

MAGYAR TELEKOM

RESULTS AND STRATEGY PRESENTATION

February 21, 2019



**MAGYAR
TELEKOM**

**STRATEGIC
REVIEW
2013-2018**



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, 2017 available on our website at <http://www.telekom.hu>.

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.



Residential segment

- Improve customer experience
- Maximize customer value
- Bundled offers
- Online capabilities

Soho/SMB segment

- Revenue growth via increased IT/Cloud contribution

T-Systems

- SI/IT transformation partner
- Mitigate telco erosion

Technology

- Maintain technological leadership
- Efficiency in network development

Macedonia

- Return to growth
- Efficiency improvements

New services

- Find value in industries with a strategic fit

**LEADING
HUNGARIAN ICT
COMPANY**



	2014 TARGETS	2017 TARGETS	
REVENUE*	increasing at a CAGR of ca. 2% compared to 2012		✓
EBITDA	declining at a CAGR of 6-8% compared to 2012	surpassing 2013 level	✓
CAPEX**	around HUF 87 bn	around HUF 80 bn	✓
FREE CASH FLOW	FCF bottoming out in 2014 and surpassing 2012 level by 2017		✓

HUF 86 bn

* excluding energy and Montenegro revenues

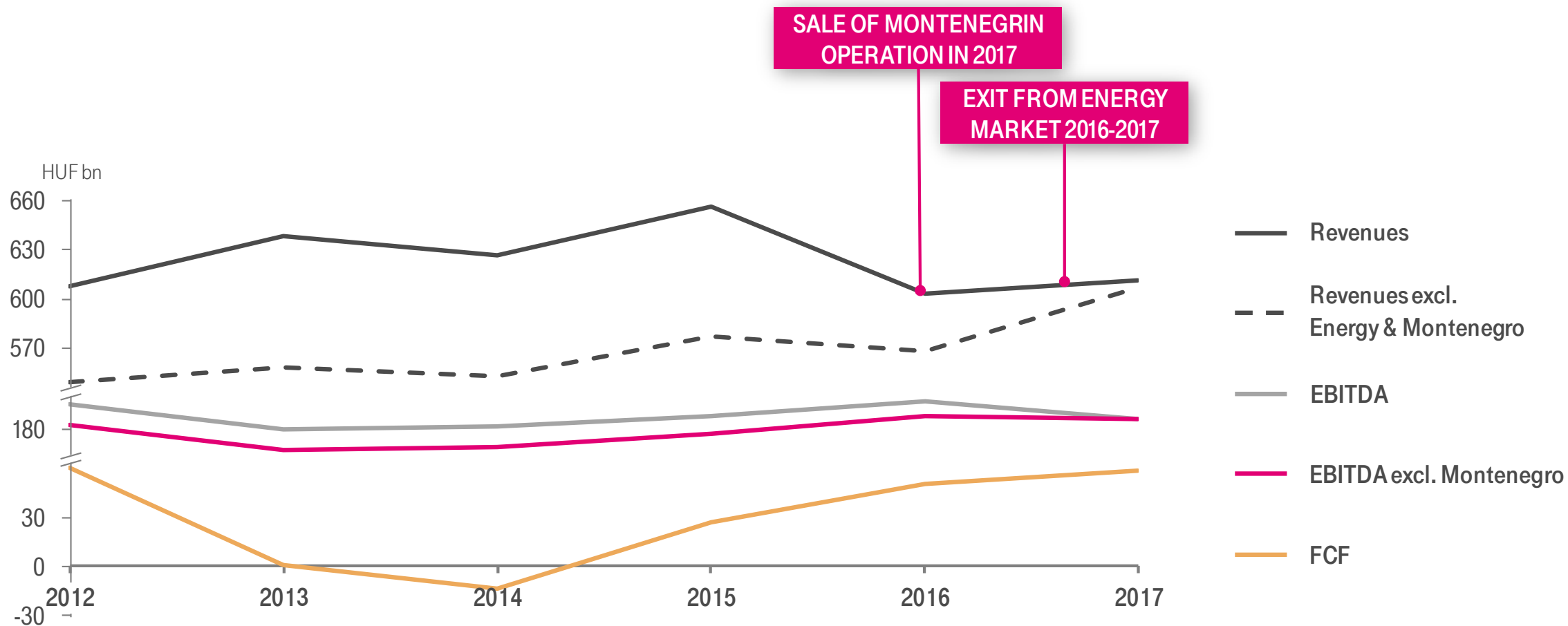
**excluding spectrum license fees



LIFE IS FOR SHARING.

"TELEKOM 2017"

FINANCIAL TURNAROUND



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FINANCIAL PERFORMANCE

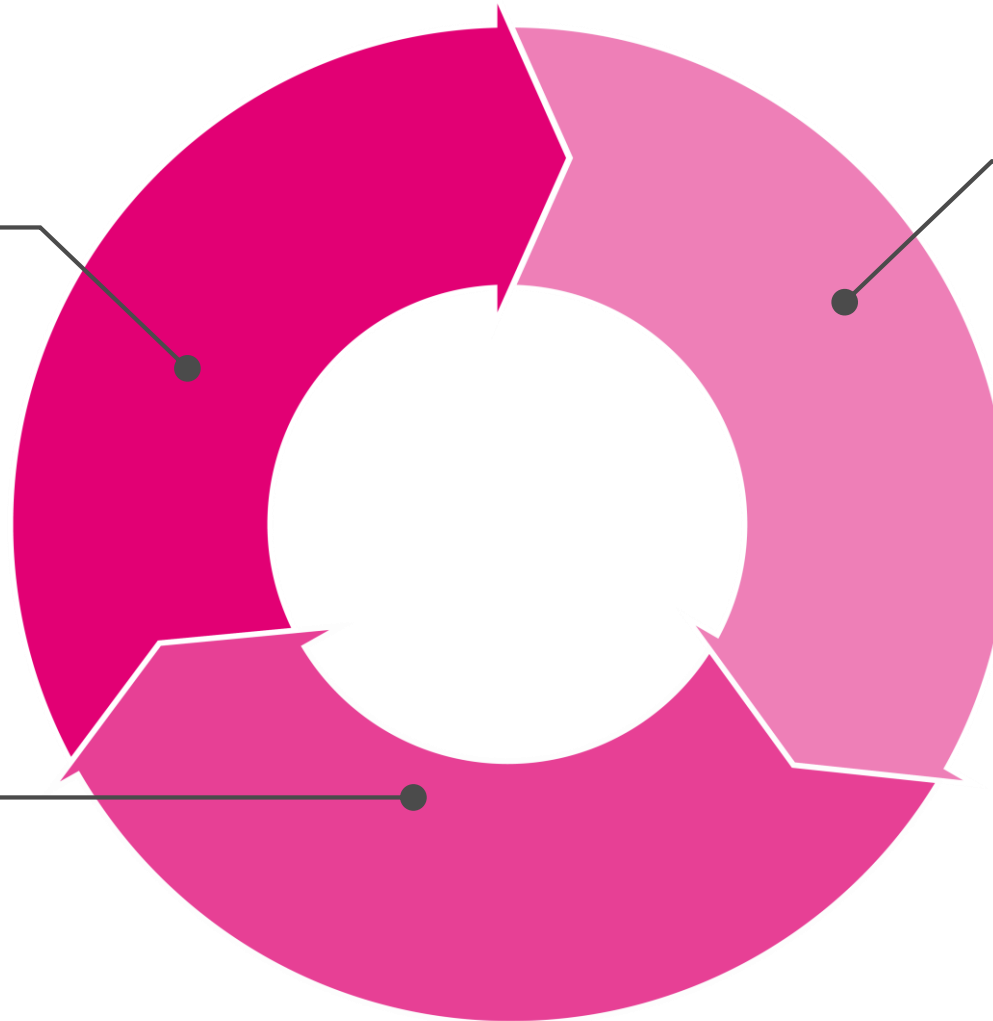
- Sustained turnaround
- Improving balance sheet

INTERNAL EFFICIENCY

- Digitalization
- Simplification
- Agility

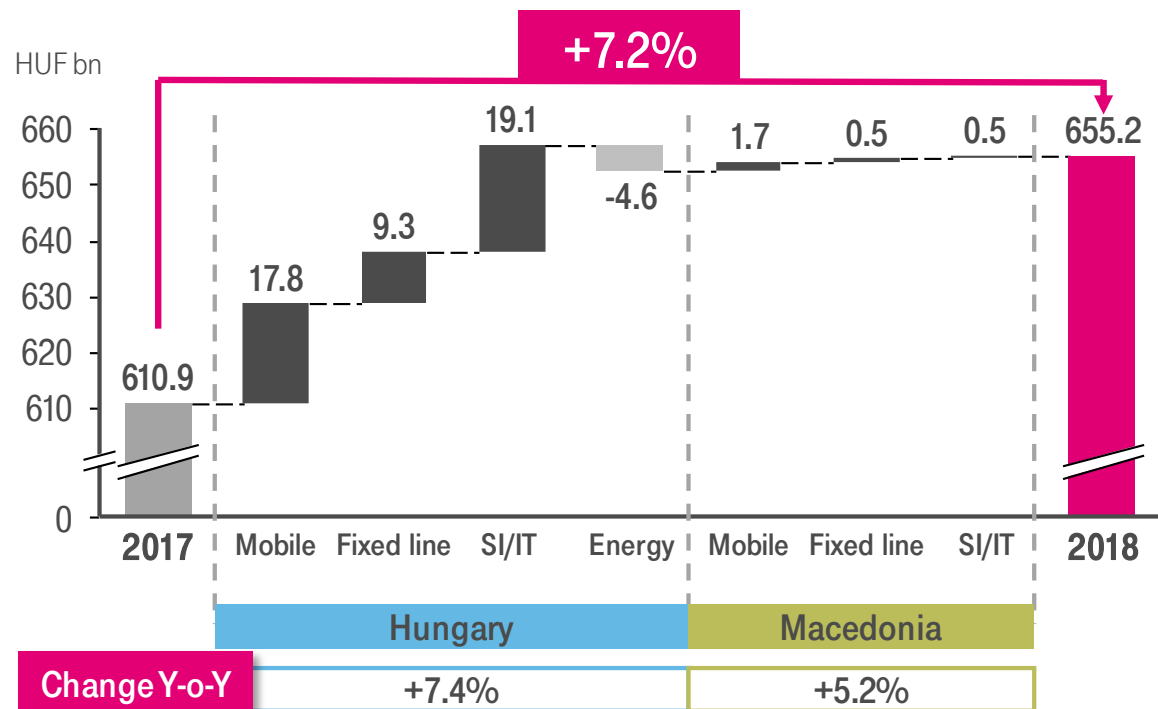
CUSTOMER BASE

- Focus on multi-play and FMC customer base expansion
- Leading market positions maintained
- Continued network development

