

MAGYAR TELEKOM GROUP

Q1 2017 RESULTS PRESENTATION

MAY 10, 2017



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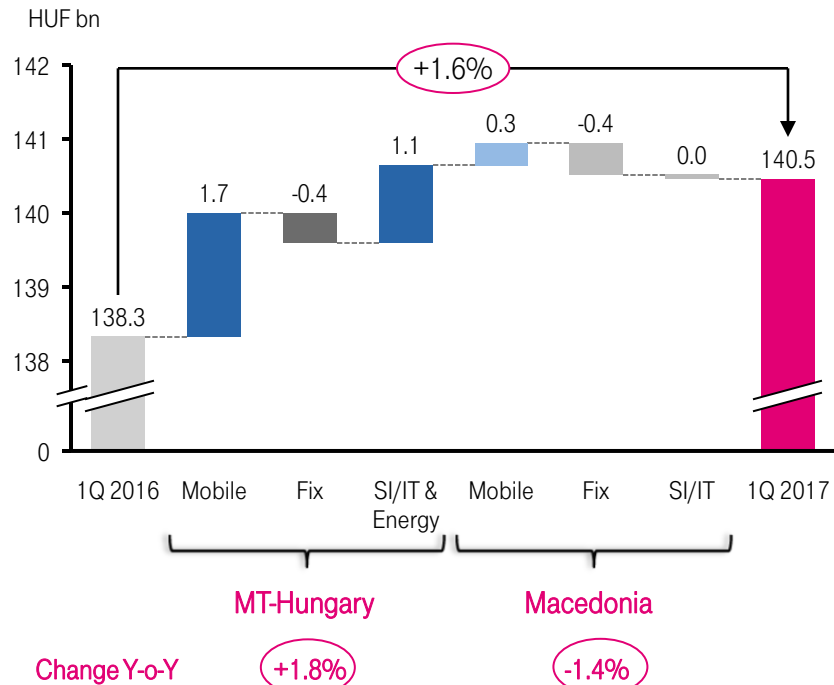
Q1 2017 FINANCIAL RESULTS AND 2017 TARGETS*

	Q1 2017 vs. Q1 2016	2017 TARGETS
REVENUE	HUF 140.5 bn (+1.6%) <ul style="list-style-type: none"> Revenue growth in mobile driven by mobile data and equipment sales following sales push Slight decline in fixed line revenues with higher TV and equipment sales unable to offset the declines in voice and broadband Increasing SI/IT revenues driven by major public procurement tender wins 	around HUF 560 bn
EBITDA	HUF 38.3 bn (-16.5%) <ul style="list-style-type: none"> Q1 2016 EBITDA boosted by one-off gains from the sale of Infopark (Building G) and Origo Lower gross profit driven by an increase in mobile equipment subsidies and TV service margin compression (content fee introduced in July 2016) Deterioration in other OPEX driven by higher maintenance costs, repairs and remedial work expenses, and increased rental fees 	around HUF 182 bn
CAPEX	HUF 15.5 bn (+39.2%) <ul style="list-style-type: none"> Higher spending on our 4G+ network Higher number of set top boxes reflecting strong TV sales in Q1 2017 Lower PSTN migration investments 	around HUF 85 bn
FCF	HUF 0.3 bn (-97.5%) <ul style="list-style-type: none"> Q1 2016 FCF boosted by one-off gains of HUF 11.3 billion (sale of Infopark and Origo) 	around HUF 55 bn

