

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

July 2020



LIFE IS FOR SHARING.

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, 2019 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.



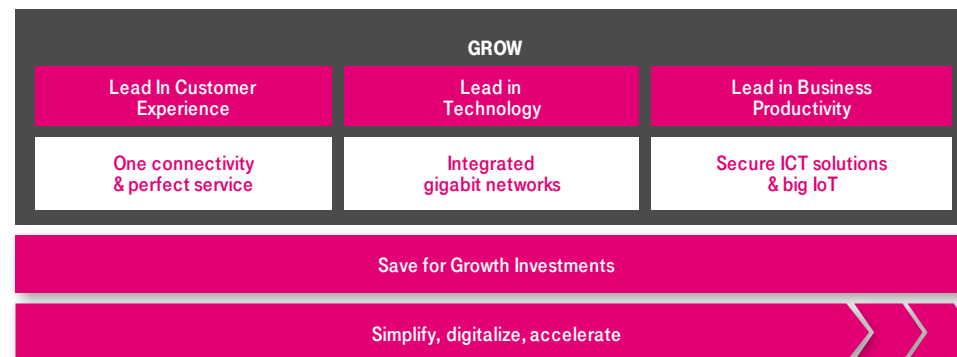
STRATEGY AND MARKET POSITION

OVERVIEW – MAGYAR TELEKOM AT A GLANCE




Overview

- Integrated operations in Hungary and Macedonia
 - Leading telecommunications service provider in both countries
 - Leading SI/IT service provider in Hungary
- Majority owned by Deutsche Telekom (59.2%)
- EUR 1.1 bn market capitalization¹
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

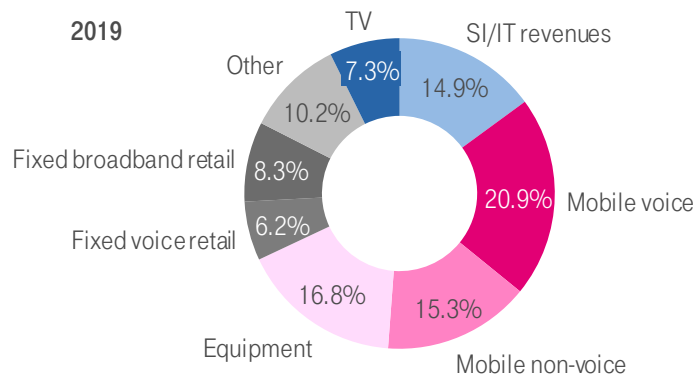
Pillars of transformation



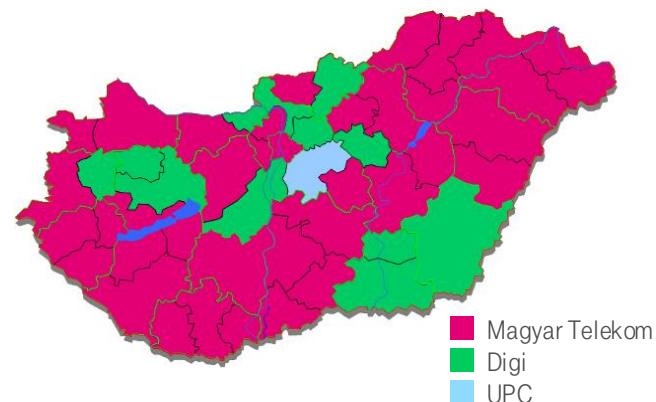
Main services offered

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

Revenue composition



Incumbents in Hungary



¹ As of May 21, 2020

STRATEGY HIGHLIGHTS

Network

- Accelerated fiber rollout
- Acquisition of 5G licenses and launch of commercial 5G service



48%

gigabit capable network



Service launch

Services

- Continuous shift to higher bandwidth fixed broadband subscriptions
- Strong increase in mobile data usage



+56%

fixed broadband customers sign up for >100 Mbps package

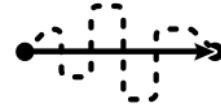


~5GB

Average monthly mobile data usage

Optimization

- Continued agile transformation process
- Reduction in total headcount



Agile

cross functional working practices



9%

Cut in Group headcount

North Macedonia

- Sustained positive trends in customer developments
- Increased focus on cost control measures

#1

Fixed line operator



35%

of home customers have integrated package



LIFE IS FOR SHARING.

MEASURES IN RESPONSE TO COVID-19

Offers

- Promotional mobile data offers
- Zero rated educational content
- Additional TV content free of charge
- Promotional voice offers for 65+
- Donations to socially disadvantaged groups

Operation

- Optimization of sales channels
- Increasing online sales and customer care
- Majority of employees working remotely
- Growing importance of digitalization

Network

- Monitoring capacity levels
- Servicing to facilitate increased demand in the public and corporate segments



