

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

March 2019



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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>.

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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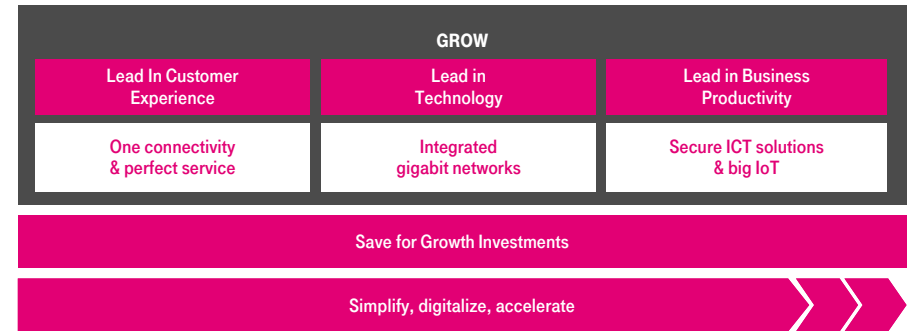
STRATEGY AND MARKET POSITION

OVERVIEW – MAGYAR TELEKOM AT A GLANCE

Overview

- Integrated operations in Hungary and Macedonia¹
 - Leading telecommunications service provider in both countries
 - Leading SI/IT service provider in Hungary
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.6bn market capitalization²
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

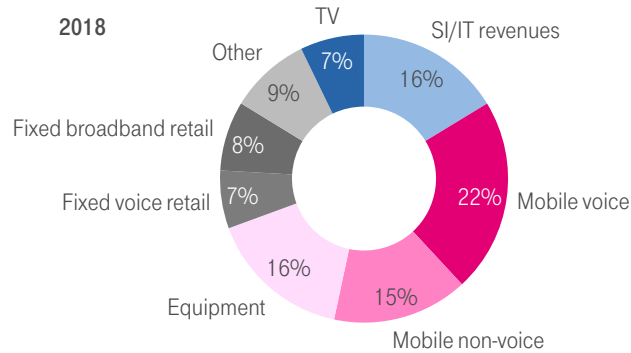
Pillars of transformation



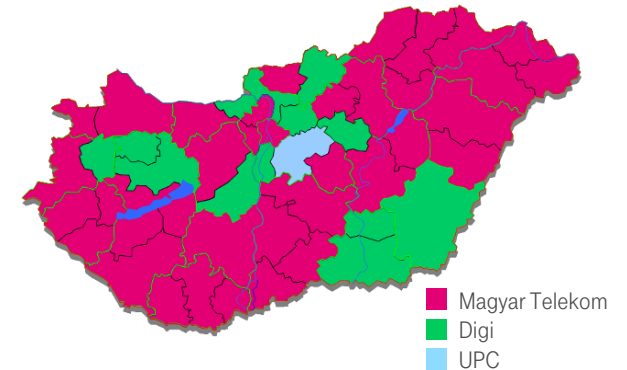
Main services offered

	Mobile	Copper	Coax	Fiber
	✓	✓	✓	✓
	✓	✓	✓	✓
	✓	✓	✓	✓

Revenue composition



Incumbents in Hungary



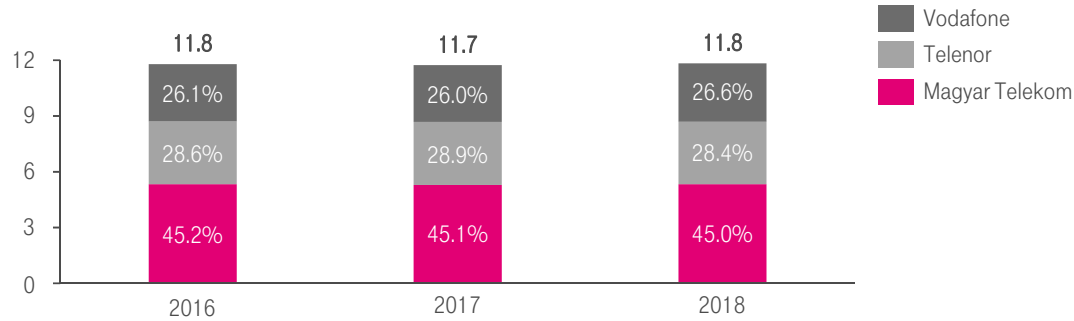
¹ As announced on January 10, 2017, Magyar Telekom disposed of its majority stake in Crnogorski Telekom. The transaction closed at the end-January 2017

² As of January 29, 2019

HUNGARIAN TELCO MARKET POSITIONS

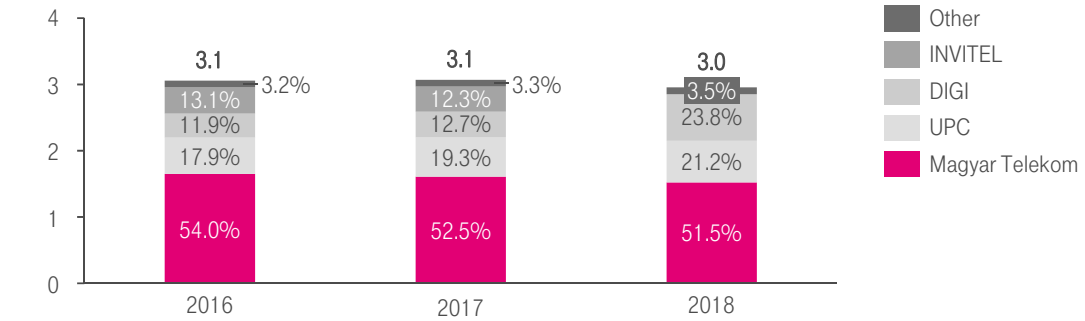
Total mobile market¹

Subscribers (mn)



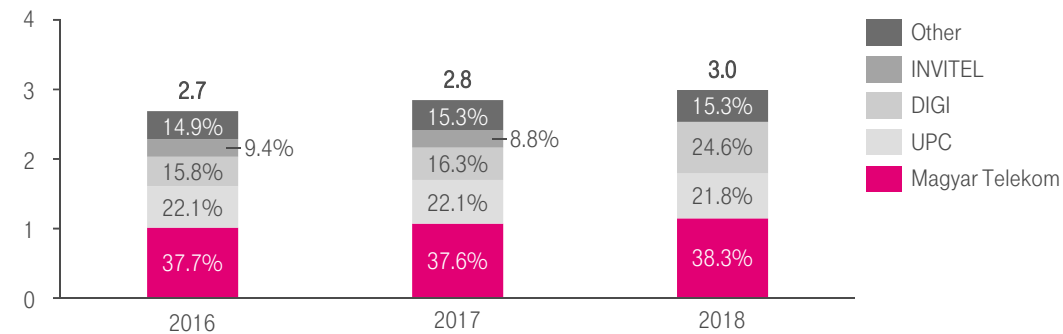
Fixed voice market²

Subscribers (mn)



