

MAGYAR TELEKOM GROUP

Q2 2017 RESULTS PRESENTATION

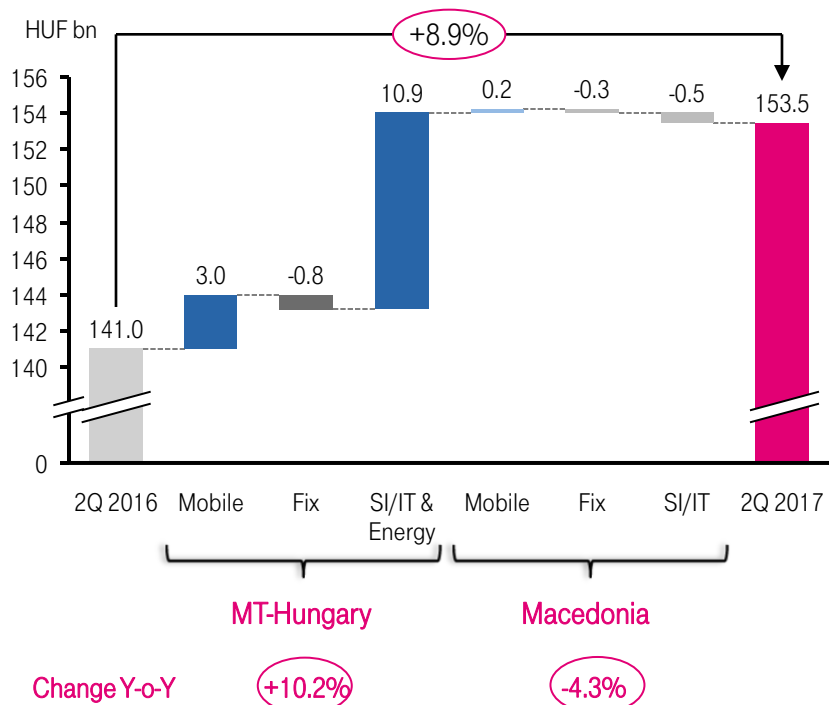
AUGUST 2, 2017



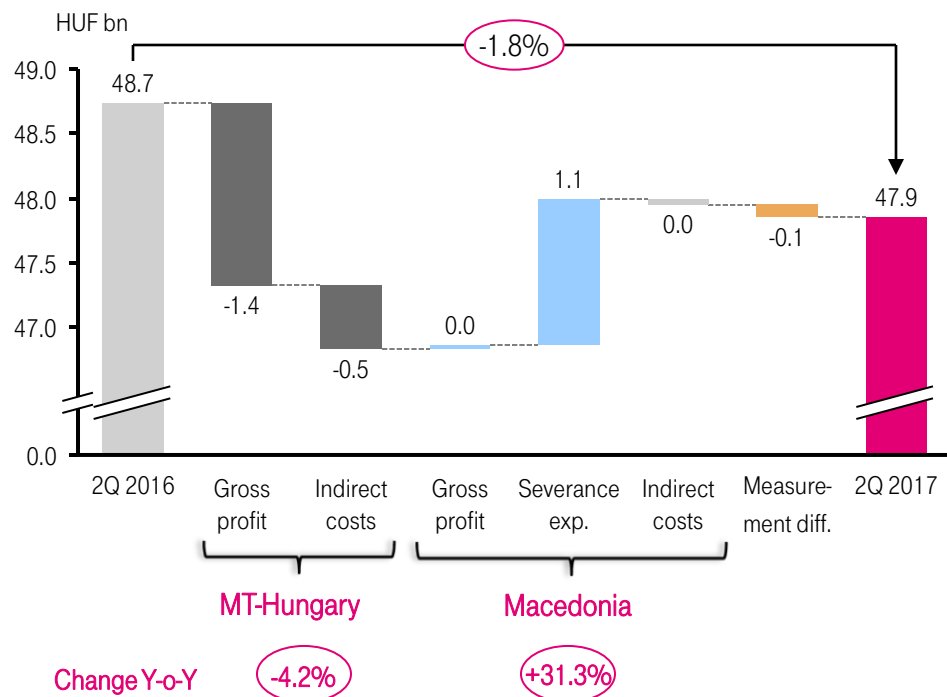
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Q2 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



