV net adds, which helped maintain leading market positions
- Increasing ratio of higher bandwidth packages due to upselling activities driven by network upgrades
- Focusing on IPTV to offer more value to our customers
- Higher ARPUs driven by upselling and price increase

T-HUNGARY – FIXED VOICE, MULTIPLAY AND ENERGY

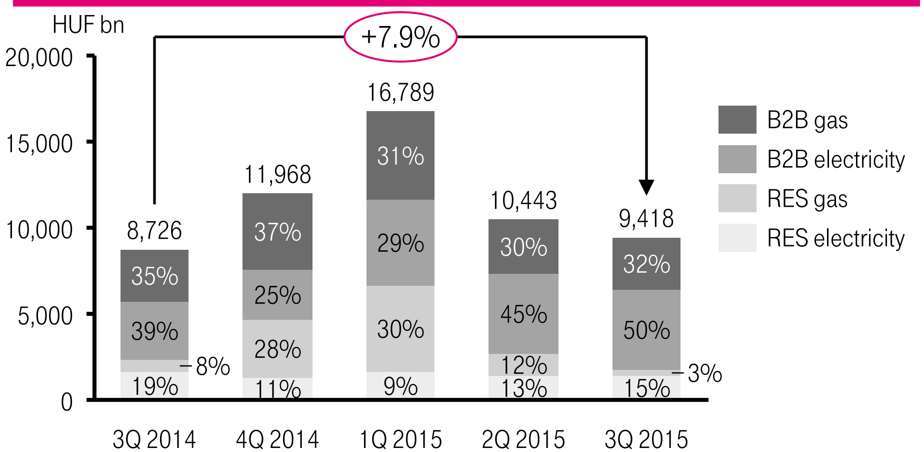
Fixed voice RPC



Multiplay development among residential customers



Energy revenues



Highlights

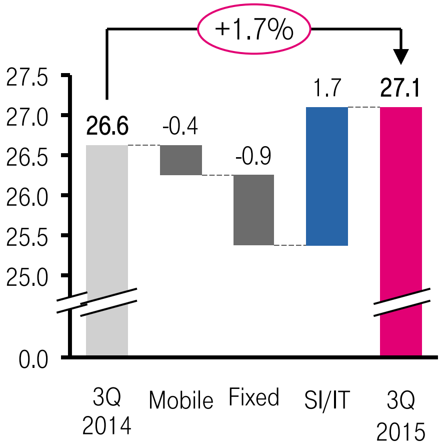
- Fixed voice churn is 1% due to smart bundling strategy
- Fast IP based migration to strive for efficiency
- Fixed voice MOU is down by 3%, ARPU rate of decline at 4%
- Lower churn among 2/3play customers
- Launched our quad-play offer, called Magenta1 to offer the best selection of our services from one hand in order to maximize the telecommunication share of wallet in household spending
- Energy revenue growth driven by B2B sub-segment
- Exited from residential gas market with effect from July 31

* IP based RPC equals to VoIP and VoCa RPC

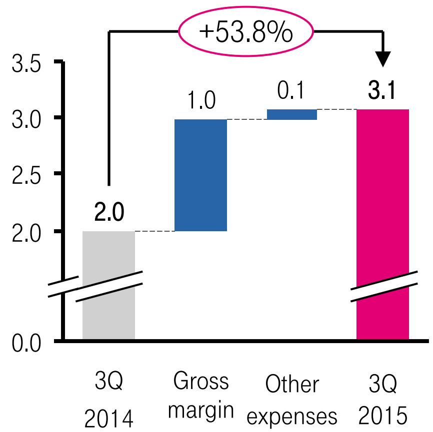
T-SYSTEMS

Financials

Revenues (HUF bn)

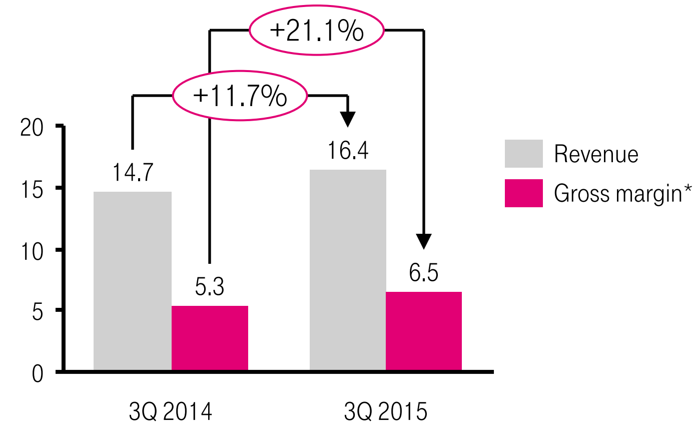


EBITDA (HUF bn)



