

MAGYAR TELEKOM GROUP RESULTS PRESENTATION

May 8, 2019



LIFE IS FOR SHARING.

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, 2018 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.

Q1 2019 STRATEGIC HIGHLIGHTS

Land Grabbing



- Accelerated fiber rollout to increase competitiveness
- Continuous growth in fixed-mobile convergent households



+55%

Of homes passed capable of ≥ 100 Mbps



~1/3

Of households served are FMC subscribers

Portfolio upgrades



- Success of fixed broadband portfolio restructuring
- Renewed postpaid portfolio
- Simplified discount schemes



~43%

of fixed BB customers use ≥ 150 Mbps



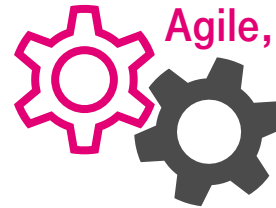
68%

Postpaid ratio

Cost optimization



- Digitalization to enhance operating efficiency and customer experience
- Reduction in total headcount
- Increasing online sales and customer care



Agile, cross-functional
working practices



5%

Cut in Hungarian headcount

Macedonia



- Continued subscriber growth across all segments supported by bundling
- Reinforced Magenta offer
- Efforts to promote digitization



~50%

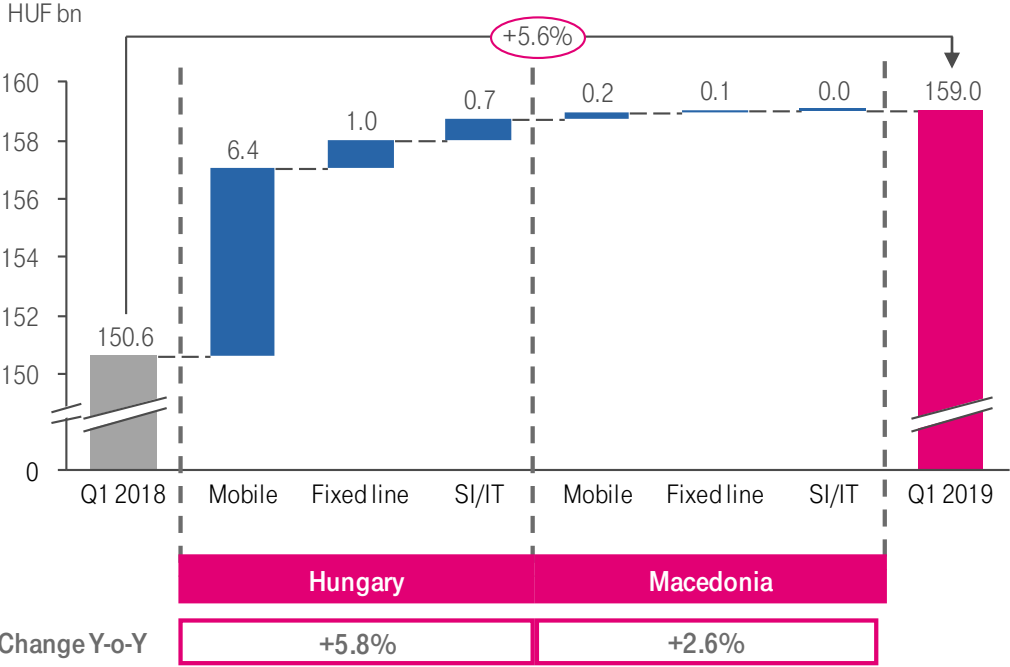
Of households served are FMC subscribers



