

MAGYAR TELEKOM GROUP INVESTOR PRESENTATION

March 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.



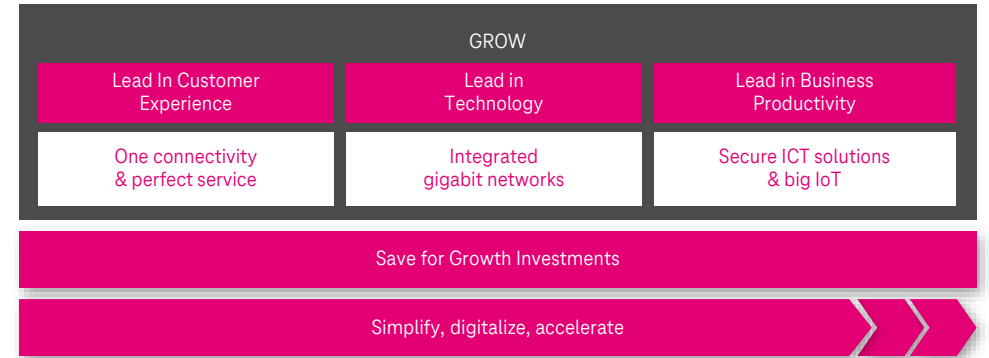
STRATEGY AND MARKET POSITION

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 1.1bn market capitalization¹
- Stock exchange listings
 - Primary listing on Budapest Stock Exchange
 - Level I ADR program, ADSs traded on the OTC Market

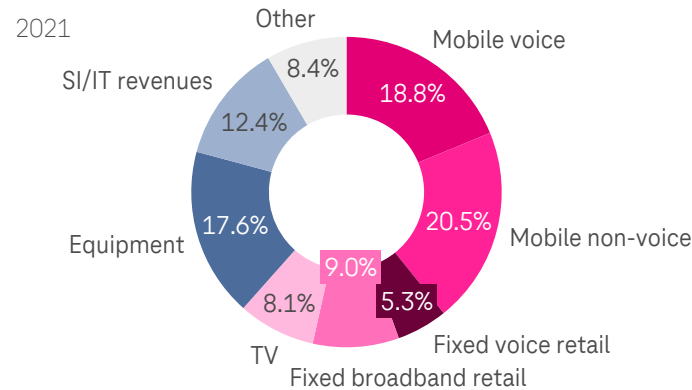
Pillars of transformation



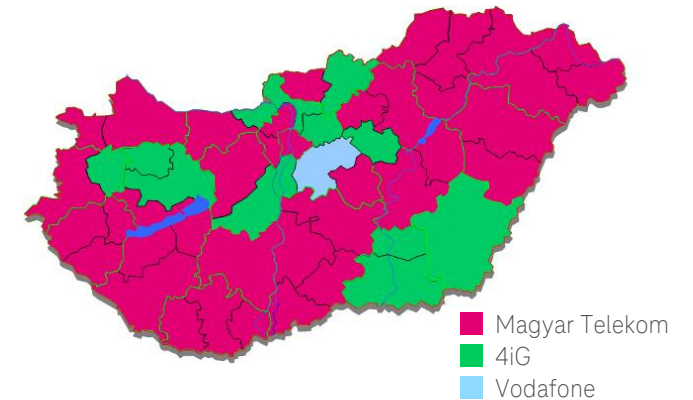
Main services offered

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

Revenue composition



Incumbents in Hungary



¹ As of March 3, 2022

FOCUS ON SEAMLESS CONNECTIVITY AND CUSTOMER CENTRICITY

Network

- Fixed network rollout: coverage expanded to 3m gigabit capable access points
- RAN modernization continues



69%

gigabit capable network



1180

base stations modernized (RAN program)

Customers

- Further improvement in customer satisfaction
- Continued strong momentum in mobile data usage trend
- Increasing penetration on gigabit capable fixed network



7.6 GB

average monthly mobile data usage in 2021, representing an increase of more than 30% YoY



>1 million

customers connected through Gigabit capable network

Resilience

- HUF 4 billion savings in indirect costs* in 2021
- Awarded 'B' climate change score by CDP



HUF 4bn

indirect cost savings in 2021



CDP Supplier Engagement Leader

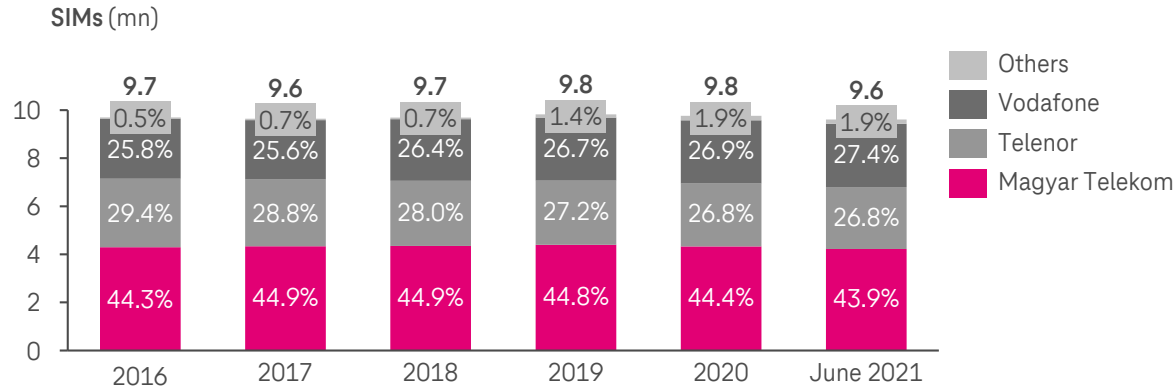


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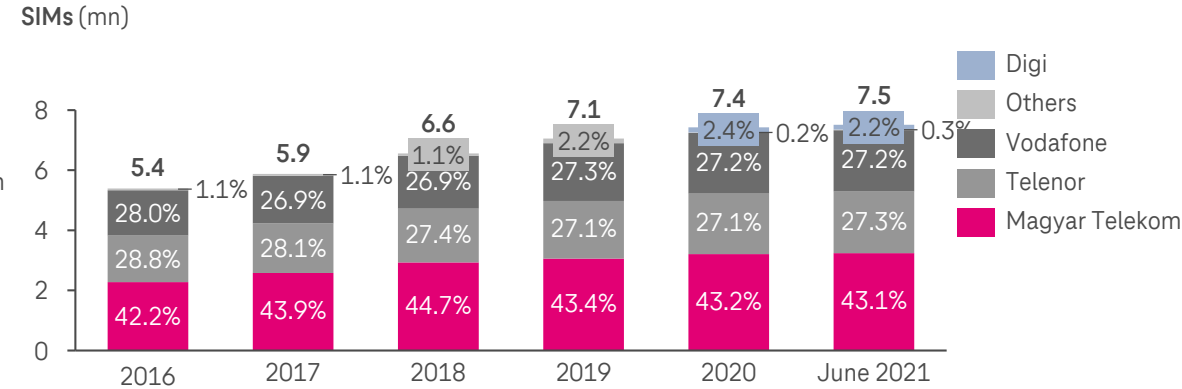
*excluding impacts of changes in other operating income

