

# **MAGYAR TELEKOM GROUP**

# **Q1 2018 RESULTS PRESENTATION**

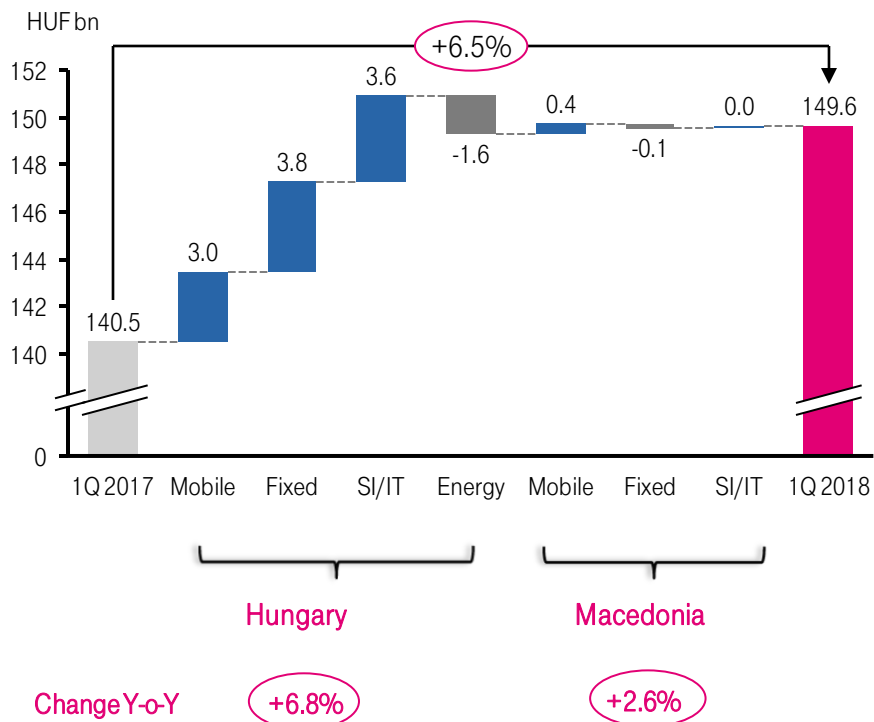
**MAY 8, 2018**



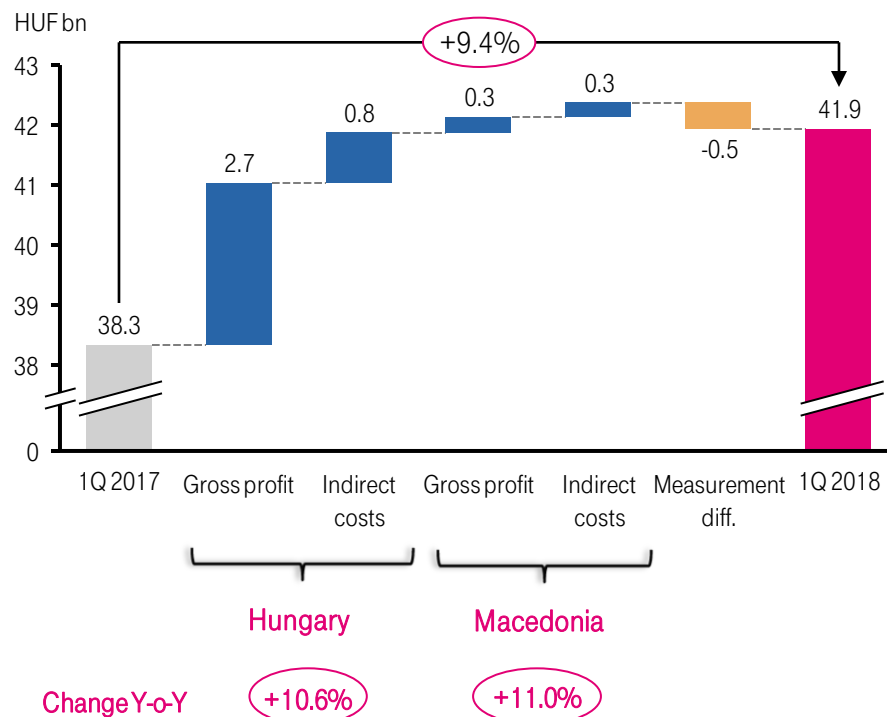
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# Q1 2018 GROUP SEGMENTAL REVENUE AND EBITDA

