

# **MAGYAR TELEKOM GROUP**

# **Q2 2018 RESULTS PRESENTATION**

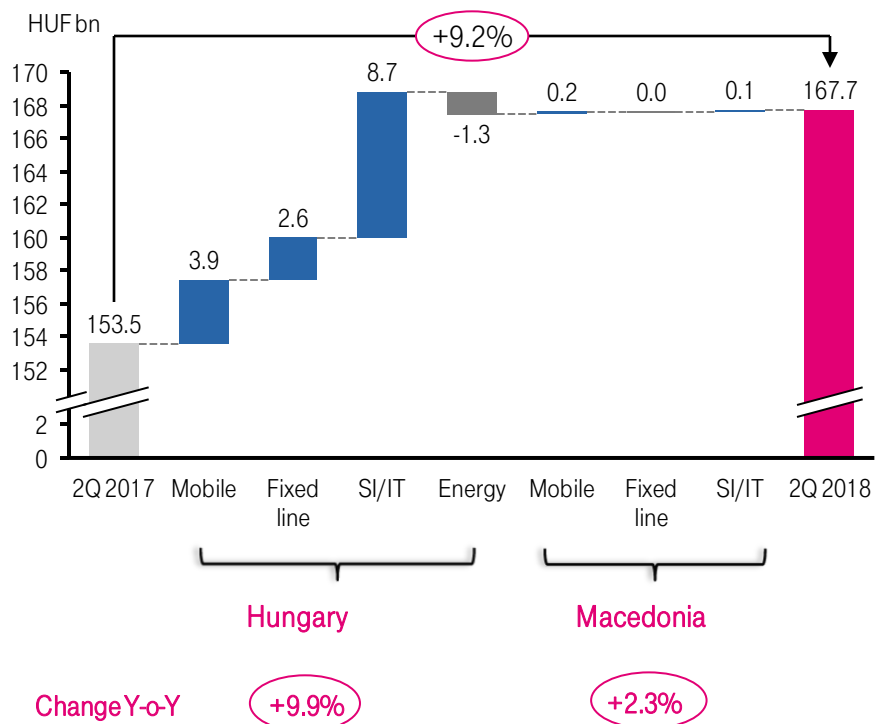
**AUGUST 8, 2018**



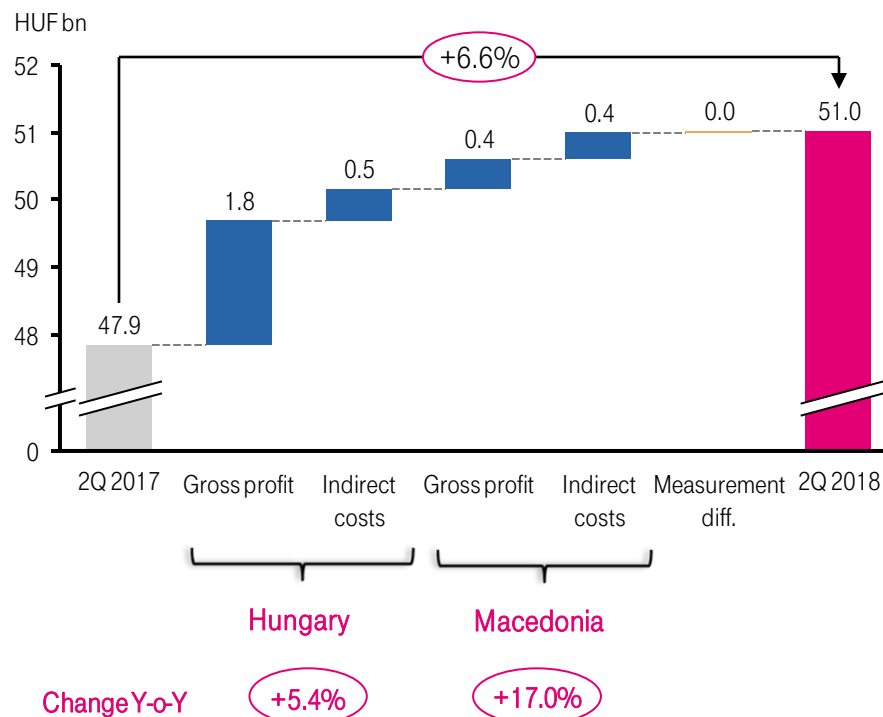
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# Q2 2018 GROUP SEGMENTAL REVENUE AND EBITDA

## Group segmental revenues\*



## Group segmental EBITDA\*



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\*Excluding Crnogorski Telekom financials and IFRS 9 and 15 impacts