HUNGARIAN TELCO MARKET POSITIONS

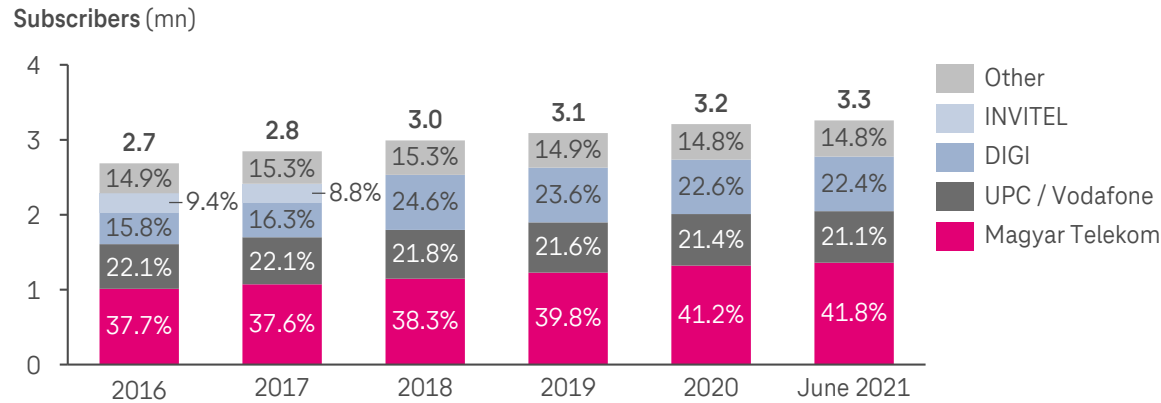
Mobile voice market¹



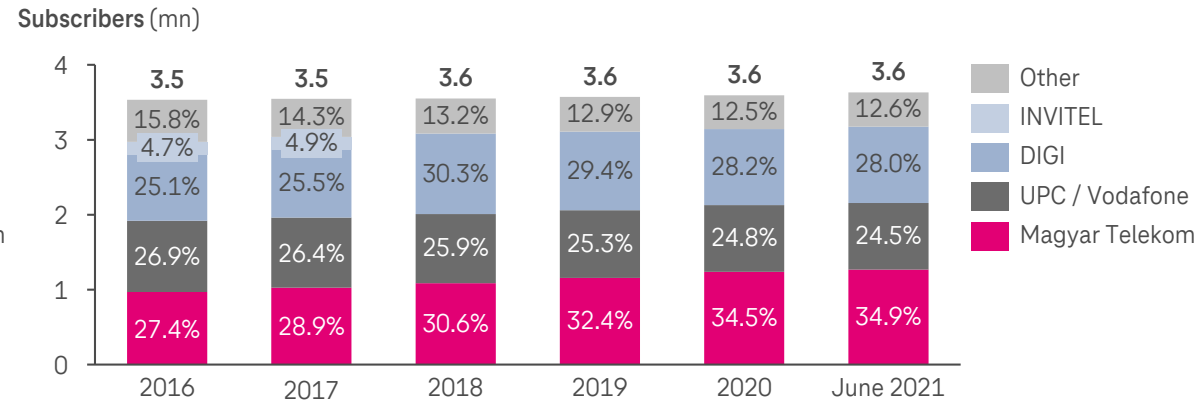
Mobile data market¹



Fixed broadband market¹



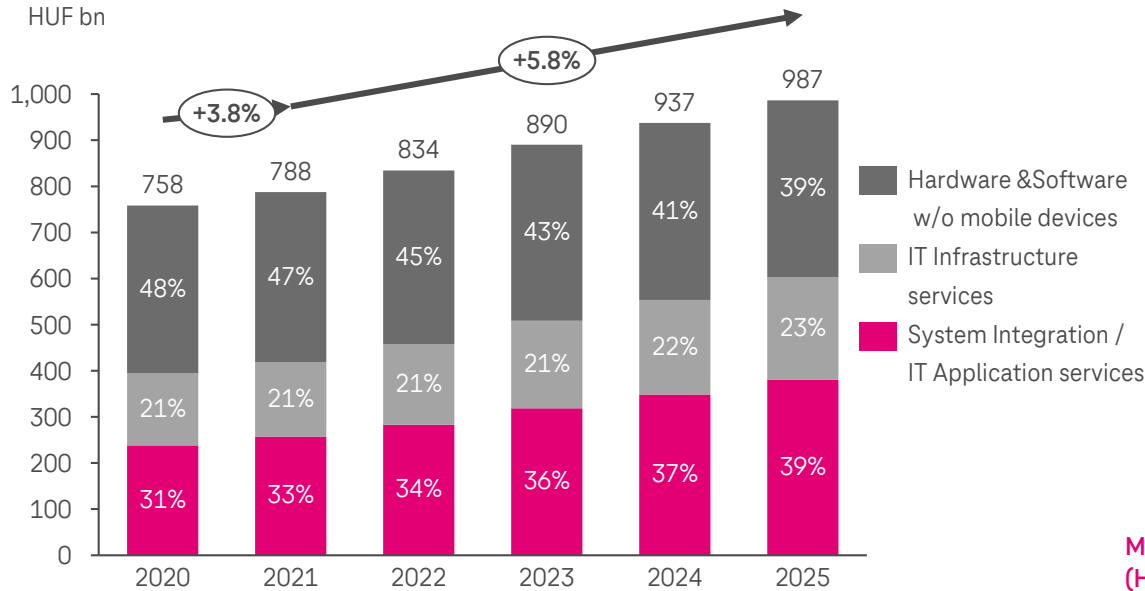
TV market¹



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 (NMA)