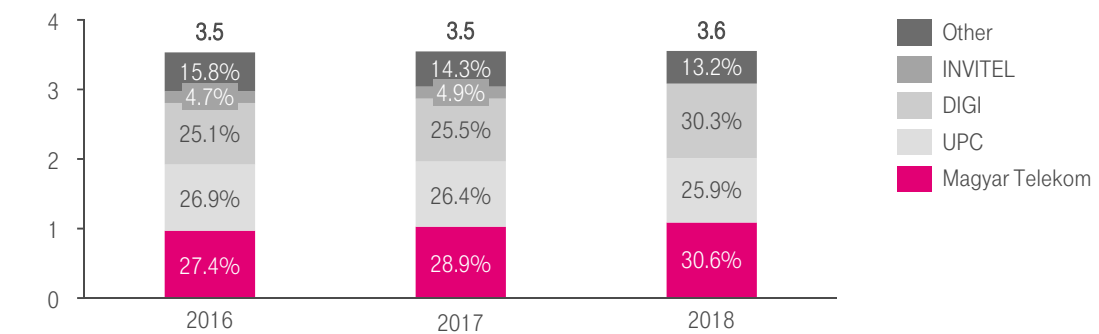
Fixed broadband market²

Subscribers (mn)



TV market²

Subscribers (mn)

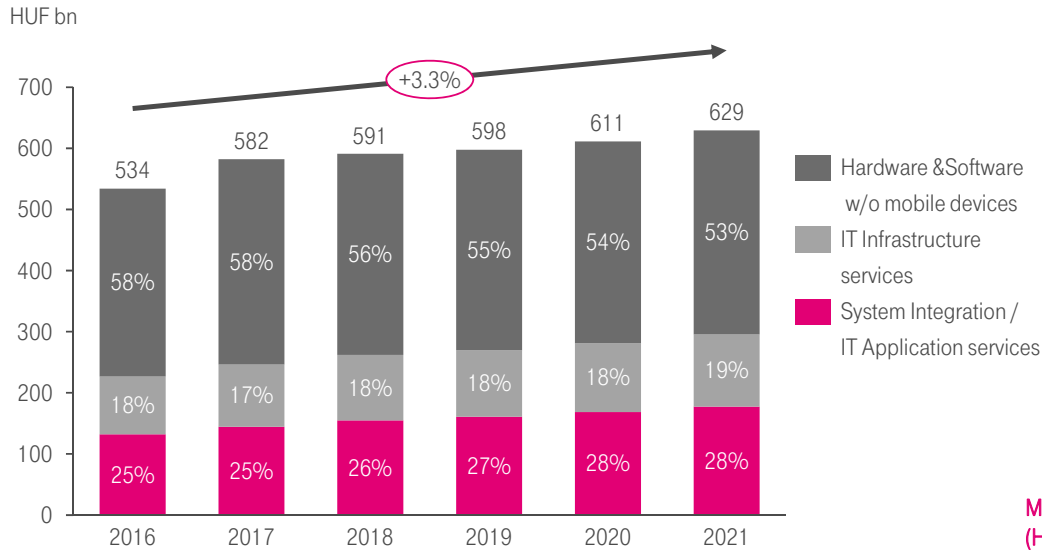


¹ Based on Central Statistical Office data and internal calculations from Vodafone Group and Telenor Group reports

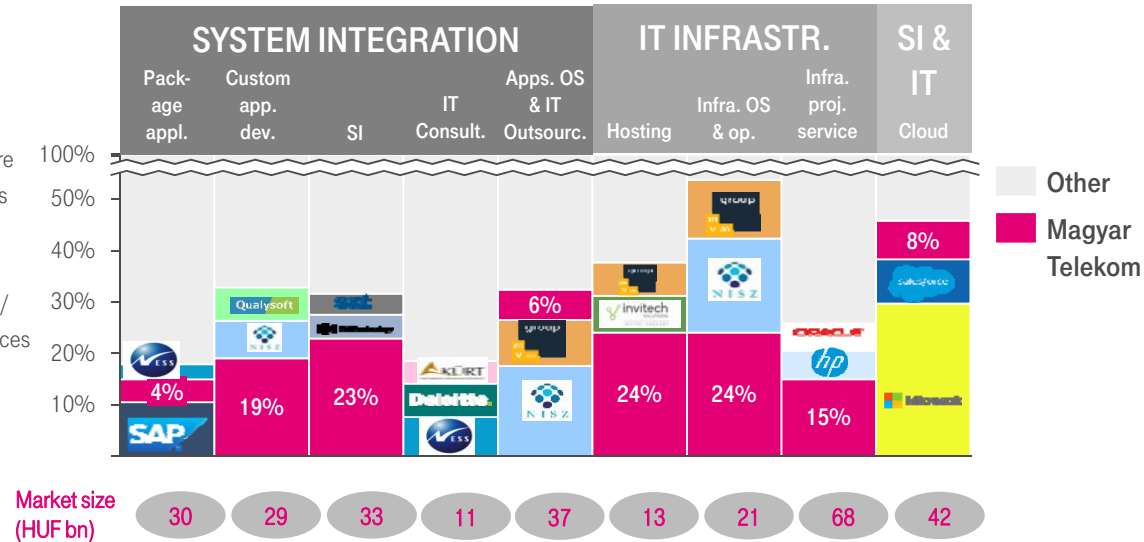
² Based on the total fixed voice channels/BB access/pay TV access market estimated by the National Media and Infocommunications Authority (NMIA)

IT MARKET IN HUNGARY: 2016-2021

Total B2B IT market (HW&SW and IT services)¹



IT Services market shares (by revenue)³



- Magyar Telekom is the only fully integrated ICT company in Hungary
- Total IT market expected to grow by 5% over the next 5 years
- Until 2020-21 EU fund inflows are a major driver of IT spending in Hungary
- Magyar Telekom's total revenue based IT market share is ca. 12%²

- IT Services market represents ca. 40% of the total IT market
- IT Services market in Hungary very fragmented
- Presence of government owned players (NISZ, MVMI) and major international players, such as HP, IBM, SAP
- Magyar Telekom is the market leader with 15% market share in the IT Services market (ca. 12% total IT market including HW&SW)

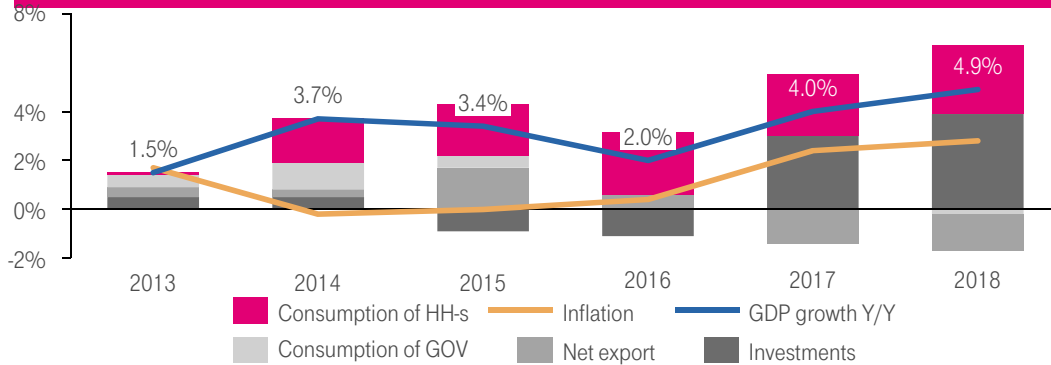
¹ Excluding IFRS 9 & 15 effects

² IT market share in B2B segment

³ Source: IDC 2018 (based on 2018H1 facts); market size calculated by demand side, while market shares by supply side data

