

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

NOVEMBER, 2017



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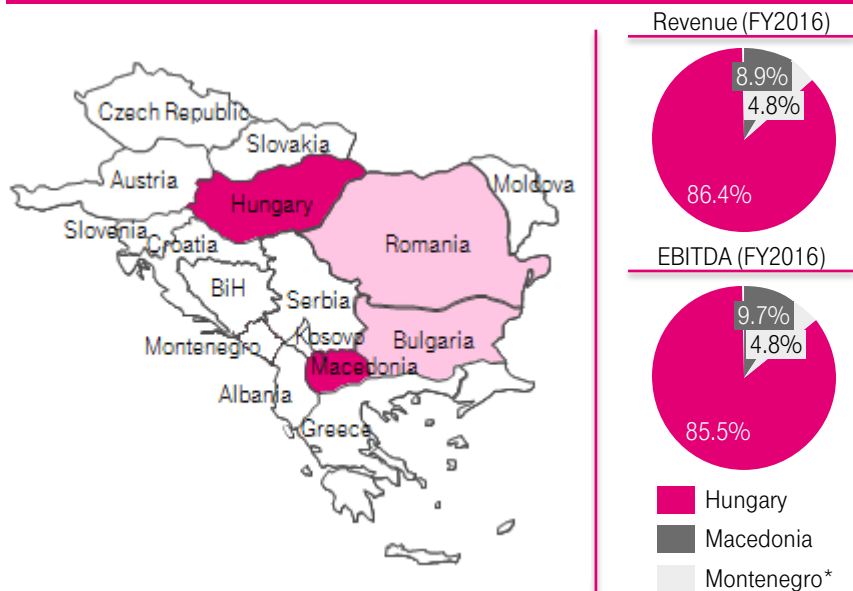
STRATEGY AND MARKET POSITION

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

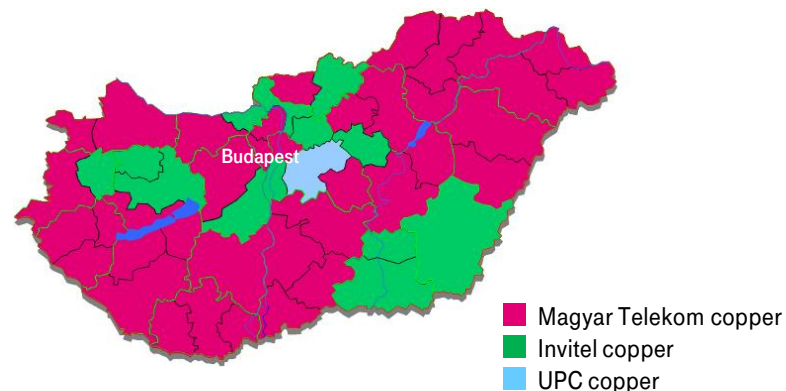
International presence



Main services offered

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

Incumbents in Hungary



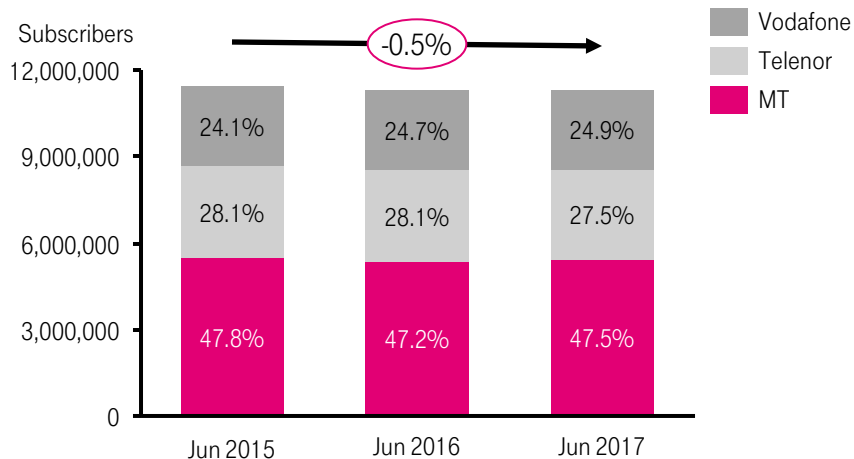
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*As announced on January 10, 2017, Magyar Telekom disposed of its majority stake in Crnogorski Telekom. The transaction closed at the end of January 2017; following this date, the Montenegrin operations will no longer be consolidated into Magyar Telekom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

