

MAGYAR TELEKOM GROUP Q3 2018 RESULTS PRESENTATION

November 7, 2018



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DISCLAIMER

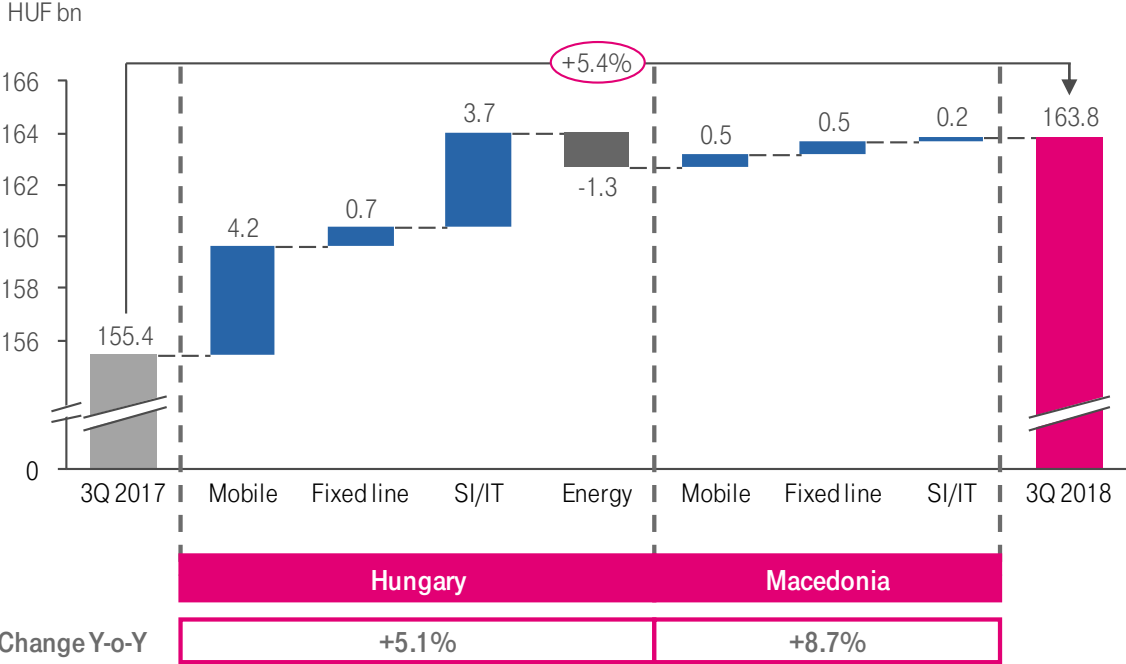
This investor presentation contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore should not have undue 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>.

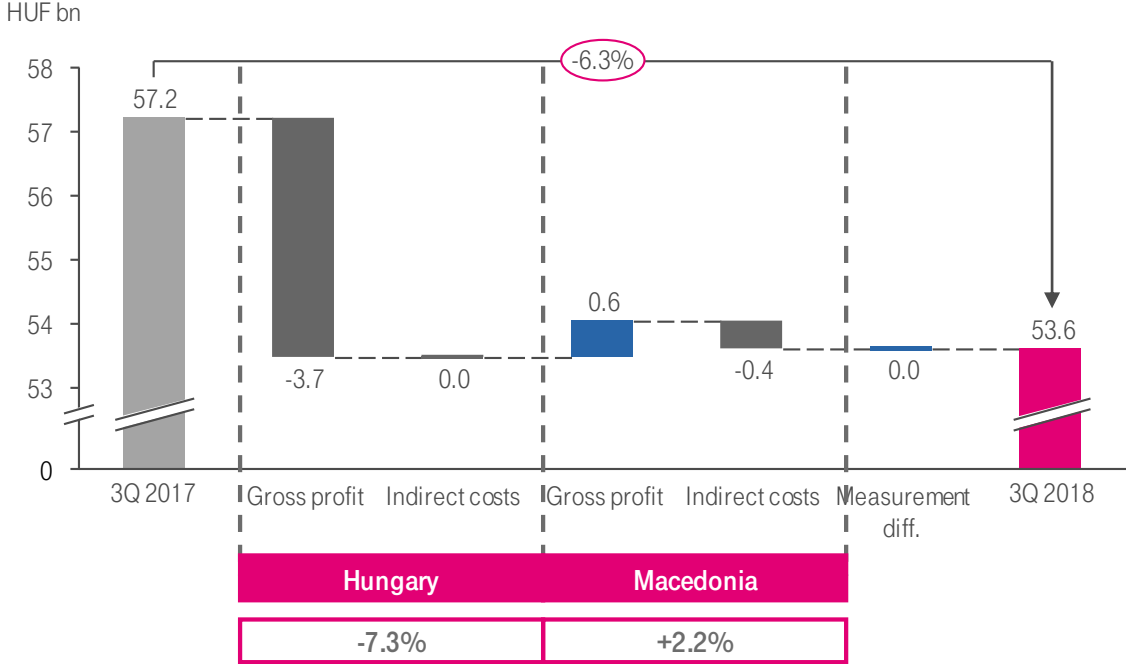
In addition to figures prepared in accordance with IFRS, Magyar Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared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