# H1 2018 RESULTS AND 2018 FINANCIAL TARGETS

		H1 2018 RESULTS <i>(change y-o-y)</i>	2018 TARGETS
<b>REVENUE</b>	<ul style="list-style-type: none"> <li>▪ Strong growth in SI/IT revenue and equipment sales</li> <li>▪ Improving service revenue trends</li> </ul>	HUF 318.3 bn <i>(+8.2%)</i>	around HUF 630 bn*
<b>EBITDA</b>	<ul style="list-style-type: none"> <li>▪ Higher gross profit driven by increased sales volumes</li> <li>▪ Strong focus on efficiency reflected in indirect cost decline</li> </ul>	HUF 92.8 bn <i>(+7.6%)</i>	around HUF 190 bn
<b>CAPEX</b>	<ul style="list-style-type: none"> <li>▪ Different timing of investments vs H1 2017</li> <li>▪ Lower spending on 4G rollout and IT</li> </ul>	HUF 30.8 bn <i>(-18.2%)</i>	around HUF 90 bn
<b>FCF</b>	<ul style="list-style-type: none"> <li>▪ Improvement thanks to higher EBITDA and lower investments</li> <li>▪ Higher supplier outpayments vs H1 2017</li> </ul>	HUF 11.6 bn <i>(+8.2%)</i>	around HUF 60 bn

\* Changed from around HUF 600 bn

# Q2 2018 STRATEGIC HIGHLIGHTS

## LAND GRABBING

- Accelerated fibre rollout to increase competitiveness;
- Continuous growth in fixed-mobile convergent households
- Leading position in the IT market strengthened

## GROWTH

- Service revenue increase thanks to positive customer developments
- Growth in equipment sales driven by regulatory change and rising demand for high-value products
- SI/IT revenues fueled primarily by public sector projects

## EFFICIENCY

- Wide-ranging cost optimization project ongoing
- Digitalization to enhance operating efficiency and customer experience
- Portfolio simplification to improve customer servicing

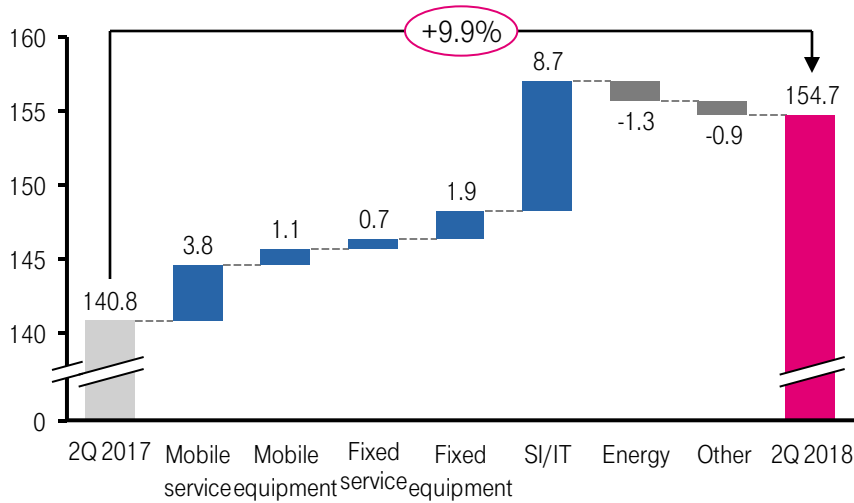
## MACEDONIA

- Subscriber growth in post-paid, TV and fixed BB continues
- Positive trend in service revenues
- Indirect cost savings leading to profitability improvements

