MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

MAY, 2016

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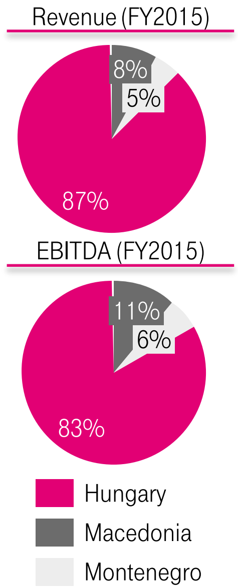
STRATEGY AND MARKET POSITION

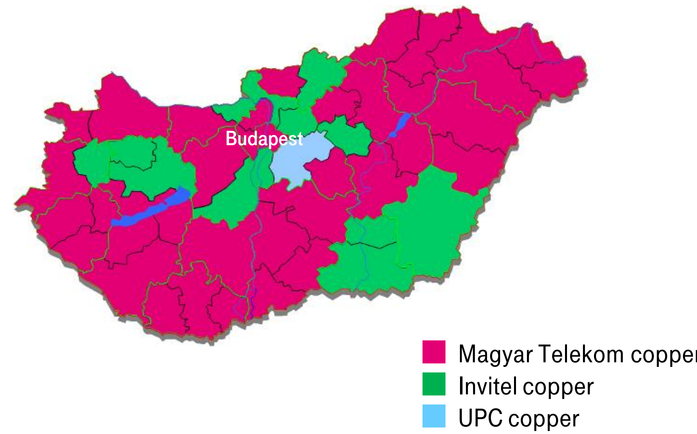
OVERVIEW – MAGYAR TELEKOM AT A GLANCE

International presence



- Leading telecommunications operator in Hungary, Macedonia and Montenegro
- 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

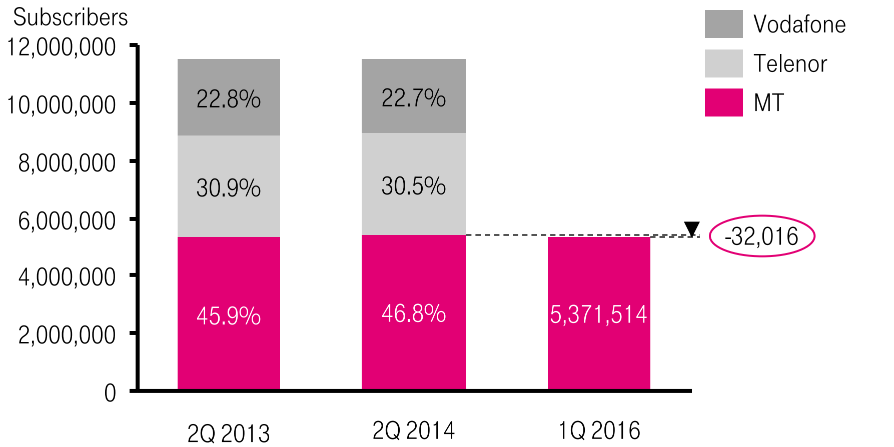
Hungary



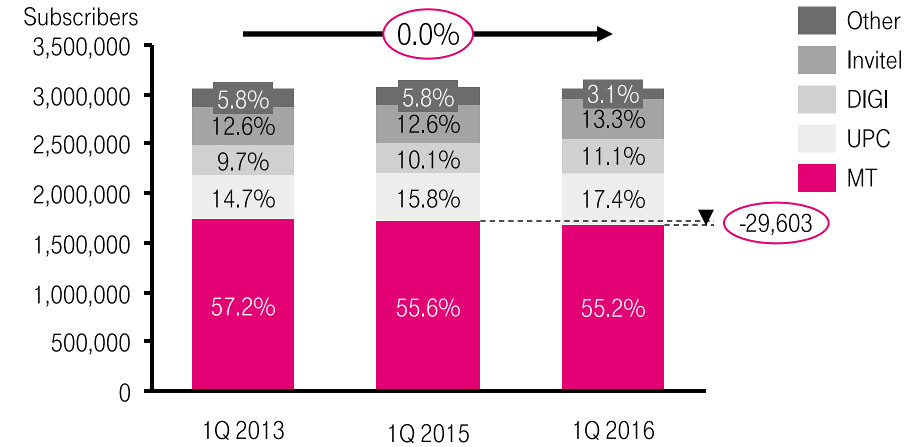
- MT is the incumbent fixed telco provider on ca. 75% of primary copper areas of Hungary
- 2.5 million households covered with High Speed Internet (HSI) access across country
  - FTTx (549k HHs) – ongoing countrywide roll-out
  - ED3 (736k HHs) – participating in market consolidation
  - VDSL (1,173k HHs) – revitalizing copper, excl. overlaps
- 83% outdoor population coverage of 3G
- 97% outdoor population coverage of 4G

