

MAGYAR TELEKOM GROUP

Q4 2017 RESULTS PRESENTATION

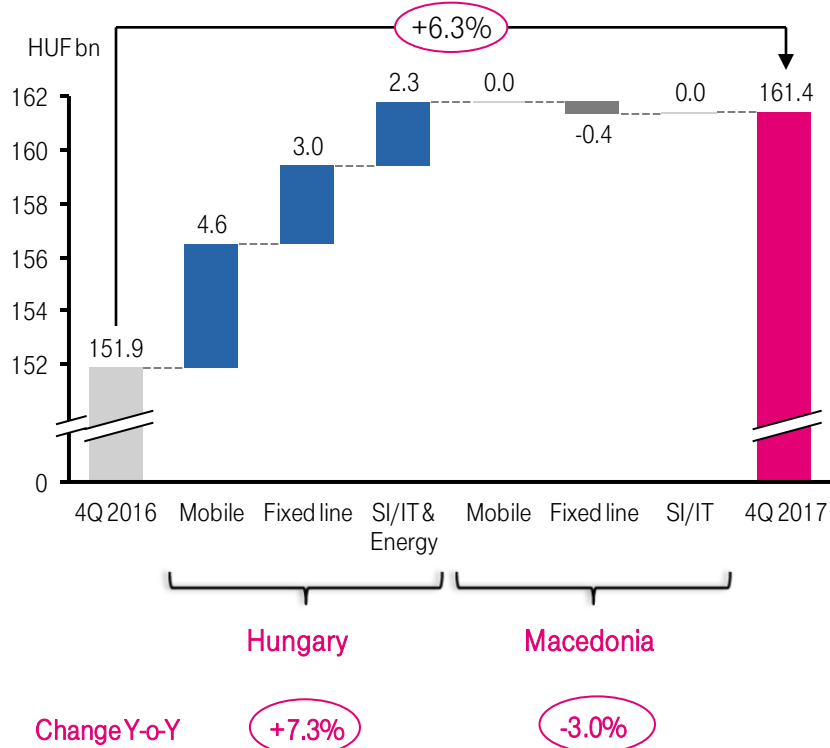
FEBRUARY 21, 2018



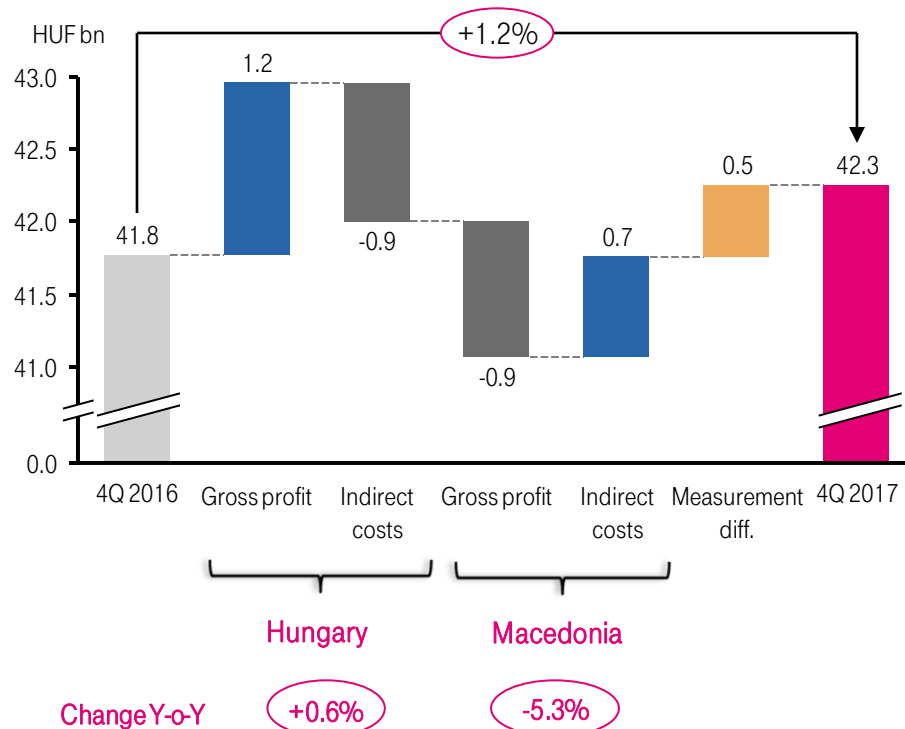
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Q4 2017 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues*



Group segmental EBITDA*



2017 HIGHLIGHTS

NETWORKS

- HSI network (above 30 Mbps capabilities) rolled out to over 270 thousand households in 2017 and now reaches over 3 million households
- Further expansion of 4G indoor coverage and 4G+ availability; launch of VoLTE

MOBILE

- Ca. 700 thousand subscribers signed up to new postpaid tariff plans (launched in March 2017)
- Continued strong growth in data boosted by hard cut limits and the introduction of unlimited packages