# HUNGARY

## Revenue\*

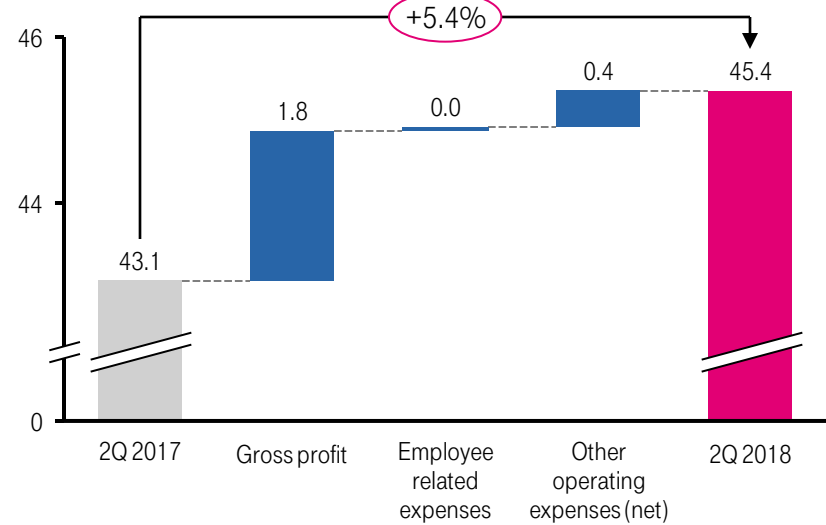
HUFbn



- Mobile service revenue growth primarily driven by increases in mobile data usage and postpaid customer base
- Fixed service revenue up thanks to higher TV and broadband subscriber bases
- Increase in SI/IT revenue driven by strong demand for HW&SW delivery projects
- Decline in other revenues due to reclassification of handset insurance revenues as mobile content from 2018

## EBITDA\*

HUFbn



- Gross profit increase driven by strong revenue growth
- Employee related expenses reflect lower headcount
- Savings achieved in marketing, maintenance and HR-related expenses



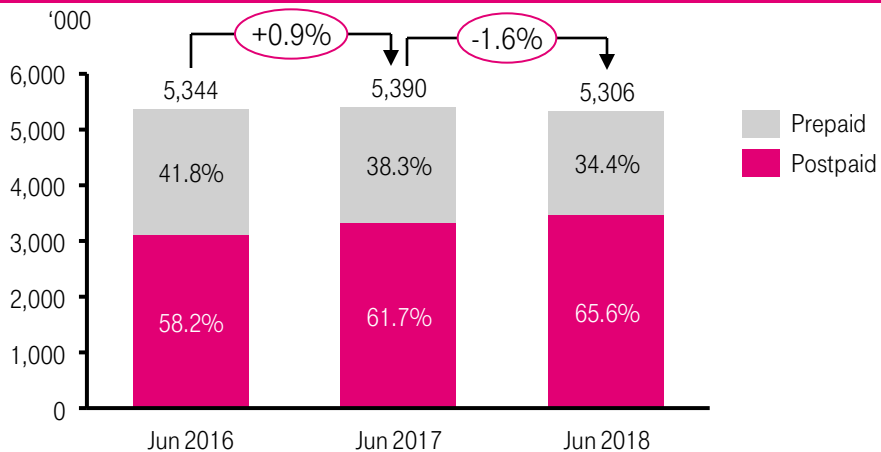
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\*Excluding IFRS 9 & 15 effects