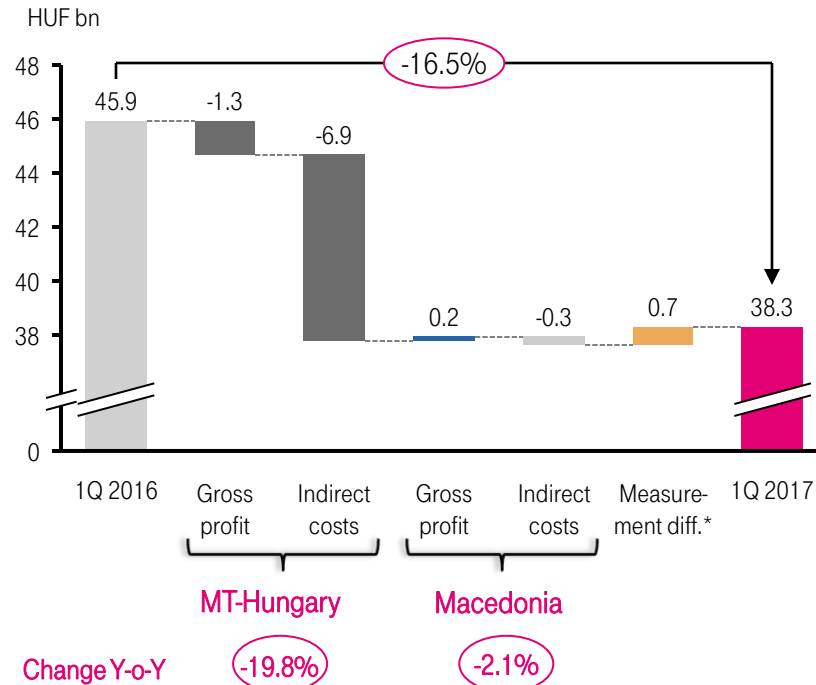


Q1 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA

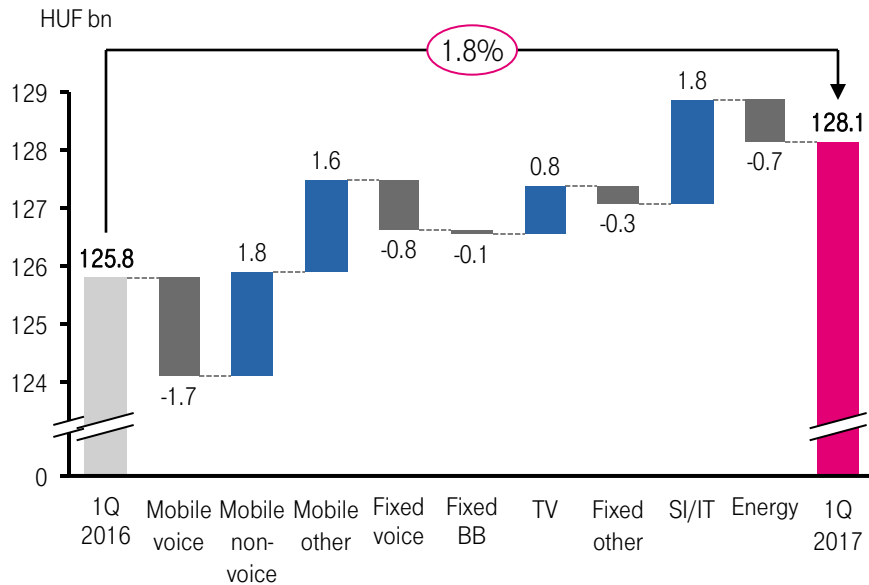


- **Hungary:** higher mobile data, TV and equipment revenues, coupled with improvement in SI/IT revenues offset the declining voice retail (both mobile and fixed) and wholesale revenues
- **Macedonia:** significant improvement in mobile revenues driven by higher mobile data usage and customer numbers was offset by lower fixed voice and wholesale revenues

- **Hungary:** EBITDA declined due to the absence of material one-offs in other operating income realized in Q1 2016, coupled with higher other operating expenses and lower gross profit
- **Macedonia:** higher other operating expenses offsetting savings in employee-related expenses and the improvement in gross profit

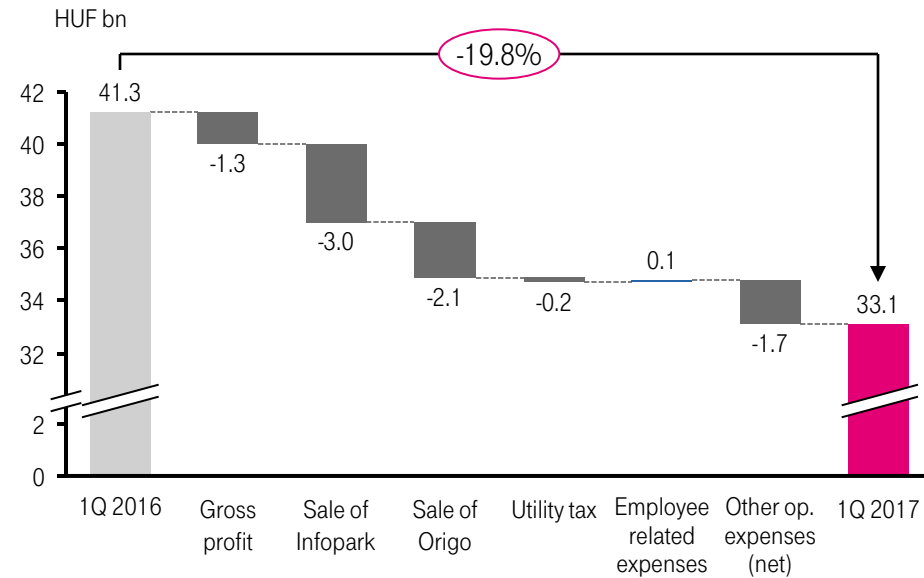
HUNGARY

Revenue*



- Increase in mobile revenues driven by mobile data growth and higher equipment sales thanks to our retention and acquisition efforts
- Slightly lower fixed broadband revenues as higher customer numbers were offset by a decline in price levels
- TV revenues increased due to a rise in the customer base and material increase in ARPU levels
- Significant increase in SI/IT thanks to public procurement tender wins