MARKET POSITION IN HUNGARY

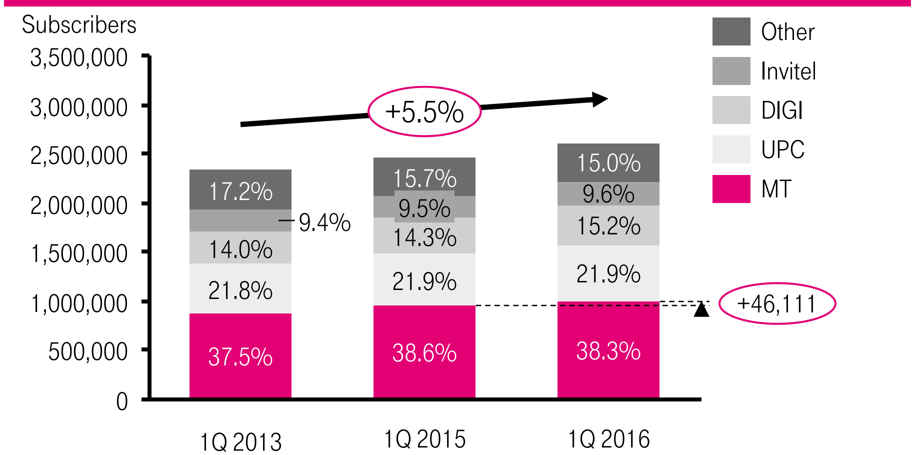
Total mobile market*



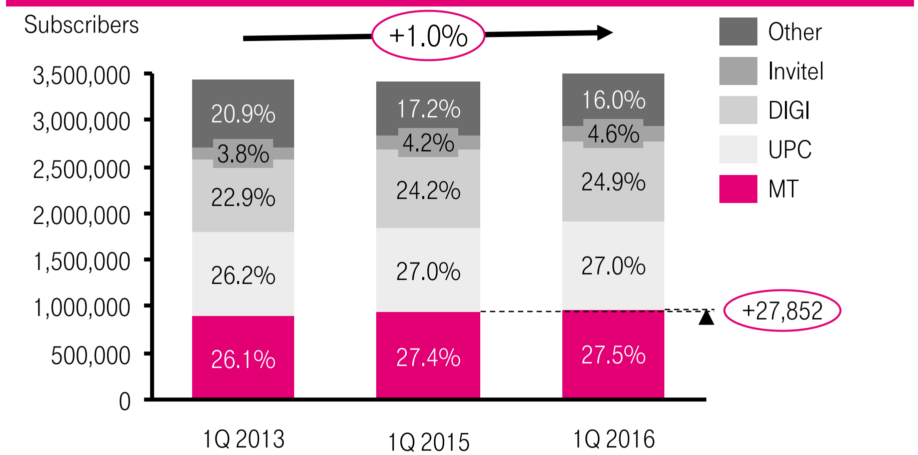
Fixed voice market**



Fixed broadband market**



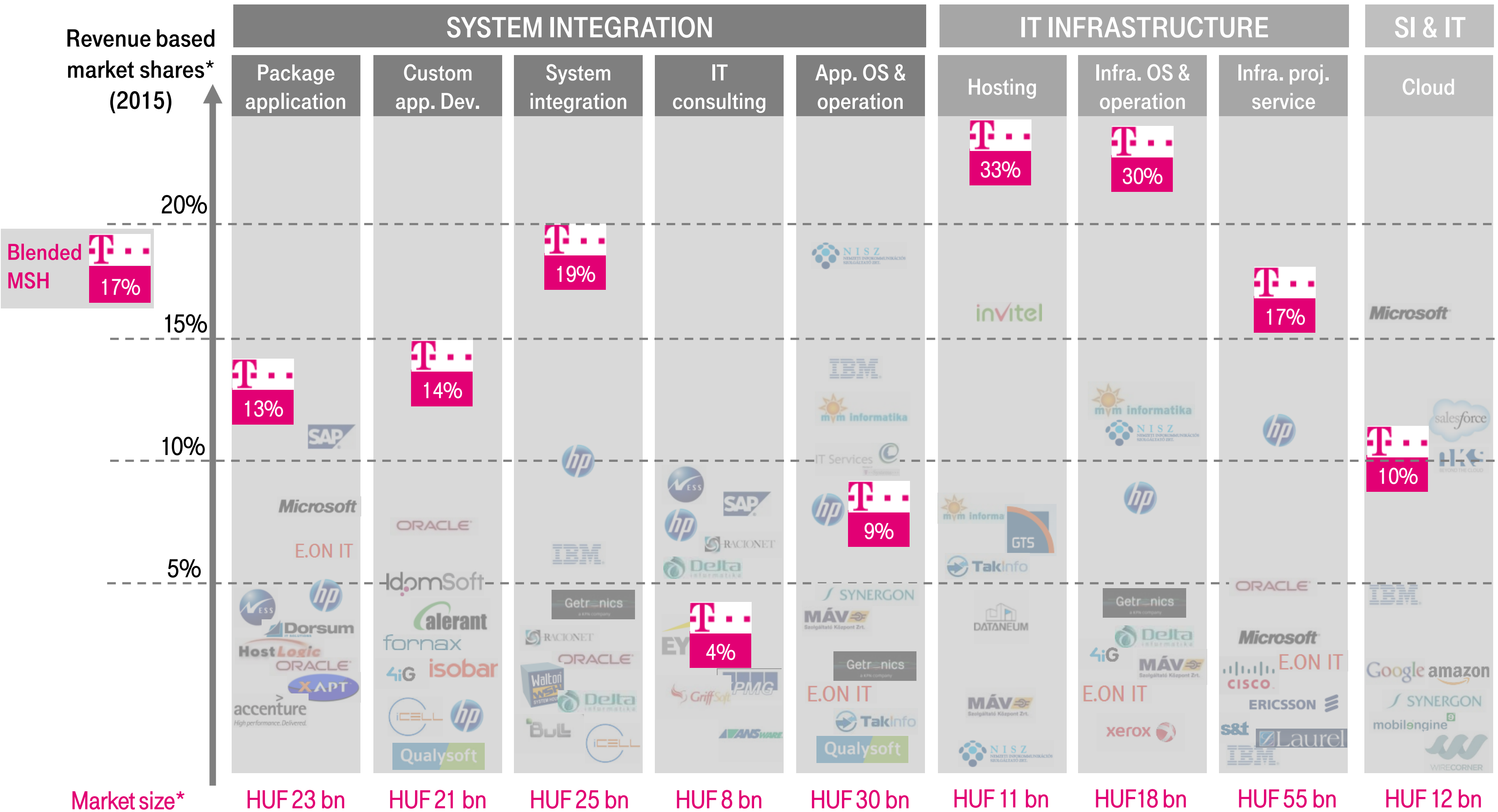
TV market**



* based on the total SIMs, data available only until June 2014 by National Media and Infocommunications Authority (NMIAH) due to definition debate
** based on the total fixed voice channels / BB access / pay TV access market estimated by the NMIAH

MARKET LEADER IN IT SERVICES IN HUNGARY DUE TO WIDE RANGE OF IT SOLUTIONS BOTH IN IT PROJECTS AND IT OUTSOURCING

Total Hungarian IT services market



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* Source: IDC 2015; Market size by demand side, while market shares by supply side data

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

Strategic pillars		Strategic goals	Main KPIs for 2016
1 **TOGETHER. FOR OUR CUSTOMERS**	We all listen to our customers and colleagues: we truly listen to them and we consider what they say when making decisions	Improve customer satisfaction Improve customer service level Improve employees' engagement	▪ Cut number of complaints ▪ Improve customer satisfaction index (TRIM) ▪ Improve overall satisfaction of all channels (NGICCA) ▪ Launch Employee Share Program
2 **INTEGRATED PRODUCTS & NETWORK**	As a nr. 1 integrated service provider we give all our customers the opportunity to connect in a seamless way	Foster technology leadership Monetize FMC capabilities Strengthen integrated ICT brand	▪ Increase nr of additional HP with HSI with more than half million ▪ Increase LTE indoor coverage to 87% ▪ Have additional 100k Magenta1 households ▪ Increase the awareness of the Telekom brand to over 60%
3 **IT & DIGITAL SERVICES**	We believe that IT and digital services mean great opportunity for our customers and are key drivers of our future growth	Grow in IT Develop digital business	▪ Grow last year's SI/IT revenues (excl. 2015 Dec one-offs) ▪ Find new revenue streams in Cloud, M2M, IoT, Big data, Security
4 **DIGITAL TELEKOM**	We continue to transform Telekom into a digital company to make it effortless for our customers to do business with us	Push digital transformation	▪ Increase eBill, eSales, eCare ratios ▪ Cut nr of non-selling transactions by additional 30% ▪ Increase remote work ratio to 30%

STRATEGIC HIGHLIGHTS: CONTINUATION OF 2015 POSITIVE PERFORMANCE, BOOSTED BY ONE-OFFS

GROUP	REVENUE	▪ Revenue declined primarily as a result of the exit from the energy business (excl. energy, revenues up by 1.8%)
GROUP	EBITDA	▪ EBITDA growth accelerated to 13.6% year-on-year due to underlying revenue growth, boosted by one-off gains of HUF 5.1bn
GROUP	FCF	▪ Increased FCF reflecting higher EBITDA, improved WC and one-off gains despite higher severance costs, loan repayment and higher settlement of capex creditors
GROUP	OPERATION	▪ Sustained focus on cost efficiency through headcount reduction, process/product simplification and online
HUNGARY	TELCO	▪ Continued growth in mobile, fixed line BB and TV revenues ▪ Magenta1 quad-play offer among key growth drivers
HUNGARY	SI/IT	▪ Significant SI/IT revenue increase ▪ EBITDA turnaround at T-Systems
INT'L	MACEDONIA	▪ Revenue turnaround achieved following 5 years of decline ▪ Competitive positioning reinforced through success of Magenta1
INT'L	MONTENEGRO	▪ Sustained competitive and regulatory pressures ▪ Successful launch of Magenta1

TURNAROUND STORY OF MAGYAR TELEKOM

Major financial and strategic milestones

Integrated Telco and SI/IT operator	Multiplay ICT provider		Diversified service provider			Digital service company
2007-2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**

2007-2009
Continuous decline in revenue and EBITDA
- Building up ICT capabilities
- Loyalty system
- Launching SAT TV

2010
Change in strategy
- Launching energy
- Full ICT integration
- Flat fixed voice offer introduced

2011
Execution of „turnaround" strategy
- Mobile BB focus
- Insurance takeup
- Cross selling, multiplay offers

2012
Topline revenue turnaround
- Smartphone push
- IPTV focus
- M-commerce

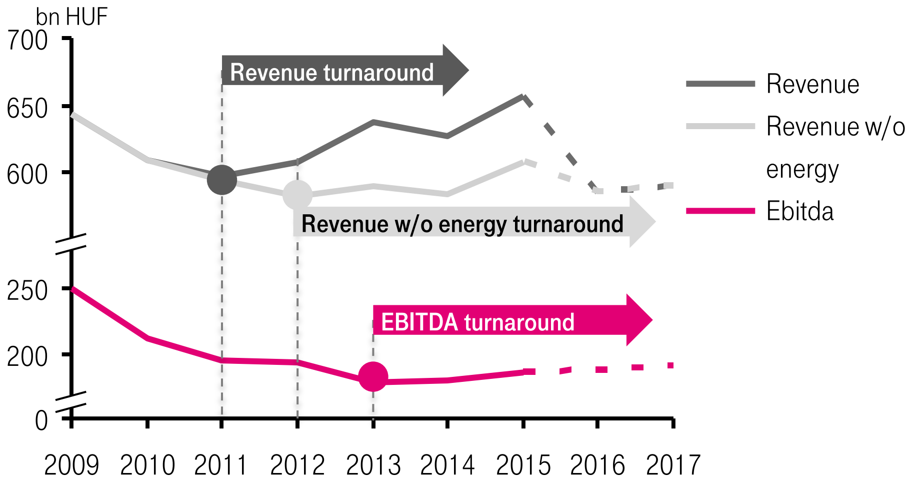
2013
Turnaround in revenue w/o energy
- Frequency prolongation
- Push beyond core

2014
EBITDA turnaround
- Frequency tender
- Smart device push
- HSI / 4G roll-out

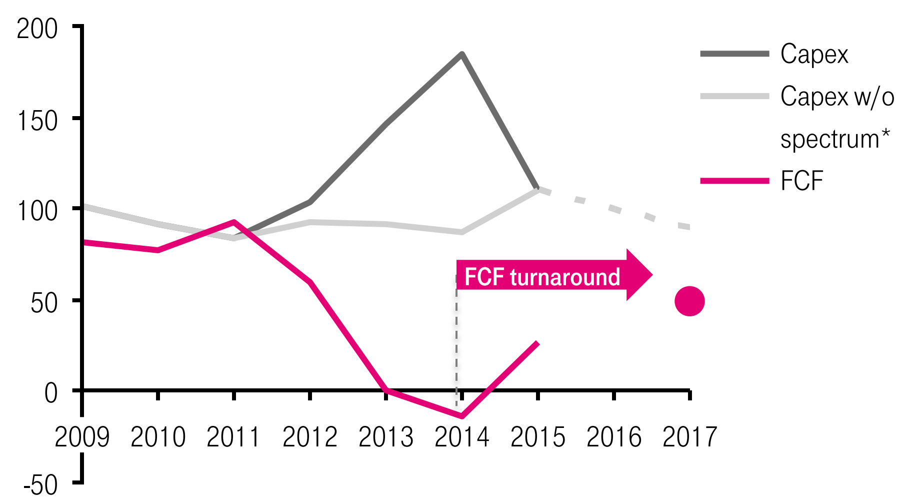
2015
FCF turnaround
- Upsell focus
- 4G push
- FMC re-launched
- Growth in SI/IT
- Energy exit

2016-2018
Sustainable operation and FCF generation
- Online transformation
- Simplification
- Digital Hungary
- Security, Cloud
- Big Data
- M2M and IoT

Revenue and Ebitda turnaround



Capex and free cash-flow development



* Excluding spectrum license fees and annual frequency fee capitalization

TELEKOM AS THE LEADEING OPERATOR AND BRAND IN HUNGARY

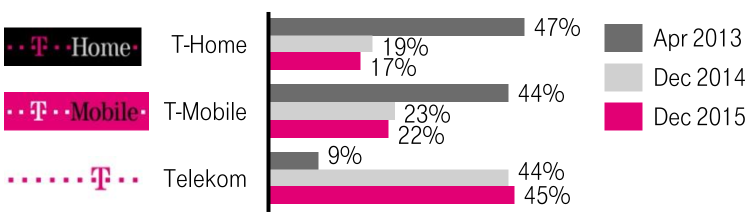
Our vision

Our mission

OUR MISSION IS TO MAKE THE DIGITAL WORLD MORE UNDERSTANDABLE AND ACCESSIBLE FOR EVERYONE.

WE ENABLE PEOPLE TO HAVE A MORE EFFORTLESS, COLOURFUL AND SUCCESSFUL LIFE.