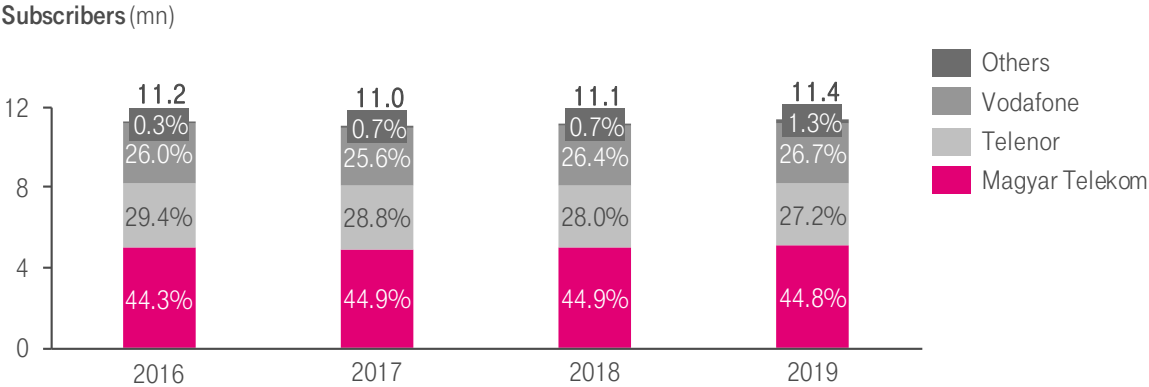
#DigitalCooperation



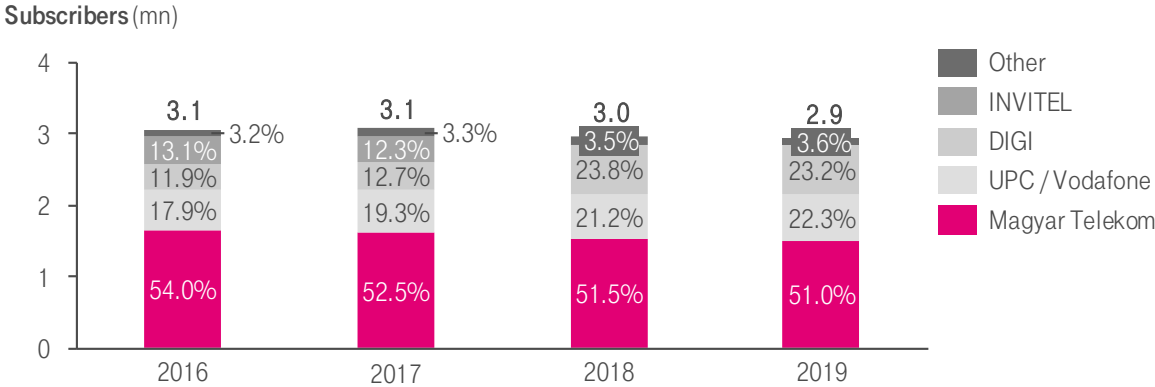
LIFE IS FOR SHARING.