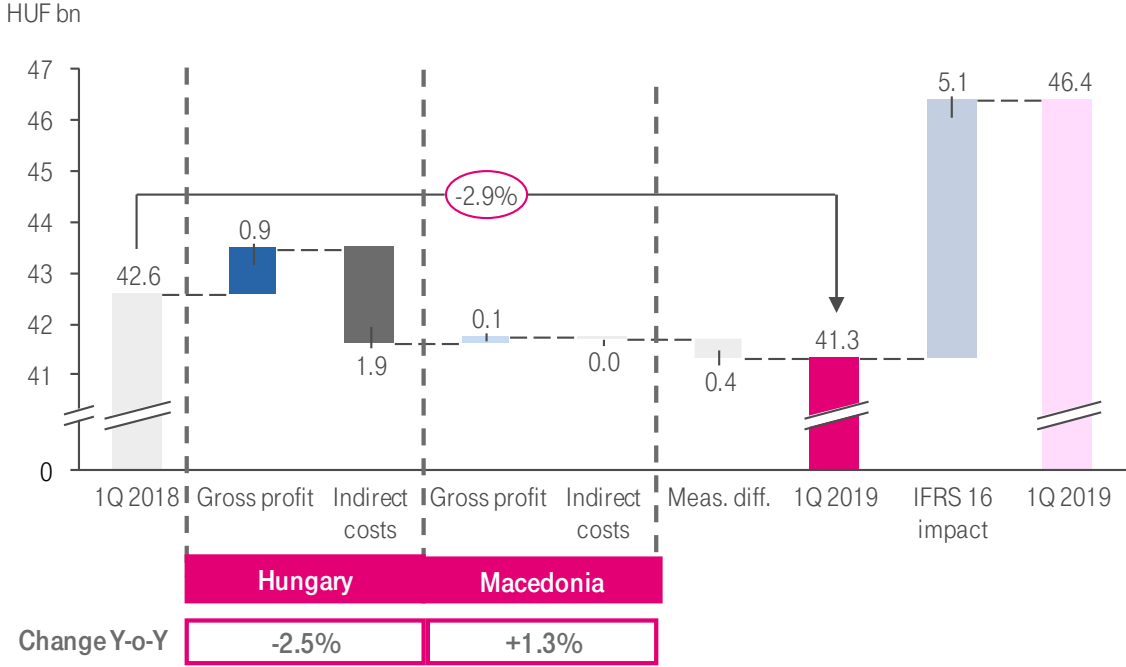
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Q1 2019 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues



Group segmental EBITDA



Q1 2019 RESULTS AND 2019 FINANCIAL TARGETS¹

		3M 2019 Results (change y-o-y)	Target 2019
REVENUE	<ul style="list-style-type: none"> Strong increase in equipment sales Growth in mobile data usage 	HUF 159 bn (+5.5%)	Slight decline
EBITDA	<ul style="list-style-type: none"> Higher gross profit and general cost saving measures Higher severance expense in Hungary offset positive impacts 	HUF 41.3 bn (-2.9%)	Increase of 1%-2%
CAPEX²	<ul style="list-style-type: none"> Reduced spending on 4G Higher investments related to fiber rollout 	HUF 14.3 bn (-1.7%)	Broadly stable
FCF²	<ul style="list-style-type: none"> Negative changes in working capital due to higher payments to handset suppliers and IT subcontractors Improvement in instalment receivables coupled with higher real estate income 	HUF -14.9 bn (-49.6%)	Ca. 5% growth

