

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

SEPTEMBER, 2017



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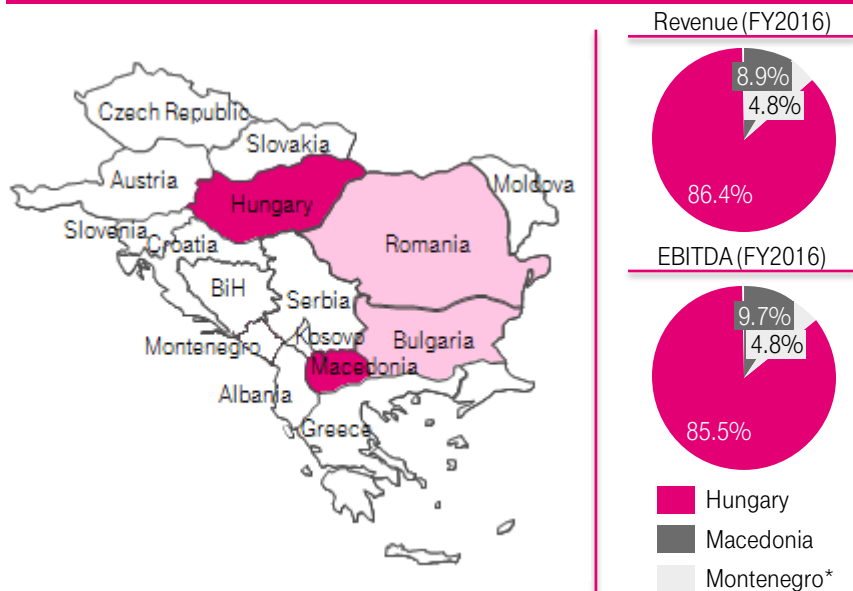
STRATEGY AND MARKET POSITION

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 1.6bn market capitalization**
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

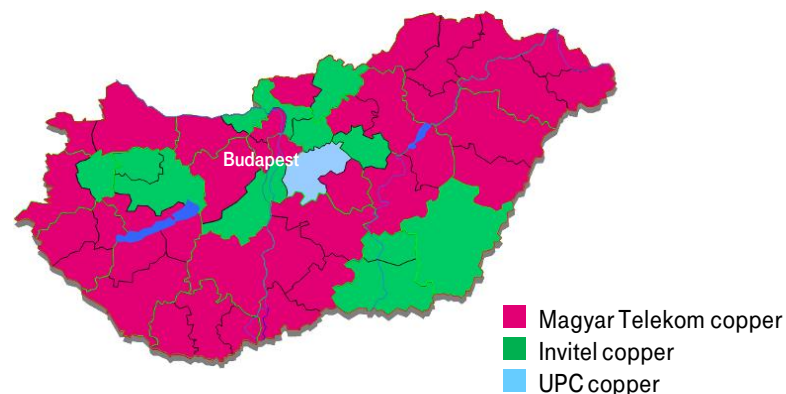
International presence



Main services offered

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

Incumbents in Hungary



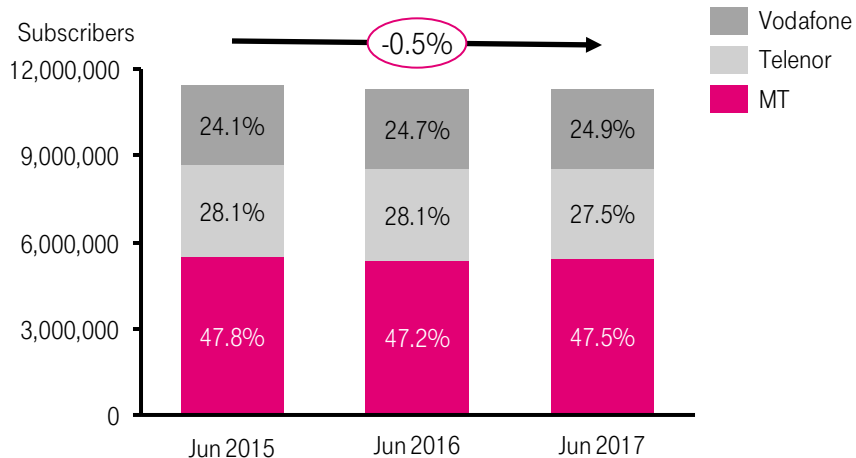
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*As announced on January 10, 2017, Magyar Telekom disposed of its majority stake in Crnogorski Telekom. The transaction closed at the end of January 2017; following this date, the Montenegrin operations will no longer be consolidated into Magyar Telekom Group's financials.