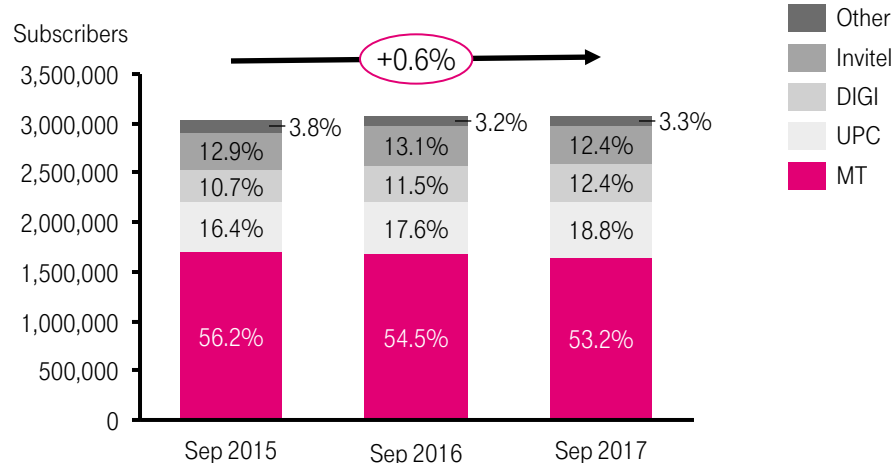
**As of November 8, 2017

MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

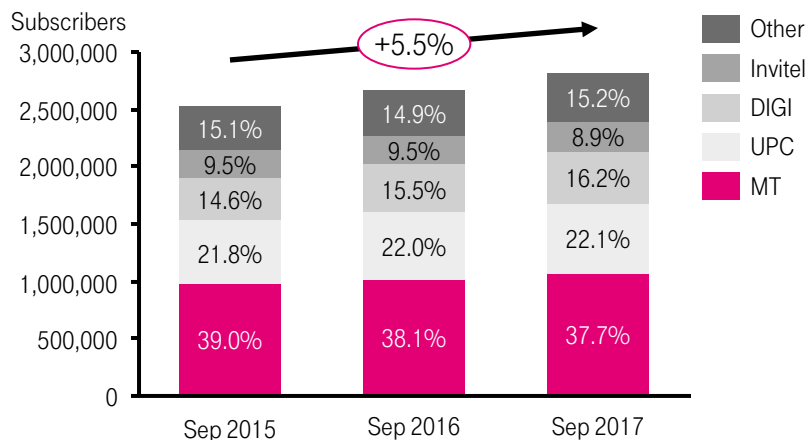
Total mobile market*



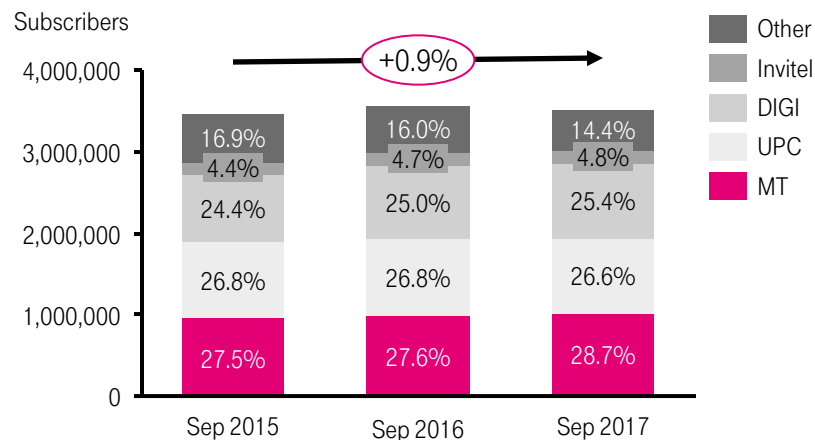
Fixed voice market**



Fixed broadband market**



TV market**



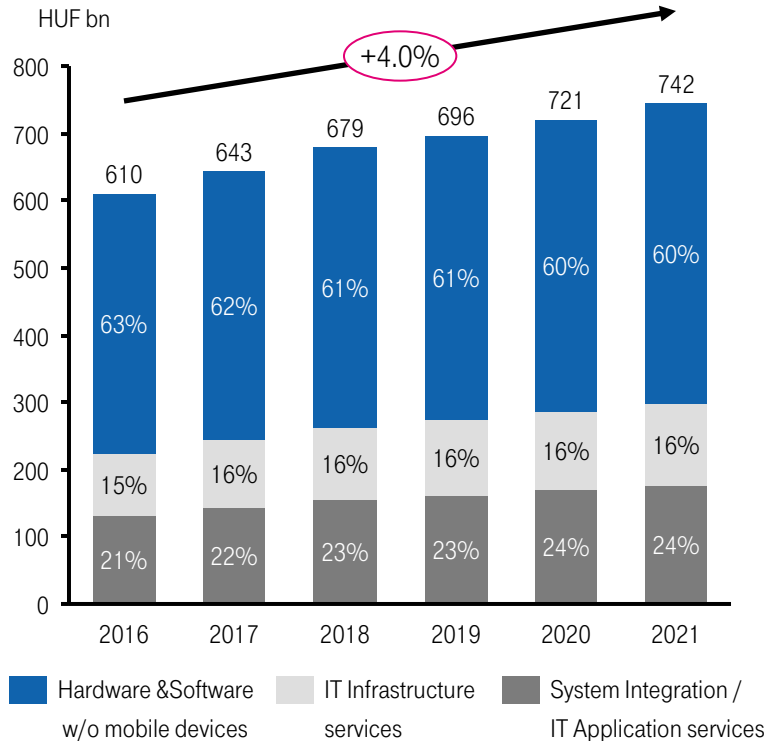
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*Based on internal calculations from Vodafone Group and Telenor Group reports