Q2 2017 STRATEGIC HIGHLIGHTS

NEW MOBILE PORTFOLIO

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

PREPAID REGISTRATION

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

LAND GRABBING

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

FLIP

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

4PLAY

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

MACEDONIA

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



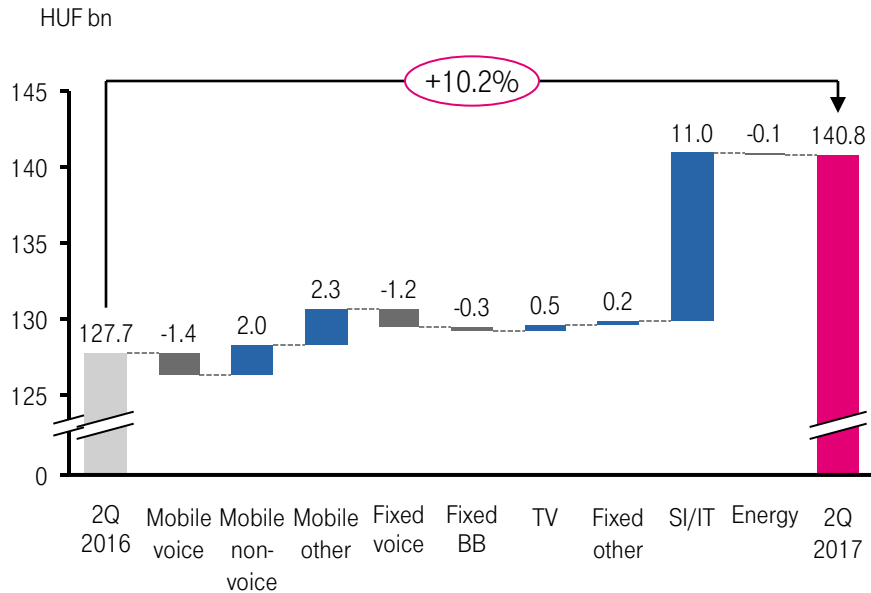
H1 2017 FINANCIAL RESULTS AND 2017 TARGETS*