FIXED

- Increased broadband download speed offering to enhance competitiveness and better exploit network capabilities – ca. 60% of customers subscribed to a high speed internet package
- Continued dynamic growth in TV customer base with ca. 90% of gross adds subscribed to the high-end package

FMC

- Continued strategic focus on the segment as one of the key drivers of future growth
- Expanded Magenta1 offering
- Expansion of number of households on FMC tariff plan; now stands at 11% of total households

REGULATORY CHANGES

- Obligatory prepaid registration concluded with over 95% of prepaid revenues secured
- Adverse impacts of EU roaming regulation mitigated by increased visitor data usage
- Change in the loyalty legislation allayed with increased focus on device offerings

MACEDONIA

- Decline in revenues driven by intensifying competition and delay in SI/IT projects
- EBITDA reflects gross profit pressure mitigated by cost enhancing measures

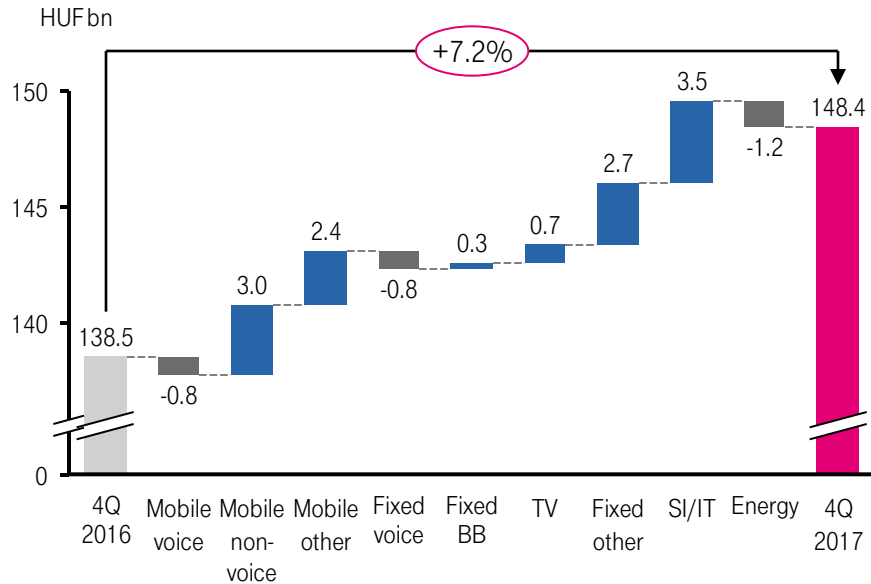
2017 FINANCIAL RESULTS AND TARGETS*

		RESULTS <i>(change year-on-year)</i>	TARGETS
REVENUE	<ul style="list-style-type: none"> Higher Hungarian SI/IT revenues driven by uptick in EU fund inflows Higher equipment revenues reflect change in loyalty regulation Increased visitor revenues following the change in EU roaming rates from July 2017 	HUF 610.9 bn <i>(+6.4%)</i>	around HUF 580 bn
EBITDA	<ul style="list-style-type: none"> Positive impacts of higher revenues Continued focus on cost optimization Absence of one-off profit items (Origo and Infopark Building G sales) 	HUF 185.7 bn <i>(-1.0%)</i>	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 realised (e.g. PSTN migration) 	HUF 86.2 bn <i>(-11.8%)</i>	around HUF 85 bn
FCF	<ul style="list-style-type: none"> Significantly lower interest payments year-on-year Better underlying EBITDA performance Improved equipment and OPEX creditors vendor management 	HUF 58.4 bn <i>(+6.4%)</i>	around HUF 55 bn



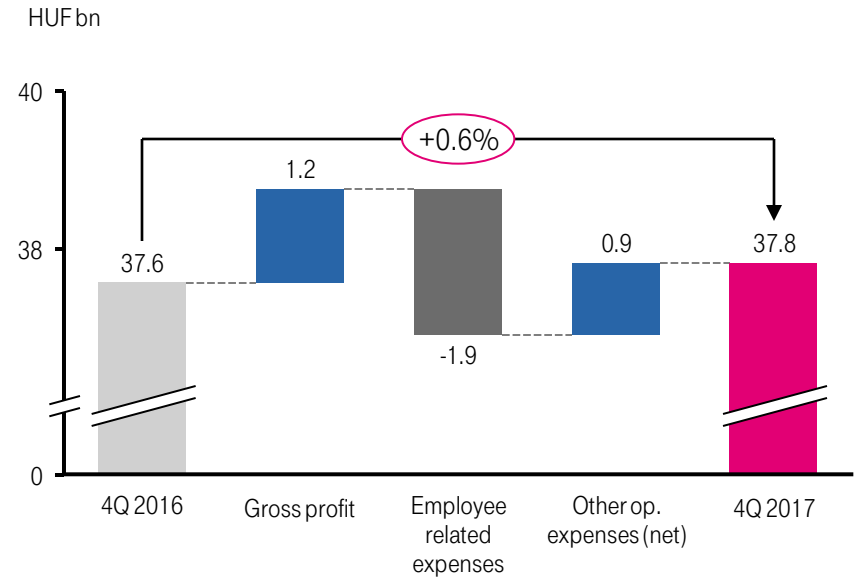
HUNGARY

Revenue*



- Mobile revenue increase driven by growth in mobile data usage and higher equipment sales revenues
- Fixed line revenue up thanks to higher TV, broadband and equipment sales revenue
- Increase in SI/IT revenue driven by strong demand for HW&SW delivery projects