## Group segmental revenues\*



## Group segmental EBITDA\*



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

# Q1 2018 STRATEGIC HIGHLIGHTS

## MOBILE

- Almost 1 million subscribers signed up to new postpaid tariff plans (launched in March 2017)
- Strong growth in data continued, boosted by hard cut limits and increased customer uptake of more expensive packages
- Strong equipment sales due to more expensive handsets in the sales mix

## FIXED

- Revenue growth in broadband due to increased subscriber numbers and a growing number of fiber connections becoming eligible for higher bandwidth
- Continued dynamic growth in TV customer base and ARPU thanks expansion in the IPTV customer base

## SI/IT

- Significant public sector asset sales
- License deliveries in Health Care sector
- Strong momentum in high revenue software and hardware sales projects continued

## MACEDONIA

- Intense competition in fixed line has put pressure on revenues but this was offset by growth in mobile and SI/IT revenue segments
- EBITDA reflects strong gross profit and effective cost saving measures

# 2018 FINANCIAL TARGETS AND Q1 2018 RESULTS

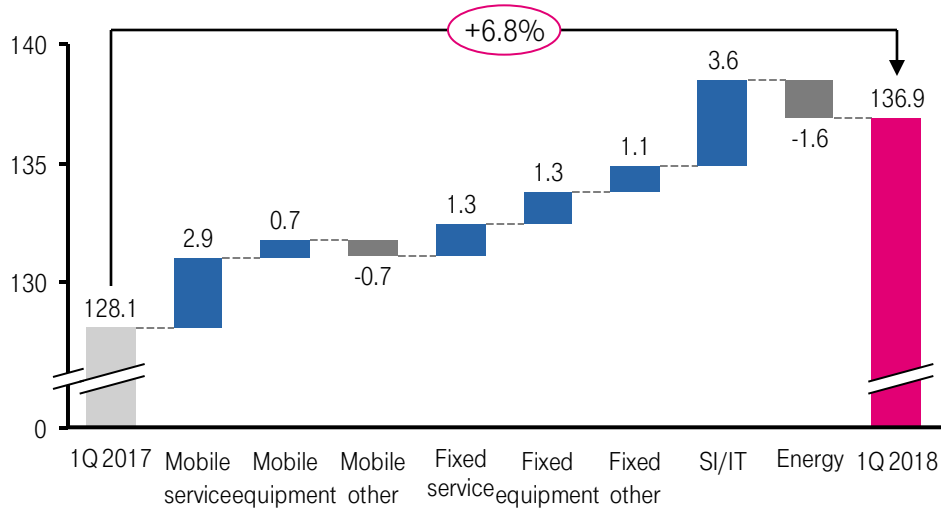
		Q1 2018 RESULTS <i>(change y-o-y)</i>	2018 TARGETS
<b>REVENUE</b>	<ul style="list-style-type: none"> <li>Strong growth in SI/IT</li> <li>Improving service revenues trends</li> </ul>	HUF 150.6 bn <i>(+7.2%)</i>	around HUF 600 bn
<b>EBITDA</b>	<ul style="list-style-type: none"> <li>Increased gross profit</li> <li>Continued focus on cost optimization</li> </ul>	HUF 42.6 bn <i>(+11.0%)</i>	around HUF 190 bn
<b>CAPEX</b>	<ul style="list-style-type: none"> <li>Increased spend on fixed customer connections offset by lower mobile 4 G network development spends</li> </ul>	HUF 14.5 bn <i>(-6.5%)</i>	around HUF 90 bn
<b>FCF</b>	<ul style="list-style-type: none"> <li>Reduction due to unfavourable seasonality in working capital, including higher payments to handset supplier</li> </ul>	HUF -9.9 bn <i>(HUF -10.2 bn)</i>	around HUF 60 bn