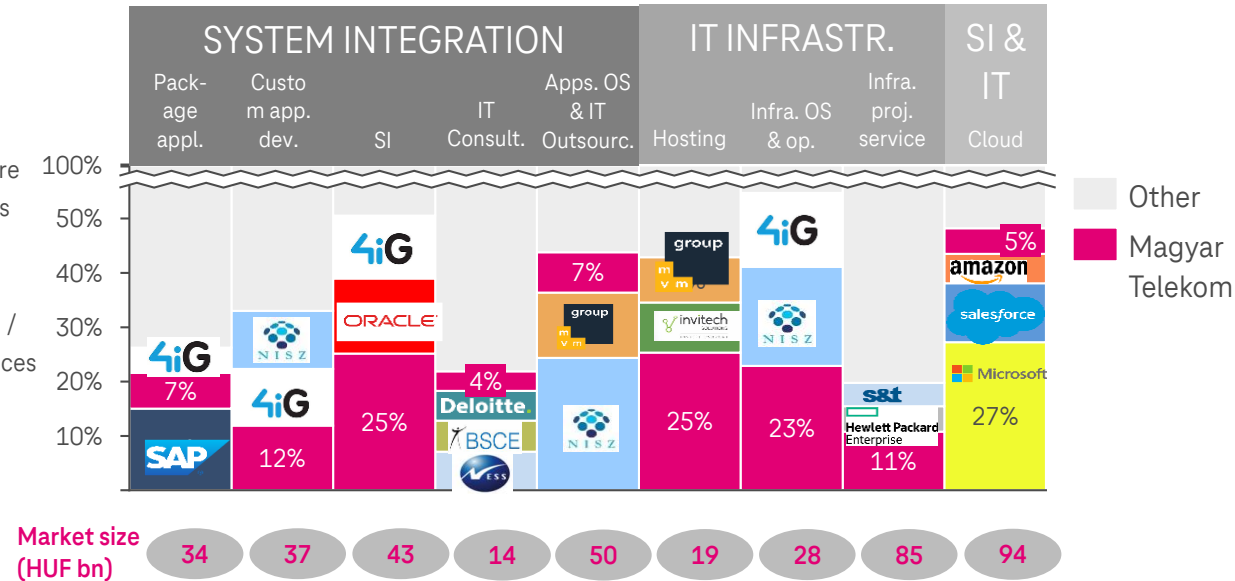
IT MARKET IN HUNGARY: 2020-2025

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

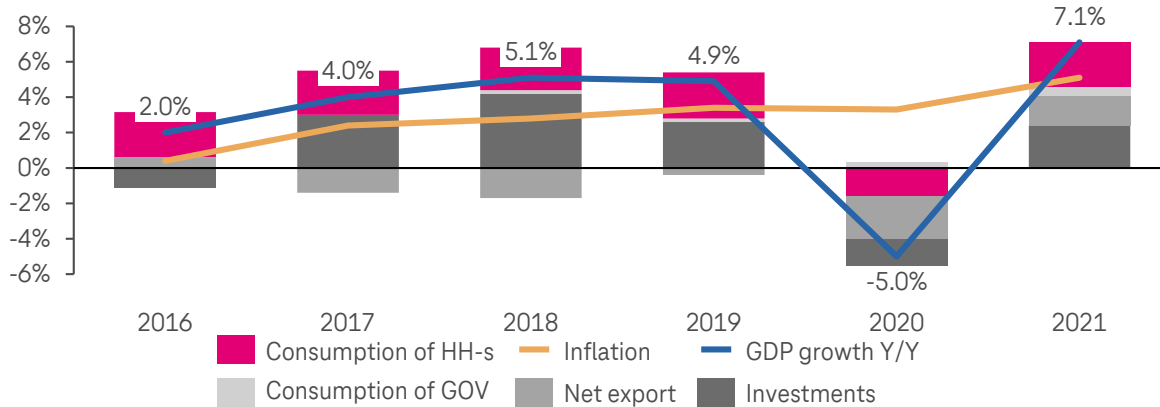
IT Services market shares (by revenue)³



- 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

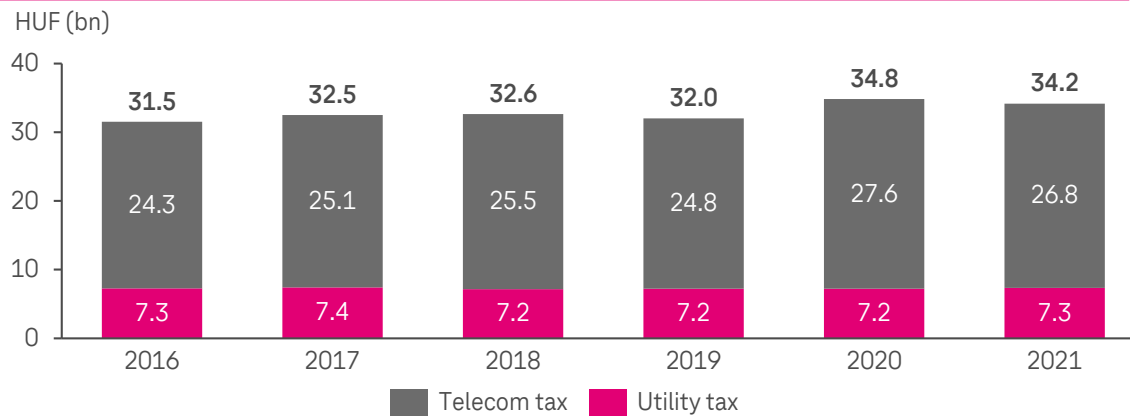
HUNGARIAN ECONOMIC ENVIRONMENT

Growth structure & Domestic demand



- Magyar Telekom leveraged positive trends of domestic demand
- Investment levels show volatility due to EU fund cycles
- 2021 GDP showed a 7.1% year-on-year growth, mostly on the back of strong household consumption

Taxes levied on Magyar Telekom



- 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 increases in 2020 and 2021 were mainly driven by higher voice traffic

GUIDANCE, OUTLOOK AND SHAREHOLDER REMUNERATION 2022-2024

2022 PUBLIC TARGETS AND 2023-2024 OUTLOOK REFLECTS STRONG COMMERCIAL MOMENTUM

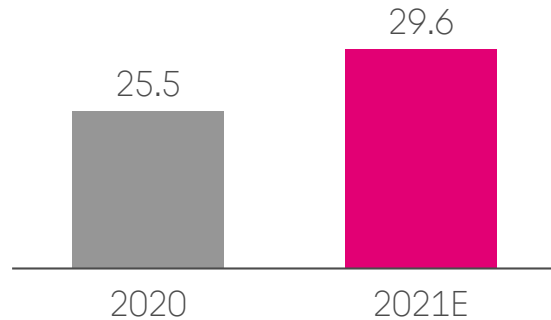
	2021 results	2022 guidance	2023 – 2024 outlook
REVENUE	HUF 700.1 bn	1%-3% growth	moderate annual growth
EBITDA AL	HUF 216.3 bn	3%-5% growth	moderate annual growth
CAPEX AL ¹	HUF 109.3 bn	broadly stable	
FCF ¹	HUF 56.2 bn	at least HUF 70 bn	moderate annual growth

¹ EXCLUDING SPECTRUM LICENSES

SHAREHOLDER REMUNERATION AFTER 2021 RESULTS AND POLICY FOR 2022-2024

Shareholder remuneration

HUF bn



- Increase in total shareholder remuneration to up to HUF 29.6 bn reflecting the Company's achievements
- Board of Directors proposes for approval to the AGM a total dividend payment of HUF 15.0 billion for 2021 financial year
- The Board envisages buyback program of up to HUF 14.6 billion, subject to the necessary authorization of the Annual General Meeting





Shareholder remuneration policy for 2022-2024

- The Board of Directors approved the shareholder remuneration policy for 2022-2024
- Goal is to increase transparency, visibility and reliability of shareholder remuneration
- The policy envisages growth in annual shareholder remuneration as a combination of dividend payments and share buybacks in line with improvements in the Company's financial performance
- Total value of annual shareholder remuneration is expected to be between 60% and 80% of the Company's annual adjusted "profit attributable to the owners of the parent" (adjusted net income)* generated during the preceding financial year