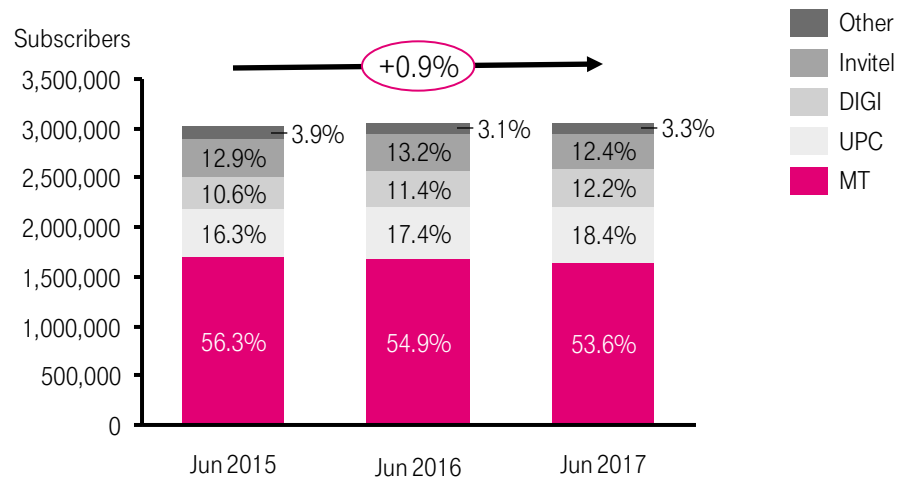
**As of August 21, 2017

MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

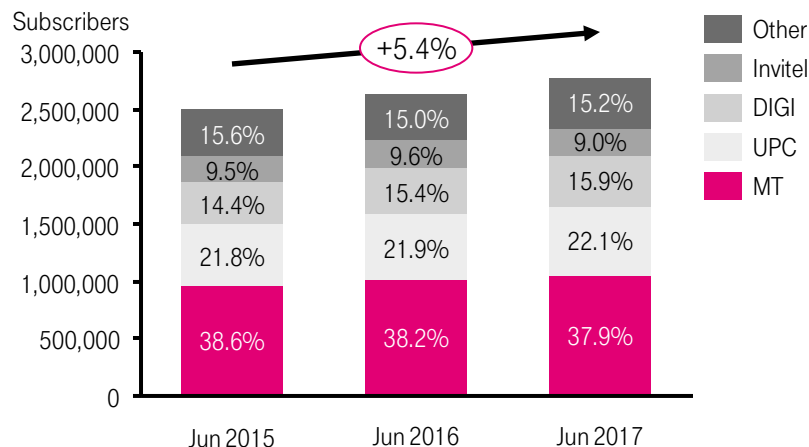
Total mobile market*



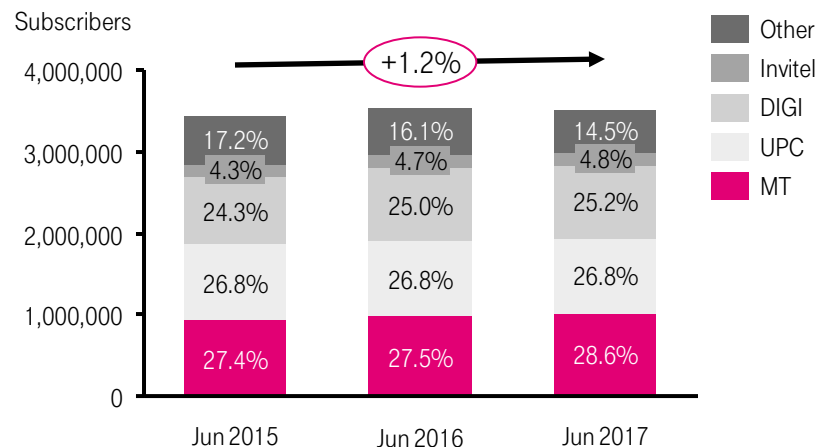
Fixed voice market**



Fixed broadband market**



TV market**



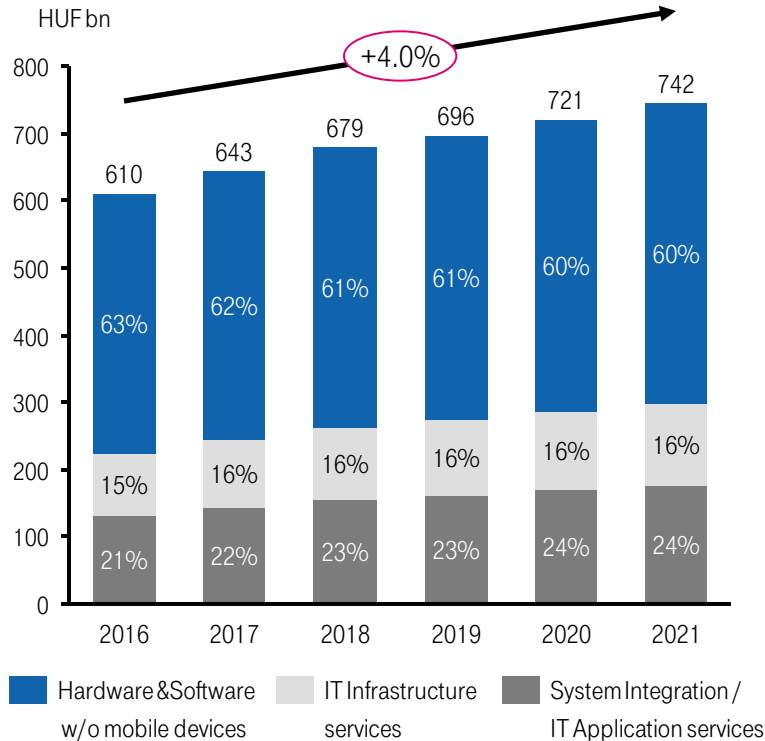
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*Based on internal calculations from Vodafone Group and Telenor Group reports

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

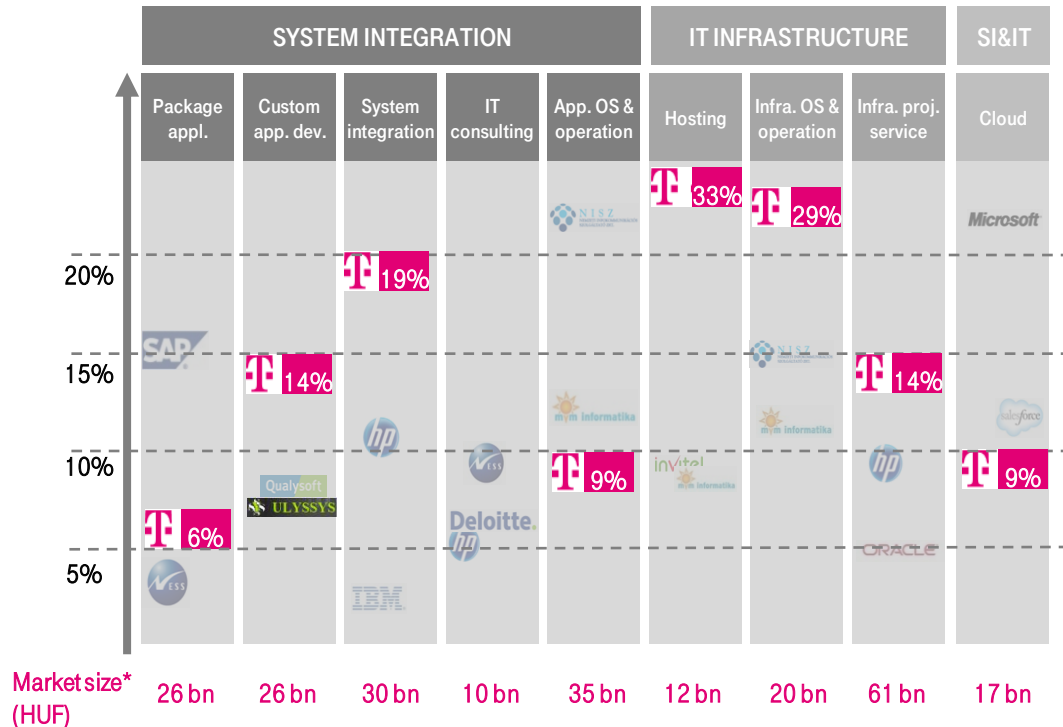
IT MARKET IN HUNGARY

Total 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% 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. 12%

IT Services market shares (by revenue)*



- IT services market represents ca. 40% of the total IT market
- IT Services market in Hungary very fragmented
- Presence of major international players, such as HP, Microsoft, IBM
- Magyar Telekom is the market leader with 14.7% market share in the IT services market (ca. 12% total IT market ie. including HW&SW)