EBITDA

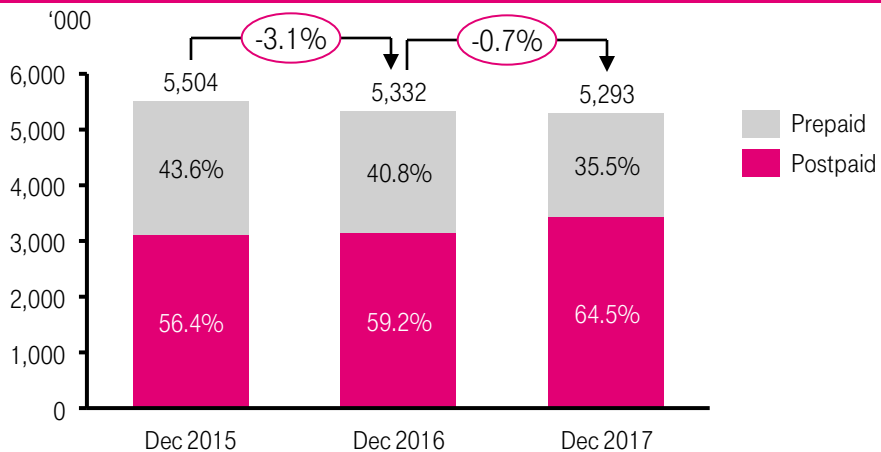


- Gross profit increase due to higher revenues and one-off decline in bad debt related to a change in impairment rates
- Higher employee related expenses due to severance expenses and increased headcount
- Savings in HR-related, material and marketing expenses