HUNGARIAN TELCO MARKET POSITIONS

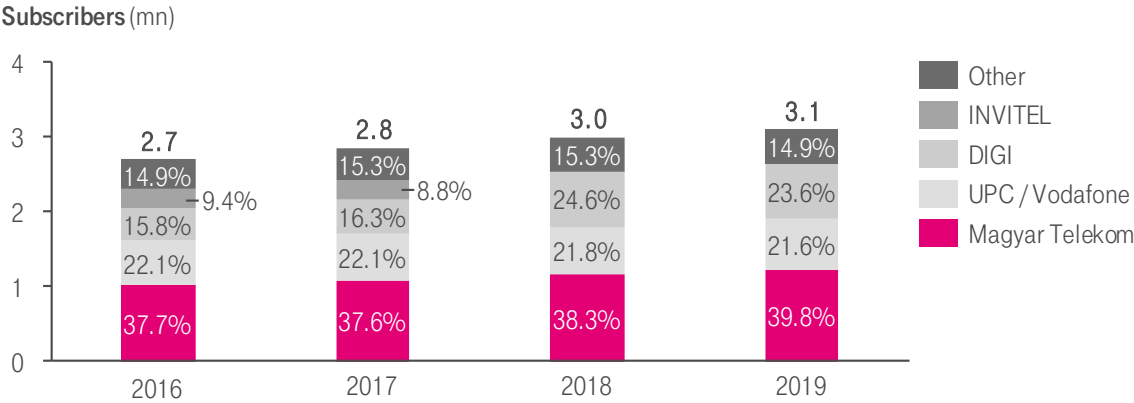
Total mobile market¹



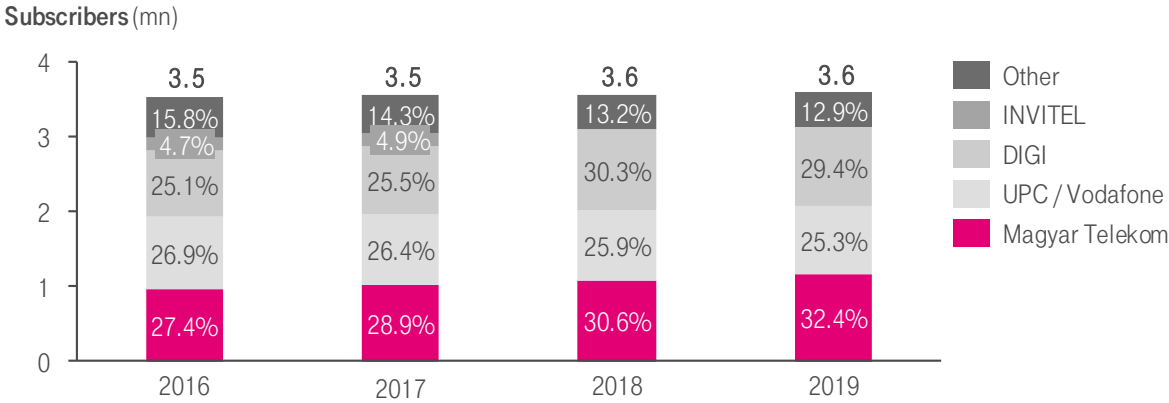
Fixed voice market¹



Fixed broadband market¹



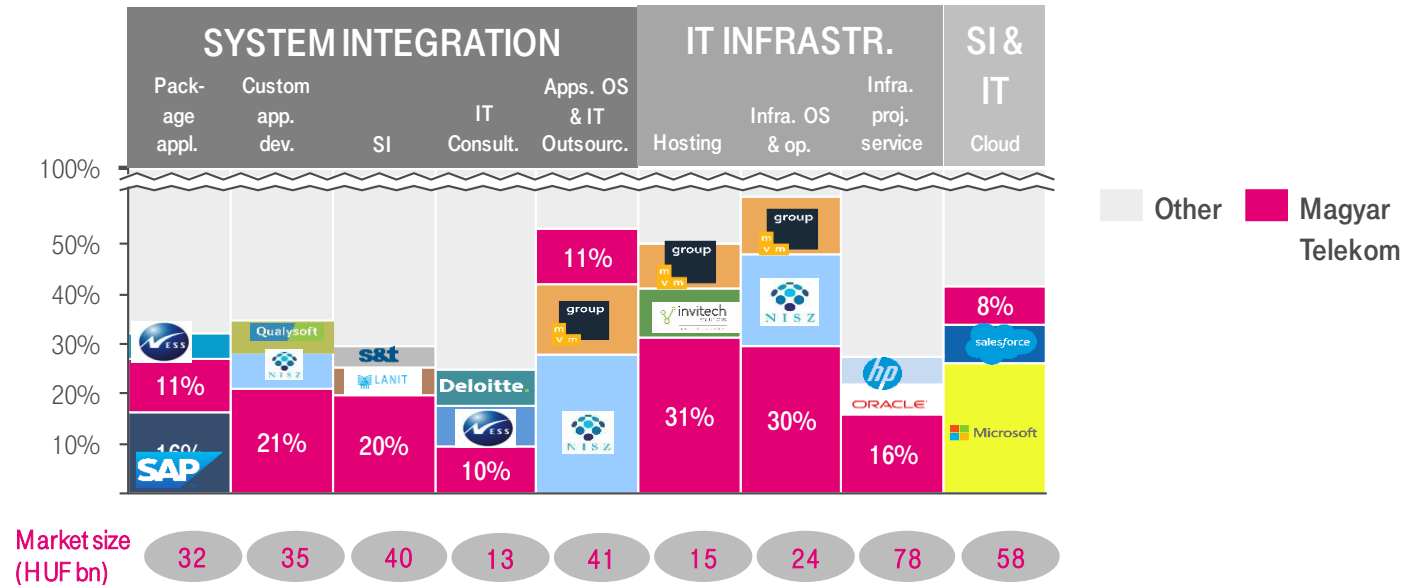
TV market¹



¹ Based on the total fixed voice channels/BB access/pay TV access market estimated by the National Media and Infocommunications Authority (NMA)

HUNGARIAN IT SERVICES MARKET SHARES

IT Services market shares (by revenue)¹

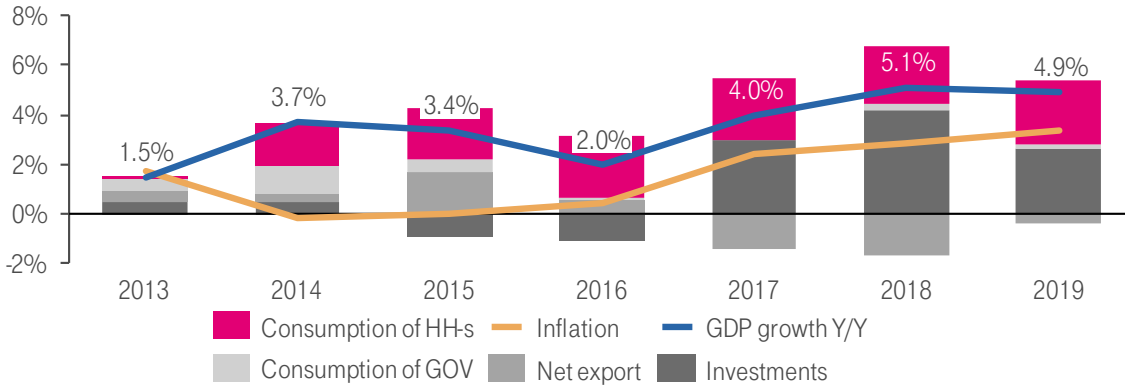


- IT Services market represents ca. 48% of the total IT market
- IT Services market in Hungary very fragmented
- Presence of government owned players (NISZ, MVMI) and major international players, such as Oracle, HPE, IBM, SAP, S&T, Microsoft
- Magyar Telekom is the market leader with 17% market share in the IT Services market (ca. 12% total IT market including HW&SW)

¹ Source: IDC 2018 (based on 2019H1 facts); market size calculated by demand side, while market shares by supply side data

HUNGARIAN ECONOMIC ENVIRONMENT

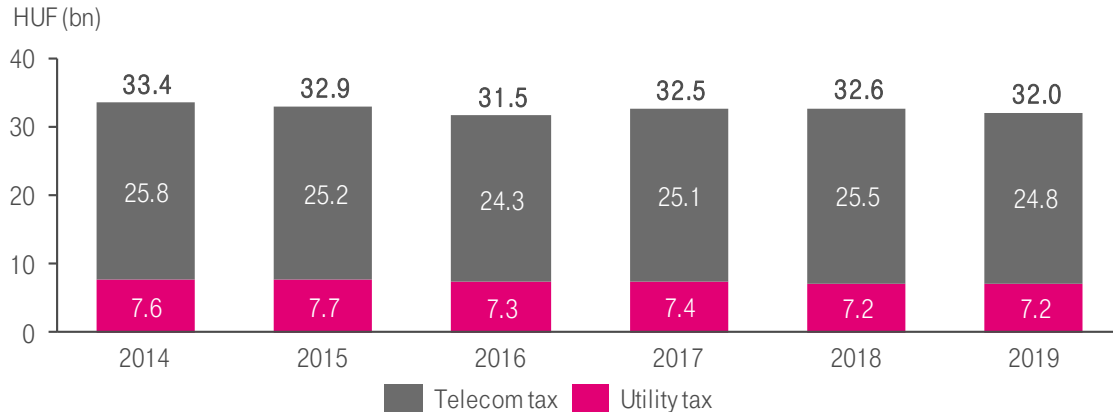
Growth structure



Domestic demand

- Magyar Telekom leveraged positive trends of domestic demand
- Investment levels show volatility due to EU fund cycles

Taxes levied on Magyar Telekom



Tax burdens to reduce budget deficit

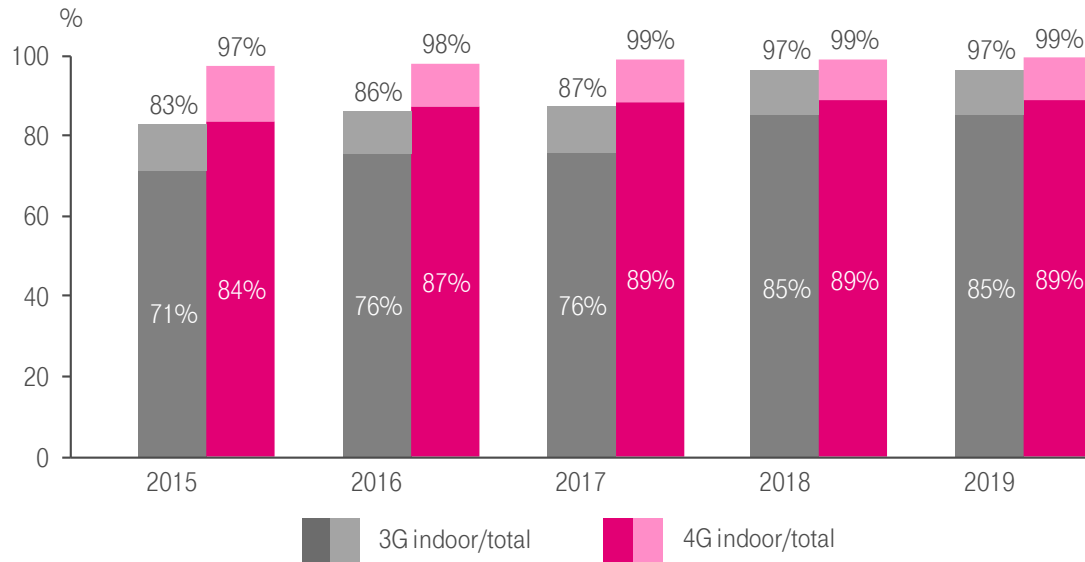
- Temporary special revenue-based sector tax levied between 2010-2012
- Permanent traffic-based telecom tax introduced in July 2012 and increased in August 2013
- Permanent tax on utility and telecom networks levied in 2013, 5-year tax holiday on new networks > 100Mbps since 2016



LIFE IS FOR SHARING.

