

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

October 2021



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, 2020 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.



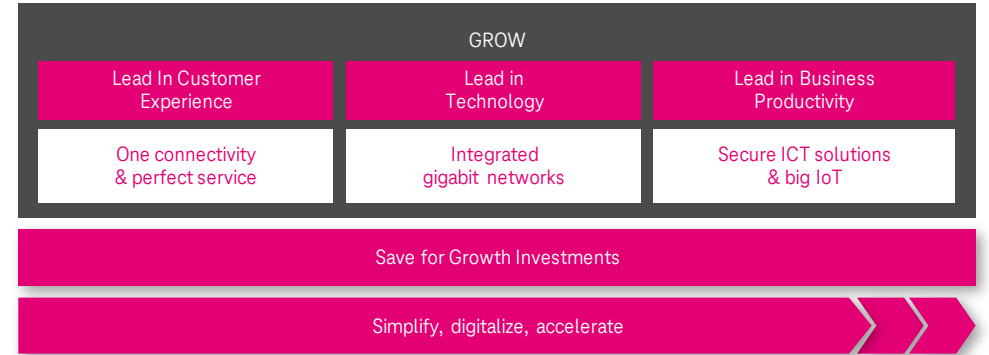
STRATEGY AND MARKET POSITION

OVERVIEW – 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 (59.2%)
- EUR 1.2bn market capitalization¹
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

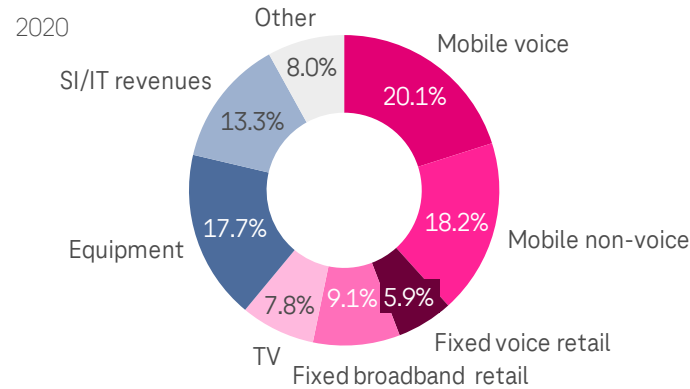
Pillars of transformation



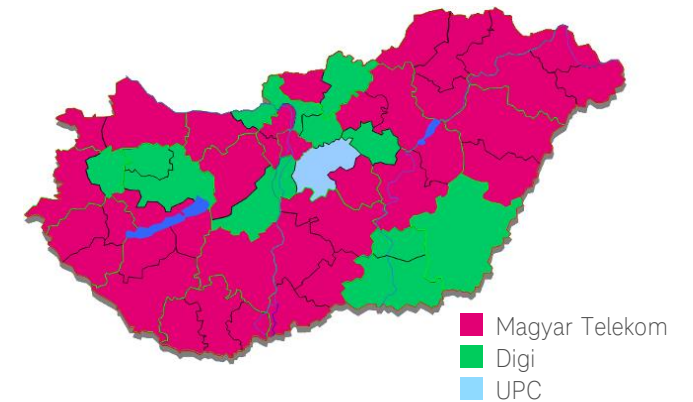
Main services offered

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

Revenue composition



Incumbents in Hungary



¹ As of October 1, 2021

H1 2021 OPERATIONAL DELIVERY UNDERPINS STRONG FINANCIAL RESULTS

Network

- Fixed network rollout: coverage expanded to 2.75 million gigabit capable access points
- RAN network modernization continues



63.5%

gigabit capable network



680

base stations modernized (RAN programme)



LIFE IS FOR SHARING.

Customers

- Highest ever mobile data traffic recorded on our network
- Strong monetization of fixed network development



7.2 GB

average monthly mobile data usage in Q2 2021 representing a 25% YoY increase



23%

Broadband retail customers connected through Gigabit speed packages

Resilience

- Agile transformation in progress for over two years, organizational roll-out continues



~90%

Employees in Budapest HQ working under agile framework

Sustainability

- 2016-2020 sustainability strategy results: significant achievements in digital sustainability, climate protection, equal opportunity and diversity measures



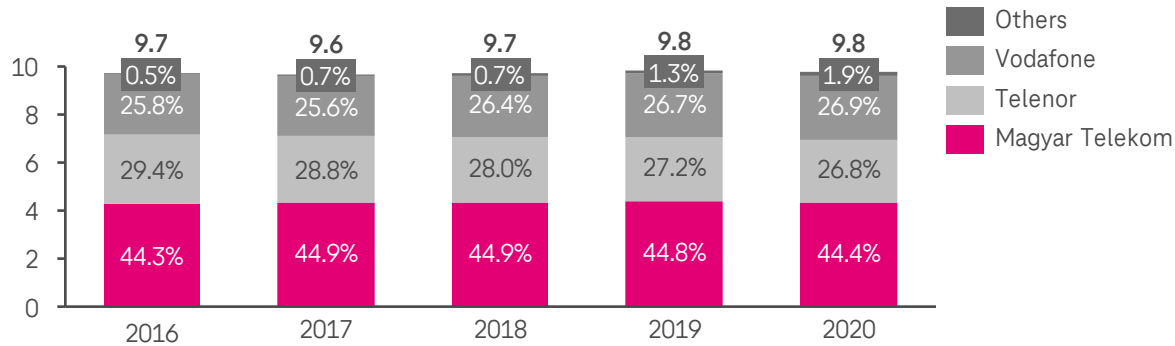
FTSE4Good

Magyar Telekom remains a constituent of the FTSE4Good Index Series following a recent index review with a 99 percentile rank in telecommunications

HUNGARIAN TELCO MARKET POSITIONS

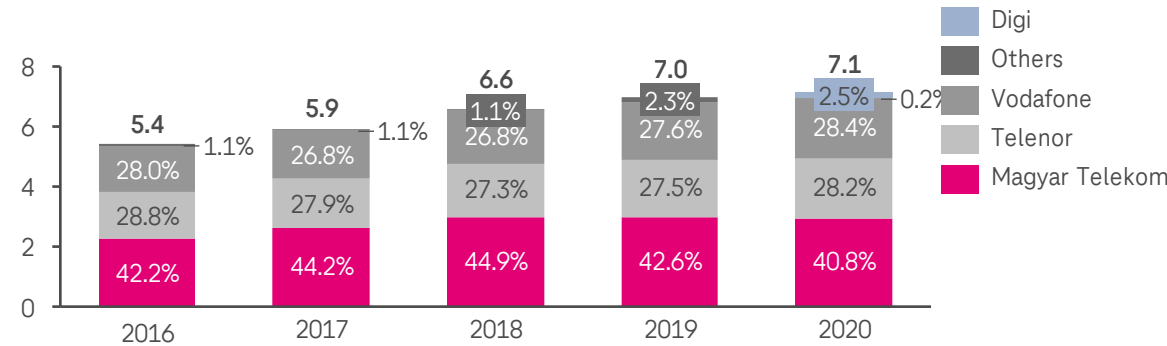
Mobile voice market¹

SIMs (mn)



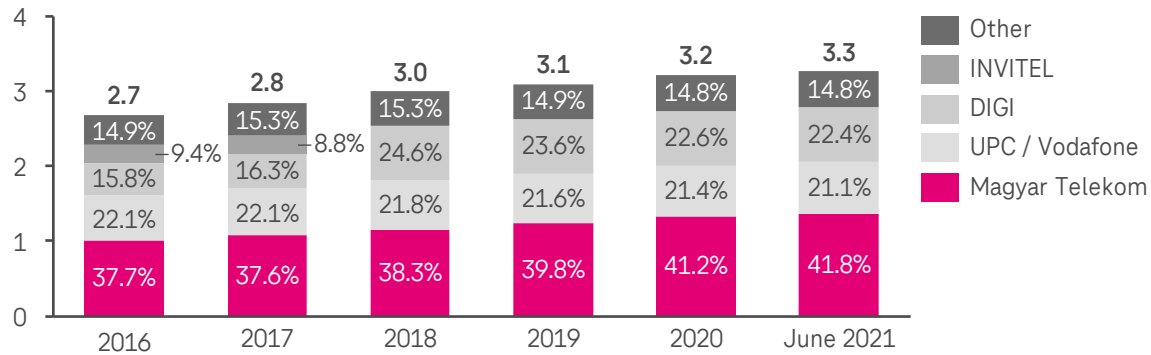
Mobile data market¹

SIMs (mn)