2021 RESULTS

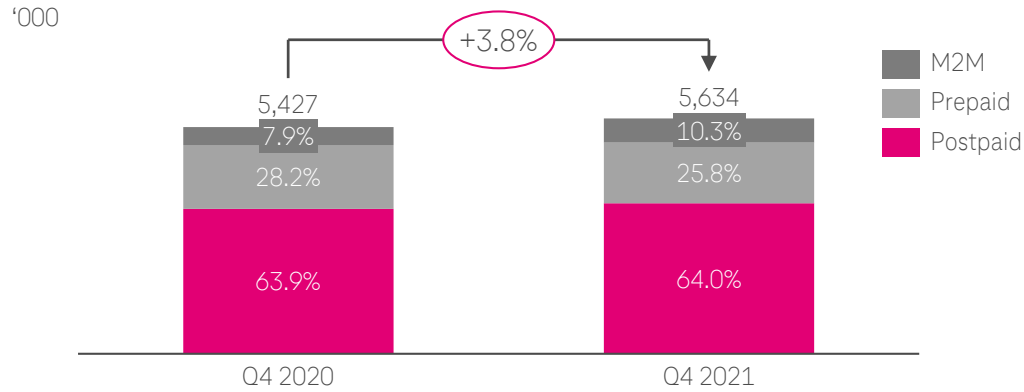
DELIVERY AGAINST 2021 FINANCIAL TARGETS

	2020 results	2021 guidance (vs 2020)	2021 results (YoY change)	2021 guidance delivery
REVENUE	HUF 673.0 bn	Grow around 3%	HUF 700.1 bn +4.0%	
EBITDA AL	HUF 202.6 bn	Grow at least 3%	HUF 216.3 bn +6.7%	
CAPEX AL ¹	HUF 106.0 bn	Broadly stable	HUF 109.3 bn +3.0%	
FCF ¹	HUF 69.5 bn	Broadly stable / slight increase	HUF 56.2 bn -19.1%	