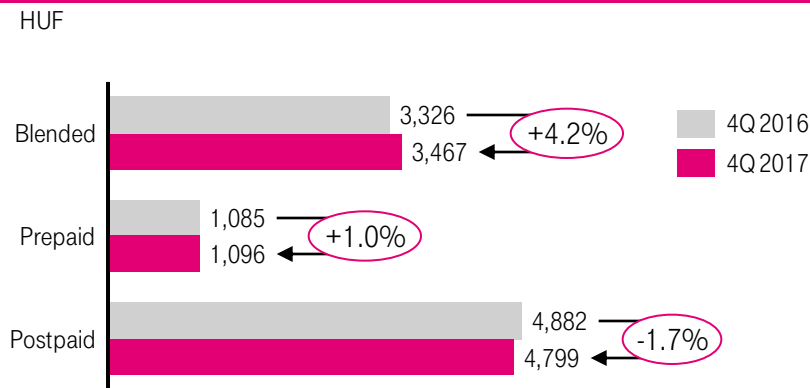
HUNGARY - MOBILE



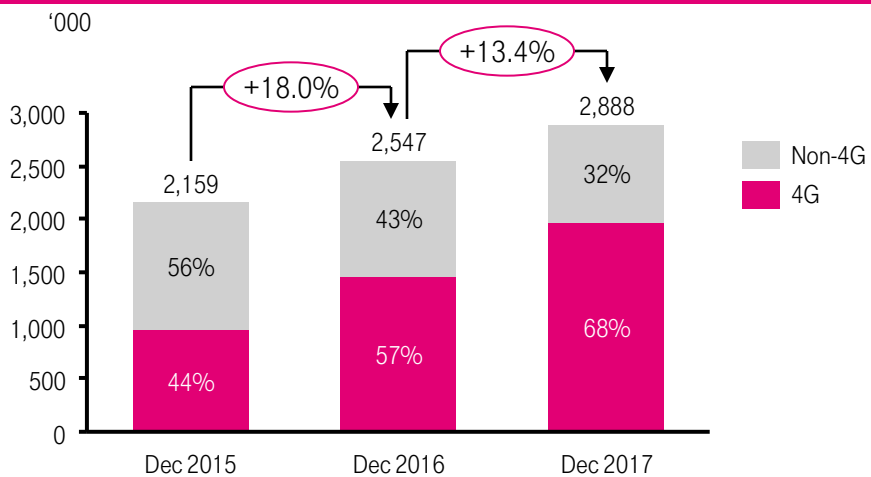
Mobile SIMs



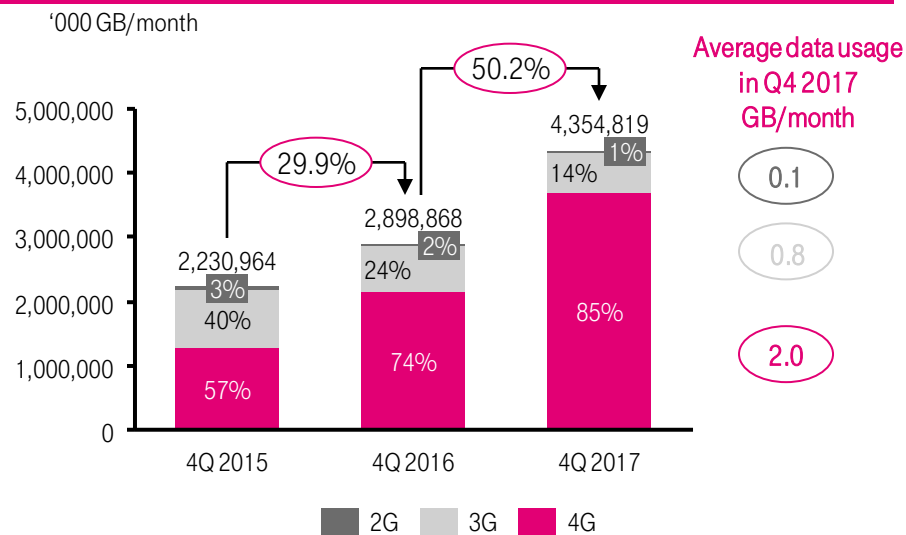
Mobile ARPU



Total mobile data subscriber development



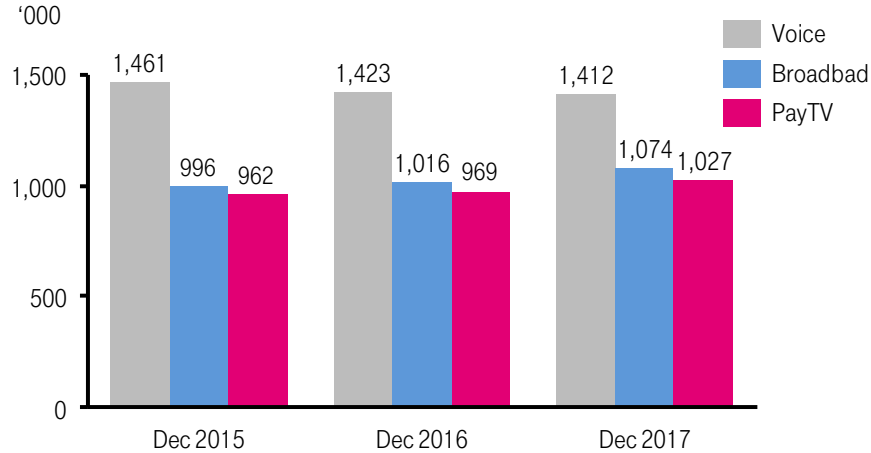
Mobile broadband usage developments