Q3 2018 GROUP SEGMENTAL REVENUE AND EBITDA

Group segmental revenues¹



Group segmental EBITDA¹



¹ Excluding Crnogorski Telekom financials and IFRS 9 and 15 impacts

9M 2018 RESULTS AND 2018 FINANCIAL TARGETS

		9M 2018 Results (change y-o-y)	Target 2018
REVENUE	<ul style="list-style-type: none"> Strong growth in SI/IT revenue and equipment sales Positive service revenue trends 	HUF 482 bn (+7.2%)	around HUF 630 bn ¹
EBITDA	<ul style="list-style-type: none"> Strong revenue growth outweighs margin dilution from changing revenue mix Improvements in indirect costs driven by optimization measures 	HUF 145.8 bn (+1.7%)	around HUF 190 bn
CAPEX	<ul style="list-style-type: none"> Different timing of investments vs 9M2017 Reduced spending on 4G and fiber rollout 	HUF 51.8 bn (-8.8%)	around HUF 90 bn
FCF	<ul style="list-style-type: none"> Improved thanks to higher EBITDA and lower CAPEX Negative changes in working capital due to higher receivable balances and increased supplier outpayments vs 9M 2017 	HUF 28.6 bn (+4.2%)	around HUF 60 bn

¹ Changed from around HUF 600 bn

Q3 2018 STRATEGIC HIGHLIGHTS

Land Grabbing



- Accelerated fiber rollout to increase competitiveness
- Leading position in the IT service market strengthened



15%

Market share in IT Services



40%

Of homes passed with ≥100 Mbps



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FMC



- Continuous growth in fixed-mobile convergent households
- Magenta 1 relaunch
 - Residential: 30% discount on all related services
 - Business: bonus IT service offered to increase penetration



13,000

FMC net adds in August



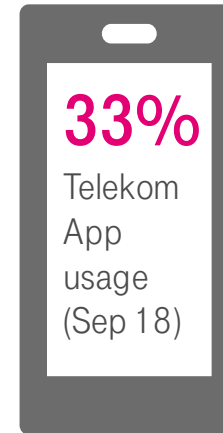
>20%

Of served households Magenta1 subscribers

Digitalization



- Digitalization to enhance operating efficiency and customer experience
- Portfolio simplified to improve customer servicing
- Increase in e-sales and Telekom App usage



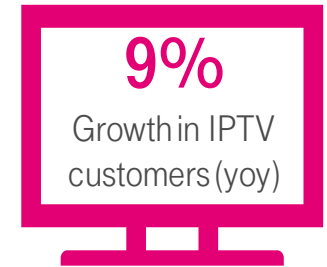
33%

Telekom App usage (Sep 18)

Macedonia



- Continued subscriber growth in mobile broadband, fixed broadband and TV
- Positive trends in service and SI/IT revenues
- Double mobile data and option for exclusive TV content in Magenta package



9%

Growth in IPTV customers (yoy)

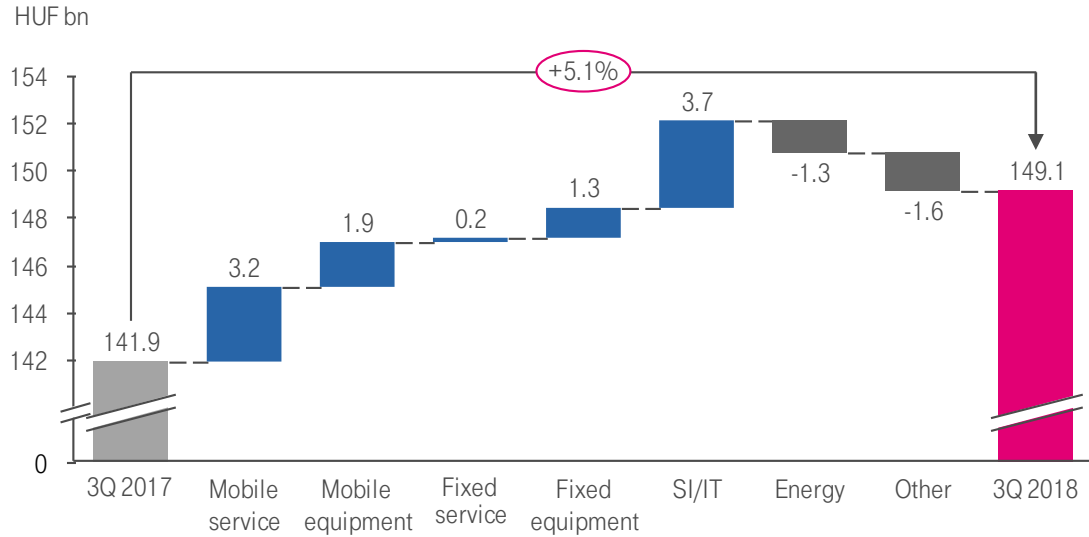


3.3 ppt.

