

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

October 2023



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, 2022 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 AL, 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 “Financial and operational data set”, which is posted on Magyar Telekom’s Investor Relations webpage at www.telekom.hu/investor_relations.

OVERVIEW OF MAGYAR TELEKOM

Magyar Telekom at a glance

Overview

- **Integrated** operations in Hungary and North Macedonia
 - Leading telecommunications service provider in both countries
 - Leading SI/IT service provider in Hungary
- Majority owned by Deutsche Telekom (63.55%)
- EUR 1.3 bn market capitalization¹
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market




Network leadership

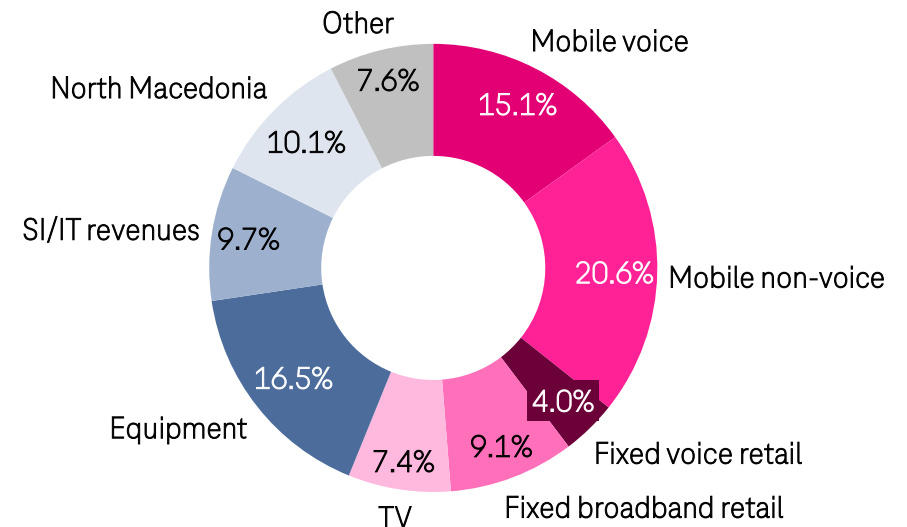
- **4.4 mn** fixed access points (82% country-wide coverage)
- **3.5 mn** gigabit-capable access points (fiber & HFC)
- **3,600** mobile base stations country-wide
 - **60%** population-based **5G** coverage
 - **98%** population-based **4G** coverage



¹ As of September 28, 2023

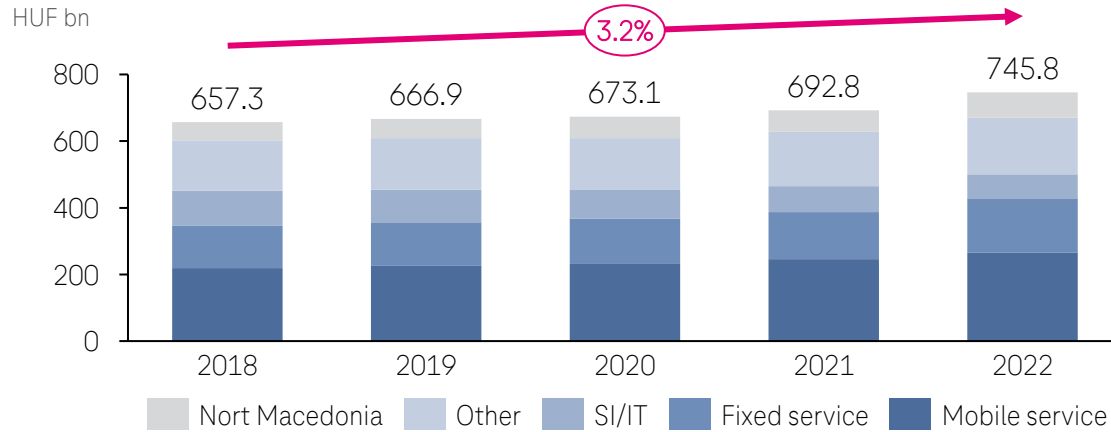
Telco service offerings & 2022 revenue composition

			
Mobile	✓	✓	✓
Fixed	✓	✓	✓

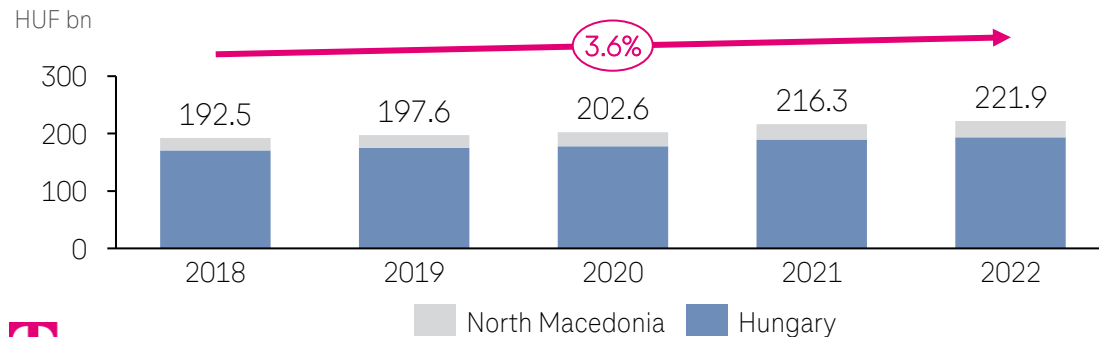


Undisrupted growth...

Magyar Telekom revenues



Magyar Telekom EBITDA /EBITDA AL



Seamless connectivity experience



Strong brand, excellent servicing & more-for-more pricing strategy



~90% Employees in Budapest HQ working under agile framework



Other operating expenses kept under control



ISS Corporate Solutions ranked Magyar Telekom among the best performers of the telecom sector globally with 'B' rating

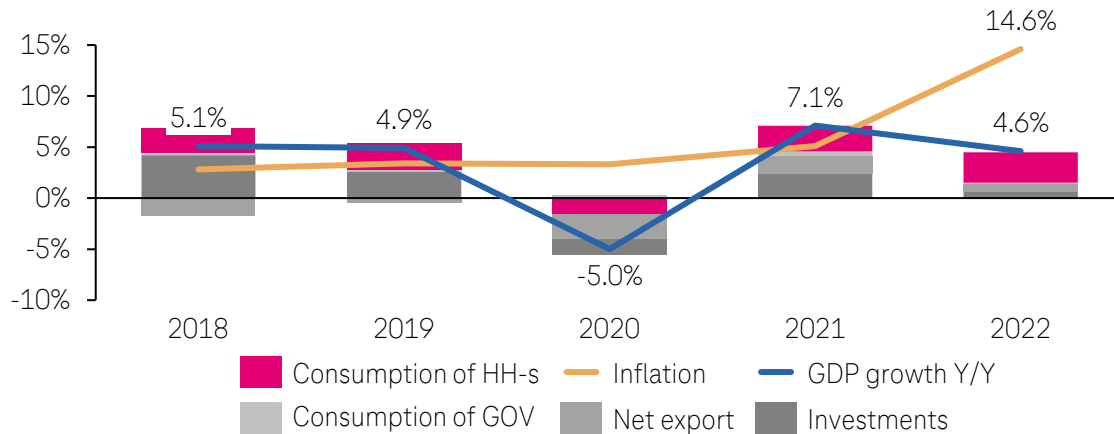
BBB+

BBB+ corporate credit rating with positive outlook affirmed by Scope Ratings



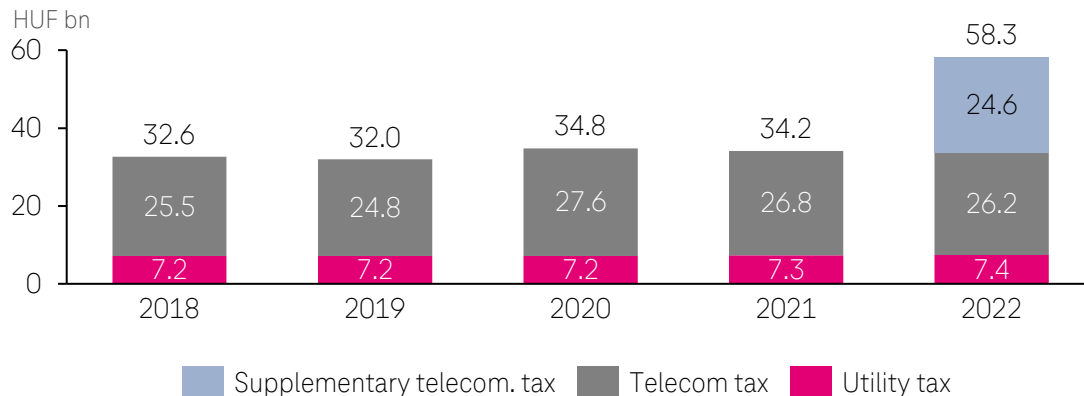
...despite external challenges

Growth structure & Domestic demand



- Investment levels show volatility due to EU fund cycles
- GDP growth slowed down in H2 2022 due to pressures on household consumption and tighter fiscal policy
- H1 2023 GDP showed 1.7% contraction YoY
- Inflation rose sharply from September 2022
- YoY inflation peaked at 25.2% in March 2023 (August 2023: 16.4%)