# HUNGARY

## Revenue\*

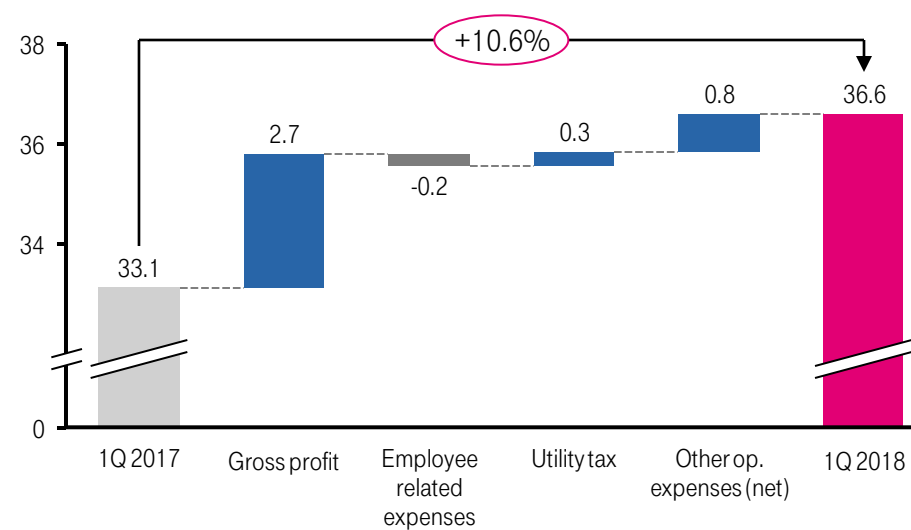
HUFbn



- Mobile service revenue increase primarily driven by growth in mobile data usage and subscriber acquisition
- 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

## EBITDA\*

HUFbn



- Gross profit increase due to higher revenues and one-off decline in bad debt
- Increase in employee related expenses reflects insourcing of trainees
- Utility tax reduction driven by network upgrades
- Savings in energy costs and HR-related expenses



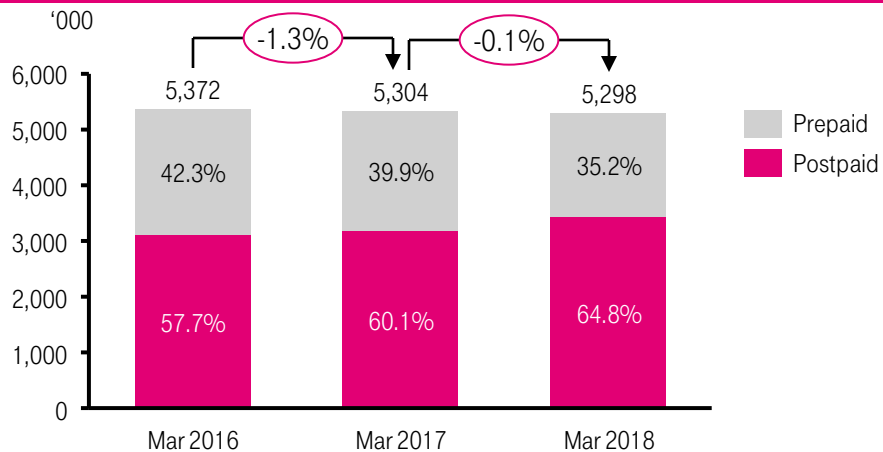
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\*Excluding IFRS 9 & 15 effects