HUNGARIAN ECONOMIC ENVIRONMENT

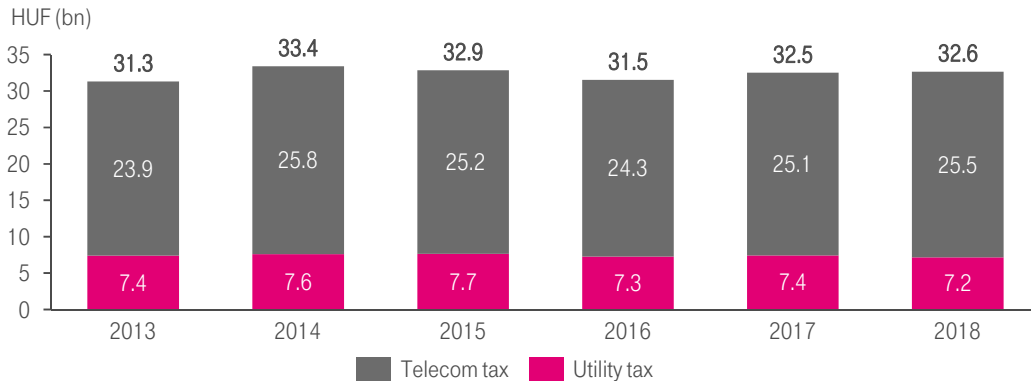
Growth structure



Domestic demand

- Domestic demand to remain strong
- Governmental measures support consumer spending
- Investment levels show volatility due to EU fund cycles
- Magyar Telekom leverages positive trends of domestic demand

Taxes levied on Magyar Telekom



Tax burdens to reduce budget deficit

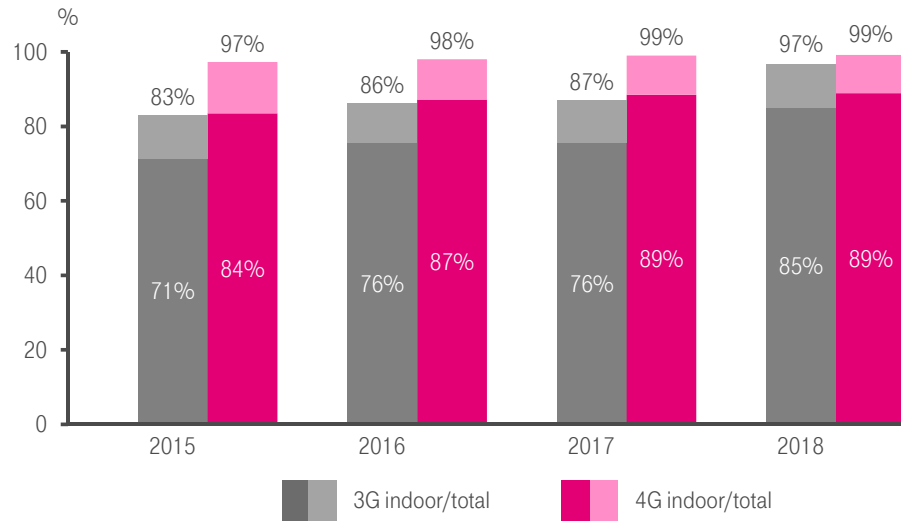
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013, 5-year tax holiday on new networks > 100Mbps since 2016



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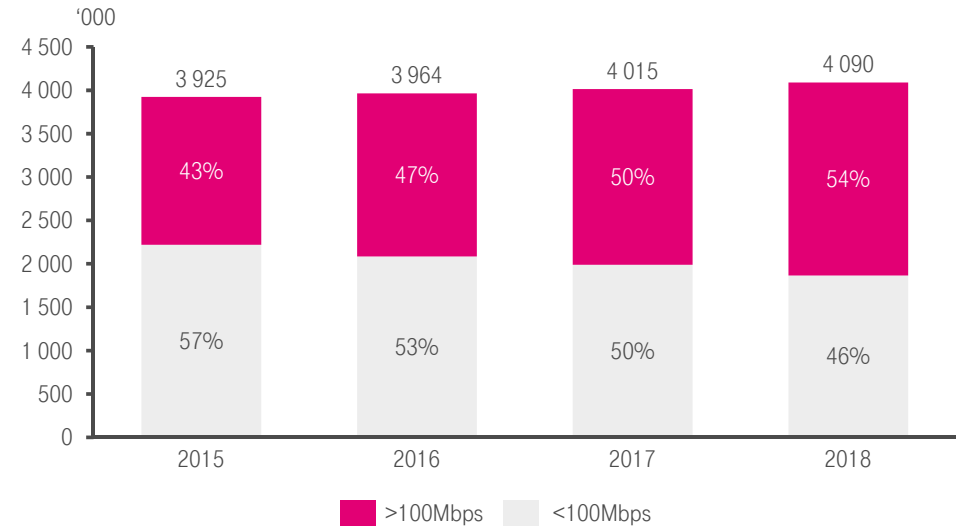
NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



- Network sharing on 800 MHz with Telenor
- 4G+ coverage, enabling 250Mbps exceeded 30%
- Continuous growth of mobile data subscribers (ca. 15% annually)
- Average data usage increase of over 25% CAGR (2014-2018)

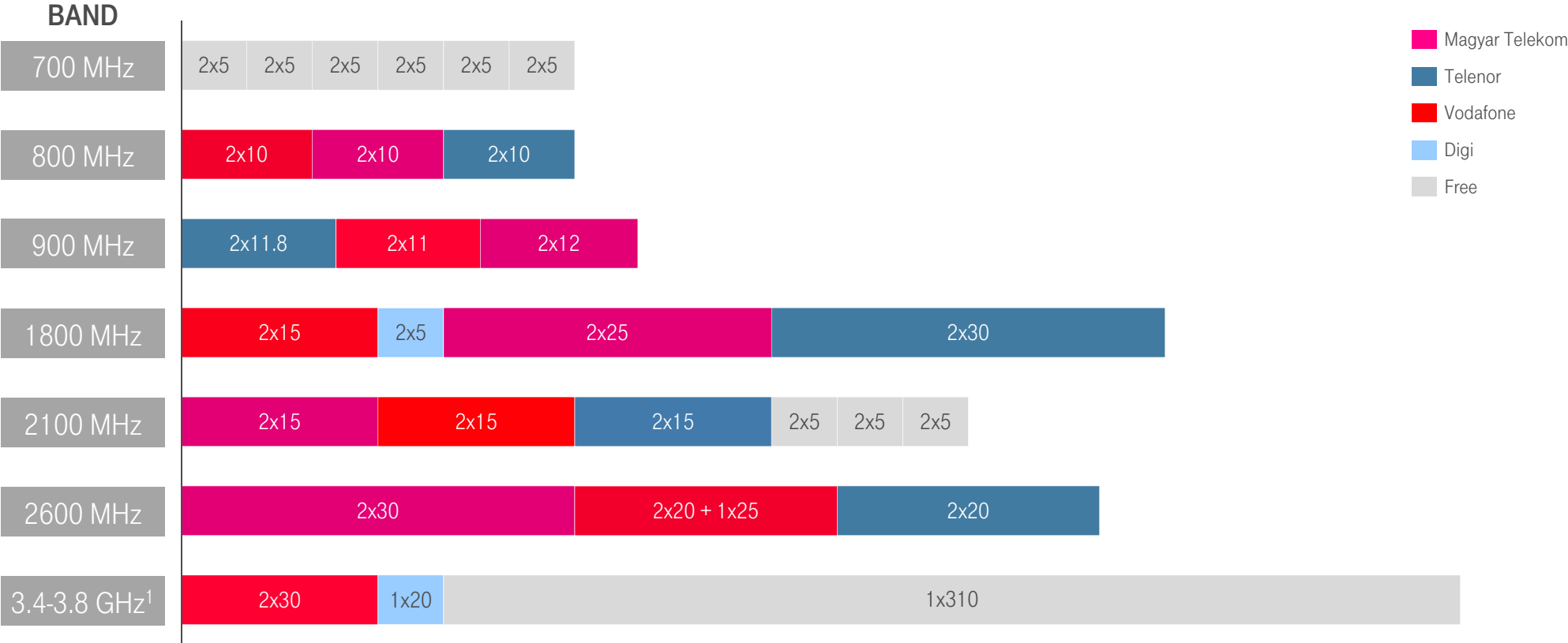
Fixed network (access points)