Sector specific taxes levied on Magyar Telekom*



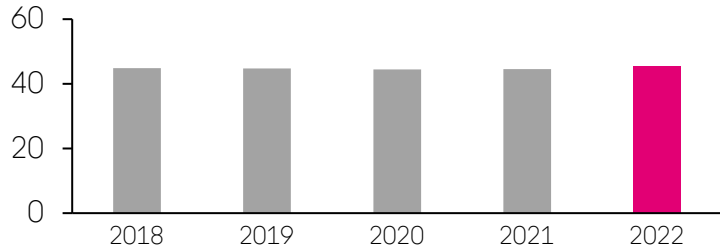
- Temporary revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013
- Temporary revenue-based supplementary telecommunication tax payable for the years 2022, 2023 and 2024



* Sector specific taxes booked as part of Operating Expense reducing EBITDA

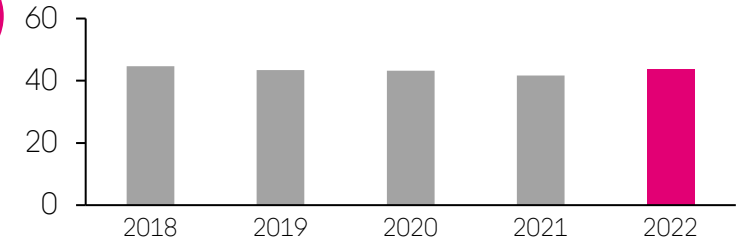
Magyar Telekom has strong market positions...

Mobile voice SIM market shares¹

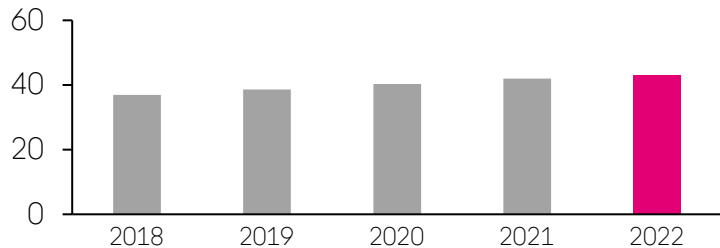


Stable leading position on the Hungarian mobile market

Mobile data SIM market shares¹

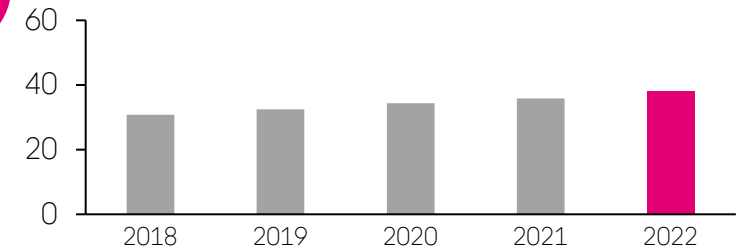


Fixed broadband market shares²



Increasing market shares on the Hungarian fixed broadband and TV markets

TV market shares²



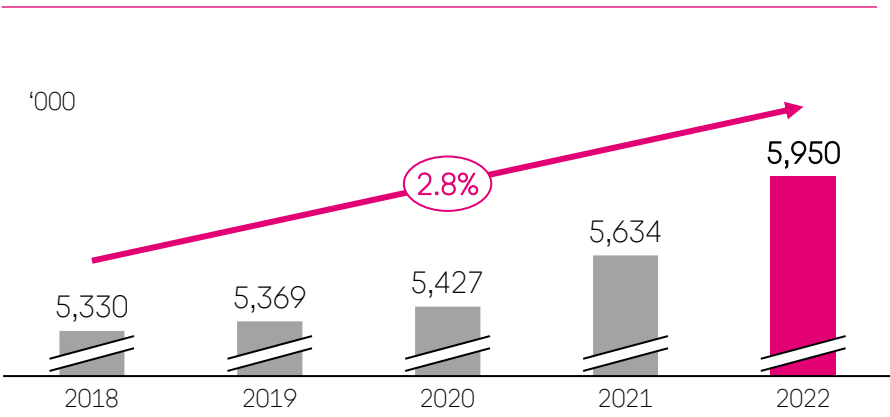
Competitors:

4iG: integrated fixed-mobile-IT offerings; Yettel/Cetin: mobile only operations; Ventage: Vodafone Group's local tower co.; Small privately owned cable companies

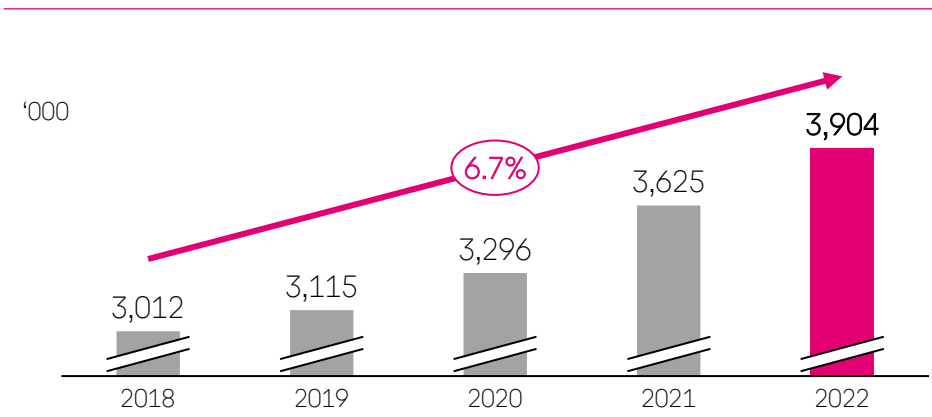
 ¹ Based on the total voice/internet traffic generating SIM cards data published by the National Media and Infocommunications Authority (NMIA)
² Based on the BB access/ pay TV data published by the National Media and Infocommunications Authority (NMIA) and internal data and estimates