STRATEGY OVERVIEW: WITH OUR ENGAGED PEOPLE, WE ARE BUILDING A GROWING ICT COMPANY SERVING SATISFIED CUSTOMERS

Strategic pillars

1 TOGETHER. FOR OUR CUSTOMERS

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

2 INTEGRATED PRODUCTS & NETWORK

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

3 IT & DIGITAL SERVICES

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

4 DIGITAL TELEKOM

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

Strategic goals

Increase customer satisfaction

Improve customer service level

Enhance employee engagement

Foster technology leadership

Monetize FMC capabilities

Strengthen integrated ICT brand

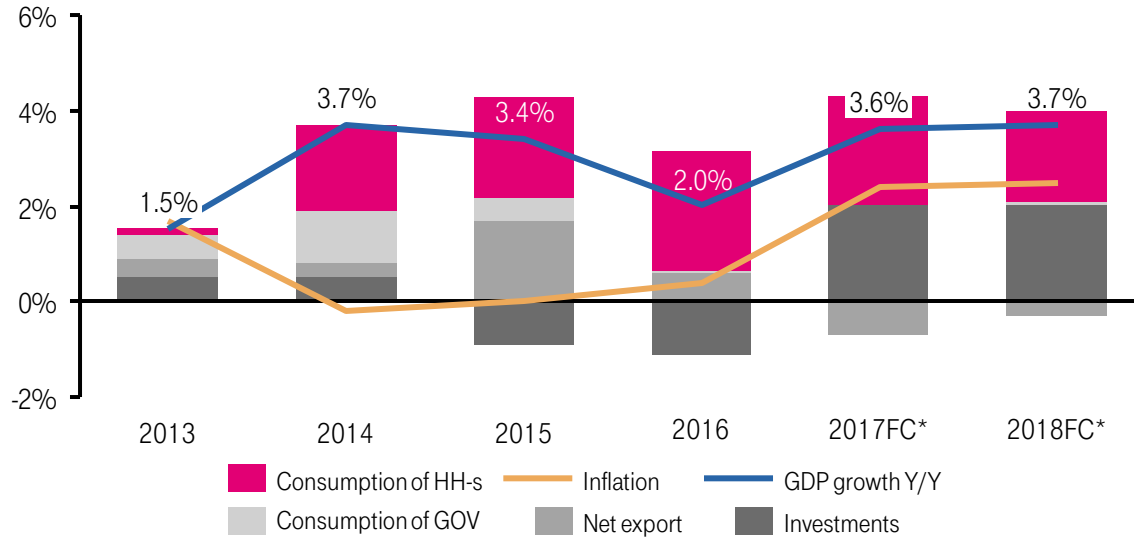
Grow in IT

Develop digital business

Push digital transformation

HUNGARIAN ECONOMIC ENVIRONMENT

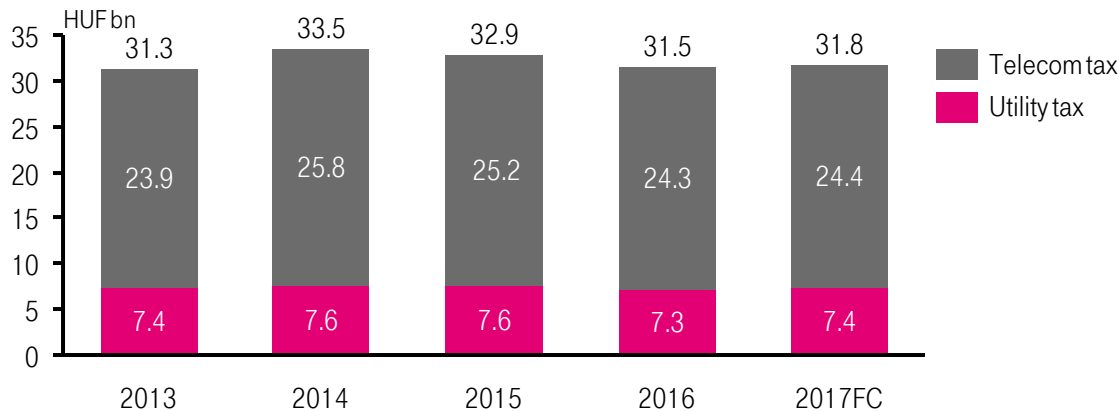
Growth structure



Domestic demand

- Domestic demand improved as economy recovered
- Governmental measures support consumer spending
- Investment levels show volatility due to EU fund cycles
- MT leveraged positive trends of domestic demand

Taxes levied on Magyar Telekom

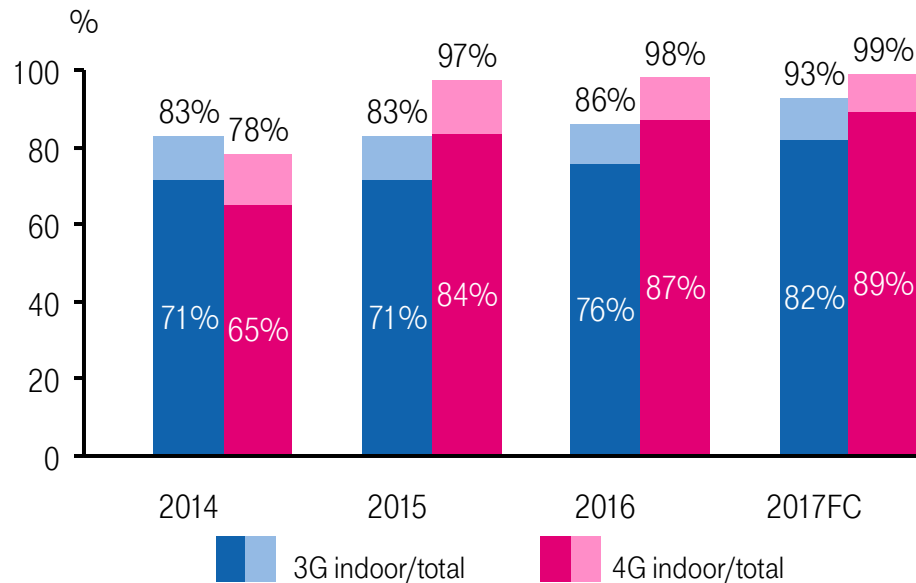


Tax burdens to reduce budget deficit

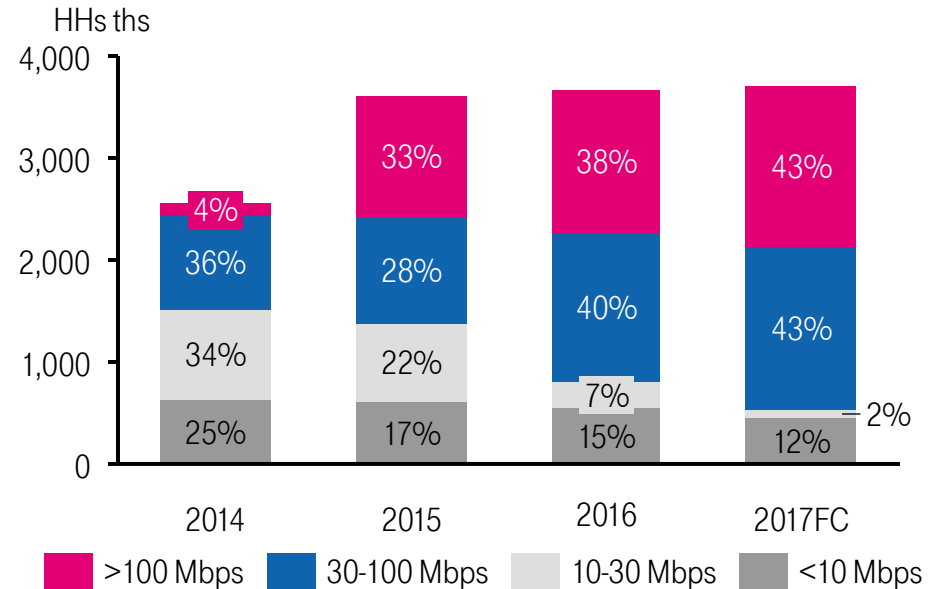
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013, 5-year tax holiday on new networks > 100Mbps since 2016

NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



Fixed network (Households covered)