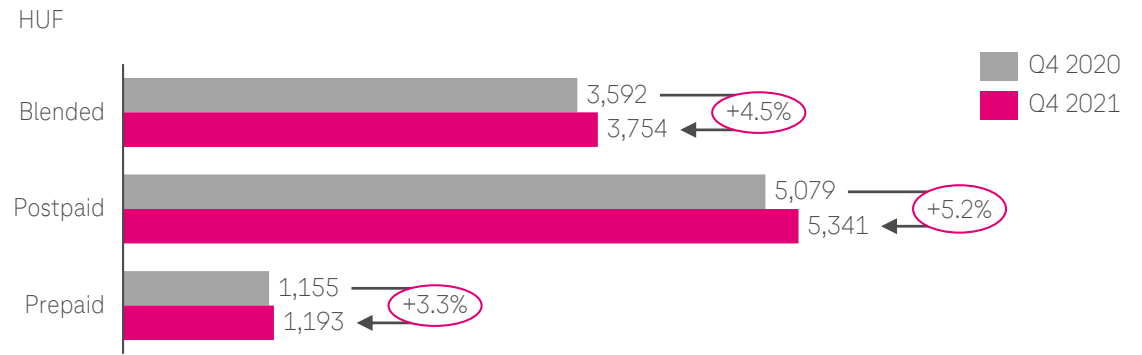
¹ EXCLUDING SPECTRUM LICENSES

ARPU GROWTH IN HUNGARY DRIVEN BY FAVORABLE SUBSCRIBER BASE TRENDS AND STRONG DATA USAGE

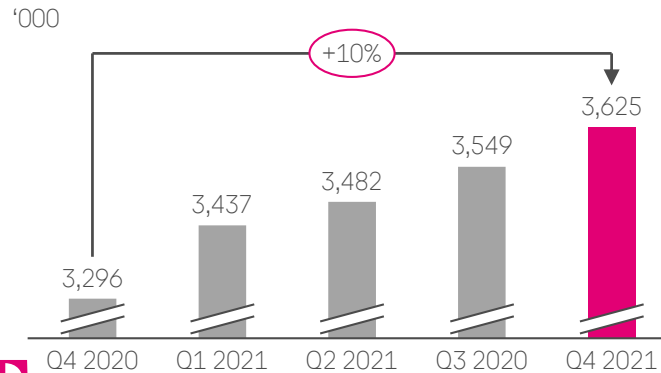
Mobile SIMs¹



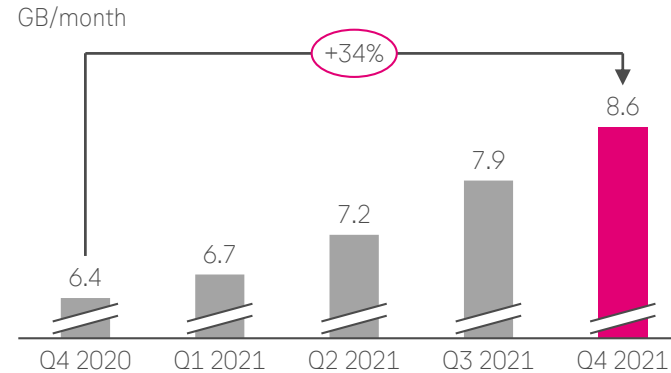
Mobile ARPU¹



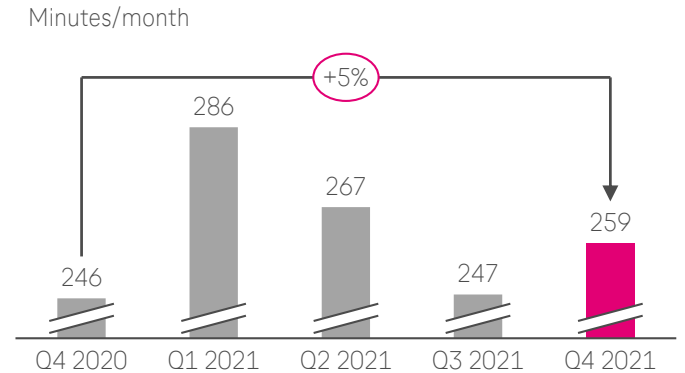
Mobile data SIMs



Mobile broadband usage



Mobile voice usage

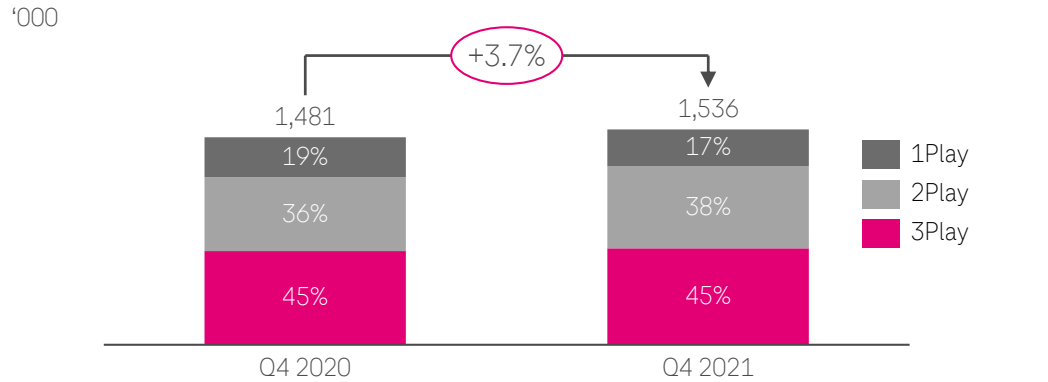


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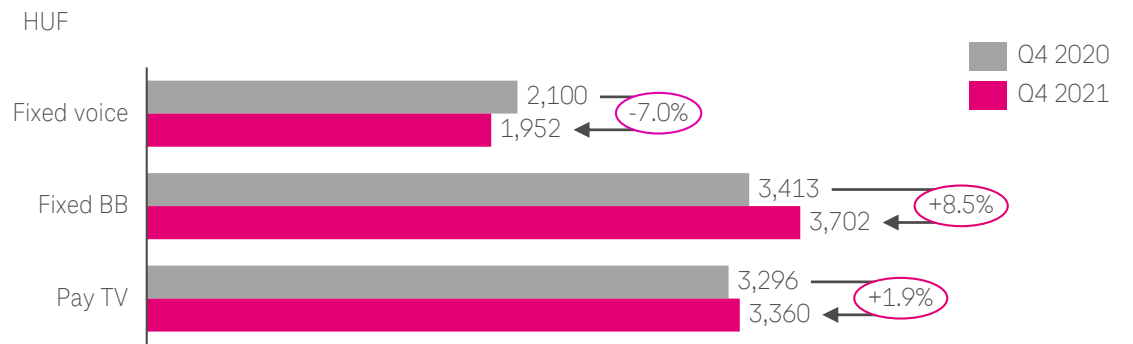
(1) Q4 2020 values changed due to re-representation

FIXED LINE PERFORMANCE SUPPORTED BY CUSTOMER BASE EXPANSION AND POSITIVE BB AND TV ARPU TRENDS IN HUNGARY

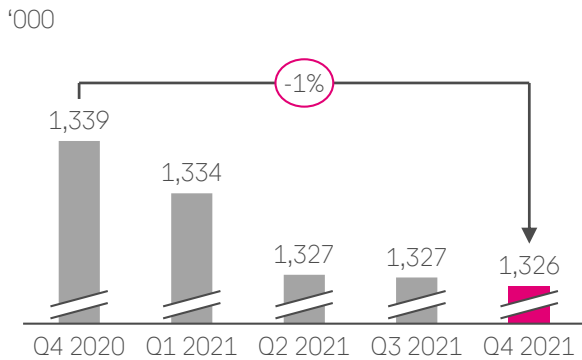
Fixed line multiplay residential subscribers



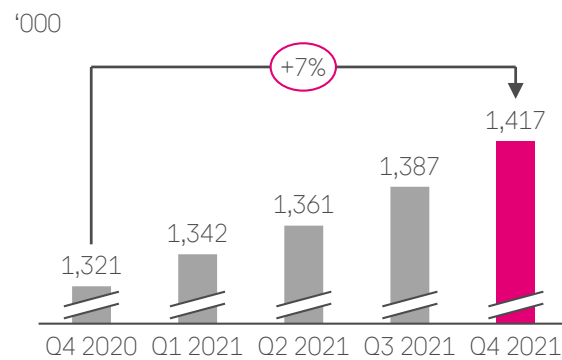
Fixed Voice, BB¹ and TV ARPU



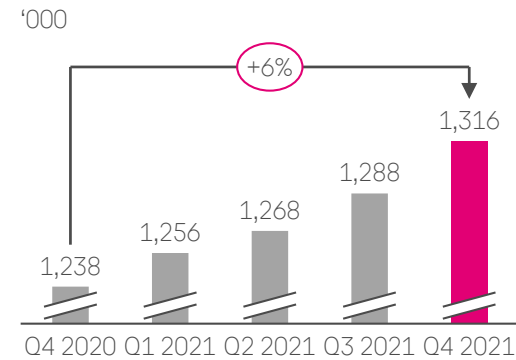
Fixed voice customers



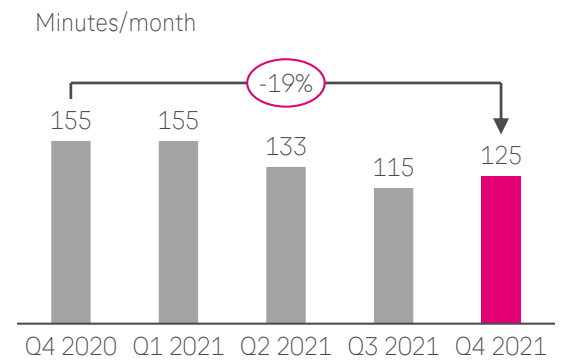
Fixed broadband customers¹



Pay TV customers



Fixed voice usage

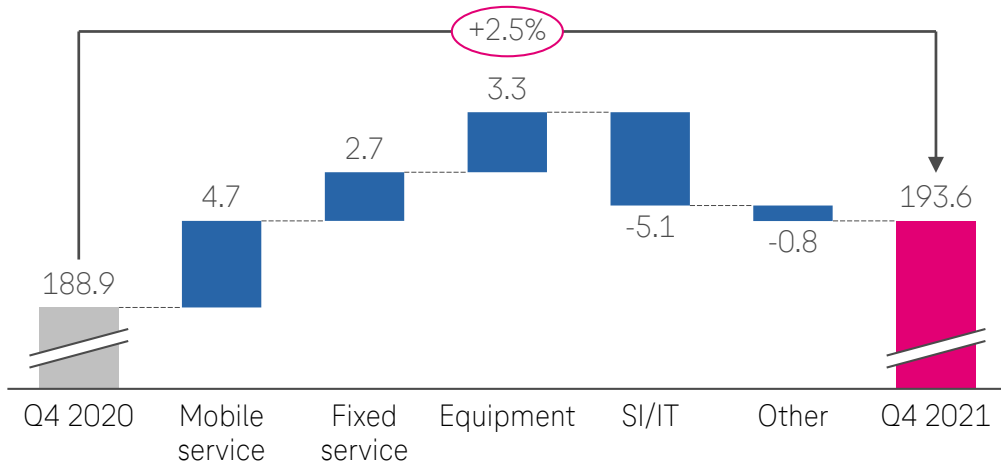


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REVENUE GROWTH IN Q4 AND FY 2021