EBITDA

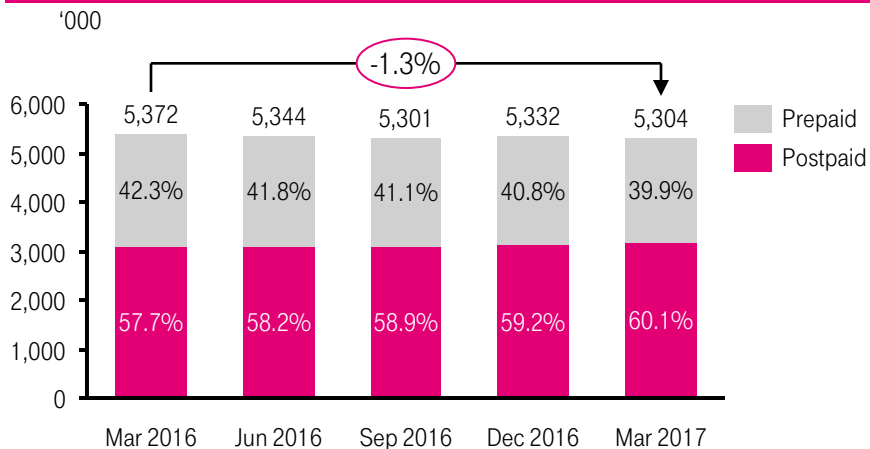


- Improvement in SI/IT margins and bad debt expenses more than offset by higher direct costs due to increased mobile equipment subsidies and the TV service margin deterioration (content fee introduced in July 2016)
- Profit on the sale of Infopark Building G and Origo in Q1 2016 results in significant year-on-year EBITDA decline
- Higher other OPEX due to higher network maintenance costs, repairs and remedial work expenses, and increased rental fees

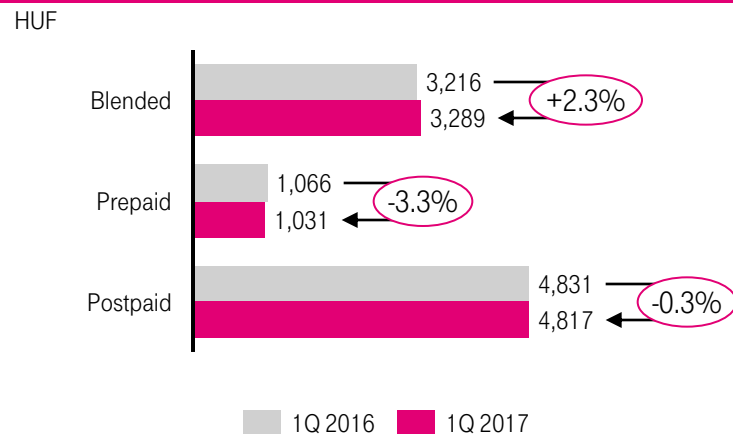
HUNGARY - MOBILE



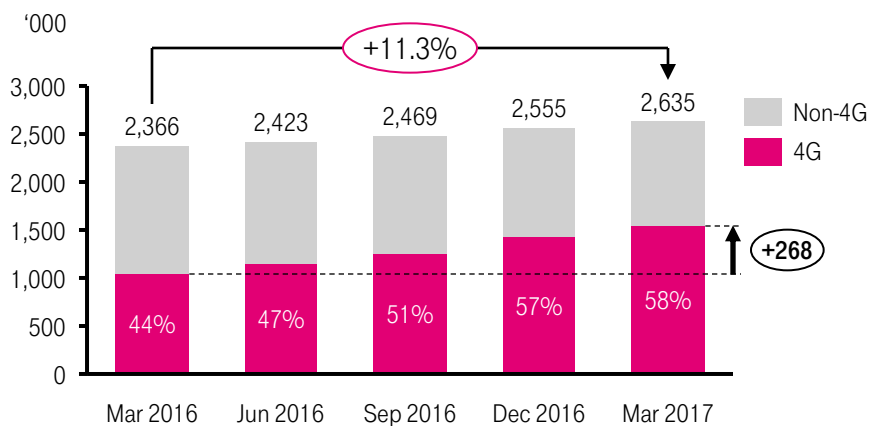
Mobile SIMs



Mobile ARPU



Mobile broadband user developments



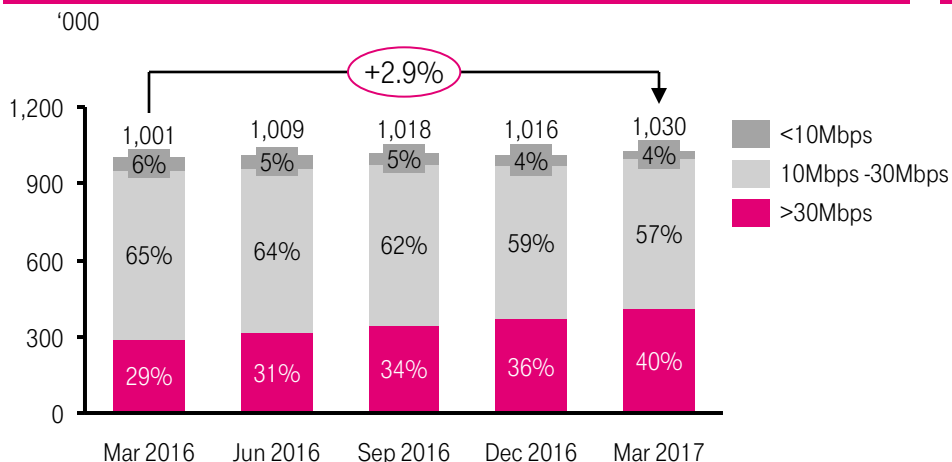
Highlights

- Customer base decline driven by prepaid churn and intense competition for business customers
- Increase in postpaid RPC driven by retention and acquisition efforts and strong data demand
- MOU up by 7% due to higher postpaid ratio and growing flat tariff subscriber base
- Increasing mobile ARPU due to higher data sales and successful prepaid to postpaid migration
- 4G outdoor population coverage above 98%
- Smartphone penetration over 64% (vs. 58% in Q1 2016)
- Average data usage of 4G users is 1.7 GB/month vs. 0.5 GB/month for non-4G users