¹ excluding the impact of IFRS 16 adoption

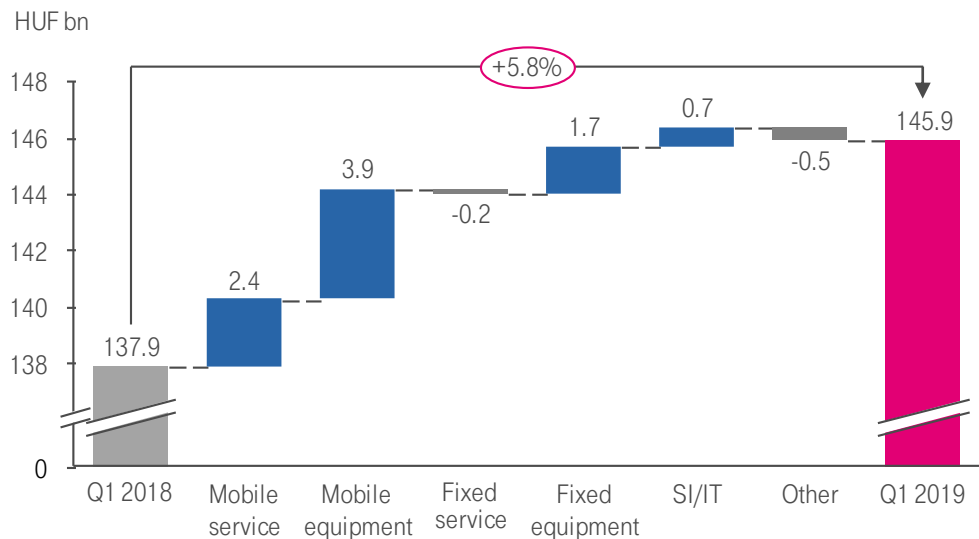
² excluding spectrum license fees



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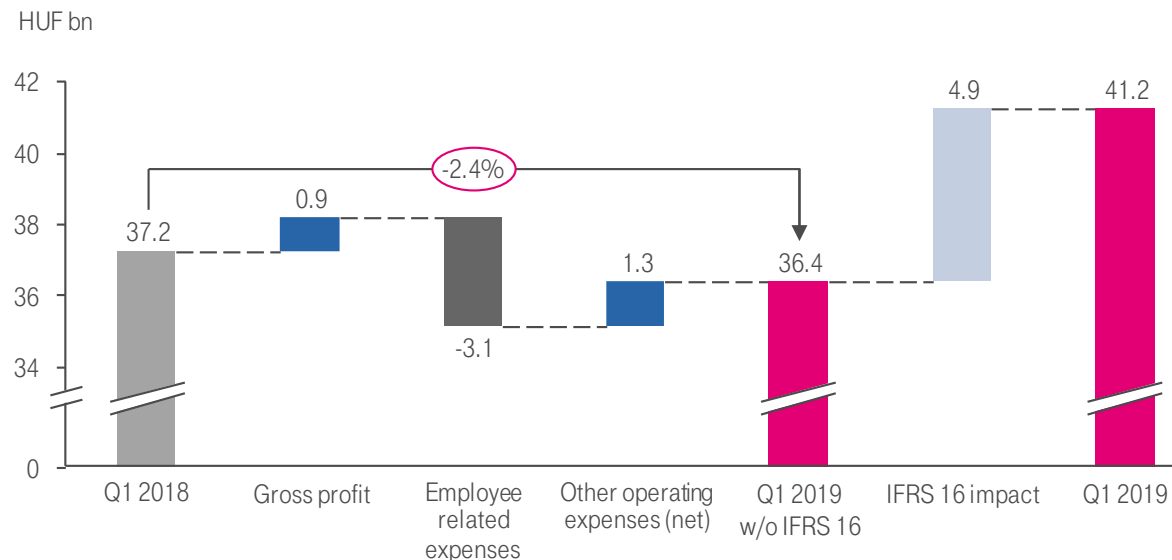
HUNGARY - TOTAL

Revenue



- Mobile service revenue growth thanks to data growth
- Fixed service revenue declines reflecting price pressure and higher equipment discounts during the past year
- Increase in equipment sales due to upward shift in the average handset value and higher third party export sales
- Slowdown in SI/IT revenue growth reflecting the high values in the base period

EBITDA

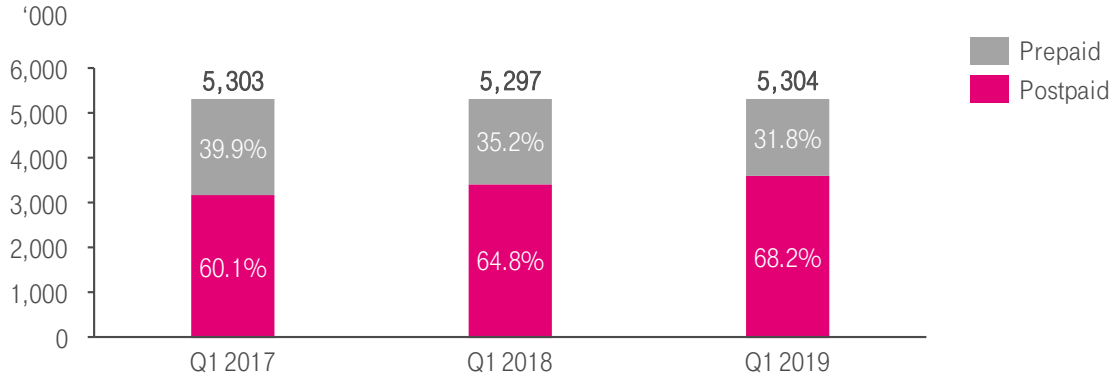


- Increase in gross profit thanks to a strong increase in revenues, partly offset by increasing weight of lower margin services
- Higher employee related expenses reflecting HUF 3.0 billion severance expense
- Savings in other expenses (IT maintenance, energy, marketing) coupled with higher profit on real estate sale