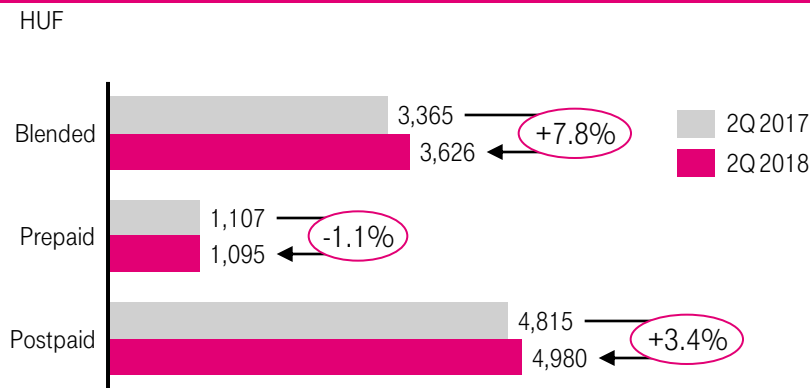
# HUNGARY - MOBILE



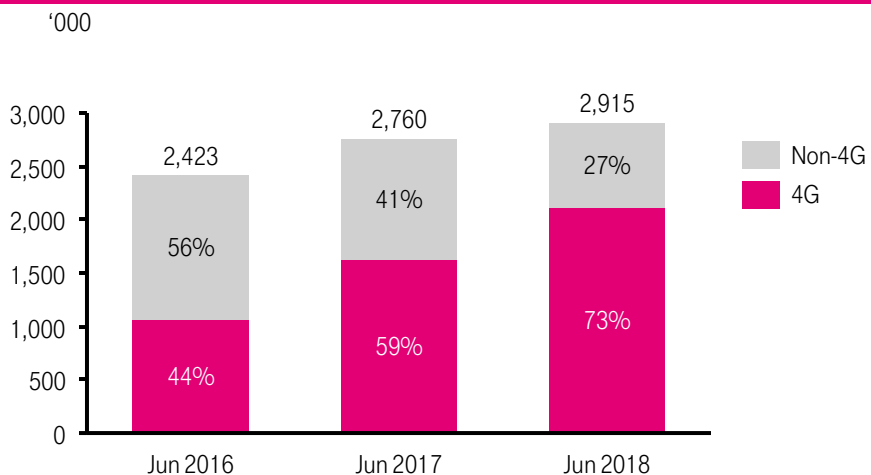
## Mobile SIMs



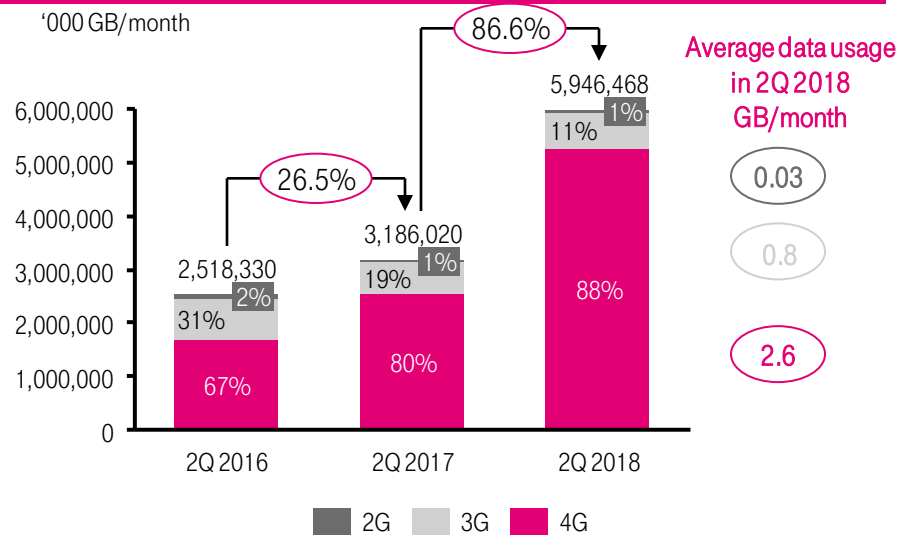
## Mobile ARPU\*



## Total mobile data subscriber development



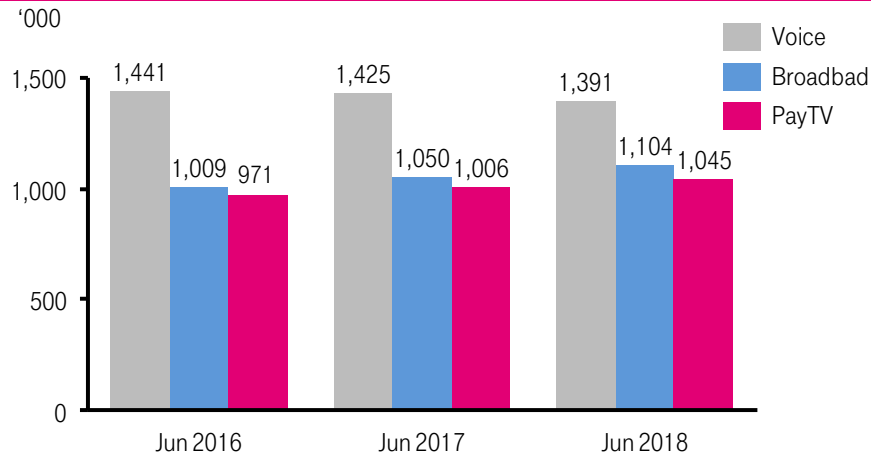
## Mobile broadband usage developments



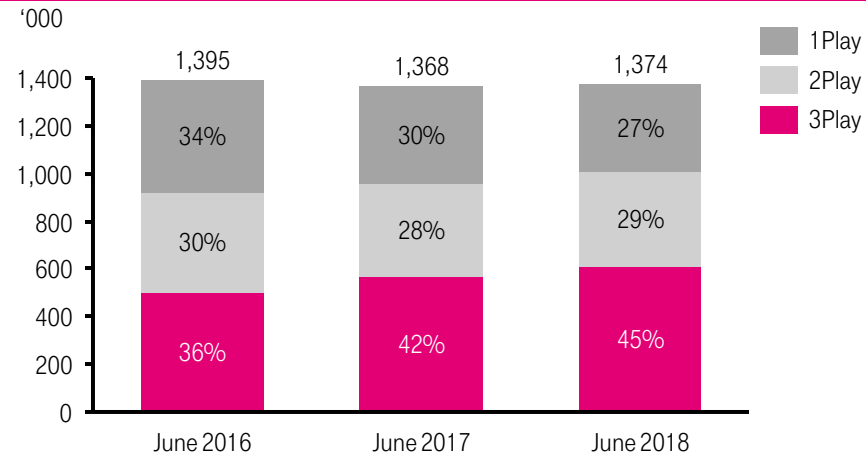
# HUNGARY – FIXED VOICE, BROADBAND AND TV