...inline with positive customer base developments

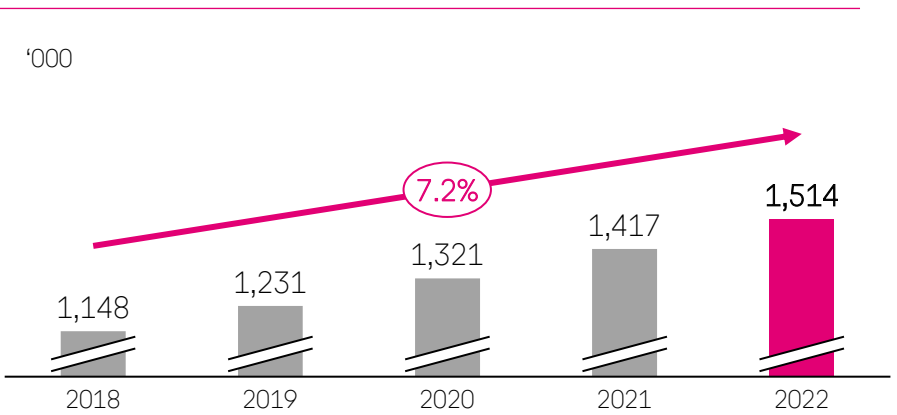
Total mobile SIMs



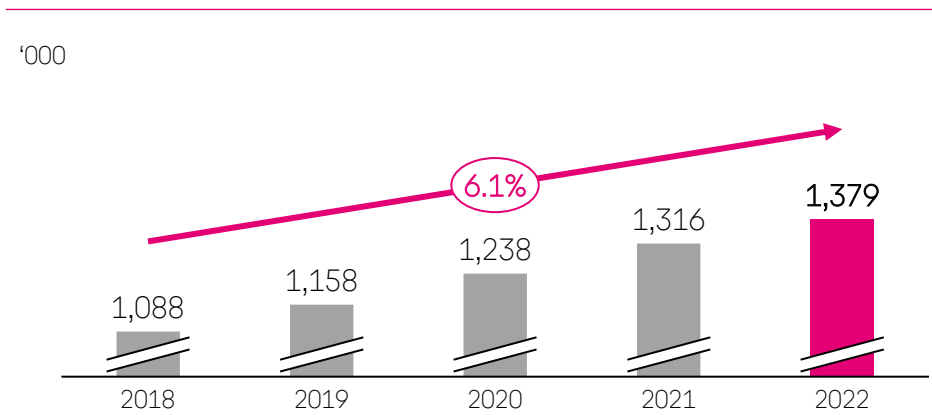
Mobile broadband subscribers



Fixed broadband subscribers



Pay TV subscribers





STRATEGY, OPERATION AND RESULTS

...2023 strategic objectives provide foundation for further growth

#1 CHOICE OF CUSTOMERS

Continued commitment to network developments

Continued customer base expansion

5G **60%**

Population based coverage

11.5GB

average monthly mobile data usage in Q2 2023 (up 26% YoY)

DIGITALLY NATIVE BUSINESS

Enhanced digital customer servicing processes to improve customer experience

Sustained demand for high quality and high-capacity networks

UNDISRUPTABLE TELEKOM

Inflation-based fee adjustment implemented in March 2023 to offset cost side pressures

Memorandum of Understanding for the Digital Transformation of Hungary



3.5 million

gigabit capable access points



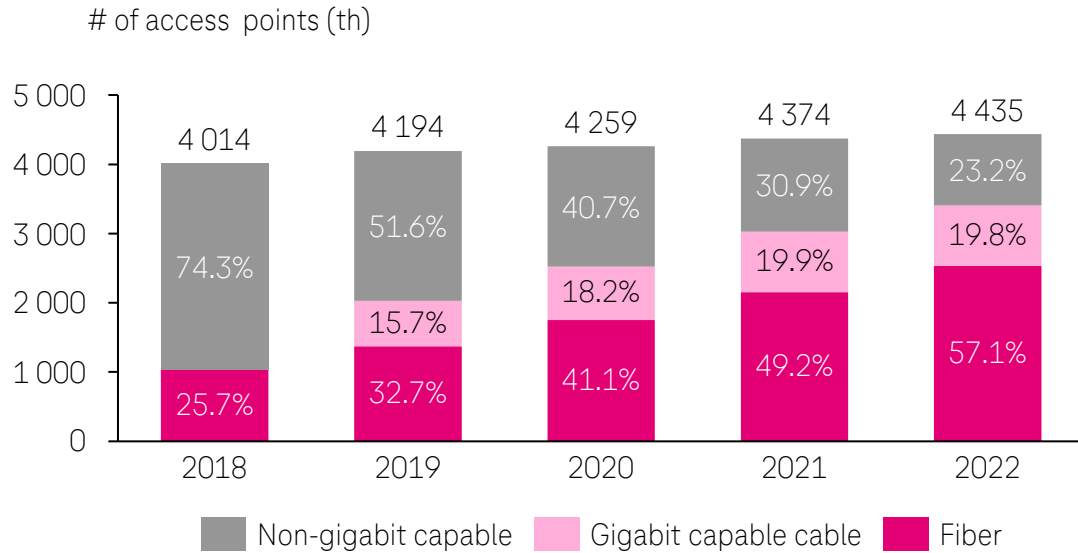
1.3 million

customers already connected to gigabit fixed network (up 18% Y-o-Y)



Network developments in Hungary

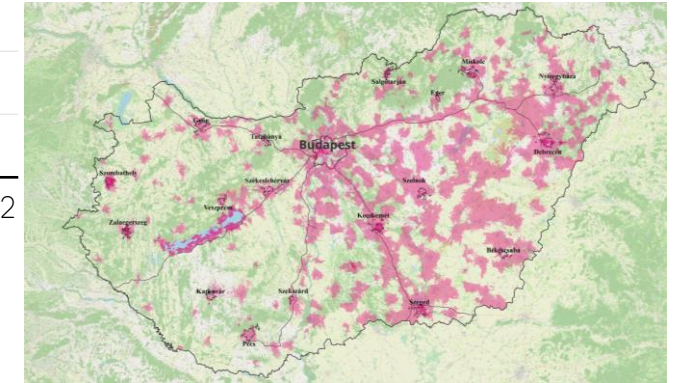
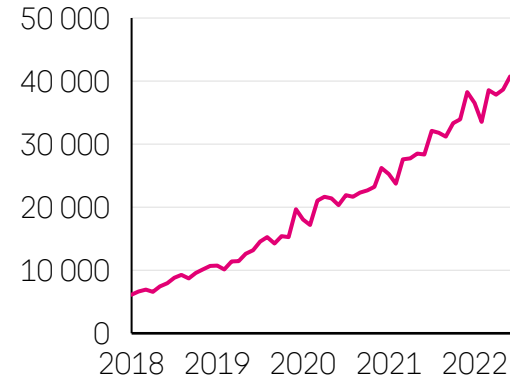
Fixed network developments



- Continued fiber rollout to provide seamless connectivity to expanding customer base
- Gradual copper retirement to increase efficiency
- Gigabit availability at 3.5 mn access points
- Target to reach 4.5 million Hungarian homes and businesses by the end of 2027

Mobile data usage developments

Total monthly mobile traffic (GB thousand)



- Ongoing RAN modernization to increase capacity and availability
- Completion of 3G switch-off supporting energy savings and efficient spectrum usage
- Mobile data traffic increases steadily driven by expanding customer base and growth in data usage
- From July 1, 2023 population-based 5G coverage increased to 60%
- By 2026 population-based outdoor 5G coverage increase to 99%

ESG's strategic focuses at Magyar Telekom



Digitalization of Hungary

- 5G coverage
- Gigabit access
- Consultancy



Climate protection

Scope 1 & 2

- Carbon neutrality (since 2015)
- Green energy
- Energy reduction and efficiency

Scope 3

- Reaching full circularity
- Lowering suppliers' attributable emissions



Digital inclusion and education

Digital inclusion

- Education platforms
- Child protection

Sensitivity program

- Multi-generation
- Sustainable work



H1 2023 results and public targets

	2022 results	2023 guidance	H1 2023 results (change y-o-y)	Key drivers
REVENUE	HUF 746.7 bn	10%-15% growth ³	HUF 404.0 bn (+13.3%)	<ul style="list-style-type: none"> ▪ Inflation-based fee adjustment introduced in March 2023 ▪ Continued strong operational performance
EBITDA AL	HUF 221.5 bn	10%-15% growth ³	HUF 119.4 bn (+11.4%)	<ul style="list-style-type: none"> ▪ Positive contribution from fee adjustment ▪ Inflationary cost pressure remains
ADJUSTED NET INCOME	HUF 63.0 bn	double-digit growth ²	HUF 37.8 bn (+46.9%)	<ul style="list-style-type: none"> ▪ Increases in EBITDA to positively impact performance ▪ Interest rate pressure to ease
FCF ¹	HUF 50.9 bn	ca HUF 60 bn	HUF 7.3 bn	<ul style="list-style-type: none"> ▪ Growth in EBITDA forecasted to outweigh elevated interest and lease outpayments

¹ EXCLUDING SPECTRUM LICENSES

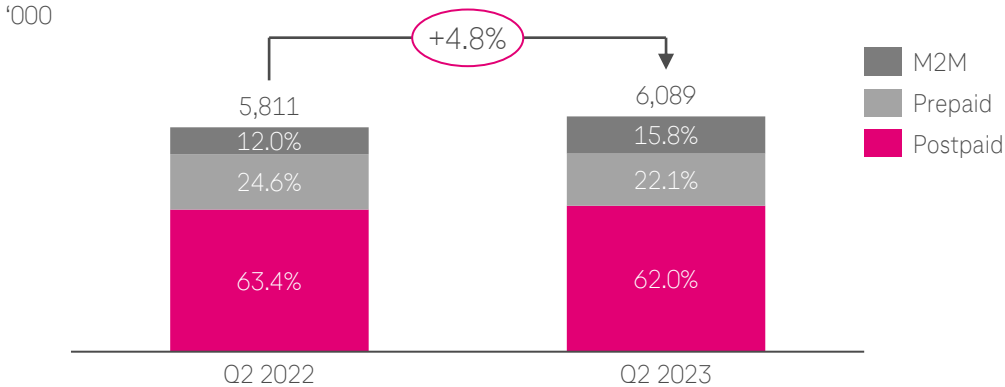
² MODIFIED FROM "MODERATE GROWTH"