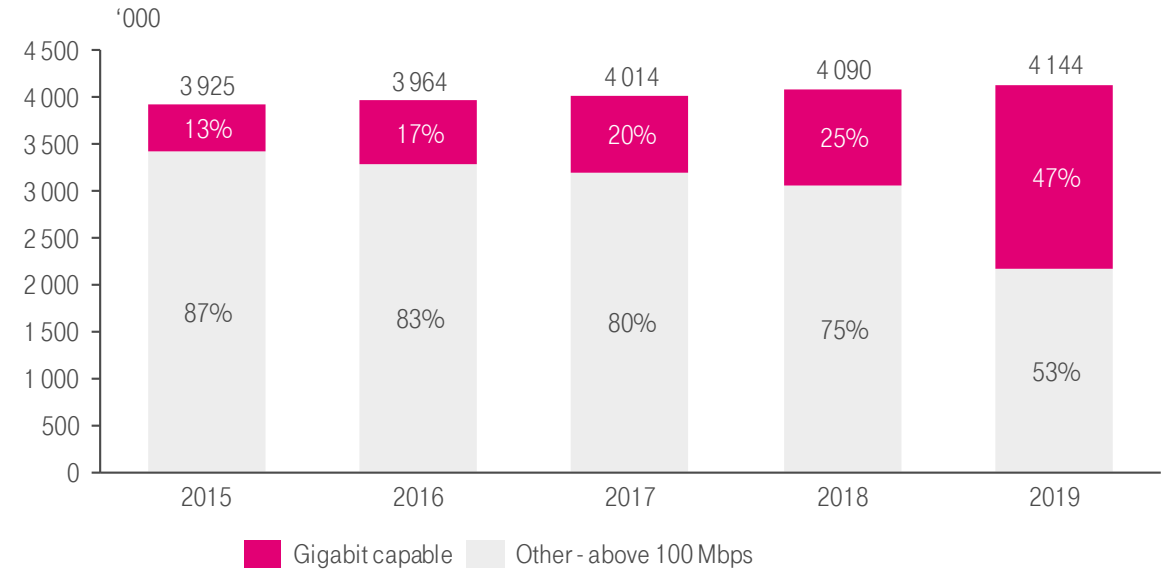
NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



- Network sharing on 800 MHz with Telenor
- 4G+ coverage, enabling 250Mbps exceeded 30%
- Acquiring 700 MHz and 3.6 GHz frequencies in and launching commercial 5G service in April 2020

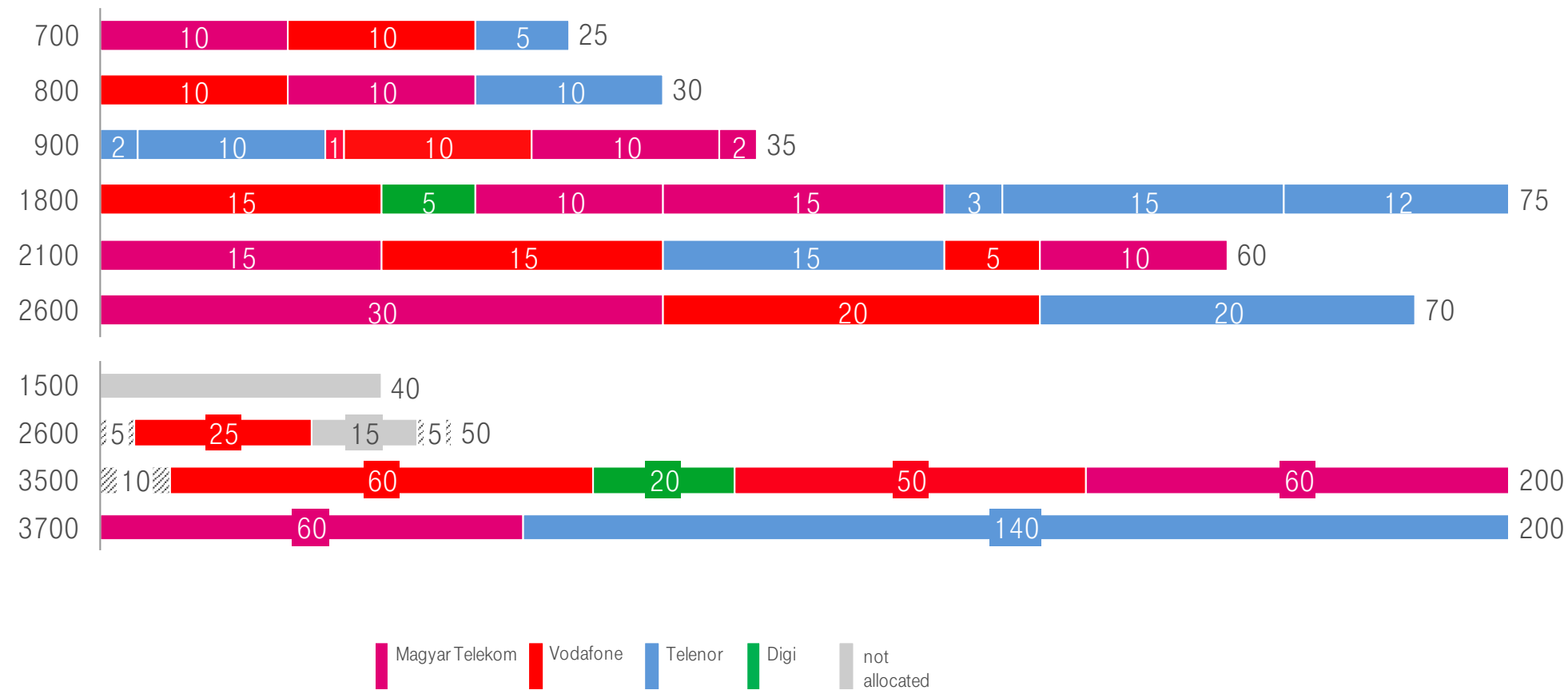
Fixed network (access points)