- Roll-out is ongoing, aim to cover the whole country with gigabit capable network
 - FTTx (1 mn) – ongoing countrywide roll-out
 - Cable (ED3) (0.8mn) – participating in market consolidation
 - VDSL (1.6mn) – revitalizing copper, excl. overlaps

HUNGARIAN MOBILE SPECTRUM

Current spectrum allocation (MHz)



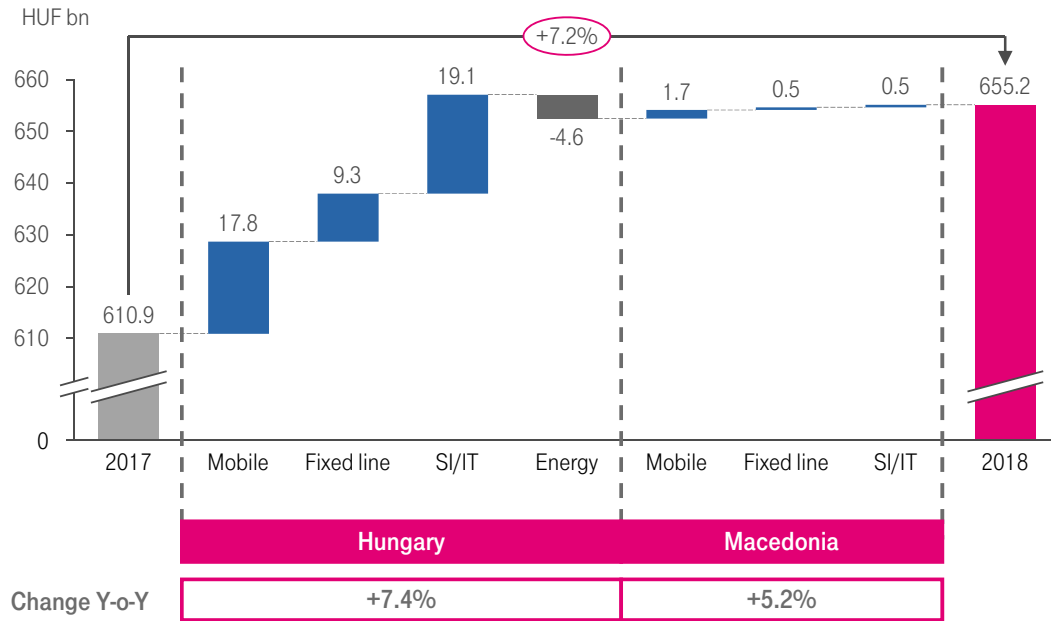
¹ TDD band



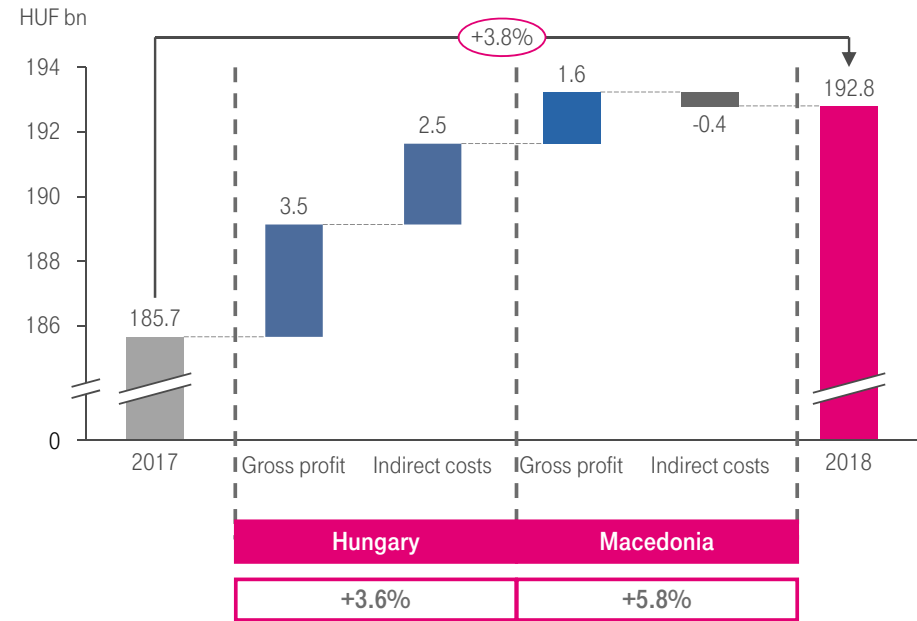
2018 RESULTS AND GUIDANCE FOR 2019-2021

2018 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues¹



Group segmental EBITDA¹



¹ Excluding Crnogorski Telekom financials and IFRS 9 and 15 impacts

PUBLIC TARGETS FOR 2019-2021

	2018 RESULTS	2019 TARGETS ²	2021 TARGETS ²
REVENUE	HUF 657.1 bn	MODERATE DECLINE	BROADLY STABLE
EBITDA	HUF 192.5 bn	INCREASING AT A CAGR OF 1% - 2%	
CAPEX ¹	HUF 91.8 bn	BROADLY STABLE	
FREE CASHFLOW ¹	HUF 68.0 bn	CA. 5% INCREASE	INCREASING AT A CAGR OF CA. 5%
DIVIDEND PER SHARE	HUF 25 ³	HUF 27 ⁴	

¹ EXCLUDING SPECTRUM LICENSE FEES

² ON A COMPARABLE BASIS; FORWARD-LOOKING STATEMENTS INVOLVING INHERENT RISKS AND UNCERTAINTIES, NO UNDUE RELIANCE TO BE PLACED UPON THEM