³ MODIFIED ON SEPTEMBER 26, 2023 FROM 5%-10% GROWTH'

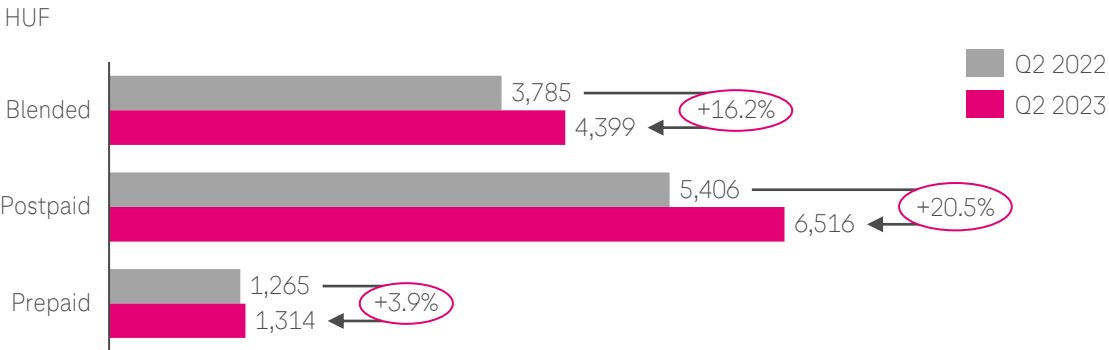


Continued demand for mobile data in Hungary

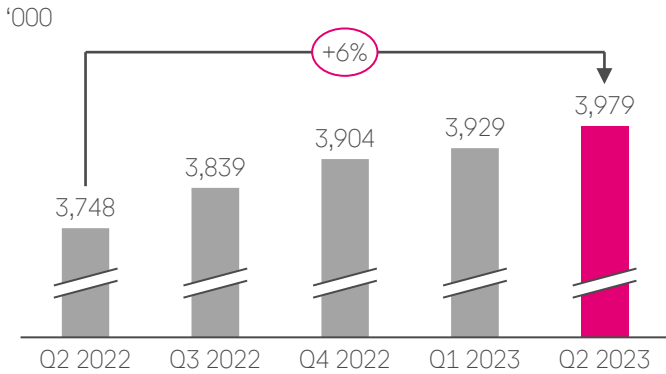
Mobile SIMs



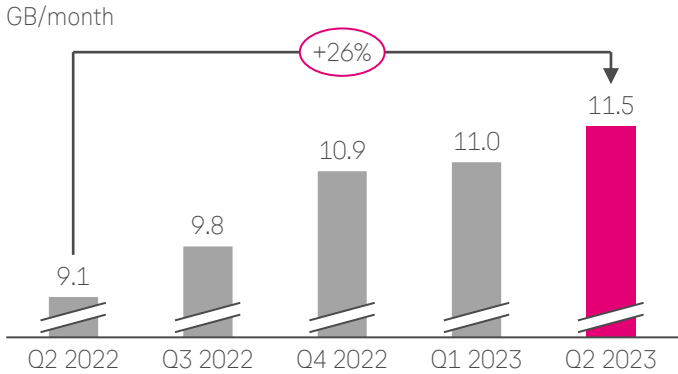
Mobile ARPU



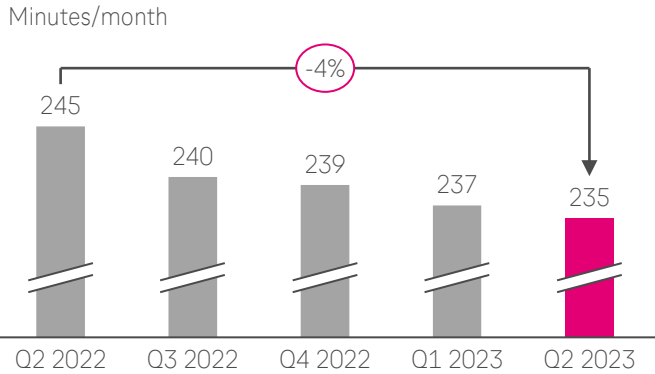
Mobile data SIMs



Mobile broadband usage

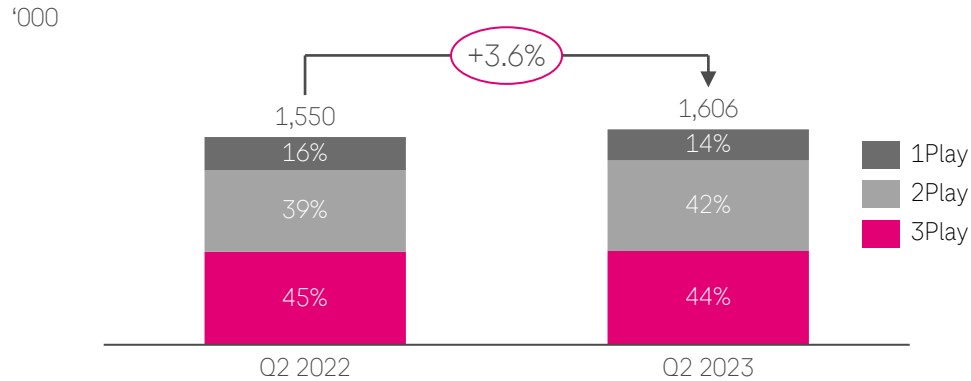


Mobile voice usage

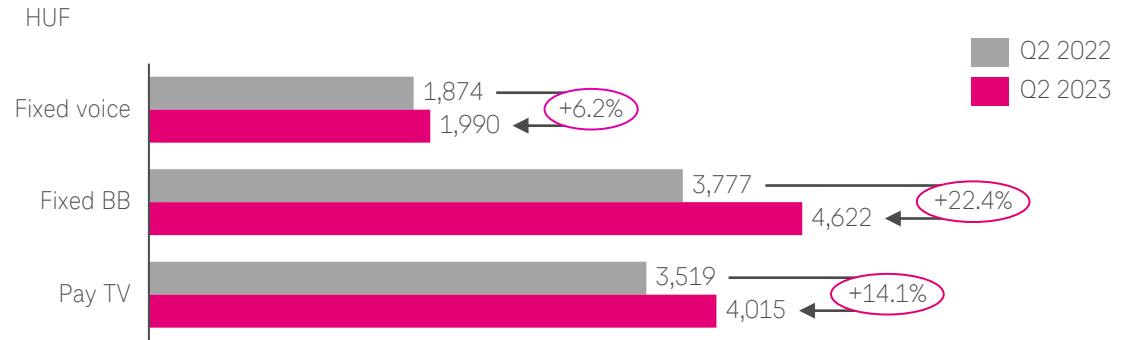


Growth in broadband - the primary driver of fixed line performance

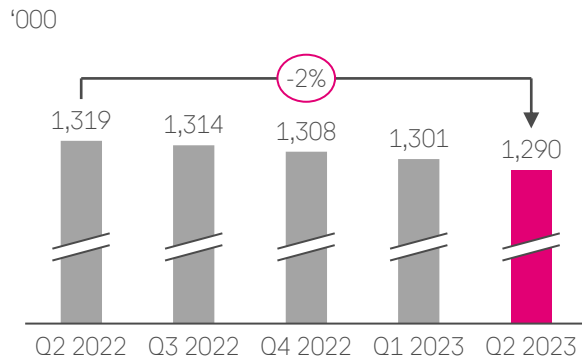
Fixed line multiplay residential subscribers