Brand awareness* and brand values



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INNOVATION

SIMPLICITY

COMPETENCE

Our major awards

EXCELLENCE IN CUSTOMER SERVICE AWARD

FAMILY-FRIENDLY WORKPLACE AWARD

SUSTAINABLITY AWARDS (OEKOM, CEERIUS, DELOITTE)

Kerékpárosbarát munkahely

BICYCLE-FRIENDLY WORKPLACE AWARD

100% CARBON NEUTRAL COMPANY

DIVERSE ORGANIZATION AWARD

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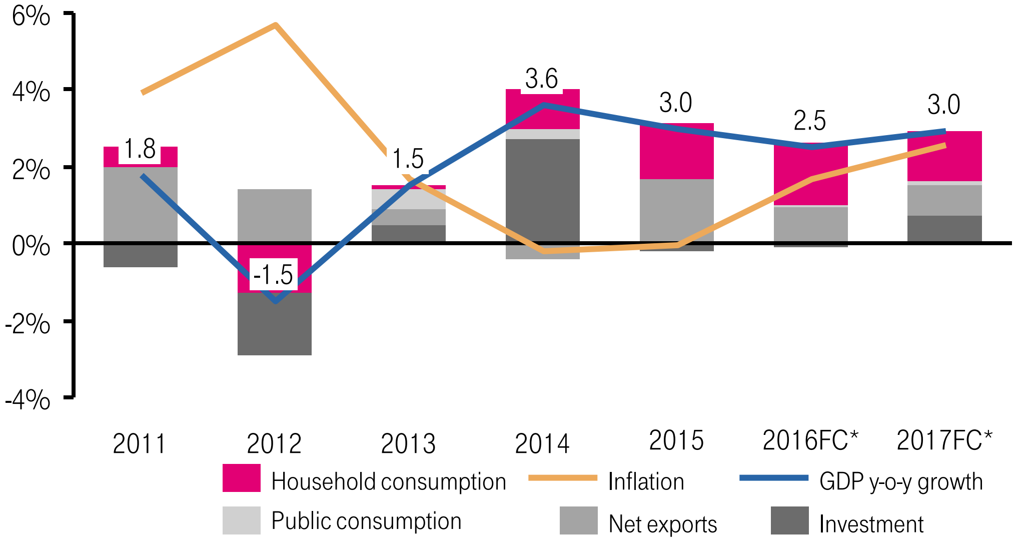
* Source: Brand tracking research, TNS, Dec 2014
(Brands identified by the logos)

HUNGARIAN ECONOMIC ENVIRONMENT

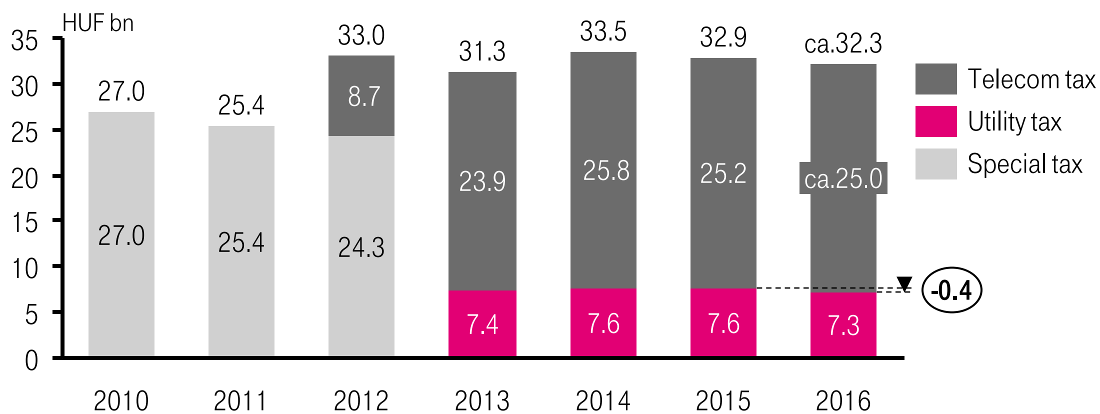
Growth strucutre



Domestic demand

- Domestic demand improved as economy recovers
- Governmental measures support consumer spending
- Investment levels show strong volatility due to EU fund cycles
- MT is expected to benefit from positive trends of domestic demand

Taxes levied on Magyar Telekom



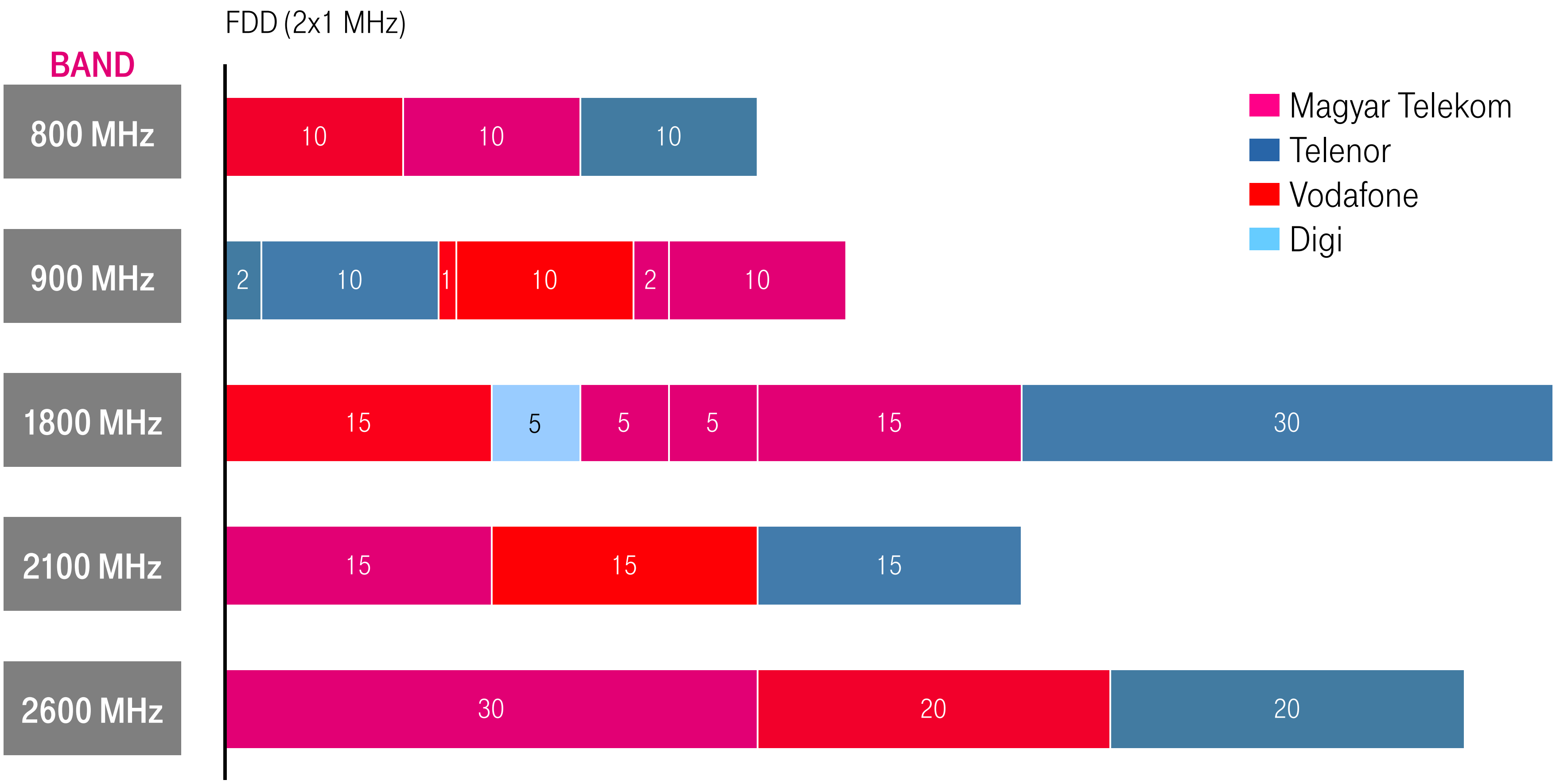
* Central Bank March 2016 forecasts

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, but slight decrease in 2016 due to 5-year tax holiday on networks > 100Mbps

HUNGARIAN MOBILE SPECTRUM SITUATION

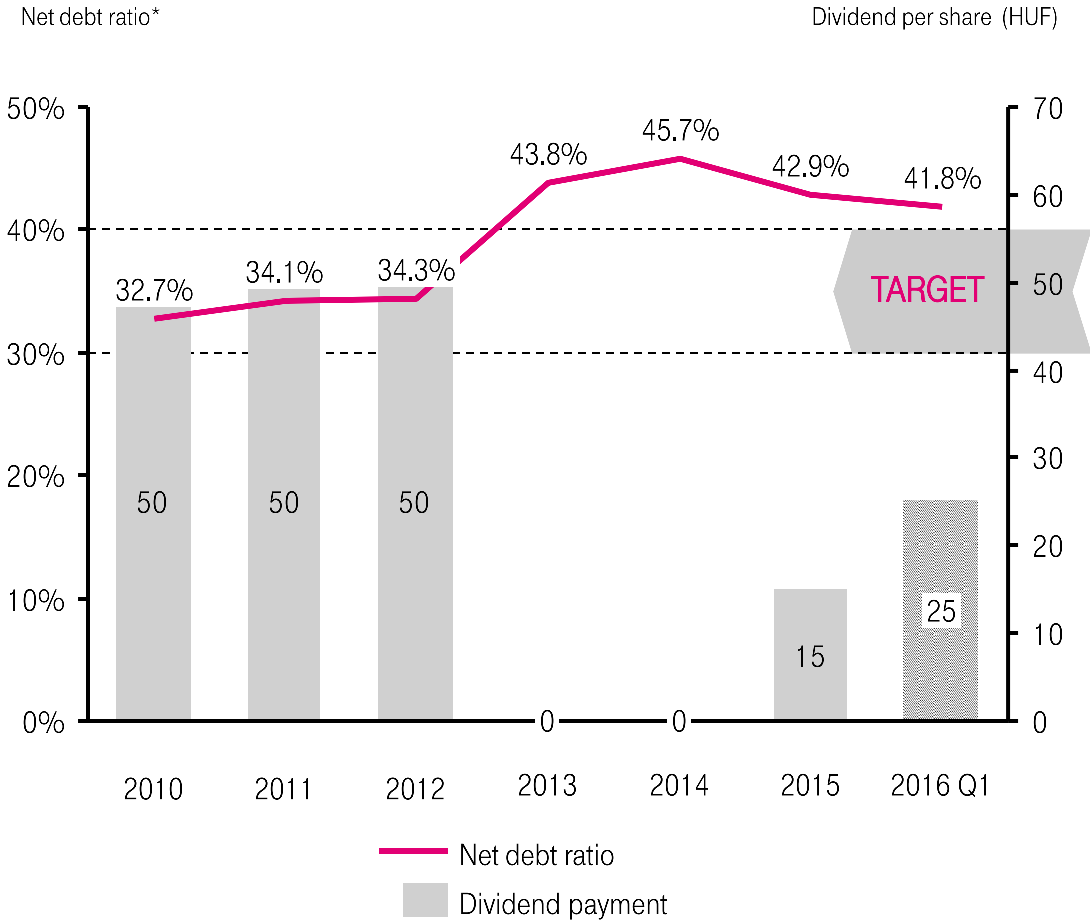
Current spectrum situation after auction in 2014