SI/IT revenue and margin

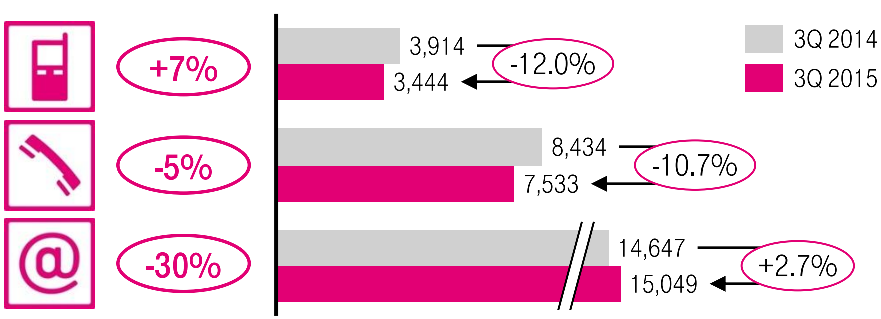
HUF bn



KPIs (mobile/fixed voice/fixed BB)

RPC QoQ change

ARPU (HUF)

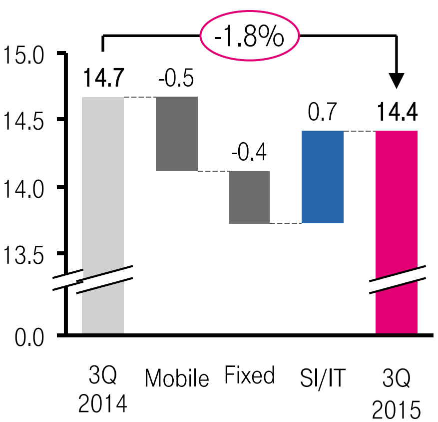


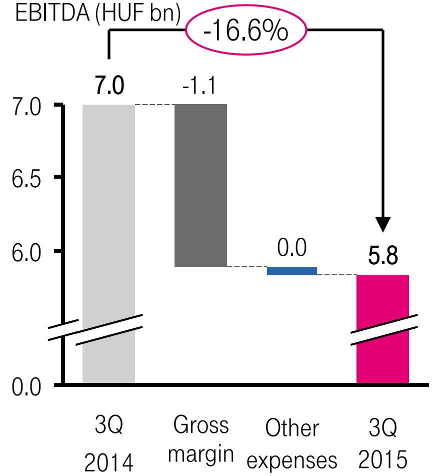
Highlights

- Total revenue increase boosted by outstanding IT performance compensating for decline in mobile and fixed revenues
- Lower mobile wholesale revenues and IC costs due to MTR cut
- Beyond 12% growth in SI/IT revenues, material improvement in total gross margin, as well as gross margin ratio
- EBITDA growth of 54% also driven by improving bad debt expense and savings in employee related costs
- Fierce competition lead to mobile voice and broadband APRU erosion, however, customer base increased in both segments
- State-owned operator behind significant churn among government related broadband and fixed data customers