Prepaid/postpaid ratio improvement

HUNGARY - TOTAL

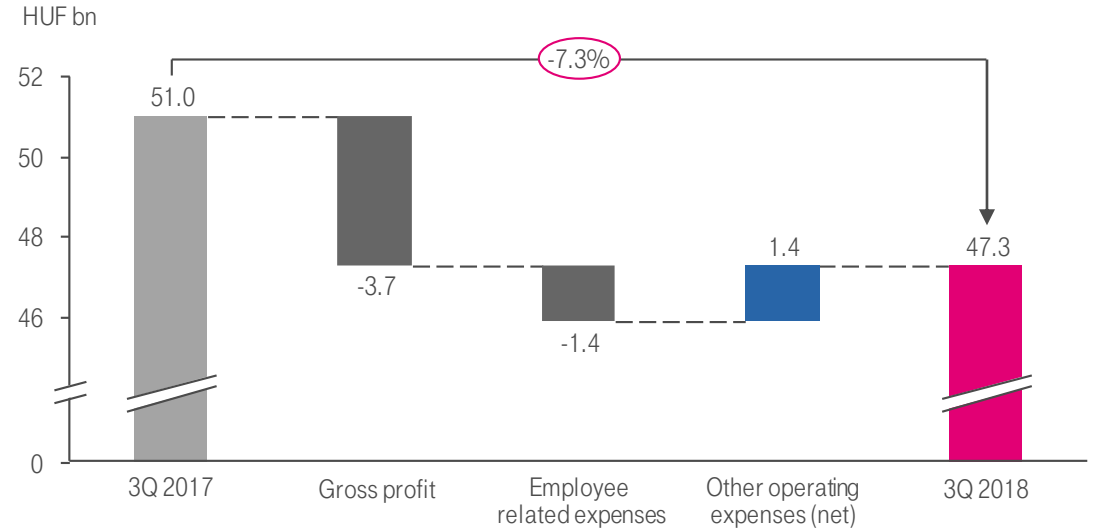
Revenue¹



- 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

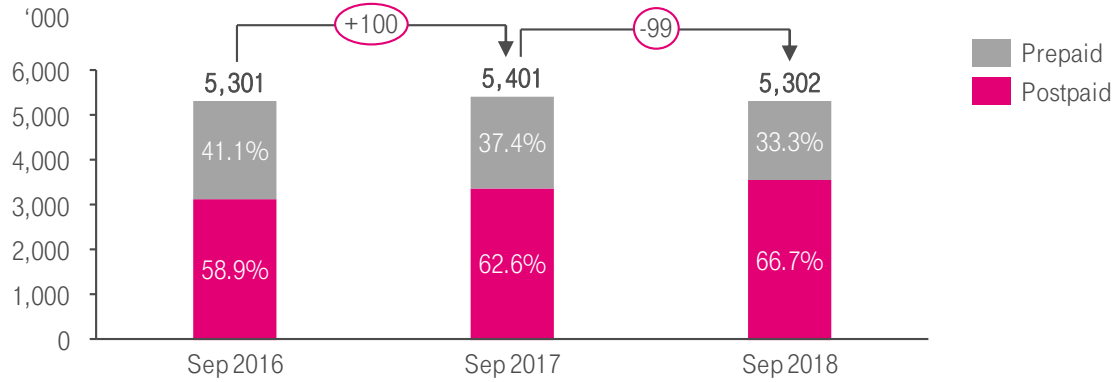


- Decline in gross profit driven by the increasing weight of lower margin services in the sales mix, coupled with one-off effects positively impacting Q3 2017
- Higher employee related expenses due to trainee insourcing, wage increases and higher severance expenses
- Other OPEX savings achieved in energy and maintenance