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

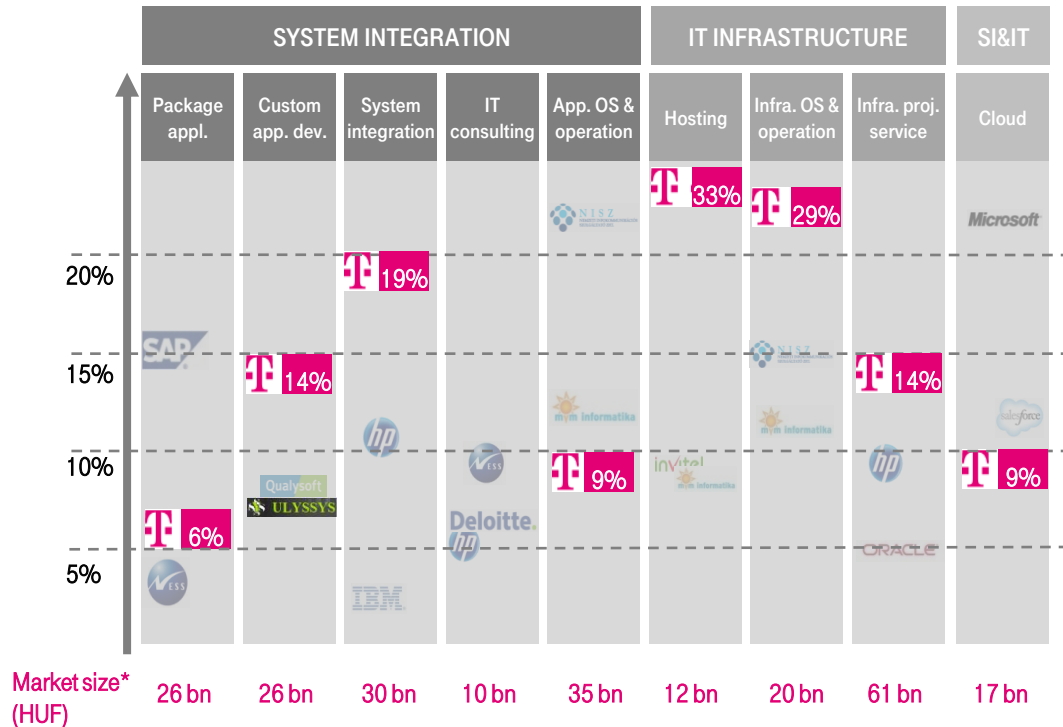
IT MARKET IN HUNGARY

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

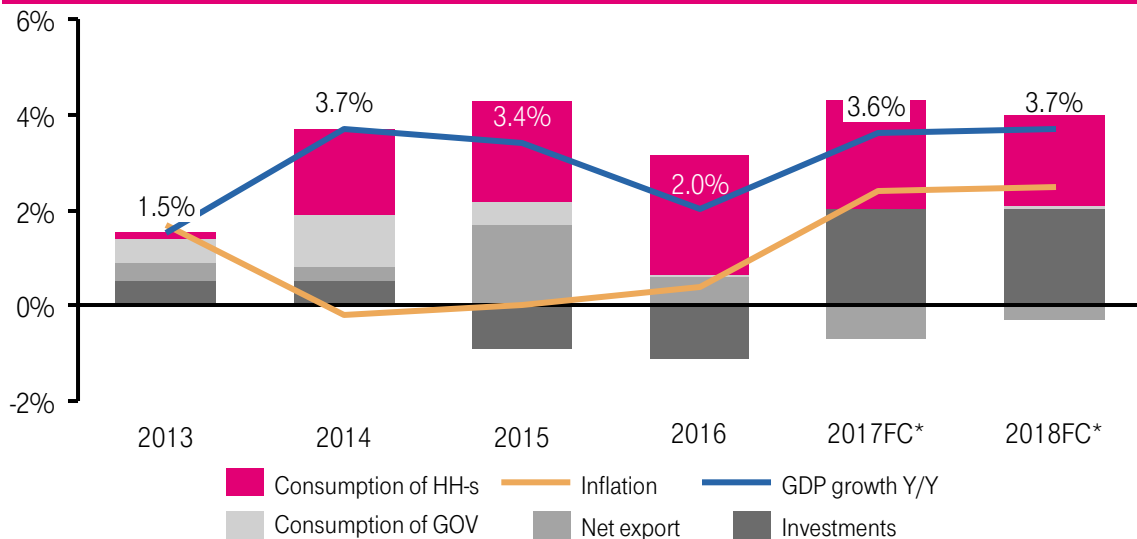
Grow in IT

Develop digital business

Push digital transformation

HUNGARIAN ECONOMIC ENVIRONMENT

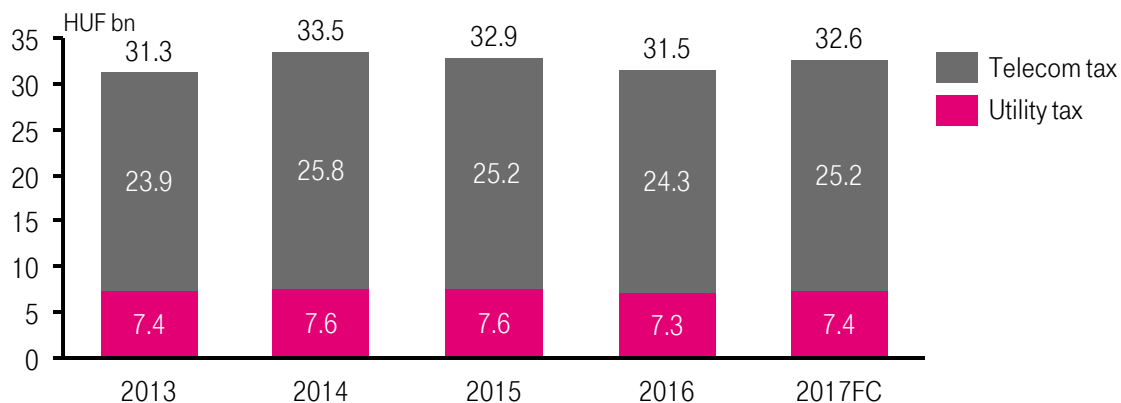
Growth structure



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

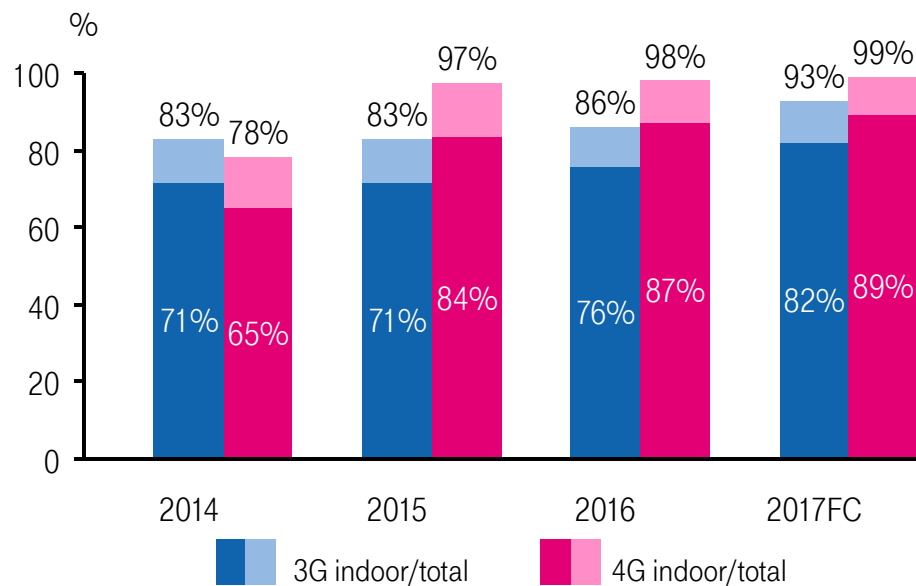


Tax burdens to reduce budget deficit

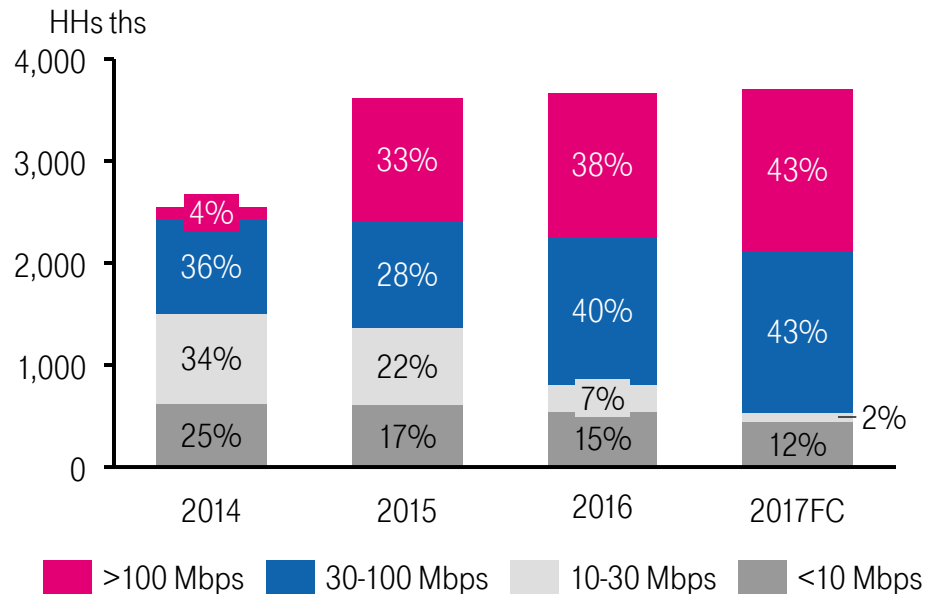
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013, 5-year tax holiday on new networks > 100Mbps since 2016

NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



Fixed network (Households covered)

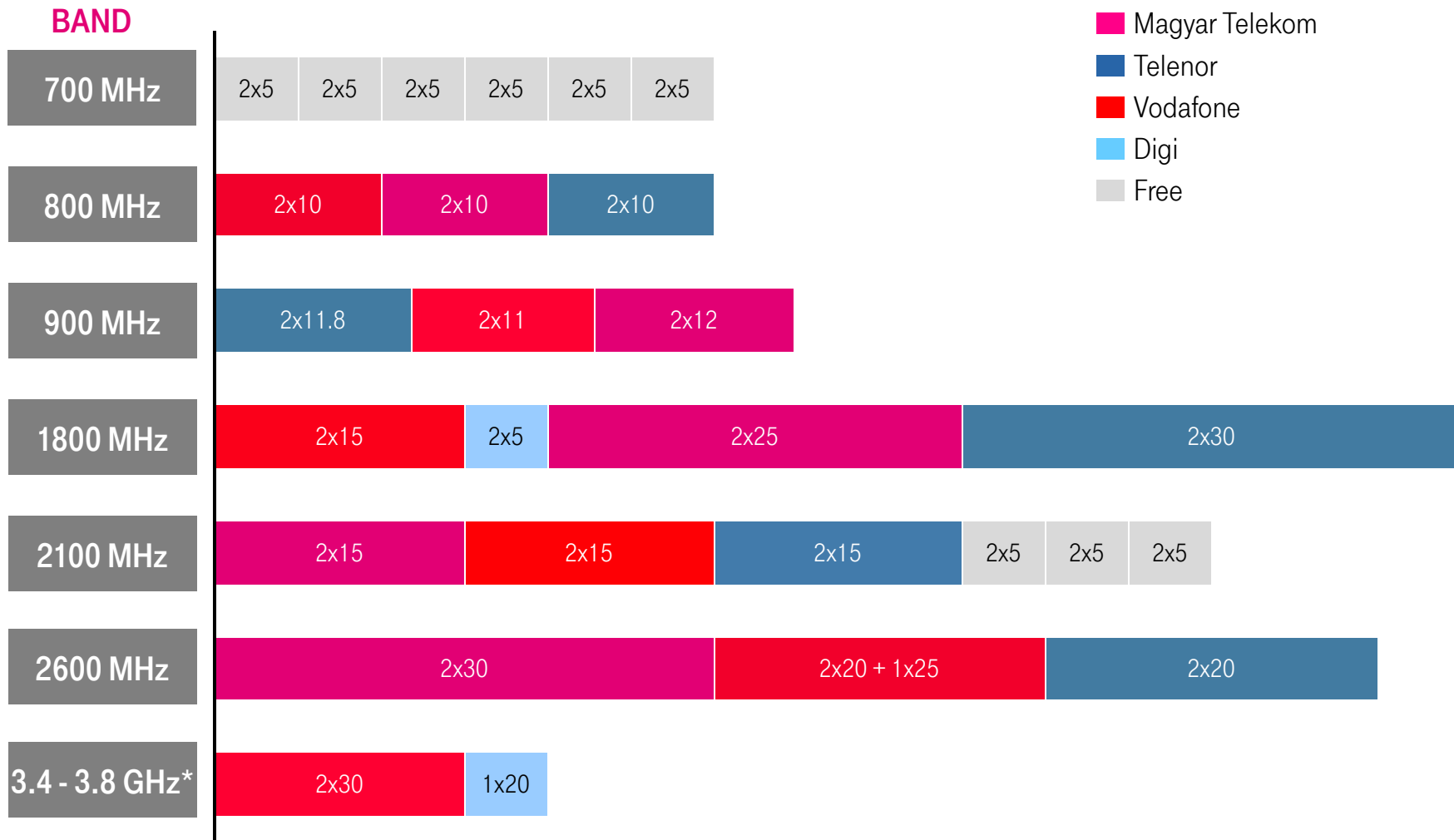


- Network sharing on 800 MHz with Telenor
- 4G+ coverage, enabling 250Mbps exceeded 30%
- Number of mobile data subscribers grew by 25% CAGR (2013-2016)
- Overall mobile data usage increased by over 30% CAGR (2013-2016)
- Average data usage grew by 50% from 764MB/month to 1,163 MB/month (2013-2016)

- 3.0 million households across the country covered by High Speed Internet (HSI) access
 - FTTx (764 HHs) – ongoing countrywide roll-out
 - ED3 (781k HHs) – participating in market consolidation
 - VDSL (1,445 HHs) – revitalizing copper, excl. overlaps
- Roll-out is ongoing, aim to reach in excess of another 270,000 households in 2017 with HSI