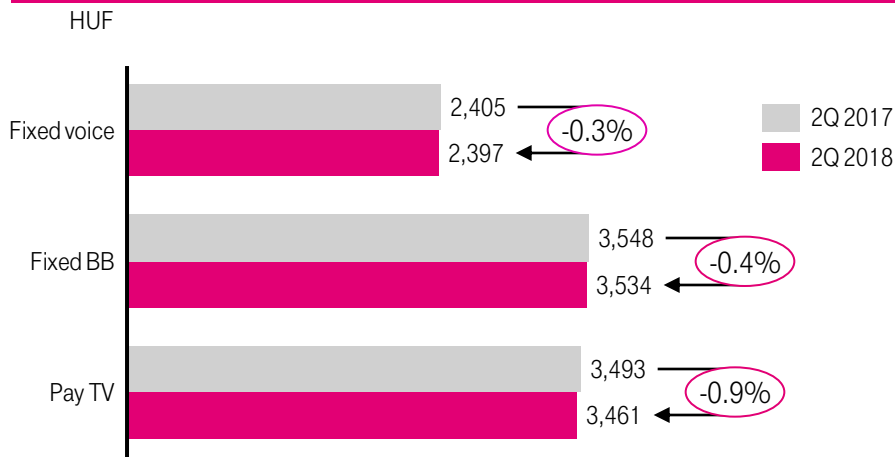
## Fixed line customer base



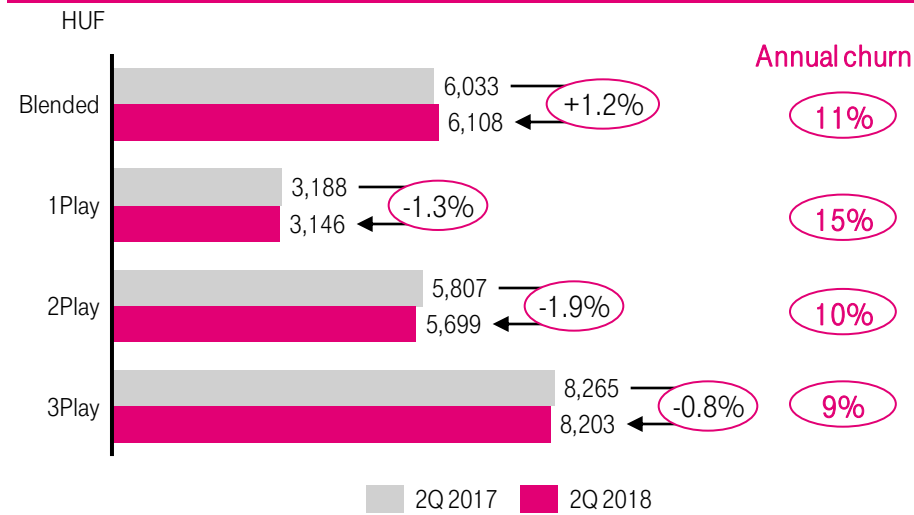
## Fixed line multiplay residential subscribers



## Fixed Voice, BB and TV ARPU\*



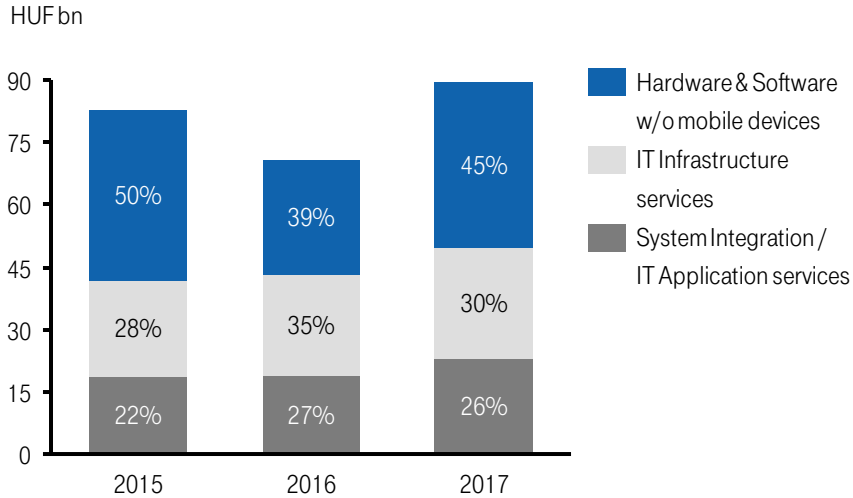
## Fixed line multiplay residential ARPU\*