- Roll-out is ongoing, aim to cover the whole country with gigabit capable network
 - FTTx (1.4mn) – ongoing countrywide roll-out
 - Cable (ED3) (0.8mn) – participating in market consolidation

HUNGARIAN MOBILE SPECTRUM

Current spectrum allocation (MHz)



RESULTS AND PUBLIC TARGETS

PUBLIC TARGETS FOR 2020-2021

	2019 RESULTS	2020 TARGETS***	2021 TARGETS***
REVENUE	HUF 666.7 bn	BROADLY STABLE	
EBITDA AFTER LEASE	HUF 197.6 bn	INCREASING AT A 1% - 2% PER ANNUM	
CAPEX*	HUF 89.6 bn	BROADLY STABLE	
FREE CASHFLOW**	HUF 65.1 bn	INCREASING CA. 5%	BROADLY STABLE

* EXCLUDING SPECTRUM LICENSE FEES AND CAPEX RELATED TO RIGHT OF USE ASSETS

** EXCLUDING SPECTRUM LICENSE FEES

*** FORWARD-LOOKING STATEMENTS INVOLVING INHERENT RISKS AND UNCERTAINTIES, NO UNDUE RELIANCE TO BE PLACED UPON THEM



LIFE IS FOR SHARING.

Q1 2020 RESULTS AND FINANCIAL TARGETS

		3M 2020 Results (change y-o-y)	Target 2020
REVENUE	<ul style="list-style-type: none"> Continued growth in telecommunication service revenues SI/IT revenue contraction reflects further decline in public sector demand Marginal negative effect of Covid-19 	HUF 159.3 bn (+0.2%)	Broadly stable
EBITDA AL	<ul style="list-style-type: none"> Higher interconnect costs and telecom tax due to growing usage Elevated bad debt levels Savings in indirect costs mitigate higher severance expenses 	HUF 40.9 bn (+1.1%)	Increase of 1%-2%
CAPEX ¹	<ul style="list-style-type: none"> Strong increase in investments related to fiber rollout and installations in Hungary Higher TV content capitalization in Macedonia More even quarterly distribution vs 2019 	HUF 21.4 bn (+50.4%)	Broadly stable
FCF ²	<ul style="list-style-type: none"> Lower level of decline in working capital offset by higher capex and absence of real-estate income First quarter typically seasonally weak due to higher supplier outpayments 	HUF -18.3 bn (-23.3%)	Ca. 5% growth

¹ EXCLUDING SPECTRUM LICENSE FEES AND CAPEX RELATED TO RIGHT OF USE ASSETS

² EXCLUDING SPECTRUM LICENSE FEES

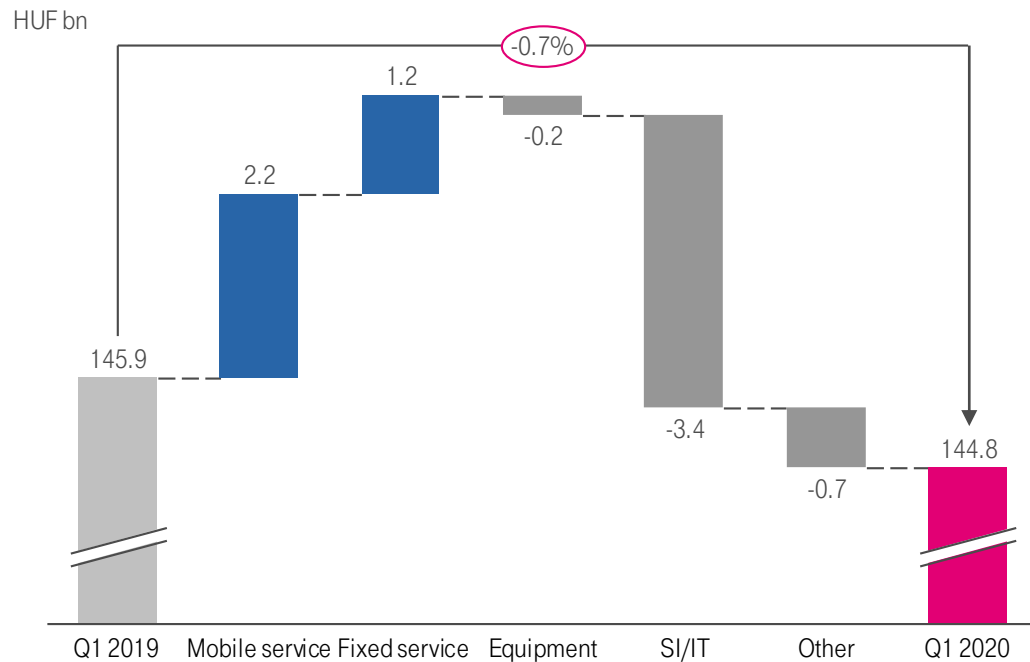


LIFE IS FOR SHARING.