HUNGARIAN MOBILE SPECTRUM ALLOCATION

Current spectrum allocation (MHz)



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* TDD band

9 MONTHS 2017 RESULTS, GUIDANCE AND DIVIDEND

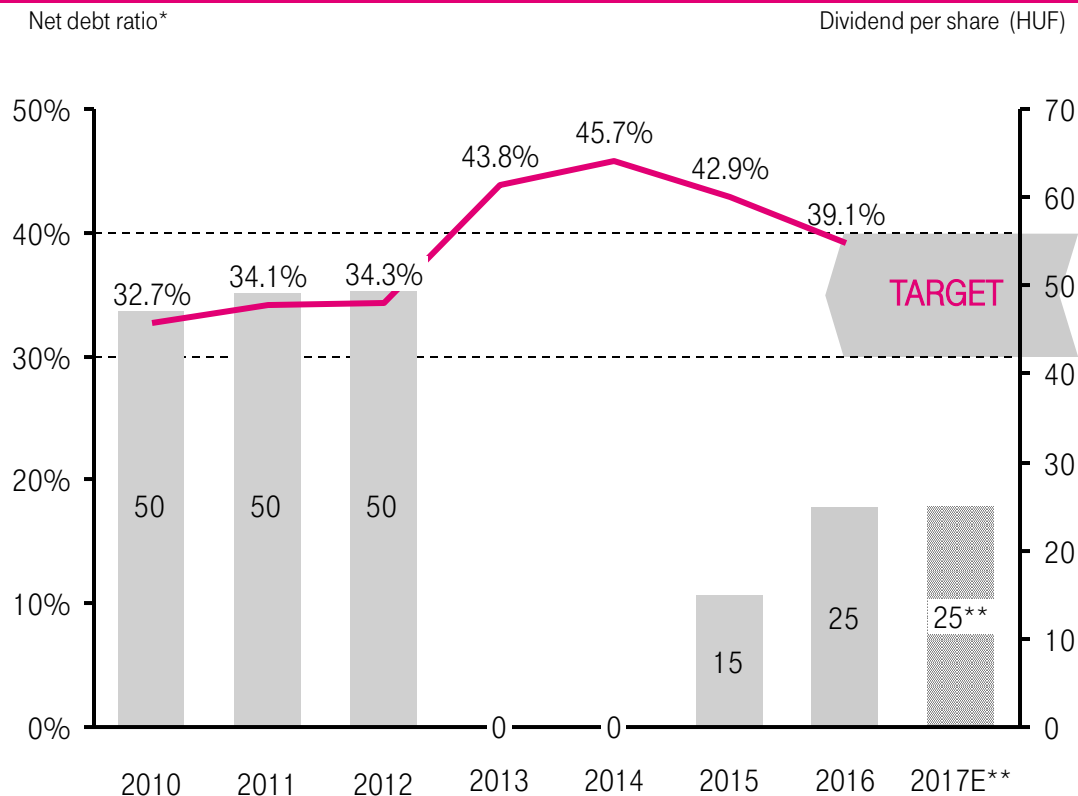
9 MONTHS 2017 FINANCIAL RESULTS AND 2017 TARGETS*

		FY 2016 RESULTS	9M 2017 RESULTS	2017 TARGETS
REVENUE	<ul style="list-style-type: none"> Continued growth in mobile service revenue Higher Hungarian SI/IT revenues driven by uptick in EU fund inflows One-off project boosted fixed line data revenue 	HUF 574.0 bn	HUF 449.4bn	around HUF 580 bn
EBITDA	<ul style="list-style-type: none"> One-off impacts (provision reversal due to ceased loyalty program, real-estate sales, strong visitor revenues) supported Q3 performance Continued focus on cost optimization 	HUF 188.1 bn	HUF 143.4 bn	around HUF 182 bn
CAPEX	<ul style="list-style-type: none"> Balanced distribution of investments throughout the year Increased spending on fixed customer connections Savings on efficiency projects concluded (e.g. PSTN migration) 	HUF 97.9 bn	HUF 56.7 bn	around HUF 85 bn
FCF	<ul style="list-style-type: none"> Significant deterioration in assets carried as working capital Cable acquisitions weighed on investing CF performance Absence of one-off profit items (Building and Origo sale in Q1 2016) 	HUF 57.3 bn	HUF 27.4 bn	around HUF 55 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%
- 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 September 30, 2017 net debt ratio stood at 37.4%.

** 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 RESULTS

Q3 2017 STRATEGIC HIGHLIGHTS

MOBILE

- Launch of new postpaid tariff system in March drove demand for larger data packages
- Introduction of EU Roam Like Home legislation had limited revenue and EBITDA impacts thanks to increase in visitor data usage

FIXED

- New broadband portfolio with increased download speed offering to enhance competitiveness and better exploit network capabilities
- Already ca. 80 thousand subscribers with 50% opting for packages with speeds of over 100Mbps package

FMC

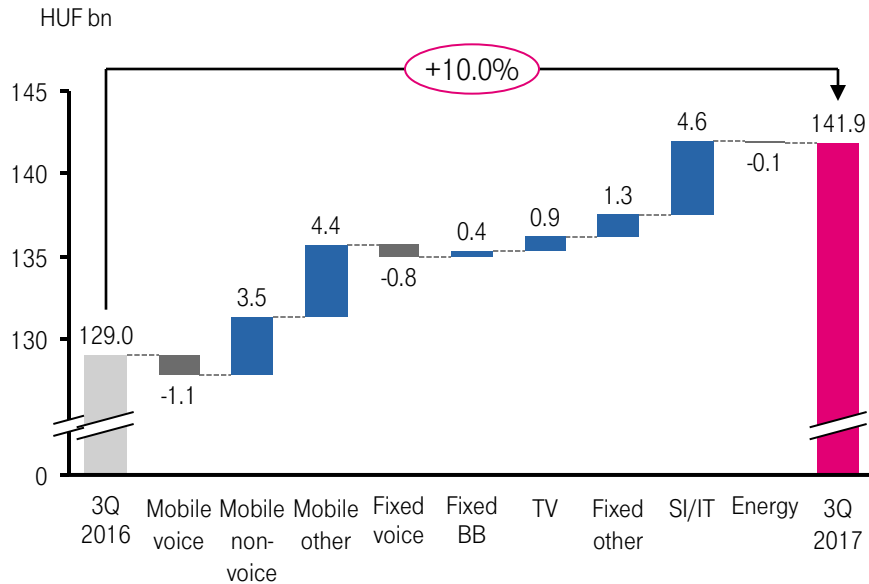
- Expanded flagship Magenta 1 offering with the ability to substitute fixed voice for mobile data
- Expansion of active FMC customer base; now stands at 11% of total households

MACEDONIA

- Decline in revenues driven by intensifying competition and delay in SI/IT projects
- EBITDA improvement due to cost enhancing measures coupled with temporary savings in marketing

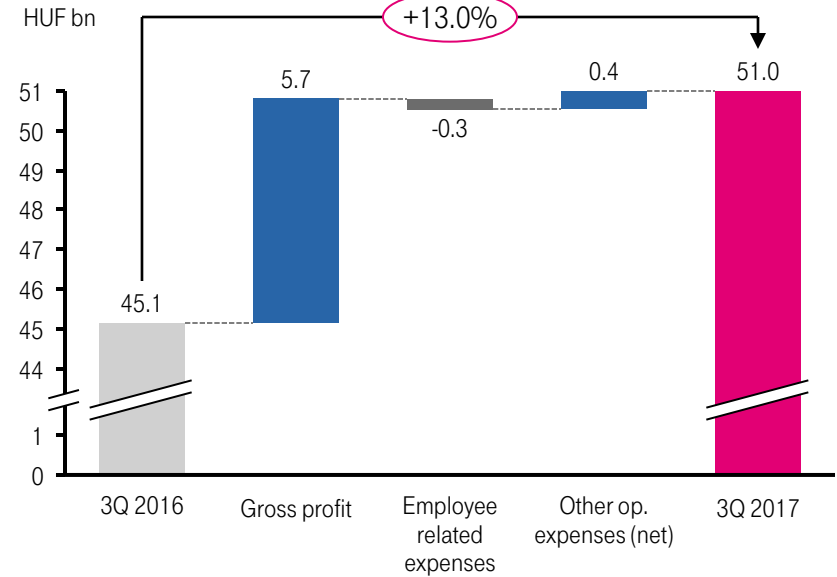
HUNGARY

Revenue*



- Mobile revenue increase driven by growth in mobile data usage, equipment sales and visitor revenues
- Fixed line revenue rose thanks to higher TV and equipment sales and increase in data revenue
- Significant increase in SI/IT revenue driven by EU fund inflows