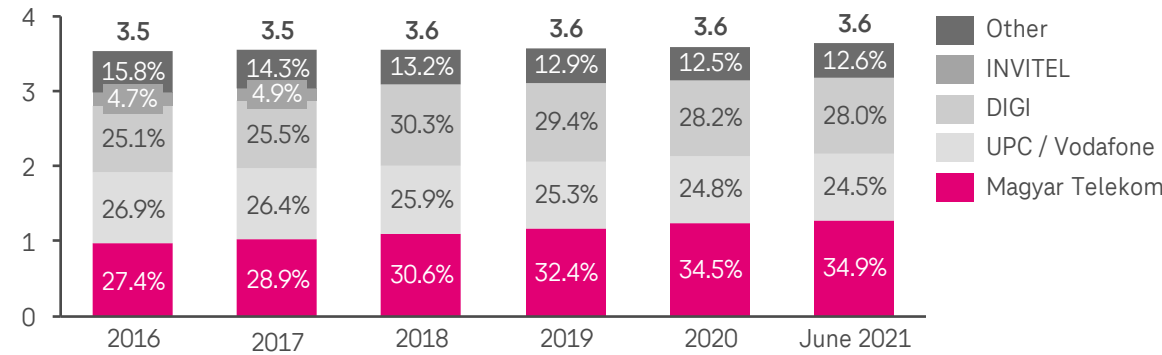
Fixed broadband market¹

Subscribers (mn)



TV market¹

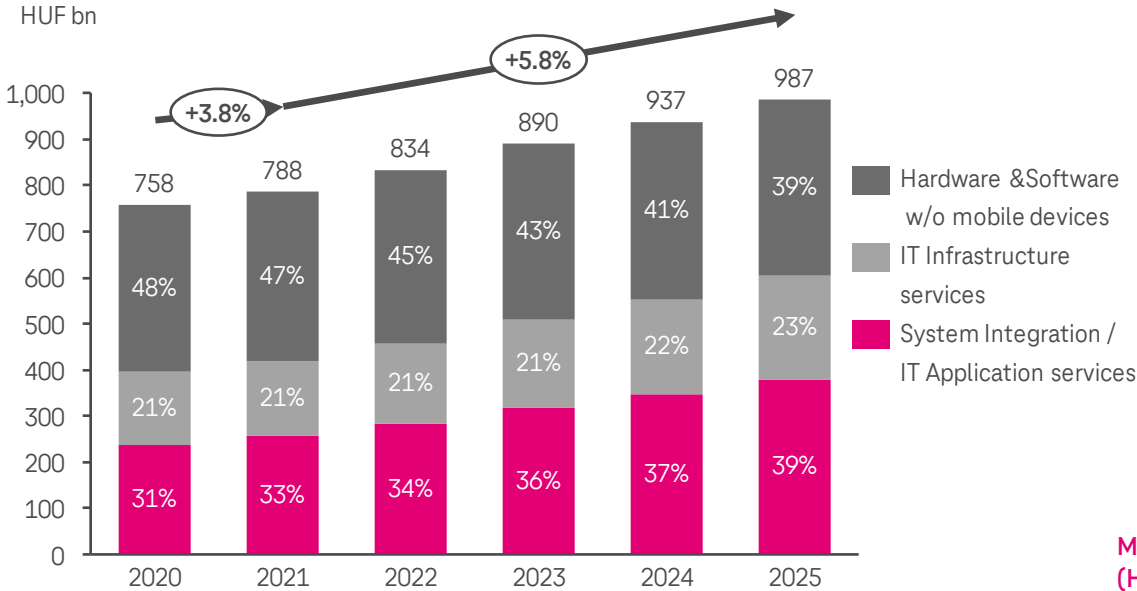
Subscribers (mn)



¹ Based on the total voice/internet traffic generating SIM cards/ BB access/ pay TV access market estimated by the National Media and Infocommunications Authority (NMIA)

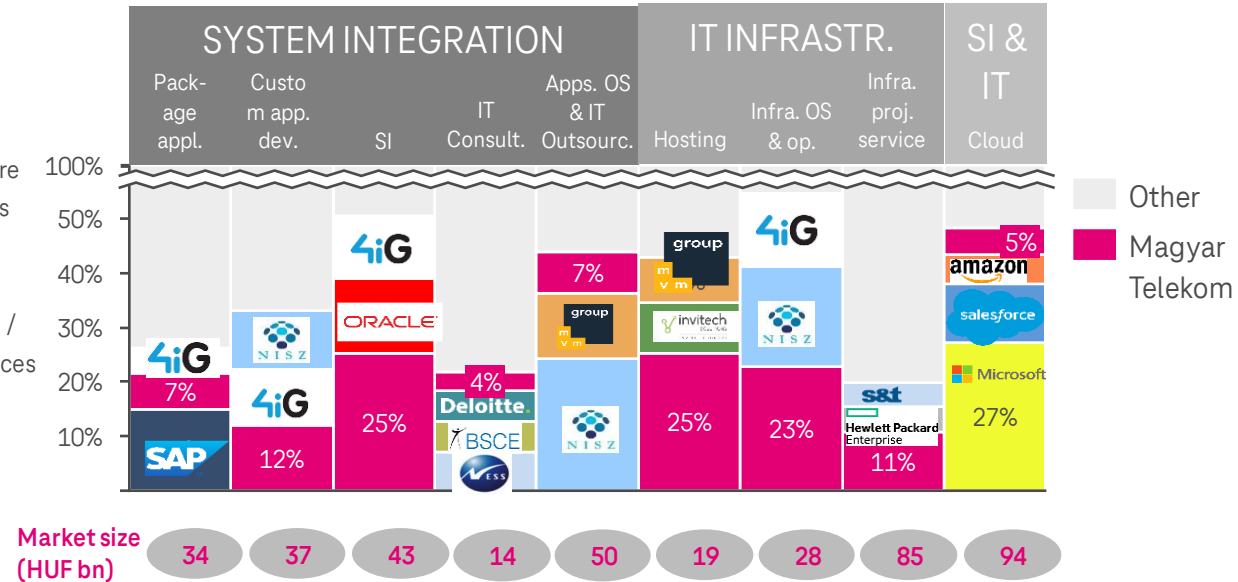
IT MARKET IN HUNGARY: 2020-2025

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



- Magyar Telekom was the only fully integrated ICT company in Hungary but now this has been challenged by 4iG
- Total IT market expected to grow by 6% over the next 3-4 years
- Digital transformation, process automation will play a key role in IT investments
- Magyar Telekom's total revenue based IT market share is ca. 10%²

IT Services market shares (by revenue)³



- IT Services market represents ca. 52% of the total IT market
- IT Services market in Hungary is very fragmented
- Presence of government owned players (NISZ, MVMI) and major international players, such as Microsoft, SAP, Oracle, HPE, DXC, IBM, S&T
- Magyar Telekom is the market leader with 12.5% market share in the IT Services market

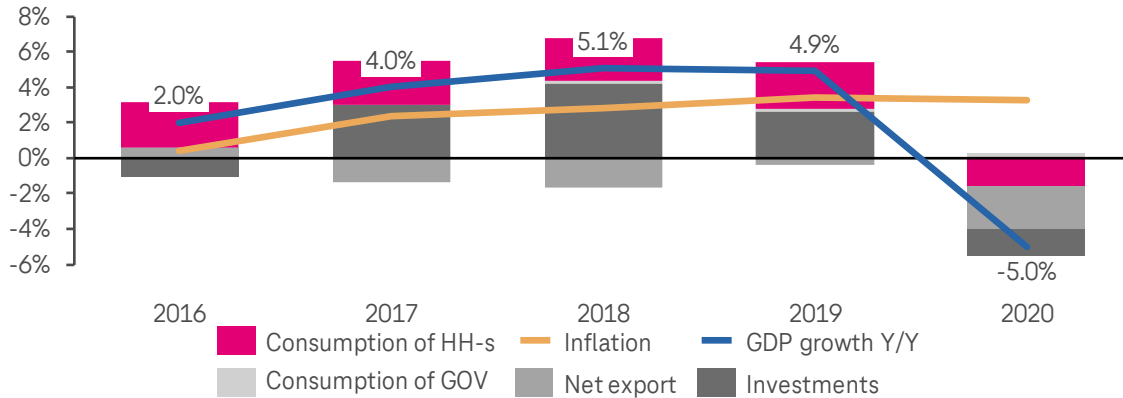
¹ Excluding IFRS 9 & 15 effects

² IT market share in B2B segment

³ Source: IDC 2021 (based on 2020 facts); market size calculated by demand side, while market shares by supply side data