HUNGARIAN FINANCIAL DEVELOPMENTS

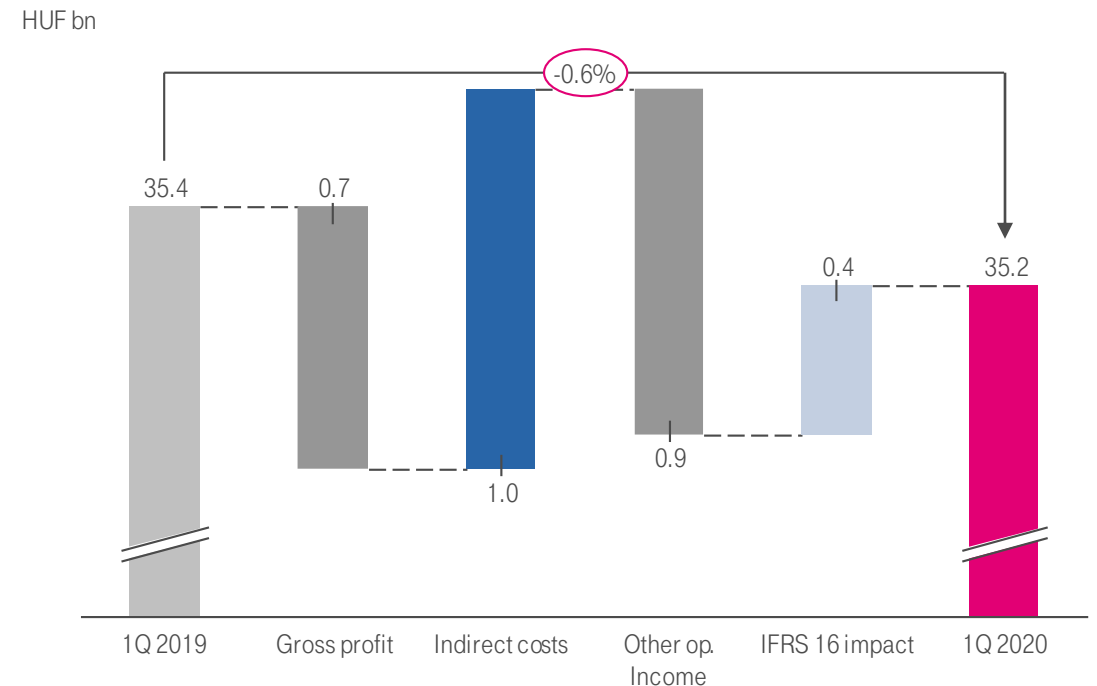
REVENUES

- Telecommunication service revenue growth continues
- Decline in equipment sales revenues due to initial impacts of Covid-19
- SI/IT revenue decline driven by lower level of project deliveries to the public sector



EBITDAAL

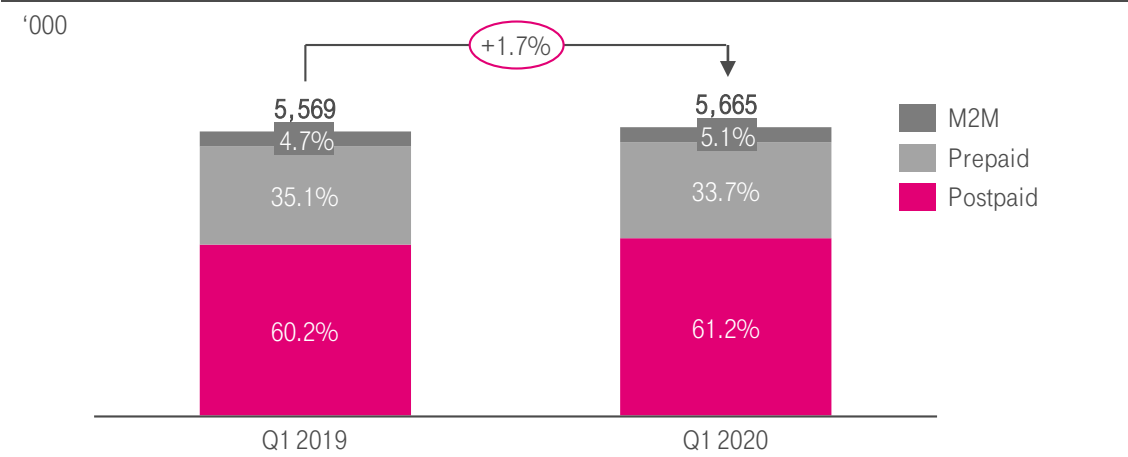
- Gross profit decline as a result of:
 - Lower SI/IT contribution
 - Higher bad debt
 - Negative FX and telecom tax impact
- Cost optimization mostly offset by absence of real-estate income



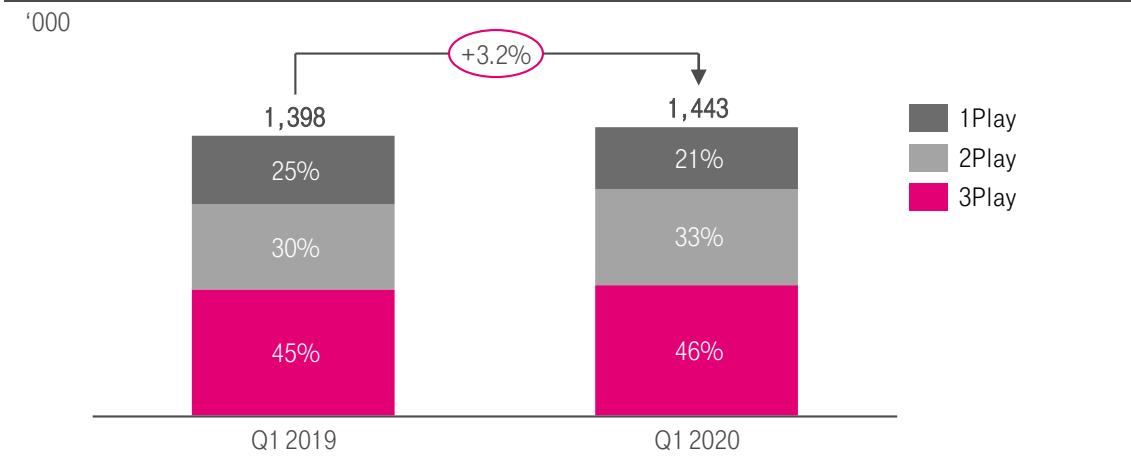
LIFE IS FOR SHARING.

HUNGARY – CUSTOMER DEVELOPMENTS

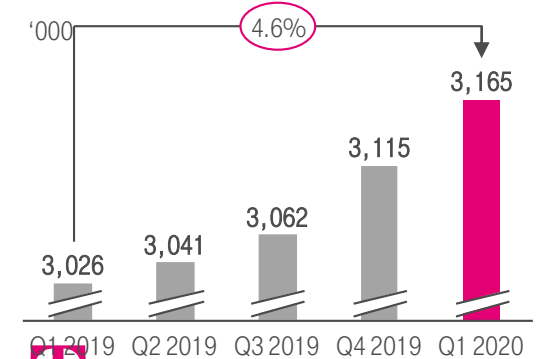
Mobile SIMs



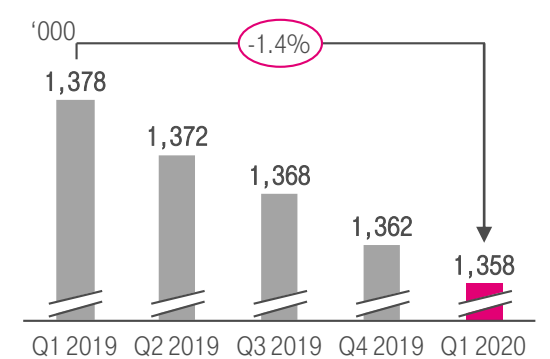
Fixed line multiplay residential subscribers