EBITDA



- Gross profit increase due to more balanced revenue structure and one-off provision reversal related to the ceased loyalty program
- Higher employee related expenses due to increased headcount
- Real estate sales led to increased other operating income



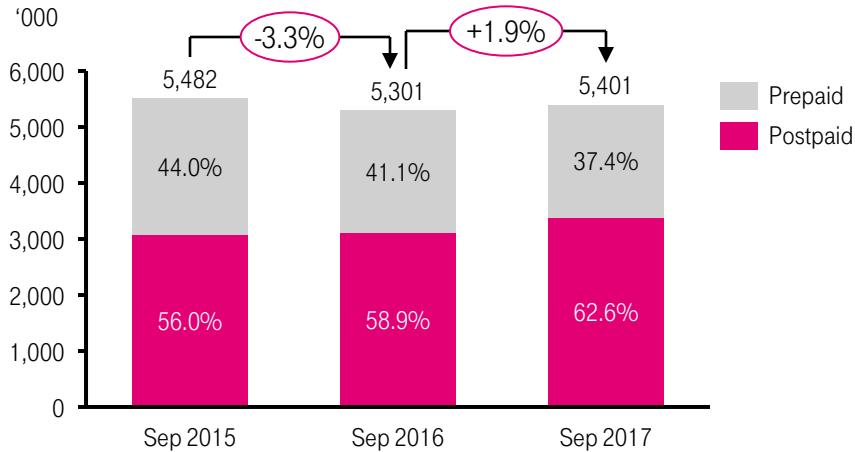
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*Mobile voice includes mobile retail and wholesale voice; Mobile non-voice includes data, SMS and equipment; Fixed other includes equipment, data, wholesale and other

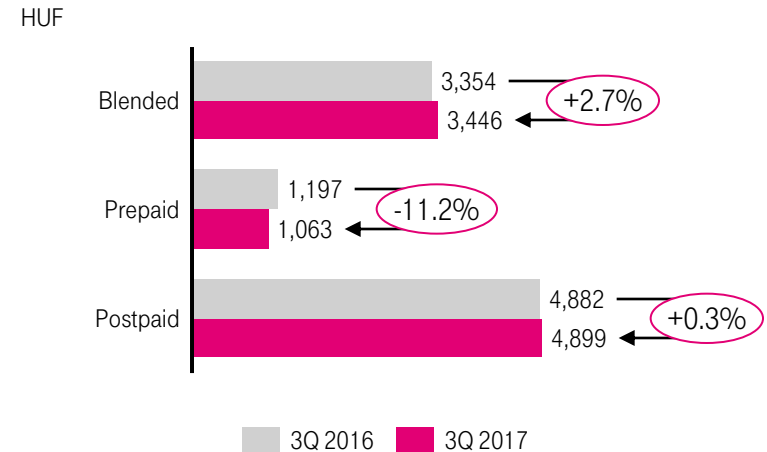
HUNGARY - MOBILE



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**

15 GB** **HUF 7,182**

6 GB** **HUF 4,484**

2 GB** **HUF 2,349**

500 MB **HUF 1,113**

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 4% 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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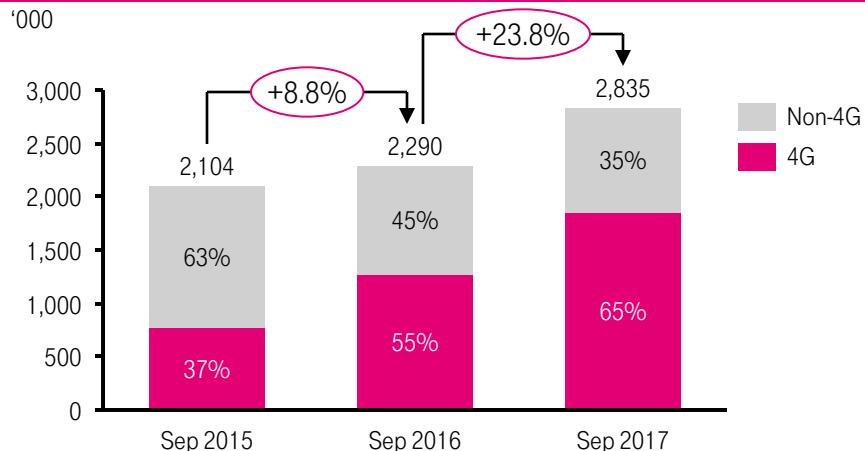
*20% in case of fixed 2Play subscription, 25% in case of fixed 3Play subscription

**Included data consumption-free social media applications

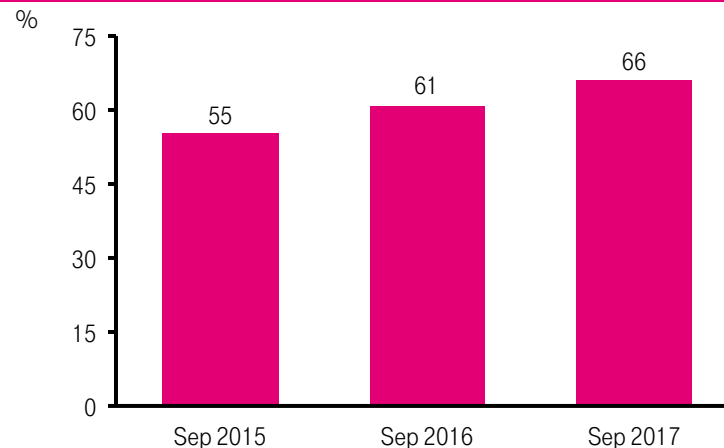
HUNGARY - MOBILE BROADBAND



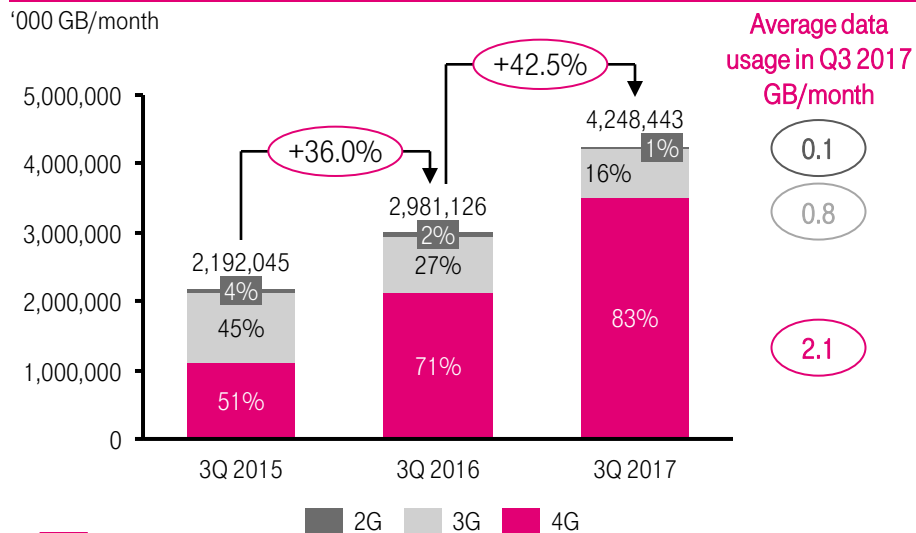
Mobile broadband user developments



Smartphone penetration



Mobile broadband usage development



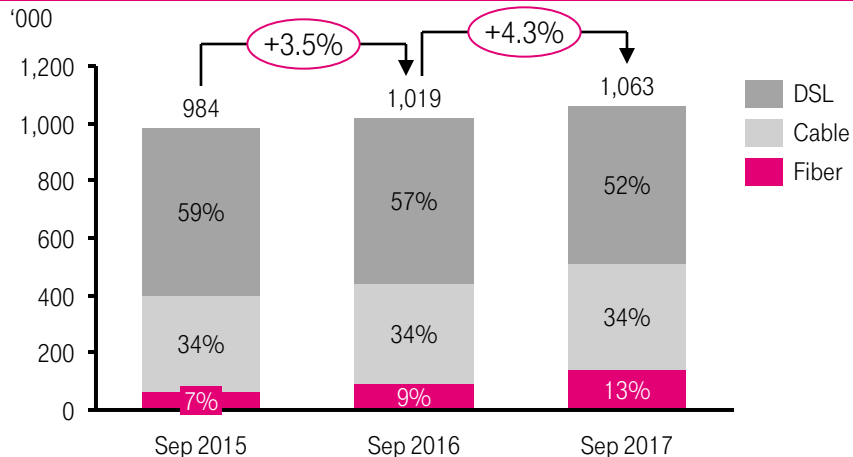
Highlights

- 4G outdoor population coverage at 99%
- Smartphone penetration over 66%
- Introduction of unlimited data offers
- Significant growth in mobile data usage
- 83% of data usage generated on our 4G network
- Average data usage of 4G users is 2.1 GB/month vs. 0.4 GB/month for non-4G users

