

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

September 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 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 “Reconciliation of pro forma figures”, which is posted on Magyar Telekom’s Investor Relations webpage at www.telekom.hu/investor_relations.

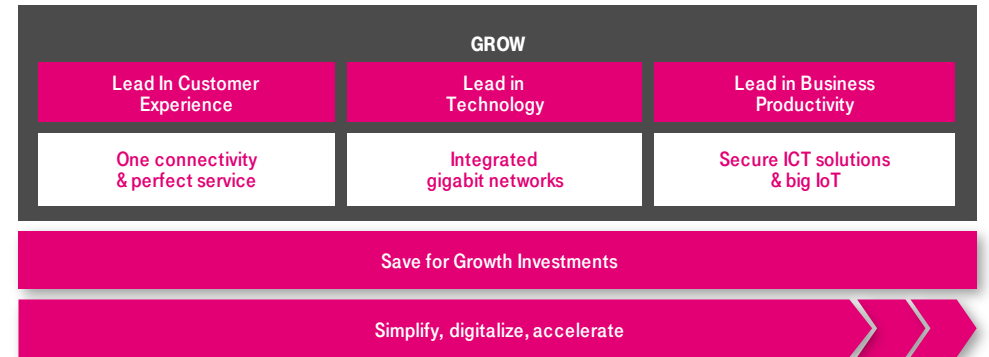
STRATEGY AND MARKET POSITION

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

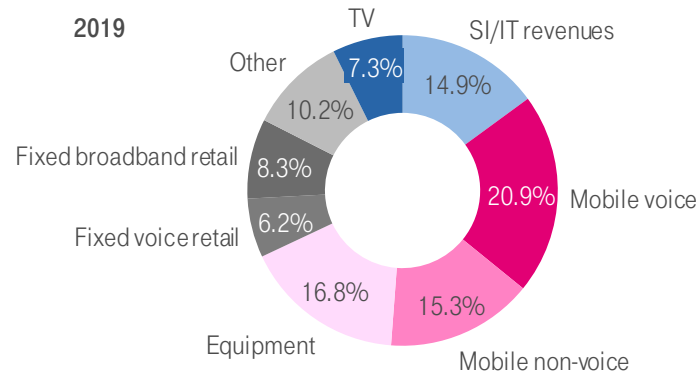
Pillars of transformation



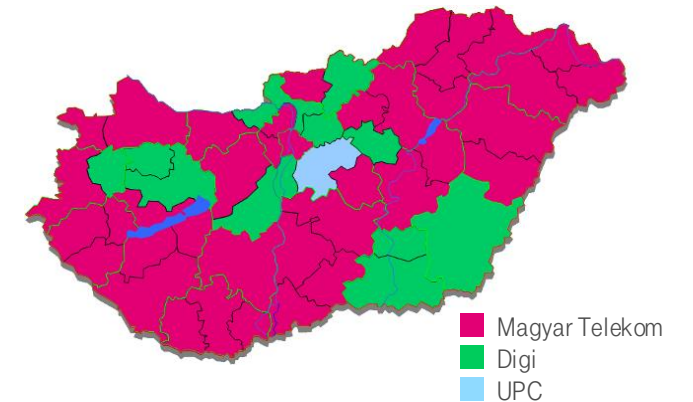
Main services offered

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

Revenue composition



Incumbents in Hungary



¹ As of September 1, 2020

HIGHLIGHTS: SEAMLESS OPERATIONS DESPITE COVID-19

Network

- Accelerated fiber rollout: 2.2mn gigabit capable access points
- Launch and gradual extension of commercial 5G service



51%

gigabit capable network

5G

Service launch

Customers

- Mobile broadband data usage up by over 60% in Q2 2020
- Enhancing digital distribution channels



5.5 GB

Average monthly mobile data usage in 2020



Customers changing subscription plan using the Telekom app in the 1st month following service launch

10%

Efficiency & optimisation

- Over HUF 2bn efficiency improvement delivered through organisational stream-lining
- Agile transformation underway



15%

lower headcount



Agile

cross functional working practices

Communities

- Enhancing digital cooperation in response to COVID-19:
 - 2 X 10 GB extra data provided to all mobile customers
 - Targeted voice and data offers for most vulnerable members of the society (doctors, the elderly, students)
- Safeguarding the wellbeing of employees



LIFE IS FOR SHARING.

WE CAN DO IT TOGETHER!

WIDE-RANGING AFFECTS OF COVID-19 IN H1 2020

Affected areas	H1 2020 trends	Financial impact
Cost savings	<ul style="list-style-type: none"> Lower travel costs and other OPEX Bandwidth upgrades in fixed BB; 2X10GB customer offer somewhat limited monetization Higher market shares in fixed BB and TV as well as improvement in customer satisfaction 	
Data traffic		
Customer base		
Voice traffic	<ul style="list-style-type: none"> Limited voice traffic monetization as most customers use unlimited packages No significant deterioration to date 	
Bad debt		
Roaming / visitor revenues	<ul style="list-style-type: none"> Diminishing visitor revenues, roaming outpayments exceeded roaming revenues Higher fixed and mobile traffic generated additional tax payments April and May heavily impacted by diminishing domestic equipment sales Moderate public sector spending 	
Telecom tax		
Equipment / sales		
SI/IT		

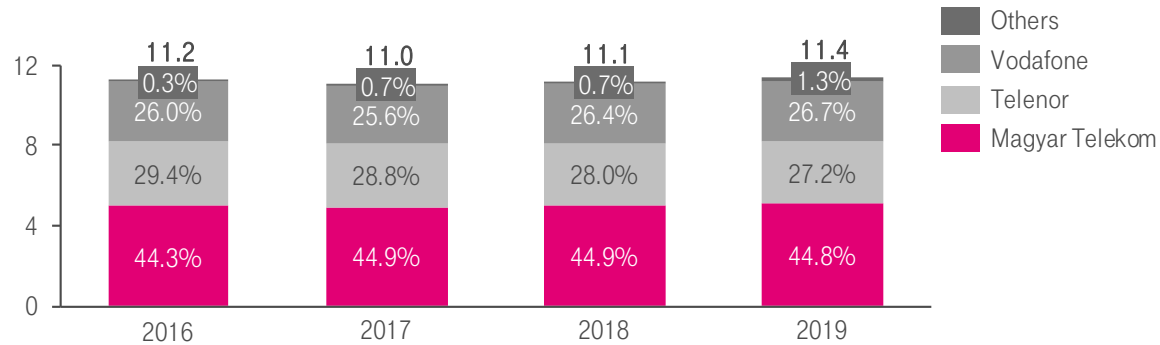


LIFE IS FOR SHARING.

HUNGARIAN TELCO MARKET POSITIONS

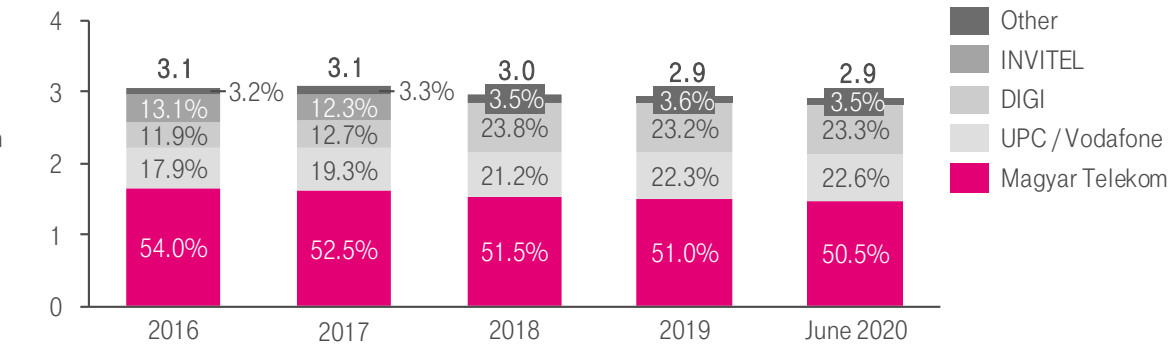
Total mobile market¹

Subscribers (mn)