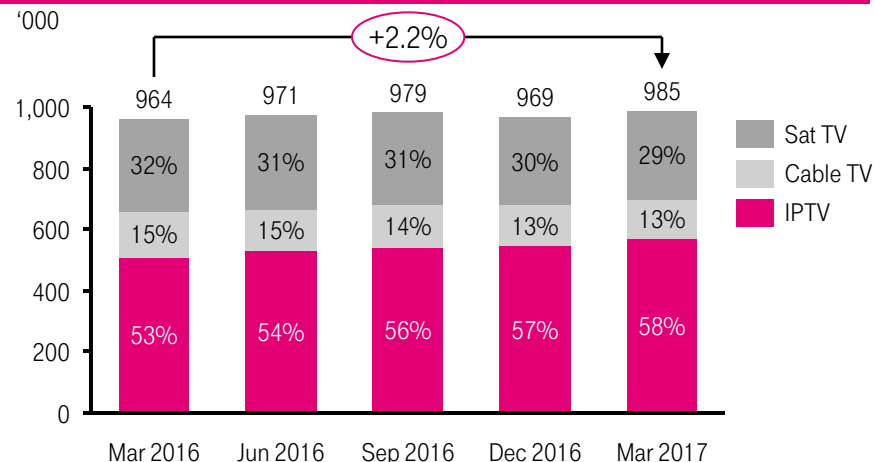
HUNGARY - FIXED VOICE, BROADBAND AND TV



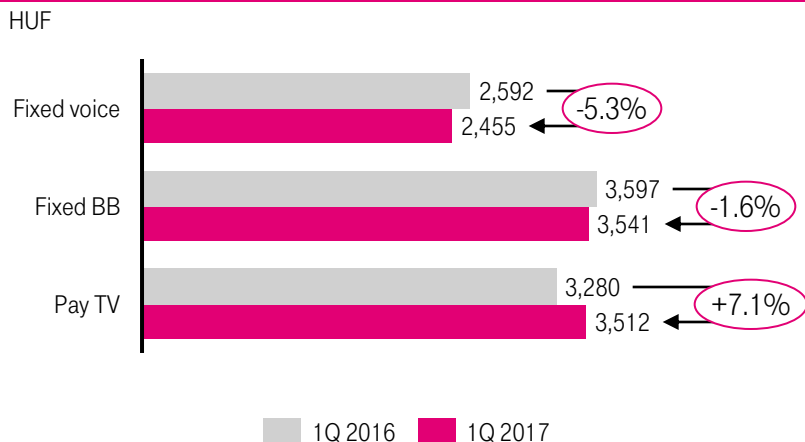
Fixed BB customer number



Pay TV customer number



Fixed voice, BB and TV ARPU



Highlights

- Focus on increasing the ratio of higher bandwidth packages and IPTV subscribers
- Fixed voice churn at 2% thanks to effective bundling strategy
- Growing fixed broadband and TV customer base
- 2.9 million households across Hungary now have access to HSI*
 - FTTx (701k HHs) – ongoing countrywide roll-out
 - ED3 (757k HHs) – participating in market consolidation
 - VDSL (1,469k HHs) – revitalizing copper, excl. overlaps
- 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



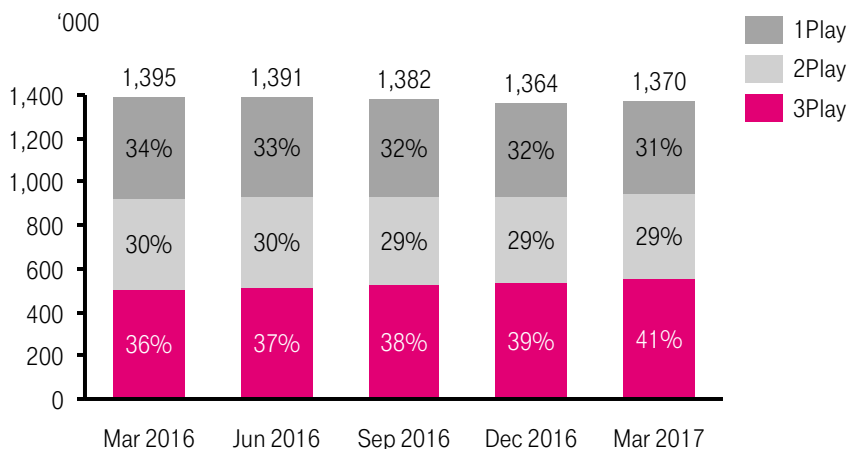
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* High Speed Internet