³ SUBJECT TO APPROVAL BY THE GENERAL MEETING

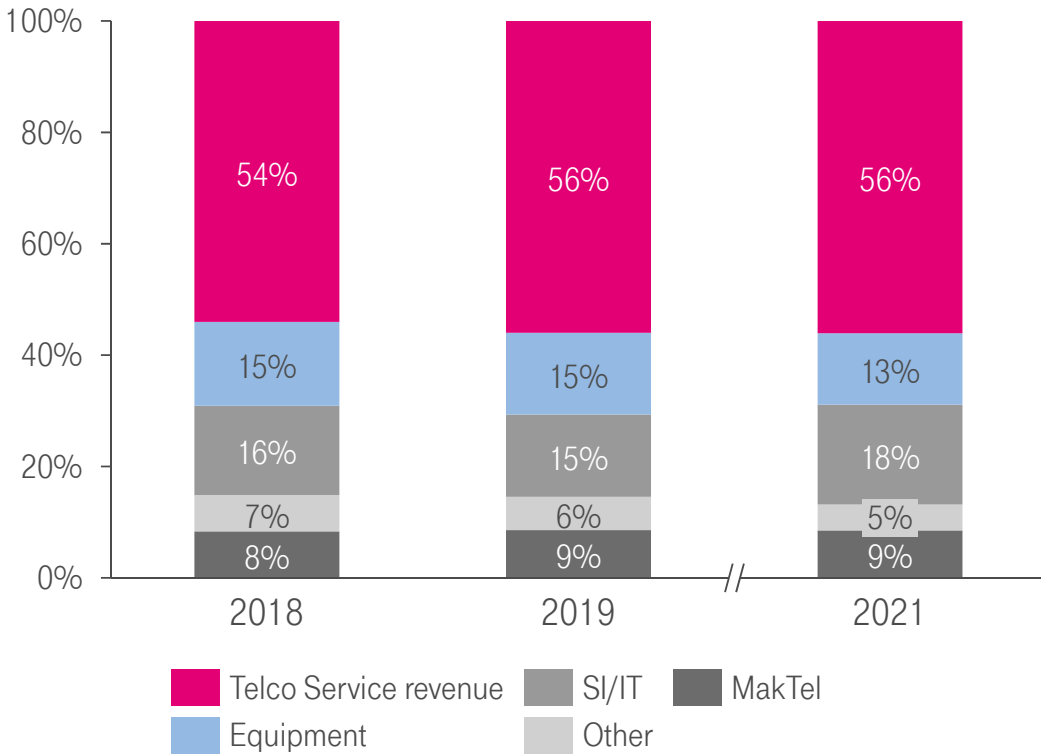
⁴ SUBJECT TO THE BOARD OF DIRECTORS' FUTURE PROPOSAL TO THE GENERAL MEETING WHICH WILL BE SUBMITTED IN DUE COURSE, ONCE ALL NECESSARY INFORMATION IS AVAILABLE AND ALL PREREQUISITES TO MAKING SUCH A PROPOSAL ARE MET; AND SUBJECT TO APPROVAL BY THE GENERAL MEETING



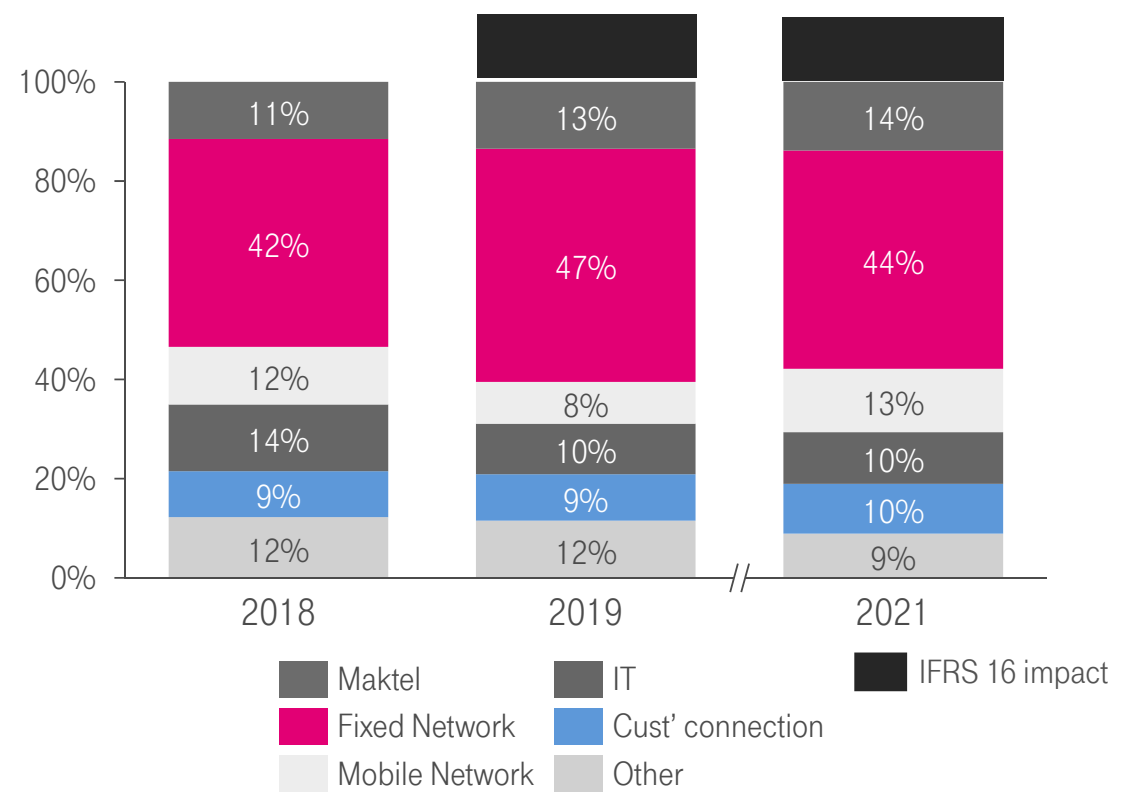
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REVENUE AND CAPEX DEVELOPMENTS