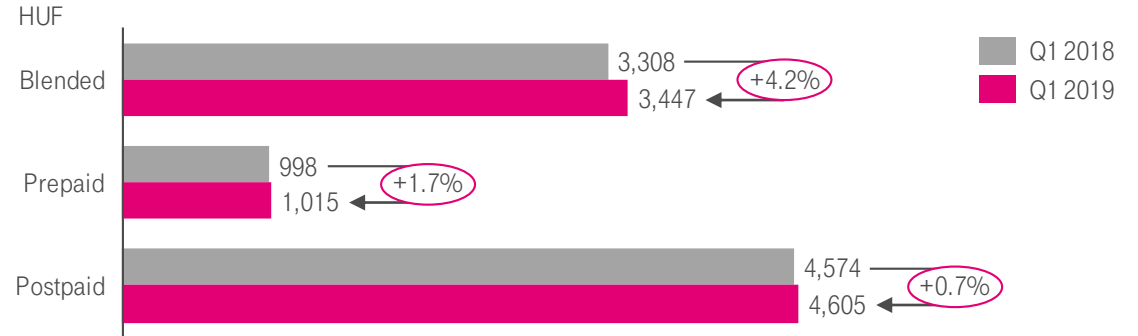
HUNGARY - MOBILE



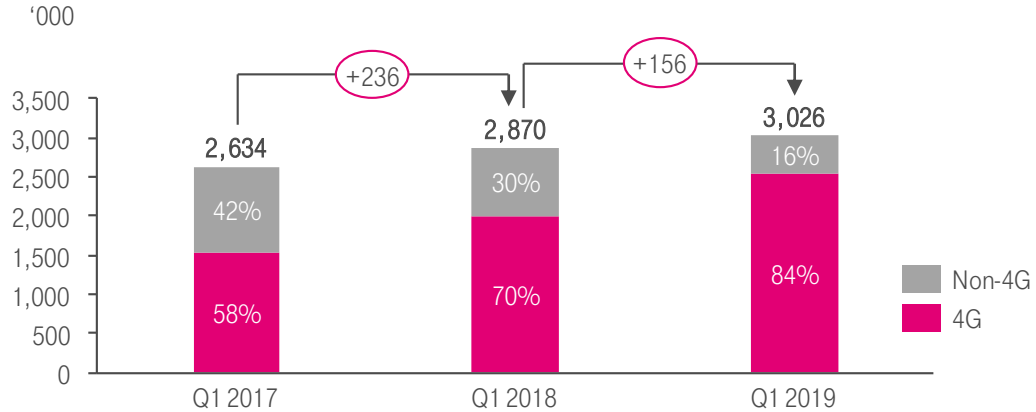
Mobile SIMs



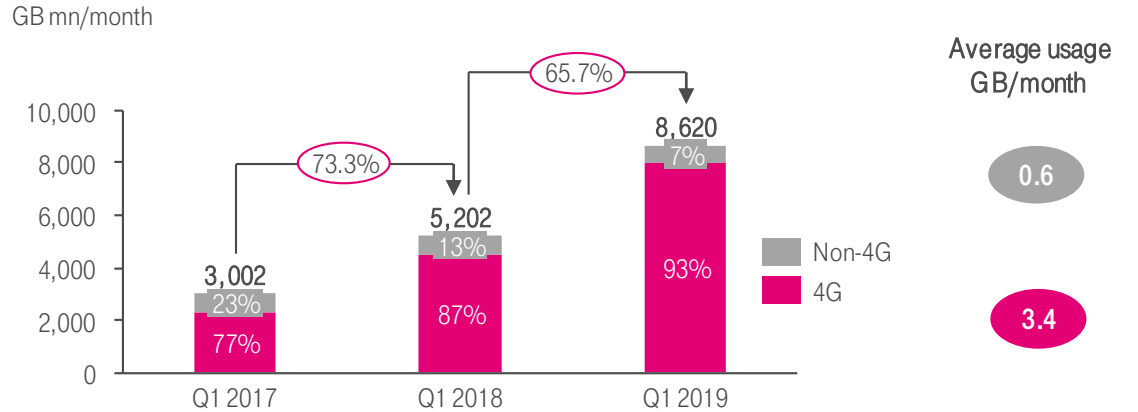
Mobile ARPU



Total mobile data subscribers



Mobile broadband usage