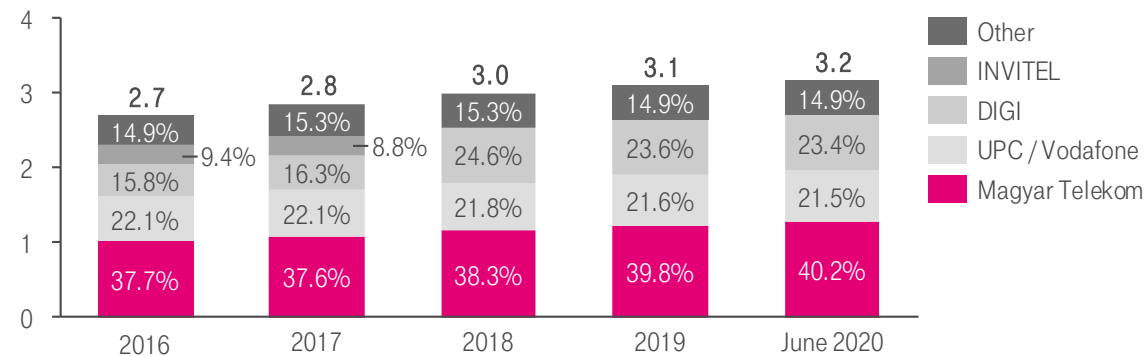
Fixed voice market¹

Subscribers (mn)



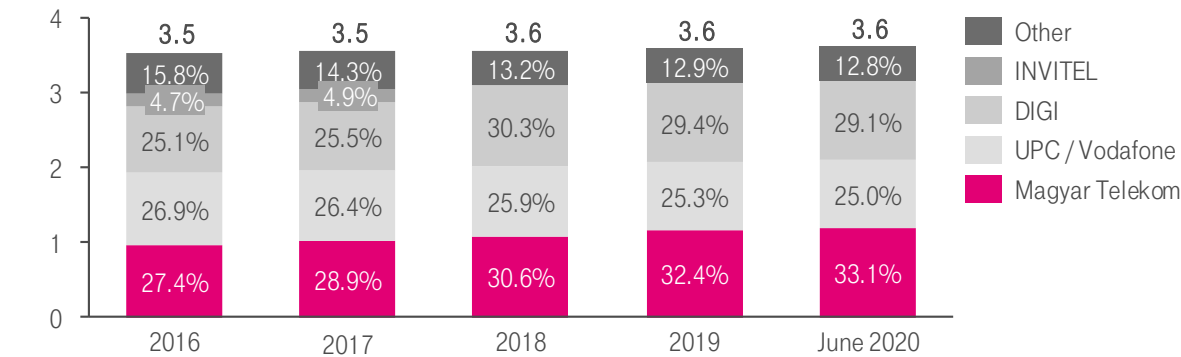
Fixed broadband market¹

Subscribers (mn)



TV market¹

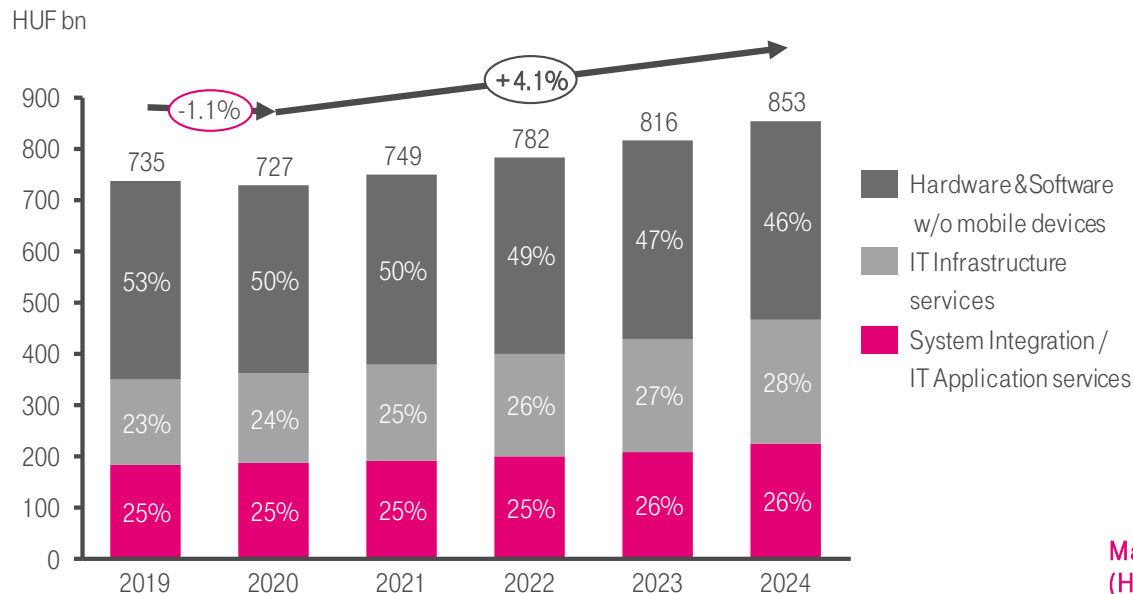
Subscribers (mn)



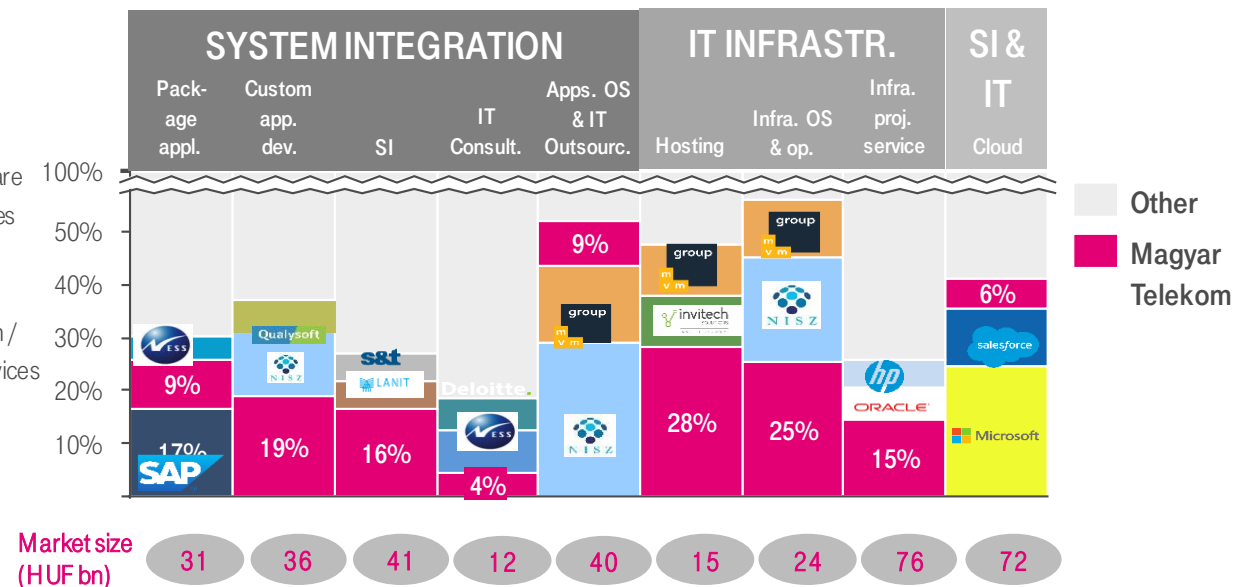
¹ Based on the total fixed voice channels/BB access/pay TV access market estimated by the National Media and Infocommunications Authority (NMA)