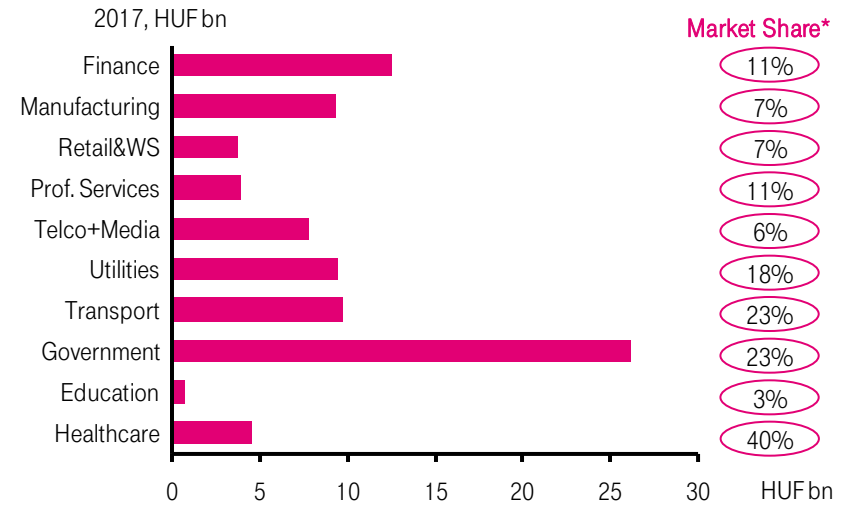
\*Excluding IFRS15 effects

# HUNGARY - SI/IT

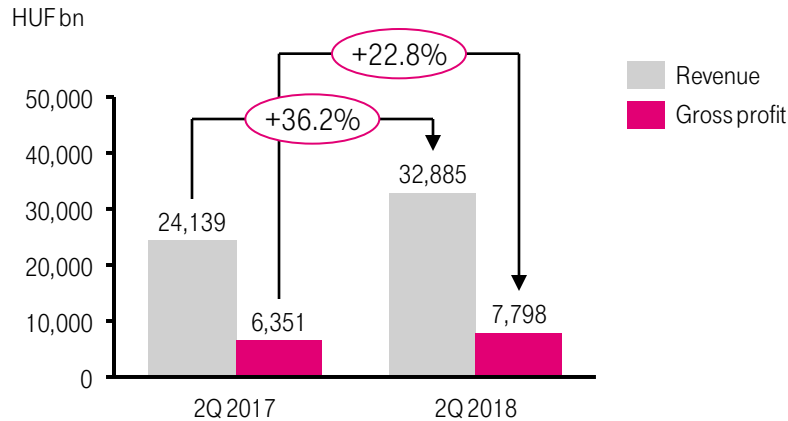
## SI/IT revenue developments



## SI/IT revenue breakdown by vertical segments\*



## SI/IT revenue and gross profit of MT-Hungary



Gross margin 26%

24%

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## Highlights

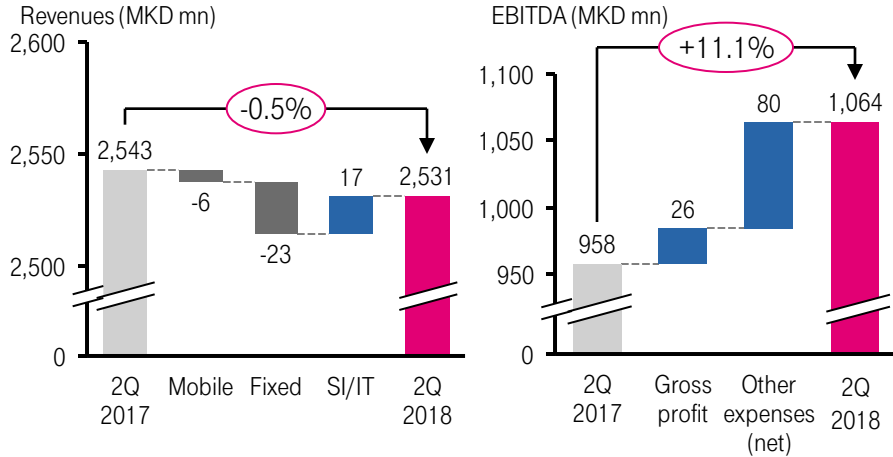
- Positive trajectory of SI/IT revenues maintained
- EU funded projects are hardware and software focused and relatively low margin
- Infrastructure delivery projects instrumental in developing long term customer relationships and securing IT service contracts
- Q2 2018 revenue also supported by major PC delivery to the education sector