HUNGARIAN ECONOMIC ENVIRONMENT

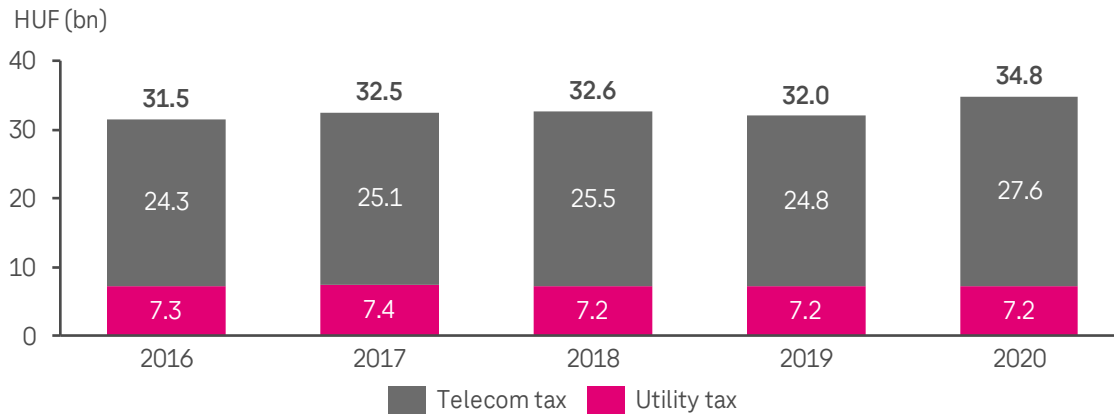
Growth structure



Domestic demand

- Magyar Telekom leveraged positive trends of domestic demand
- Investment levels show volatility due to EU fund cycles
- H1 2021 GDP showed a 7.6% yer-on-year growth, mostly on the back of strong household consumption and investment levels

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
- Telecom tax up by 11% or HUF 2.8bn in 2020 mainly driven by higher voice traffic

2021-24 OUTLOOK

2021 GUIDANCE - REVENUE AND EBITDA AL GROWTH TARGETS UPGRADED FOR 2021 AFTER STRONG H1 PERFORMANCE

	2020 results	Upgraded 2021 guidance (vs 2020)
REVENUE	HUF 673.0bn	Grow around 3%
EBITDA (AL)	HUF 202.6bn	Grow at least 3%
CAPEX AL ¹	HUF 106.0bn	Broadly stable
FCF ¹	HUF 69.5bn	Broadly stable / slight increase

upgraded

(1) Excluding spectrum license fees



LIFE IS FOR SHARING.

STRONG START TO 2021 PROVIDES FURTHER UPSIDE POTENTIAL TO 2021-24 OUTLOOK

	2020 results	2021-24 outlook (vs 2020) ²
REVENUE	HUF 673.0bn	Increase potential of ~1% with further upside
EBITDA (AL)	HUF 202.6bn	Increase potential of ~1% with further upside
FCF ¹	HUF 69.5bn	Increase potential of 1%-2%
Total shareholder remuneration	25 HUF per share (dividend + buy back) ³	To grow in line with FCF and net income

upgraded

(1) Excluding spectrum license fees

(2) Changes in % terms represent CAGR values

(3) Total shareholder remuneration (dividend + share buyback) after FY 2020







LIFE IS FOR SHARING.



Q2 2021 RESULTS

REVENUE AND EBITDA AL IN H1 2021 SIGNIFICANTLY AHEAD OF ORIGINAL TARGETS

	H1 2020 results	H1 2021 results (YoY change)	2021 delivery status
REVENUE	HUF 316.5 bn	HUF 328.4 bn +3.8%	
EBITDA AL	HUF 91.0 bn	HUF 97.4 bn +7.0%	
CAPEX AL ¹	HUF 48.5 bn	HUF 43.2 bn -11.0%	
FCF ¹	HUF 3.4 bn	HUF 10.3 bn +202%	

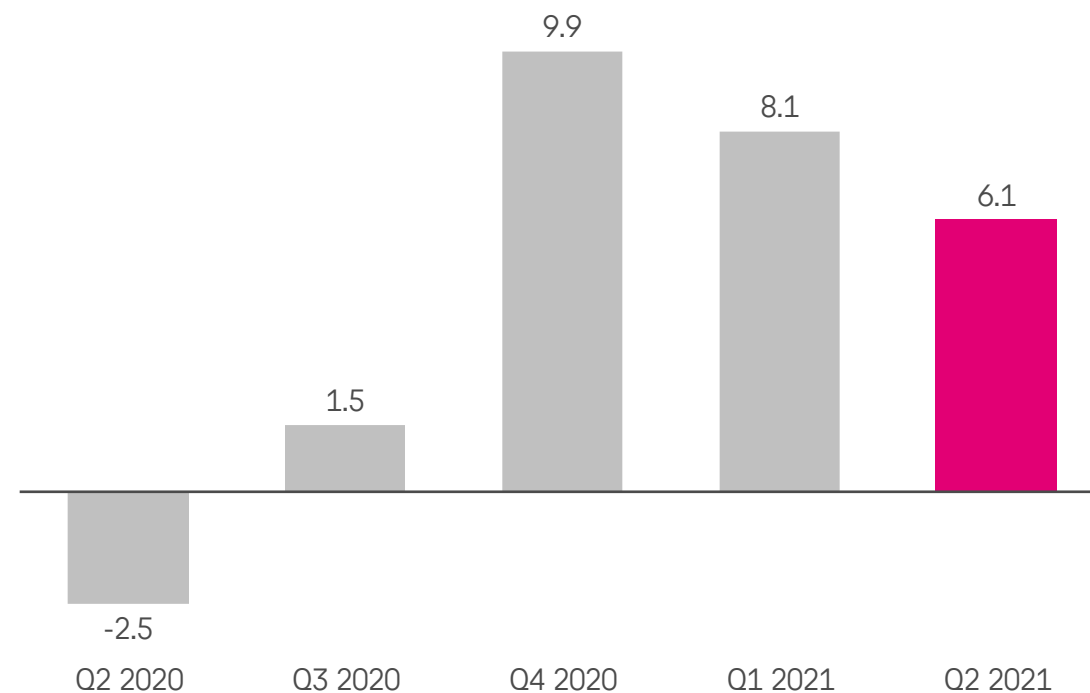
(1) Excluding spectrum license fees

REVENUE GROWTH DRIVING POSITIVE MOMENTUM IN EBITDA AL IN Q2 2021

Quarterly revenue changes YoY (%)

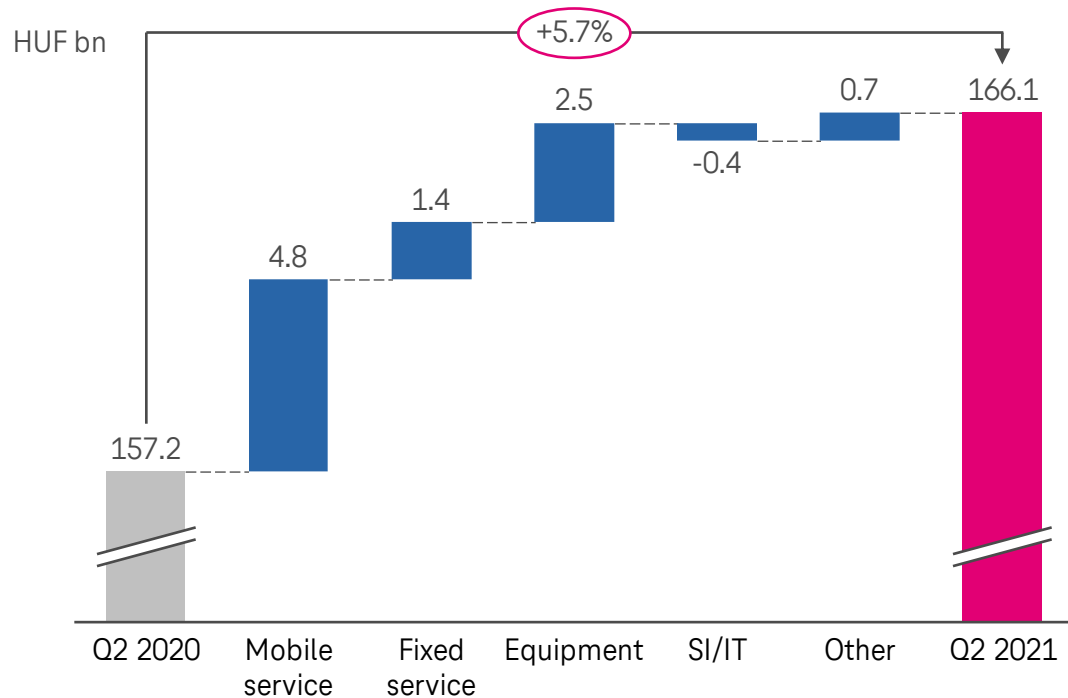


Quarterly EBITDA AL changes YoY (%)