DIVIDEND AND GUIDANCE

DIVIDEND POLICY

Dividend payment and net debt ratio developments



Highlights

- Aiming to maintain net debt ratio (net debt/total capital) target of 30% - 40%
- AGM approved HUF 15 dividend payment on 2015 earnings
- Based on the current operating, regulatory and taxation environment and outlook coupled with the anticipated significant improvement in the free cash flow generation, the management of the Company targets to pay HUF 25 dividend per share on 2016 results**

* Defined as net debt / total capital

** 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

PUBLIC GUIDANCE: CONTINUES GROWTH

	2015 RESULTS	2016 TARGETS	2017 TARGETS
REVENUE	HUF 656bn* (+4.8%)	HUF 580 - 590bn	HUF 585 - 595bn
EBITDA	HUF 187bn (+3.4%)	HUF 187 - 191bn	HUF 189 - 193bn
CAPEX**	HUF 110bn	ca. 10% yoy decline	ca. 10% yoy decline
FCF	HUF 27bn		Surpassing HUF 50bn***
DIVIDEND	HUF 15 per share	Target HUF 25 per share	

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* Includes HUF 49.3 billion relating to the energy business
** Excluding spectrum license fees and annual frequency fee capitalization
*** After minority dividend payments

FINANCIAL HIGHLIGHTS AND TARGETS

	Q1 2016 RESULTS vs. Q1 2015	2016 TARGETS	2017 TARGETS
REVENUE	HUF 145.1 (-7.6%)	HUF 580 - 590bn	HUF 585 - 595bn
EBITDA	HUF 48.2bn (+13.6%)	HUF 187 - 191bn	HUF 189 - 193bn
CAPEX	HUF 11.6bn (-4.6%)	ca. 10% yoy decline	ca. 10% yoy decline

REVENUE

- Decline due to exit from energy business (excl. energy total revenues up by 1.8%)
- Group wide mobile data growth due to 4G push offset by Hungarian MTR cuts
- Revenue growth from fixed line maintained
- Increased Hungarian SI/IT revenues

EBITDA

- Growth in underlying EBITDA boosted by one-off gains (real estate and Origo sale HUF 5.1bn)
- Improved fixed and mobile broadband performance driven by higher ARPUs and larger customer base
- Lower utility tax as tax credits granted following HSI development

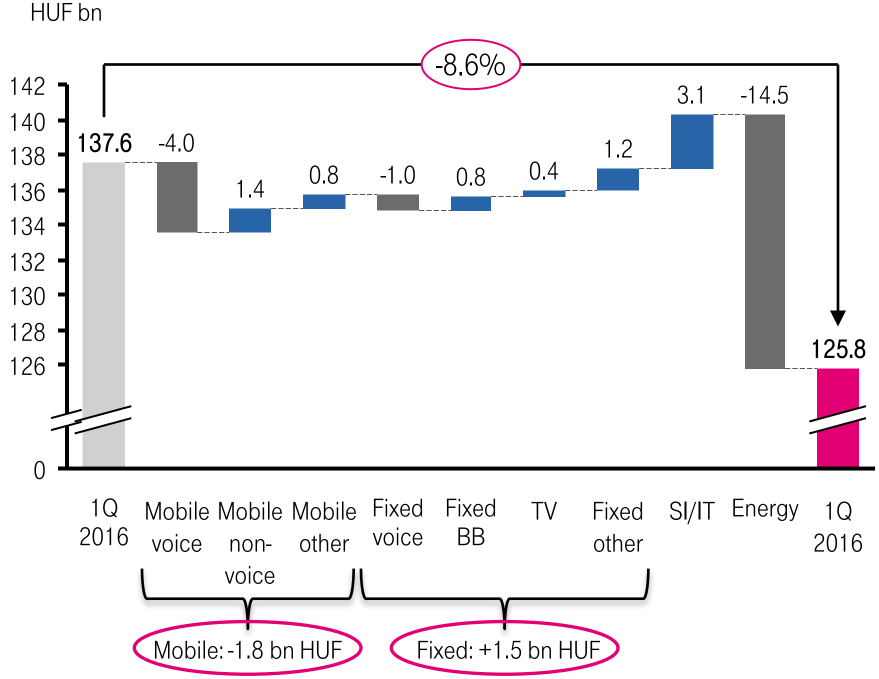
CAPEX

- Slow-down in Fixed High Speed Internet (HSI) roll-out program in Hungary
- Less Capex spent on PSTN replacement
- Lower spending on Hungarian mobile networks due to NW sharing agreement

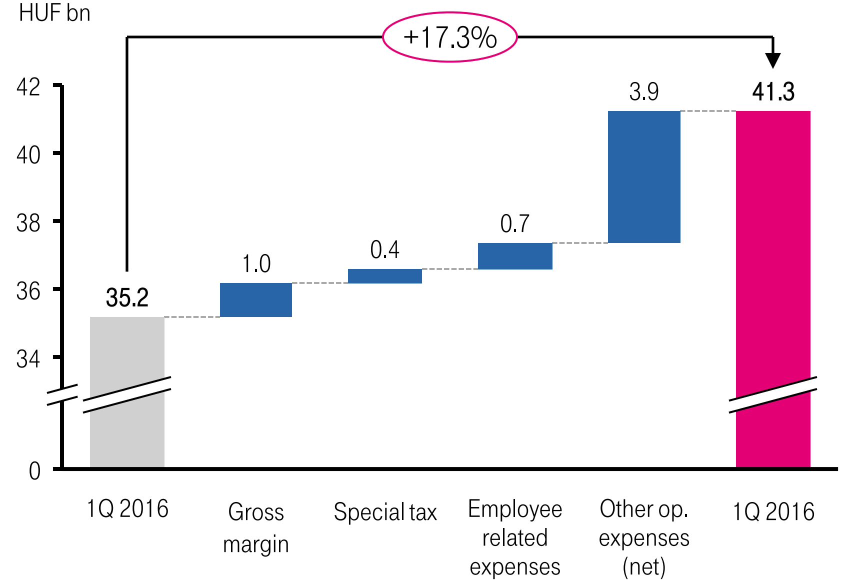
Q1 2016 RESULTS

HUNGARY

Revenue*



EBITDA



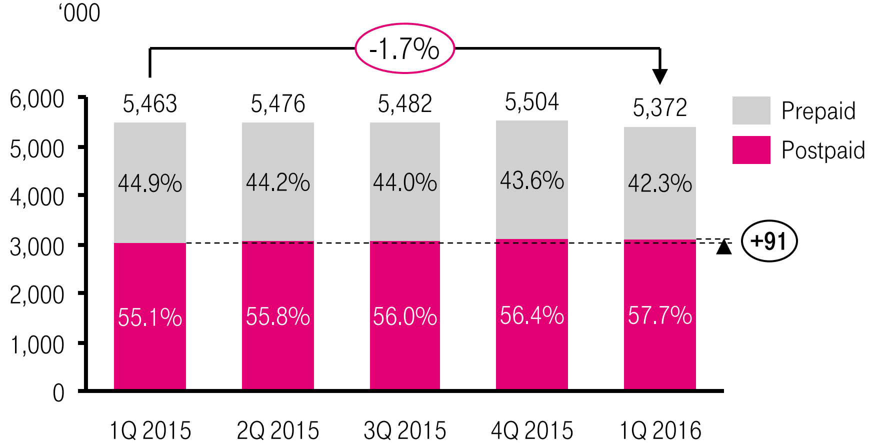
- Strong mobile broadband growth due to 4G push, coupled with higher mobile equipment sales
- MTR cut by 76% responsible for HUF 4.6bn loss in revenues
- Significant increase in both fixed broadband and TV revenues thanks to a growing customer base and ARPUs
- Continued growth in SI/IT; higher fixed other due to GTS acquisition
- Drop in energy revenues following exit and deconsolidation

- Improvement in gross profit driven mostly by ARPU increases both in mobile (excl. MTR effect), fixed broadband and TV
- Utility tax credit following network investments and upgrades
- HUF 2.0bn savings resulting from headcount reduction program was partly offset by lower capitalized employee related costs
- One-off gains realized on the real estate deal and Origo sale