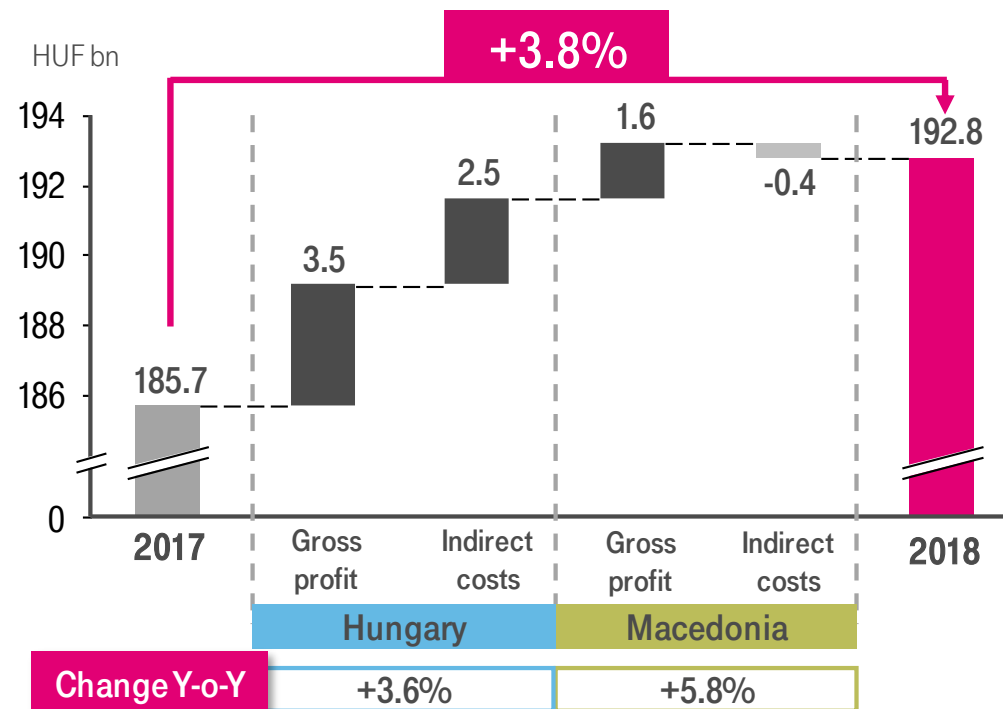


2018 FINANCIALS

GROUP REVENUES *



GROUP EBITDA *



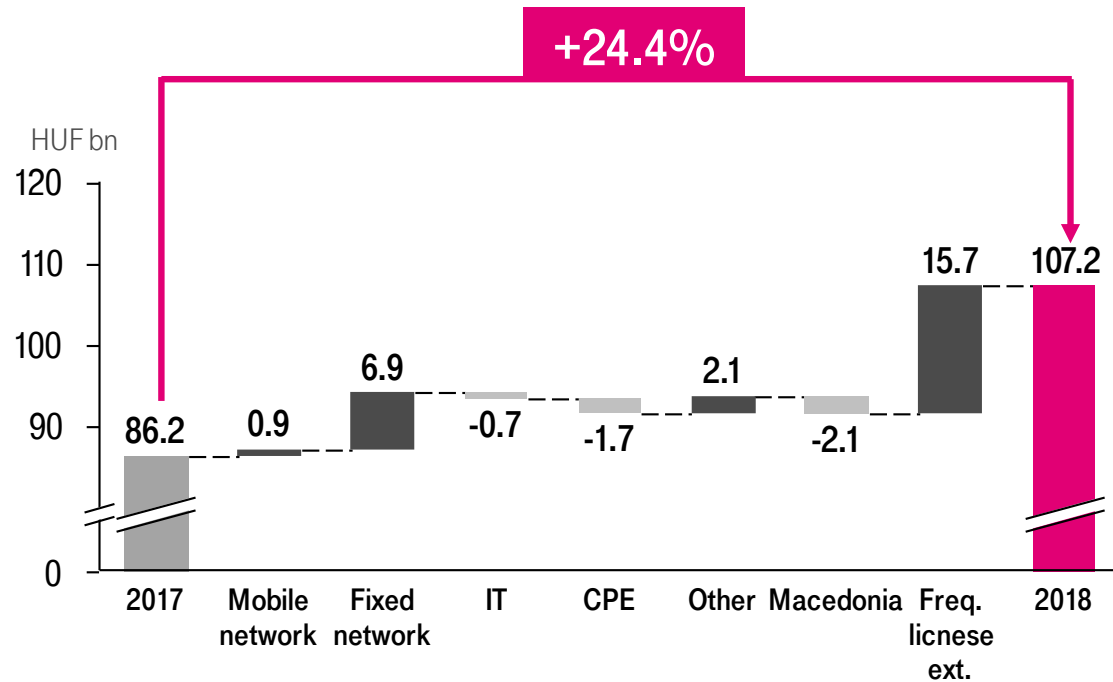
* Excluding Crnogorski Telekom financials and IFRS 9 and 15 impacts



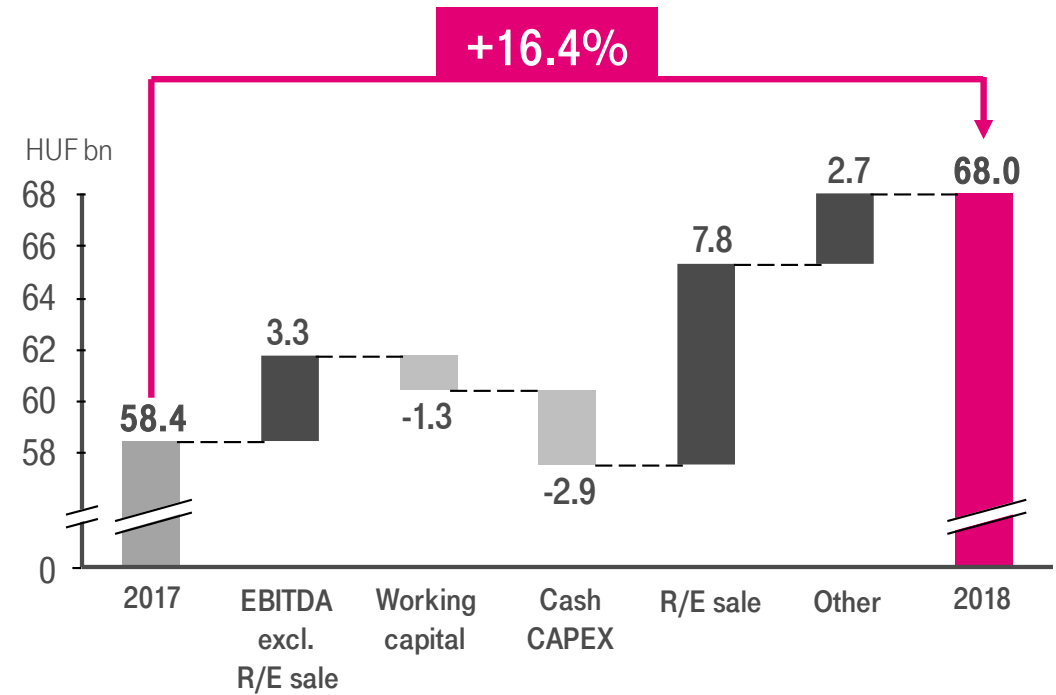
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2018 FINANCIALS

GROUP CAPEX



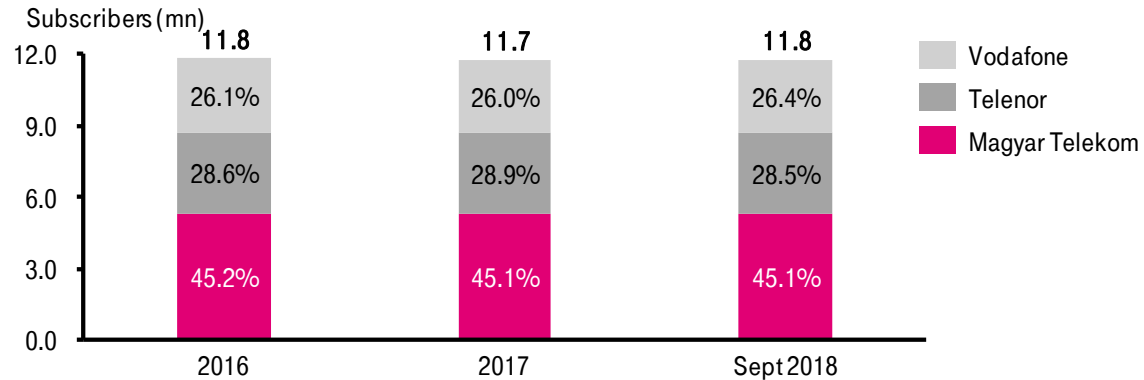
GROUP FCF



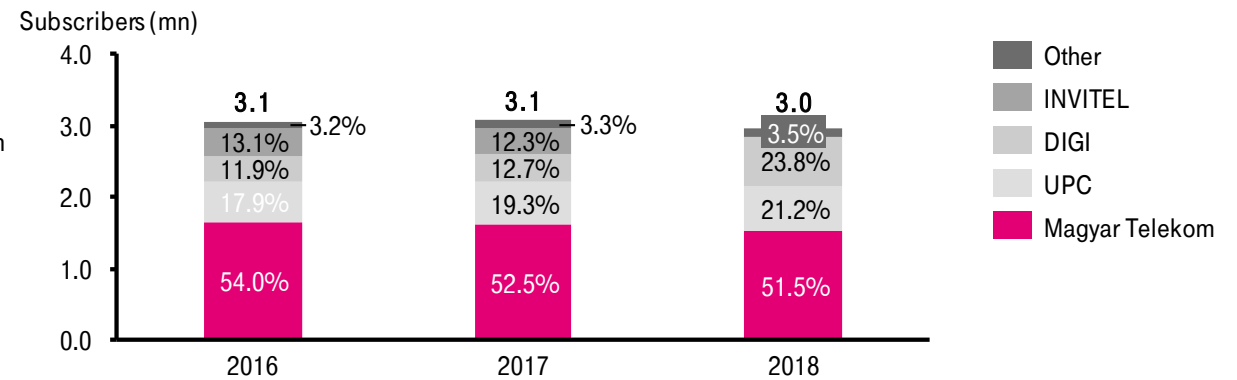
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HUNGARY – MARKET SHARES