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



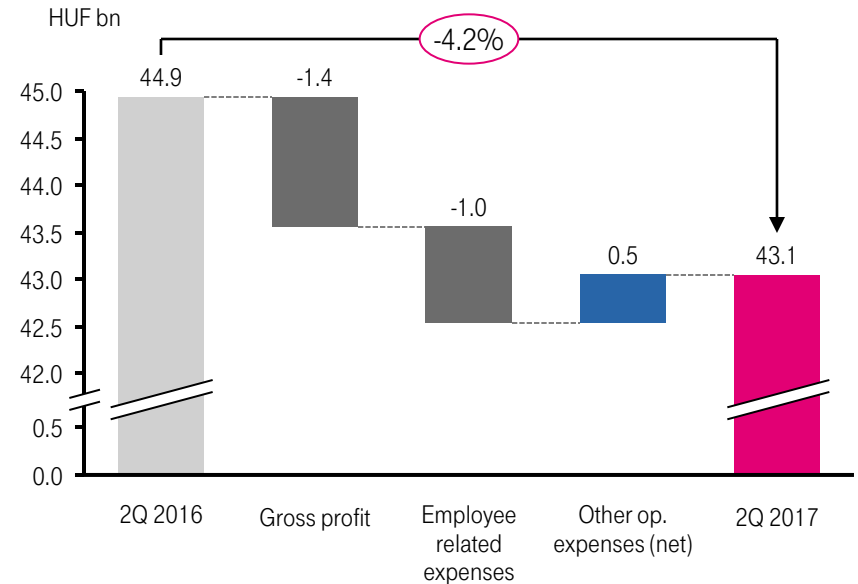
HUNGARY

Revenue*



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

EBITDA

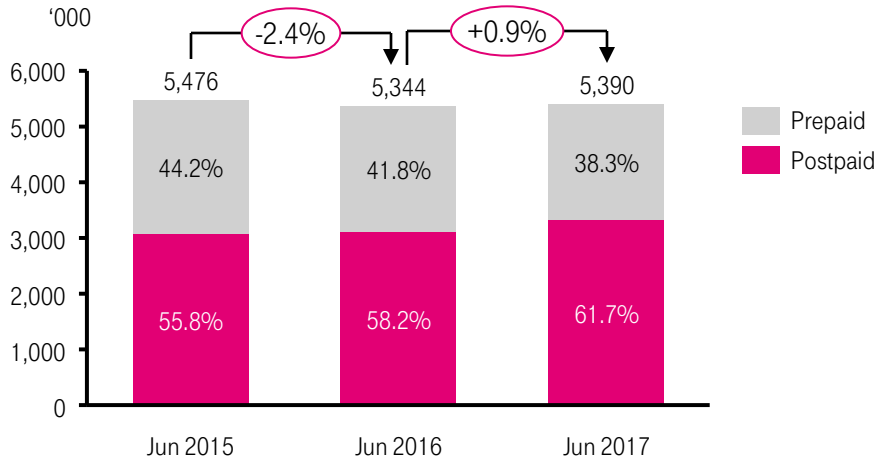


- Gross profit decline reflects the shift from high margin voice to lower margin SI/IT services and equipment sales
- Higher employee related expenses due to increase in headcount
- Savings in other operating expenses partly mitigated margin pressure