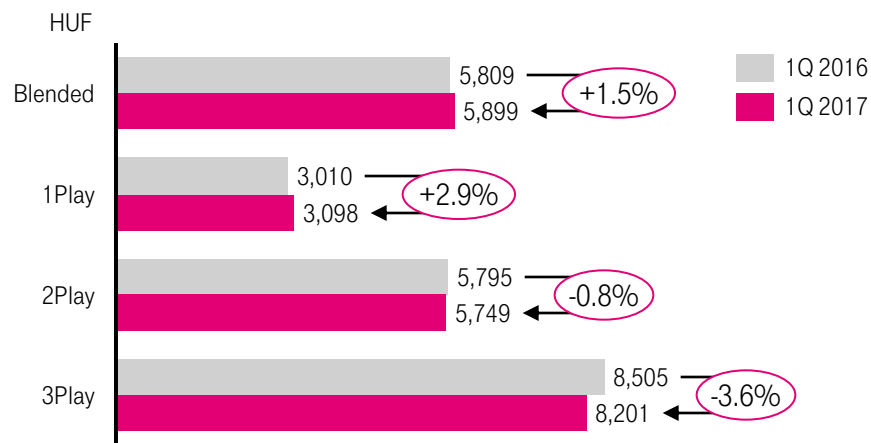
HUNGARY - MULTIPLAY



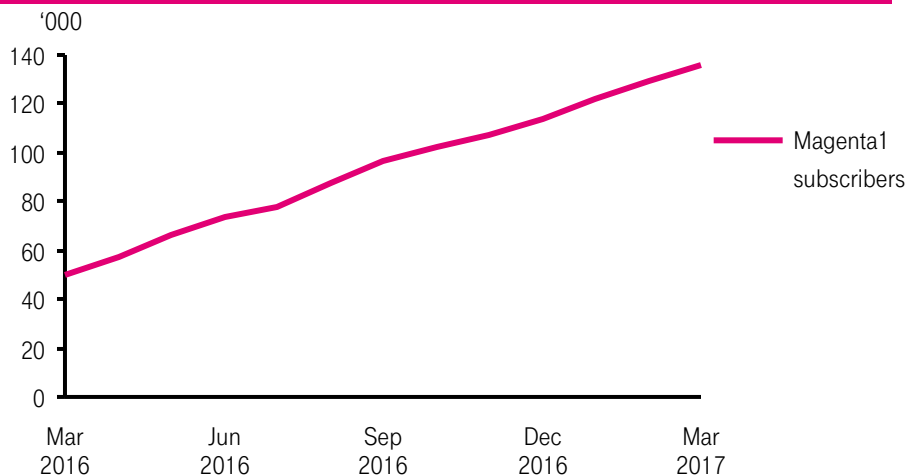
Fixed line multiplay residential subs. development



Fixed line multiplay residential ARPU development



4Play Magenta1 subscriber development

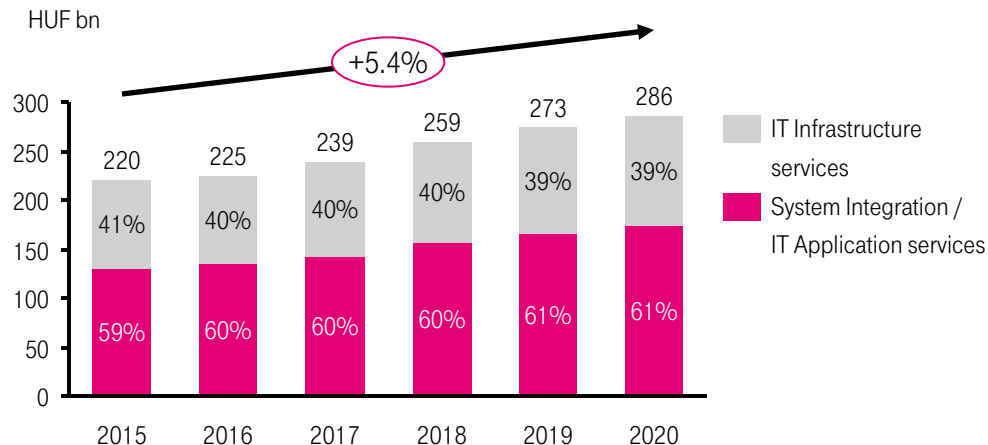


Highlights

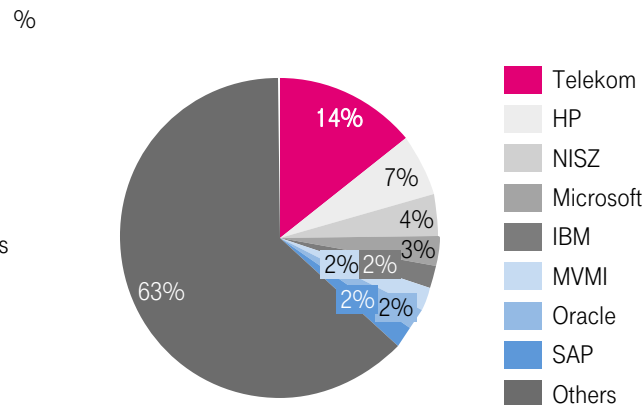
- Blended fixed line ARPU up by 2% thanks to continuously increasing 3Play share
- Lower churn among 2&3Play customers compared to 1Play subscribers
- More than 136,000 high-value 4Play Magenta1 customers, helping to maximize the telecommunication share of wallet in household spending
 - 54% of the Magenta1 customers use at least 30Mbps fixed broadband service
 - 50% of the Magenta1 customers subscribers to unlimited mobile voice and SMS

