



Investor Release

Magyar Telekom

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Magyar Telekom announces near and mid-term outlook

Budapest – February 21, 2019 – Magyar Telekom (Reuters: MTEL.BU and Bloomberg: MTELEKOM HB), the leading Hungarian telecommunications service provider hereby announces that it gave an update on the Company’s strategic and financial targets out to 2021 as part of its Investor presentation held at its headquarters in Budapest.

Group strategy

At the event, Magyar Telekom outlined its updated strategy which positions the business to capitalise on emerging developments in the Company’s changing operating environment.

In Hungary, Magyar Telekom will target leadership in customer experience, technology and business productivity, to support the Company’s continued development and growth. The strategy rests on six pillars which underpin the Company’s continued transformation.

First, the Company intends to maintain its position as the country’s number one integrated operator, against competitors that are expanding vigorously and developing their fixed mobile convergence capabilities.

Second, Magyar Telekom will focus on digitalisation to exploit new technological opportunities and provide a flawless digital customer experience, available everywhere. This focus will support the Company’s efforts to provide secure ICT and Internet of Things (IoT) solutions enhancing business and public sector productivity. Furthermore, the development of Magyar Telekom’s One App and e-Commerce channel will help to satisfy increasing consumer demand for convenience and a flawless customer experience, supported by an internal IT transformation at the Company.

Third, Magyar Telekom will build a universal integrated Gigabit-capable fixed network in Hungary, fit for consumers increasing demand for content and speed. Magyar Telekom plans to achieve this through an acceleration of its fiber rollout, the modernisation of its ED3 network, a migration to Gigabit networks and the retirement of its copper networks and the consolidation of its subcontractors.

Fourth, the Company will enhance its efficiency and customer offering through the simplification of its operation and customer choices. Simplifying the range of products and deals offered to meet customers’ needs helps them to make easier, informed choices to obtain the right solutions. Furthermore it improves the knowledge, usefulness and reliability of Magyar Telekom’s sales force, helping them to be more effective in delivering those solutions. Additionally, by gradually shifting sales and support towards self care channels such as the One App and e-Commerce channel, the Company can ensure the delivery of consistent excellent service whenever customers choose to engage with it.

Fifth, Magyar Telekom will endeavour to take timely and decisive action as a swift and agile operator. To achieve this, the Company will aim to become faster, stronger, more decisive and results oriented, by initiating a cultural transformation through advocating new ways of working. This transformation will additionally aim to improve employee satisfaction and motivation supporting its efforts to attract and retain leading talent in an increasingly competitive employment market.



Finally, the Company will work to further develop its brand to impart Magyar Telekom's dynamic and vibrant corporate culture and relentless focus on customer centricity. As the driver of Hungary's digital upgrade, the Company will emphasise its role in transforming customer's digital lives, unleashing the potential of the internet and helping everyone in society take advantage of the opportunities brought about by emerging technologies.

In Macedonia, the Company will look to continue its development targeting specific growth areas and to creating more value from its existing customer base. This includes securing leadership positions in fixed and mobile convergence, broadband and TV and ICT services and IoT solutions. The Company aims to achieve this in part by driving innovation and developing superior networks and digitalising the business to create a more efficient operating model. Furthermore, by implementing a change in corporate culture to become a more dynamic operator, while strengthening the brand as a bold market leader, the Company will support its customer engagement and talent acquisition objectives.

Group financial targets

Magyar Telekom also presented its financial targets for 2019 and 2021. Magyar Telekom forecasts a moderately decline in revenues in 2019, before remaining broadly stable thereafter through to 2021. EBITDA is expected to increase continuously throughout the period at an average rate of 1%-2% annually thanks to a reduction in indirect costs (excluding utility taxes and depreciation and amortization expenses). Capital expenditures (CAPEX) are expected to remain stable (excluding the increase driven by IFRS 16 implementation and any possible spectrum costs) as an expected increase in spending on the fixed network, reflecting the acceleration of the fiber-rollout program. Continuing the successful turnaround in profitability, Magyar Telekom expects free cash flow (excluding spectrum license fees) to continue increasing at a compound annual growth rate of around 5%. In addition, Magyar Telekom foresees making a payment of HUF 27 dividend per share on 2019 earnings (which is 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 a proposal are met).

This investor news may contain 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>.