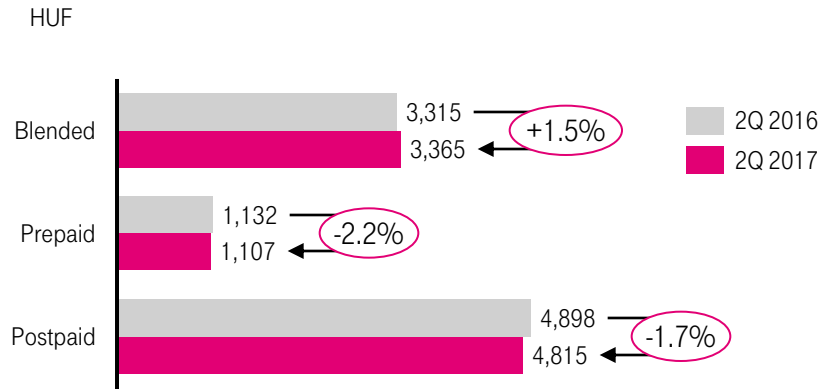
HUNGARY - MOBILE



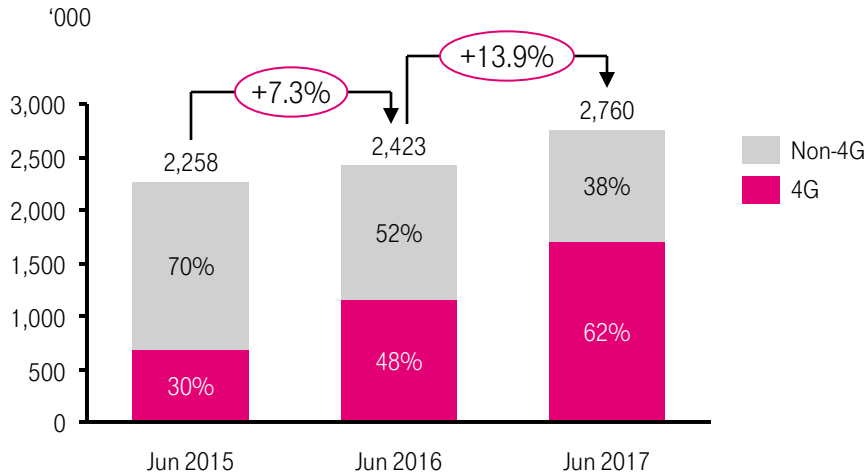
Mobile SIMs



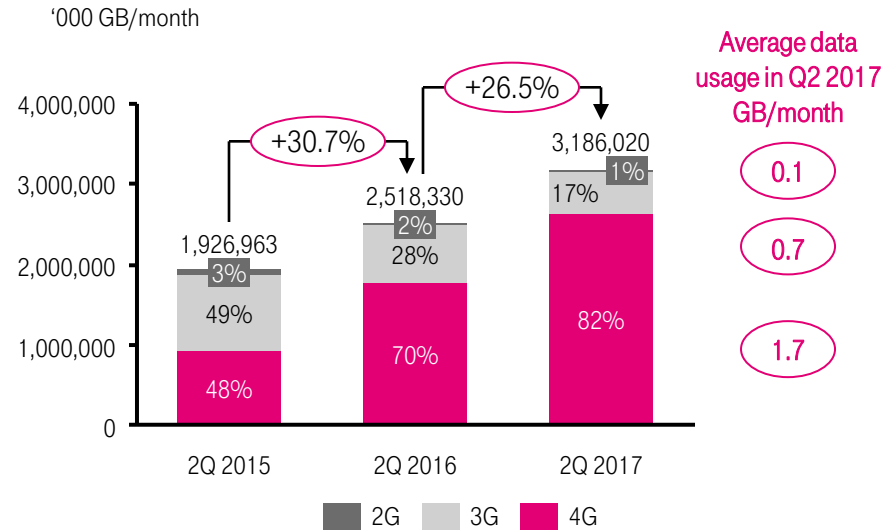
Mobile ARPU



Total mobile data subscriber development



Mobile broadband usage developments



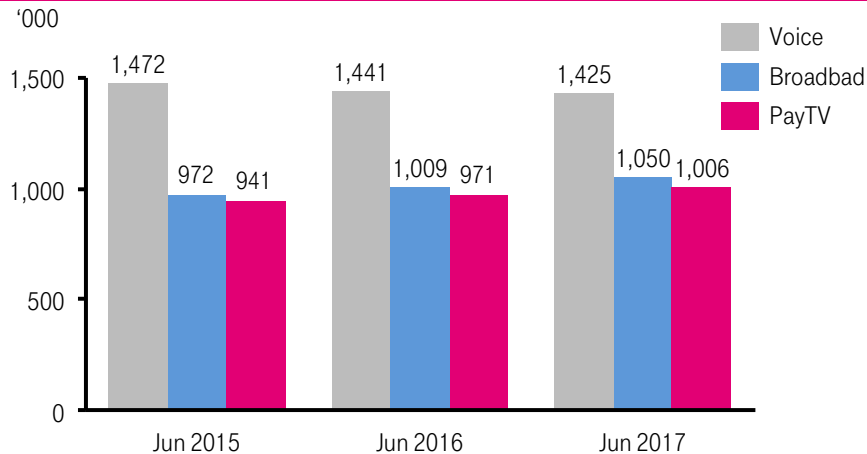