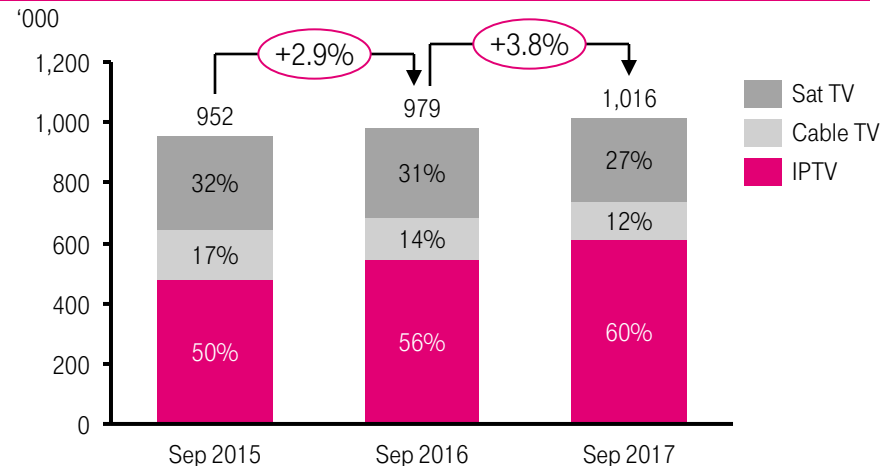
HUNGARY - FIXED VOICE, BROADBAND AND TV



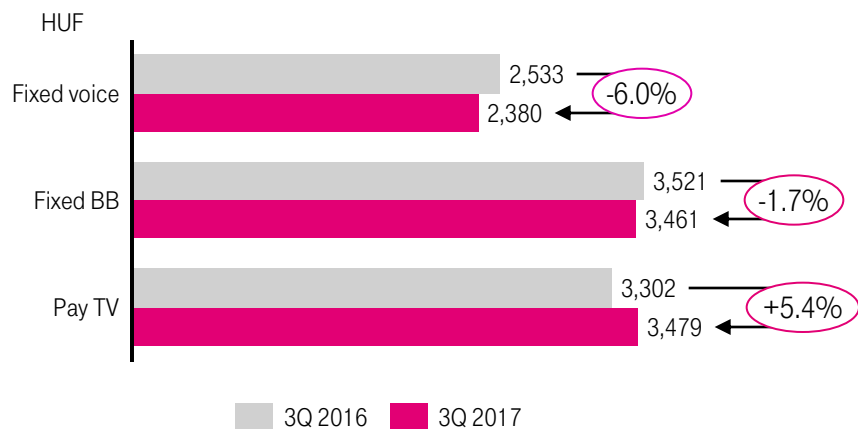
Fixed BB customer number



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
- New fixed BB portfolio launched in September to enhance competitiveness and exploit network capabilities
- Higher TV ARPU due to migration to higher priced packages coupled with the impact of price increase reflecting the introduction of content fee

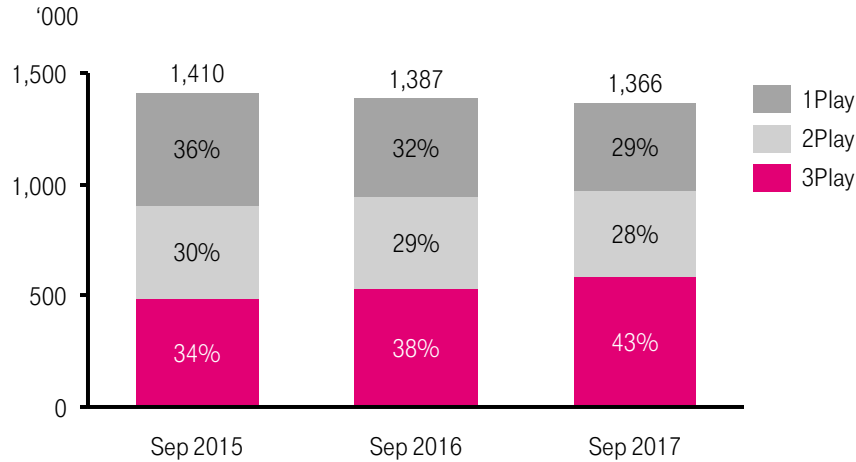


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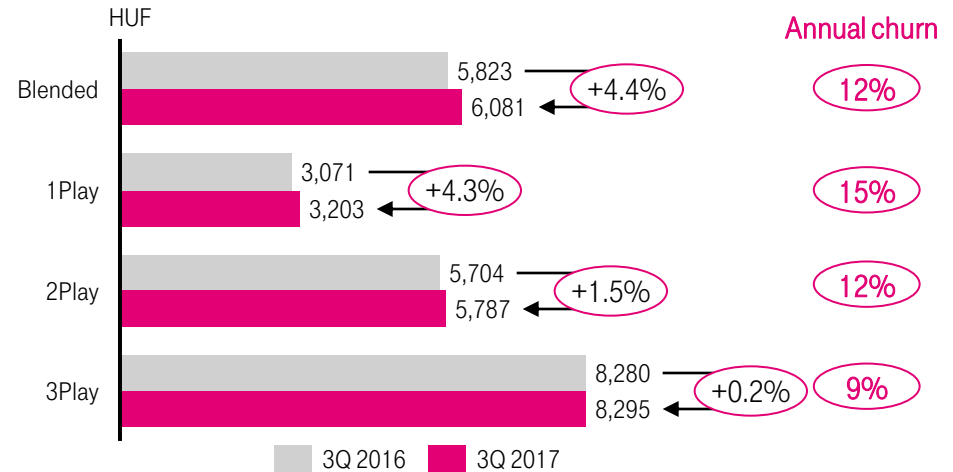
HUNGARY - MULTIPLAY



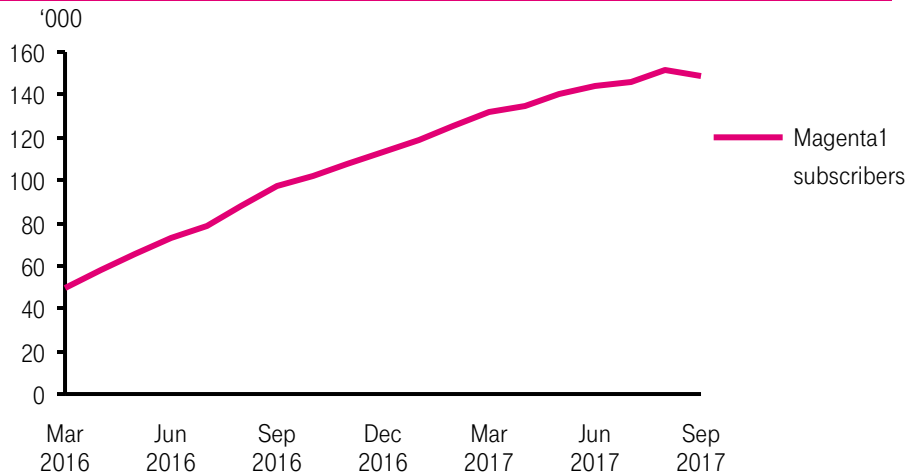
Fixed line multiplay residential subs. development