IT MARKET IN HUNGARY: 2019-2024

Total B2B IT market (HW&SW and IT services)¹



IT Services market shares (by revenue)³



- Magyar Telekom is the only fully integrated ICT company in Hungary
- EU fund inflows will still remain a major driver of IT spending in Hungary
- Digital transformation, process automation to play a key role in IT investments
- Magyar Telekom's total revenue based IT market share is ca. 11%²

- 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, DXC, IBM, SAP, S&T, Microsoft
- Magyar Telekom is the market leader with 15% market share in the IT Services market (ca. 11% total IT market including HW&SW)

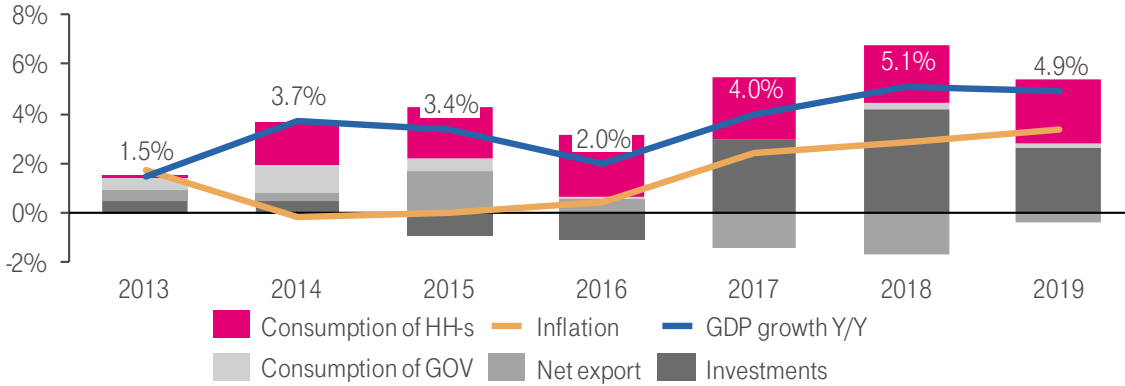
¹ Excluding IFRS 9 & 15 effects

² IT market share in B2B segment

³ Source: IDC 2020 (based on 2019 facts); market size calculated by demand side, while market shares by supply side data

HUNGARIAN ECONOMIC ENVIRONMENT

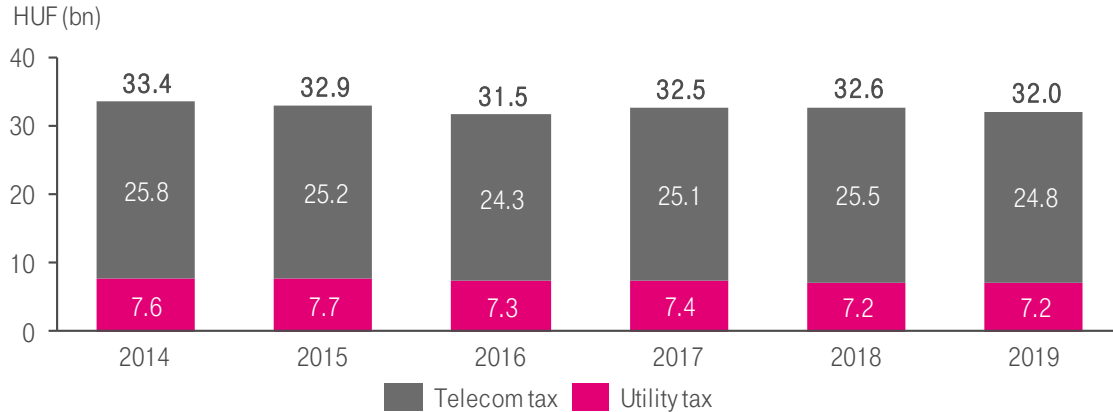
Growth structure



Domestic demand

- Magyar Telekom leveraged positive trends of domestic demand
- Investment levels show volatility due to EU fund cycles
- Q2 2020 GDP down by 13.6% YoY (following 2.2% growth in Q1 2020) driven by broad based contraction

Taxes levied on Magyar Telekom

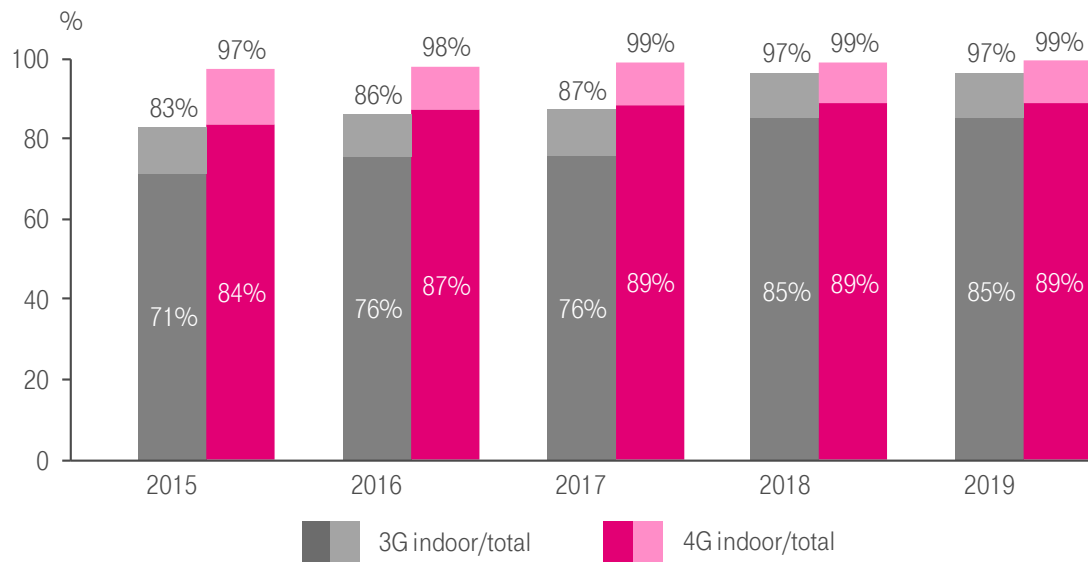


Tax burdens to reduce budget deficit

- 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

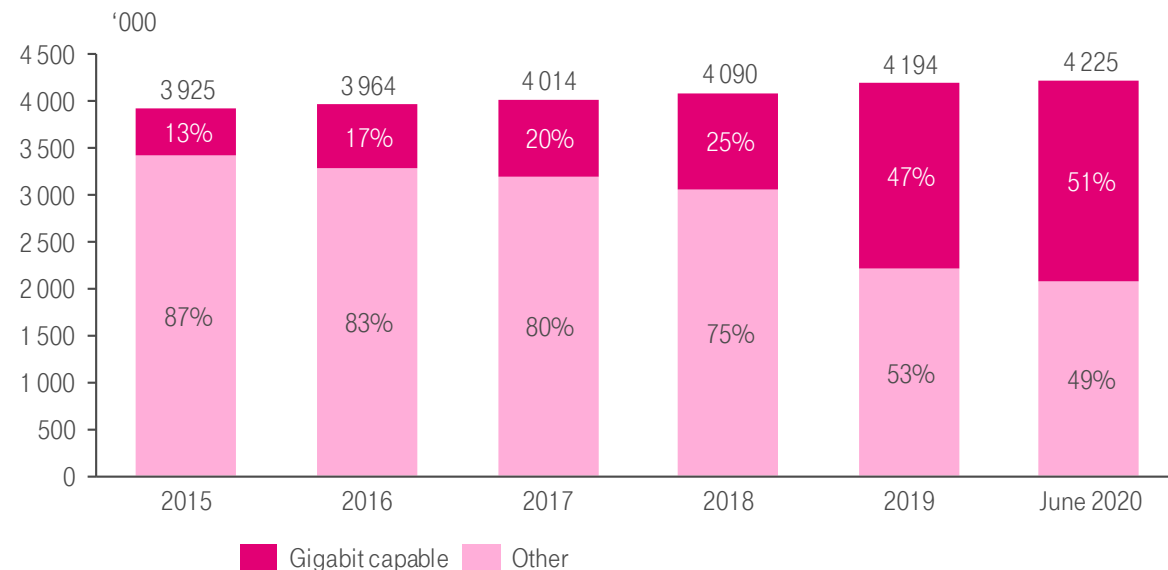
NETWORK DEVELOPMENTS IN HUNGARY

Mobile network coverage (population based)