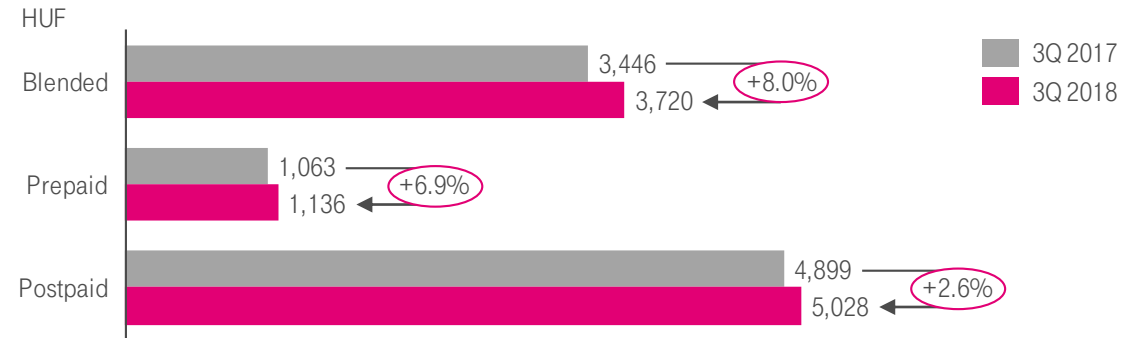
HUNGARY - MOBILE



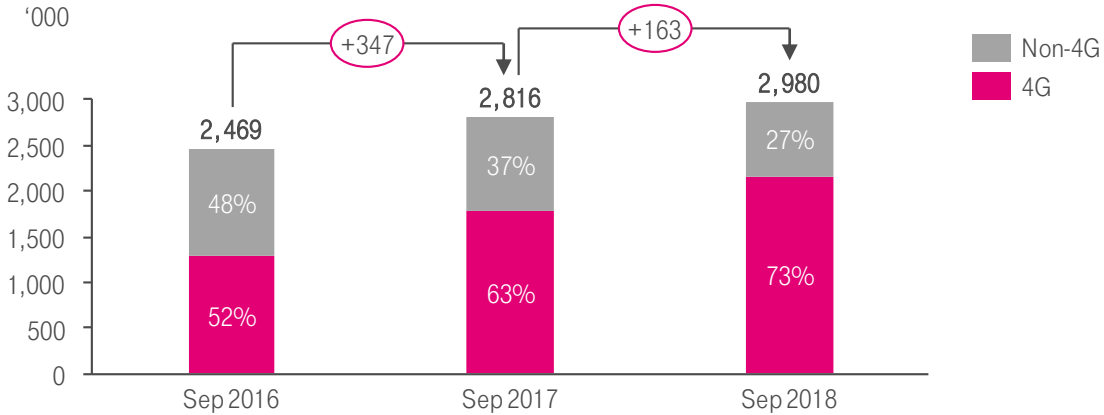
Mobile SIMs



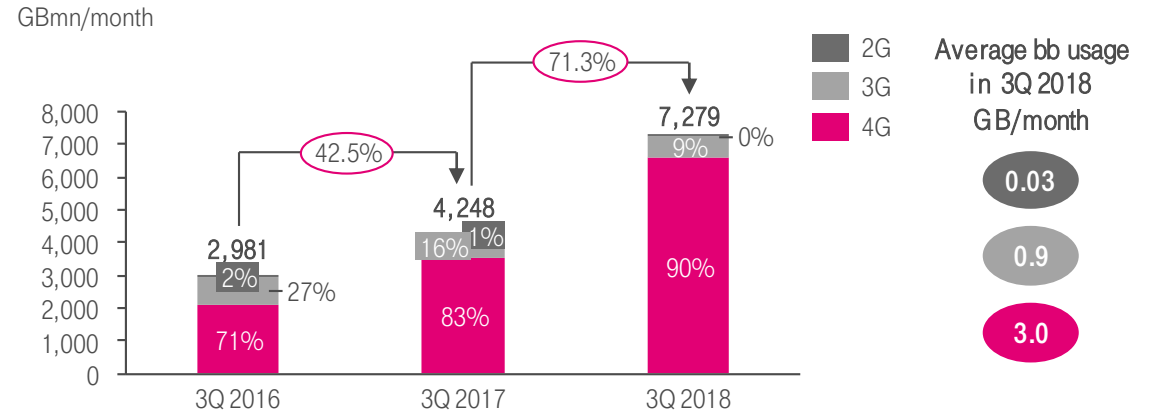
Mobile ARPU¹



Total mobile data subscribers



Mobile broadband usage

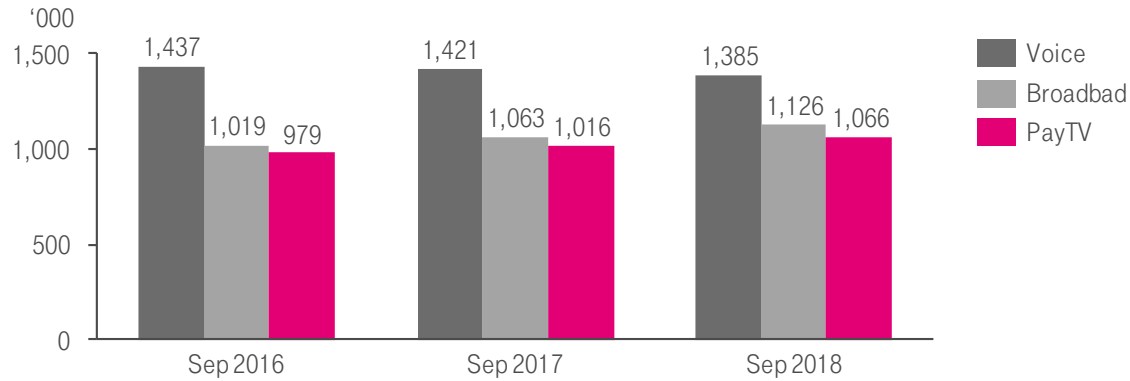