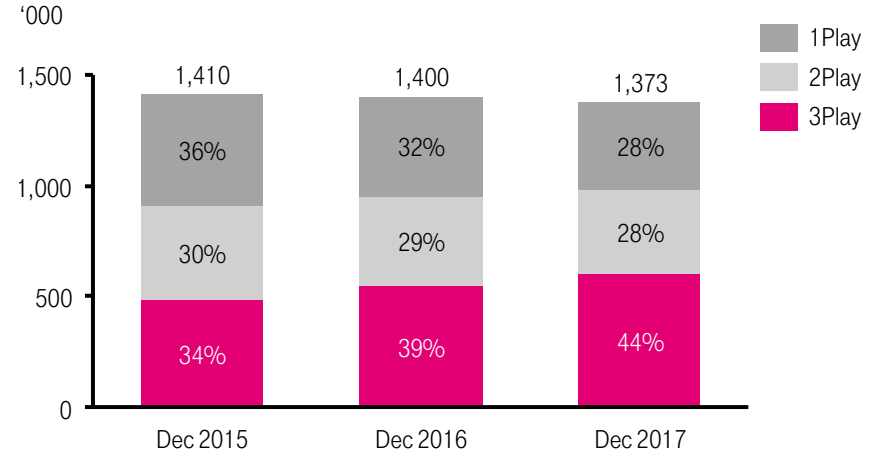
HUNGARY – FIXED VOICE, BROADBAND AND TV



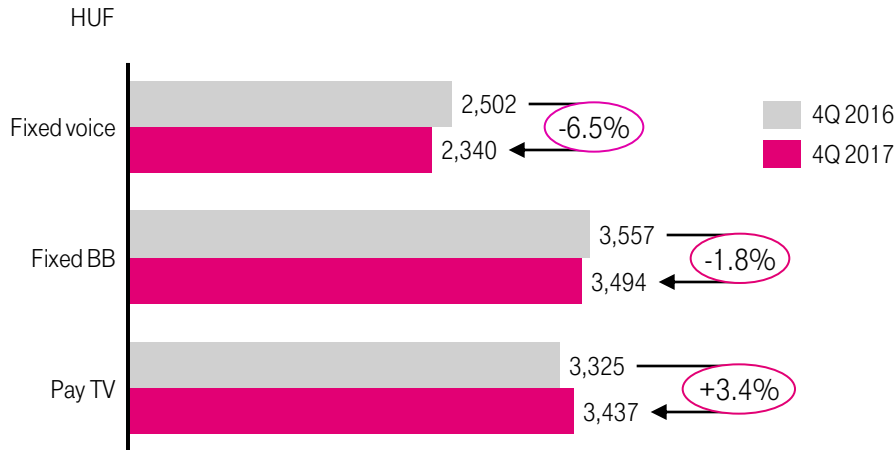
Fixed line customer number development



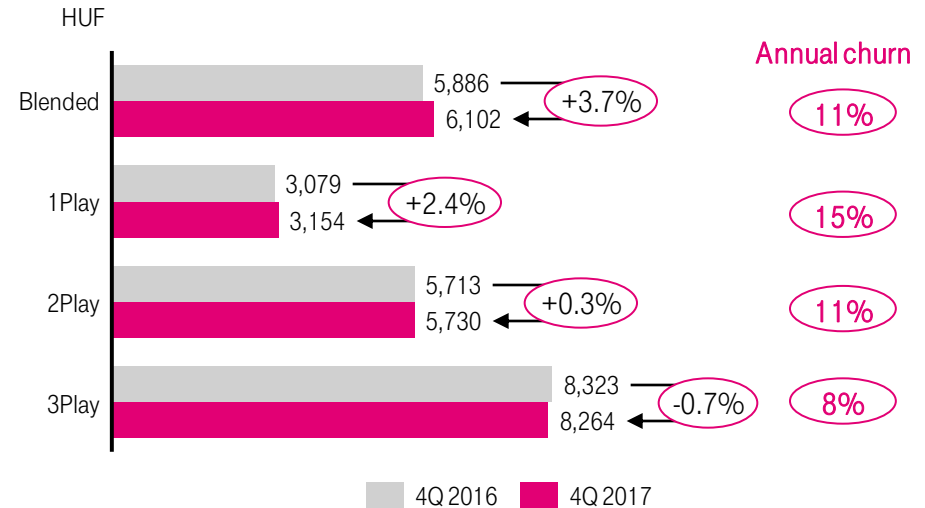
Fixed line multiplay residential subs. development