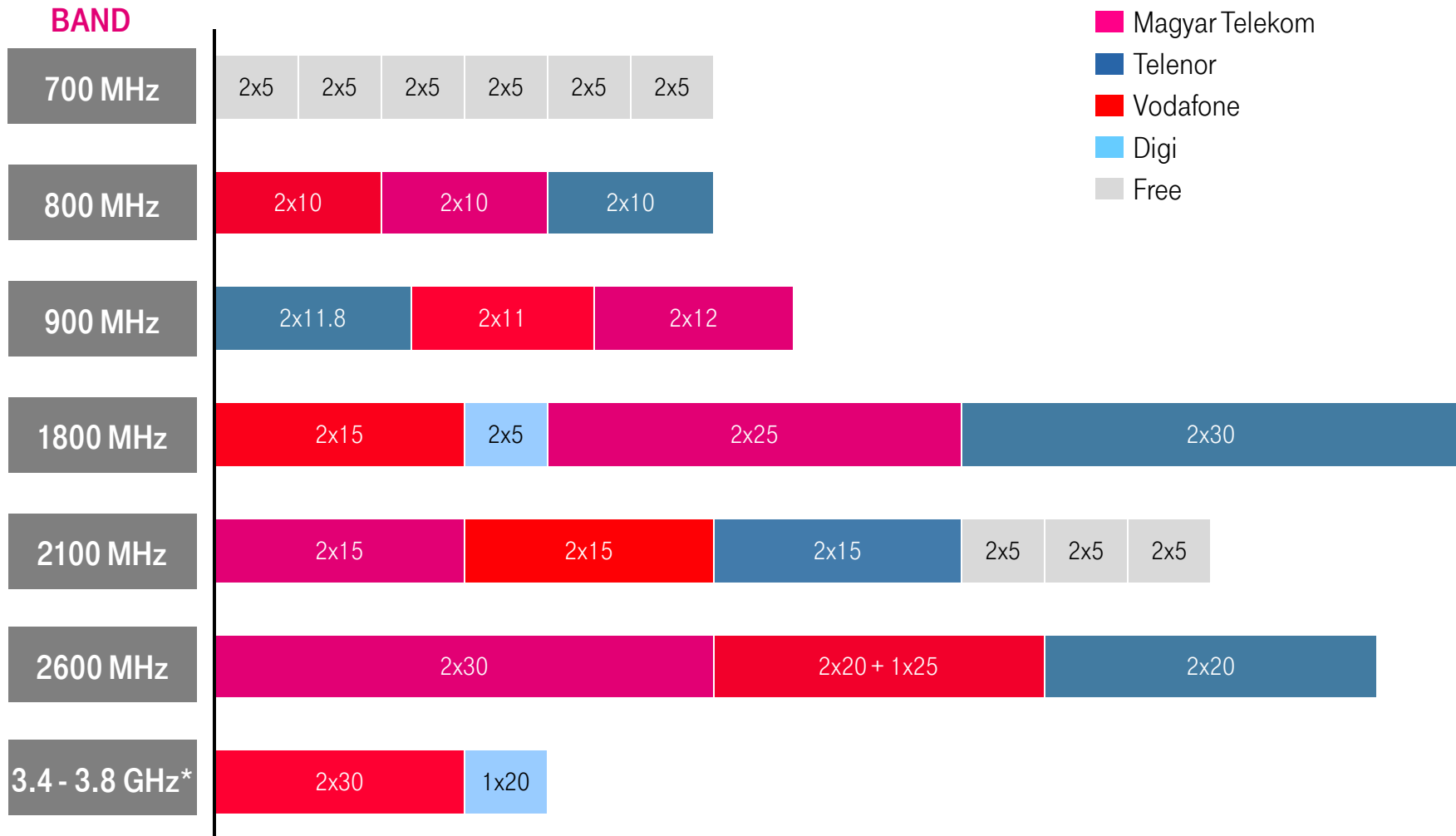


- Network sharing on 800 MHz with Telenor
- 4G+ coverage, enabling 250Mbps exceeded 30%
- Number of mobile data subscribers grew by 15% CAGR (2013-2016)
- Overall mobile data usage increased by over 30% CAGR (2013-2016)
- Average data usage grew by 50% from 764MB/month to 1,163 MB/month (2013-2016)

- 2.9 million households across the country covered by High Speed Internet (HSI) access
 - FTTx (697 HHs) – ongoing countrywide roll-out
 - ED3 (757k HHs) – participating in market consolidation
 - VDSL (1,464k HHs) – revitalizing copper, excl. overlaps
- Roll-out is ongoing, aim to reach in excess of another 250,000 households in 2017 with HSI

HUNGARIAN MOBILE SPECTRUM ALLOCATION

Current spectrum allocation (MHz)



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* TDD band

H1 2017 RESULTS, GUIDANCE AND DIVIDEND

H1 2017 FINANCIAL RESULTS AND 2017 TARGETS*

REVENUE

- 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

FY 2016
RESULTS

HUF 574.0 bn

H1 2017
RESULTS

HUF 294.0 bn

2017
TARGETS

around
HUF 580 bn**

EBITDA

- 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 188.1 bn

HUF 86.2 bn

around
HUF 182 bn

CAPEX

- Balanced distribution of spending throughout the year
- Increased spending on fixed customer connections
- Savings on efficiency projects concluded (e.g. PSTN migration)

HUF 97.9 bn

HUF 37.7 bn

around
HUF 85 bn

FCF

- 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 57.3 bn

HUF 10.7 bn

around
HUF 55 bn



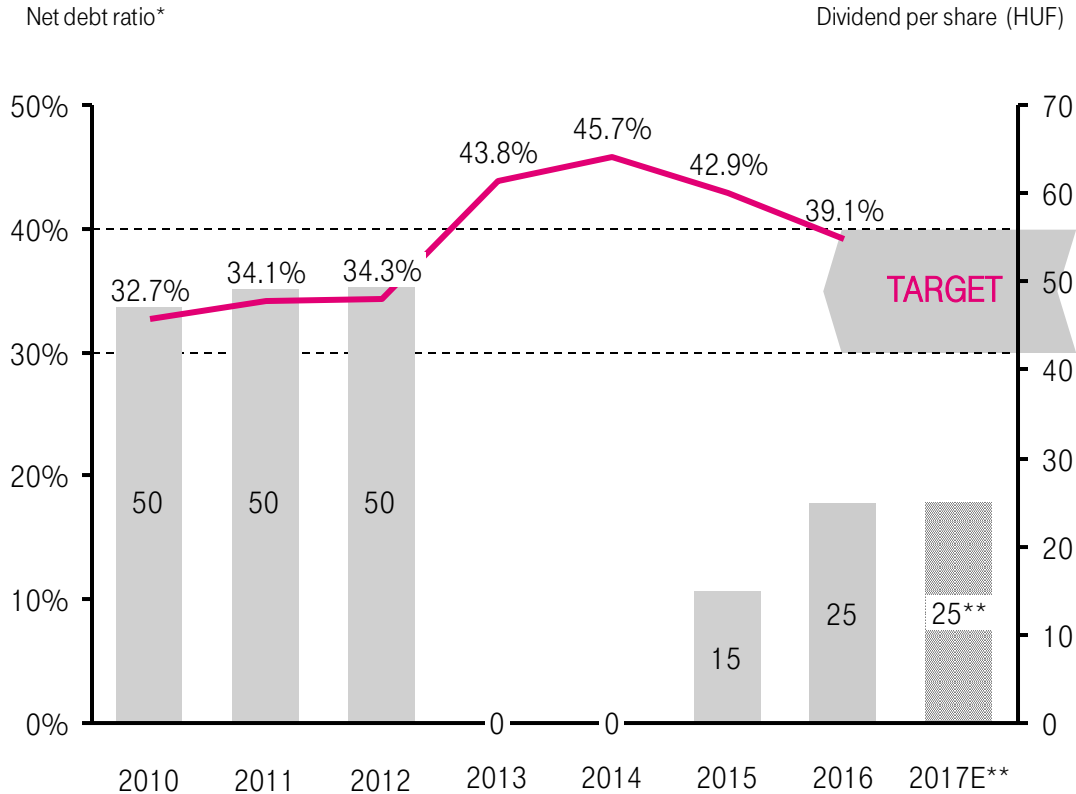
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*Excluding Crnogorski Telekom financials and the transaction price received for the disposal of the majority ownership in Crnogorski Telekom

** Modified from HUF 560bn on August 10, 2017

DIVIDEND POLICY

Dividend payment and net debt ratio developments



Highlights

- Aiming to maintain net debt ratio (net debt/total capital) target of 30% - 40%
- HUF 25 dividend per share payment based on 2016 results
- We also expect the Company to pay HUF 25 dividend per share in relation to 2017 earnings, maintaining a stable dividend level compared to 2016 earnings**



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* Defined as net debt / total capital. At the end of June 30, 2017 net debt ratio stood at 39.1%.