¹ Excluding IFRS15 effects

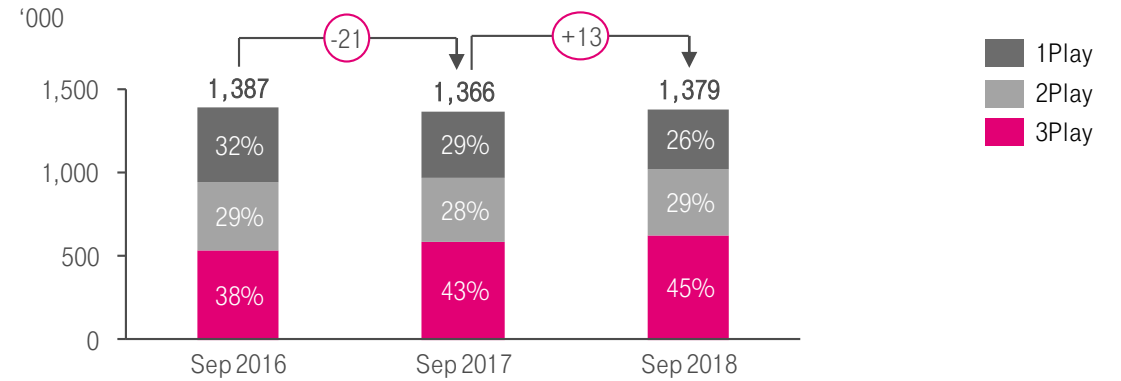
HUNGARY – FIXED VOICE, BROADBAND AND TV



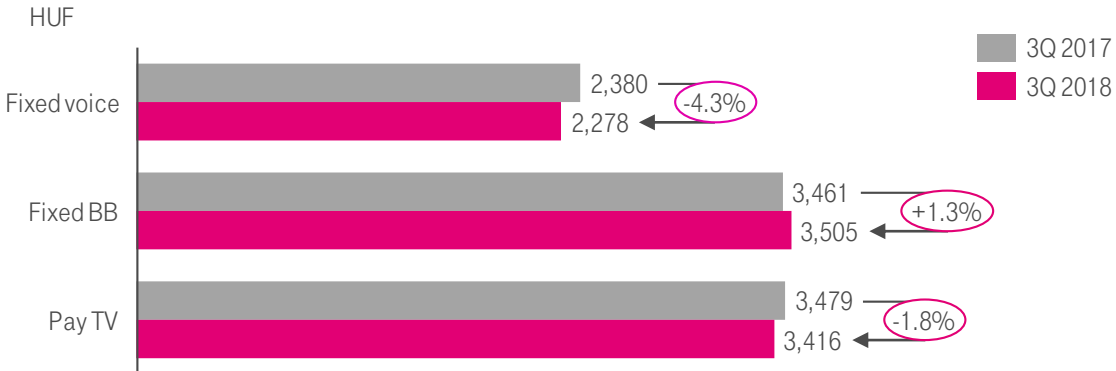
Fixed line customer base



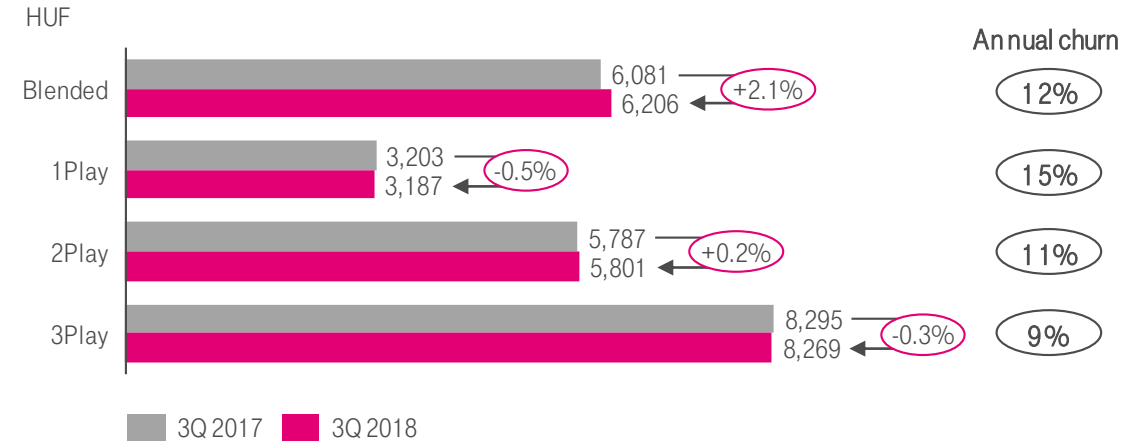
Fixed line multiplay residential subscribers