- Network sharing on 800 MHz with Telenor
- Network modernization started
- Acquiring 700 MHz and 3.6 GHz frequencies in and launching commercial 5G service in April 2020
- 3G retirement commenced

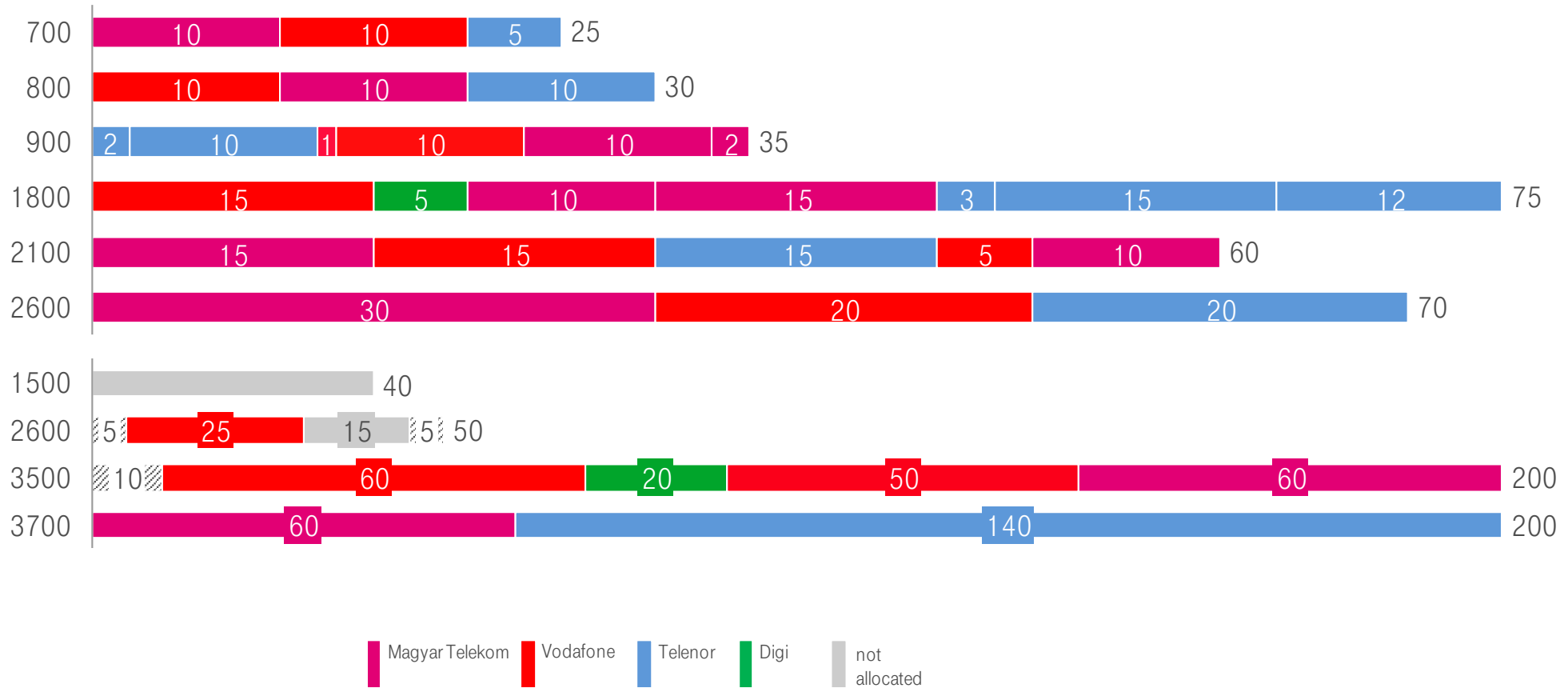
Fixed network (access points)



- 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)

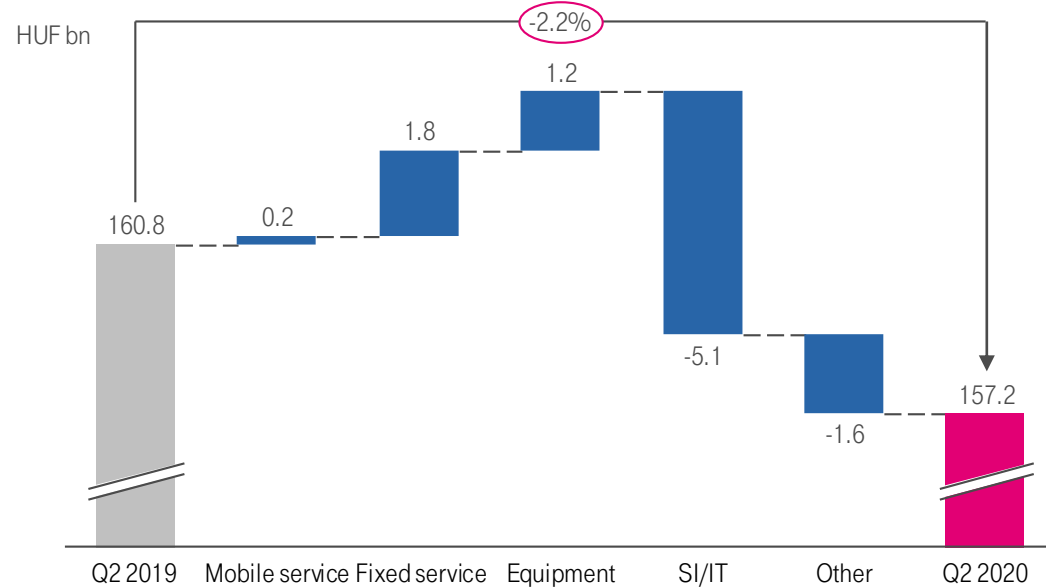


LIFE IS FOR SHARING.

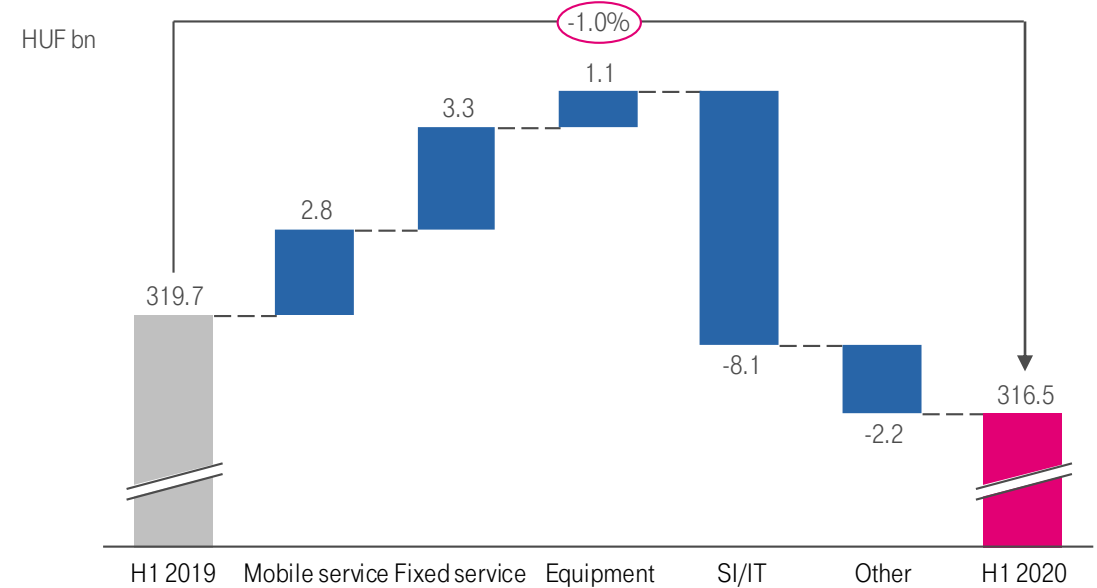
RESULTS AND PUBLIC TARGETS

REVENUES AFFECTED BY LOWER SI/IT CONTRIBUTION BOTH IN Q2 AND H1 2020

Revenue YoY, Q2 2020 vs Q2 2019



Revenue YTD, H1 2020 vs H1 2019



- SI/IT revenues continued to decline YoY driven by lower level of project deliveries to the public sector
- Telecommunication service revenues (esp. fixed) grew driven mainly by higher data revenue in both mobile and fixed businesses
- Equipment sales uplift fully driven by export sales