\*Based on IDC Research 2018, market shares based on 2017 revenues

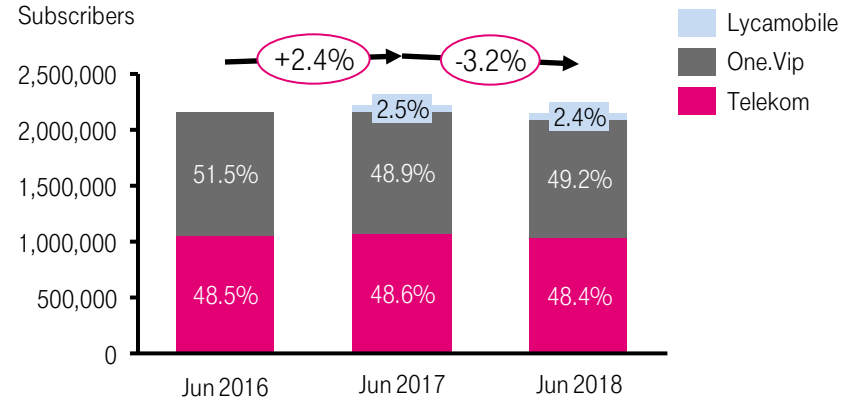


# MACEDONIA

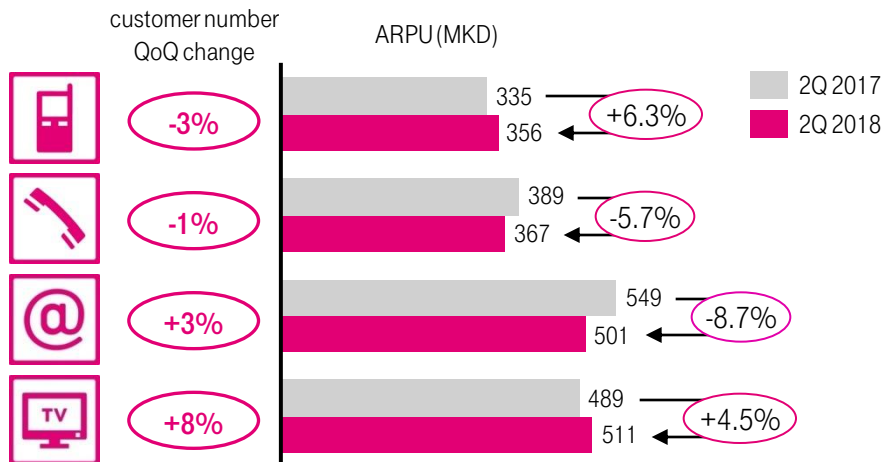
## Financials\*



## Mobile market



## KPIs (mobile/fixed voice/fixed BB/TV)\*



## Highlights

- Market dominated by 3 Play
- Convergent offers gaining popularity
- Strong focus on efficiency enhancement to mitigate top line pressure
- EBITDA improvement attributable to savings in marketing and maintenance costs
- 2.9% weakening in HUF/MKD



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\*Excluding IFRS 9 and 15 impacts

## For further questions please contact the IR department:

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#### 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>.

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

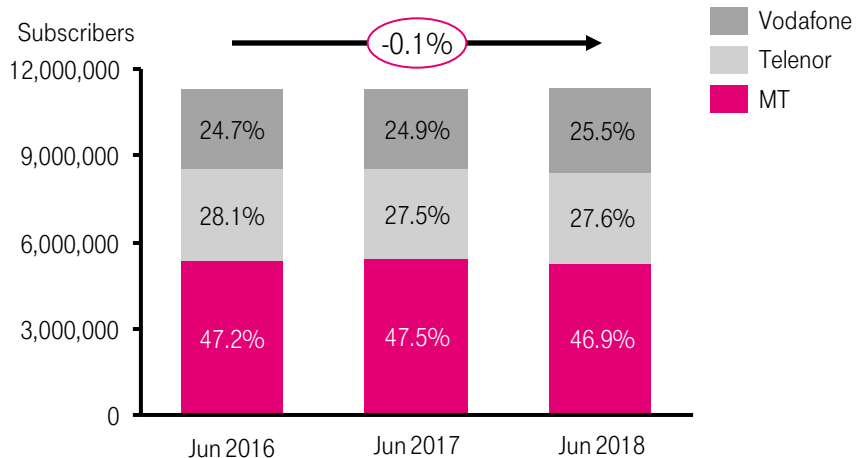
In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared 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](http://www.telekom.hu/investor_relations).