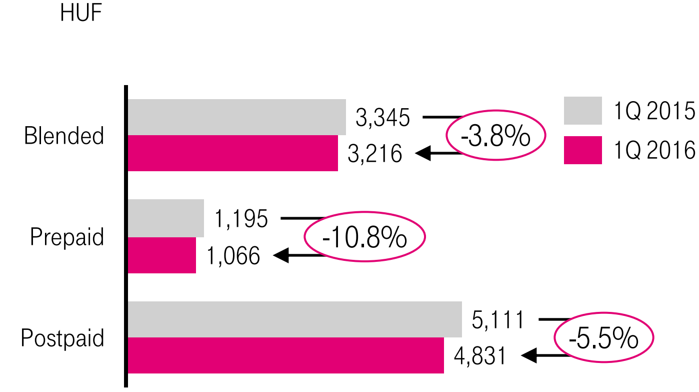
* Mobile voice includes mobile retail and wholesale voice; Mobile non-voice includes data, SMS and equipment; Fixed other includes equipment, data, wholesale and other

HUNGARY – MOBILE

Mobile RPC

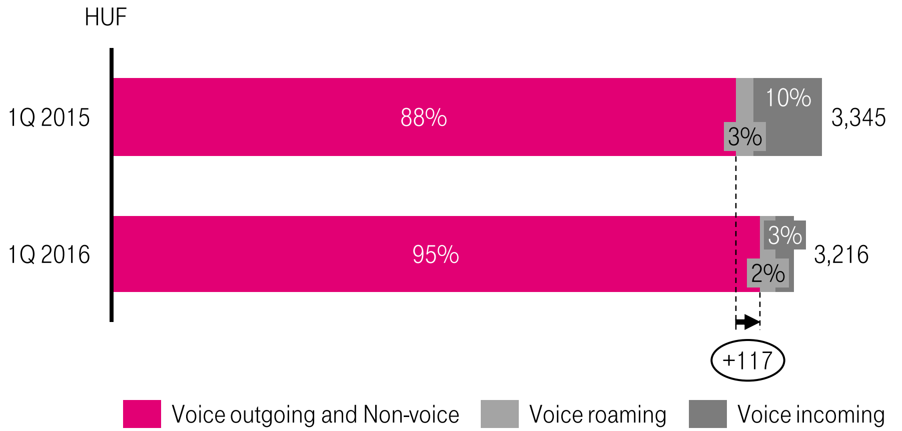


Mobile ARPU (HUF)



ARPU w/o MTR
Blended: +3.5%
Prepaid: +1.3%
Postpaid: +0.6%

Mobile ARPU breakdown



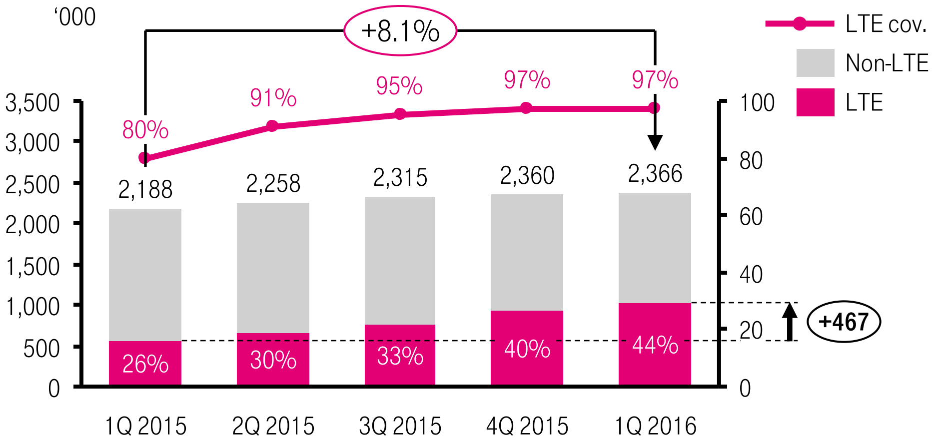
Highlights

- Declining customer base due to prepaid churn (migrant one-off) and intense competition among business customers
- 3% (+91k net adds) increase in postpaid RPC driven by strong data demand
- MOU increased by 4%, consistent with the growth in flat tariff subscriber base
- Decreasing ARPU due to sharp MTR cut (ARPU excl. MTR effect up by 4%)

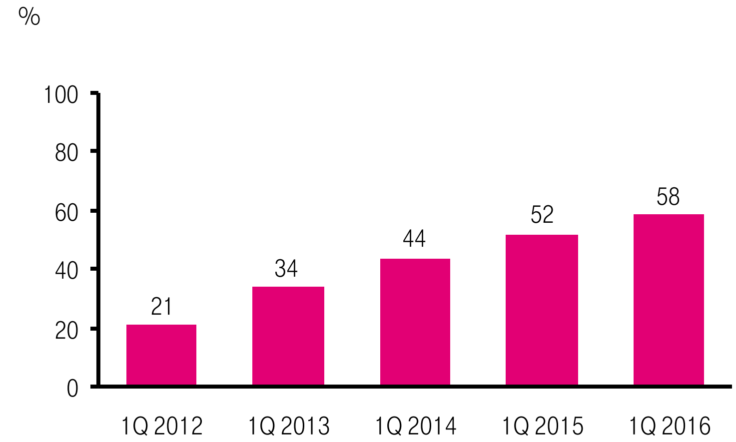
* outdoor population coverage

HUNGARY – MOBILE BROADBAND

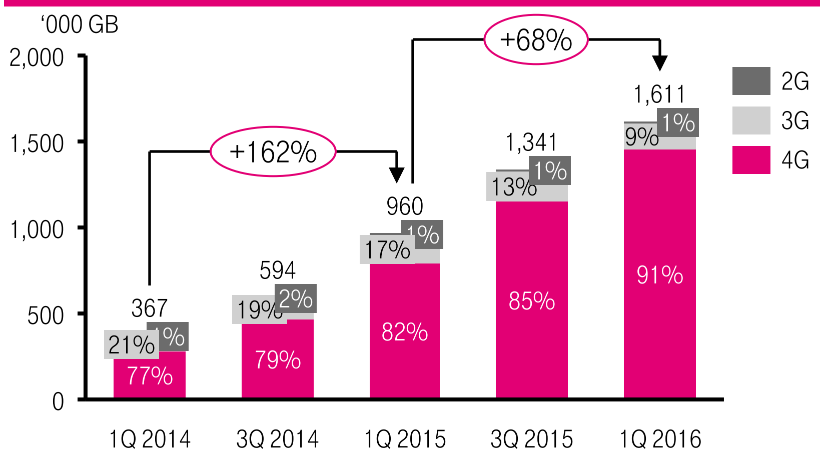
Mobile broadband development



Smartphone penetration



Total mobile data development among 4G users



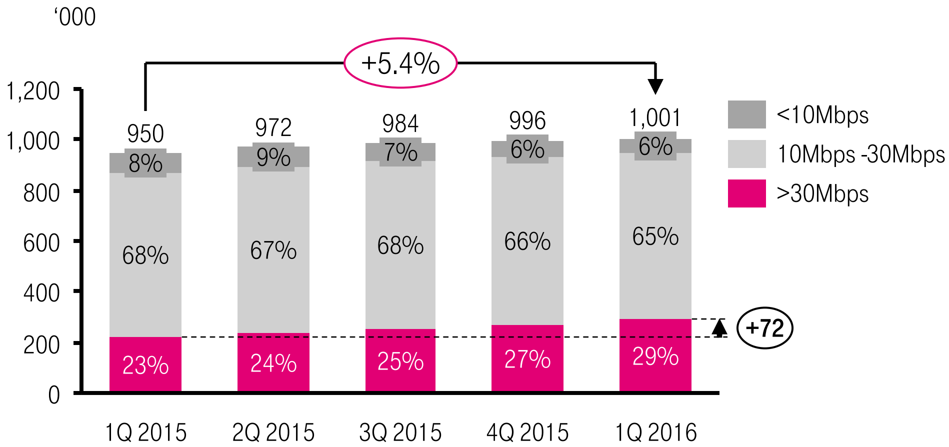
Highlights

- 4G outdoor population coverage above 97%
- Almost half million yearly netadd in mobile broadband users
- Smartphone sales account for over 90% of postpaid handsets with total SP penetration at almost 60%
- Significant growth in mobile data usage driven by 4G
- Average 4G usage of 1.5 GB/month