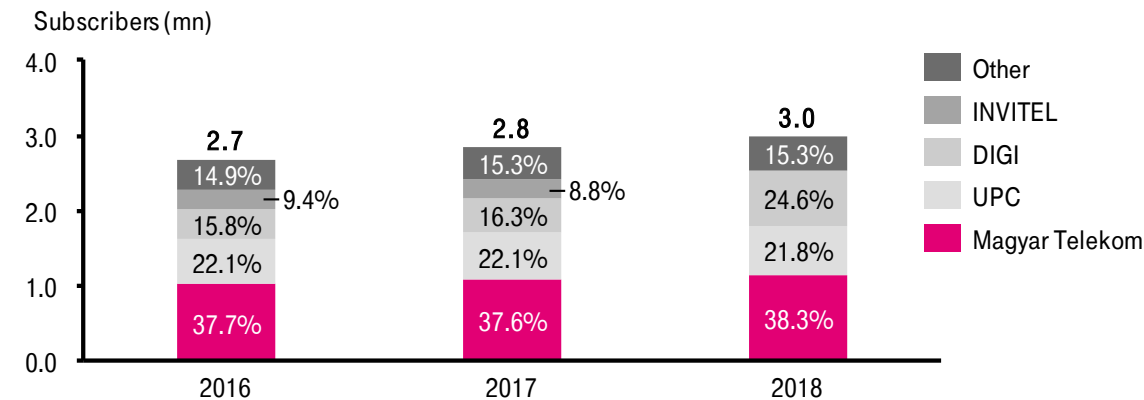
MOBILE MARKET¹



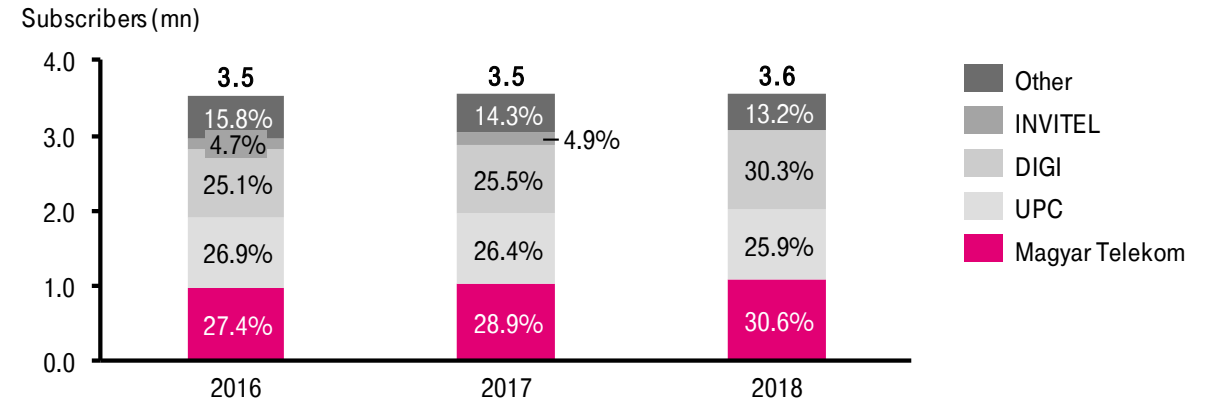
FIXED VOICE MARKET²



FIXED BROADBAND MARKET²



TV MARKET²



¹ Based on Central Statistical Office data and internal calculations from Vodafone Group and Telenor Group reports

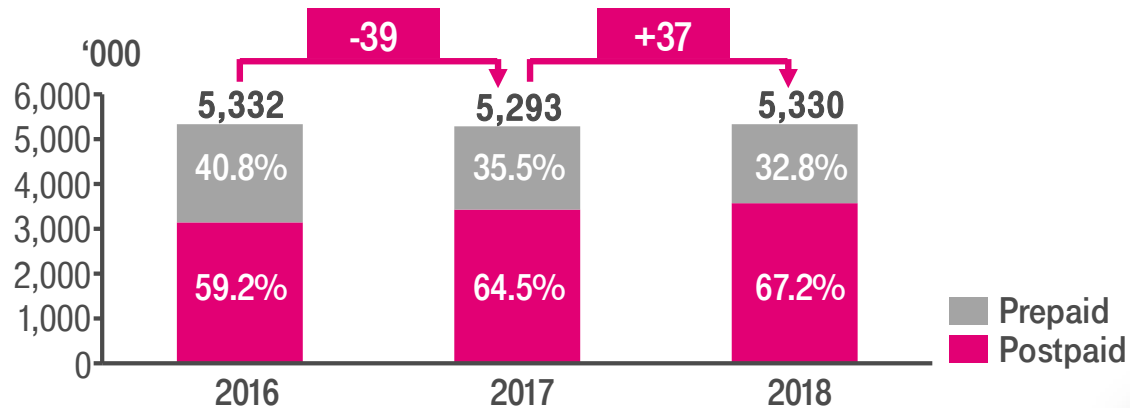
² Based on the total fixed voice channels/BB access/pay TV access market estimated by the National Media and Infocommunications Authority (NMIA)



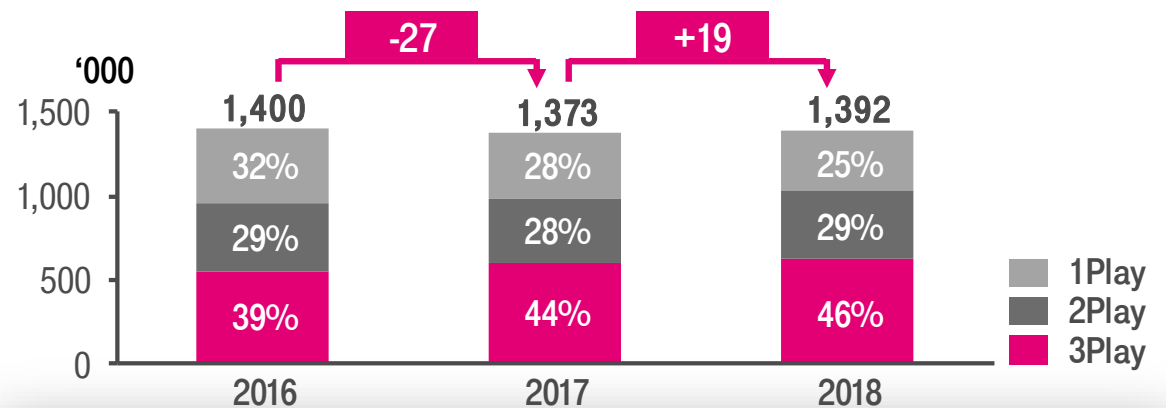
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HUNGARY – CUSTOMER DEVELOPMENTS