Fixed Voice, BB and TV ARPU developments

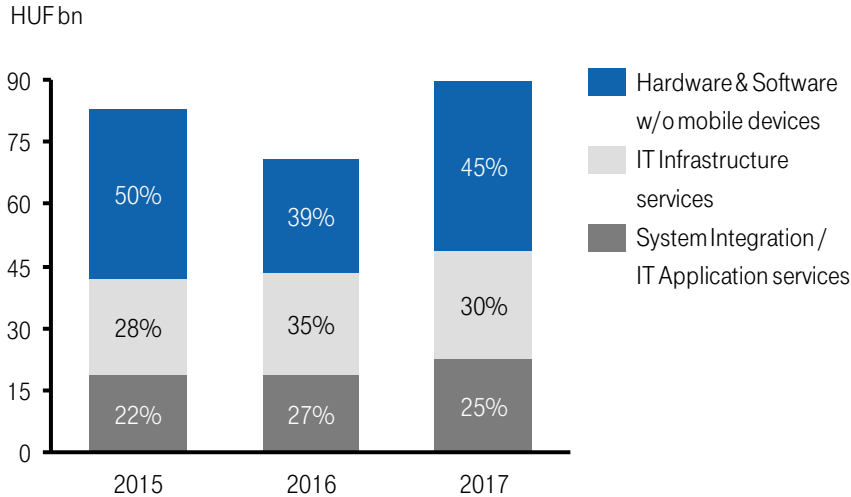


Fixed line multiplay residential ARPU developments

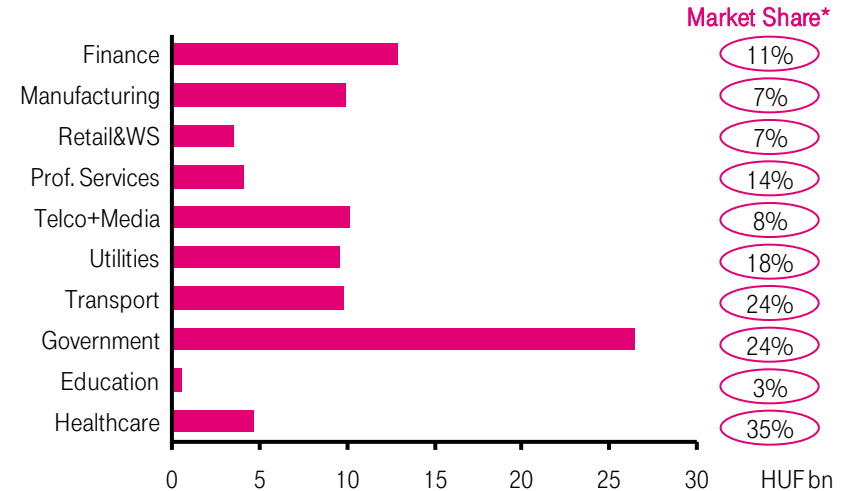


HUNGARY - SI/IT

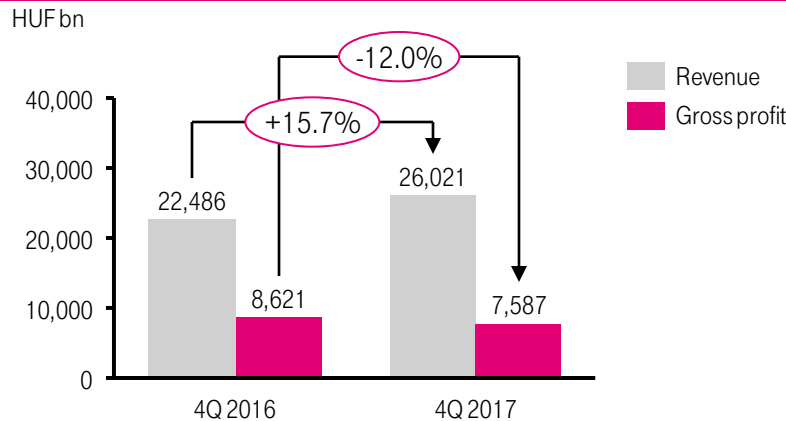
SI/IT revenue developments



SI/IT revenue breakdown by vertical segments*



SI/IT revenue and gross profit of MT-Hungary



Gross margin

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38%

29%

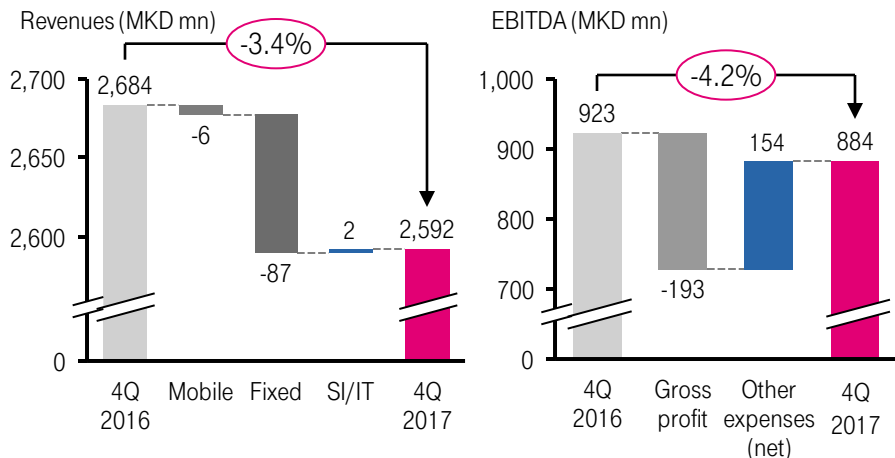
Highlights

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

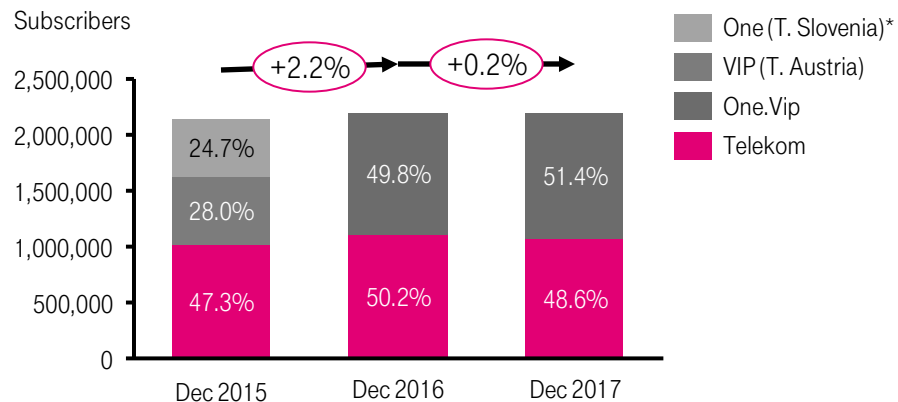
*Based on IDC Research 2016, market shares based on revenues

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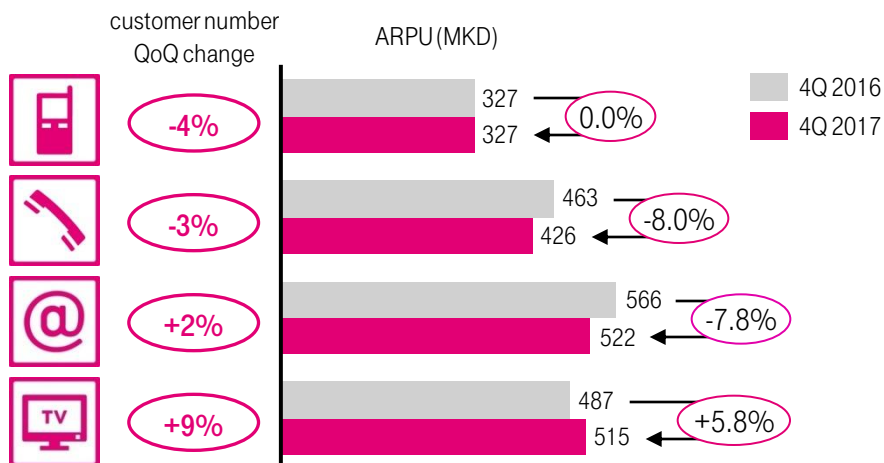
Financials