Fixed Voice, BB and TV ARPU¹



Fixed line multiplay residential ARPU¹

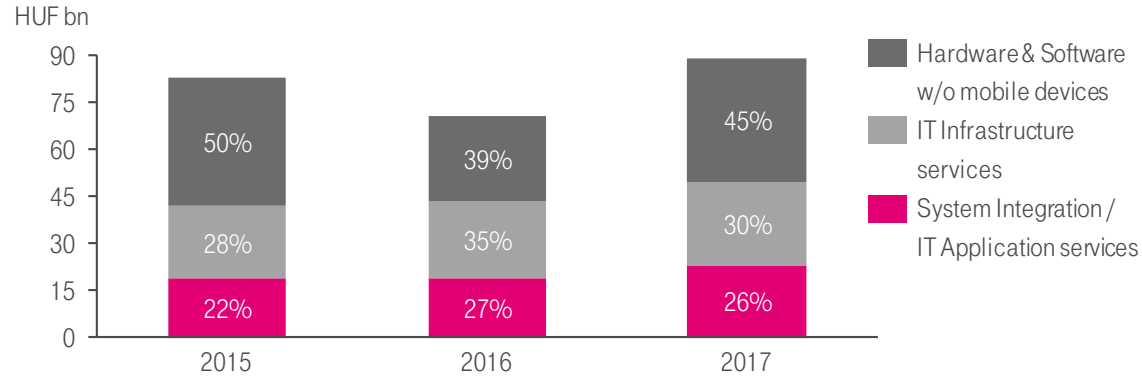


¹ Excluding IFRS15 effects

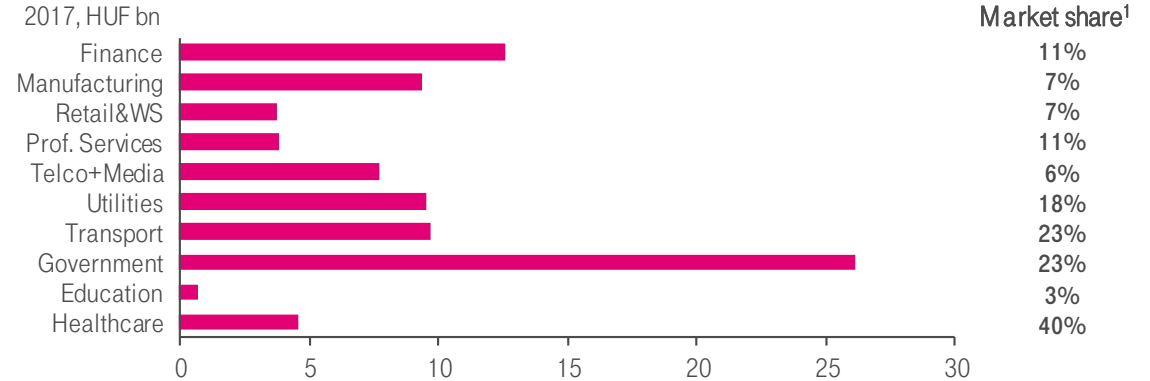
HUNGARY – SI/IT



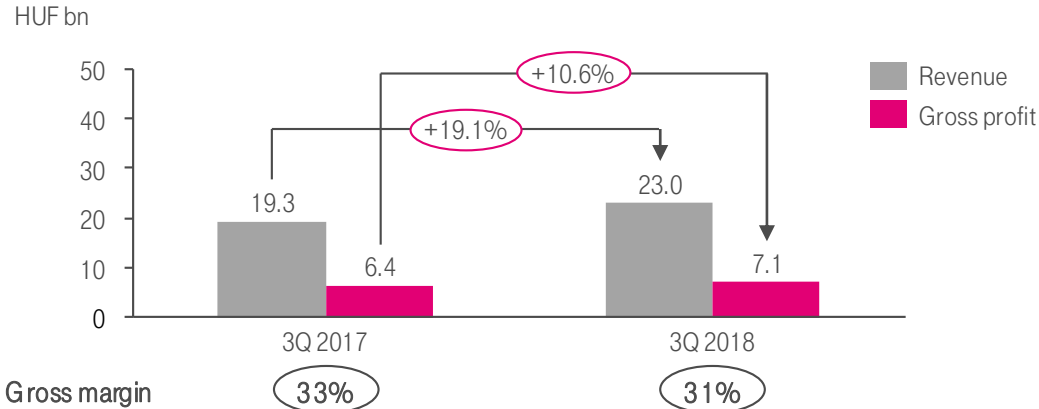
SI/IT revenue



SI/IT revenue breakdown by vertical segments¹



SI/IT revenue and gross profit of MT-Hungary



Highlights

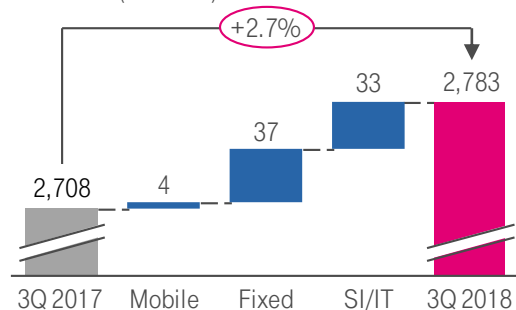
- Positive trajectory of SI/IT revenues maintained
- EU funded projects are hardware and software focused and relatively low margin
- Infrastructure delivery projects instrumental in developing long term customer relationships and securing IT service contracts
- Demand for higher margin SI projects starting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

¹ Based on IDC Research 2018, market shares based on 2017 revenues

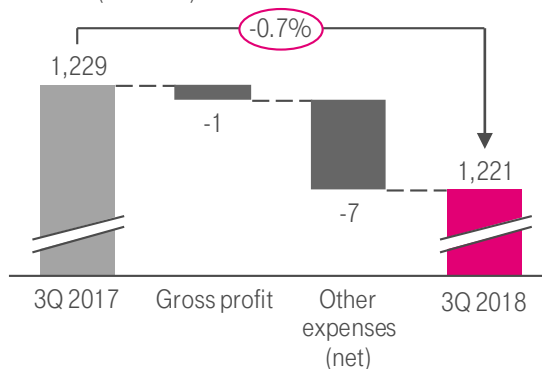
MACEDONIA

Financials¹

Revenues (MKD mn)