Average data usage in Q2 2017 GB/month

- 0.1
- 0.7
- 1.7

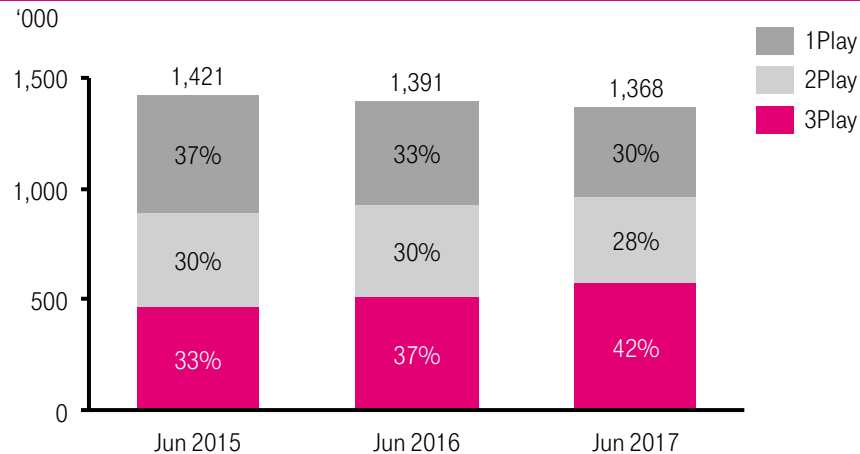
HUNGARY - FIXED VOICE, BROADBAND AND TV



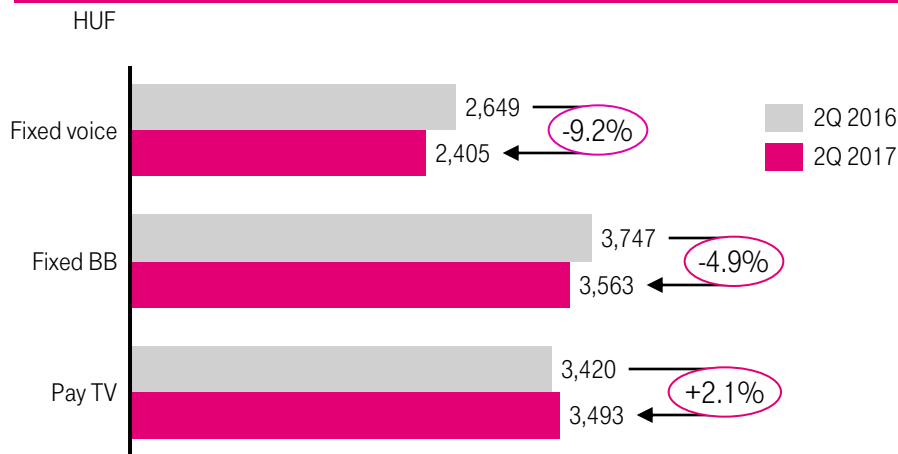
Fixed line customer number development



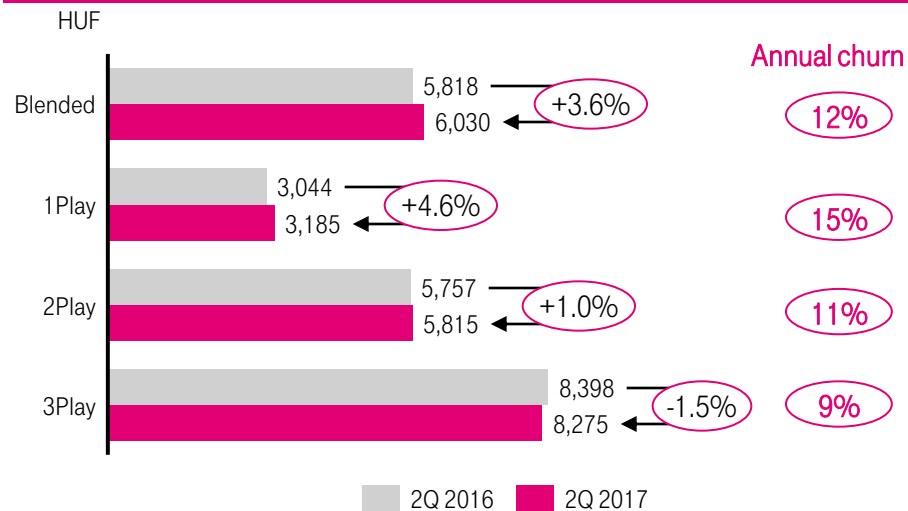
Fixed line multiplay residential subs. development