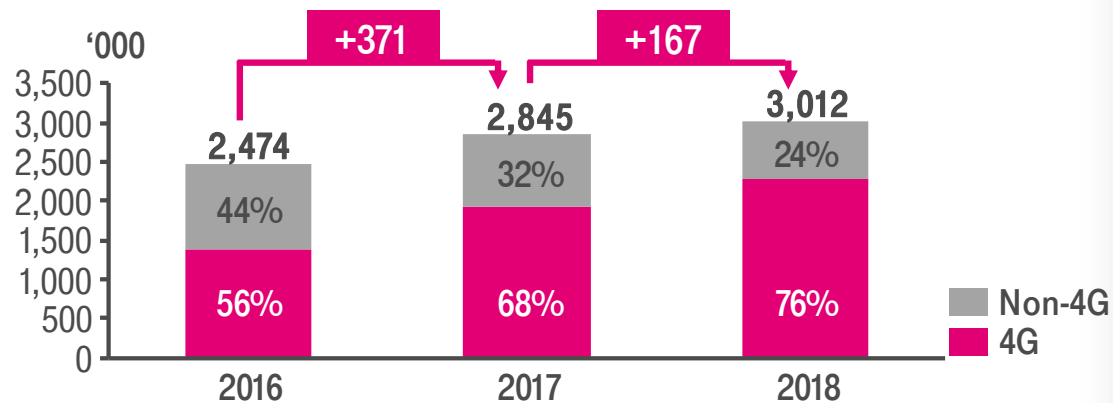
MOBILE SIMS



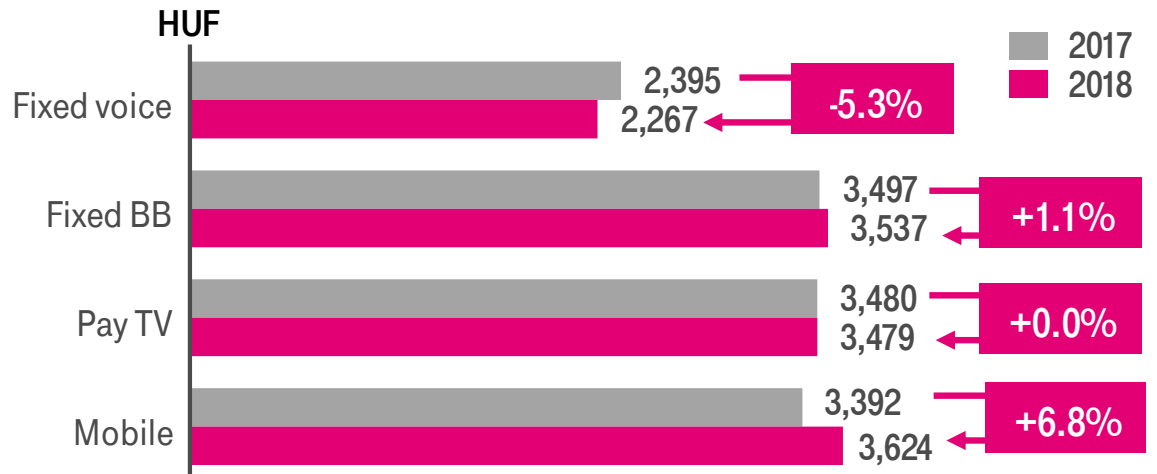
FIXED LINE MULTIPLAY CUSTOMER BASE



TOTAL MOBILE DATA SUBSCRIBERS



ARPU *



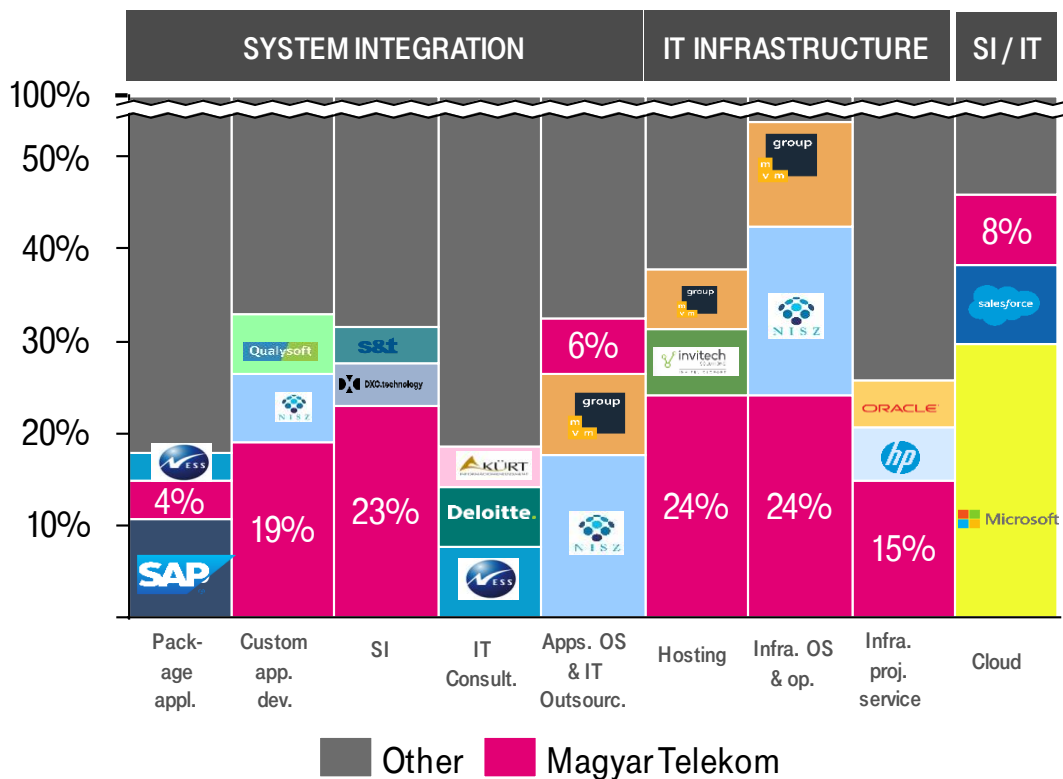
* Excluding IFRS15 effects



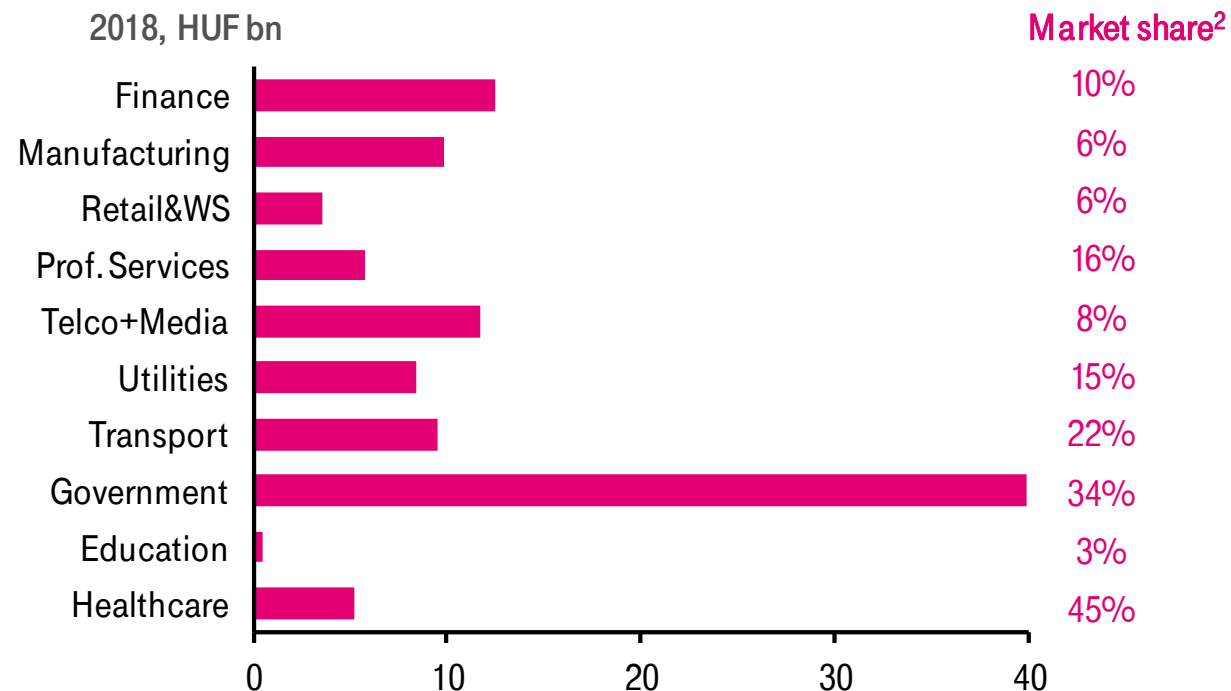
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HUNGARY - SI / IT MARKETS

IT SERVICES MARKET SHARES (BY REVENUE)¹



SI/IT REVENUE BREAKDOWN BY VERTICAL SEGMENTS²



¹ Source: IDC 2018 (based on 2018H1 facts); market size calculated by demand side, while market shares by supply side data

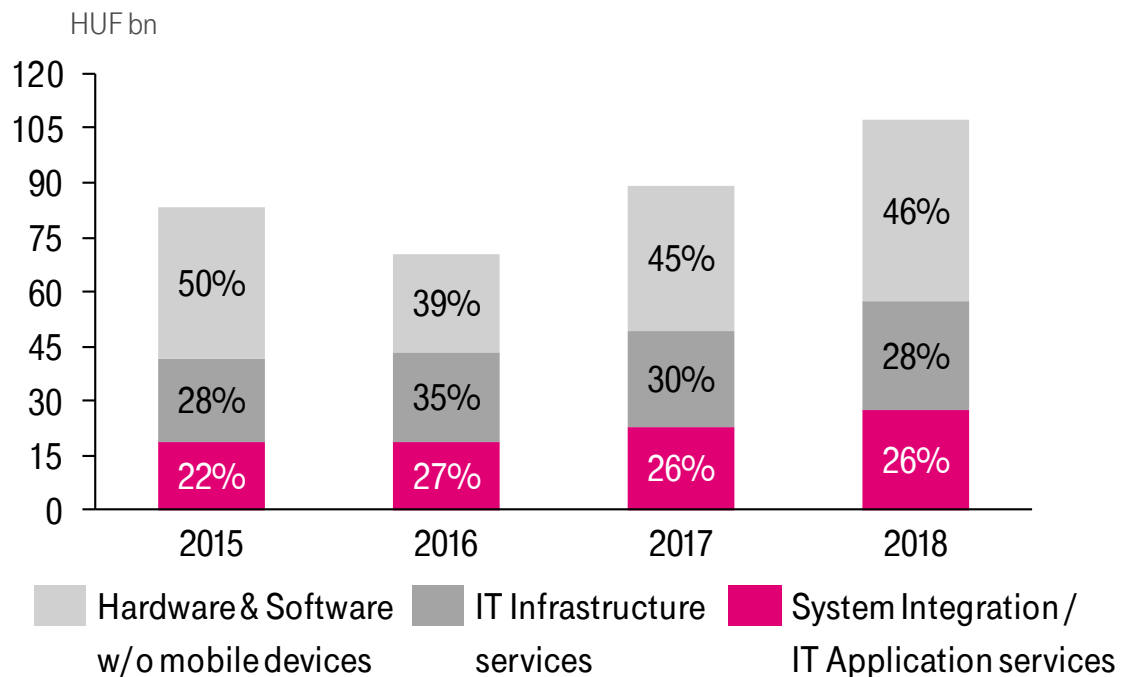
² Based on IDC Research 2018, market shares calculated based on 2018 revenues



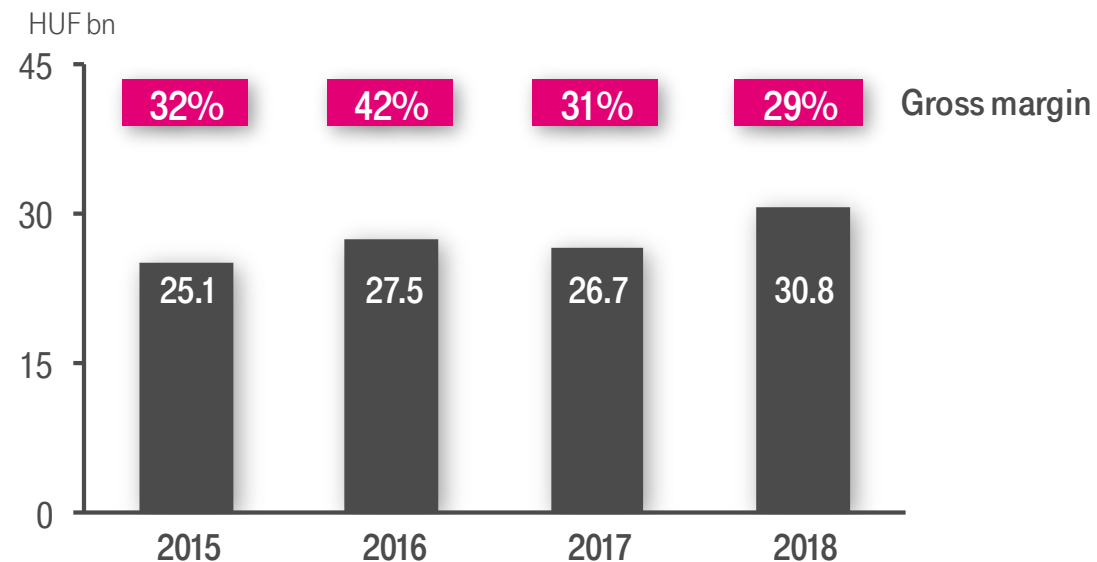
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HUNGARY - SI / IT RESULTS