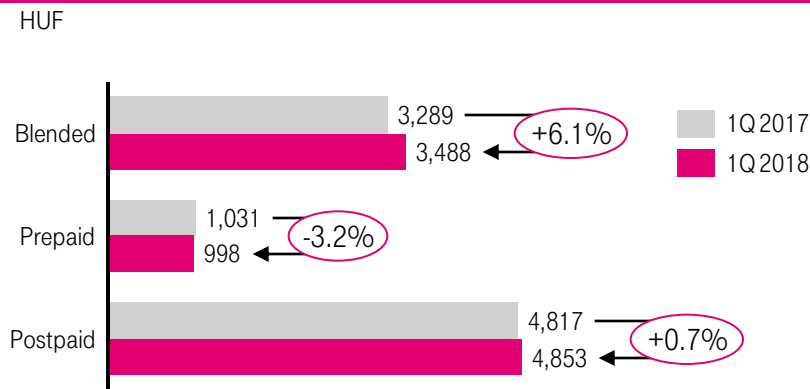
# HUNGARY - MOBILE



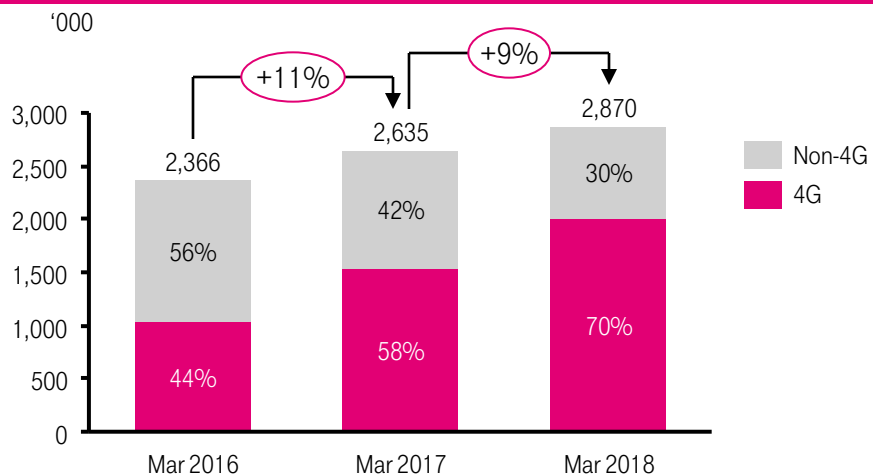
## Mobile SIMs



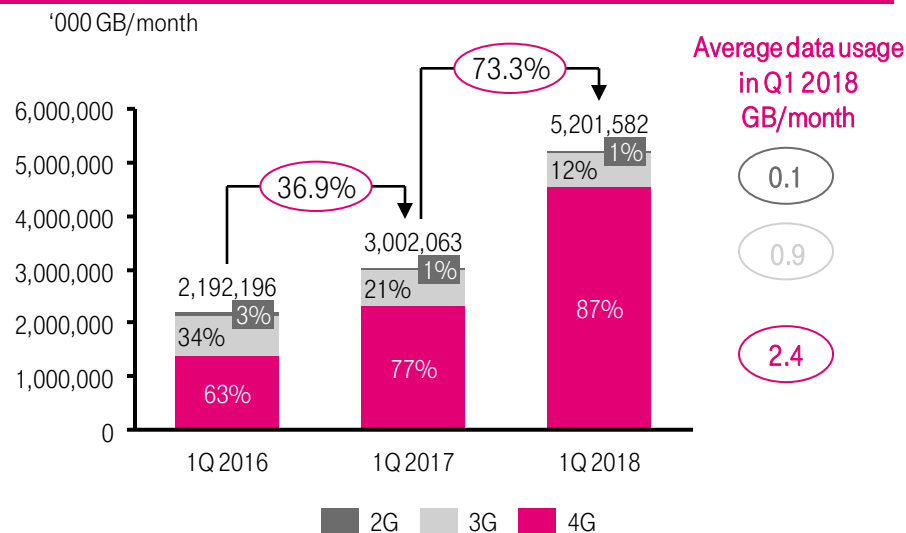
## Mobile ARPU\*



## Total mobile data subscriber development



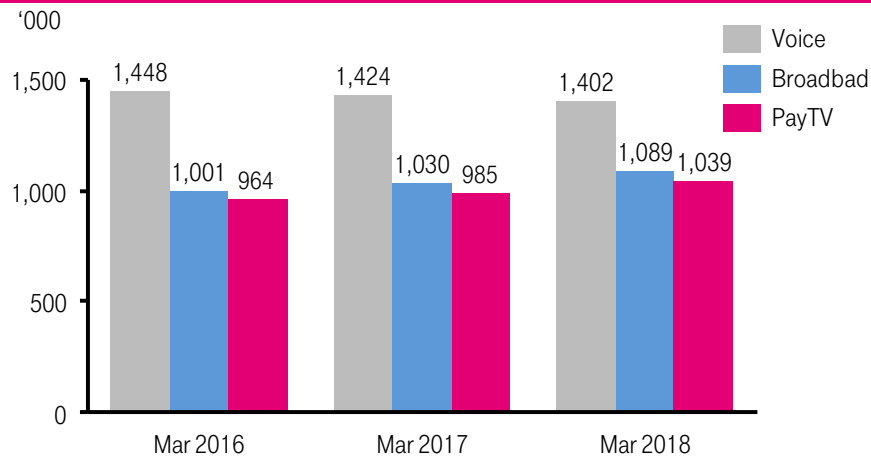