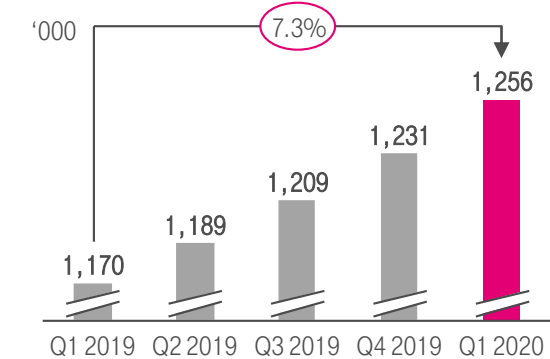
Mobile data SIMs



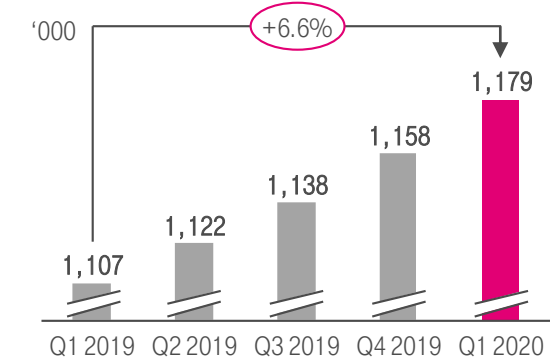
Fixed voice customers



Fixed broadband customers



Pay TV customers

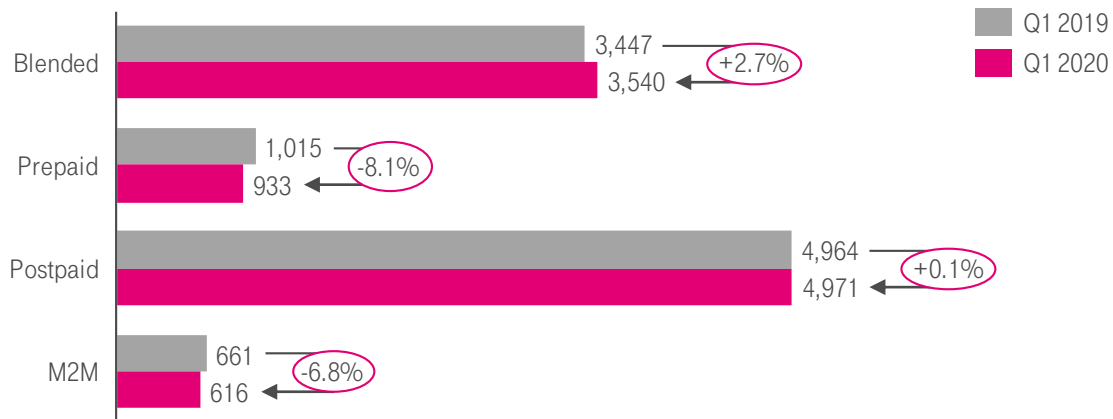


LIFE IS FOR SHARING.