Mobile market



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
- Intensifying competition in the mobile segment put pressure on ARPU levels
- Equipment sales supported by increased subsidy levels on promotional offers
- Strong TV revenue growth partly mitigates competition induced revenue pressure in fixed voice and broadband
- Temporary SI/IT revenue pressure due to delayed projects
- EBITDA decline driven by gross profit pressure, partly counterbalanced by cost savings measures

2017 RESULTS AND PUBLIC TARGETS FOR 2018

	2017 RESULTS ¹	2018 TARGETS
REVENUE	HUF 610.9 billion	around HUF 600 billion
EBITDA	HUF 185.7 billion	around HUF 190 billion
CAPEX	HUF 86.2 billion	around HUF 90 billion
FCF	HUF 58.4 billion	around HUF 60 billion
DPS	HUF 25	HUF 25 ²

¹Excluding Crnogorski Telekom financials and the transaction price received for the disposal of the majority ownership in Crnogorski Telekom

²Subject 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

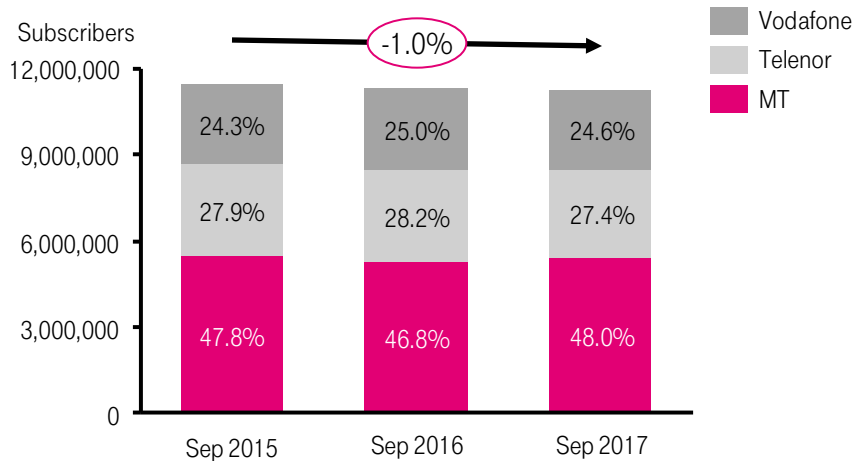
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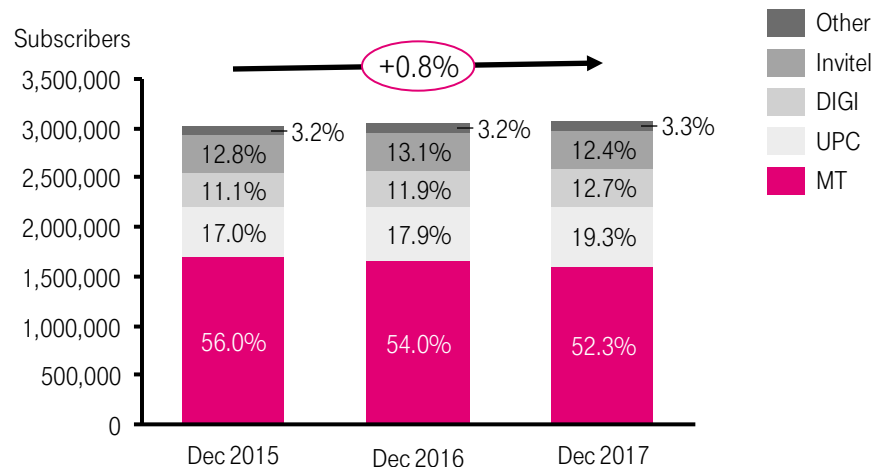
APPENDIX

MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

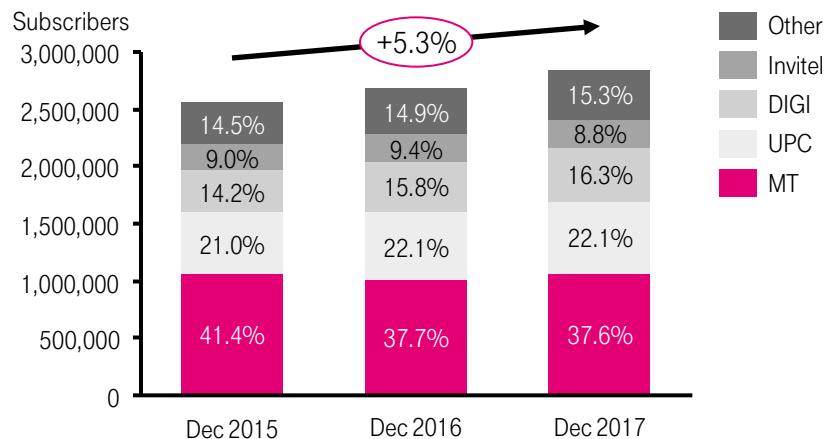
Total mobile market*



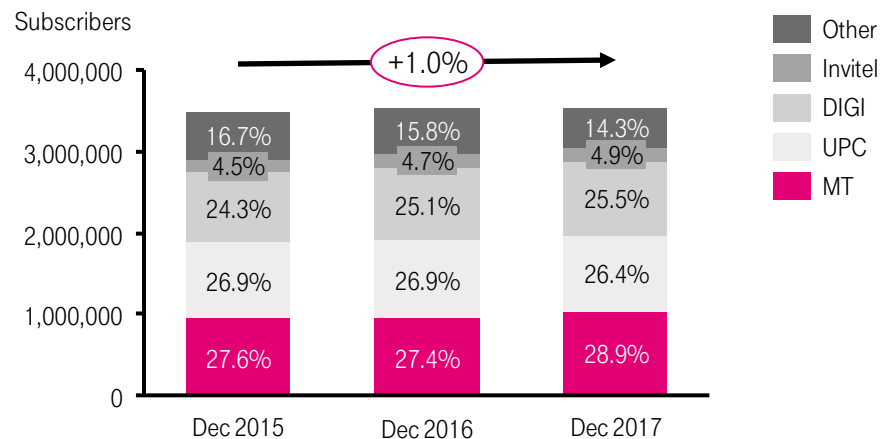
Fixed voice market**



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	Q4 2016	Q4 2017	Change
Mobile revenues	78,656	83,258	5.9%
Fixed line revenues	48,888	51,488	5.3%
System Integration/Information Technology revenues	22,797	26,368	15.7%
Revenue from energy services	1,516	328	-78.4%
Revenues	151,857	161,442	6.3%
Direct costs	(62,781)	(72,094)	-14.8%
Employee-related expenses	(20,513)	(22,068)	-7.6%
Utility tax	0	0	n.a.
Depreciation and amortization	(30,811)	(27,839)	9.6%
Other operating expenses	(29,341)	(27,514)	6.2%
Total operating expenses	(143,446)	(149,515)	-4.2%
Other operating income	2,546	2,486	-2.4%
Operating profit	10,957	14,413	31.5%
Net financial results	(7,633)	(4,701)	38.4%
Share of associates' profits	32	159	396.9%
Profit before income tax	3,356	9,871	194.1%
Income tax expense	16,858	(4,708)	127.9%
Profit for the period from continuing operations	20,214	5,163	-74.5%
Profit from discontinued operation	307	0	n.m.
Total profit for the period	20,521	5,163	-74.8%



MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Dec 31, 2016	Dec 31, 2017	Change
Current assets	193,978	189,027	-2.6%
Cash and cash equivalents	10,805	5,399	-50.0%
Other current financial assets	5,104	8,162	59.9%
Non current assets	981,551	920,634	-6.2%
Property, plant and equipment - net	483,174	458,343	-5.1%
Intangible assets	260,165	229,174	-11.9%
Total assets	1,175,529	1,109,661	-5.6%
Equity	581,333	580,073	-0.2%
Current liabilities	277,561	226,581	-18.4%
Financial liabilities to related parties	72,589	35,191	-51.5%
Other financial liabilities	22,600	8,757	-61.3%
Non current liabilities	316,635	303,007	-4.3%
Financial liabilities to related parties	247,179	231,646	-6.3%
Other financial liabilities	50,098	47,608	-5.0%
Total equity and liabilities	1,175,529	1,109,661	-5.6%



MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Dec 31, 2016	Dec 31, 2017	Change
Net cash generated from operating activities	154,825	157,388	1.7%
Investments in tangible and intangible assets	(97,723)	(86,197)	11.8%
Adjustments to cash purchases	1,327	(4,603)	446.9%
Purchase of subsidiaries and business units	(128)	(3,791)	n.m.
Cash acquired through business combinations	0	0	n.a.
Payments for / proceeds from other financial assets - net	(88)	(2,867)	n.m.
Proceeds from disposal of subsidiaries	3,484	1	n.m.
Proceeds from disposal of PPE and intangible assets	9,902	2,629	-73.4%
Payments for interests in associates and joint ventures	0	0	n.a.
Net cash used in investing activities	(83,226)	(94,828)	-13.9%
Dividends paid to shareholders and minority interest	(21,312)	(29,403)	-38.0%
Net payments of loans and other borrowings	(40,423)	(67,732)	-67.6%
Repayment of other financial liabilities	(8,347)	(7,485)	10.3%
Repurchase of treasury shares	(550)	(2,139)	-288.9%
Net cash used in financing activities	(70,632)	(106,759)	-51.1%
Free cash flow from continuing operation	57,297	58,440	2.0%

*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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DISCLAIMER

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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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