Average usage
GB/month

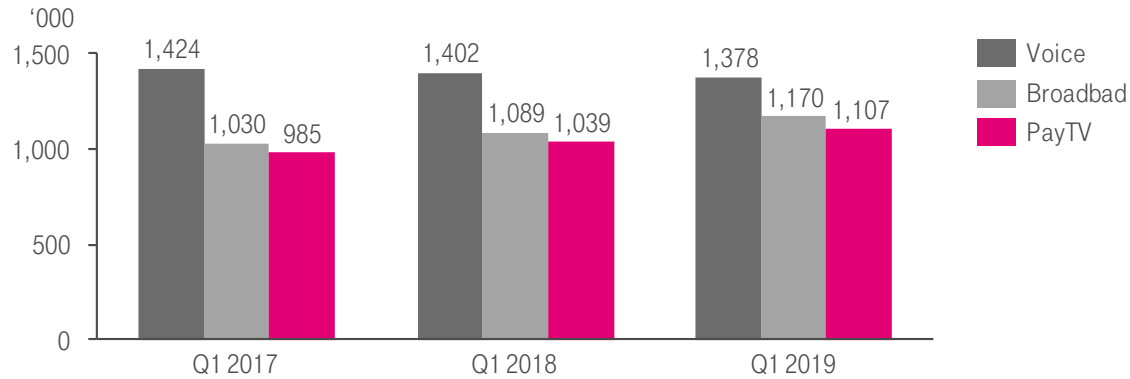
0.6

3.4

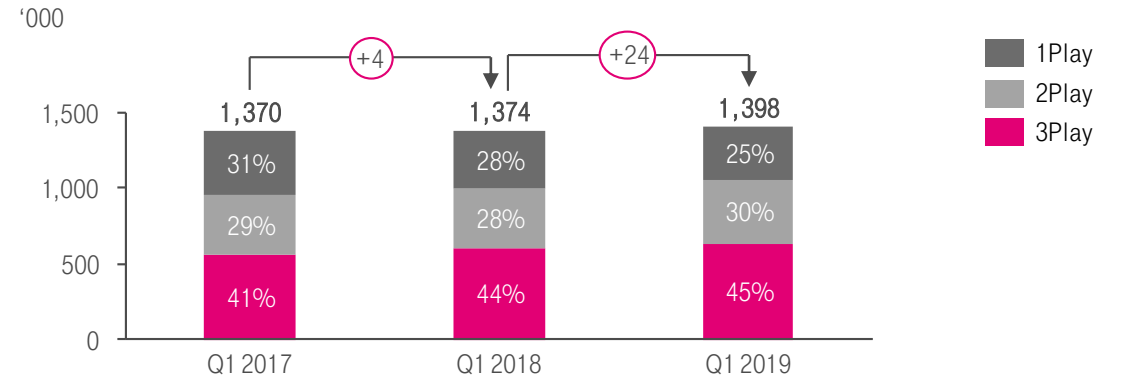
HUNGARY – FIXED VOICE, BROADBAND AND TV



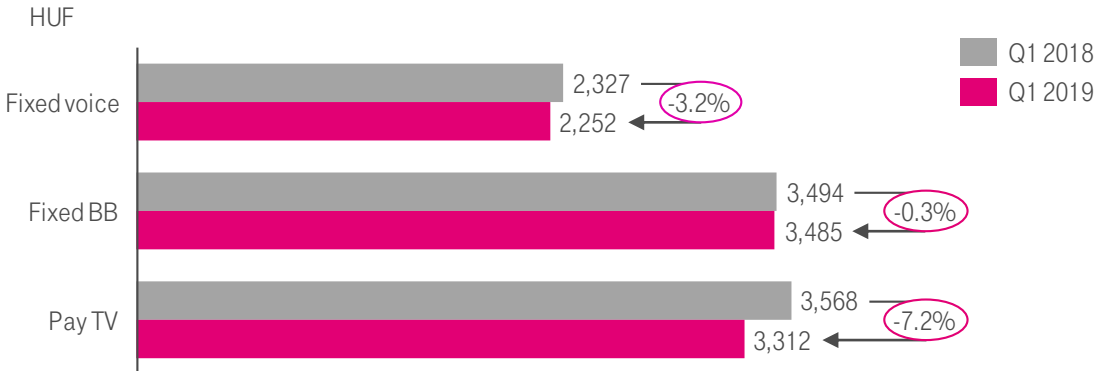