## Mobile broadband usage developments



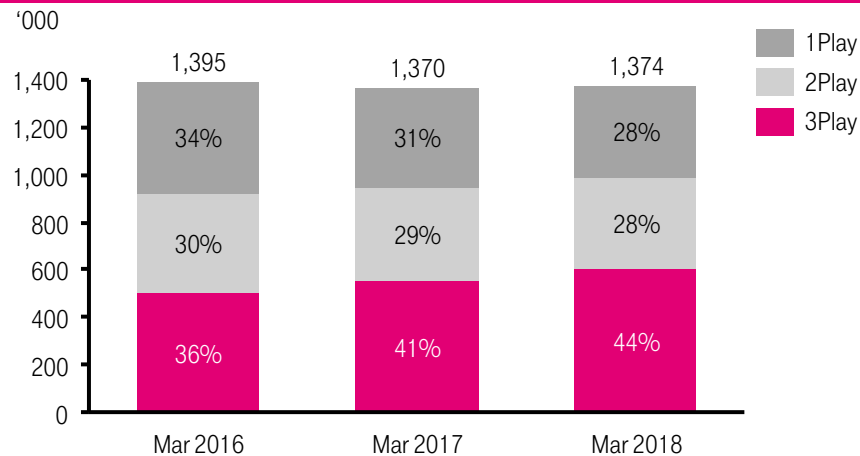
# HUNGARY – FIXED VOICE, BROADBAND AND TV



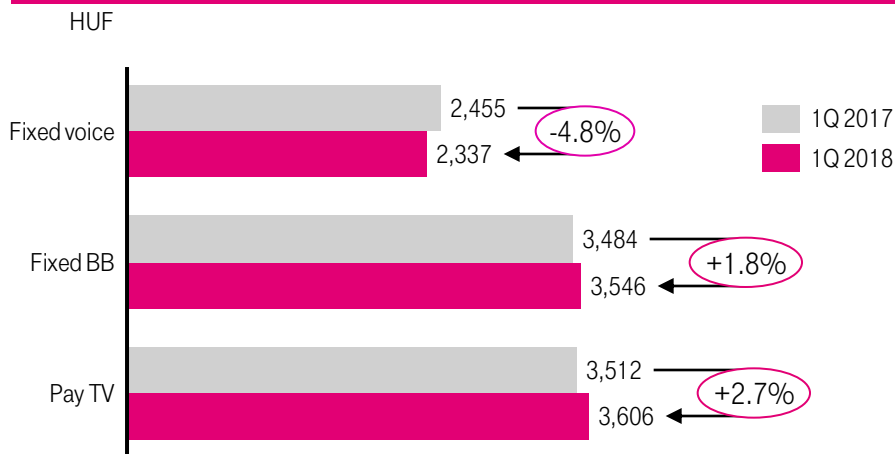
## Fixed line customer number development



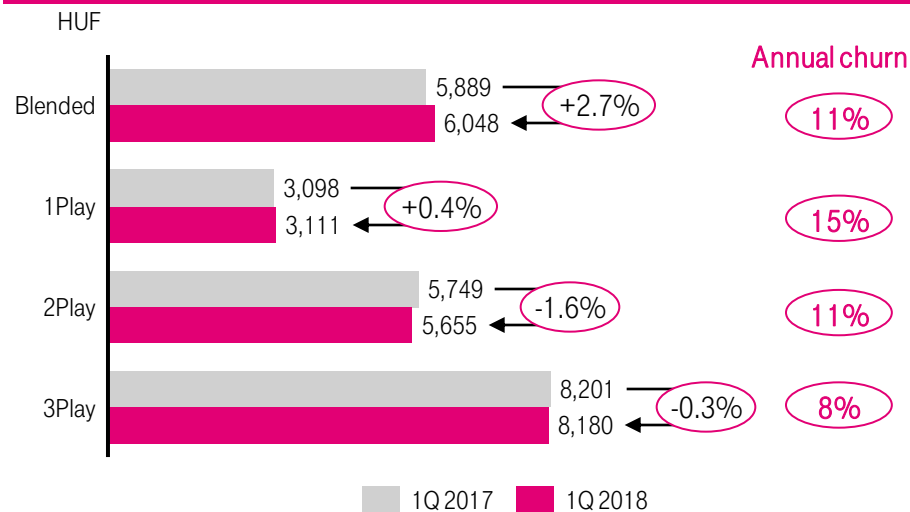
## Fixed line multiplay residential subs. development