SI/IT REVENUE



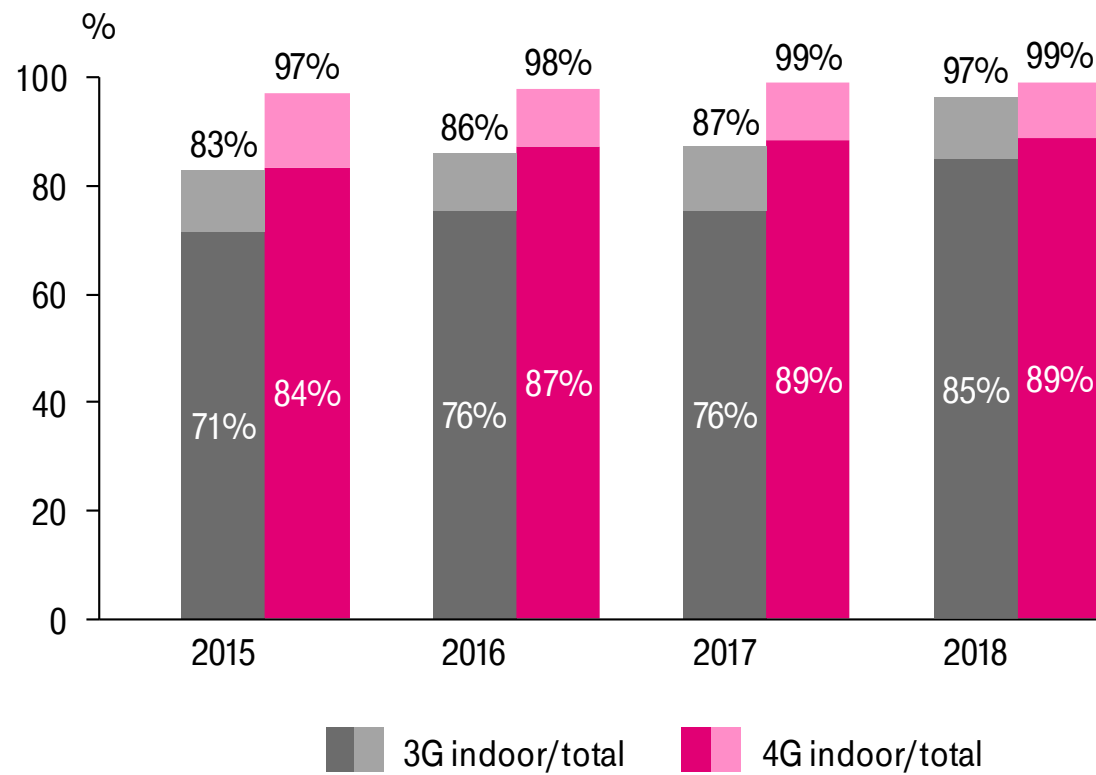
SI/IT GROSS PROFIT



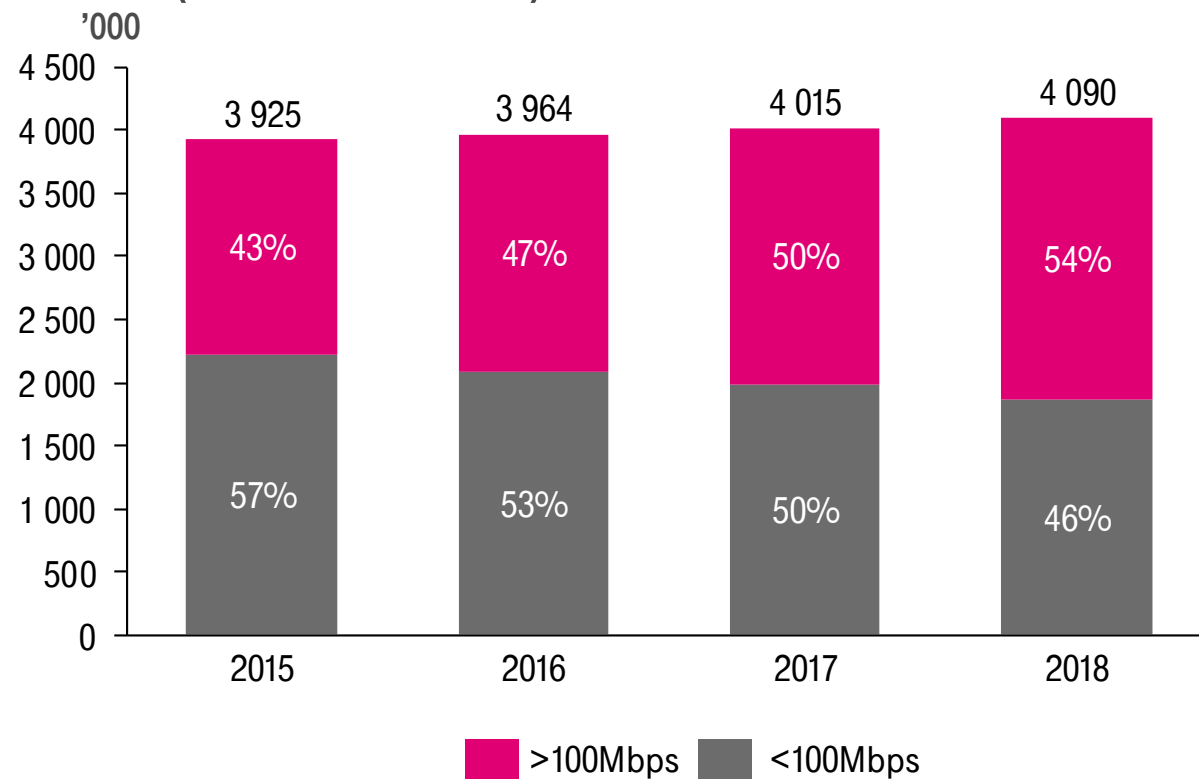
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HUNGARY - NETWORKS

MOBILE NETWORK COVERAGE (POPULATION BASED)



FIXED NETWORK (ACCESS POINTS)

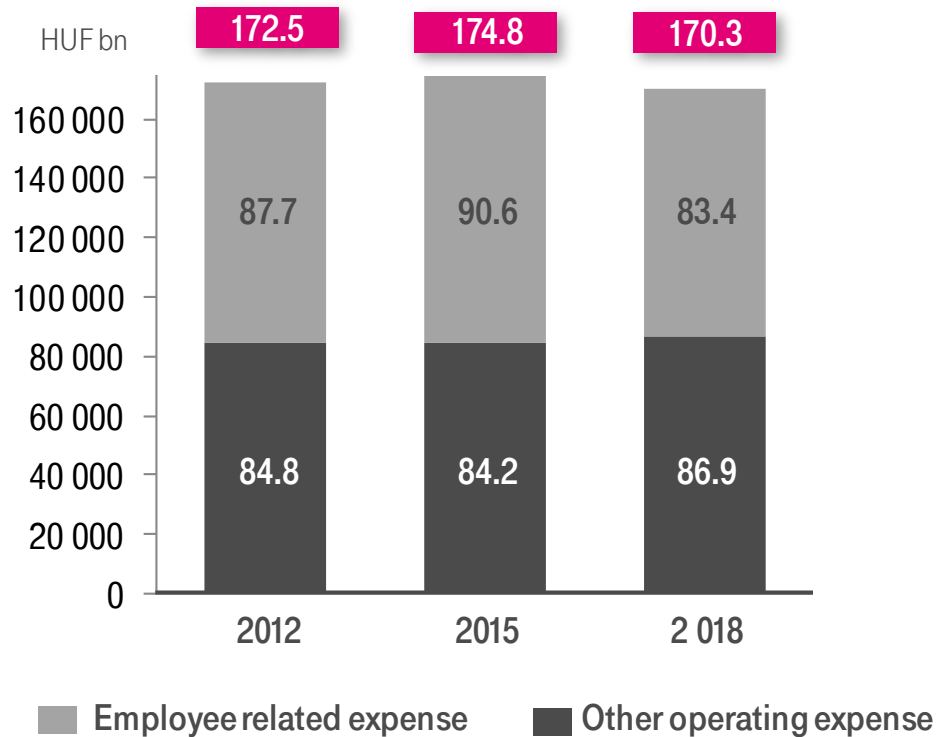


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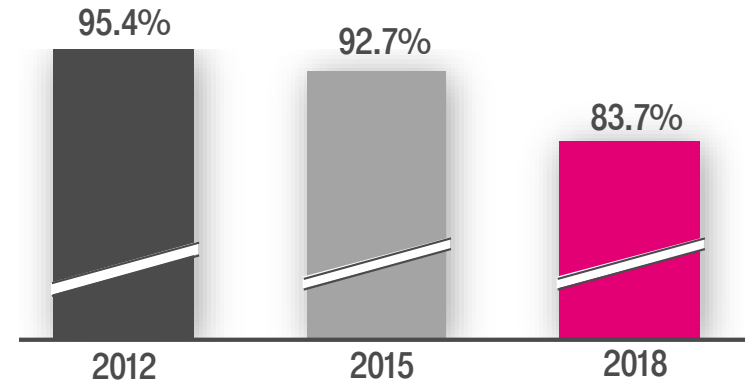
HUNGARY INDIRECT COST 2012-2018

EFFICIENT COST MANAGEMENT
IN A GROWING BUSINESS

INDIRECT COST W/O TELECOM & UTILITY TAXES



INDIRECT COST / EBIDTA W/O TELECOM & UTILITY TAXES

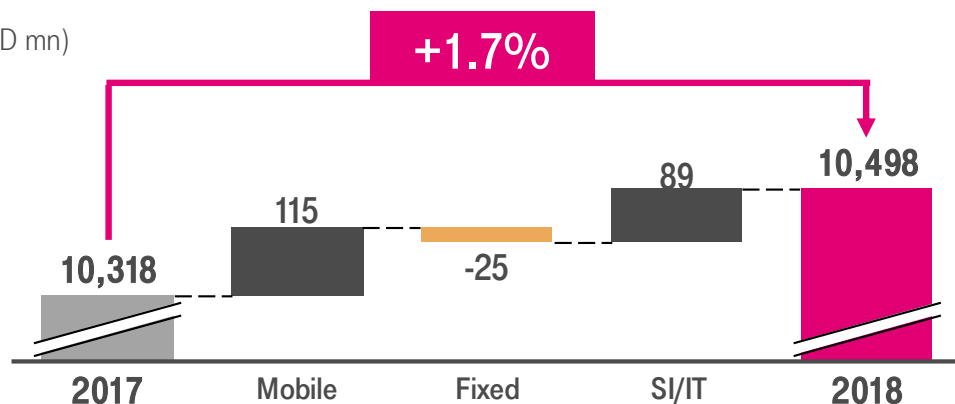


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MACEDONIA

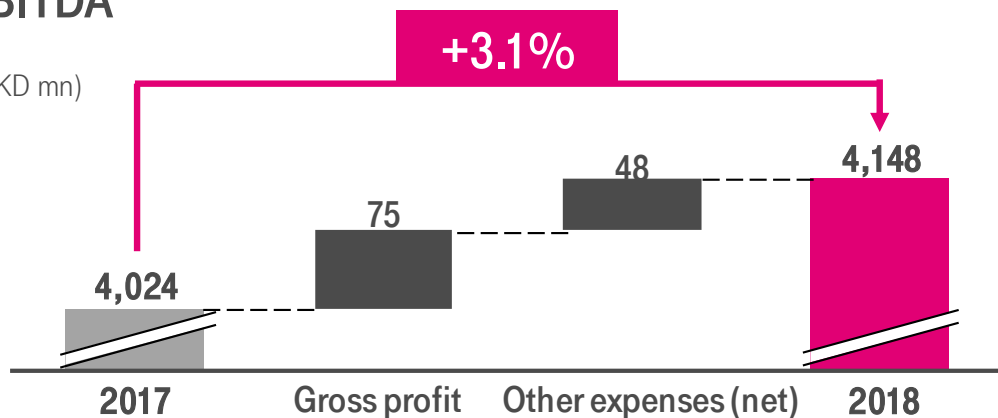
REVENUES *

(MKD mn)