Fixed line customer base



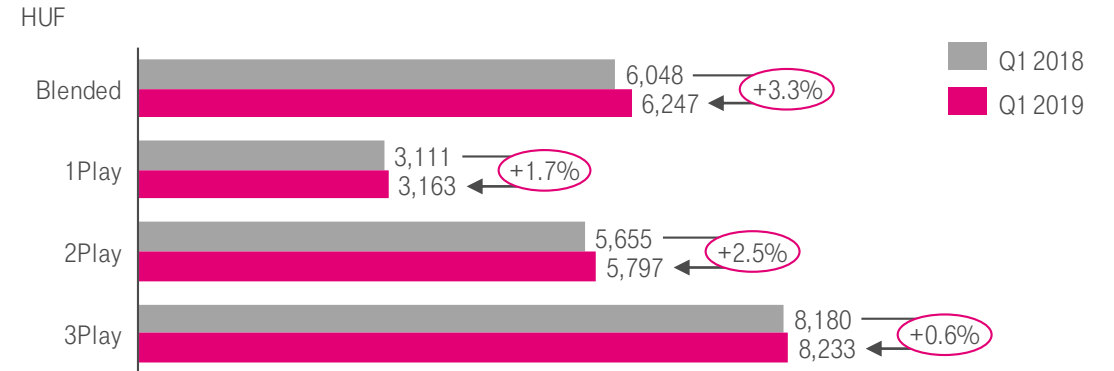
Fixed line multiplay residential subscribers



Fixed Voice, BB and TV ARPU



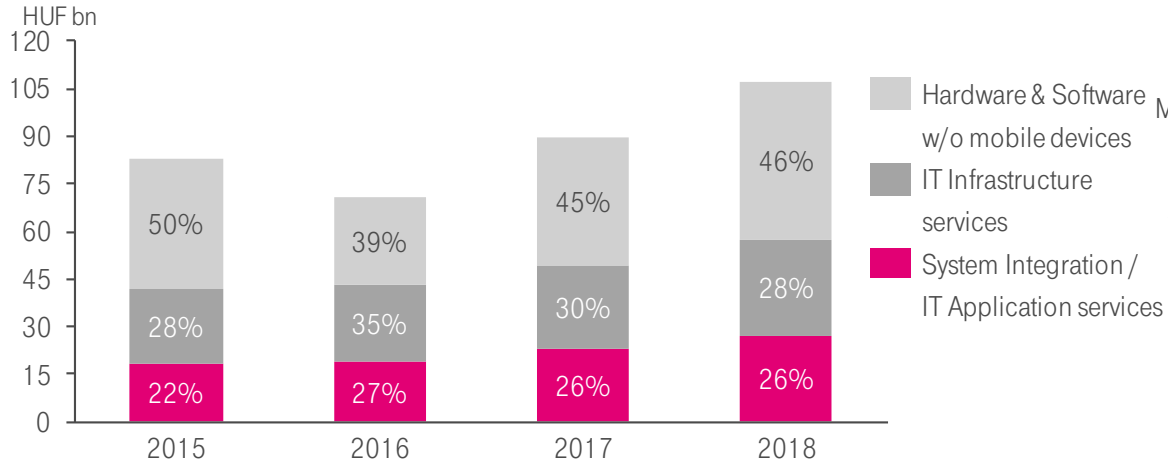
Fixed line multiplay revenues per households