Fixed line multiplay residential ARPU development



4Play Magenta1 subscriber development

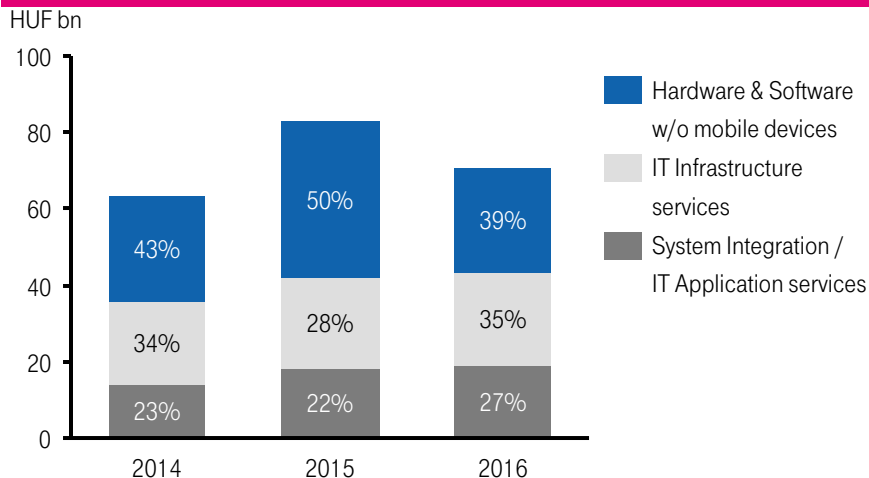


Highlights

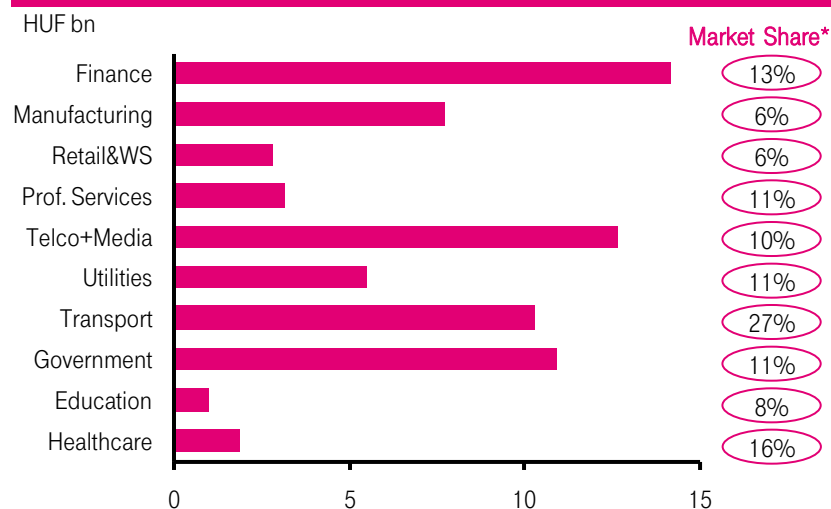
- Blended fixed line household ARPU up by 4% thanks to continuously increasing 3Play share
- Lower churn among 2&3Play customers compared to 1Play subscribers
- More than 148,000 high-value 4Play Magenta1 customers, overall 295,000 active FMC subscribers helping to maximize the telecommunication share of wallet in household spending
- New Magenta1 options were introduced, increasing flexibility to further expand 4Play customer base

HUNGARY - SI/IT

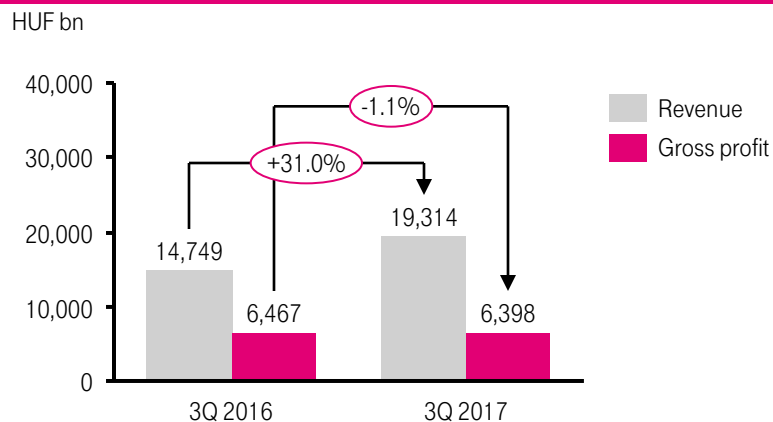
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT Hungary



Gross margin

44%

33%



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Highlights

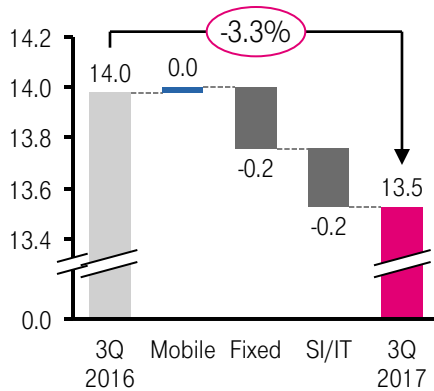
- Strong increase in SI/IT revenues in 2017 as a result of increased EU fund inflows
- EU funded projects are hardware and software focused and relatively low margin
- Infrastructure delivery projects serve as starting point for developing long term customer relationships and as a foundation for IT service contracts
- Q3 2017 revenue increase driven mainly by public sector infrastructure delivery projects

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

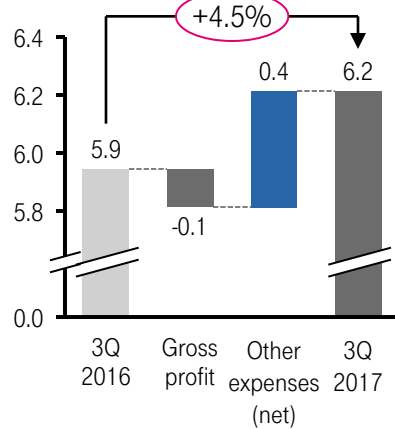
MACEDONIA

Financials

Revenues (HUF bn)

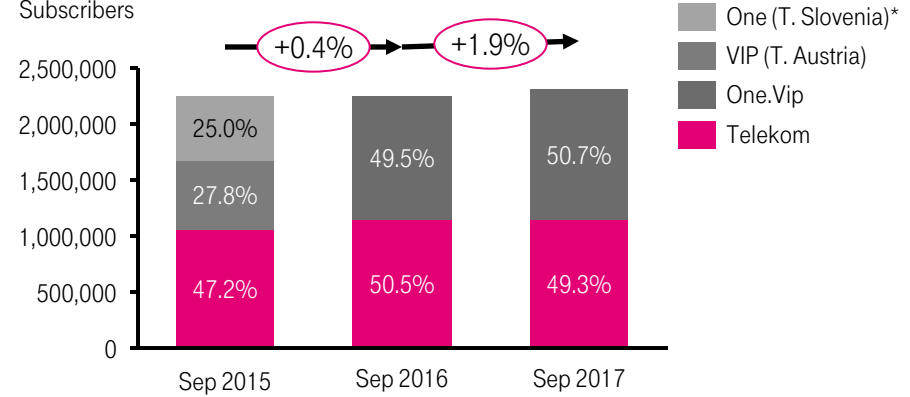


EBITDA (HUF bn)