EBITDA *

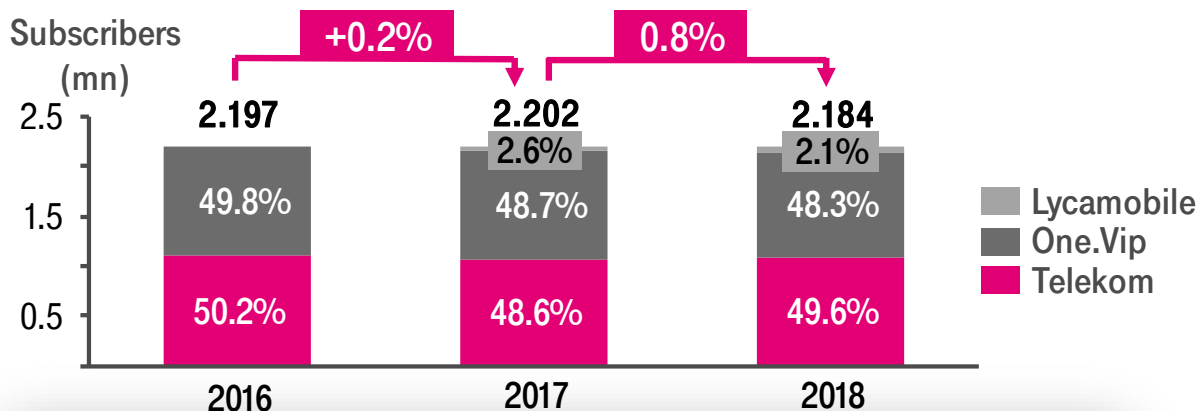
(MKD mn)



* Excluding IFRS 9 and 15 impacts

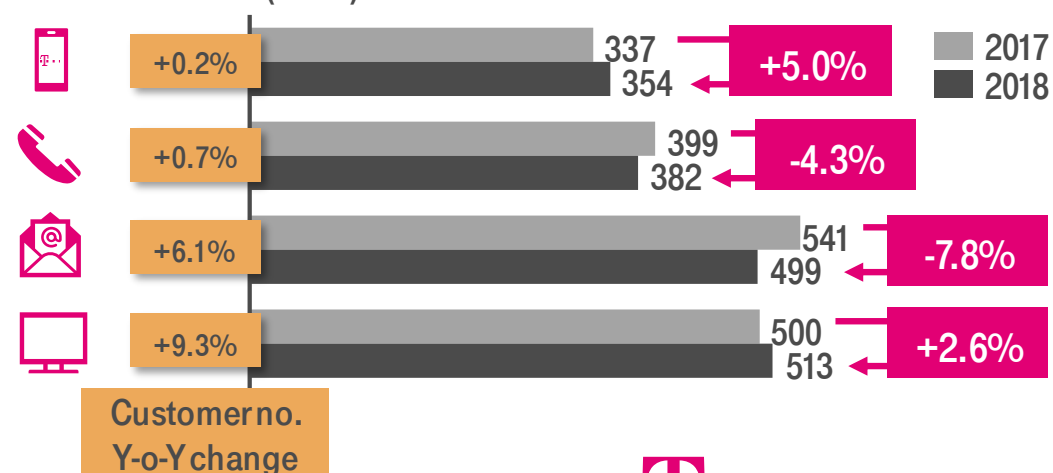
MOBILE MARKET

Subscribers
(mn)



KPIS (MOBILE/FIXED VOICE/FIXED BB/TV) *

ARPU (MKD)



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2018 RESULTS AND FINANCIAL TARGETS

	TARGETS 2018	RESULTS 2018
REVENUE	around HUF 630 bn	HUF 657.1 bn
EBITDA	around HUF 190 bn	HUF 192.5 bn
CAPEX*	around HUF 90 bn	HUF 91.8 bn
FCF	around HUF 60 bn	HUF 68.0 bn
DPS	HUF 25	HUF 25 proposed for the approval of the AGM

*excluding spectrum license fees



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**MAGYAR
TELEKOM**

**STRATEGY
2019-2023**



OUR AMBITIONS

TELCO OF TOMORROW

GROW

Lead In Customer
Experience

One connectivity
& perfect service

Lead in
Technology

Integrated
gigabit networks

Lead in Business
Productivity

Secure ICT solutions
& big IoT

Save for Growth Investments

Simplify, digitalize, accelerate



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CHANGING OPERATING ENVIROMENT

INCREASING CUSTOMER CENTRICITY



INTENSIFYING COMPETITION



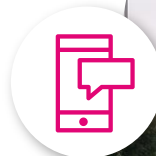
CHANGING REGULATORY ENVIRONMENT



INCREASING WAR FOR TALENT



CHANGING ROLE OF IT



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PILLARS OF OUR TRANSFORMATION



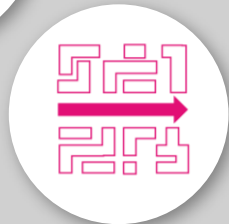
Maintain our position as the **number one integrated** operator.



Provide a flawless **digital** customer experience, available everywhere.



Build a universal, **gigabit-capable** fixed network, fit for the future.



Enhance our efficiency and offering through **simplicity**.



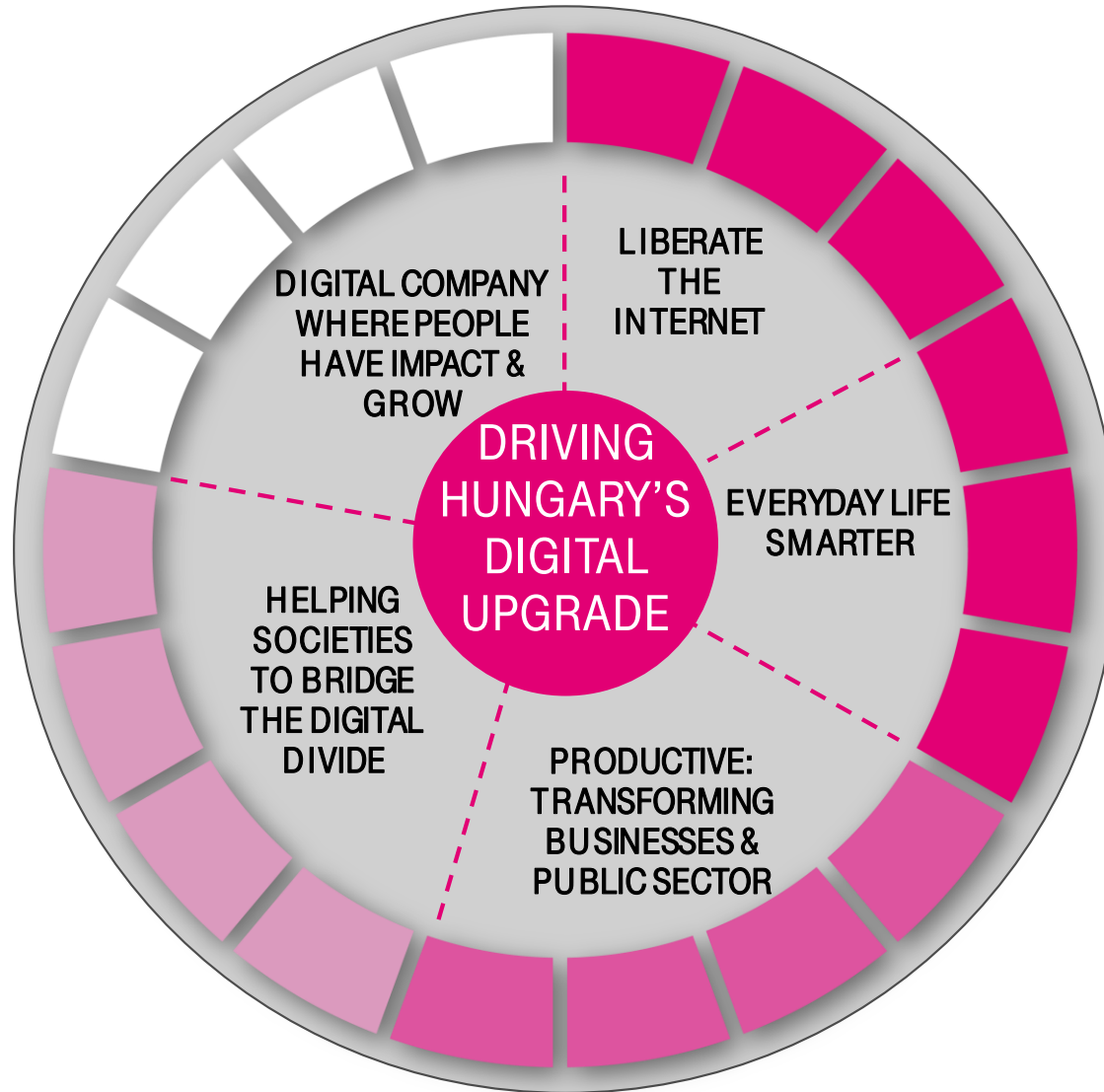
Take timely decisive action as a swift and **agile** operator.



Build a vibrant, **beloved Brand**.