## Fixed Voice, BB and TV ARPU\* developments

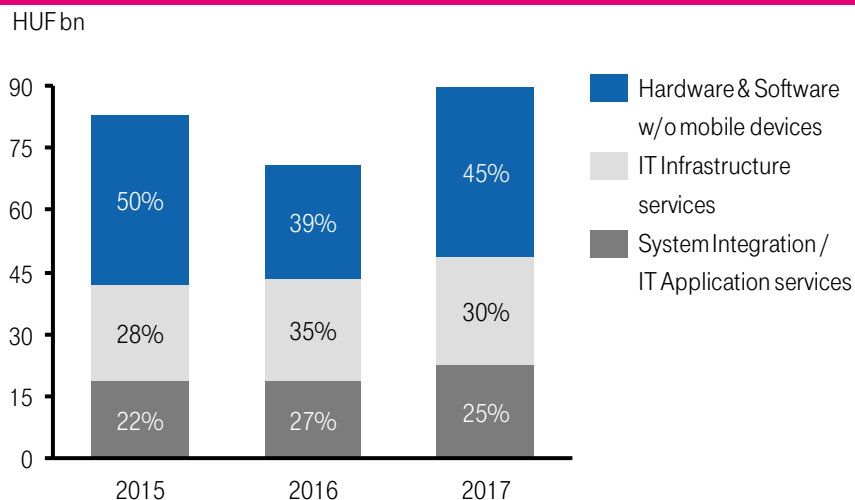


## Fixed line multiplay residential ARPU\* developments

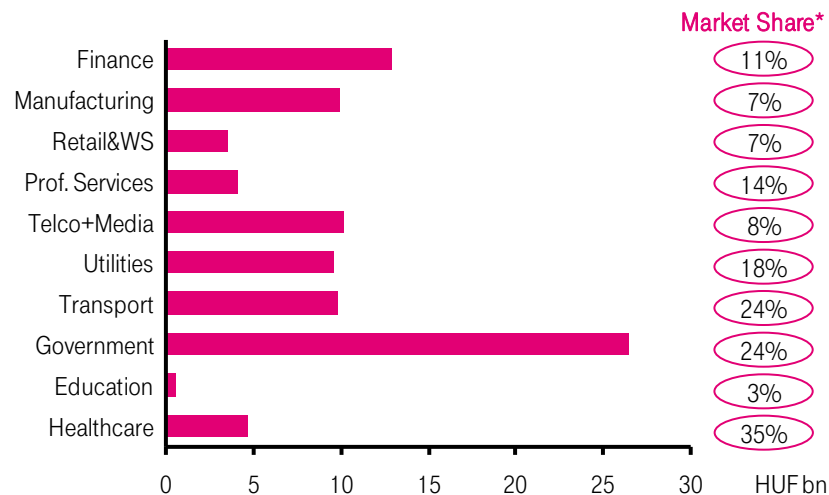


# HUNGARY - SI/IT

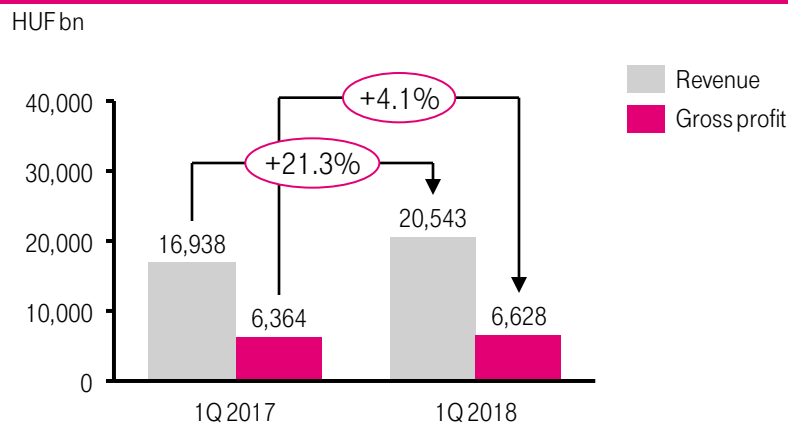
## SI/IT revenue developments



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



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



Gross margin

38%

29%

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## Highlights

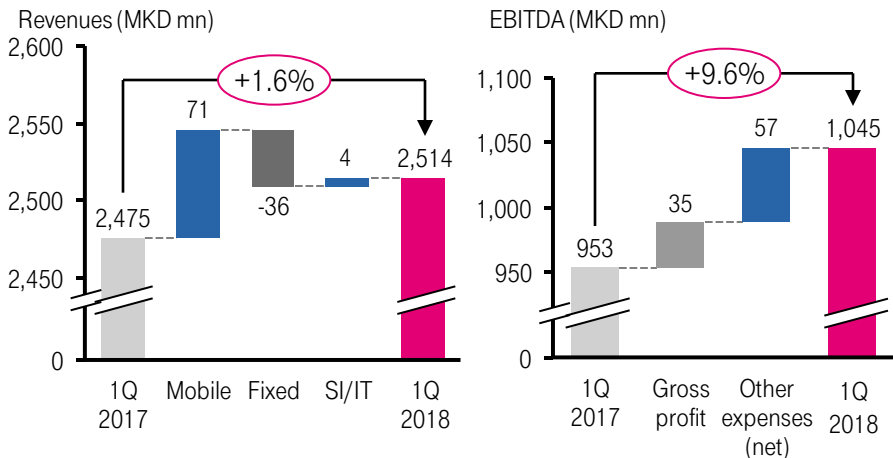
- Positive trajectory of SI/IT revenues maintained
- EU funded projects are hardware and software focused and relatively low margin
- Infrastructure delivery projects serve as a starting point to developing long term customer relationships and as a foundation for IT service contracts