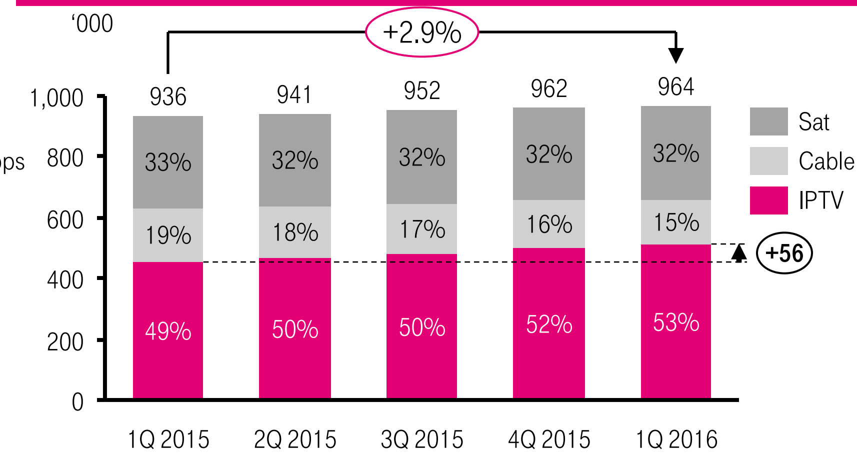
* outdoor population coverage

HUNGARY – FIXED BROADBAND AND TV

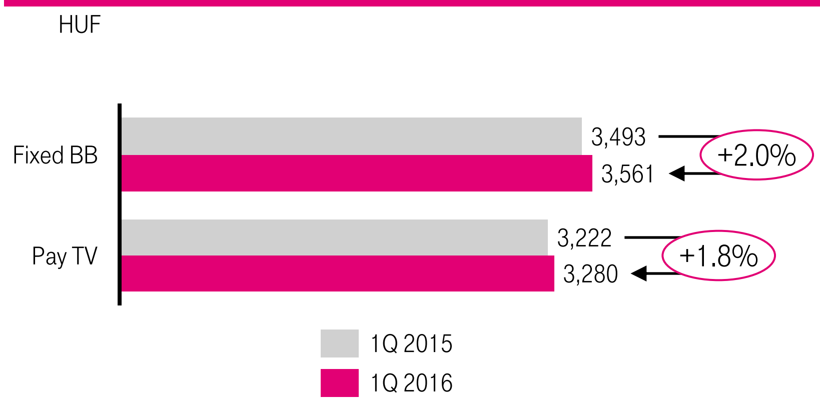
Fixed BB RPC



Pay TV RPC



Fixed BB and TV ARPU

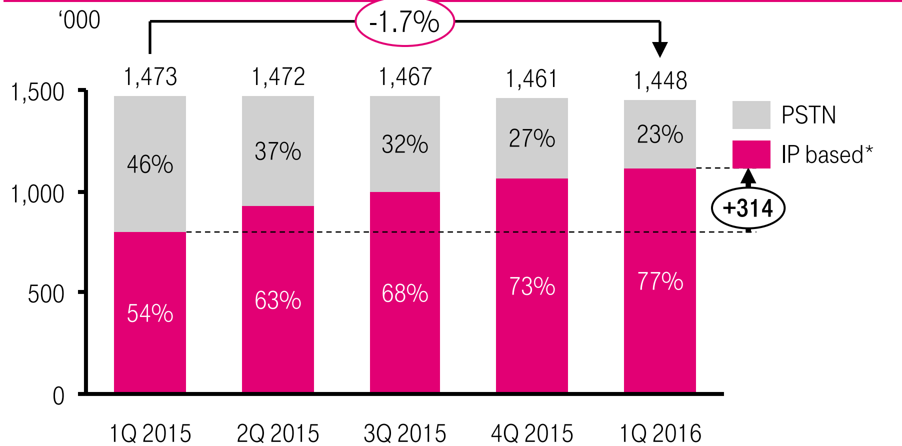


Highlights

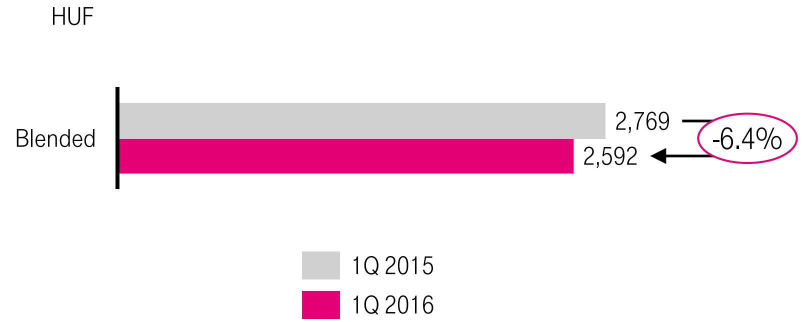
- Over 1 million fixed broadband subscribers
- Ca. 51,000 broadband and 28,000 TV net adds, leading market positions maintained
- Increasing ratio of higher bandwidth packages due to upselling activities driven by network upgrades
- Focusing on IPTV to offer more value to our customers
- Higher ARPUs driven by upselling and price increases
- Competition in the business sub-segment remained intense

HUNGARY – FIXED VOICE AND ENERGY

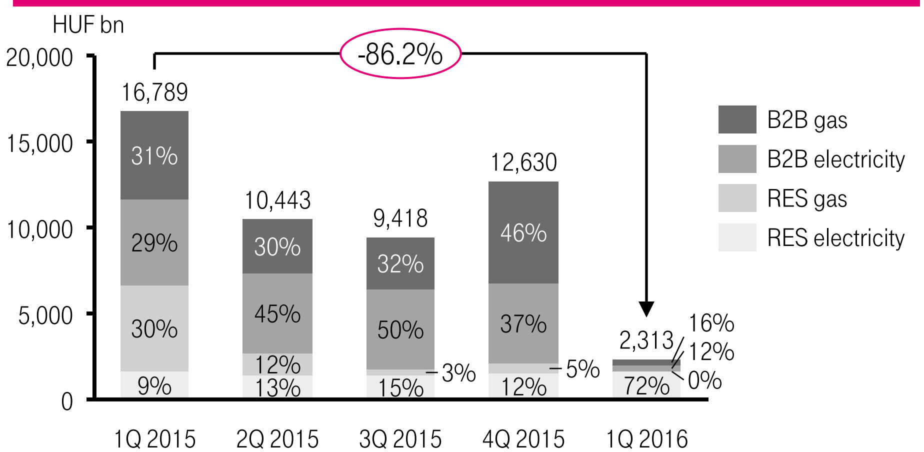
Fixed voice RPC



Fixed voice ARPU



Energy revenues



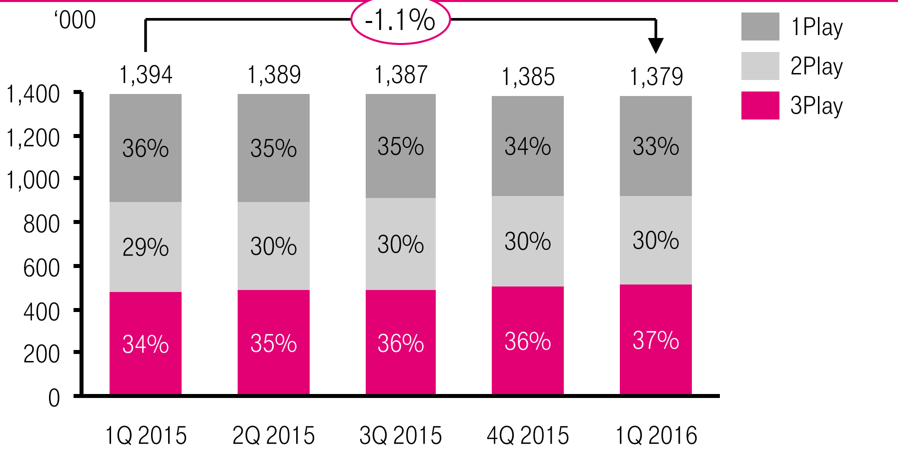
Highlights

- Fixed voice churn at 2% due to smart bundling strategy
- Fast IP based migration to strive for efficiency
- Fixed voice MOU is down by 3%, ARPU rate of decline at 6%
- Exited from residential gas market with effect from July 31, 2015
- B2B energy deconsolidation to JV with effect from Dec 31, 2015 (only universal business customers in public sector remained)

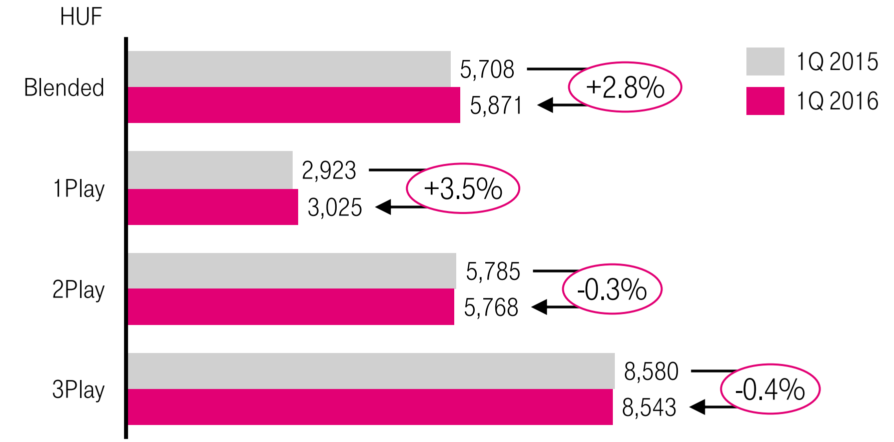
* IP based RPC equals to VoIP and VoCa RPC

HUNGARY – MULTIPLAY

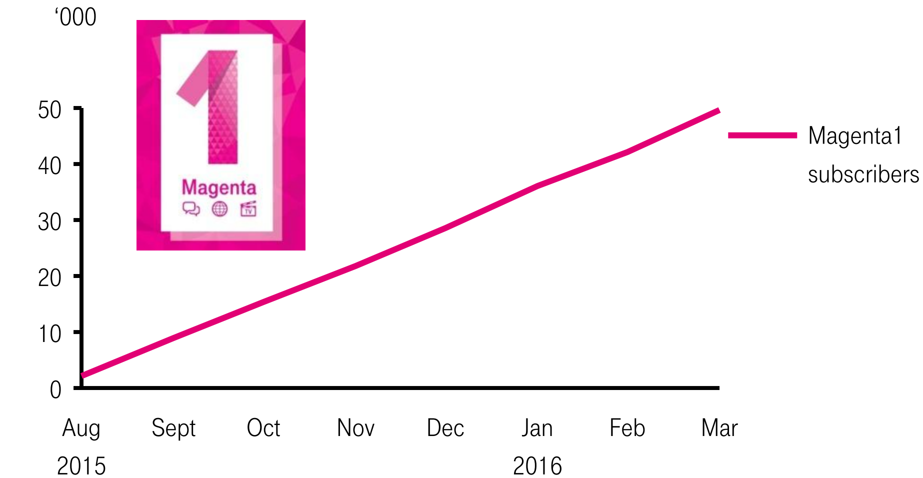
Fixed line multiplay residential RPC development



Fixed line multiplay residential ARPU development



Quad-play Magenta1 RPC development



Highlights

- Stable number of households with at least one Telekom fixed line service; continuously increasing 3Play share
- Lower churn among 2/3 Play customers
- Blended fixed line APRU up by 3%
- 50k quad-play Magenta1 customers help to maximize the telecommunication share of wallet in household spending
- 41% of Magenta1 customers have >30Mbps fixed broadband