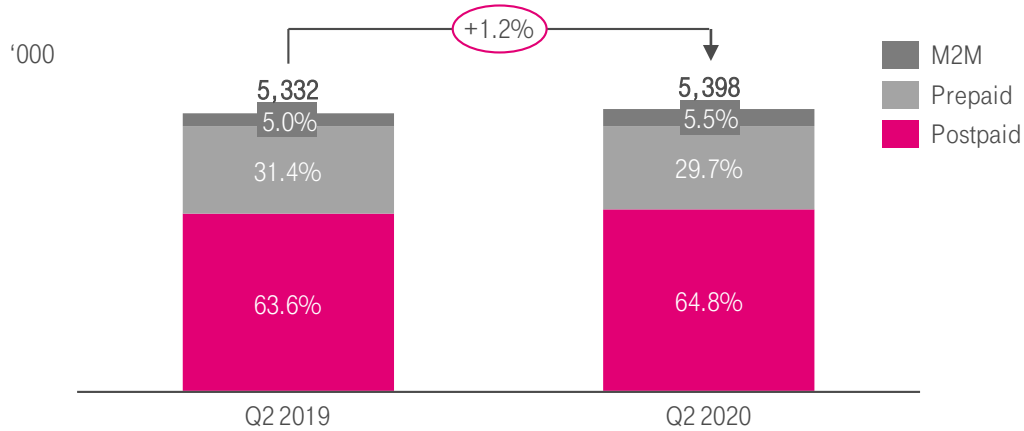
- Similar trends shaped revenue development YTD as YoY
- Temporary slowdown in data driven mobile service revenue growth driven by the 10GB data packages offered to customers in Q2; strong growth recorded in H1



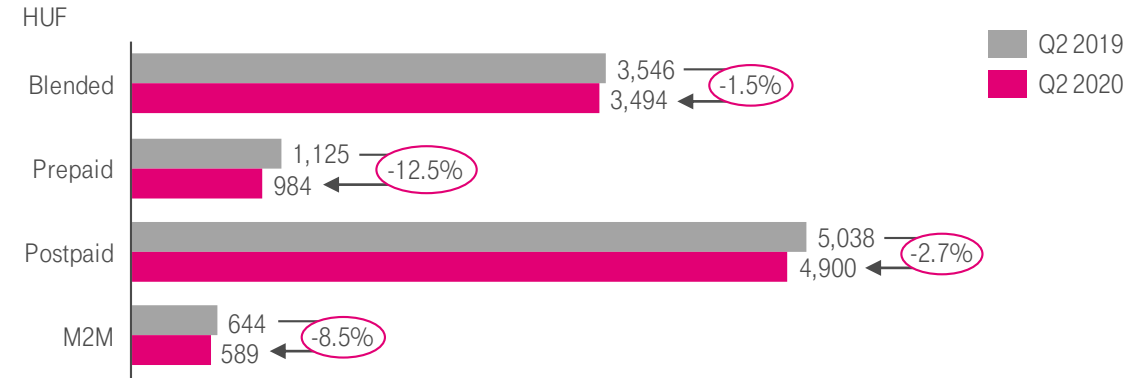
LIFE IS FOR SHARING.

INCREASE IN MOBILE SIMS SUPPORTED MODERATE REVENUE GROWTH IN Q2 2020

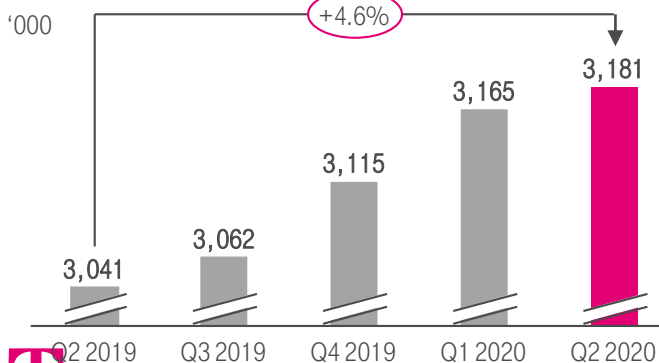
Mobile SIMs



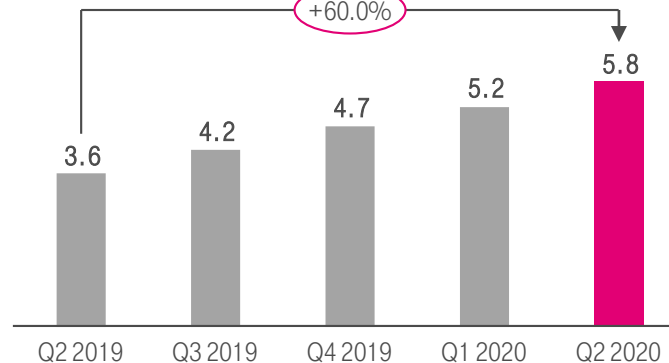
Mobile ARPU



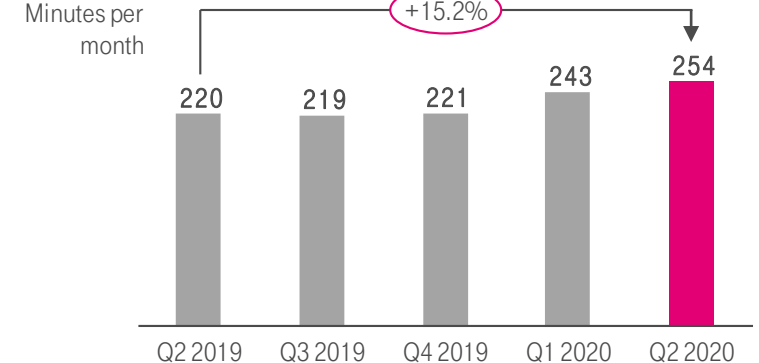
Mobile data SIMs



Mobile broadband usage (GB/month)