Revenues



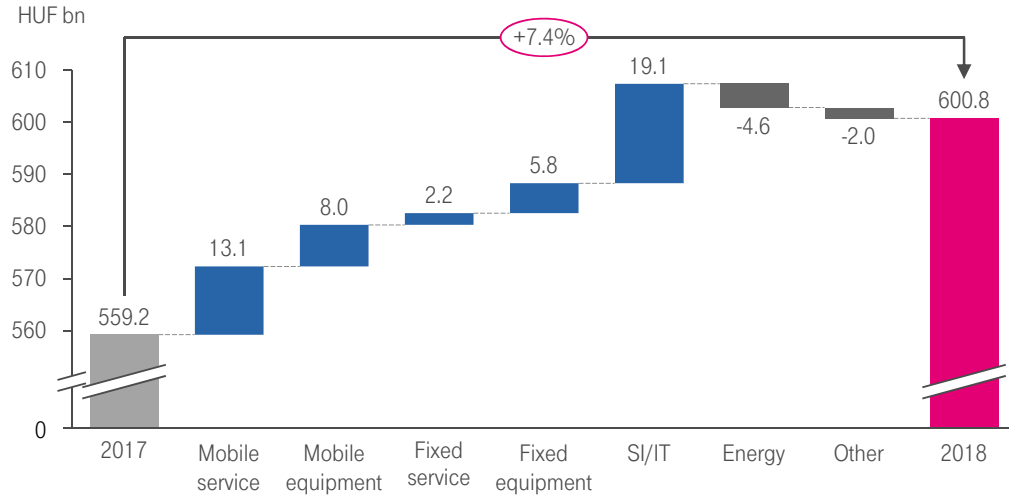
Capex



2018 RESULTS BY SEGMENT

HUNGARY - TOTAL

Revenue¹

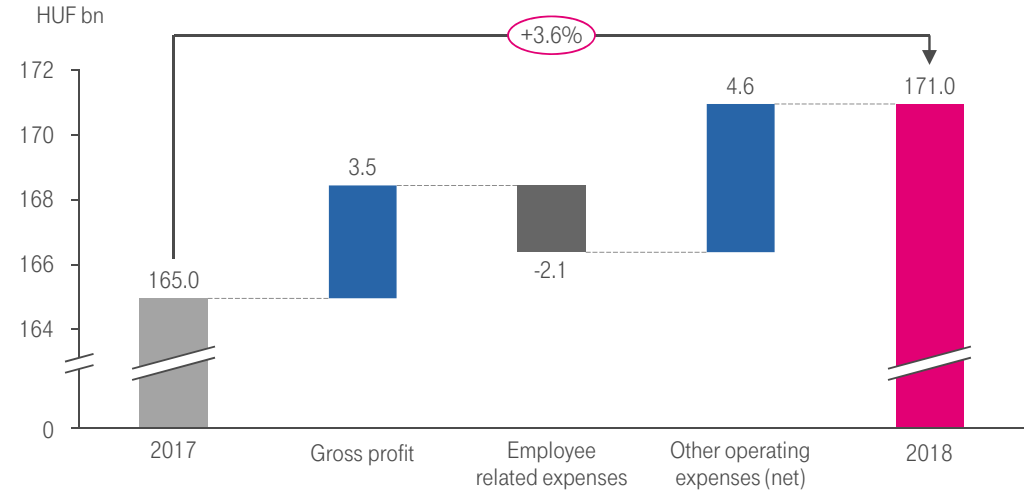


- Mobile service revenue growth thanks to strong data demand
- Rise in fixed service revenue driven by higher TV and broadband subscriber bases
- Increase in SI/IT revenue due to strong demand for HW&SW delivery projects
- Decline in other revenues resulting from reclassification of handset insurance revenues as mobile content from 2018

¹ Excluding IFRS 9 & 15 effects



EBITDA¹

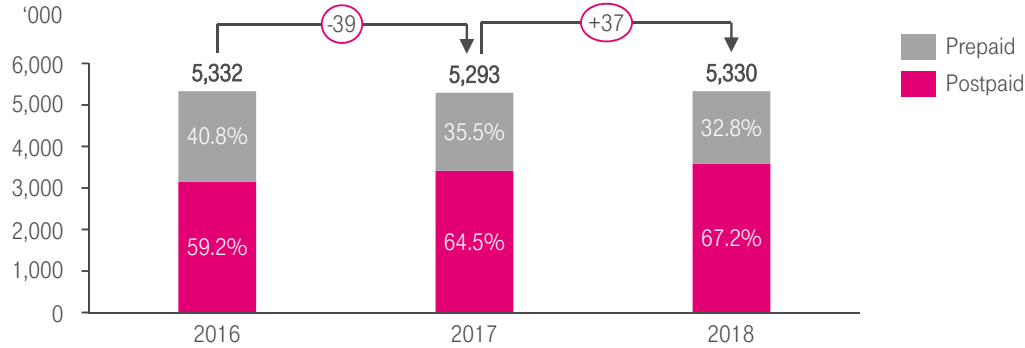


- Increase in gross profit as higher revenue offset the negative impact of the increasing weight of lower margin services in the sales mix,
- Higher employee related expenses due to trainee insourcing, wage increases and higher severance expenses
- Other OPEX rose driven by savings achieved in energy and maintenance and the one-off positive impact of the headquarter sale