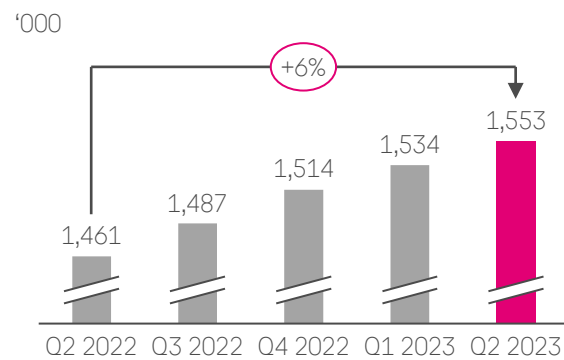
Fixed Voice, BB and TV ARPU



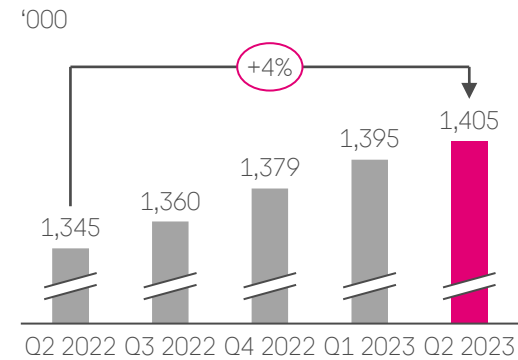
Fixed voice customers



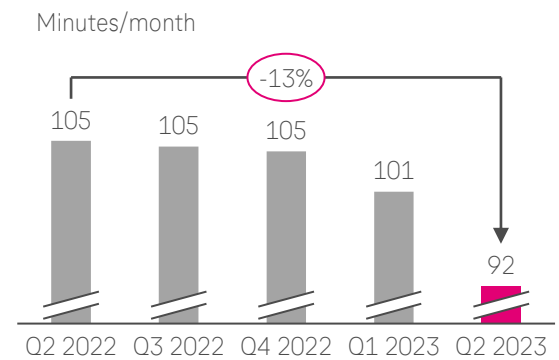
Fixed broadband customers



Pay TV customers



Fixed voice usage



OUTLOOK AND SHAREHOLDER REMUNERATION

2023 public guidance and 2024 outlook

	2022 results	2023 guidance	2024 outlook
REVENUE	HUF 746.7 bn	10%-15% growth ²	mid-single digit growth
EBITDA AL	HUF 221.5 bn	10%-15% growth ²	solid growth
Adjusted net income	HUF 63.0 bn	double-digit growth	dynamic growth
FCF ¹	HUF 50.9 bn	ca HUF 60 bn	dynamic growth

¹ EXCLUDING SPECTRUM LICENSES

² MODIFIED ON SEPTEMBER 26, 2023 FROM 5%-10% GROWTH¹

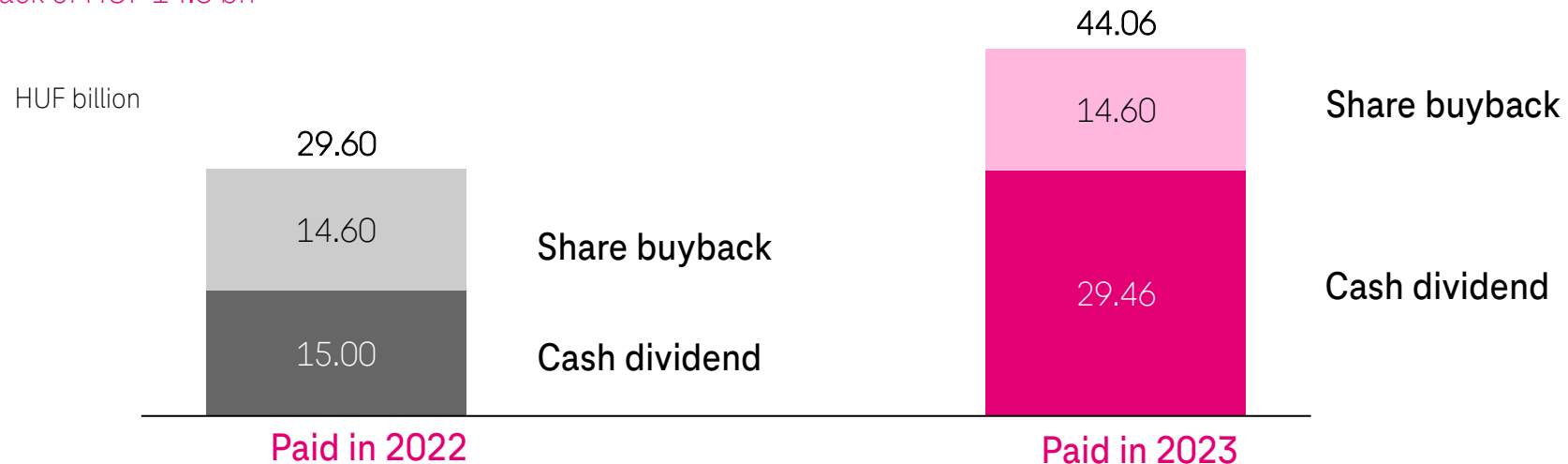


Shareholder remuneration

- Since February 2022, Magyar Telekom shareholder remuneration policy as a combination of **dividend payments and share buybacks**.
- The policy envisages growth in annual shareholder remuneration in line with improvements in the Company's financial performance.
- Total shareholder remuneration is calculated as 60-80% of the Magyar Telekom Group adjusted Net Income.
- The policy is applicable for earnings in 2022-2024.

Total shareholder remuneration after 2022 results is HUF 44.06 billion or equal to ca. **70% of the 2022 adjusted net income, which represent close to 50% YoY growth.**

- 1) **cash dividend of HUF 29.46 bn** (corresponding to HUF 30.60 dividend per share)
- 2) **share buyback of HUF 14.6 bn**

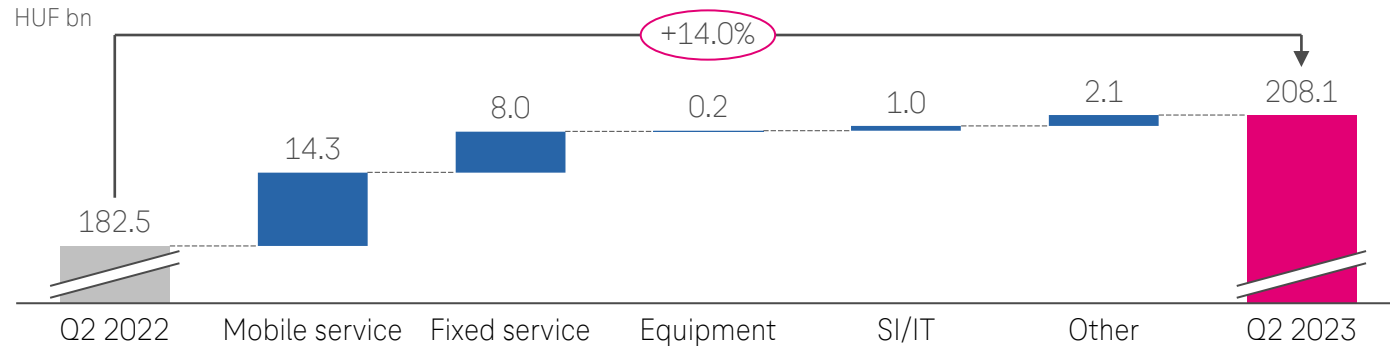


Back-up

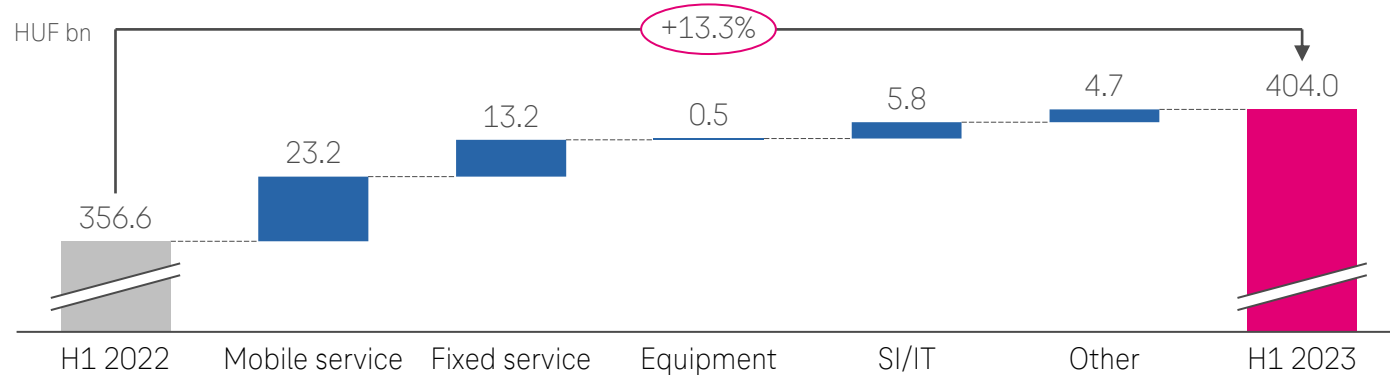
?