- Revenue increase driven mainly by public sector infrastructure delivery projects

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

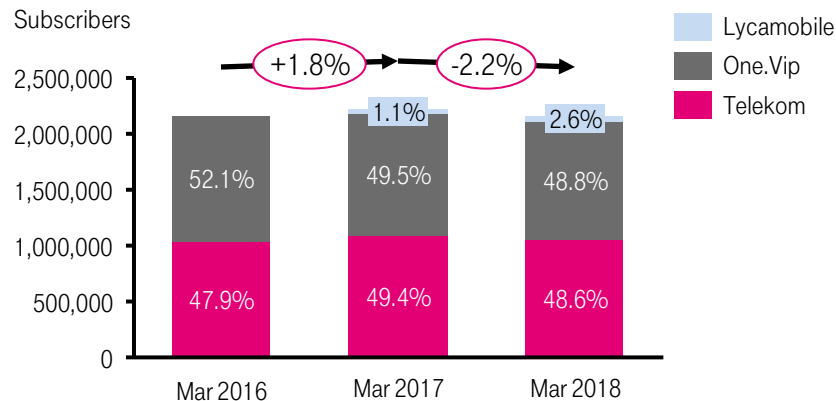


# MACEDONIA

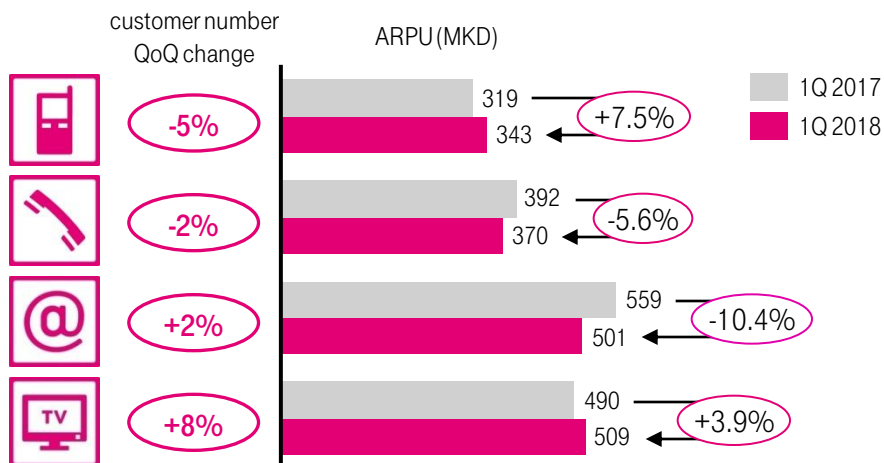
## Financials\*



## Mobile market



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



## Highlights

- Increase in mobile data and fixed TV customer base mitigates revenue pressure from competition driven tariff erosions
- Continued strong focus on 3 Play and FMC offers on the market
- Lycamobile, an ethnic MVNO using VIP's network, stabilized its market share at around 3%
- EBITDA improvement attributable to savings in marketing, HR-related material and consultancy costs



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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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