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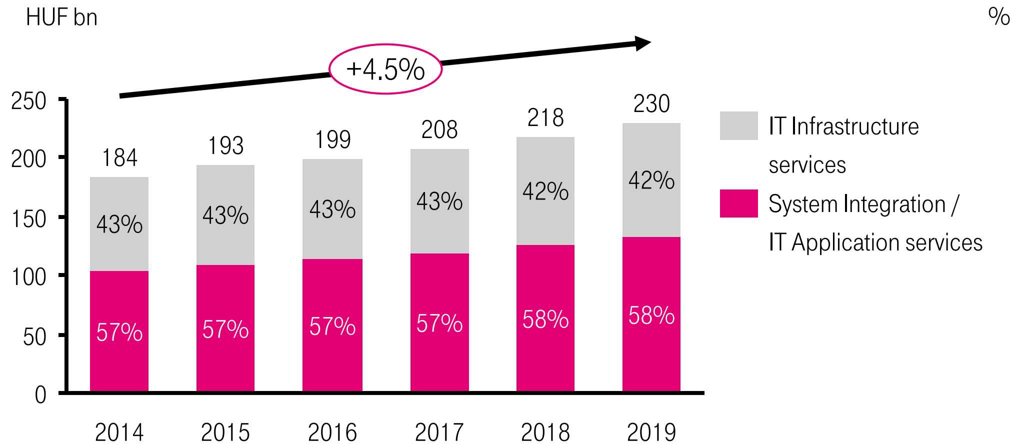
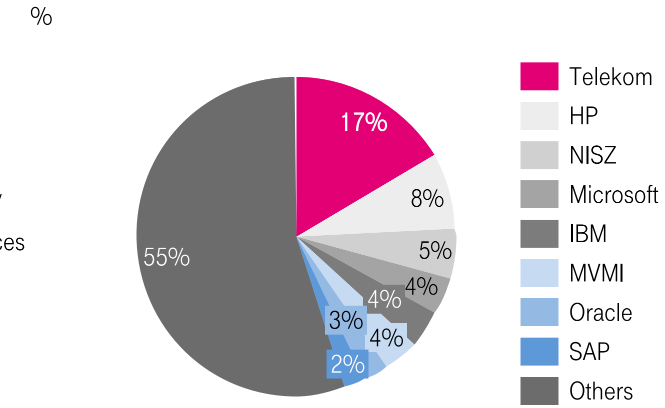
* IP based RPC equals to VoIP and VoCa RPC

HUNGARY – SI/IT

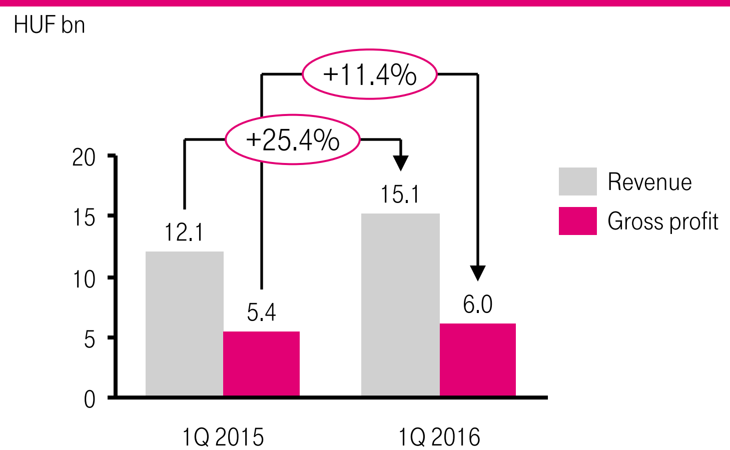
Total Hungarian IT services market development*



Market share*



SI/IT revenue and gross profit of MT Hungary



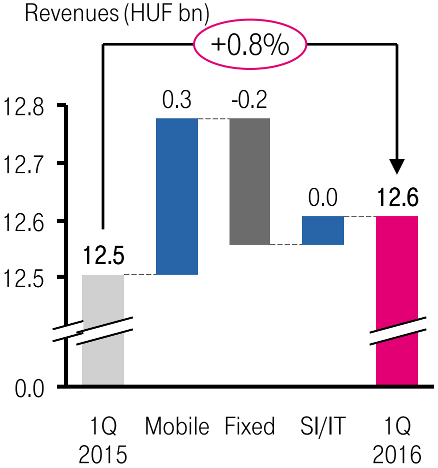
Highlights

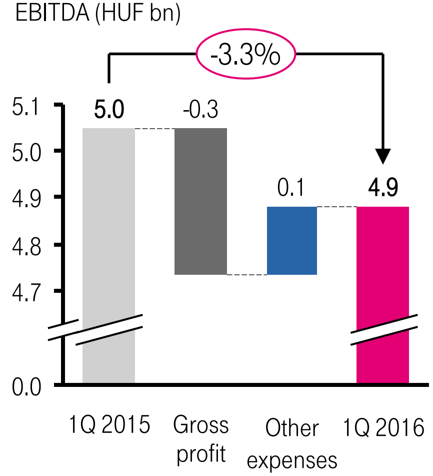
- Total SI/IT market will continue to grow in the next 5 years due to the significant potential opportunities in application development and integration
- Volatility of incoming EU funds to affect timing of projects
- Growing sectors: public (incl. Smart city), education, transport, healthcare and agriculture
- Total revenue increased as a result of projects undertaken for financial institutions, utilities and public sector companies
- Gross profit improved; however, contraction in gross margin due to calculated shift within the sales mix

* Hardware and software markets are excluded, IDC Research, 1H2015

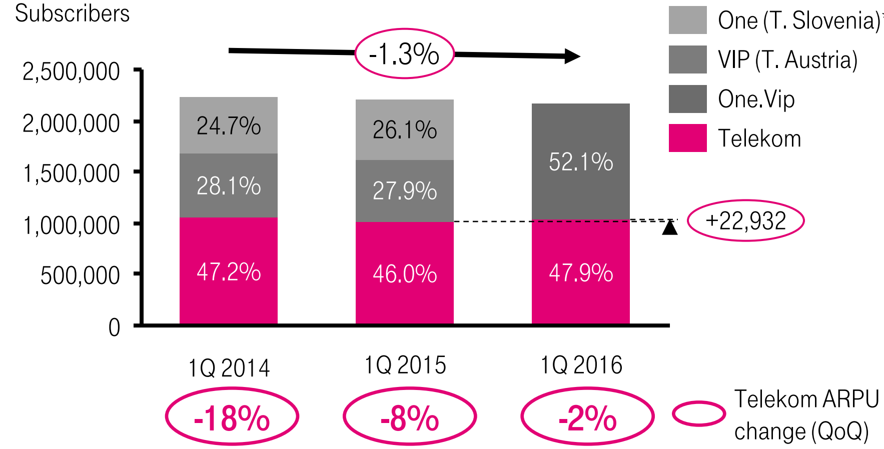
MACEDONIA

Financials

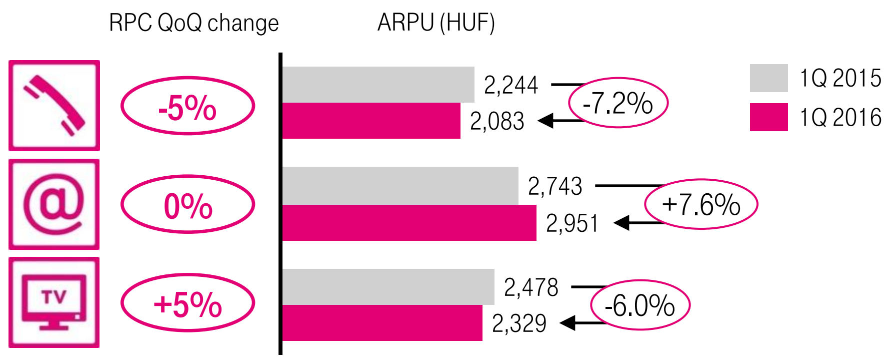




Mobile KPIs



Fixed KPIs (voice/BB/TV)



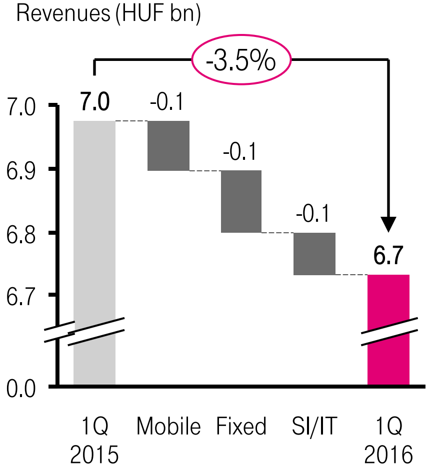
Highlights

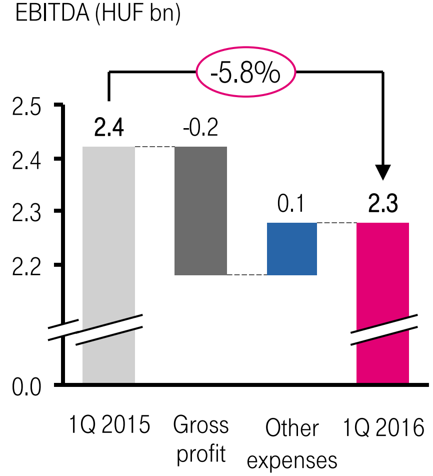
- Revenue turnaround achieved following 5 years of decline
- Successful rebranding campaign to integrated ”T” and 4play Magenta1 sales helped to increase mobile market share
- Mobile revenues increased by 4% due to market stabilization
- VIP/One merger has created a strong integrated competitor
- Robust growth in TV RPC but further churn in fixed voice
- Lower employee related expenses contributed to lower other operating expenses