Revenue growth reflects sustained commercial momentum and implementation of the inflation-based fee adjustment

Revenue, Q2 2023 vs Q2 2022



Revenue, H1 2023 vs H1 2022

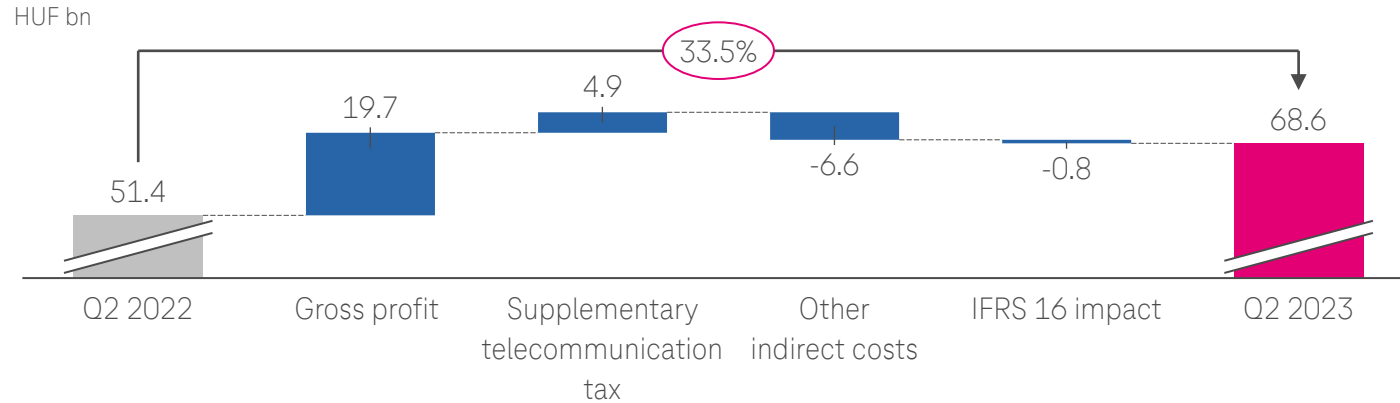


- Demand for mobile data continued to increase
- Broadband and TV customer base expanded further
- Subscription revenue positively impacted by the 14.5% inflation-based fee adjustment
- Equipment sales driven by the combination of higher average handset prices offset by lower sales volumes and higher present value discounts
- SI/IT revenue growth reflects more favorable in-year project distribution and positive contribution from high value projects in Hungary



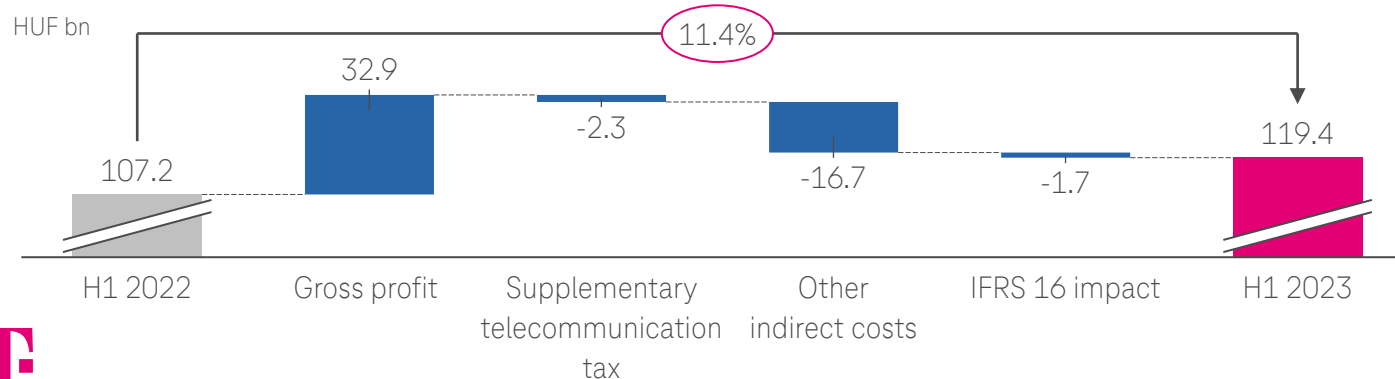
EBITDA AL improvement despite strong cost pressure

EBITDA AL, Q2 2023 vs Q2 2022



- Strong increase in gross profit attributable to positive underlying telecommunication service developments
- Supplementary telecommunication tax booked in Q2 2022 in relation to revenue generated during the first six months of 2022 vs regular booking schedule in 2023

EBITDA AL, H1 2022 vs H1 2021

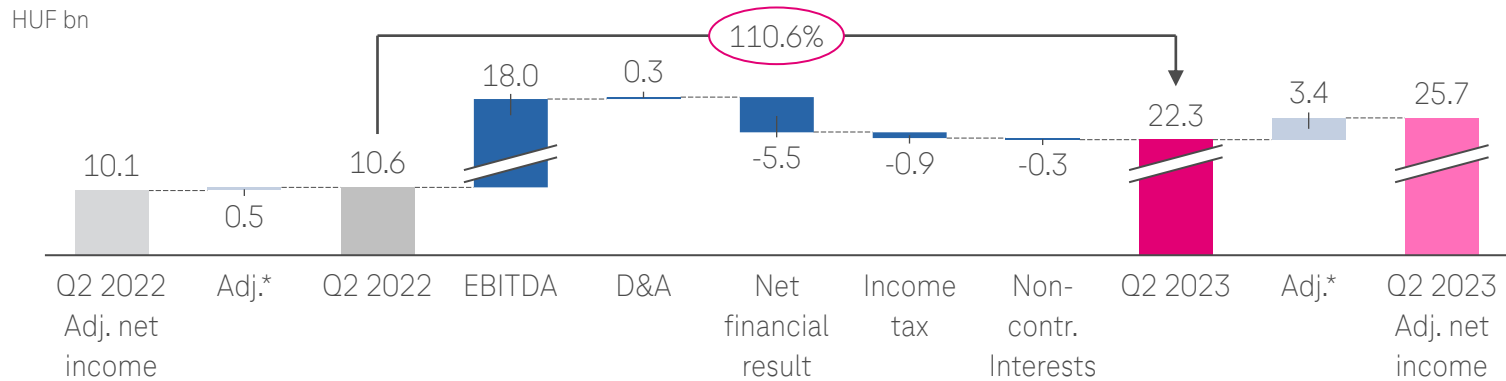


- Increase in indirect costs driven by an increase in electricity costs, higher employee-related expenses and inflation-driven increases in other cost items
- Increasing IFRS 16 impact reflects growing lease liability base
- Absence of HUF 3.3 bn subsidiary sale gain, recorded H1 2022



EBITDA improvements partly offset by weaker net financial results

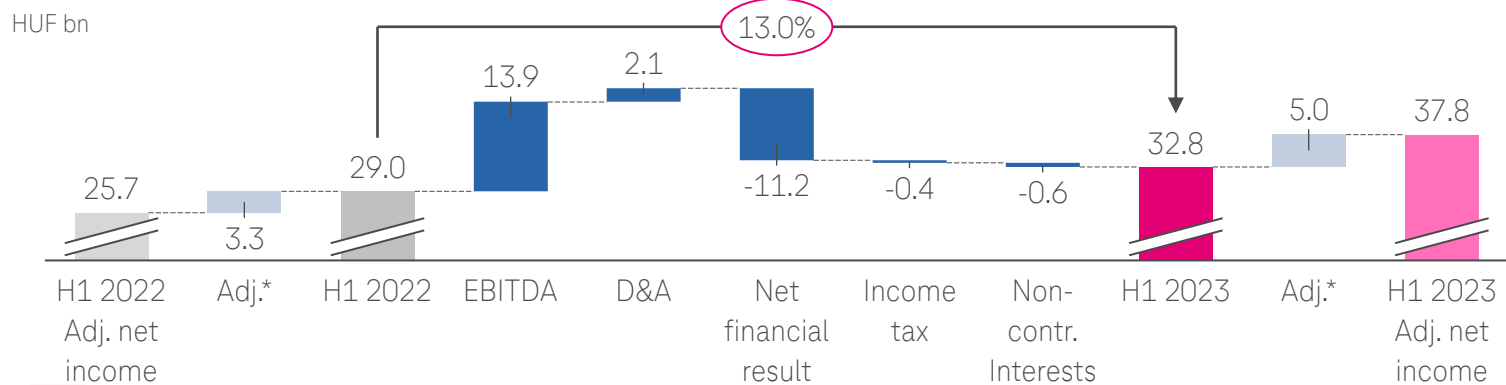
Net income (and adjusted net income), Q2 2023 vs Q2 2022