** 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

Q2 RESULTS

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

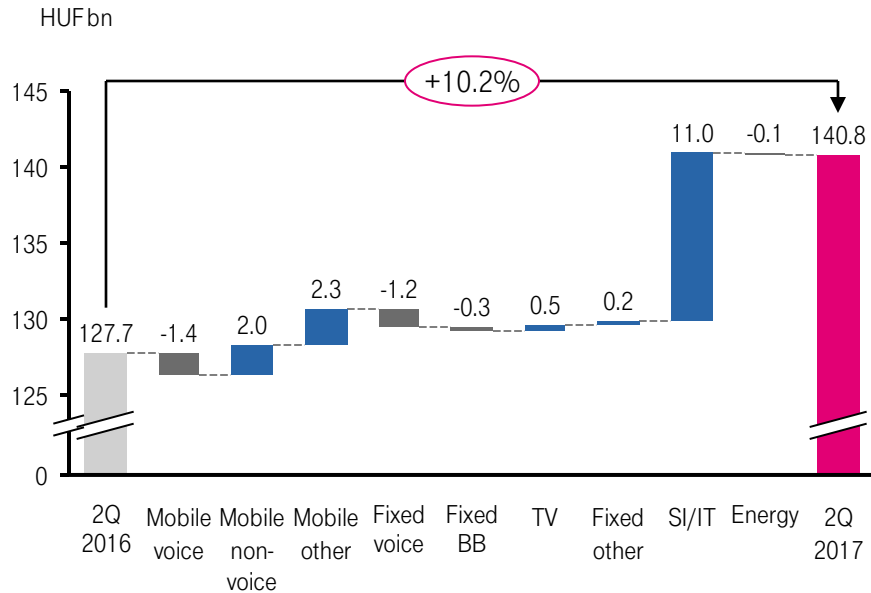
MACEDONIA

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



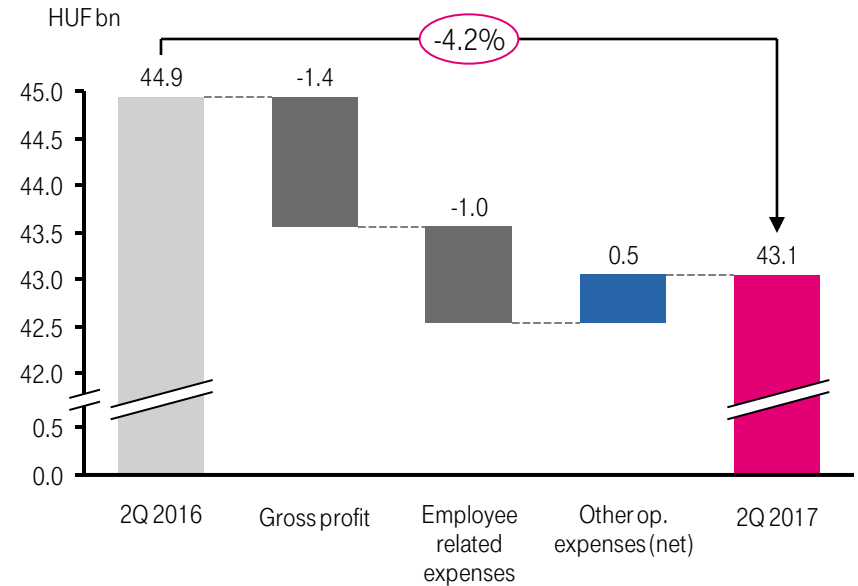
HUNGARY

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

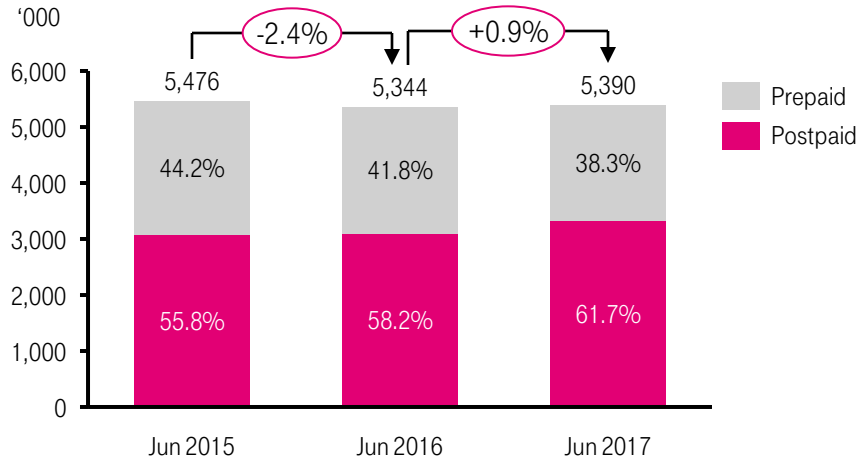


- Gross profit decline reflects the shift from high margin voice to lower margin SI/IT services and equipment sales
- Higher employee related expenses due to increase in headcount
- Savings in other operating expenses partly mitigated margin pressure

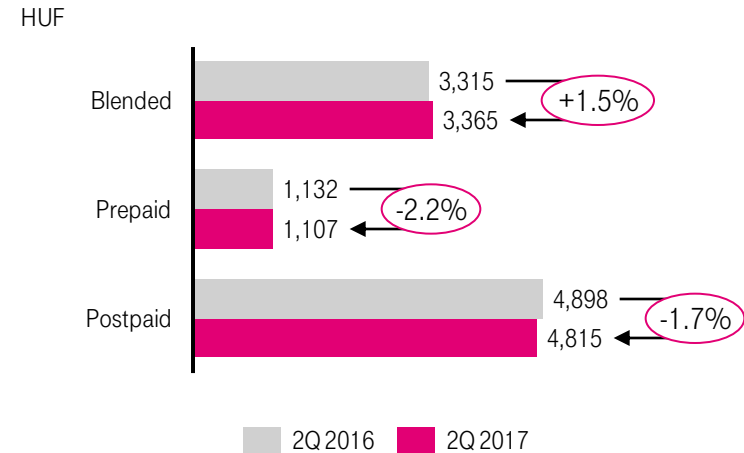
HUNGARY – MOBILE



Mobile SIMs



Mobile ARPU



New postpaid mobile portfolio

VOICE

DATA

S	M	L	XL
80 min/sms	Flat on net	Flat on net + 150 min/sms	Full flat
HUF 2,000	HUF 3,000	HUF 5,500	HUF 12,000

unlimited **HUF 10,000**

10 GB **HUF 6,000**

4 GB **HUF 4,000**

1 GB **HUF 2,000**

400 MB **HUF 1,000**

Customers can combine **VOICE and DATA** packages based on their preferences

20-25% discount on multiple-play packages*

Highlights

- Increase in postpaid RPC driven by retention and acquisition efforts and strong data demand
- MOU up by 5% due to higher postpaid ratio and growing flat tariff subscriber base
- Increasing mobile ARPU due to higher data sales and successful pre- to postpaid migration also supported by the new flexible postpaid tariff portfolio launched in March 2017
- Continued increase in flat rate ratio among postpaid customer base



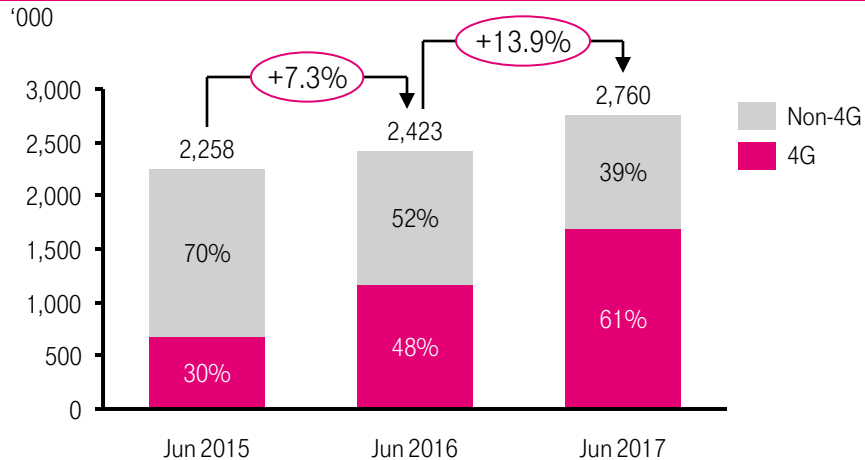
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*20% in case of fixed 2Play subscription, 25% in case of fixed 3Play subscription