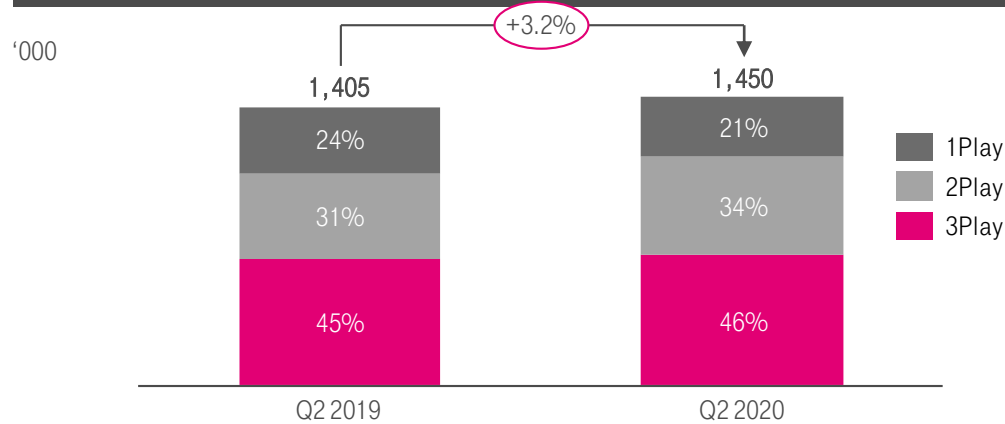


Mobile voice usage

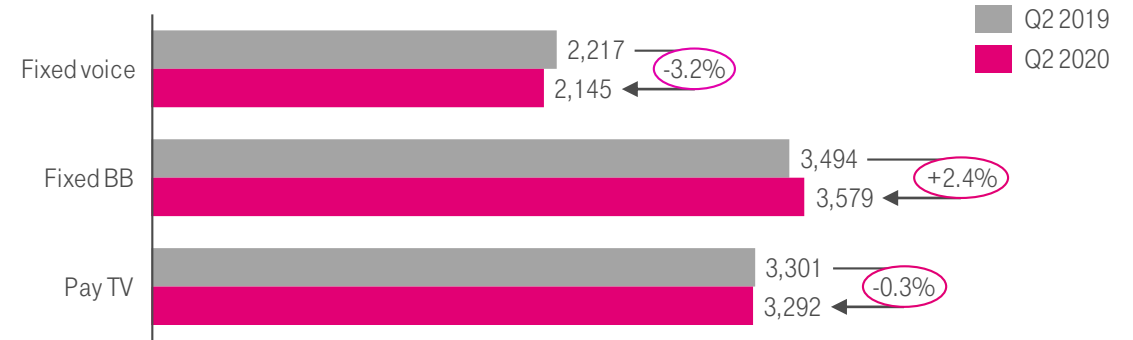


SUBSCRIPTIONS AND BROADBAND ARPU GROWTH DRIVES INCREASING FIXED LINE CONTRIBUTION

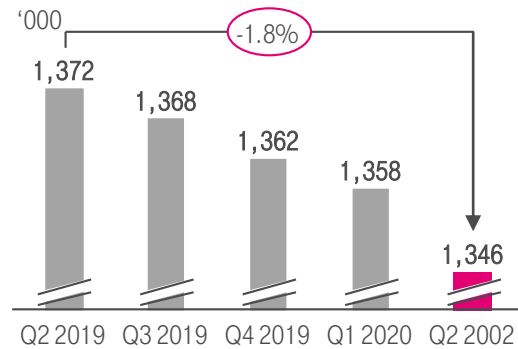
Fixed line multiplay residential subscribers