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SIMPLICITY

IN OPERATION AND
CUSTOMER CHOICES

Portfolio

Declining product variations with fewer product-specific eligibility rules

Product

Start making our customers lives simpler by radically simplifying our products and processes

Sales

Fully empowered sales force

Channels

Gradual shift towards self care channels



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DIGITAL CUSTOMER EXPERIENCE



One App

e-Commerce

IT Internal transformation



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GIGABIT-CAPABLE NETWORK

PRIMARY GOAL

ESTABLISH GIGABIT-CAPABLE
NETWORK EVERYWHERE
IN HUNGARY

KEY ACTIVITIES

- Accelerate fiber rollout
- Modernize ED3 network
- Use alternative methods
- Migrate to Gigabit networks, retire copper
- Consolidate subcontractors



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AGILE OPERATOR

FASTER, STRONGER AND
MORE RESULT ORIENTATED

CORRESPONDING BUSINESS IMPACTS

Cultural transformation
via advocating new ways of working

Growth in employee satisfaction
and motivation

Increased efficiency
by reducing waste

Increased customer centricity
and faster time-to-market



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GROWTH AREAS

- Create more value of our base
- Household & business **#1 FMC player**
- Win marketshare in broadband
- Be **#1 in TV**
- Build ICT

HOW



BEST NETWORKS



DIGITALIZATION BECOME
THE TELCO OF TOMORROW



FUEL BRAND



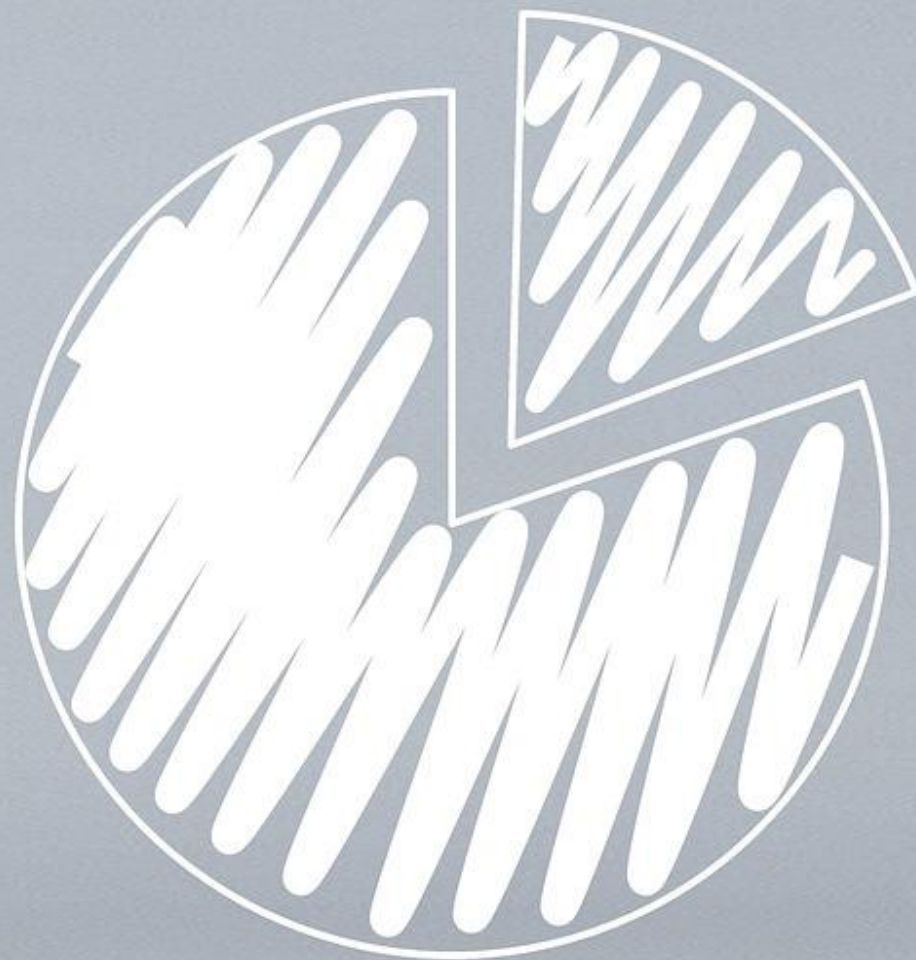
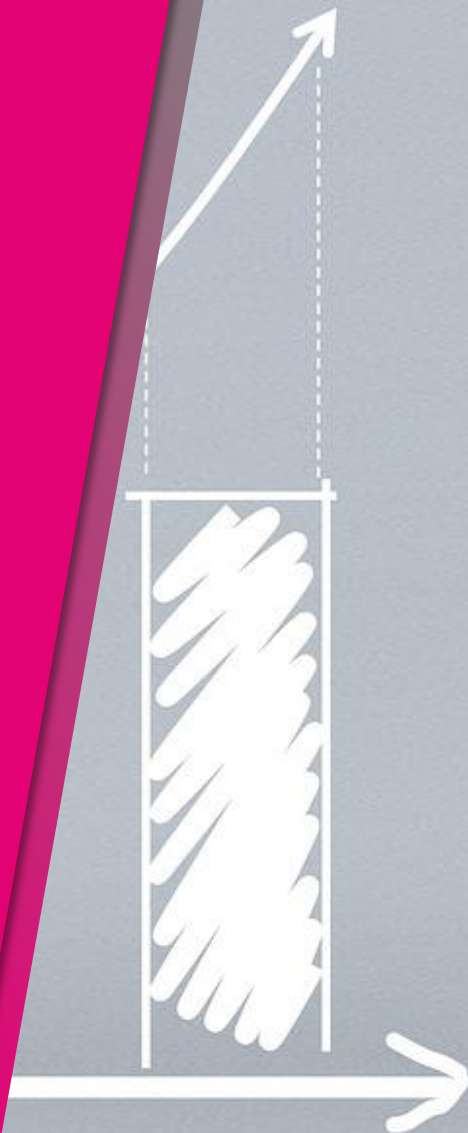
CULTURE CHANGE

SUCCESSFUL TRANSFORMATION JOURNEY



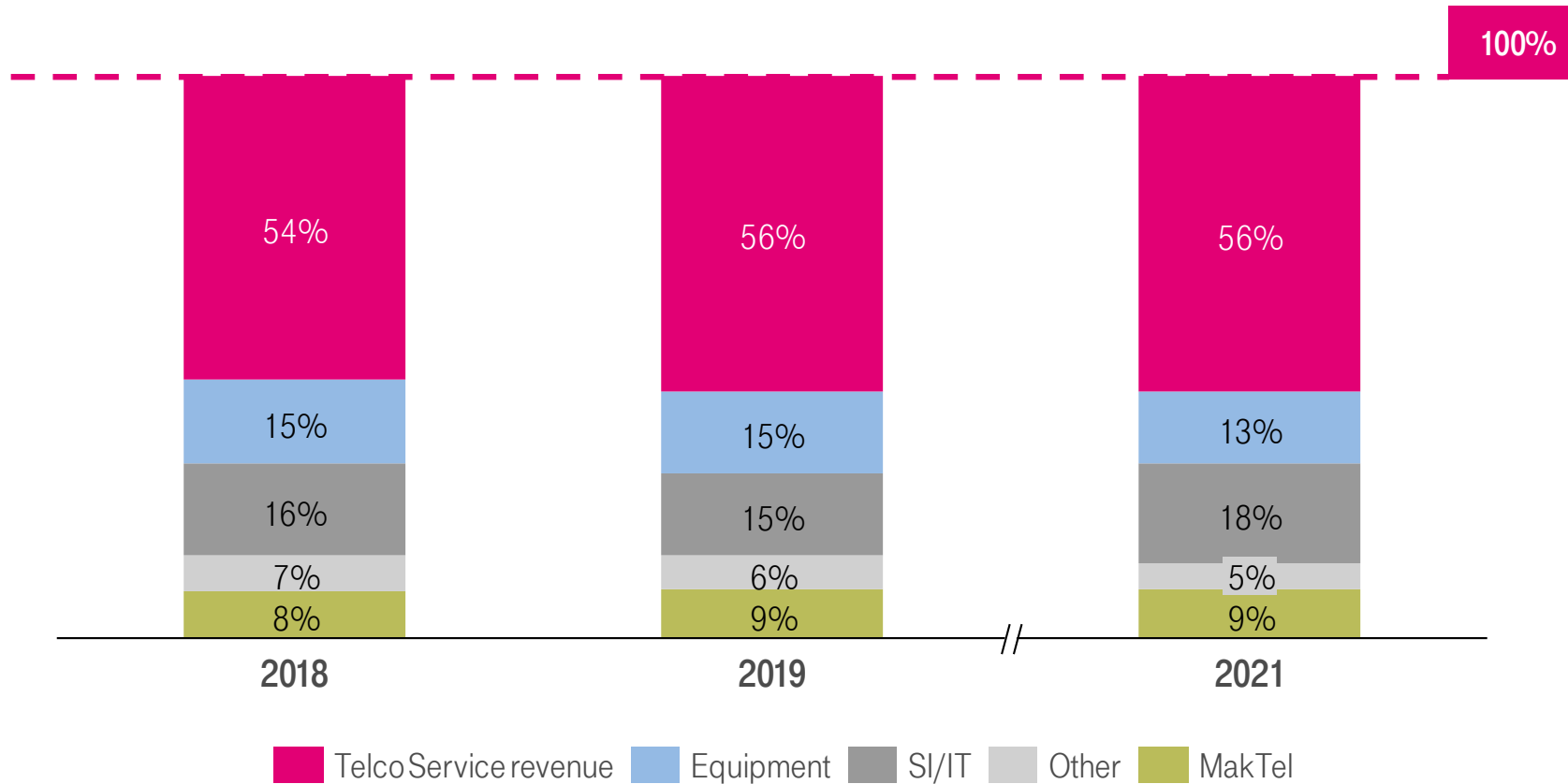
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FINANCIAL
OUTLOOK
2019-2021



REVENUE DEVELOPMENT 2018-2021

SLIGHT DECLINE IN 2019
BROADLY STABLE TILL 2021



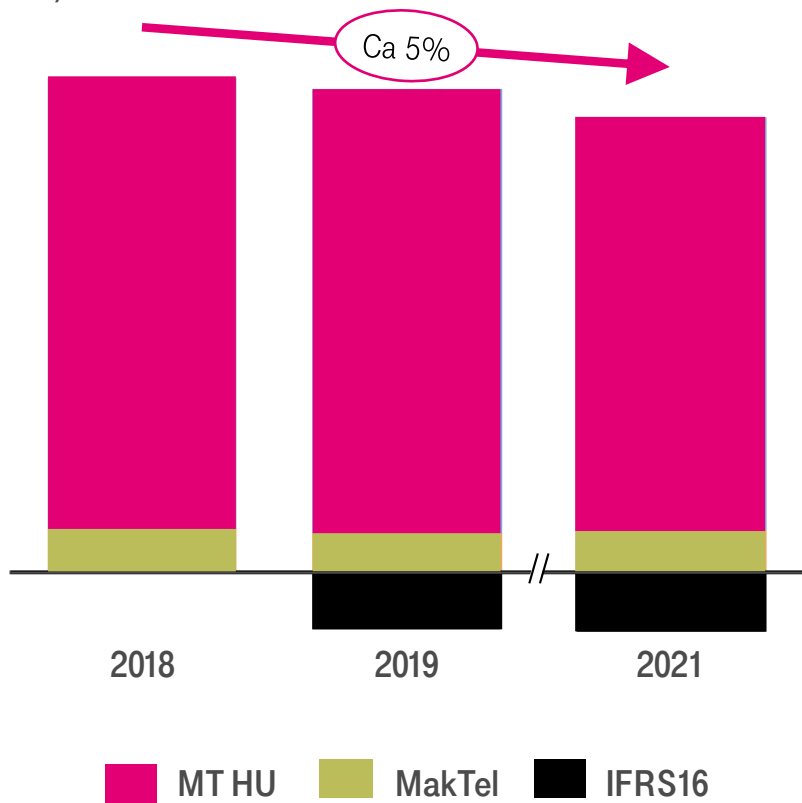
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RESOURCES 2018-2021