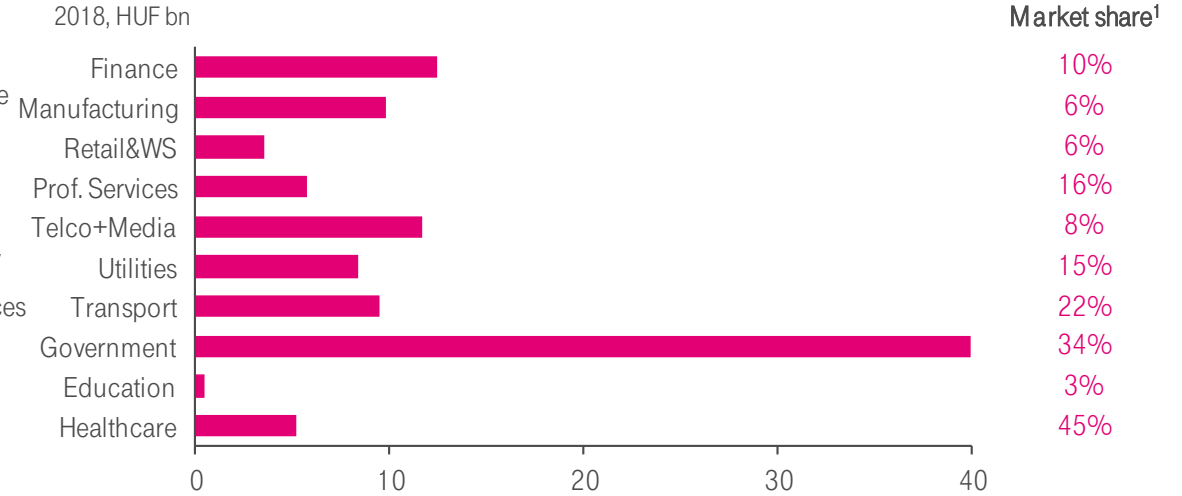
HUNGARY – SI/IT



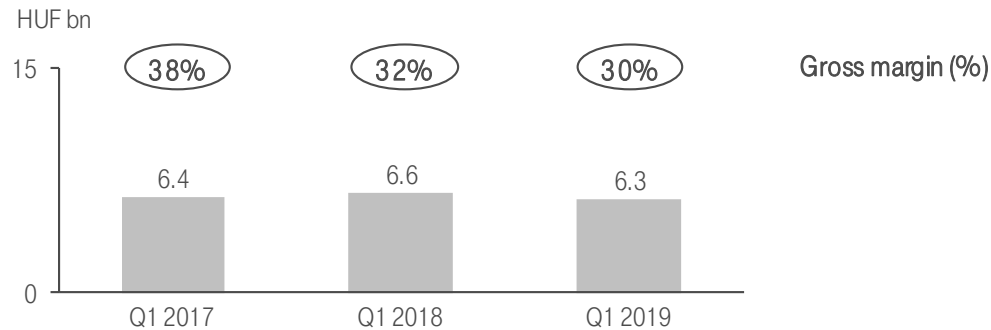
SI/IT revenue trends



SI/IT revenue breakdown by vertical segments¹



SI/IT gross profit of MT-Hungary



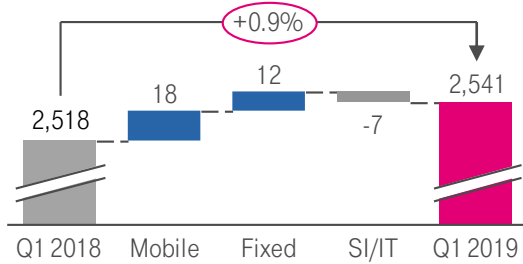
Highlights

- Positive trajectory of SI/IT revenues maintained
- EU funded projects are hardware and software focused, and relatively low margin
- Infrastructure delivery projects instrumental in developing long term customer relationships and securing IT service contracts
- Demand for higher margin SI projects starting to increase