Revenue, Q4 2021 vs Q4 2020

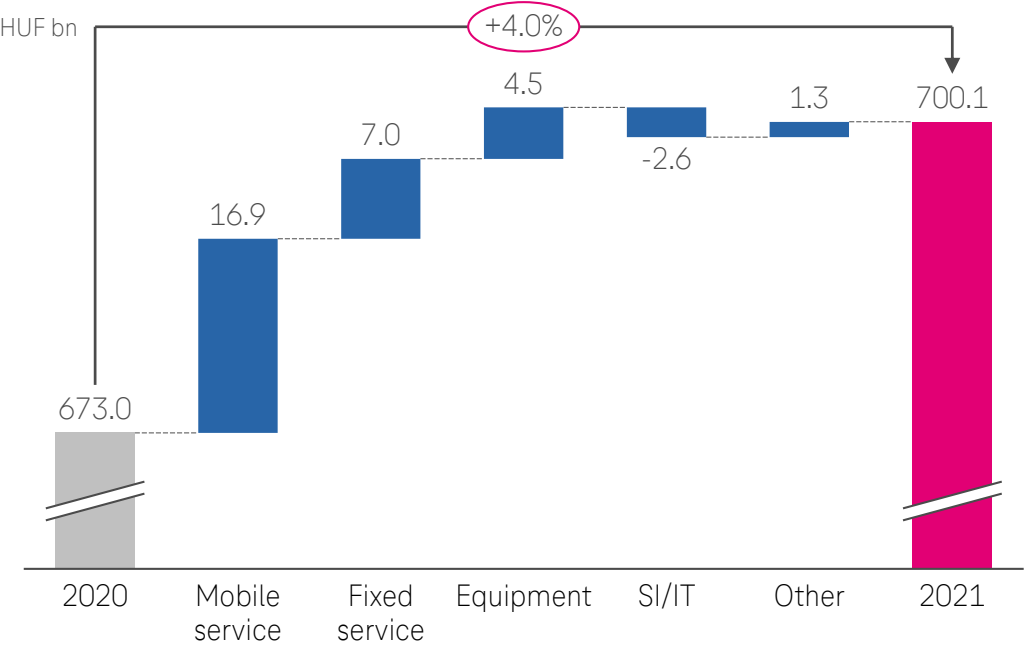
HUF bn



- Growth in mobile service revenues largely supported by strong data contribution
- Fixed service growth driven by broadband and TV services
- Increase in equipment sales mostly driven by higher average handset prices and sales volumes in Hungary
- SI/IT decline attributable to different timing of projects in Hungary and absence of major projects in North Macedonia

Revenue, FY 2021 vs FY 2020

HUF bn



- Increase in mobile service revenue fueled by strong demand for data
- Fixed service revenue growth thanks to monetization of fiber network
- SI/IT revenue contraction driven by reduced deliveries to the public sector

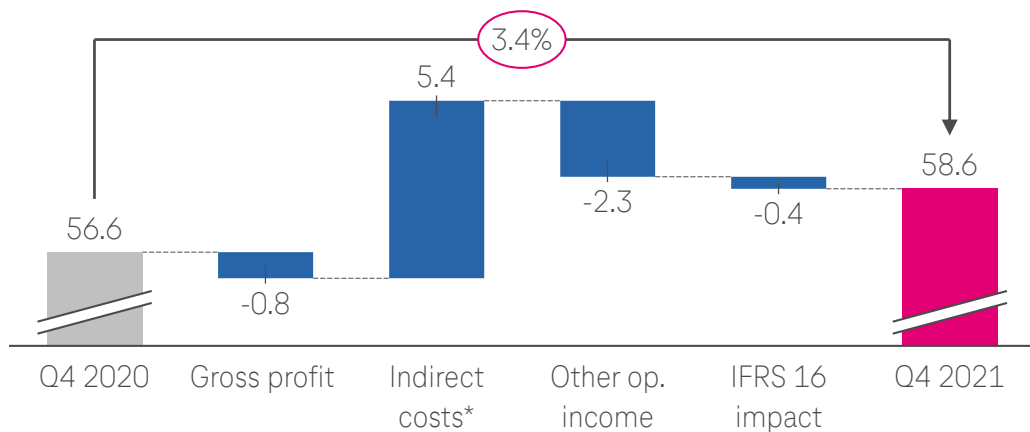


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GROWTH IN EBITDA AL DRIVEN BY FAVORABLE BUSINESS TRENDS AND COST OPTIMIZATION

EBITDA AL, Q4 2021 vs Q4 2020

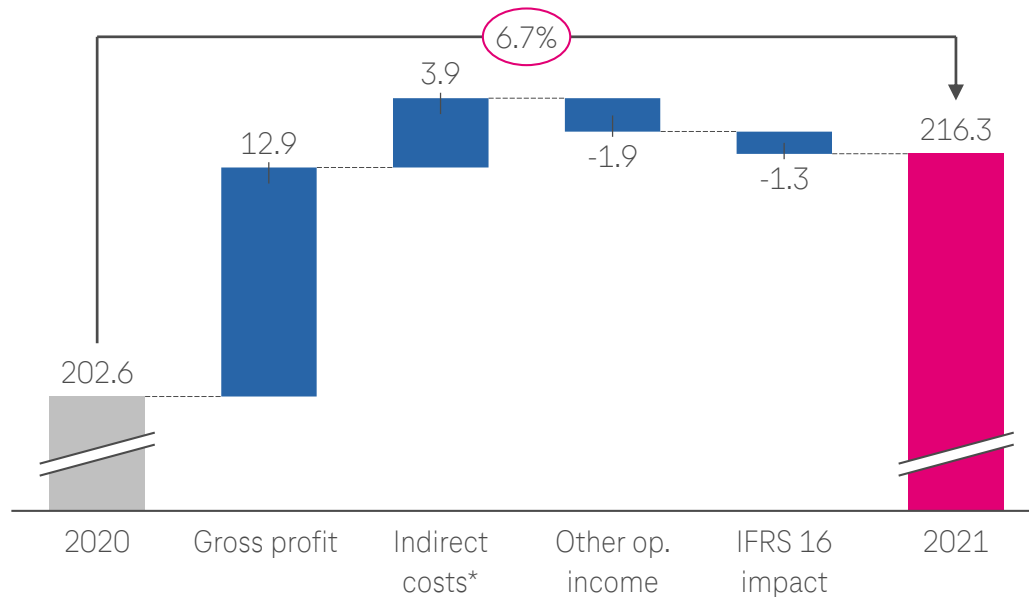
HUF bn



- Decline in gross profit in Q4 2021 as revenue expansion counterbalanced by one-off bad debt impairment
- Decrease in indirect costs primarily driven by lower employee-related expenses attributable to lower bonus and severance expenses

EBITDA AL, FY 2021 vs FY 2020

HUF bn



- Increase in gross profit from telecommunication services
- Reduction in indirect costs driven by lower headcount and other general cost saving measures
- Decline in other operating income reflects lower real estate sales