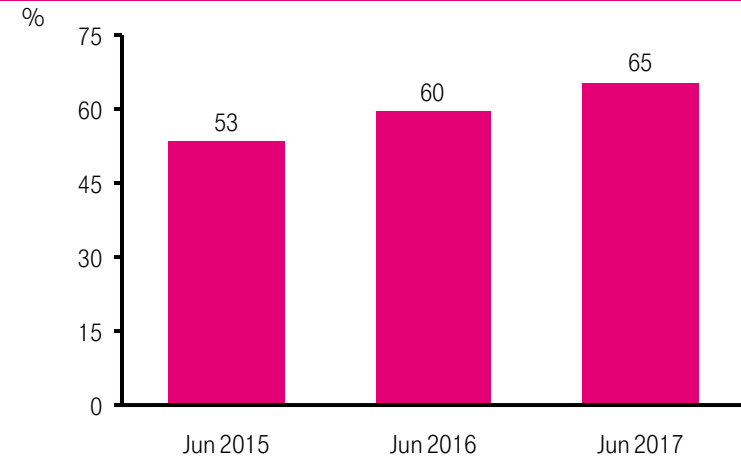
HUNGARY – MOBILE BROADBAND



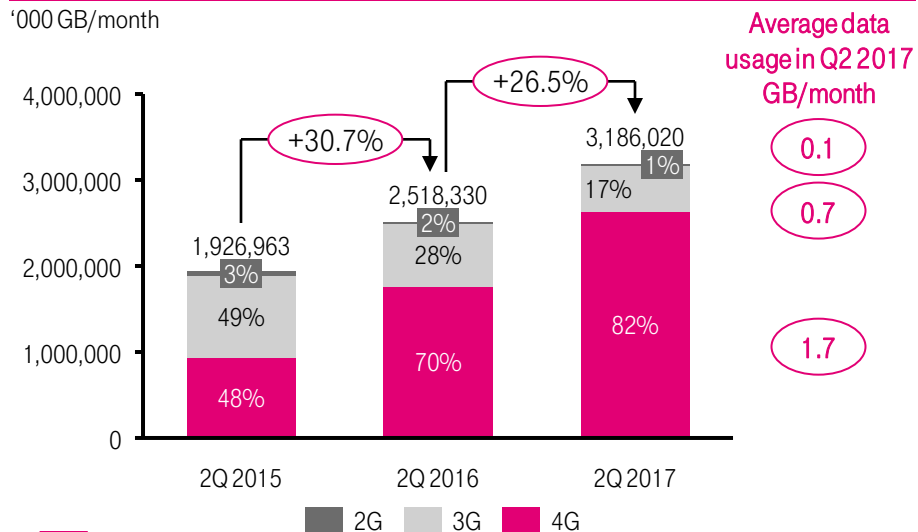
Mobile broadband user developments



Smartphone penetration



Mobile broadband usage development



Highlights

- 4G outdoor population coverage at 98%
- Smartphone penetration over 65%
- Significant growth in mobile data usage
- 82% of data usage generated on our 4G network
- Average data usage of 4G users is 1.7 GB/month vs. 0.5 GB/month for non-4G users

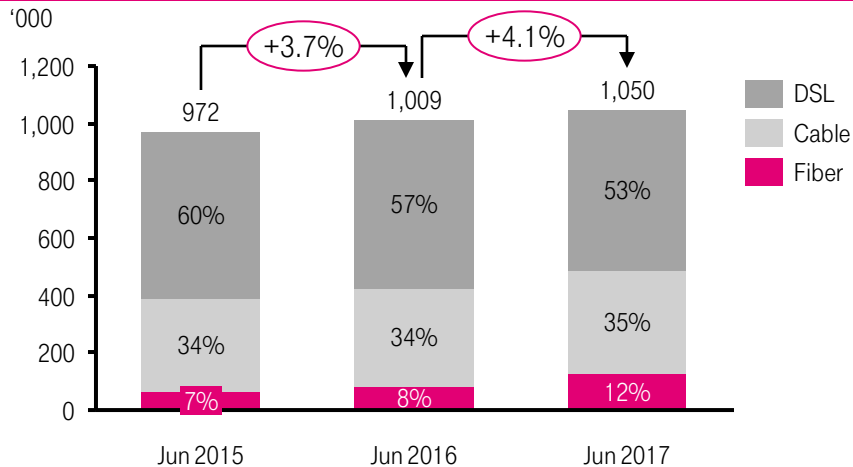


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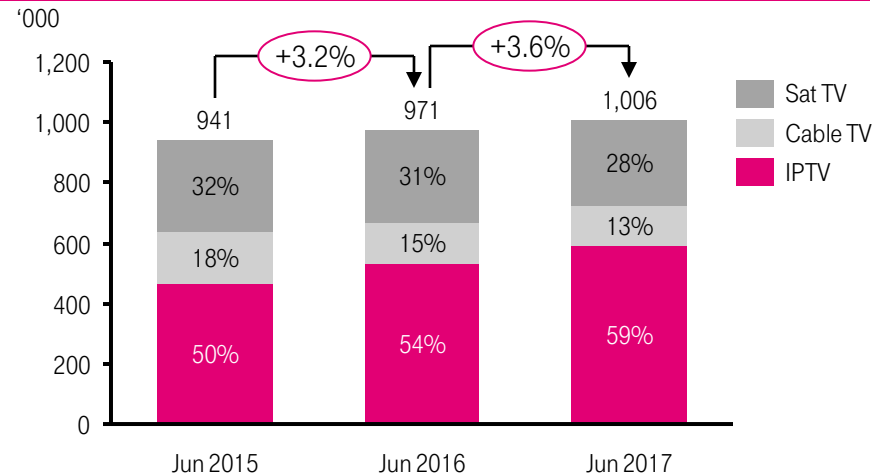
HUNGARY – FIXED VOICE, BROADBAND AND TV



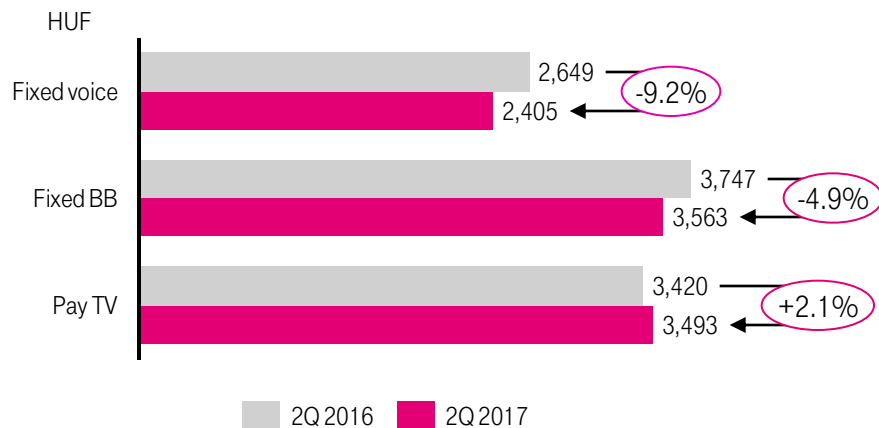
Fixed BB customer number



Pay TV customer number



Fixed Voice, BB and TV ARPU developments



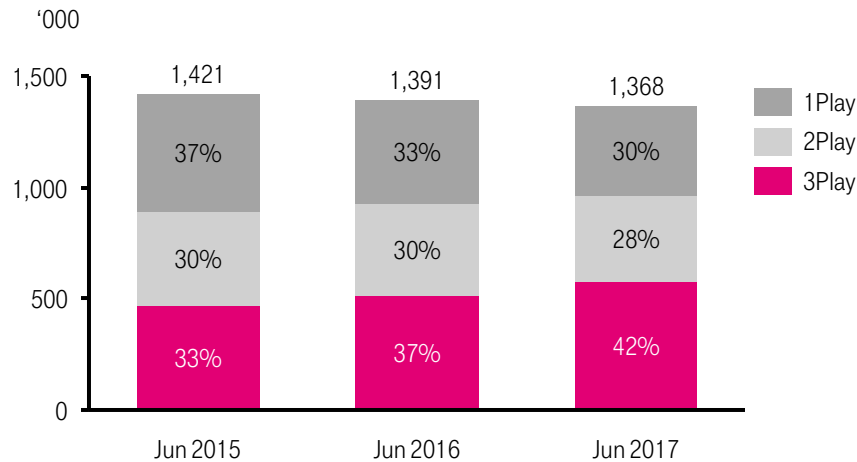
Highlights

- Fixed voice churn at 1% thanks to effective bundling strategy
- Growing fixed broadband and TV customer base
- Fixed voice and BB ARPU continues to decline, in the face of competitive bundled (3Play) offers
- Higher TV ARPU due to price increase reflecting the introduction of content fee