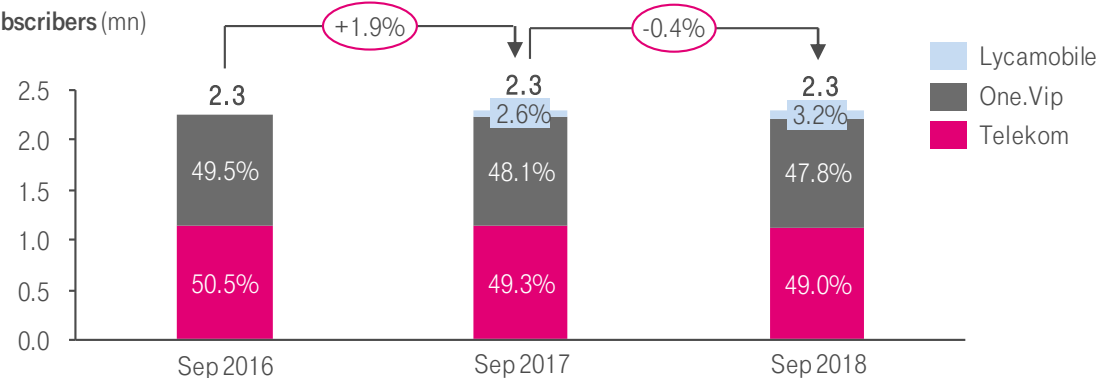


EBITDA (MKD mn)

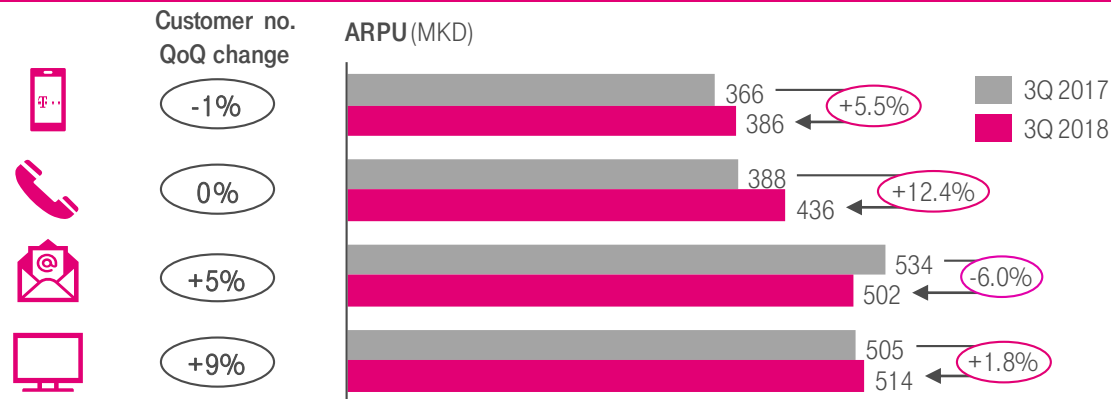


Mobile market

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
- Increase in fixed line revenue due to one-off refund for Universal Service Obligation net costs previously recognized in Q4 2017
- EBITDA decline mainly attributable to temporarily higher indirect costs and an increase in lower-margin activities
- 6.0% weakening in HUF/MKD

For further questions please contact the IR department:

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APPENDIX: Q3 2018 FINANCIAL HIGHLIGHTS

HUF mn, except ratios **IAS 18 & IAS 11, continuing operation**

IFRS 9 & IFRS 15, continuing operation

	Q3 2017	Q3 2018	Change (%)	Q3 2018 (IFRS 9/15 effect)	Q3 2018	Change (%)
Total Revenues	155,381	163,797	5.4%	(112)	163,685	5.3%
Gross Profit	97,314	94,150	(3.3%)	(542)	93,608	(3.8%)
EBITDA	57,212	53,596	(6.3%)	(554)	53,042	(7.3%)
Operating Profit	30,171	23,662	(21.6%)	(554)	23,108	(23.4%)
Net income	19,341	15,067	(22.1%)	(554)	14,513	(25.0%)
	9M 2017	9M 2018	Change (%)	9M 2018 (IFRS 9/15 effect)	9M 2018	Change (%)
Free Cash Flow	27,421	28,570	4.2%	n.a.	28,570	4.2%
Net Debt	343,725	309,957	(9.8%)	n.a.	309,957	(9.8%)
Net Debt/ Total Capital	37.4%	33.8%	n.a.	n.a.	33.8%	n.a.