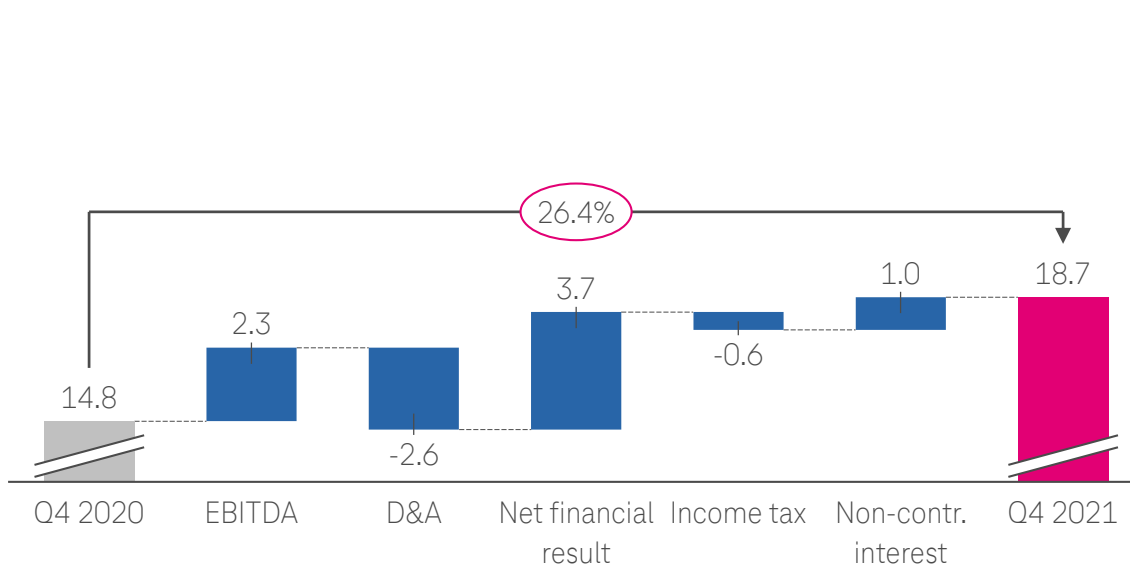
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*without other operating income

TOTAL PROFIT IMPACTED BY NET FINANCIAL RESULT

Net income, Q4 2021 vs Q4 2020

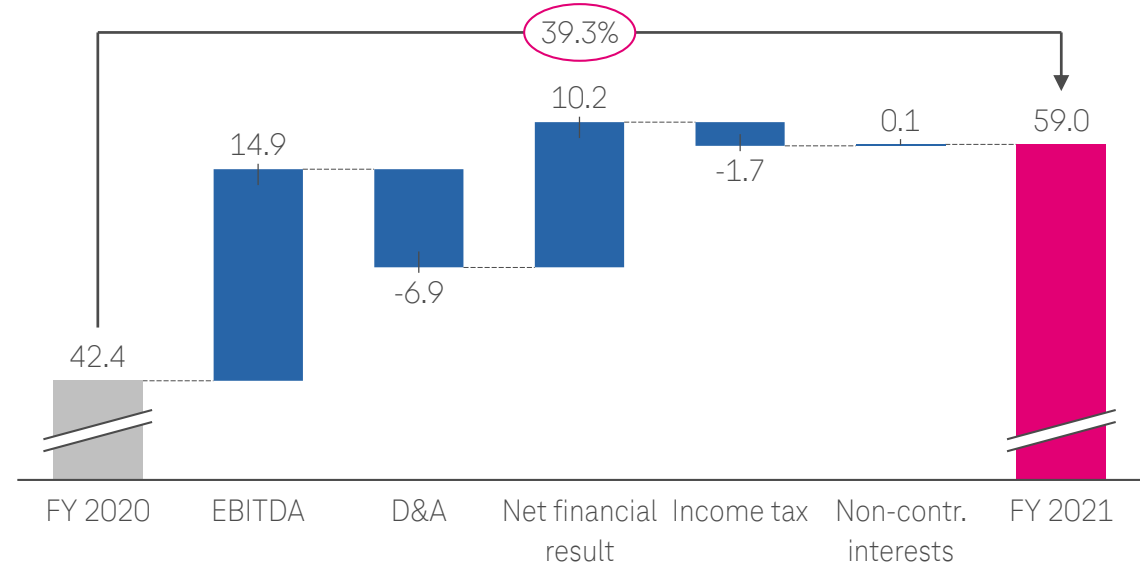
HUF bn



- Increase in D&A driven by shortened useful life and accelerated depreciation in relation to RAN modernization in North Macedonia
- Net financial results improved primarily due to more favorable results on the measurement of derivatives at fair value
- Decline in non-controlling interest reflects lower profit in North Macedonia, due to elevated D&A

Net income, FY 2021 vs FY 2020

HUF bn

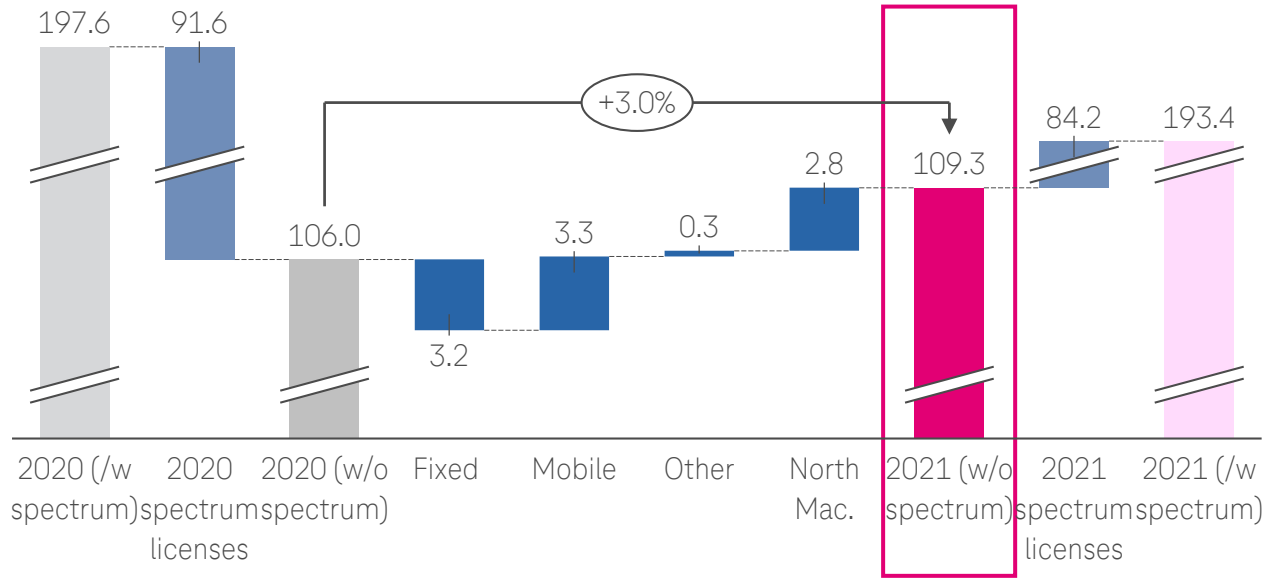


- Higher D&A reflects Hungarian spectrum license capitalization coupled with one-off D&A charges in North Macedonia
- Improvement in net financial results attributable to more favorable FX trends in 2021 vs 2020
- Higher income tax expense reflects improved profit before tax