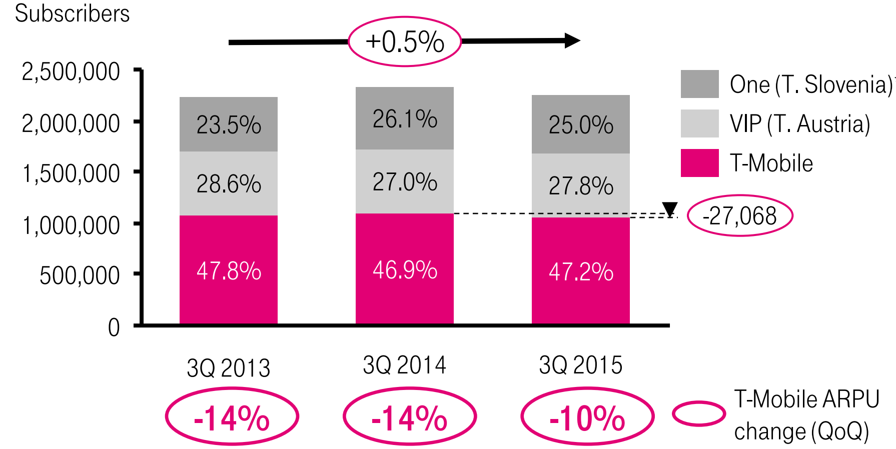
MACEDONIA

Financials

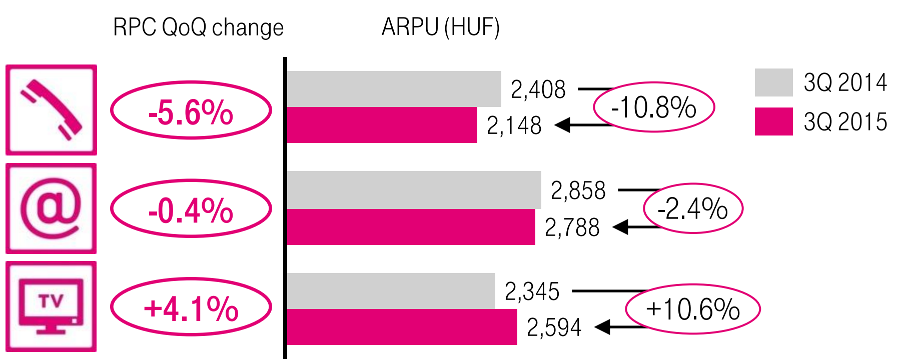




Mobile KPIs



Fixed KPIs (voice/BB/TV)



Highlights

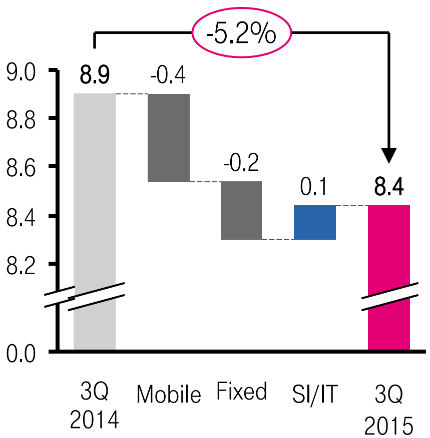
- Rebranding campaign to integrated „T" and 4play Magenta1 launched following Maktel – T-Mobile Macedonia merger
- The market stabilization experienced in the first half of the year continued and is reflected by the slowdown in revenue decline
- VIP/One merger has created a strong integrated competitor
- Continuing strong SI/IT performance, slowdown in mobile voice ARPU decline and robust growth in TV ARPU and RPC

* inclueding Albafone before June, 2015

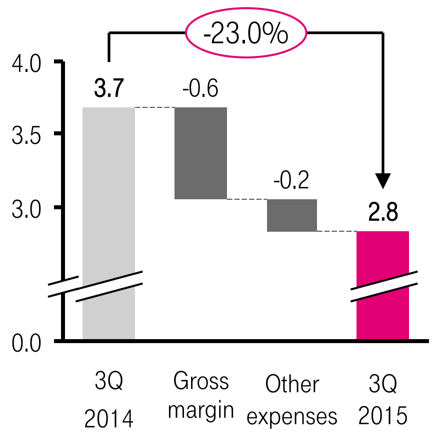
MONTENEGRO

Financials

Revenues (HUF bn)

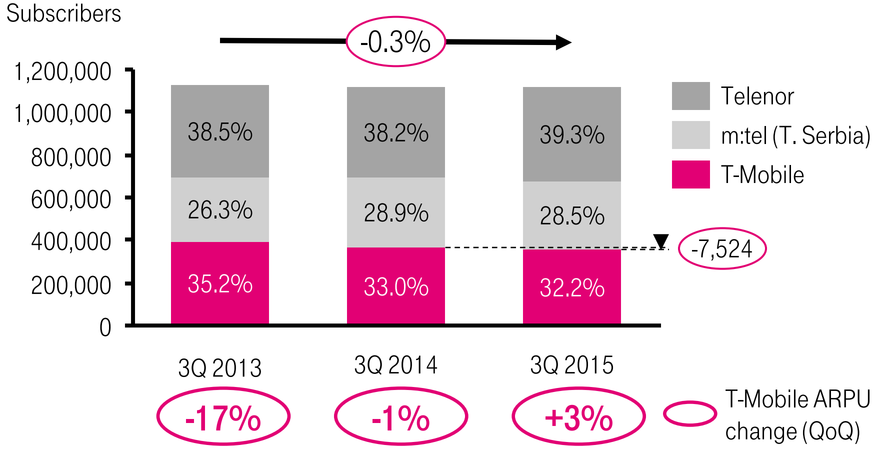


EBITDA (HUF bn)