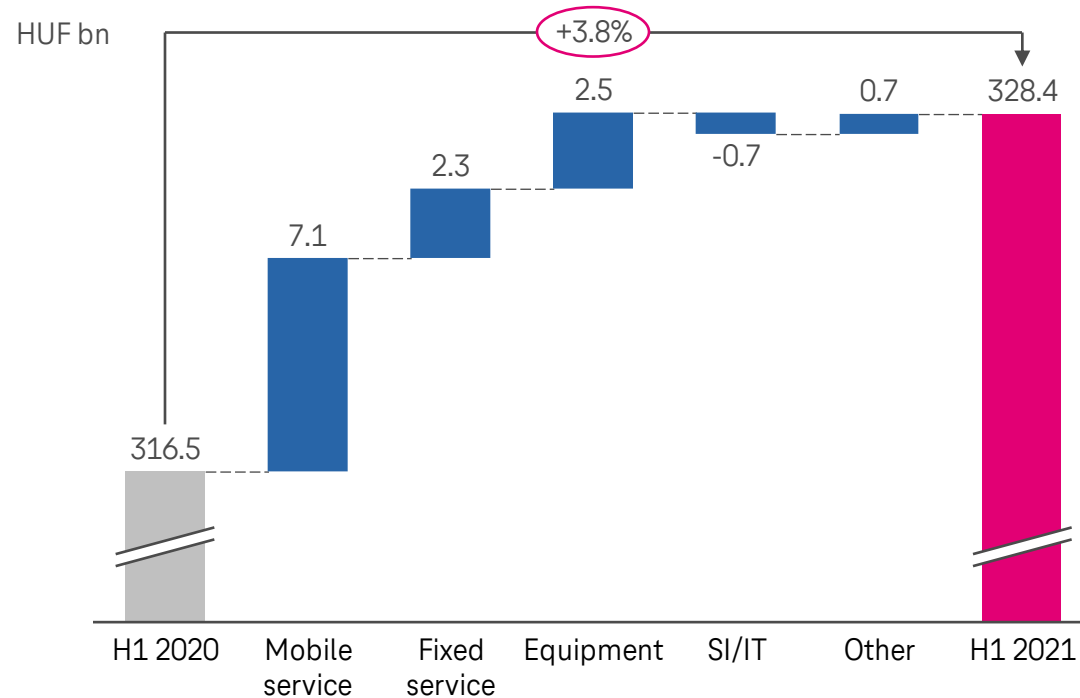
BROAD-BASED REVENUE EXPANSION IN Q2 AND H1 2021

Revenue, Q2 2021 vs Q2 2020



- Growth in mobile service revenues mostly supported by strong data contribution
- Fixed service growth predominantly driven by broadband and TV services
- Equipment sales uplift supported by higher mobile handset sales

Revenue, H1 2021 vs H1 2020



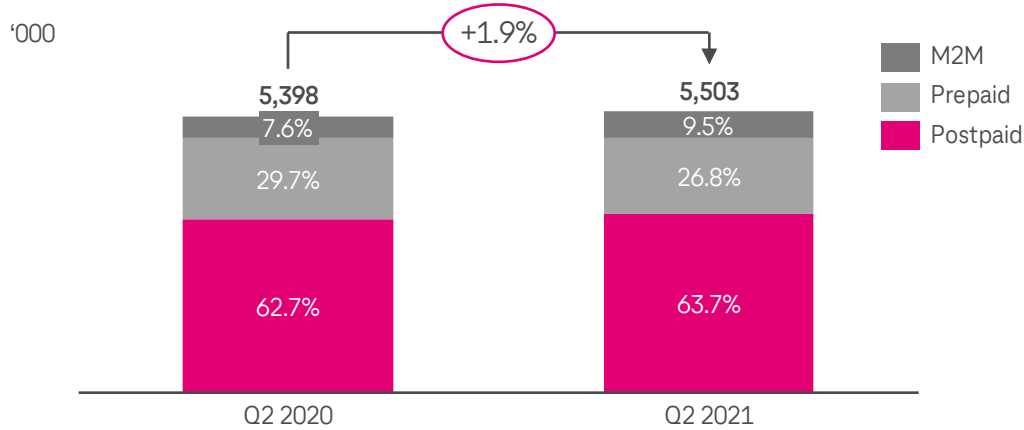
- Similar drivers impacted H1 2021 as Q2 2021
- Fixed services contribution unfavorably impacted by mandatory broadband allowance introduced for students and teachers in Hungary