HUNGARY – AVERAGE USAGE & ARPU DEVELOPMENTS

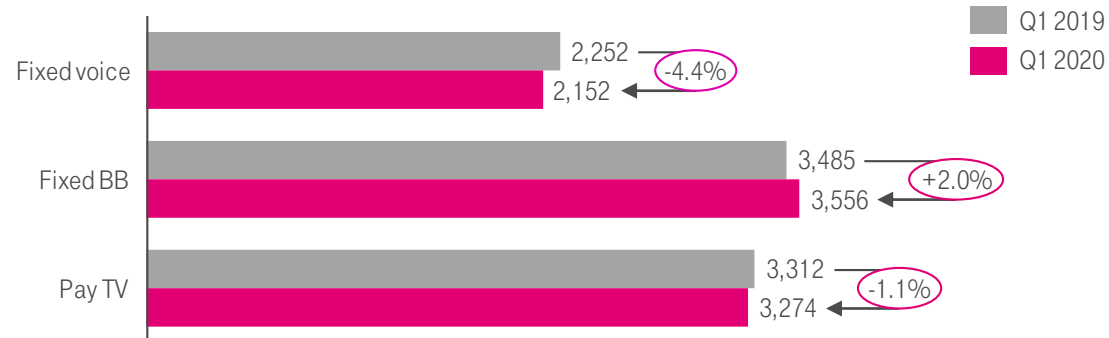
Mobile ARPU

HUF

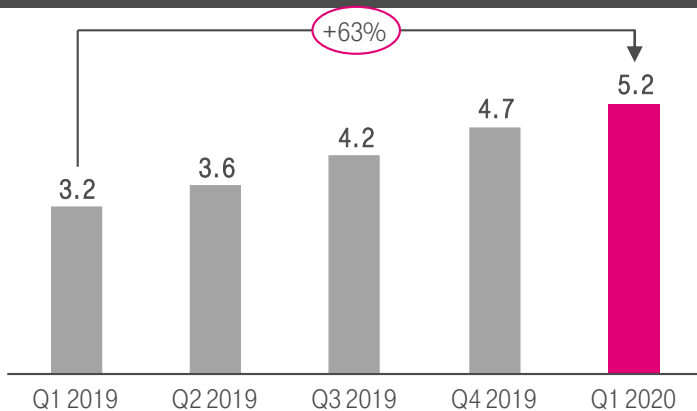


Fixed Voice, BB and TV ARPU

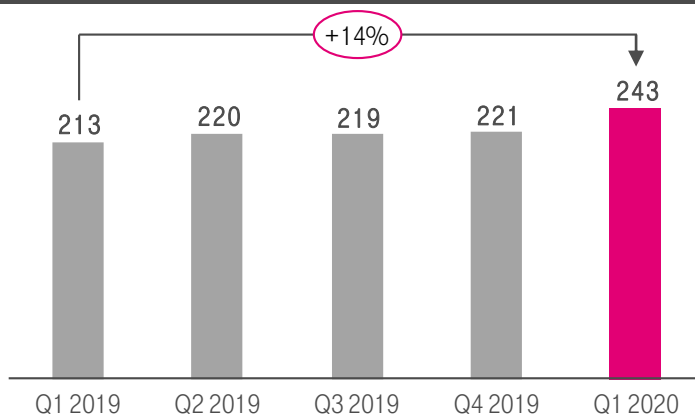
HUF



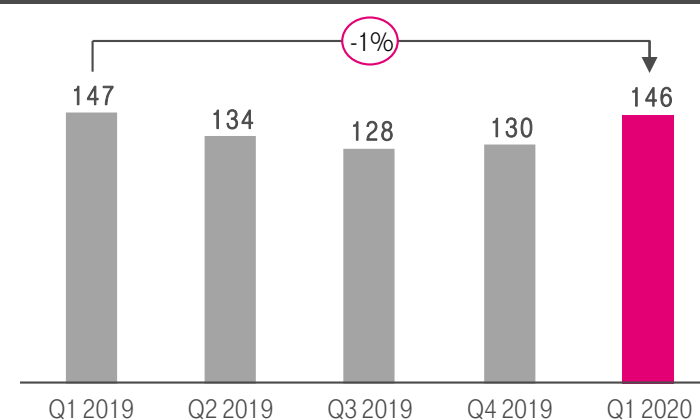
Mobile broadband usage (GB/month)



Mobile voice usage (minutes/month)



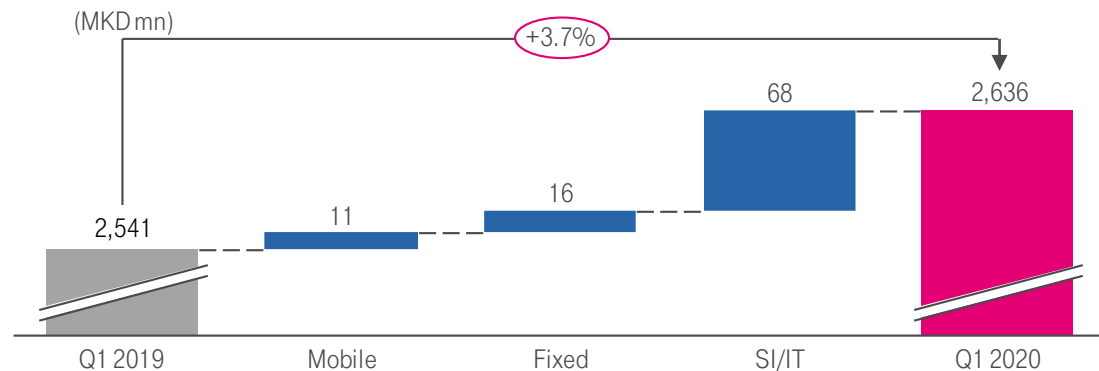
Fixed voice usage (minutes/month)



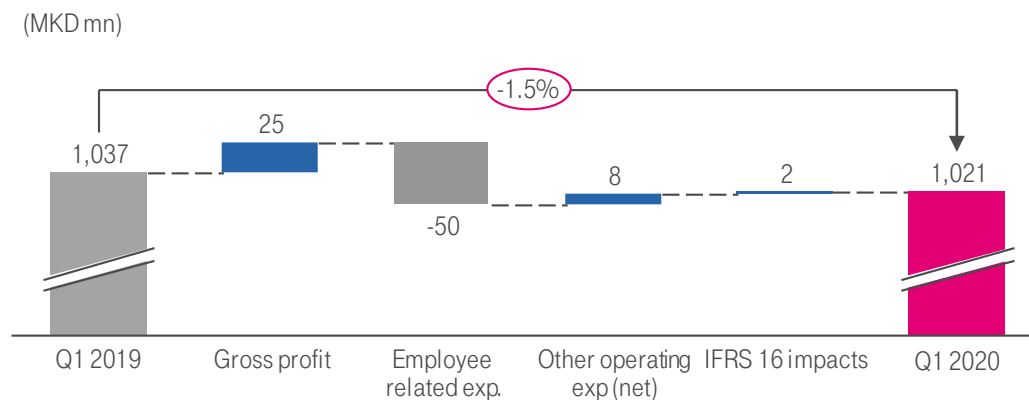
LIFE IS FOR SHARING.

NORTH MACEDONIA

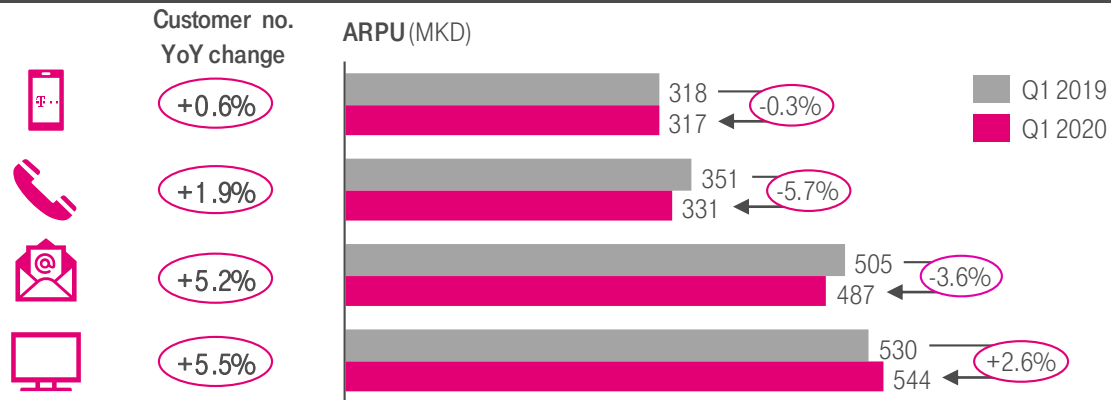
Revenues



EBITDA AL



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



- Telecommunication service revenue growth continues
- Strong SI/IT growth stemming from public sector project deliveries
- Profitability impacted by severance expenses related to voluntary leave program
- Positive customer developments maintained
- Price levels under competitive pressure
- Initial negative effects of Covid-19 on visitor revenues and bad debt expenses



LIFE IS FOR SHARING.

For further questions please contact the IR department:

Melinda Modok

Head of Investor Relations

Phone: +36 1 481-7676

e-mail: modok.melinda@telekom.hu

Rita Walfisch

Investor Relations Manager

Phone: +36 1 457-6084

e-mail: walfisch.rita@telekom.hu