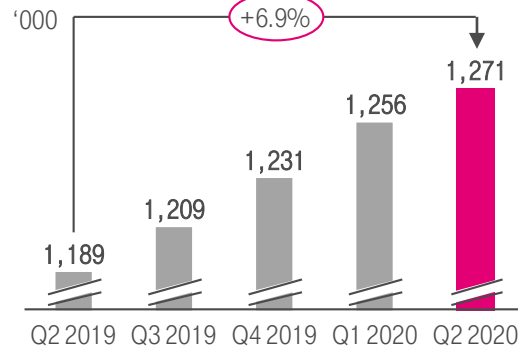
Fixed Voice, BB and TV ARPU



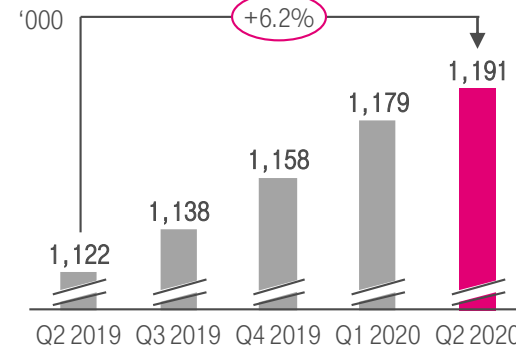
Fixed voice customers



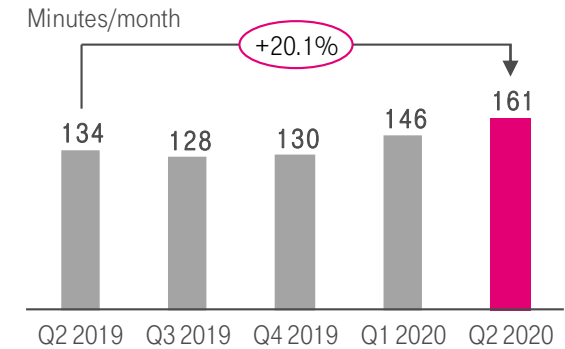
Fixed broadband customers



Pay TV customers

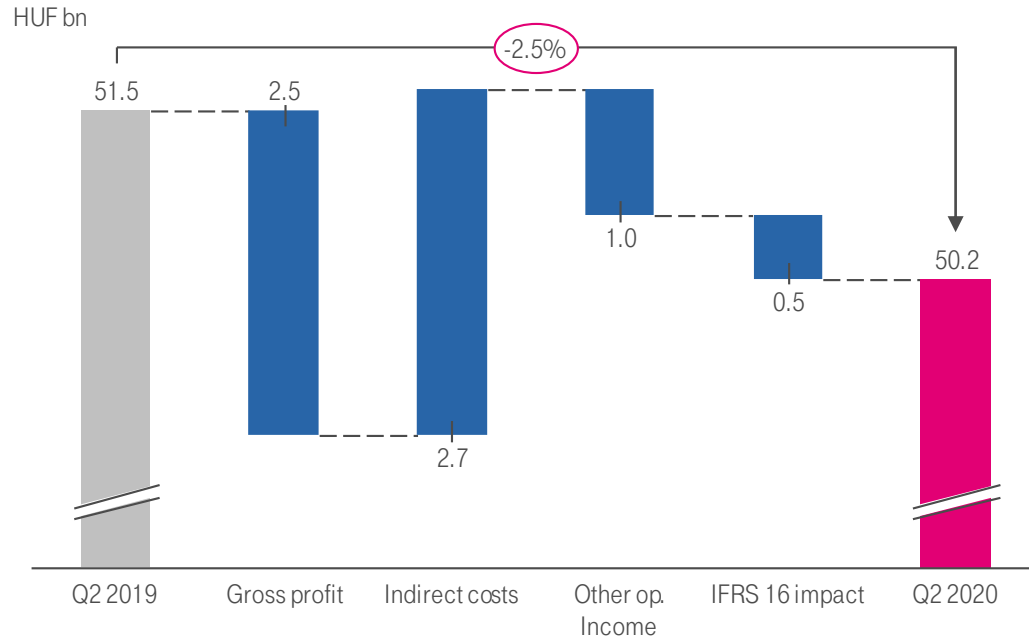


Fixed voice usage

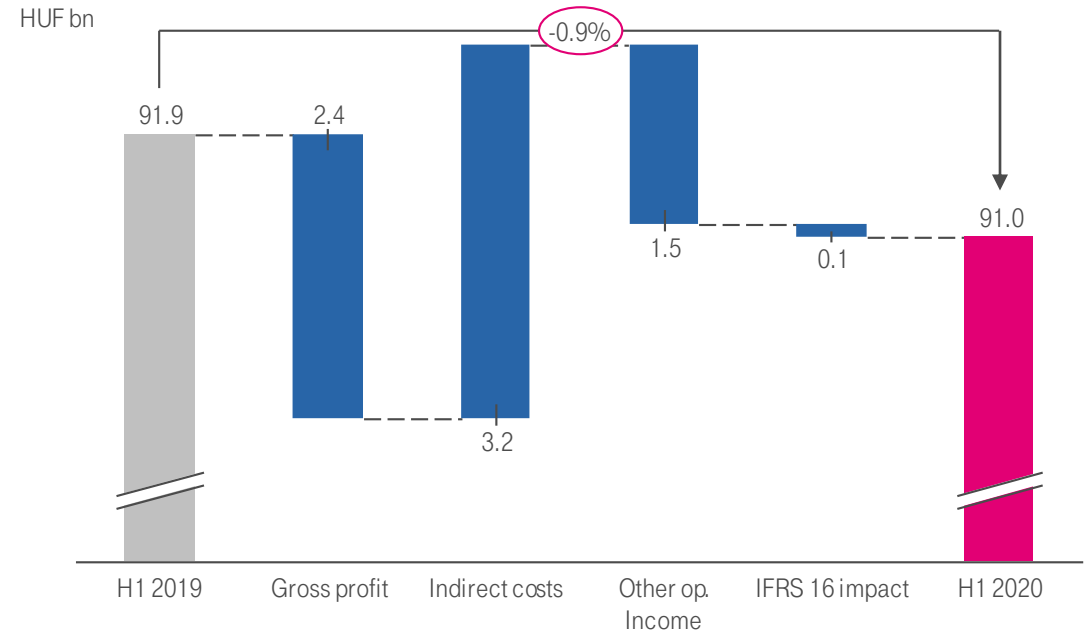


LOWER INDIRECT COSTS OFFSET GROSS PROFIT DECLINE BOTH IN Q2 AND H1 2020

EBITDA AL YoY, Q2 2020 vs Q2 2019



EBITDA AL YTD, H1 2020 vs H1 2019



- Gross profit affected by declining revenues (HUF 3.5bn YoY)
- Indirect costs (excl. other operating income) decline attributable to lower employee-related expenses and other OPEX savings (such as advisory and marketing costs)

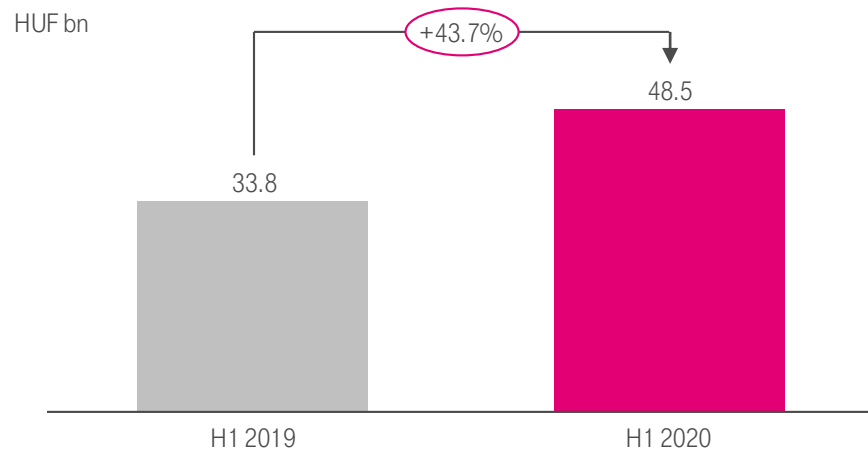
- Q1 affected by severance expenses causing a disproportional distribution of indirect cost savings YTD
- Other operating income was lower by HUF 1.5bn YoY reflecting the absence of real estate sales



LIFE IS FOR SHARING.

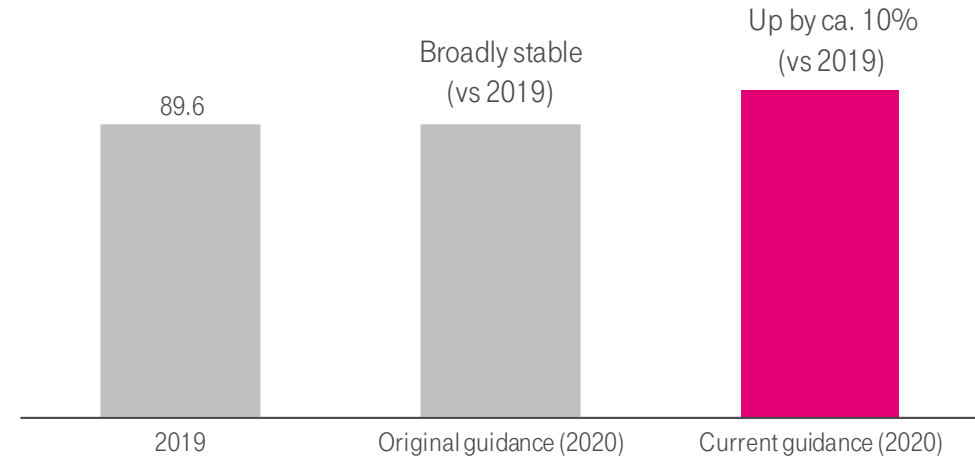
CAPEX GROWTH OF 2020 DRIVEN BY FIBER ROLL-OUT AND MOBILE NETWORK MODERNIZATION

CAPEX AL (w/o spectrum licenses) YTD, H1 2020 vs H1 2019



- CAPEX up by HUF 14.8bn in H1 2020 due to:
 - Expedited roll-out of fiber network and modernization activities in Hungary
 - Capitalization of TV content rights in Macedonia
 - Different spending pattern in H1 2020 compared to the base period

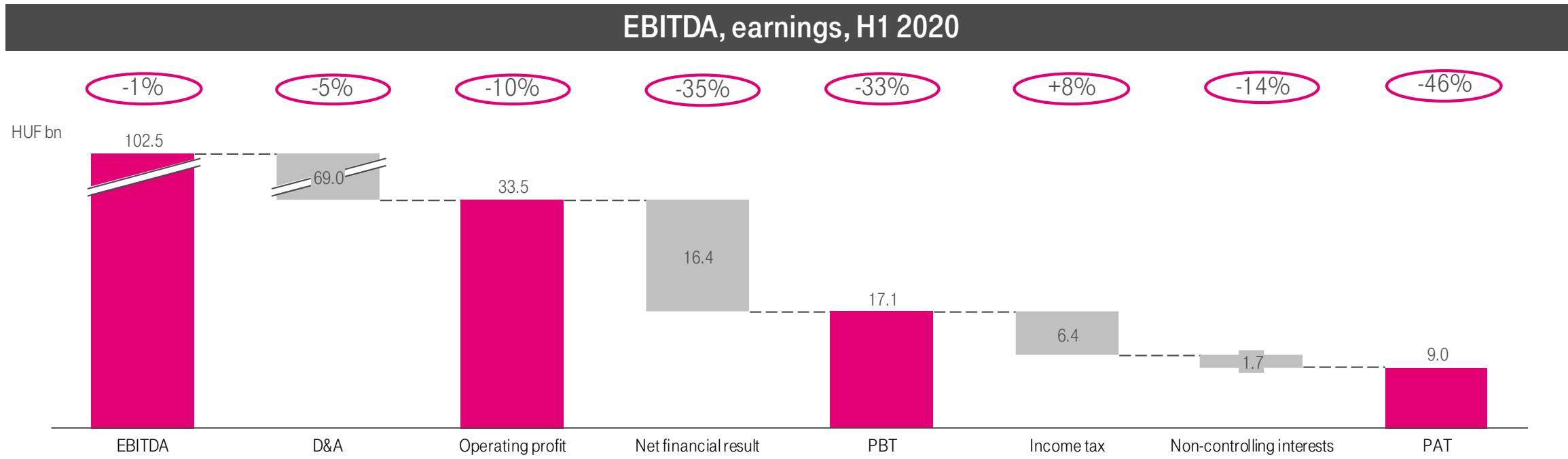
CAPEX AL (w/o spectrum licenses), FY 2020



- CAPEX guidance upgrade:
 - FTTH coverage to reach ca 25% more new access points than in 2019
 - Commencement of the comprehensive mobile network modernization (4G, 5G)