* including Albafone before June, 2015

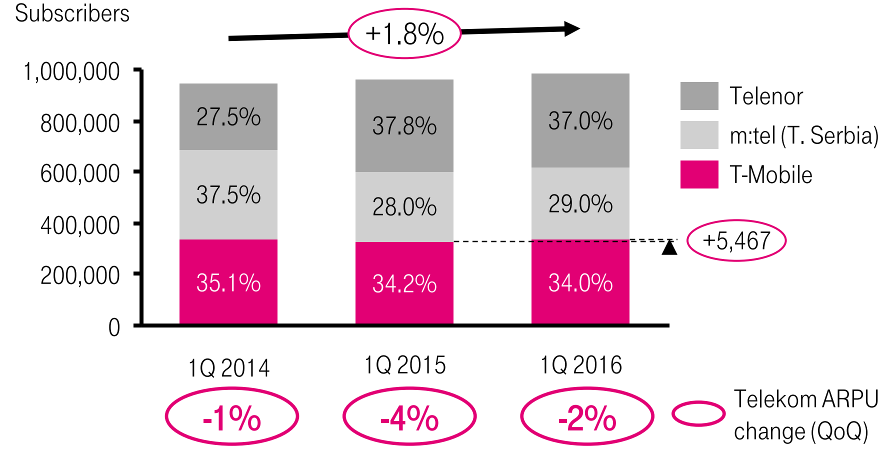
MONTENEGRO

Financials

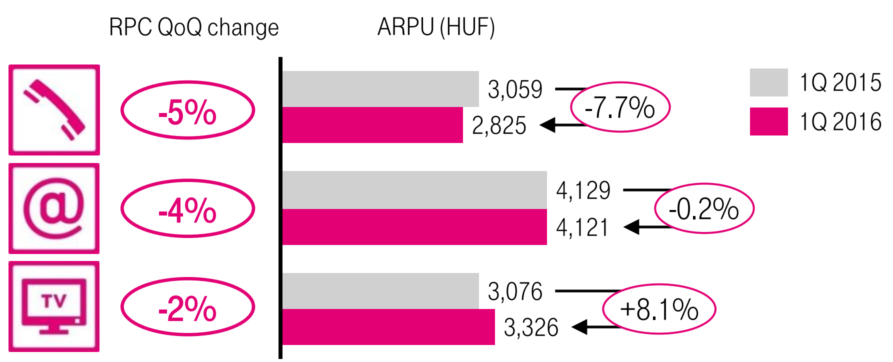




Mobile KPIs



Fixed KPIs (voice/BB/TV)



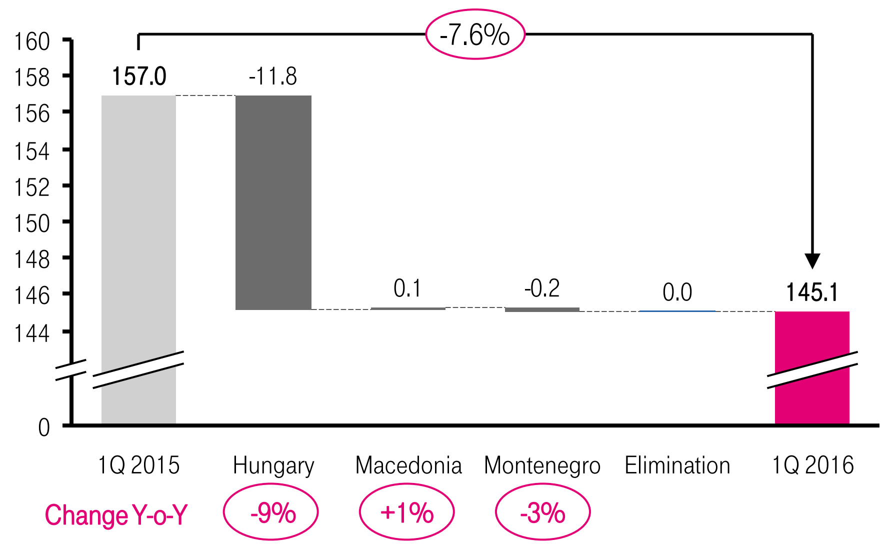
Highlights

- Revenue decline driven by lower mobile ARPU, regulatory pressure on fixed voice and broadband businesses, as well as declining SMS revenues due to higher OTT penetration
- 12% increase in postpaid customer base due to successful 4Play Magenta1 sales
- Decline in fixed voice and BB customer base due to stronger push by cable competitors of 3play bundle offers
- Slower rate of decline in EBITDA thanks to savings in employee related expenses

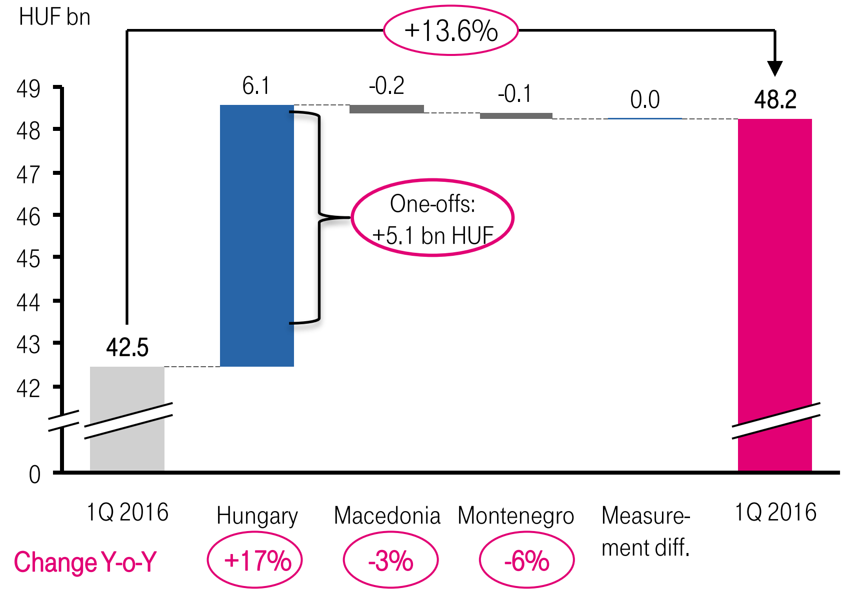
APPENDIX

GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



- **Hungary:** revenue declined primarily as a result of the exit from the energy business; while the lower mobile revenues (due to MTR cut) were offset by higher fixed line and SI/IT revenues
- **Macedonia:** revenue turnaround achieved driven by growth in mobile and SI/IT revenues
- **Montenegro:** decline due to intense competition and OTTs in mobile, and regulatory pressures on fixed line revenue

- **Hungary:** EBITDA increased by 17.3% due to an improvement in the gross profit, sustained focus on cost control and one-off gains realized on the real estate deal and the Origo sale
- **Macedonia:** decline slowed down to -3.3% due to smaller drop in gross profit and lower indirect costs
- **Montenegro:** decline due to sustained competitive and regulatory pressures, partly helped by a reduction in opex

MAGYAR TELEKOM – CONSOLIDATED INCOME STATEMENT

HUF million	Q1 2015	Q1 2016	Change
Mobile revenues	76 938	75 294	-2,1%
Fixed line revenues	50 649	51 816	2,3%
System Integration/Information Technology revenues	12 581	15 628	24,2%
Revenue from energy services	16 789	2 313	-86,2%
Revenues	**156 957**	**145 051**	**-7,6%**
Direct costs	(57 777)	(45 427)	21,4%
Employee-related expenses	(21 898)	(20 843)	4,8%
Depreciation and amortization	(27 668)	(26 696)	3,5%
Hungarian telecommunications and other crisis taxes	(6 226)	(6 188)	0,6%
Other operating expenses	(21 711)	(23 628)	-8,8%
Total operating expenses	**(135 280)**	**(122 782)**	**-9,2%**
Other operating income	770	6 548	750,4%
Operating profit	**22 447**	**28 817**	**28,4%**
Net financial results	(8 613)	(6 558)	23,9%
Share of associates' profits	0	0	n.a.
Profit before income tax	**13 834**	**22 259**	**60,9%**
Income tax expense	(2 863)	(3 505)	-22,4%
Profit for the period	**10 971**	**18 754**	**70,9%**
Non-controlling interests	816	750	-8,1%
Equity holders of the Company (Net income)	**10 155**	**18 004**	**77,3%**

MAGYAR TELEKOM – CONSOLIDATED BALANCE SHEET

HUF million	Mar 31, 2015	Mar 31, 2016	Change
Current assets	**197 487**	**197 391**	**0,0%**
Cash and cash equivalents	13 333	12 191	-8,6%
Other current financial assets	19 154	15 438	-19,4%
Non current assets	**971 503**	**974 590**	**0,3%**
Property, plant and equipment - net	474 692	478 515	0,8%
Intangible assets	253 299	255 022	0,7%
Total assets	**1 168 990**	**1 171 981**	**0,3%**
Equity	**520 551**	**556 767**	**7,0%**
Current liabilites	**317 859**	**305 175**	**-4,0%**
Financial liabilities to related parties	129 088	128 663	-0,3%
Other financial liabilities	51 656	25 069	-51,5%
Non current liabilites	**330 580**	**310 039**	**-6,2%**
Financial liabilities to related parties	239 661	220 625	-7,9%
Other financial liabilities	58 268	53 280	-8,6%
Total equity and liabilites	**1 168 990**	**1 171 981**	**0,3%**

MAGYAR TELEKOM – CONSOLIDATED CASH FLOW STATEMENT

HUF million	Mar 31, 2015	Mar 31, 2016	Change
Net cash generated from operating activities	**25 240**	**26 242**	**4,0%**
Investments in tangible and intangible assets	(12 179)	(11 619)	4,6%
Adjustments to cash purchases	(10 734)	(15 274)	42,3%
Purchase of subsidiaries and business units	(1 469)	(13)	n.a.
Cash acquired through business combinations	0	0	n.a
Payments for / proceeds from other financial assets - net	4 134	(4 917)	-218,9%
Proceeds from disposal of subsidiaries	0	3 464	n.a
Proceeds from disposal of PPE and intangible assets	235	8 180	3380,9%
Payments for interests in associates and joint ventures	0	0	n.a
Net cash used in investing activities	**(20 013)**	**(20 179)**	**-0,8%**
Dividends paid to shareholders and minority interest	(37)	(2 447)	-6513,5%
Net payments of loans and other borrowings	(3 456)	(7 776)	n.a
Repayment of other financial liabilities	(2 534)	(1 234)	51,3%
Net cash used in financing activities	**(6 027)**	**(11 457)**	**-90,1%**
Free cash flow*	**(1 441)**	**9 746**	**n.a**

*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.