HUNGARY - SI/IT

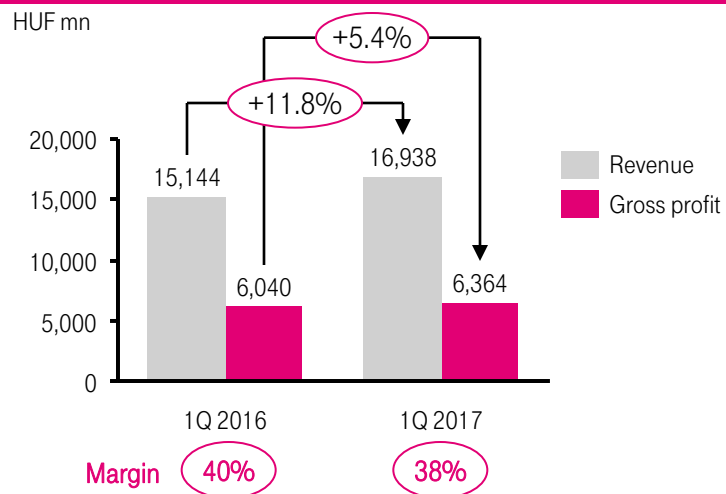
Total Hungarian IT services market development*



Market share**



SI/IT revenue and gross profit of MT Hungary



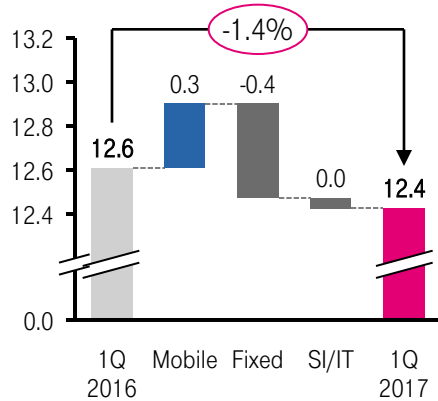
Highlights

- Q1 2017 revenue rise due to major public procurement tender wins
- Total revenues expected to increase in 2017 as a result of accelerating EU fund inflows
- Total SI/IT market expected to grow over the next 5 years
- Magyar Telekom's aim is to maintain a healthy level of gross profit by undertaking a diversified mix of both higher added value SI/IT projects and lower margin IT deals

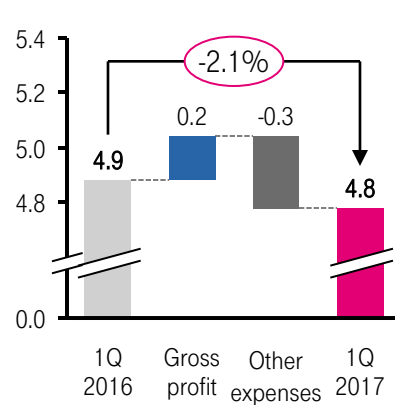
MACEDONIA

Financials

Revenues (HUF bn)

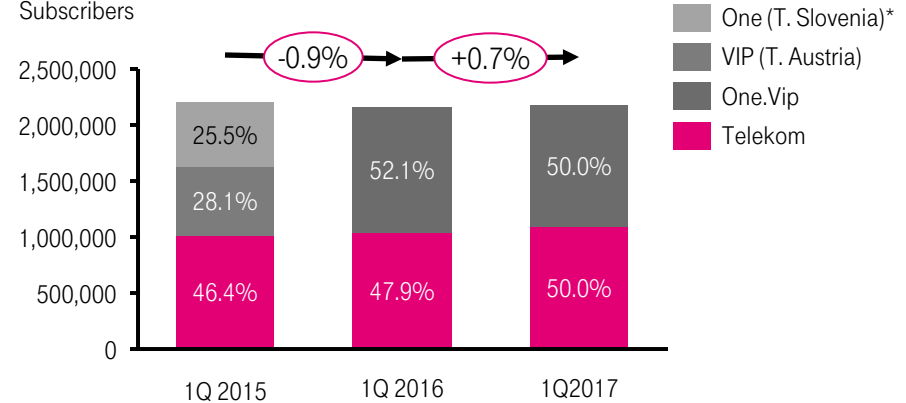


EBITDA (HUF bn)