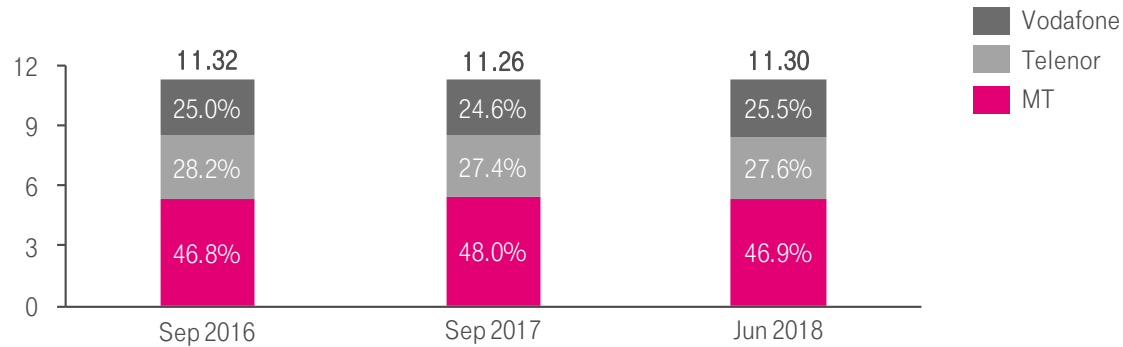


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APPENDIX: HUNGARIAN TELCO MARKET POSITIONS

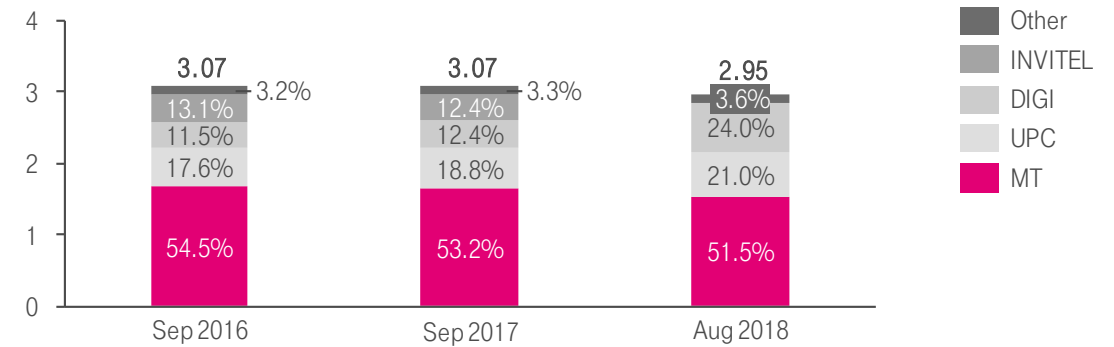
Total mobile market¹

Subscribers (mn)



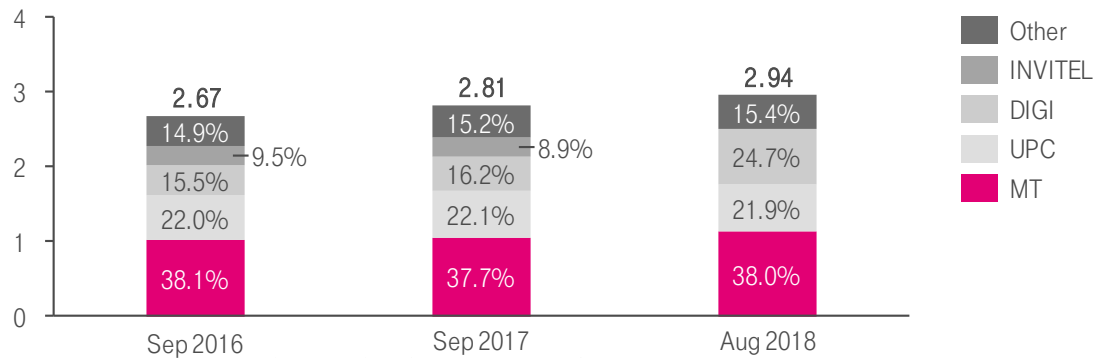
Fixed voice market²

Subscribers (mn)



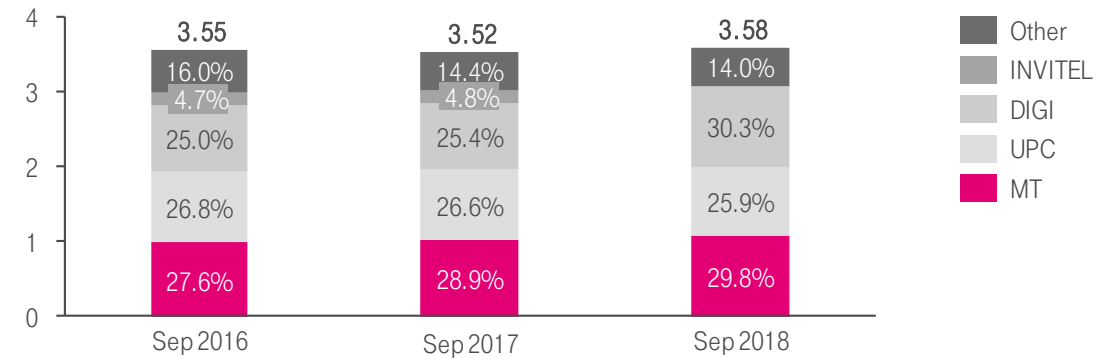
Fixed broadband market²

Subscribers (mn)



TV market²

Subscribers (mn)



¹ Based on 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 (NMA)