- Net financial results down due to higher interest expenses and less favorable derivative-related fair value changes

- Non-controlling interests reflects the performance of the North Macedonian subsidiary, impacted by improved profitability

Net income (and adjusted net income), H1 2023 vs H1 2022

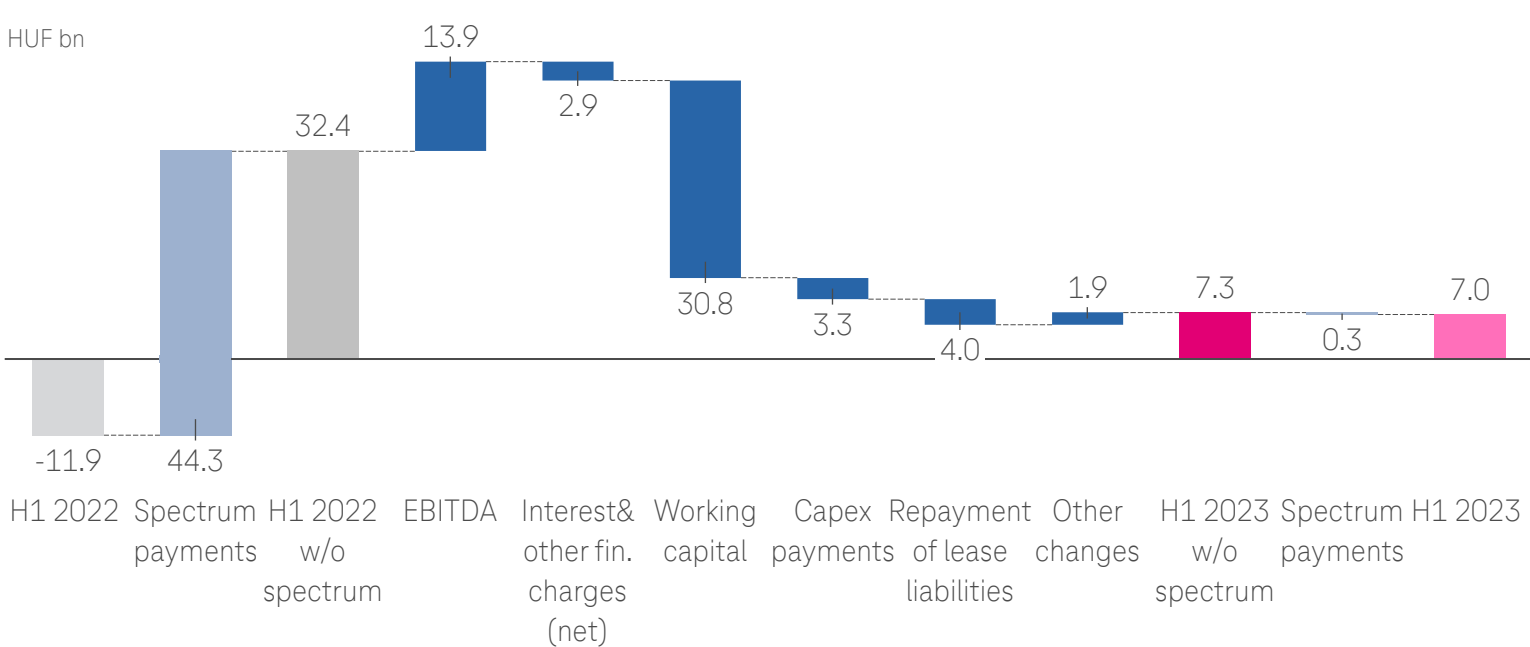


- Net income adjustments in Q2 2023 mostly relate to non-realized losses on measuring derivatives at fair value and FX related changes



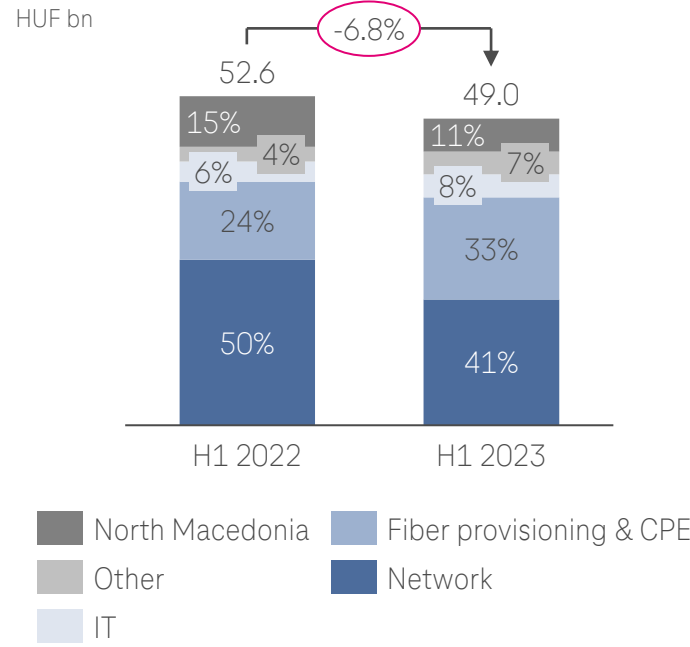
Free cashflow reflects changes in external environment

Free cashflow, H1 2023 vs H1 2022



- EBITDA improvement driven by strong operational performance
- Higher interest on loans and lease interest component
- Deterioration in working capital primarily owing to supplementary tax advance payment
- Higher lease liability outpayments reflecting higher liability base

CAPEX, H1 2023 vs H1 2022

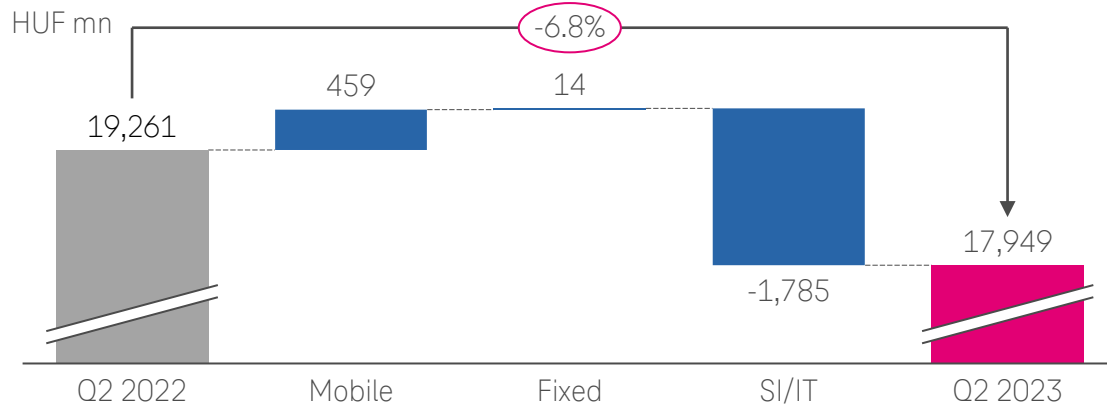


- Increases related to fiber provisioning and CPE driven by continuous uptake of gigabit service in Hungary
- Lower network investment needs in both countries