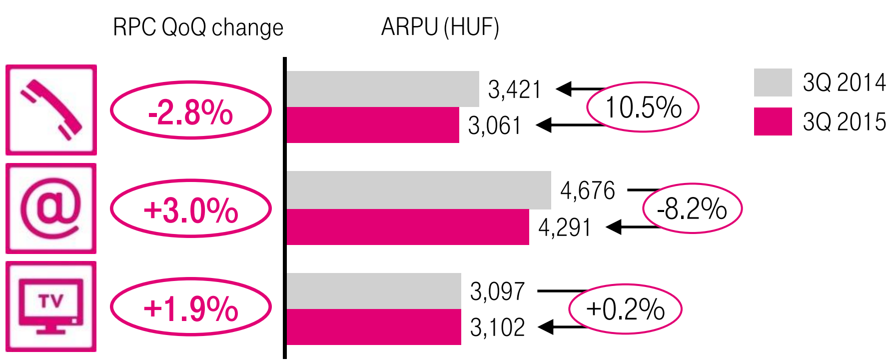


Mobile KPIs

Subscribers



Fixed KPIs (voice/BB/TV)



Highlights

- Revenue decline driven by lower mobile prepaid RPC, regulatory pressure on fixed voice and broadband businesses, as well as dwindling SMS revenues due to OTT push
- Reversed mobile ARPU decline into an increase due to improvement in customer quality (continued loss of low ARPU prepaid customers)
- Significant growth in SI/IT revenues due to increased number of ICT projects
- Steep EBITDA decline in line with revenue fall, lower gross margin and outsourcing of network operations

FINANCIALS

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q3 2014	Q3 2015	Change
Mobile revenues	82 718	79 105	-4,4%
Fixed line revenues	51 656	52 702	2,0%
System Integration/Information Technology revenues	14 404	16 781	16,5%
Revenue from energy services	8 726	9 418	7,9%
Revenues	**157 504**	**158 006**	**0,3%**
Direct costs	(54 395)	(53 761)	-1,2%
Employee-related expenses	(25 858)	(25 293)	-2,2%
Depreciation and amortization	(25 011)	(27 667)	10,6%
Hungarian telecommunications and other crisis taxes	(6 465)	(6 398)	-1,0%
Other operating expenses	(22 228)	(25 000)	12,5%
Total operating expenses	**(133 957)**	**(138 119)**	**3,1%**
Other operating income	663	1 374	107,2%
Operating profit	**24 210**	**21 261**	**-12,2%**
Net financial results	(6 640)	(7 146)	7,6%
Profit before income tax	**17 579**	**14 115**	**-19,7%**
Income tax expense	(5 759)	(3 522)	-38,8%
Profit for the period	**11 820**	**10 593**	**-10,4%**
Non-controlling interests	1 137	1 257	10,6%
Equity holders of the Company (Net income)	**10 683**	**9 336**	**-12,6%**

MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Sept 30, 2014	Sept 30, 2015	Change
Current assets	**191 891**	**204 194**	**6,4%**
Cash and cash equivalents	12 460	17 113	37,3%
Other current financial assets	18 137	14 849	-18,1%
Non current assets	**941 659**	**980 121**	**4,1%**
Property, plant and equipment - net	481 879	480 666	-0,3%
Intangible assets	159 344	257 548	61,6%
Total assets	**1 133 550**	**1 184 315**	**4,5%**
Equity	**518 940**	**543 406**	**4,7%**
Current liabilites	**367 616**	**287 298**	**-21,8%**
Financial liabilities to related parties	103 469	65 691	-36,5%
Other financial liabilities	128 592	48 659	-62,2%
Non current liabilites	**246 994**	**353 611**	**43,2%**
Financial liabilities to related parties	192 972	297 317	54,1%
Other financial liabilities	24 007	55 671	131,9%
Total equity and liabilites	**1 133 550**	**1 184 315**	**4,5%**

MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Sept 30, 2014	Sept 30, 2015	Change
Net cash generated from operating activities	**98 094**	**106 993**	**9,1%**
Investments in tangible and intangible assets	(53 633)	(59 929)	11,7%
Adjustments to cash purchases	(5 791)	(3 754)	-35,2%
Purchase of subsidiaries and business units	(1 156)	(16 428)	n.a.
Cash acquired through business combinations	0	1 815	n.a.
Payments for / proceeds from other financial assets - net	14 498	15 038	3,7%
Proceeds from disposal of subsidiaries	0	0	n.a.
Proceeds from disposal of PPE and intangible assets	2 262	1 006	-55,5%
Net cash used in investing activities	**(43 820)**	**(62 252)**	**42,1%**
Dividends paid to shareholders and minority interest	(6 705)	(6 369)	-5,0%
Net payments of loans and other borrowings	(34 492)	(23 012)	-33,3%
Repayment of other financial liabilities	(15 581)	(12 792)	-17,9%
Net cash used in financing activities	**(56 778)**	**(42 173)**	**-25,7%**
Free cash flow*	**24 195**	**16 911**	**-30,1%**

*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, 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, VoCaTV: Voice over Cable TV, 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.