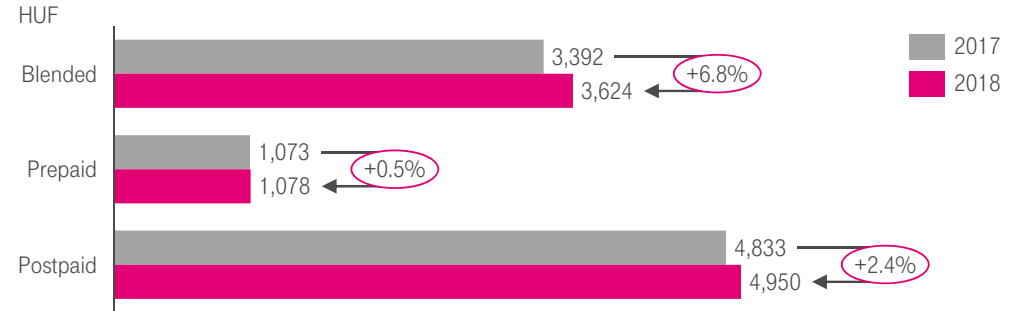
HUNGARY - MOBILE



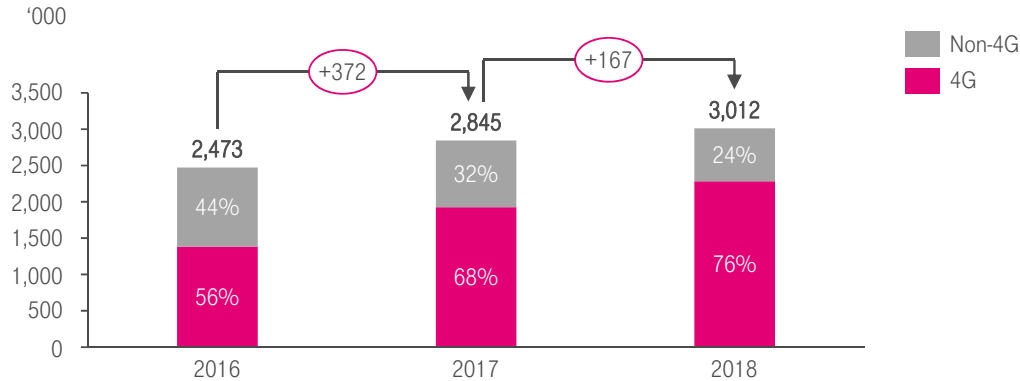
Mobile SIMs



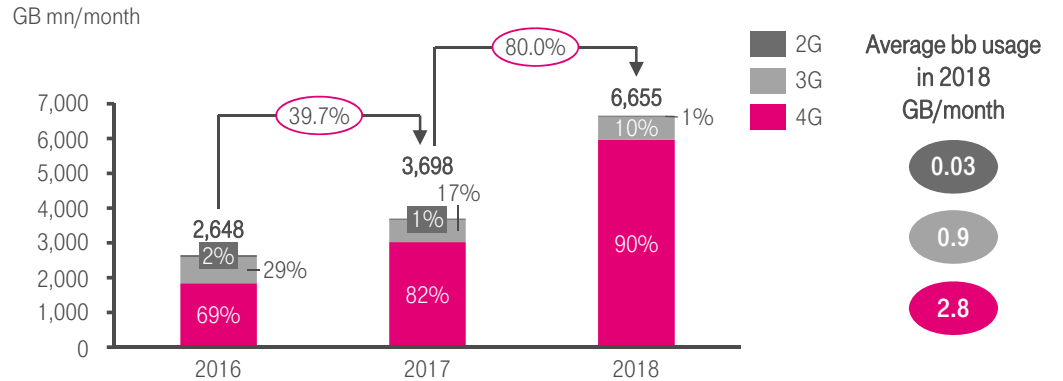
Mobile ARPU¹



Total mobile data subscribers



Mobile broadband usage



Average bb usage in 2018 GB/month

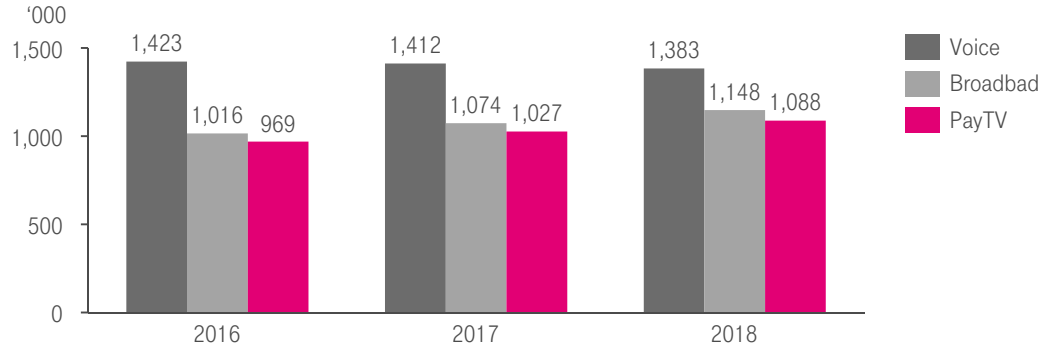
- 0.03
- 0.9
- 2.8

¹ Excluding IFRS15 effects

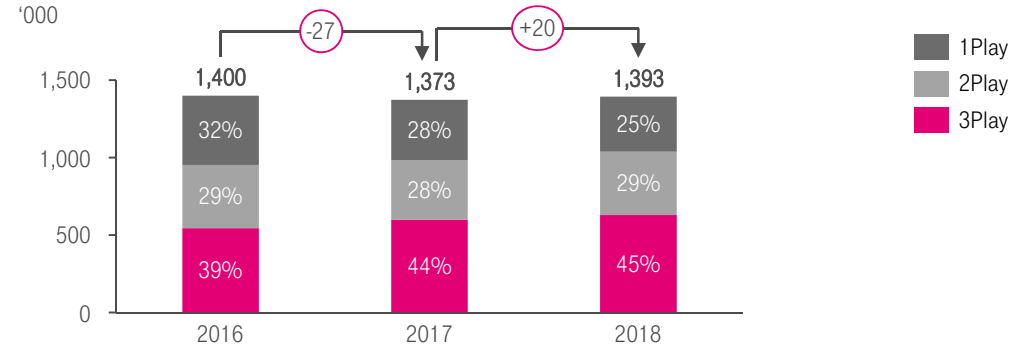
HUNGARY – FIXED VOICE, BROADBAND AND TV



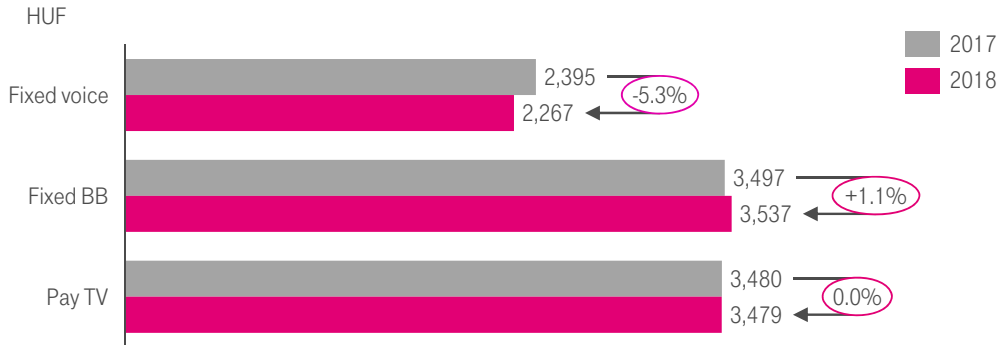
Fixed line customer base



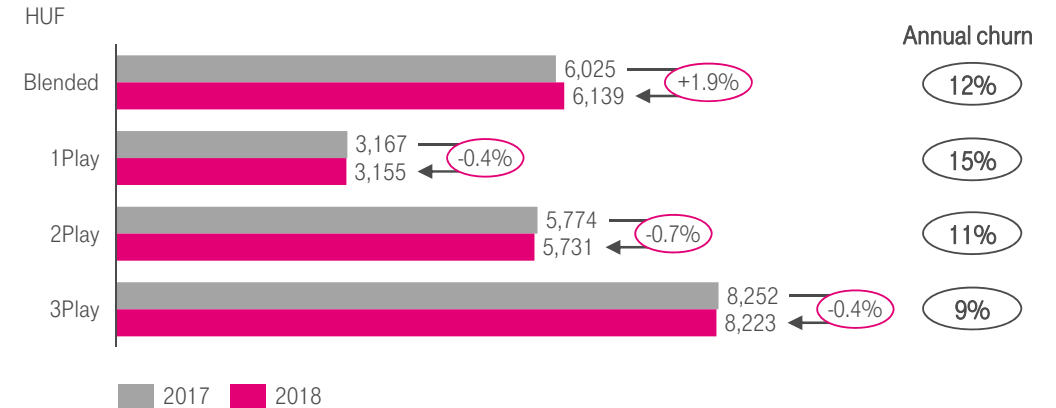
Fixed line multiplay residential subscribers