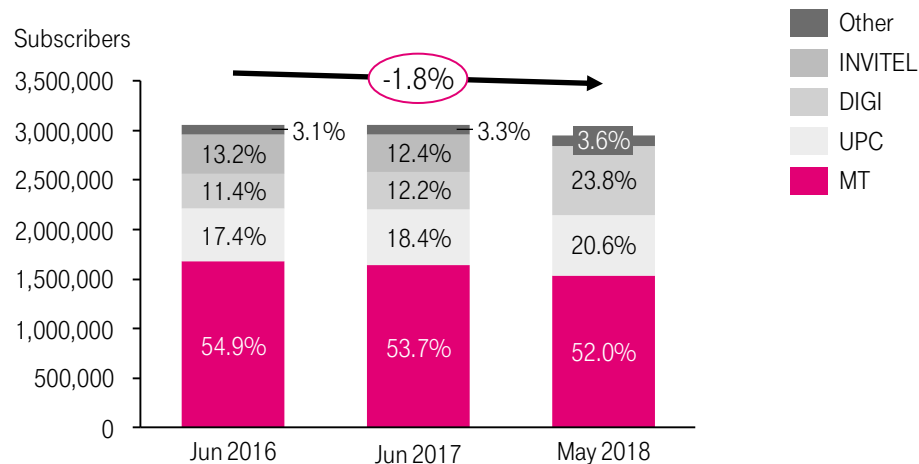
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# MARKET POSITIONS IN THE HUNGARIAN TELCO MARKET

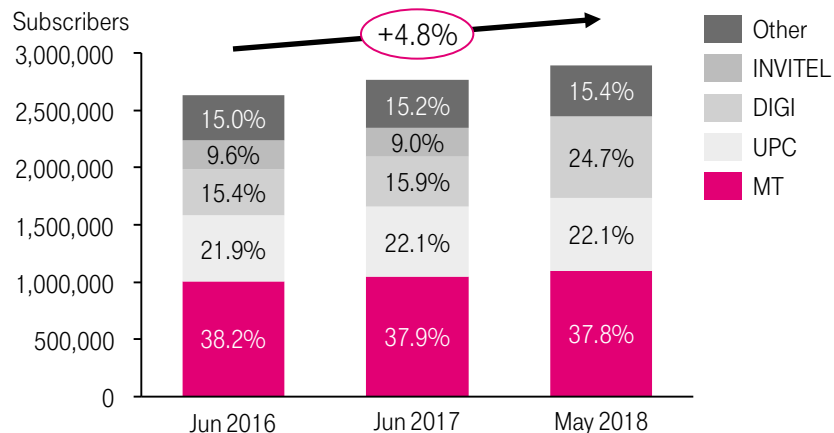
## Total mobile market\*



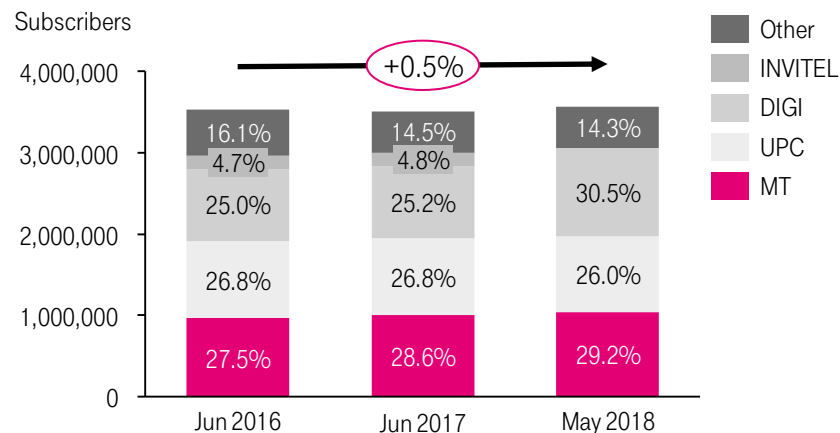
## Fixed voice market\*\*



## 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)