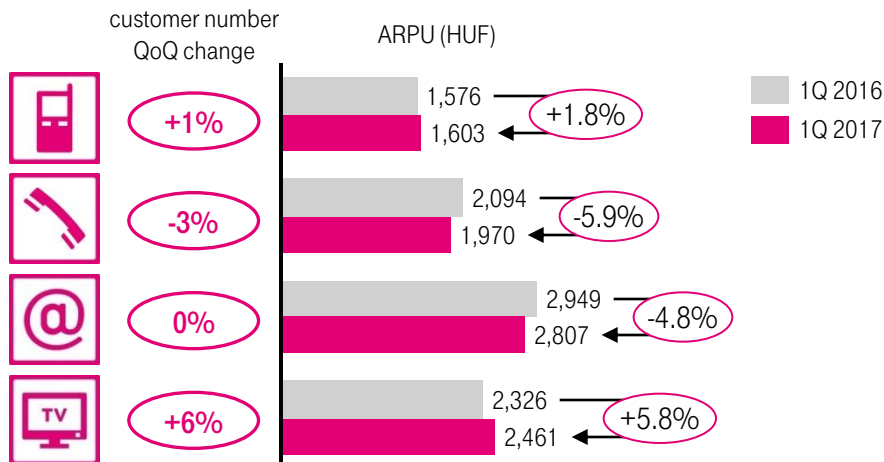


Mobile KPIs

Subscribers



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



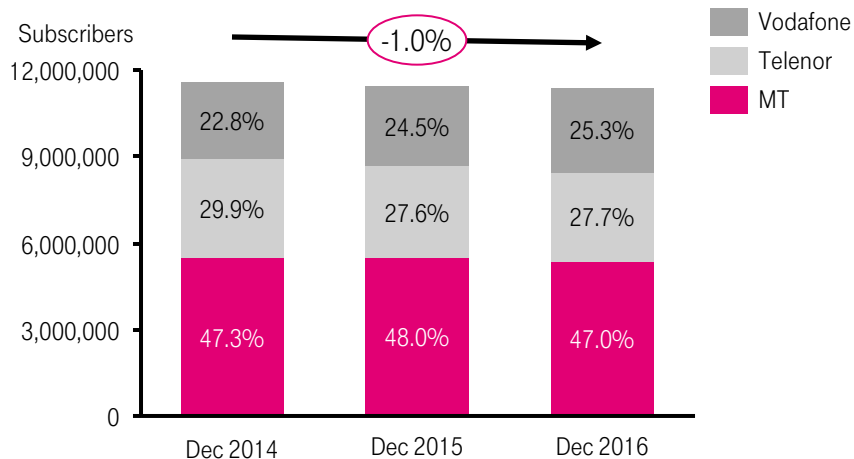
Highlights

- Continued mobile revenue increase despite 33% mobile termination rate cut effective from December 2016
- Slight EBITDA decline as higher other operating expenses offset savings in employee-related expenses and the improvement in gross profit
- Strong integrated competitor (under the VIP brand)
- Robust growth in TV subscribers and reduced churn in fixed voice
- Almost 50% of the fixed voice customer base is already a 3Play subscriber