Fixed Voice, BB and TV ARPU developments

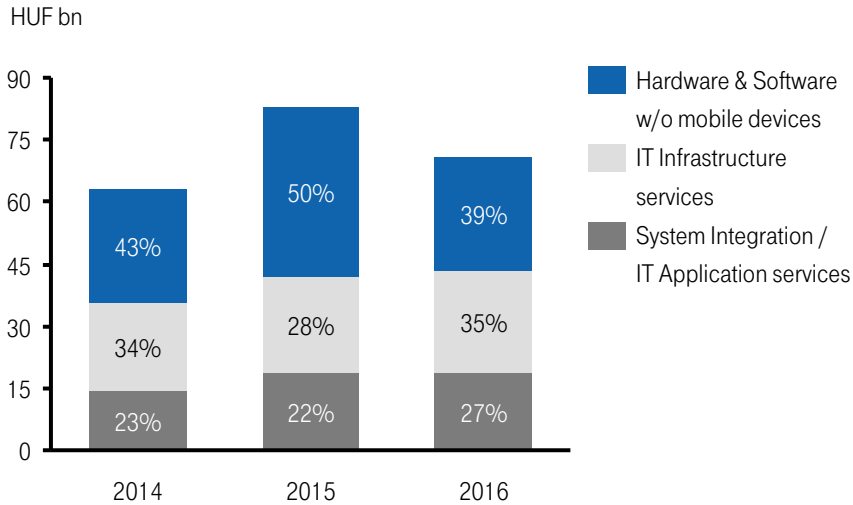


Fixed line multiplay residential ARPU developments

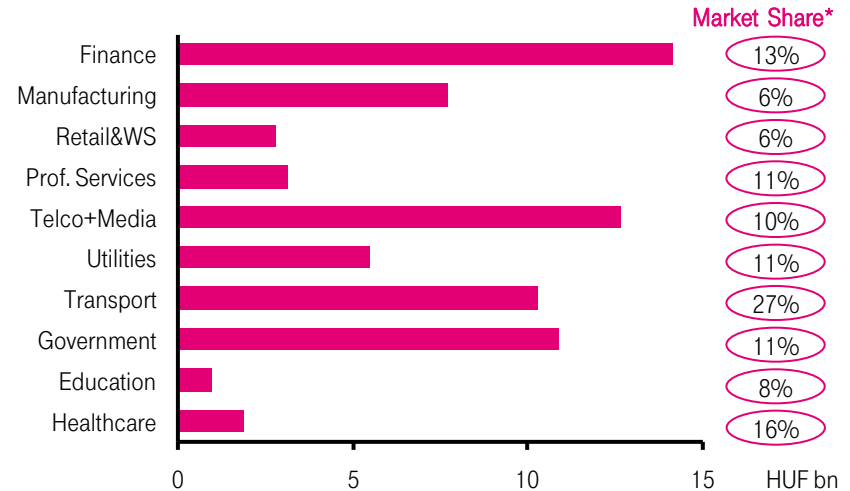


HUNGARY - SI/IT

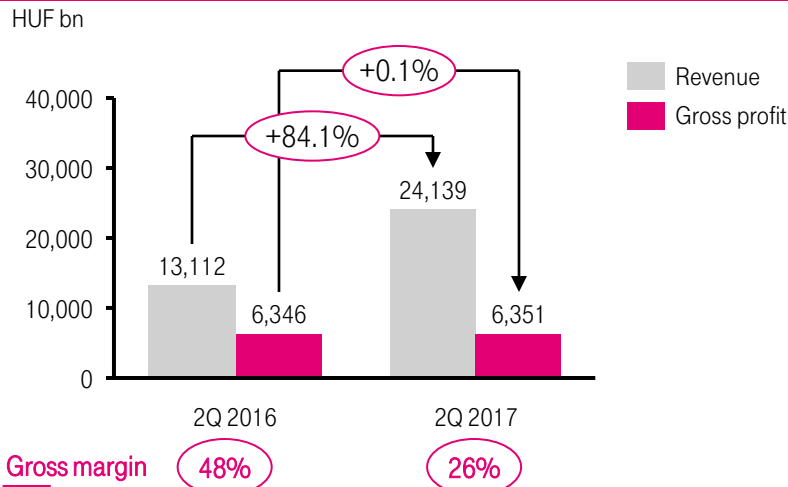
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT-Hungary



Highlights

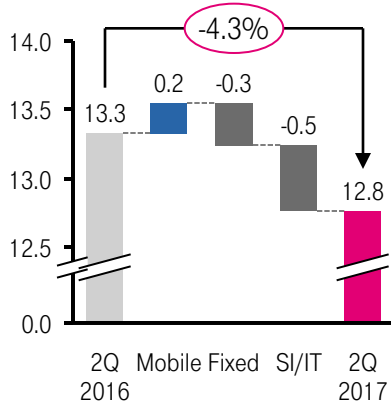
- Strong increase in SI/IT revenues in 2017 as a result of accelerating EU fund inflows
- EU funded projects relatively low margin and are hardware and software focused
- Infrastructure delivery projects serve as starting point for developing long term customer relations and as a foundation for IT service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

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

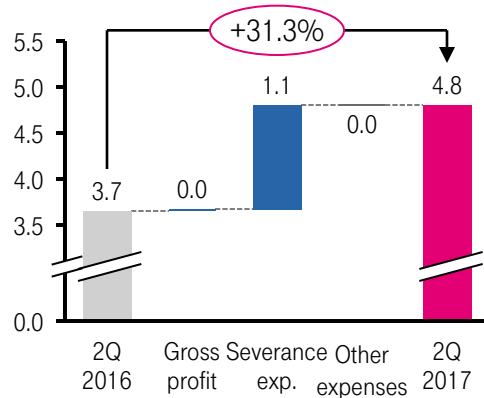
MACEDONIA

Financials

Revenues (HUF bn)