Fixed Voice, BB and TV ARPU¹



Fixed line multiplay residential ARPU¹

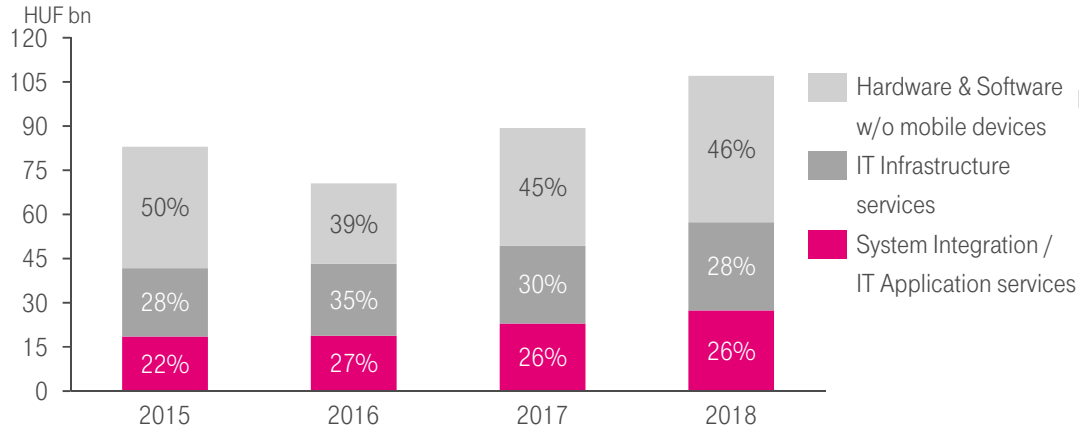


¹ Excluding IFRS15 effects

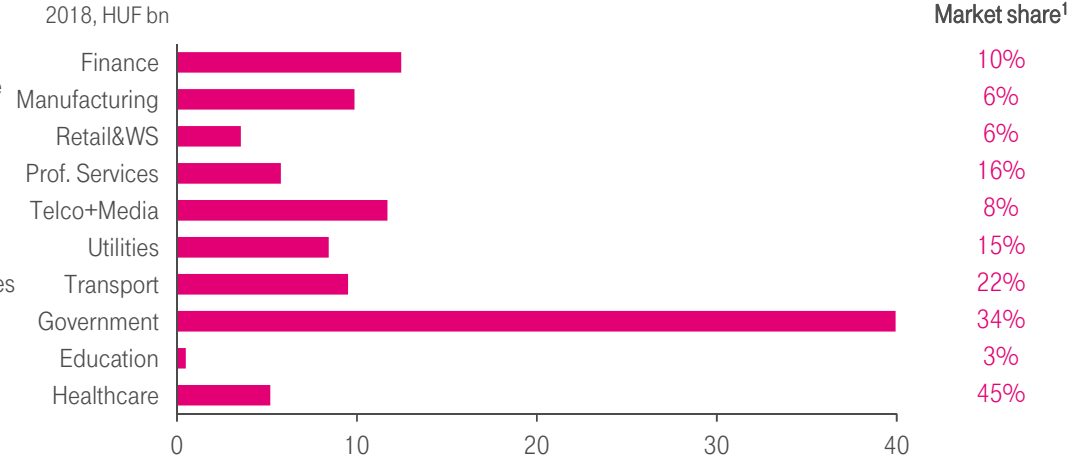
HUNGARY – SI/IT



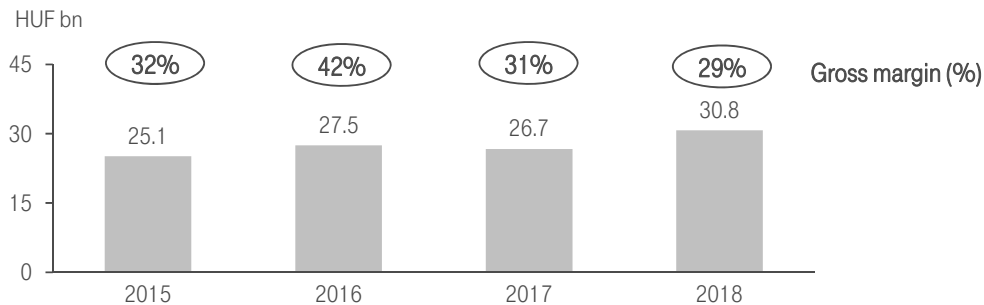
SI/IT revenue



SI/IT revenue breakdown by vertical segments¹



SI/IT gross profit of MT-Hungary



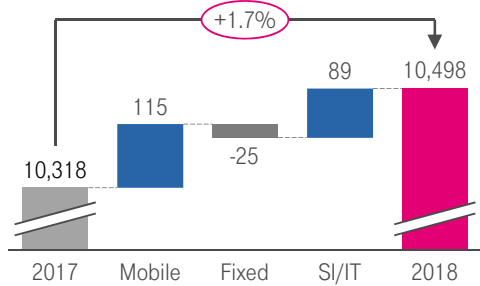
Highlights

- 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

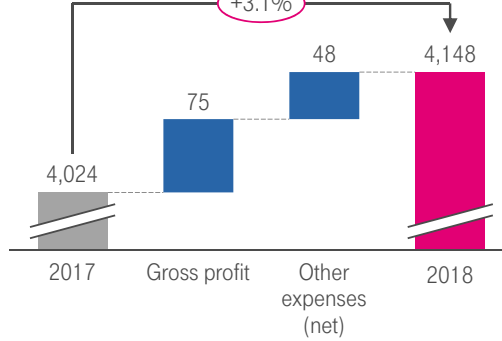
MACEDONIA

Financials¹

Revenues (MKD mn)

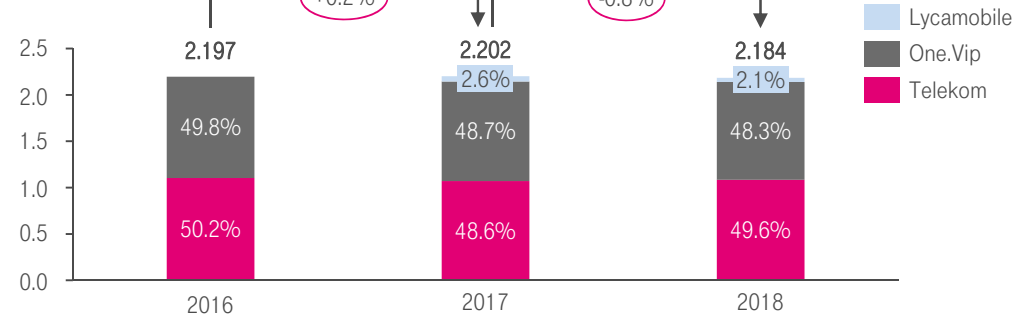


EBITDA (MKD mn)

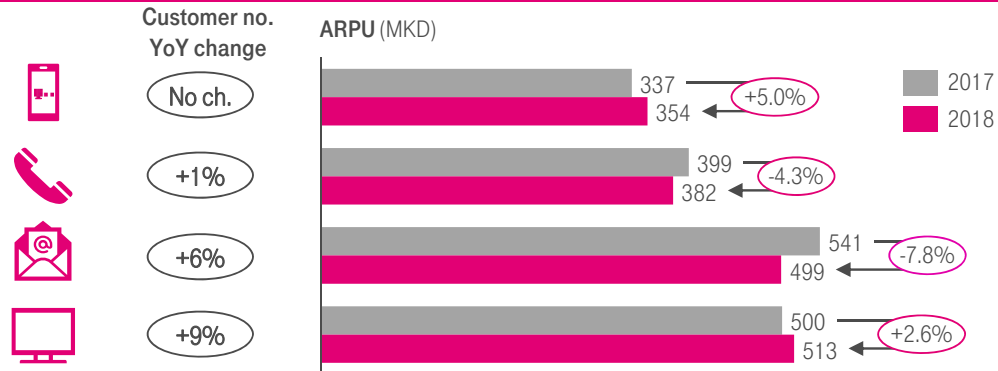


Mobile market

Subscribers (mn)



KPIs (mobile/fixed voice/fixed BB/TV)¹



¹ Excluding IFRS 9 and 15 impacts

Highlights

- Convergent fixed-mobile offers gaining in popularity
- Continued revenue growth primarily driven by SI/IT revenues
- EBITDA decline mainly attributable to temporarily higher indirect costs and an increase in lower-margin activities

For further questions please contact the IR department:

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