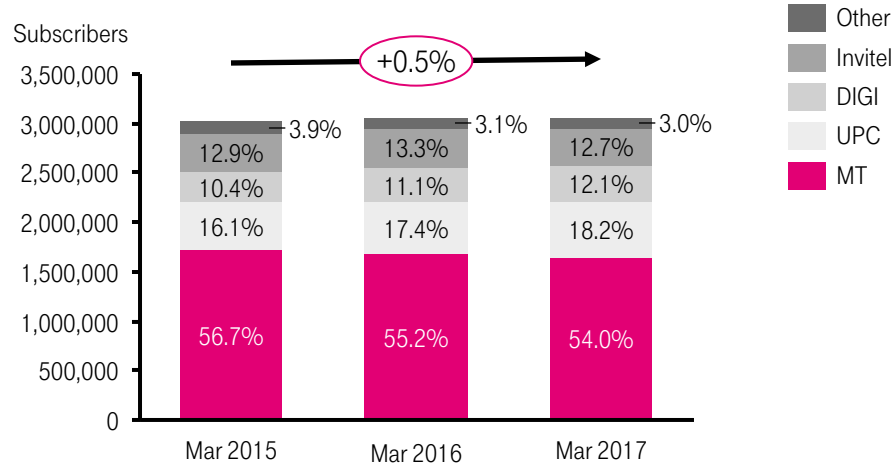
APPENDIX

MARKET POSITION IN HUNGARY

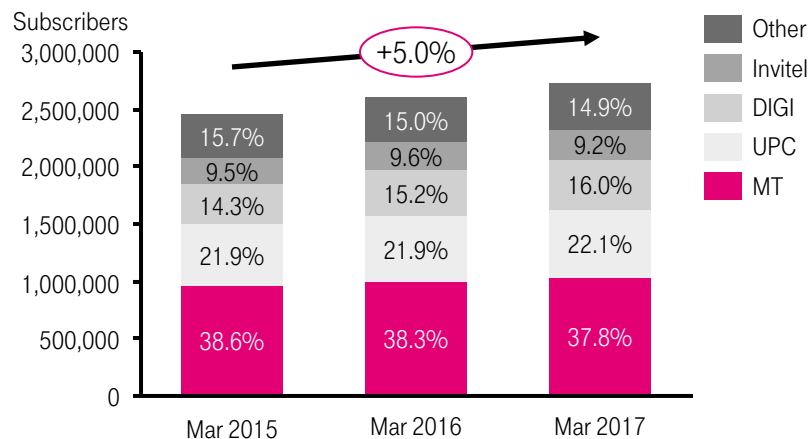
Total mobile market*



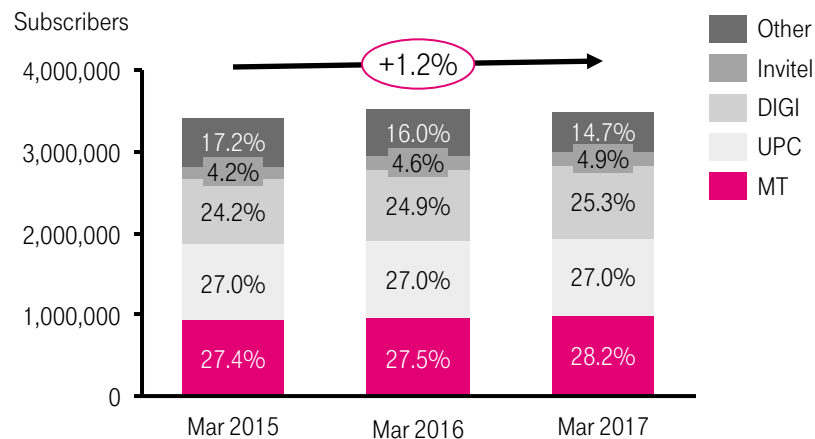
Fixed voice market**



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)

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q1 2016	Q1 2017	Change
Mobile revenues	72,287	74,250	2.7%
Fixed line revenues	48,346	47,548	-1.7%
System Integration/Information Technology revenues	15,380	17,129	11.4%
Revenue from energy services	2,313	1,580	-31.7%
Revenues	138,326	140,507	1.6%
Direct costs	(49,688)	(52,942)	-6.5%
Employee-related expenses	(19,803)	(19,385)	2.1%
Utility tax	(7,265)	(7,418)	-2.1%
Depreciation and amortization	(25,308)	(25,720)	-1.6%
Other operating expenses	(22,147)	(23,152)	-4.5%
Total operating expenses	(124,211)	(128,617)	3.5%
Other operating income	6,512	732	-88.8%
Operating profit	20,627	12,622	-38.8%
Net financial results	(6,607)	(6,050)	8.4%
Share of associates' profits	(24)	309	n.a.
Profit before income tax	13,996	6,881	-50.8%
Income tax expense	(3,391)	(2,067)	39.0%
Profit for the period from continuing operations	10,605	4,814	-54.6%
Profit from discontinued operation	860	9,526	1007.7%
Total profit for the period	11,465	14,340	25.1%



MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Dec 31, 2016	Mar 31, 2017	Change
Current assets	193,978	183,255	-5.5%
Cash and cash equivalents	10,805	8,999	-16.7%
Other current financial assets	5,104	6,008	17.7%
Non current assets	981,551	926,128	-5.6%
Property, plant and equipment - net	483,174	458,620	-5.1%
Intangible assets	253,299	255,022	0.7%
Total assets	1,175,529	1,109,383	-5.6%
Equity	581,333	575,628	-1.0%
Current liabilities	277,561	219,407	-21.0%
Financial liabilities to related parties	72,589	33,142	-54.3%
Other financial liabilities	22,600	25,222	11.6%
Non current liabilities	316,635	314,348	-0.7%
Financial liabilities to related parties	247,179	246,670	-0.2%
Other financial liabilities	50,098	48,286	-3.6%
Total equity and liabilities	1,175,529	1,109,383	-5.6%



MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Q1 2016	Q1 2017	Change
Net cash generated from operating activities	24,878	27,639	11.1%
Investments in tangible and intangible assets	(11,100)	(15,452)	39.2%
Adjustments to cash purchases	(14,192)	(8,829)	-37.8%
Purchase of subsidiaries and business units	(13)	(1,777)	n.m.
Cash acquired through business combinations	0	475	n.m.
Payments for / proceeds from other financial assets - net	(4,942)	(2,723)	-44.9%
Proceeds from disposal of subsidiaries	3,464	0	n.m.
Proceeds from disposal of PPE and intangible assets	8,129	168	-97.9%
Payments for interests in associates and joint ventures	0	0	n.m.
Net cash used in investing activities	(18,654)	(28,138)	-50.8%
Dividends paid to shareholders and minority interest	(2,433)	0	n.m.
Net payments of loans and other borrowings	(7,776)	(37,594)	383.5%
Repayment of other financial liabilities	(1,234)	(1,974)	60.0%
Net cash used in financing activities	(11,443)	(39,568)	-245.8%
Free cash flow from continuing operation	9,932	250	97.5%
Free cash flow from discontinued operation	(185)	36,267	n.m.
Total Free cashflow	9,747	36,517	-274.6%

*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

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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, 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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