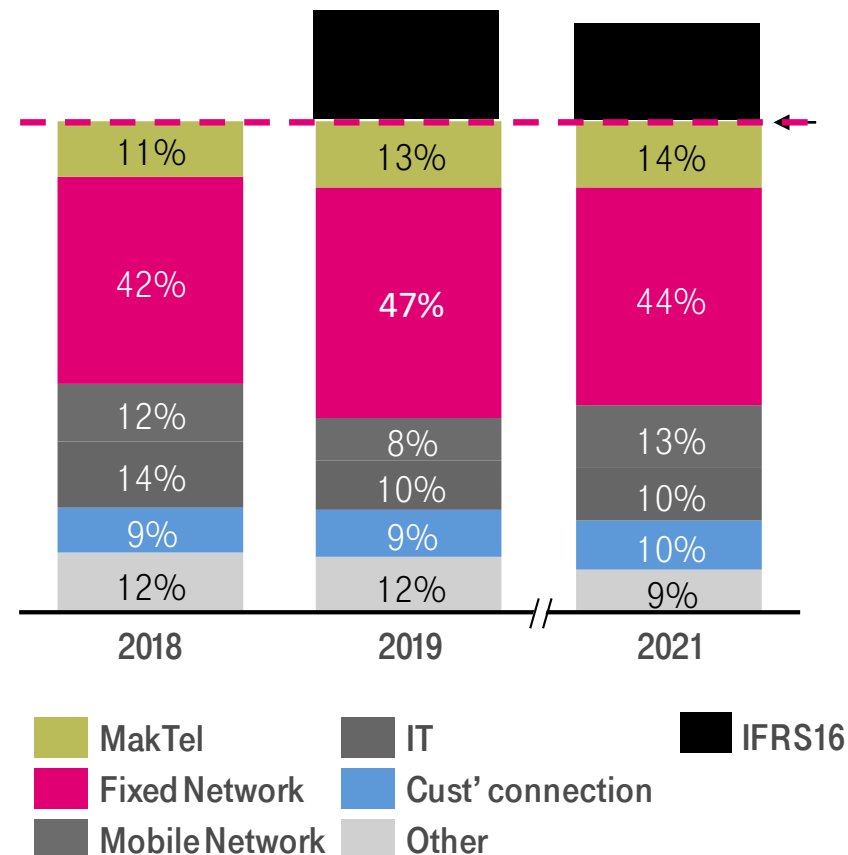
DECREASING INDIRECT COSTS AND BROADLY STABLE INVESTMENT EXPENDITURES

INDIRECT COSTS w/o utility tax

(HUF bn)



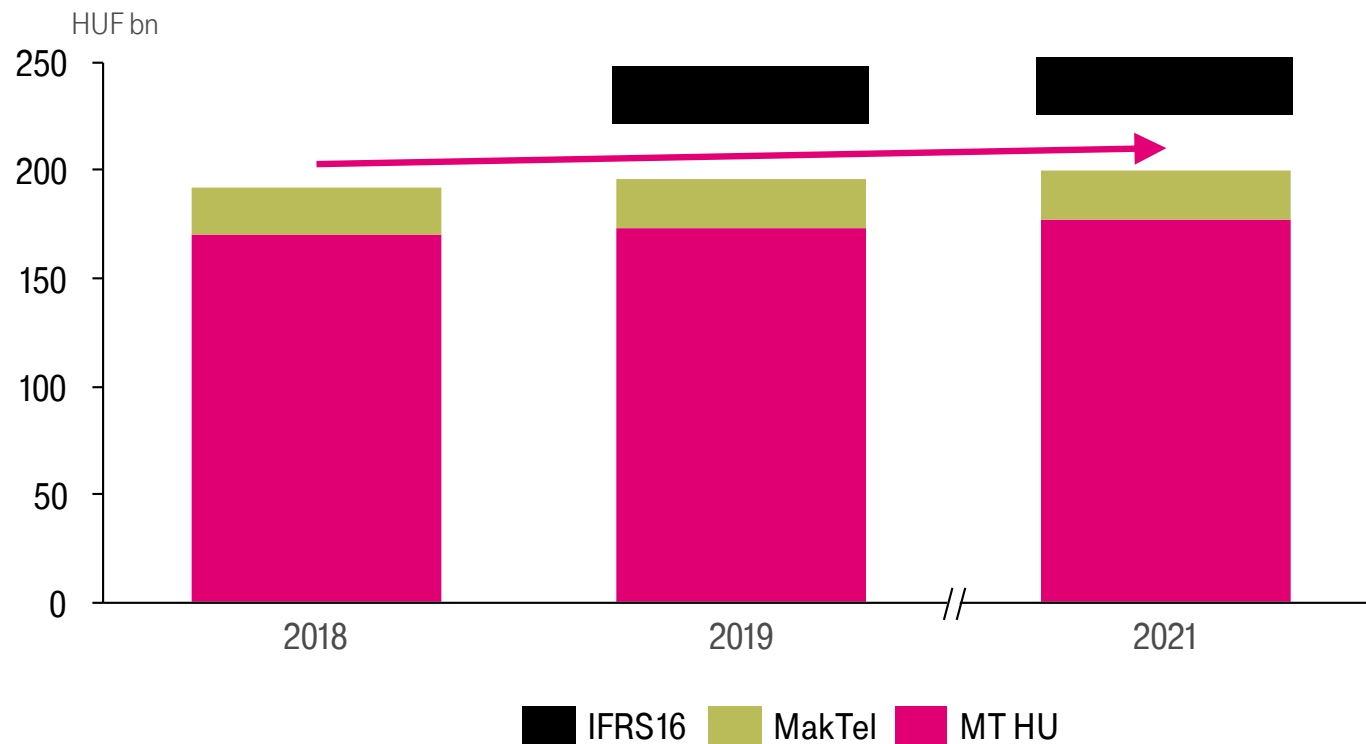
CAPEX



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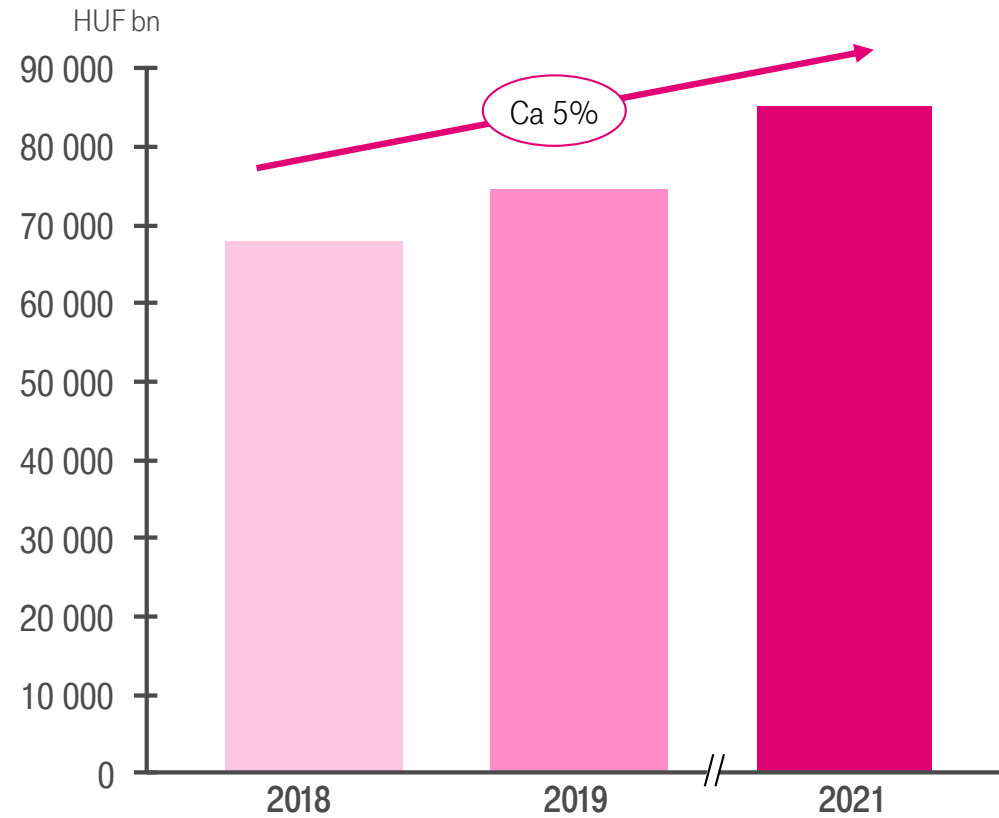
REPORTED EBITDA 2018-2021

1% - 2% AVERAGE ANNUAL INCREASE



FREE CASH FLOW* 2018-2021

Ca. 5% AVERAGE ANNUAL GROWTH



*excluding Spectrum license fee payments



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FINANCIAL TARGETS SUMMARY

	2018 RESULTS	2019 TARGETS ²	2021 TARGETS ²
REVENUE	HUF 657.1 bn	slight decline	broadly stable
EBITDA	HUF 192.5 bn	increasing at a CAGR of 1% - 2%	
CAPEX ¹	HUF 91.8 bn	broadly stable	
FCF ¹	HUF 68.0 bn	increasing at a CAGR of ca. 5%	
DPS	HUF 25 DPS ³	HUF 27 DPS ⁴	

¹excluding spectrum license fees

²on a comparable basis

³subject to approval by the General Meeting

⁴subject to the Board of Directors' future proposal to the General Meeting which will be submitted in due course, once all necessary information is available and all prerequisites to making such a proposal are met; and subject to approval by the General Meeting



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THANK YOU!