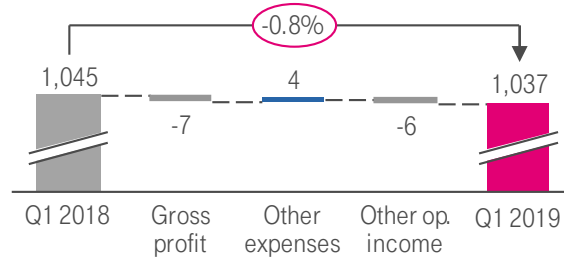
NORTH MACEDONIA

Financials

Revenues (MKD mn)

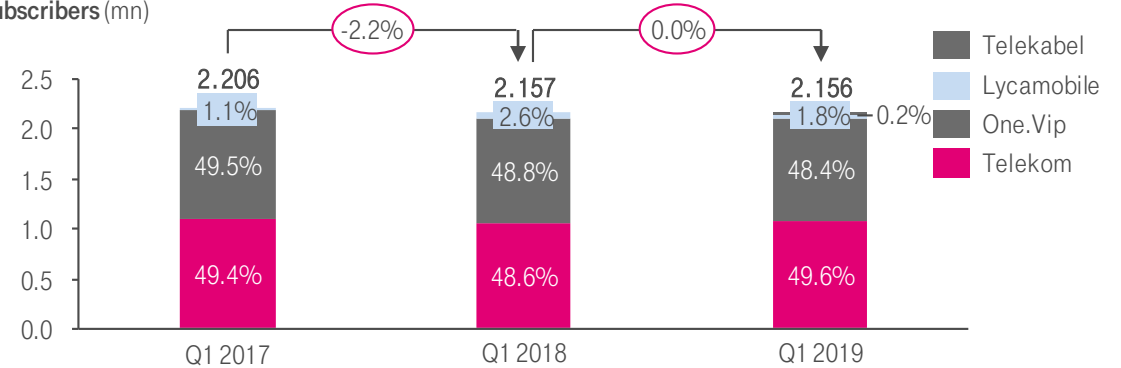


EBITDA (MKD mn)

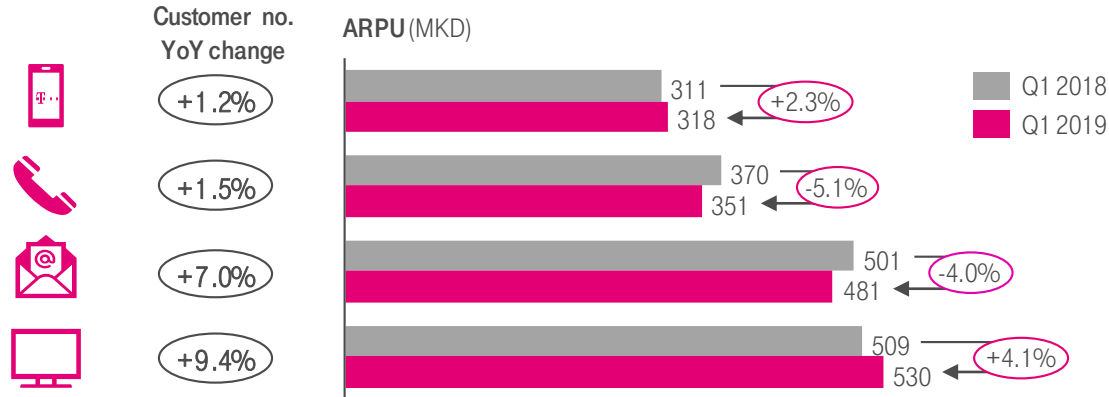


Mobile market

Subscribers (mn)



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



Highlights

- Convergent fixed-mobile offers gaining in popularity
- Continued improvement in customer numbers
- New MVNO entrant to the mobile market had limited impact
- Price levels under prevailing competitive pressure
- Temporary decline in IT revenues
- EBITDA decline due to higher equipment costs and lower other income

For further questions please contact the IR department:

Péter Bauer

Head of Investor Relations

Phone: +36 1 481-7676

e-mail: bauer.peter@telekom.hu

Rita Walfisch

Investor Relations Manager

Phone: +36 1 457-6084

e-mail: walfisch.rita@telekom.hu