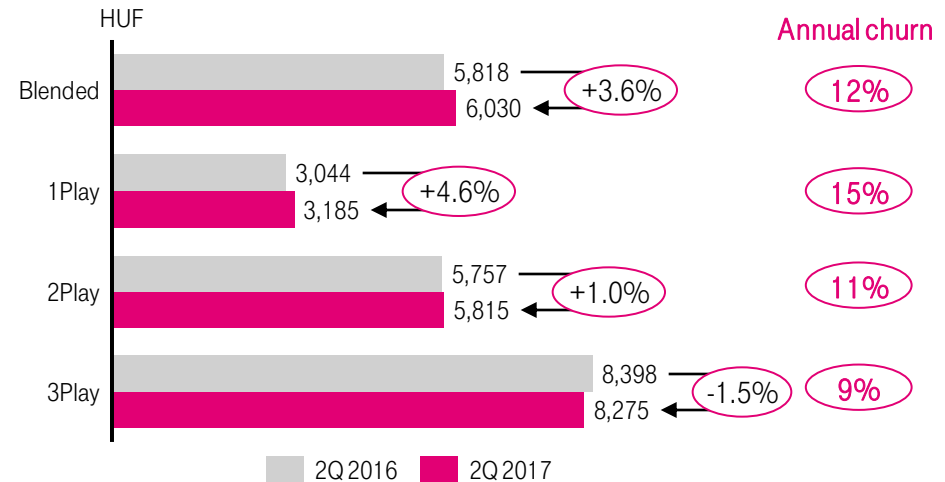
HUNGARY - MULTIPLAY



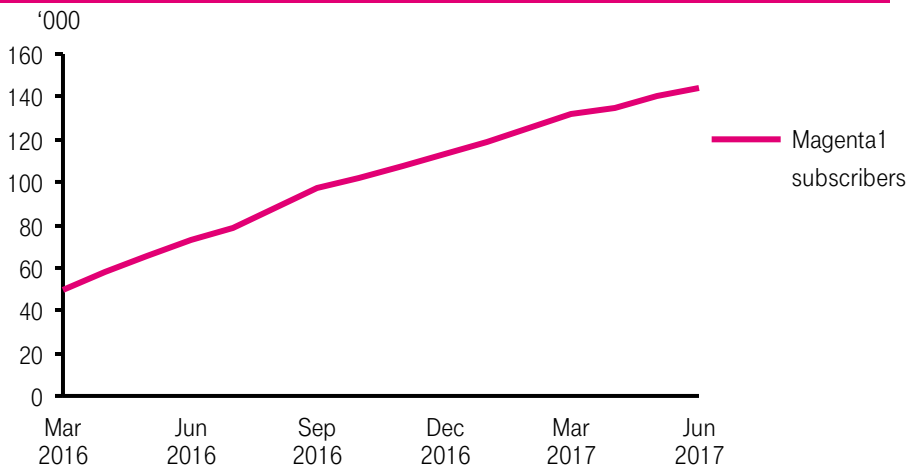
Fixed line multiplay residential subs. development



Fixed line multiplay residential ARPU development



4Play Magenta1 subscriber development

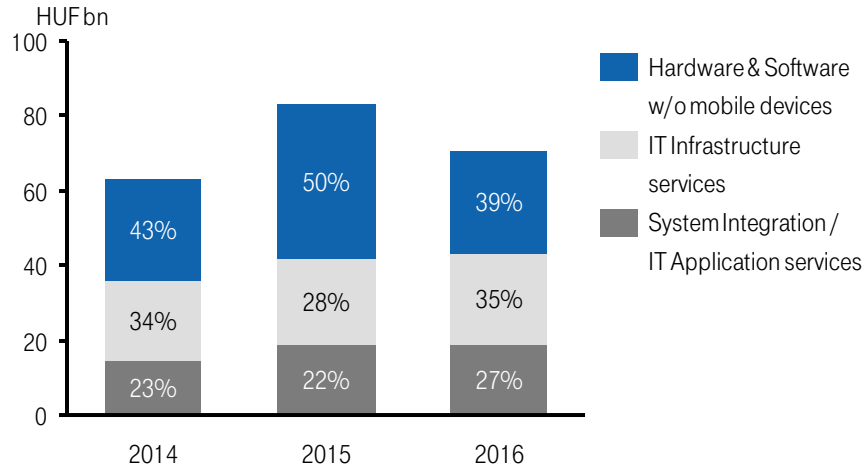


Highlights

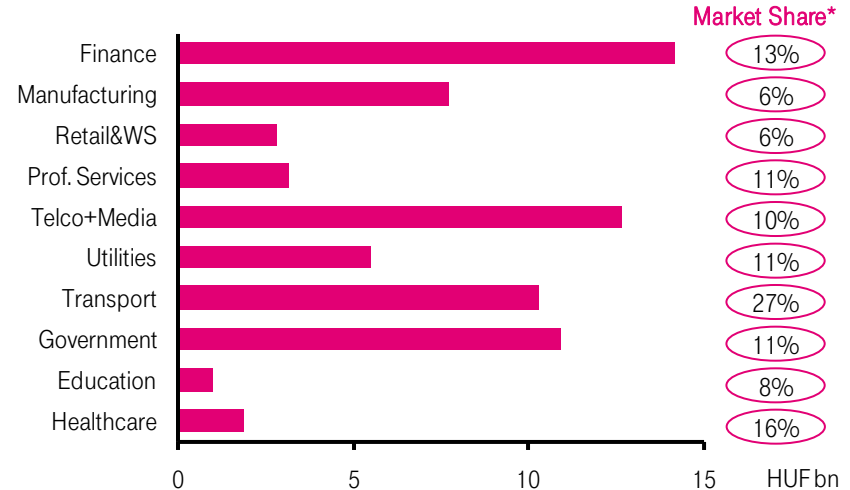
- Blended fixed line household ARPU up by 4% thanks to continuously increasing 3Play share
- Lower churn among 2&3Play customers compared to 1Play subscribers
- More than 143,000 high-value 4Play Magenta1 customers, overall 280,000 FMC subscribers helping to maximize the telecommunication share of wallet in household spending

HUNGARY - SI/IT

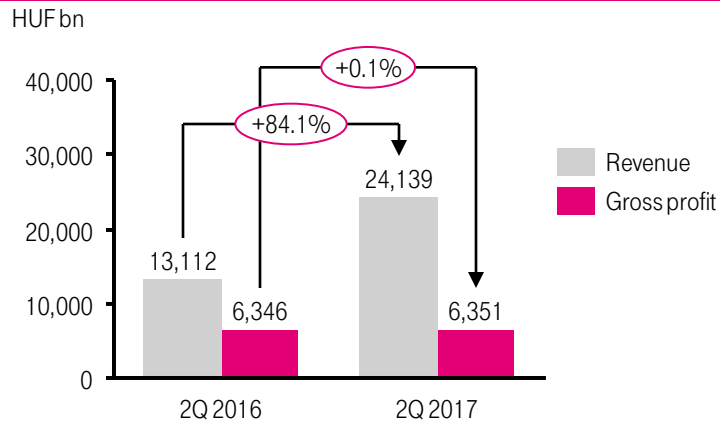
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT Hungary



Gross margin

48%

26%



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Highlights

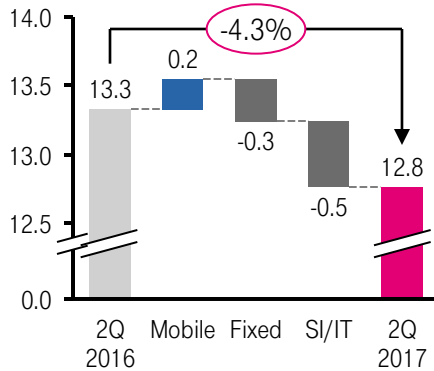
- T-Systems is an important player in all major vertical segments
- 2016 fall in revenues due to the end of previous EU fund cycle
- Strong increase in revenues in 2017 as a result of accelerating EU fund inflows, though EU funded projects are hardware and software focused thus have relatively low margin
- Q2 2017 increase driven mainly by infrastructure delivery projects for the public sector and IT system development for healthcare modernization
- Infrastructure delivery projects serve as starting point for developing long term customer relations and as a foundation for IT service contracts