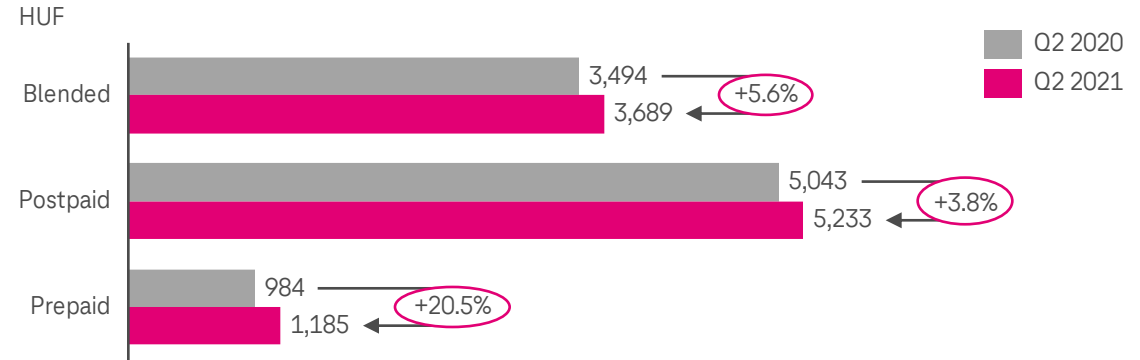
▪ **LIFE IS FOR SHARING.**

REVENUE GROWTH IN HUNGARY DRIVEN BY RISING ARPU ON THE BACK OF STRONG DATA USAGE AND MOBILE SIM GROWTH

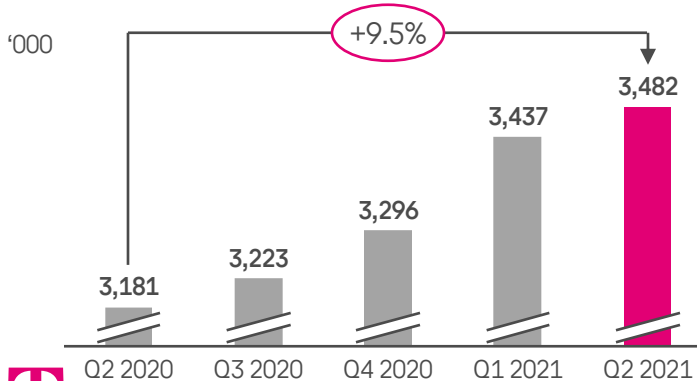
Mobile SIMs¹



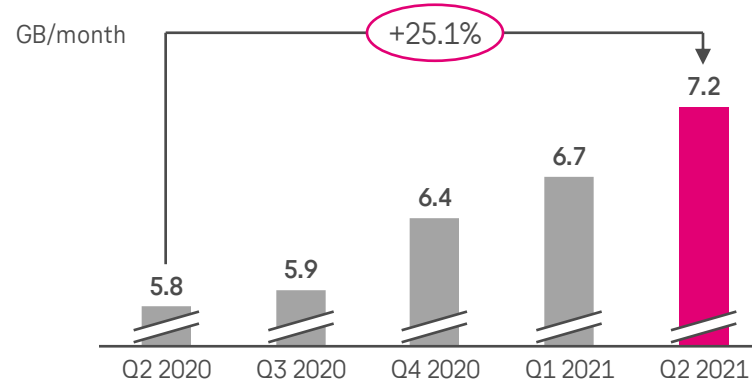
Mobile ARPU¹



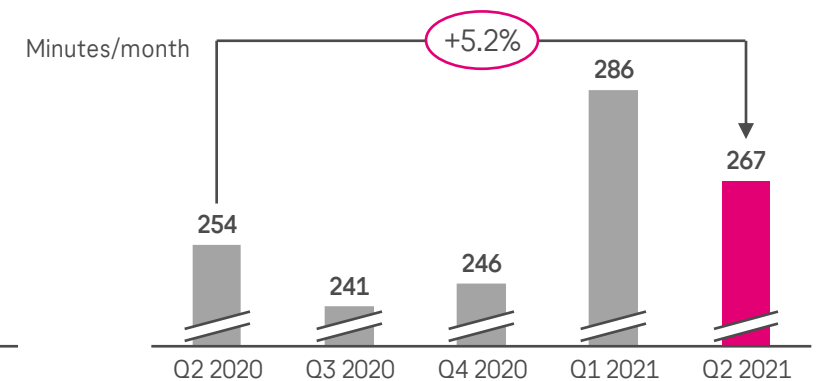
Mobile data SIMs



Mobile broadband usage



Mobile voice usage

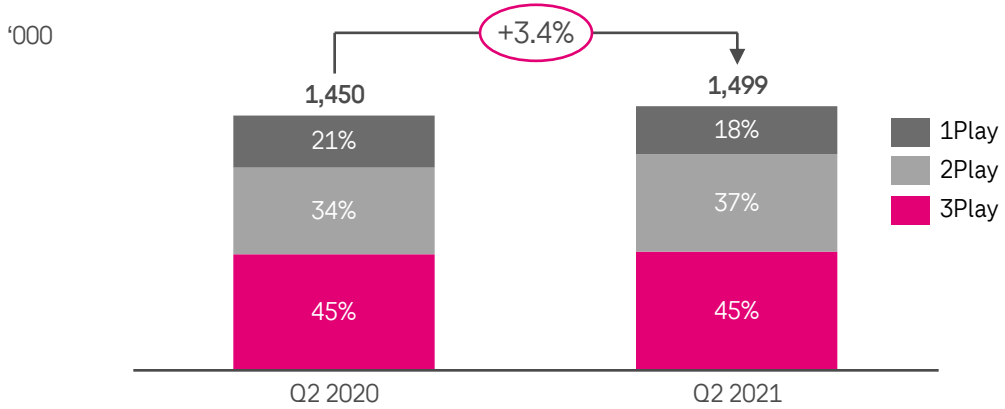


LIFE IS FOR SHARING.

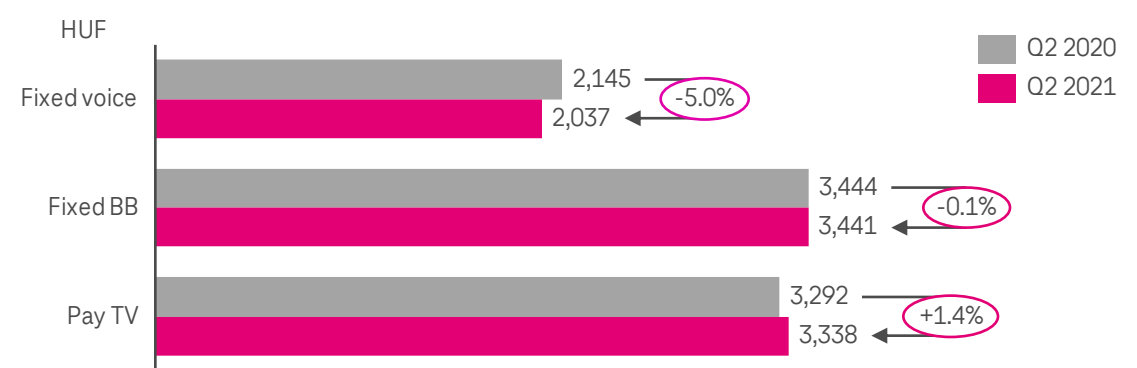
(1) Q2 2020 values changed due to re-presentation

FIXED LINE PERFORMANCE SUPPORTED BY GROWING CUSTOMER BASE; BB ARPU TEMPORARILY UNDER PRESSURE IN HUNGARY

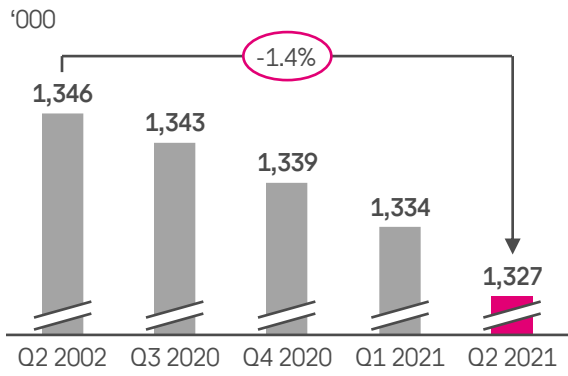
Fixed line multiplay residential subscribers