NET PROFIT UNDER PRESSURE MAINLY DUE TO HIGHER D&A AND FINANCIAL CHARGES IN H1 2020



- D&A: slightly higher mainly on recently capitalized spectrum
- Financial result reaching normalized levels in Q2 2020 (unlike in Q1 2020, Forint did not weaken versus the EUR further)
- Corporate income tax decrease was driven by lower PBT, local tax payments were largely flat (in Hungary)

x change vs H1 2019 (%)¹

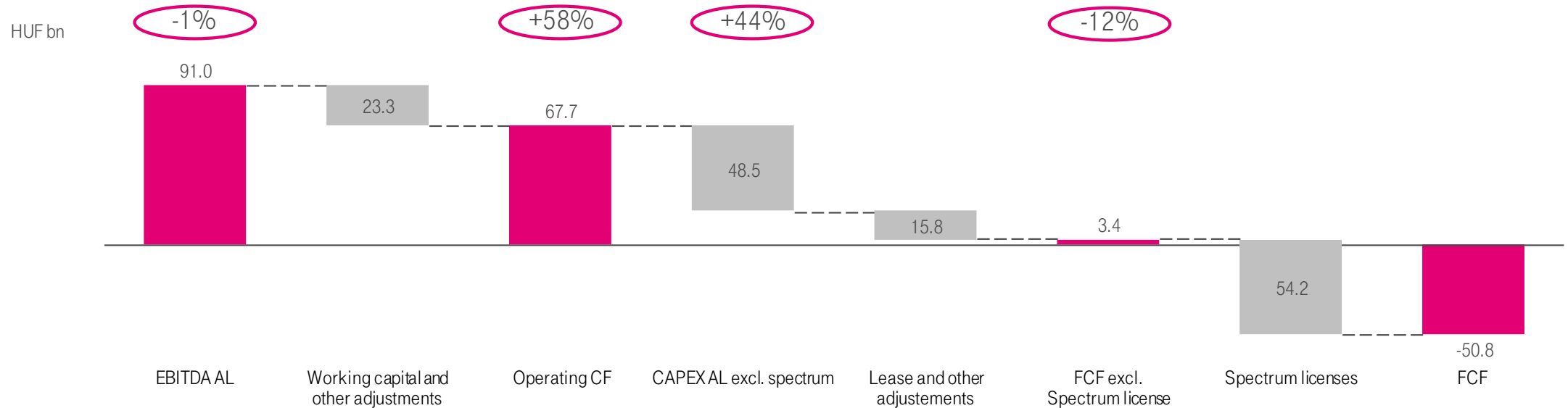


LIFE IS FOR SHARING.

(1) Positive change represents a decrease in case of D&A, financial results, income tax and non-controlling interests

H1 2020 CASH GENERATION COVERED INVESTMENTS (EXCL. SPECTRUM) AND SEASONAL UPLIFT IN WORKING CAPITAL AND

EBITDA AL and cash-flow, H1 2020



x

Change vs H1 2019 (%)¹

- EBITDA (AL) decline of 1% mainly due to COVID-19
- Working capital build of HUF 15.3bn in line with seasonality
- CAPEXAL (excl. spectrum) increased by HUF 14.8bn due to higher investments into maintenance and the development of the fiber network
- FCF excl. spectrum licenses reached HUF 3.4bn, in line with H1 2019



LIFE IS FOR SHARING.

Q&A



For further questions please contact the IR department:

Zoltán Pandi

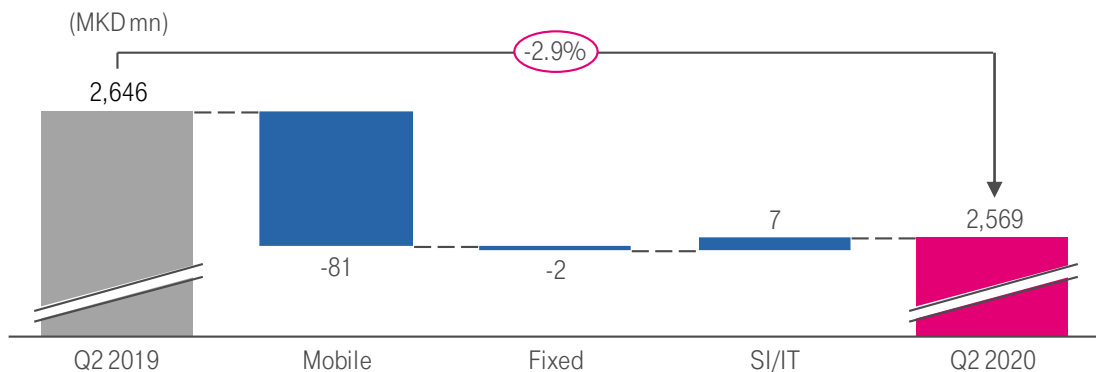
Head of Investor Relations
Phone: +36 1 481-7676
e-mail: pandi.zoltan@telekom.hu

Rita Walfisch

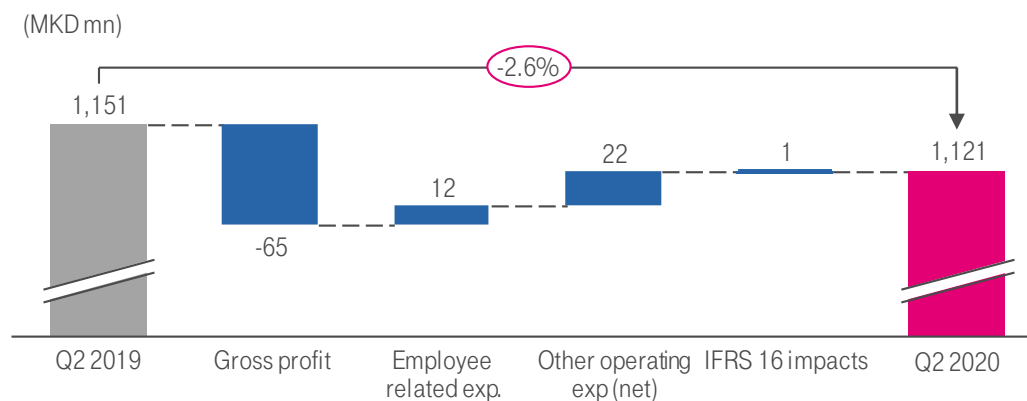
Investor Relations Manager
Phone: +36 1 457-6084
e-mail: walfisch.rita@telekom.hu

NORTH MACEDONIA

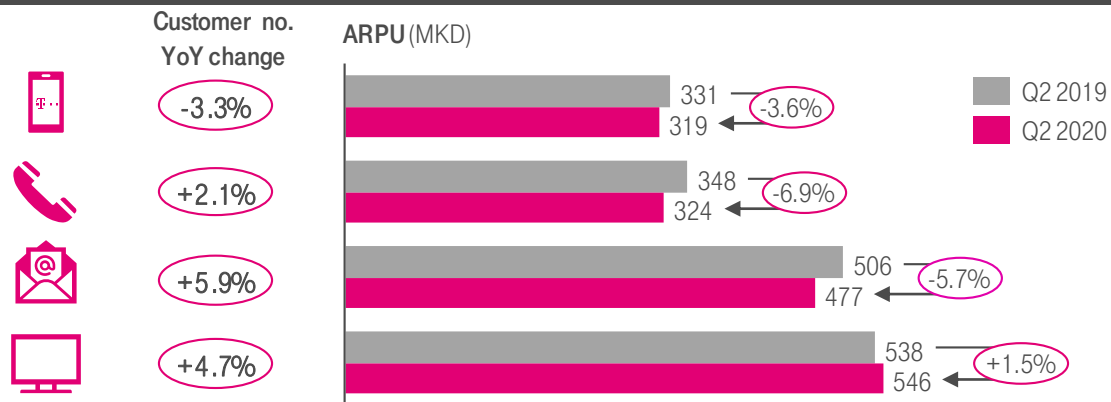
Revenues



EBITDA AL



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



- COVID-19 unfavorable impacting financial performance
- Decline in mobile revenues reflects low tourism and fallout in prepaid revenues
- Fixed revenue decline stemming from promotional free content and data allowance offers
- Profitability impact mitigated by cost efficiency measures
- Positive fixed customer developments maintained
- Mobile customer base reduction led by lower prepaid base



LIFE IS FOR SHARING.