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

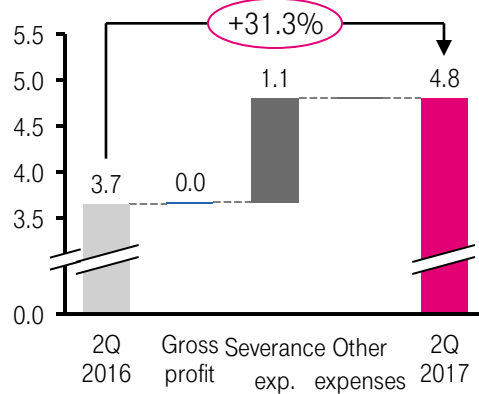
MACEDONIA

Financials

Revenues (HUF bn)

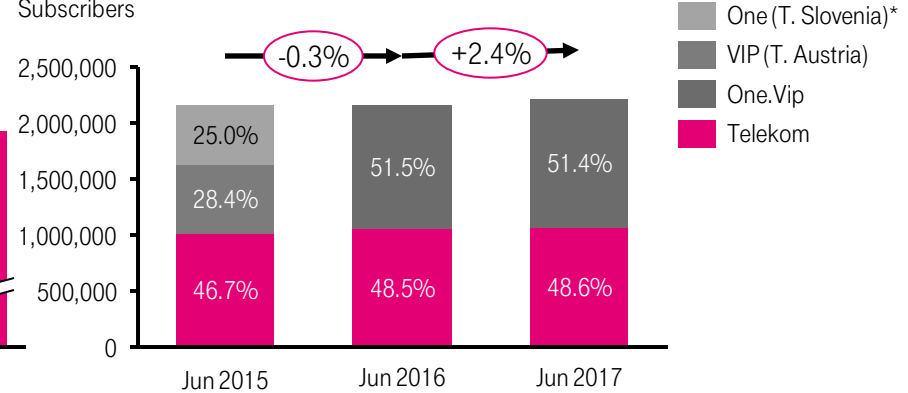


EBITDA (HUF bn)

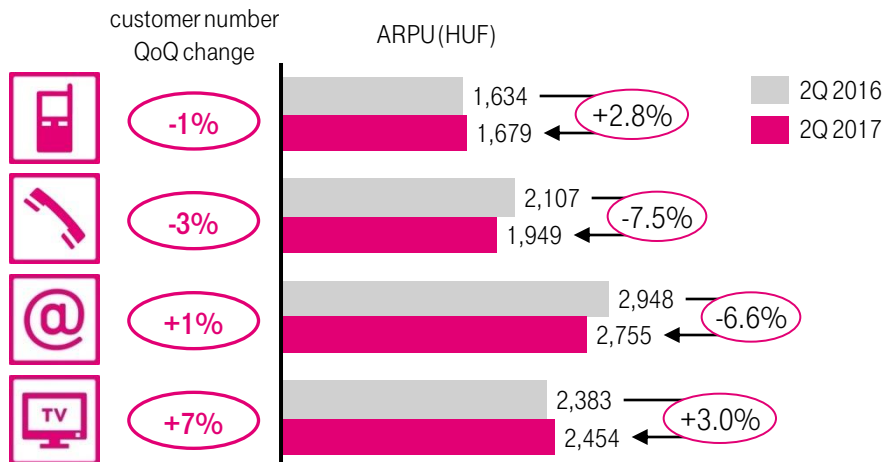


Mobile market

Subscribers



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



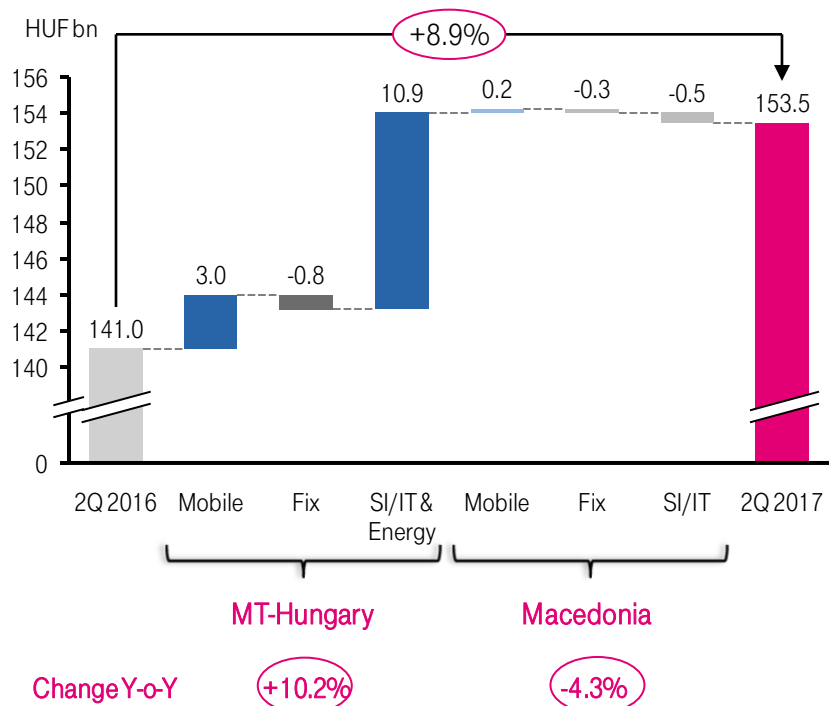
Highlights

- 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

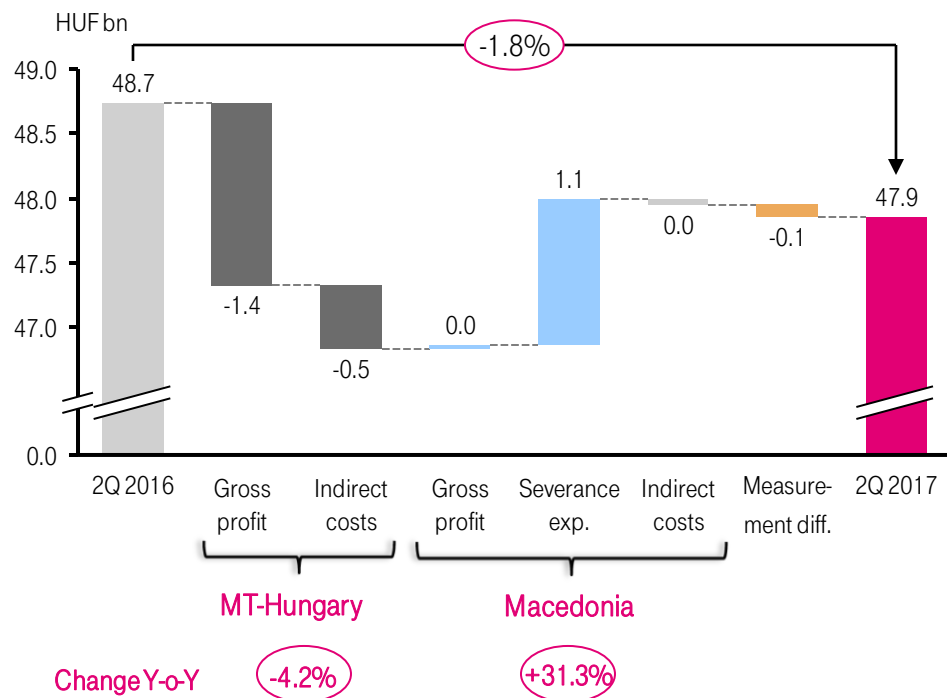
APPENDIX

Q2 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



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:

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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, 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.



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