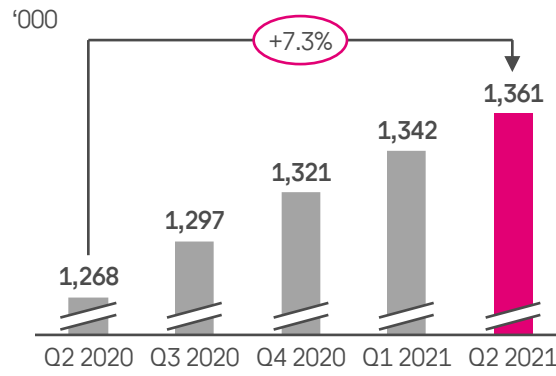
Fixed Voice, BB¹ and TV ARPU



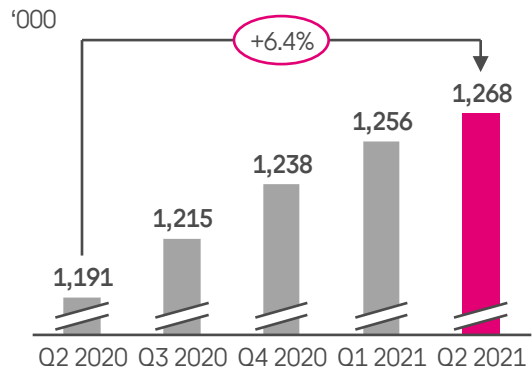
Fixed voice customers



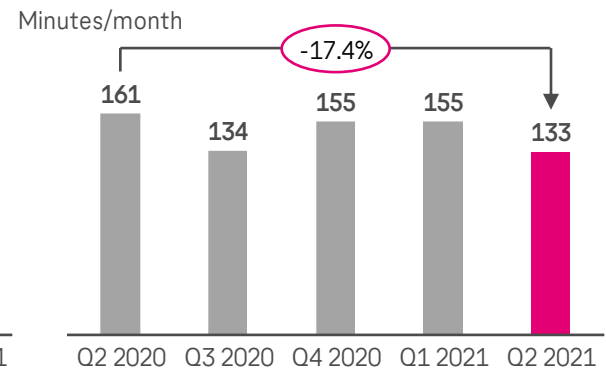
Fixed broadband customers¹



Pay TV customers



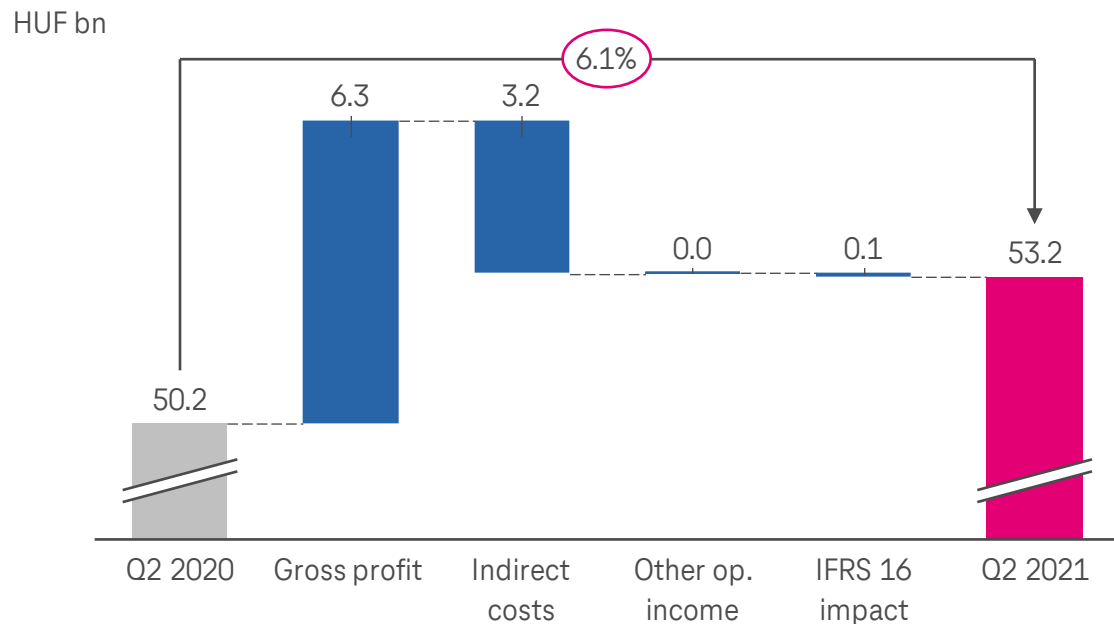
Fixed voice usage



(1) Q2 2020 values changed due to re-representation

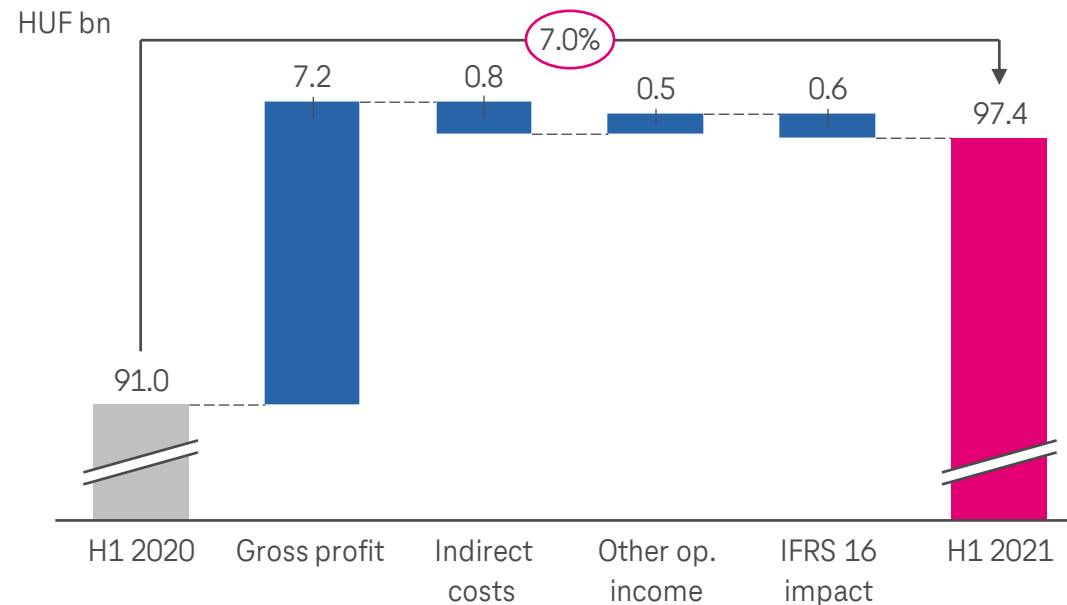
TOP LINE DRIVEN EBITDA AL EXPANSION

EBITDA AL, Q2 2021 vs Q2 2020



- Increase in gross profit largely due to marked improvement in B2C, in line with stronger mobile and fixed contribution
- Increase in indirect costs mainly attributable to rising employee related expenses

EBITDA AL, H1 2021 vs H1 2020

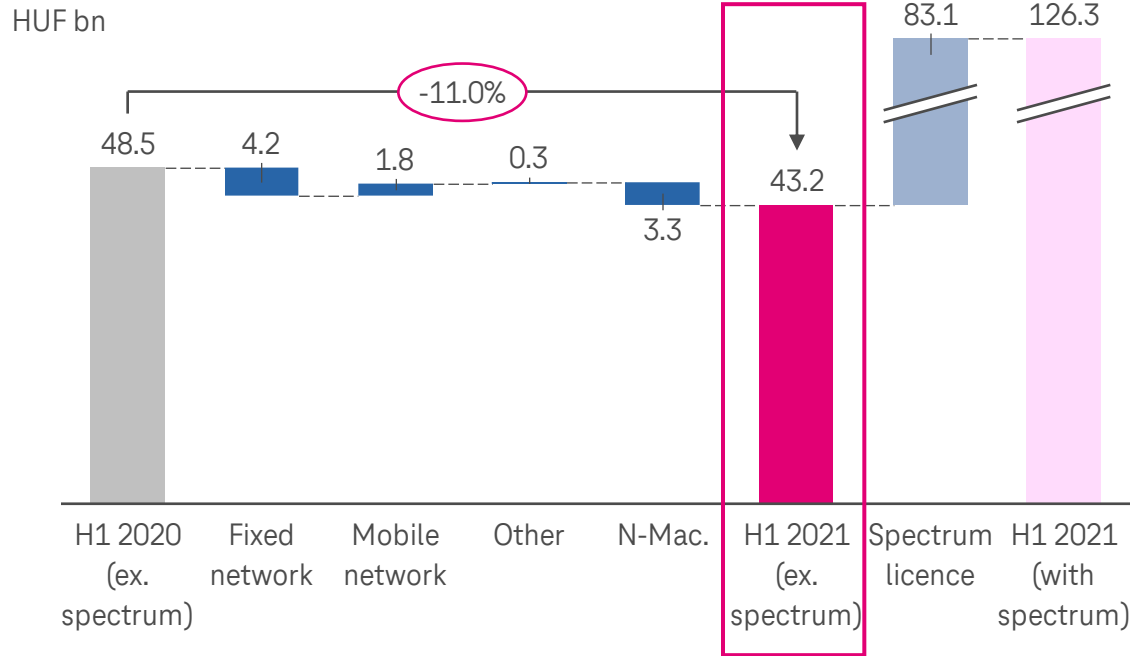


- Gross profit improvement drives 7% EBITDA AL growth in H1 2021



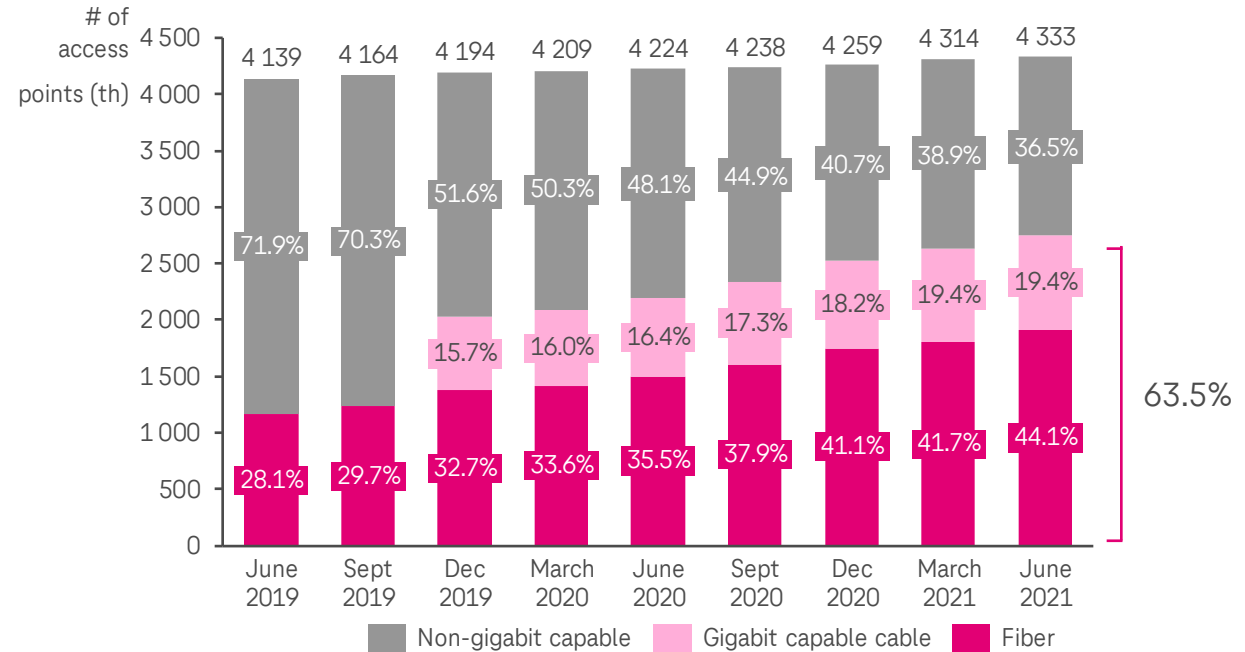
NETWORK DEVELOPMENT CONTINUES AT PACE COVERING 2.75 MILLION ACCESS POINTS WITH GIGABIT CAPABLE NETWORK