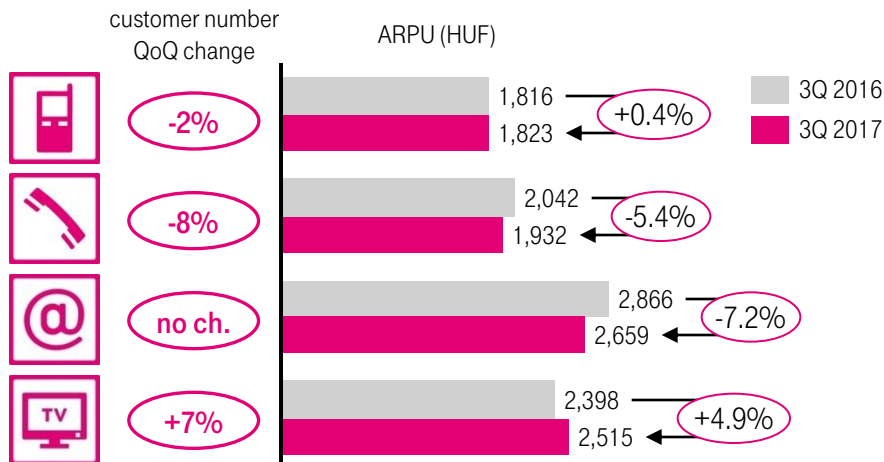


Mobile market

Subscribers



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



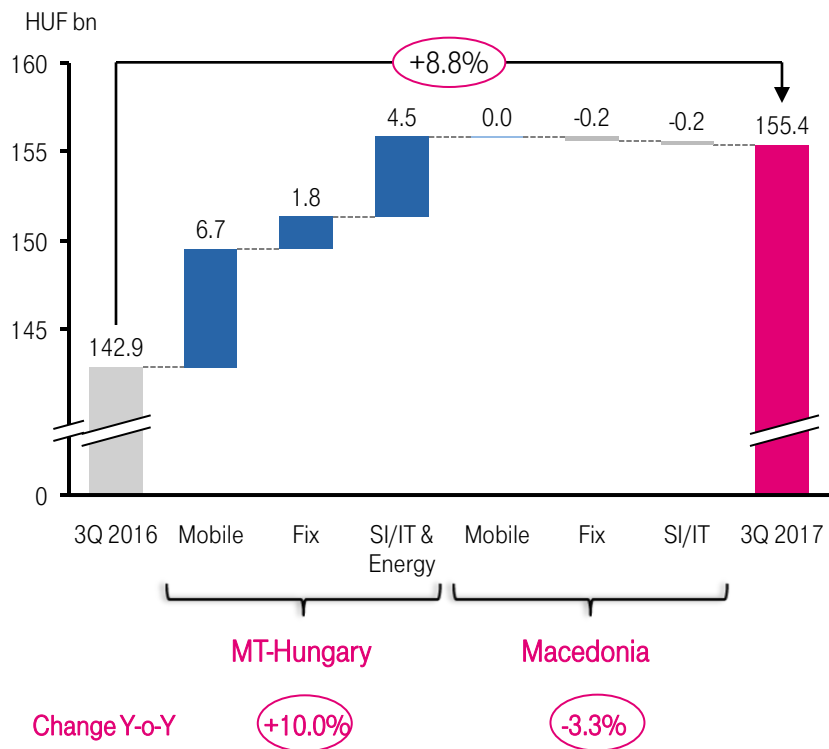
Highlights

- Increase in mobile data revenues offset by 30% cut in the mobile termination rate, which took effect in December 2016
- Increased competition in the mobile segment put pressure on ARPU levels
- Strong TV revenue growth mitigates competition induced revenue pressure in fixed voice and broadband
- Temporary SI/IT revenue pressure due to delayed projects
- EBITDA improvement due to cost enhancing measures coupled with temporary savings in marketing

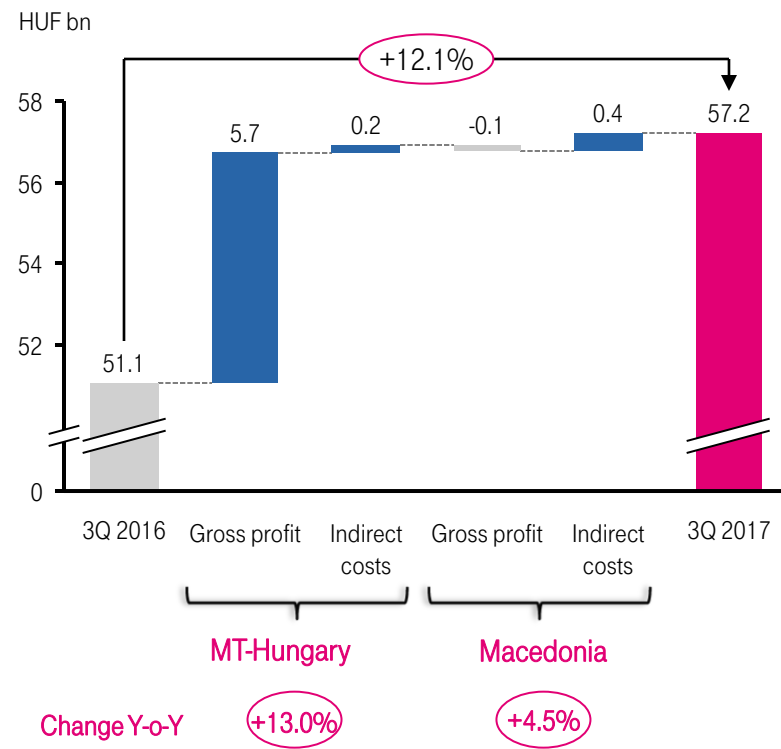
APPENDIX

Q3 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q3 2016	Q3 2017	Change
Mobile revenues	78,810	85,531	8.5%
Fixed line revenues	47,336	48,913	3.3%
System Integration/Information Technology revenues	15,260	19,590	28.4%
Revenue from energy services	1,459	1,347	-7.7%
Revenues	142,865	155,381	8.8%
Direct costs	(51,129)	(58,067)	-13.6%
Employee-related expenses	(18,418)	(18,643)	-1.2%
Utility tax	0	0	n.a.
Depreciation and amortization	(28,320)	(27,041)	4.5%
Other operating expenses	(22,872)	(23,646)	-3.4%
Total operating expenses	(120,739)	(127,397)	-5.5%
Other operating income	611	2,187	257.9%
Operating profit	22,737	30,171	32.7%
Net financial results	(6,829)	(5,396)	21.0%
Share of associates' profits	(32)	(123)	n.m.
Profit before income tax	15,876	24,652	55.3%
Income tax expense	(3,282)	(5,311)	-61.8%
Profit for the period from continuing operations	12,594	19,341	53.6%
Profit from discontinued operation	1,047	0	n.m.
Total profit for the period	13,641	19,341	41.8%

MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Dec 31, 2016	Sep 30, 2017	Change
Current assets	193,978	181,670	-6.3%
Cash and cash equivalents	10,805	6,294	-41.7%
Other current financial assets	5,104	2,195	-57.0%
Non current assets	981,551	919,836	-6.3%
Property, plant and equipment - net	483,174	456,532	-5.5%
Intangible assets	260,165	229,544	-11.8%
Total assets	1,175,529	1,101,506	-6.3%
Equity	581,333	575,527	-1.0%
Current liabilities	277,561	209,138	-24.7%
Financial liabilities to related parties	72,589	48,496	-33.2%
Other financial liabilities	22,600	9,036	-60.0%
Non current liabilities	316,635	316,841	0.1%
Financial liabilities to related parties	247,179	247,480	0.1%
Other financial liabilities	50,098	47,202	-5.8%
Total equity and liabilities	1,175,529	1,101,506	-6.3%



MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Sep 30, 2016	Sep 30, 2017	Change
Net cash generated from operating activities	100,759	95,536	-5.2%
Investments in tangible and intangible assets	(55,700)	(56,595)	-1.6%
Adjustments to cash purchases	(12,736)	(4,591)	64.0%
Purchase of subsidiaries and business units	(34)	(3,785)	n.m.
Cash acquired through business combinations	0	475	n.a.
Payments for / proceeds from other financial assets - net	446	(23)	n.m.
Proceeds from disposal of subsidiaries	3,484	1	n.m.
Proceeds from disposal of PPE and intangible assets	8,513	2,432	-71.4%
Payments for interests in associates and joint ventures	0	0	n.a.
Net cash used in investing activities	(56,027)	(62,086)	-10.8%
Dividends paid to shareholders and minority interest	(21,351)	(29,375)	-37.6%
Net payments of loans and other borrowings	(23,317)	(39,019)	-67.3%
Repayment of other financial liabilities	(5,742)	(6,052)	-5.4%
Repurchase of treasury shares	(559)	(1,826)	-226.7%
Net cash used in financing activities	(50,969)	(76,272)	-49.6%
Free cash flow from continuing operation	38,544	27,421	-28.9%

*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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