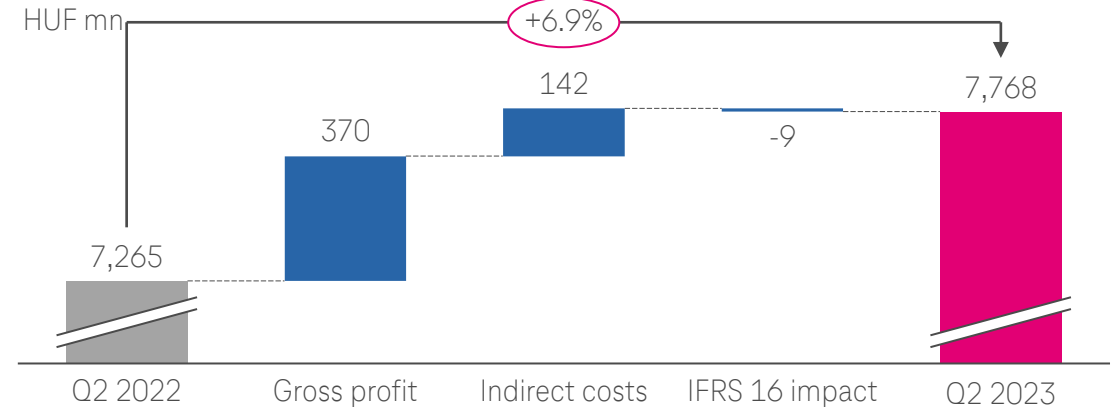


North Macedonia: Q2 and H1 2023 results

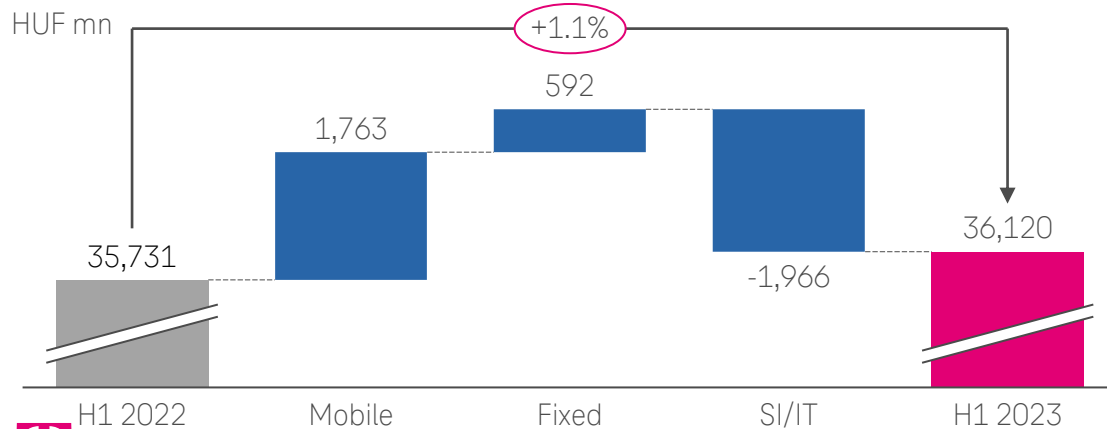
Revenues, Q2 2023 vs Q2 2022



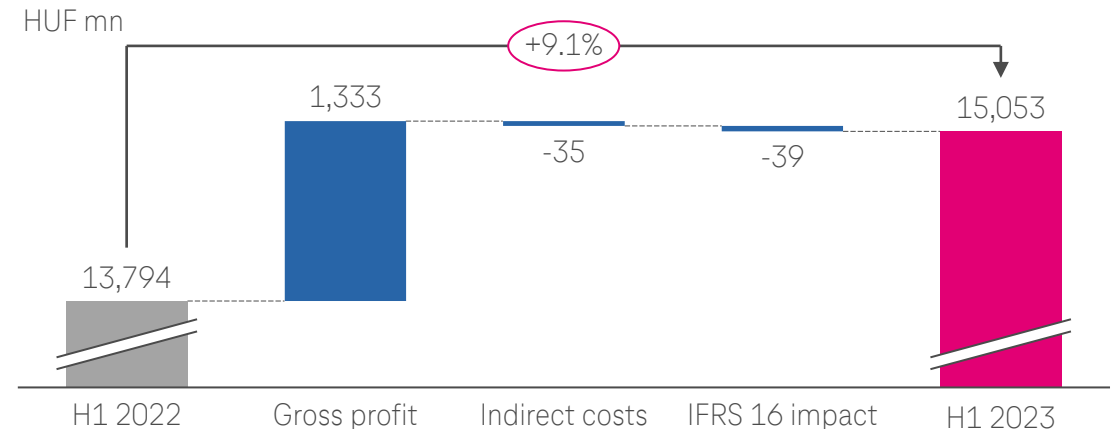
EBITDA AL, Q2 2023 vs Q2 2022



Revenues, H1 2023 vs H1 2022

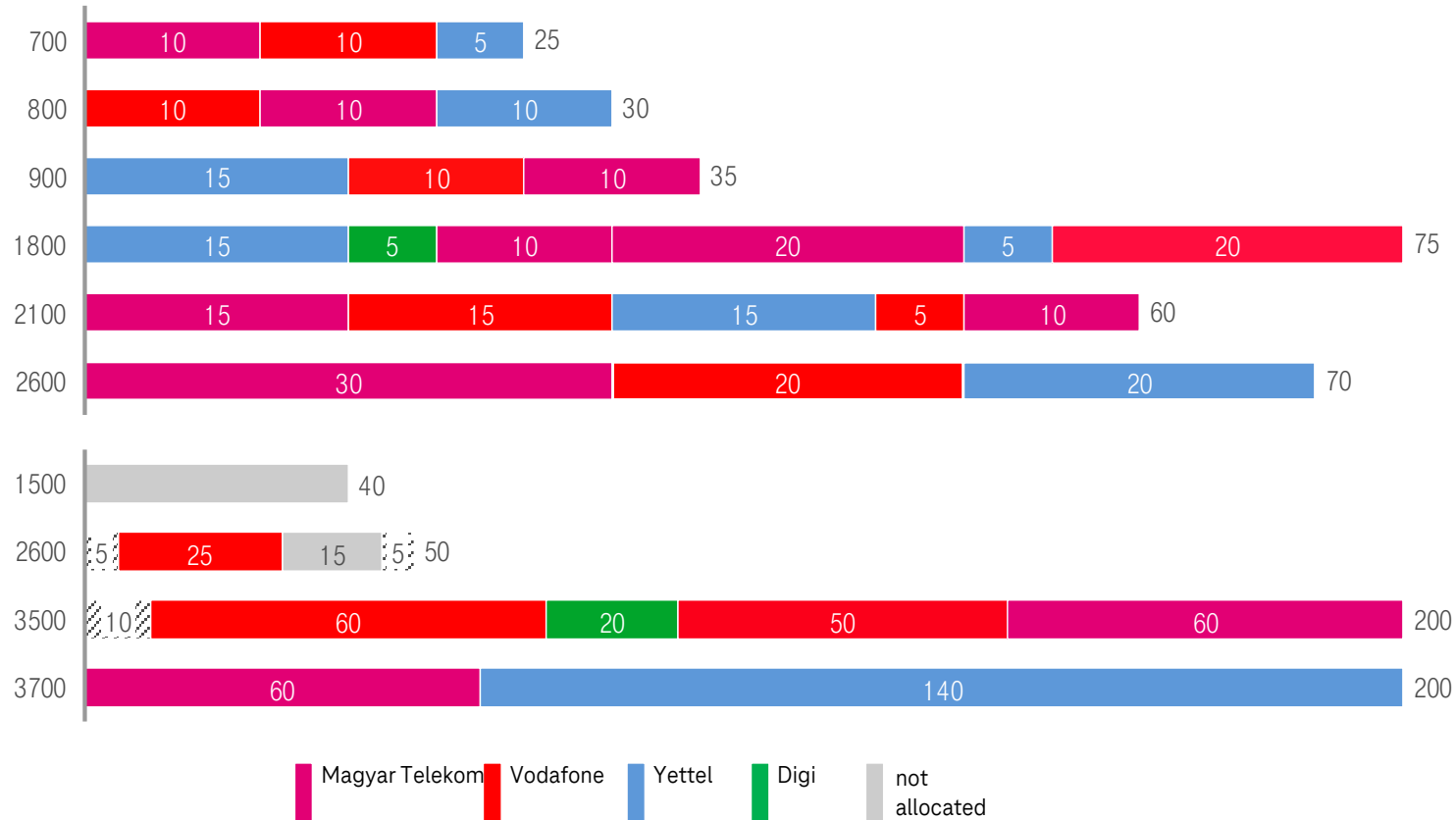


EBITDA AL, H1 2023 vs H1 2022



HUNGARIAN MOBILE SPECTRUM

Spectrum allocation (MHz)



For further questions please contact the IR department:

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