CAPEX AL, H1 2021 vs H1 2020



- Lower capitalized content fees in North-Macedonia and lower spending in fixed network capacity expansion in Hungary
- Spectrum license fees related to the 900 / 1800 MHz auction to generate cash outflows from Q1 2022

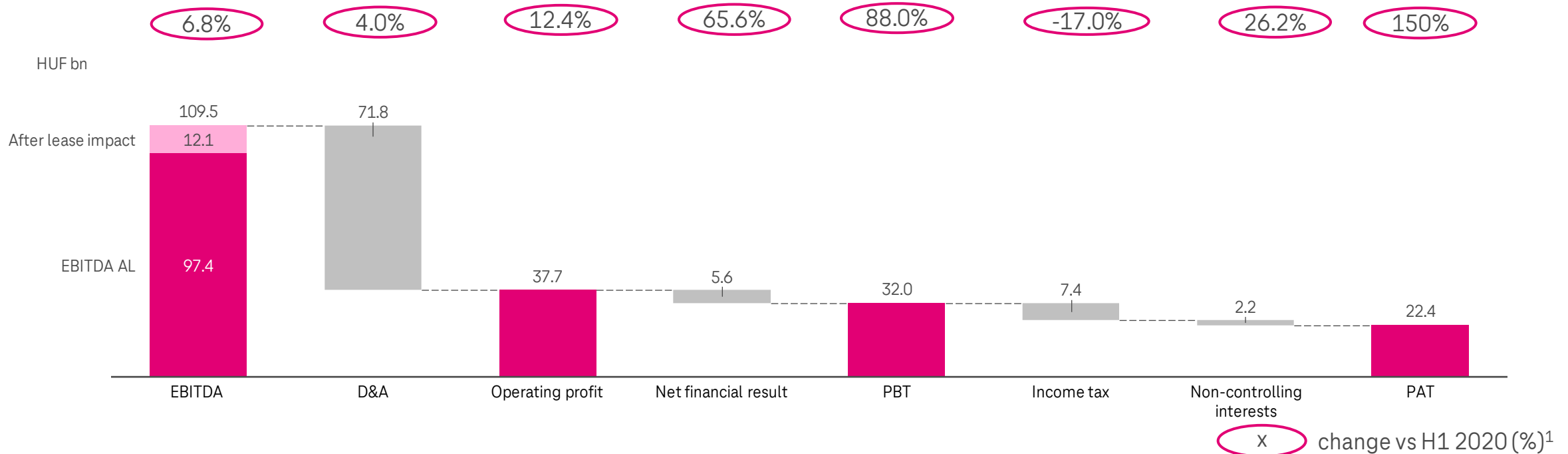
Gigabit capable fixed network development



- Gigabit network coverage reached 2.75 million access points as of June 2021

NET PROFIT IMPROVEMENT OF HUF 13.5BN DRIVEN BY LOWER NET FINANCING COSTS AND IMPROVING EBITDA

EBIT(DA), earnings, H1 2021



- D&A up by 4.0% vs H1 2020 mainly driven by capitalized spectrum in Q2 2020
- Net financial losses amounted to HUF 5.6bn in H1 2021 representing a HUF 10.8bn improvement versus the base period with overall more favorable FX effect in H1 2021

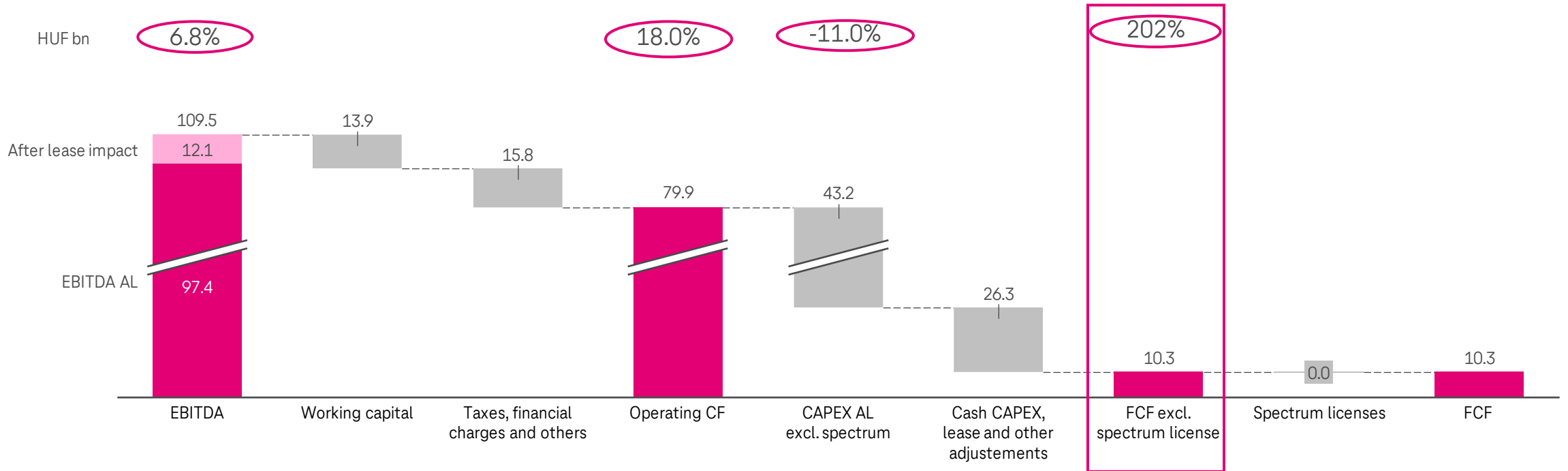


LIFE IS FOR SHARING.

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

HUF 10.3BN FCF GENERATION IN H1 2021 LARGELY IN LINE WITH EBITDA TREND

EBITDA and cash-flow, H1 2021



- Working capital items: higher handset sales resulted in cash outflows in Q1 2021 (and H1 2021)
- Spectrum licenses: no cash impact of 900 / 1800 MHz tender yet, cash outflow expected in Q1 2022 (following the expiry of currently held bands)

x Change vs H1 2020 (%)
 FCF figure incl. in the guidance

BACK-UP

For further questions please contact the IR department:

Diana Várkonyi

Capital Market Relations Hub Lead

Phone: +36 1 481-7676

e-mail: varkonyi.diana.annamaria@telekom.hu

Rita Walfisch

Investor Relations Expert

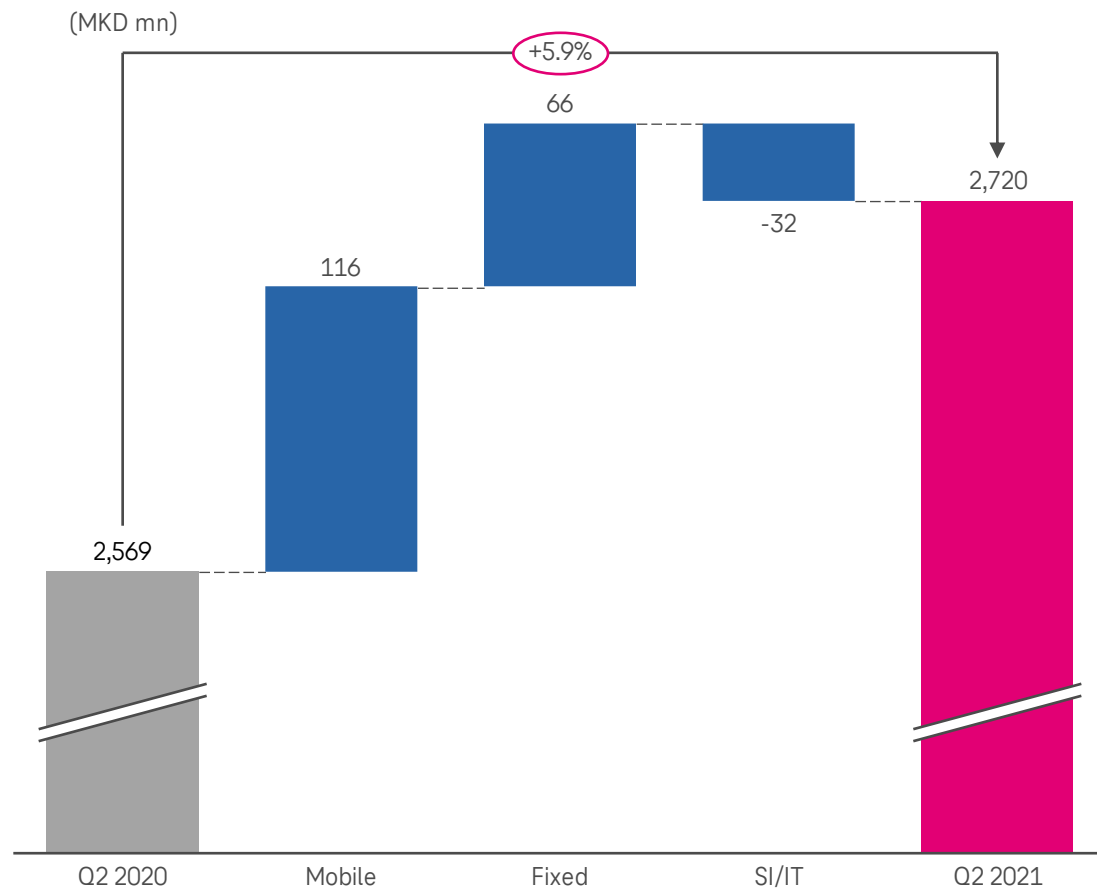
Phone: +36 1 457-6084

e-mail: walfisch.rita@telekom.hu

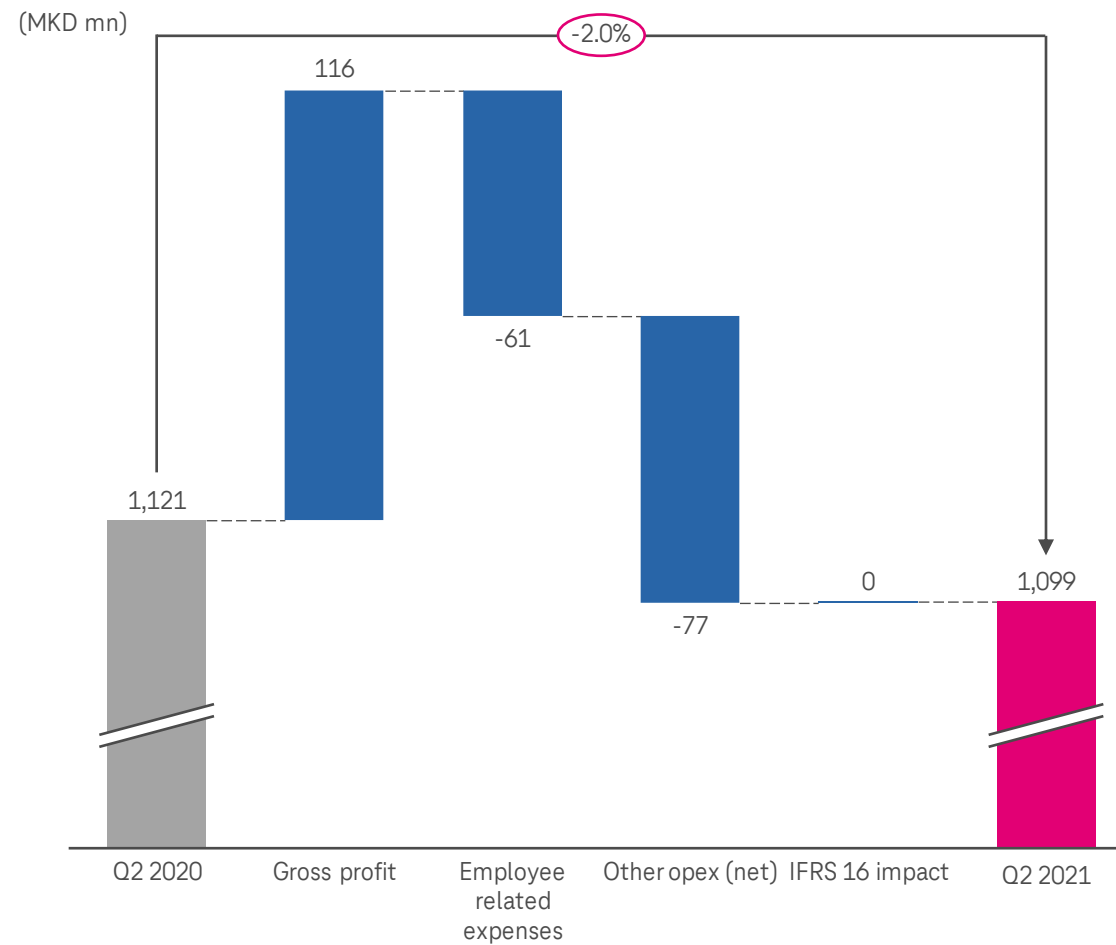


NORTH MACEDONIA: Q2 2021 RESULTS

Revenues



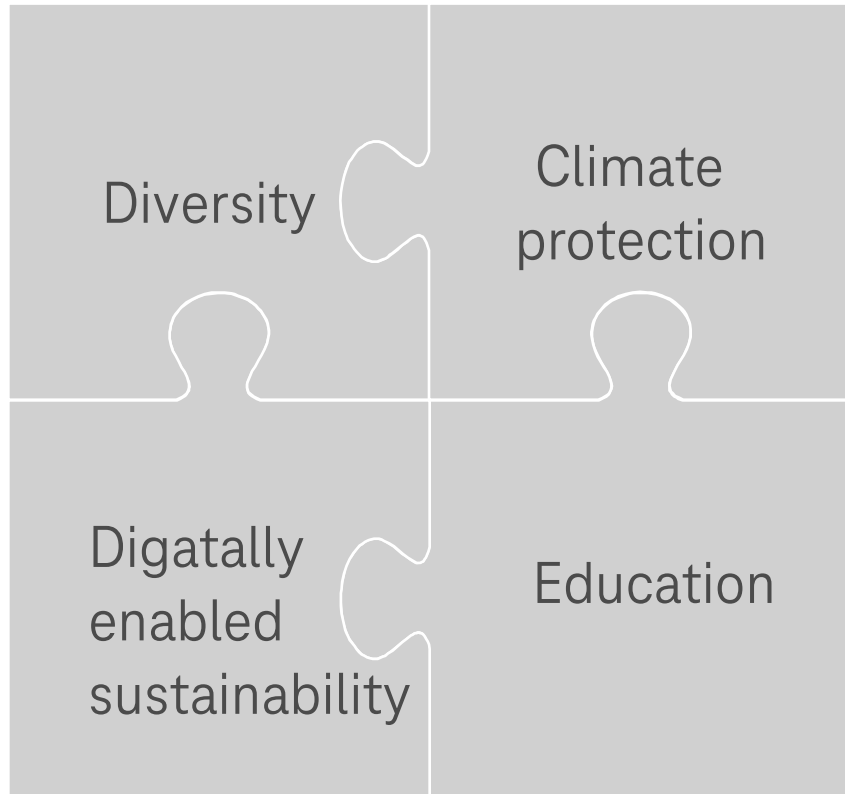
EBITDA AL



LIFE IS FOR SHARING.

MTELEKOM SUSTAINABILITY FRAMEWORK

Our approach towards sustainability rest on 4 pillars



Current sustainability strategy cycle covered the 2016-2020 period

- Climate protection:
 - carbon neutral operation for the 6th year in a row (Scope 1, 2)
 - approved 1.5°C science-based target
 - Green 1 GB mobile option
- Education: assuming a role in educating the public and our customers by reaching more than 1 million people in Hungary. In 5 years we reached more than 2.5 million people.
- Digitally enabled sustainability: promotion of sustainable digital services 35.6% of revenue from products and services with sustainable features.
- Diversity: comprehensive targets safeguarding governance, diversity and inclusion, workplace flexibility and others

New, mid-term sustainability strategy being developed



COMPANY'S ESG EFFORTS CONTINUE TO GAIN EXTERNAL RECOGNITION

Ratings



- Outstanding MSCI ESG rating of AA maintained for the 3rd year in a row



- „B” Rating with „Prime” status for the 4th year in a row
- Magyar Telekom received top3 telco ranking in 2020



- “B” rating for climate change
- “A” rating for supply chain
- Supplier program addressing climate change ranked amongst top 7% by CDP

Index inclusion



Magyar Telekom remains a constituent of the FTSE4Good Index Series following a recent index review with a 99 percentile rank in telecommunications

- CECE Socially Responsible Investment index

Reporting framework

- GRI standard on comprehensive level (with external assurance in accordance with ISAE 3000)
- Further efforts to improve sustainability reporting in line with TCFD and SASB requirements

HUNGARIAN MOBILE SPECTRUM

Current spectrum allocation (MHz)