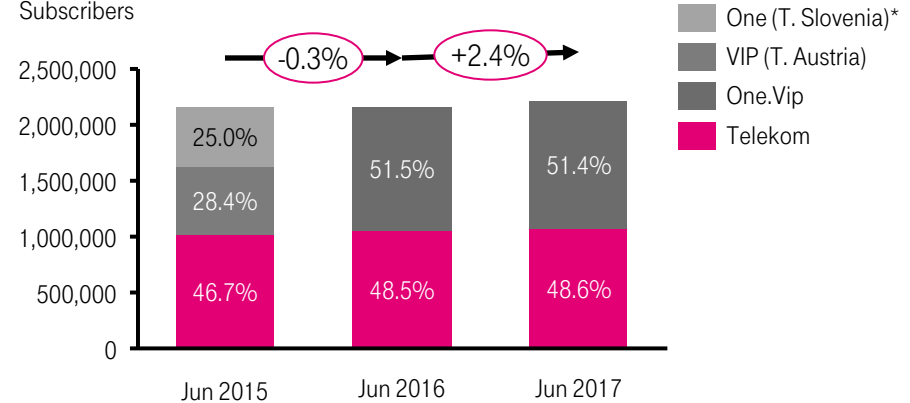


EBITDA (HUF bn)

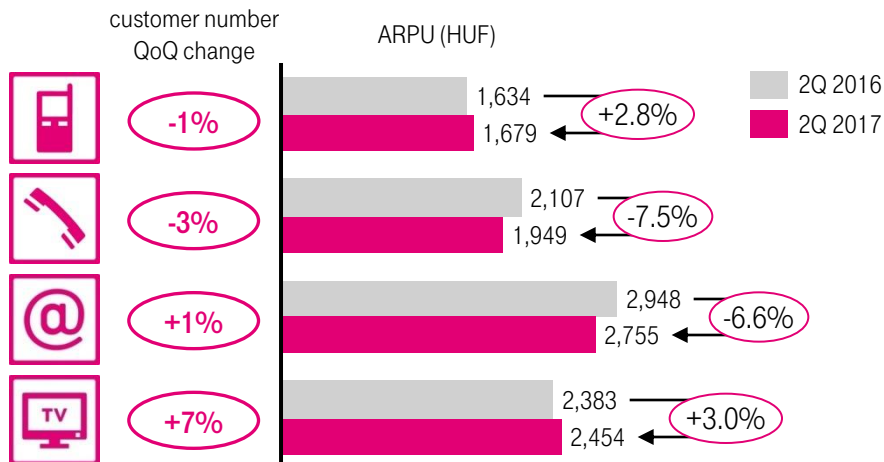


Mobile market

Subscribers



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



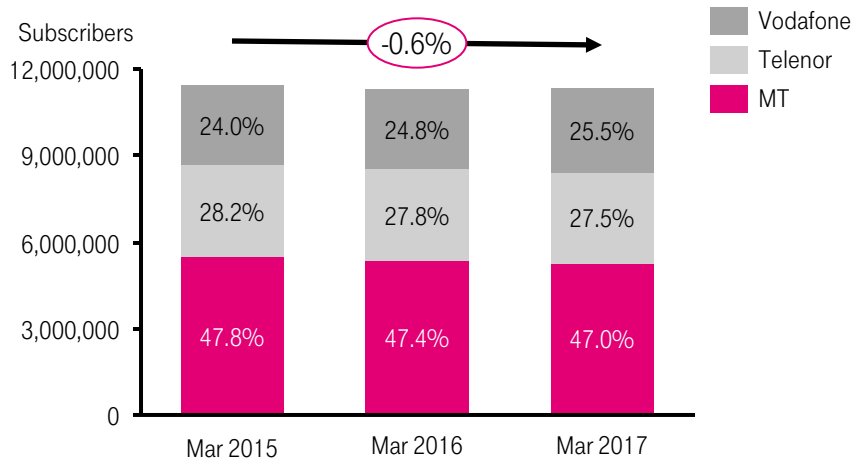
Highlights

- 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

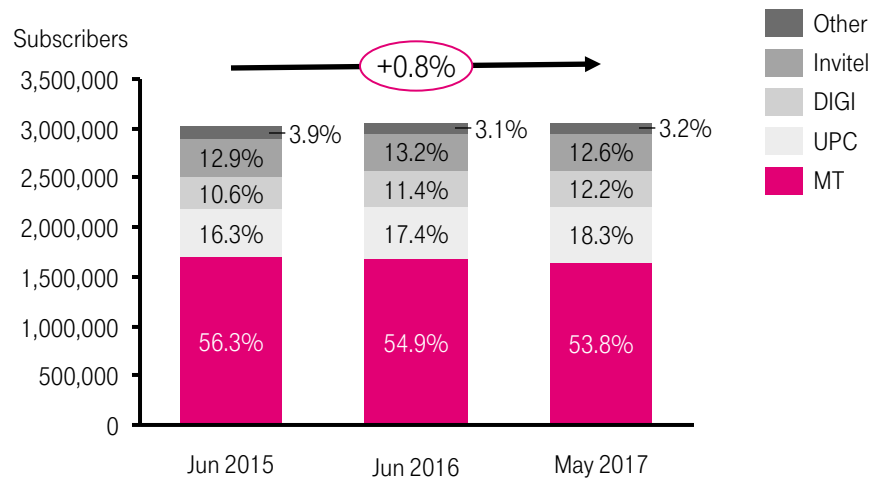
APPENDIX

MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

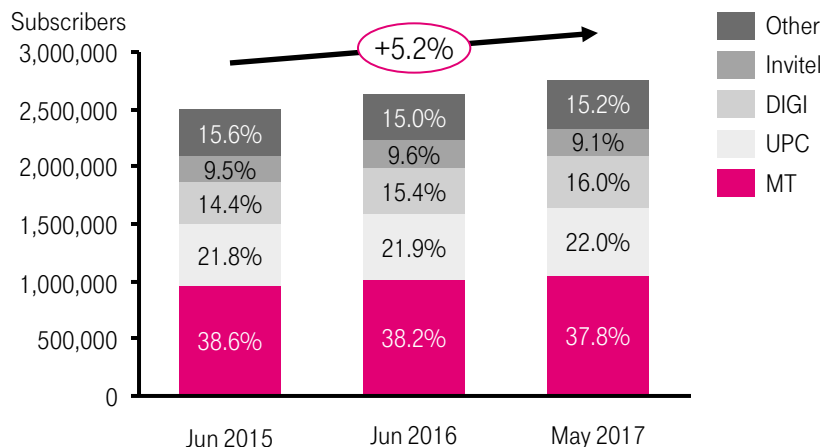
Total mobile market*



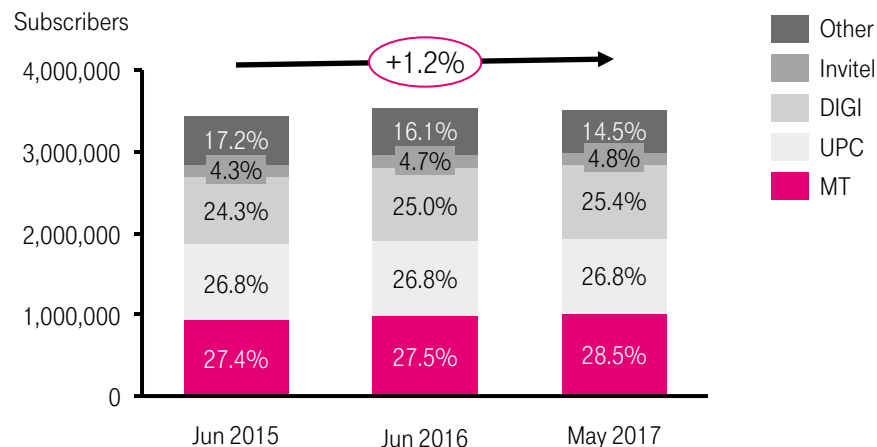
Fixed voice market**



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)

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

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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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