CONTINUED FOCUS ON NETWORK DEVELOPMENT

CAPEX AL, 2021 vs 2020

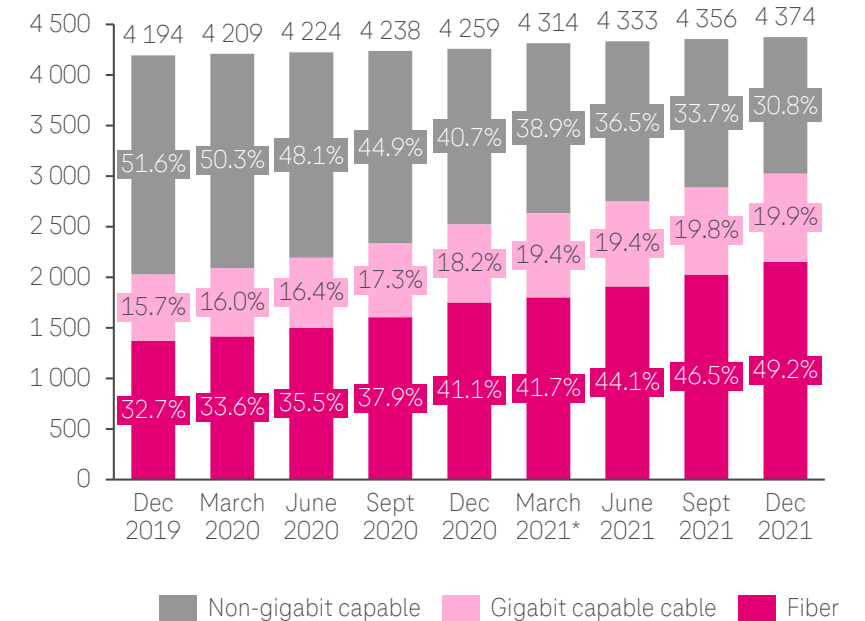
HUF bn



- Savings in fixed network capacity investments while fiber roll-out continued
- 440k access points upgraded to gigabit capacity in Hungary in 2021
- Continued RAN modernization in Hungary
- Increased investment in North Macedonia driven by the launch of local RAN modernization program

Gigabit capable fixed network development

of access points (th)

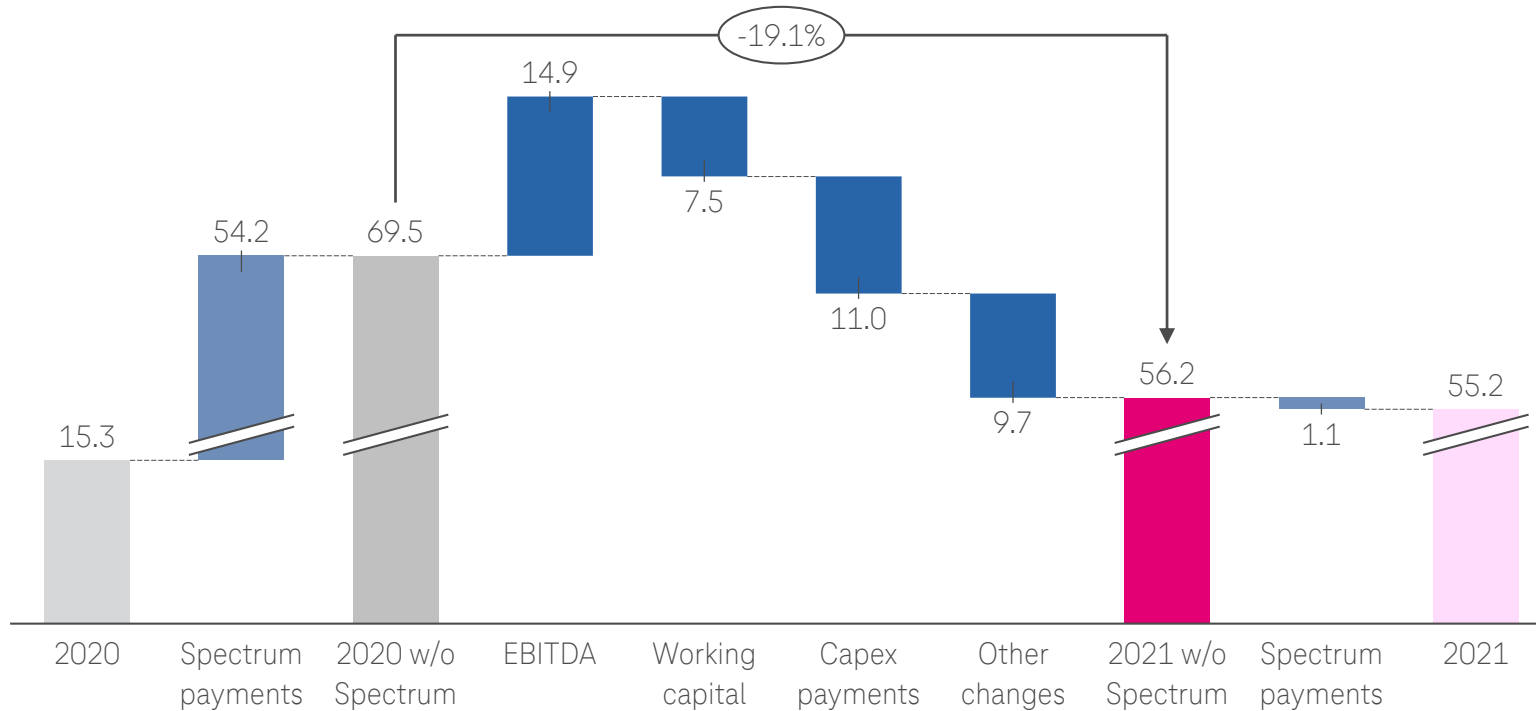


*Technical adjustment in gigabit capable cable access numbers

2021 FREE CASHFLOW REFLECTS STRONG INVESTMENT LEVELS

Free cashflow, 2021 vs 2020

HUF bn



- Improvements in EBITDA offset by
 - Less favorable working capital development due to higher receivable balances
 - Increased capex outpayments stemming from different timing of investments
 - Increase in rental payments related to fiber network and mobile base station contracts
 - Lower proceeds from real estate sales

BACK-UP

For further questions please contact the IR department:

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FOCUS ON SEAMLESS CONNECTIVITY AND CUSTOMER CENTRICITY

Network

- Fixed network rollout: coverage expanded to 3m gigabit capable access points
- RAN modernization continues



69%

gigabit capable network



1180

base stations modernized (RAN program)

Customers

- Further improvement in customer satisfaction
- Continued strong momentum in mobile data usage trend
- Increasing penetration on gigabit capable fixed network



7.6 GB

average monthly mobile data usage in 2021, representing an increase of more than 30% YoY



> 1 million

customers connected through Gigabit capable network

Resilience

- HUF 4 billion savings in indirect costs* in 2021
- Awarded 'B' climate change score by CDP



HUF 4bn

indirect cost savings in 2021



CDP Supplier Engagement Leader

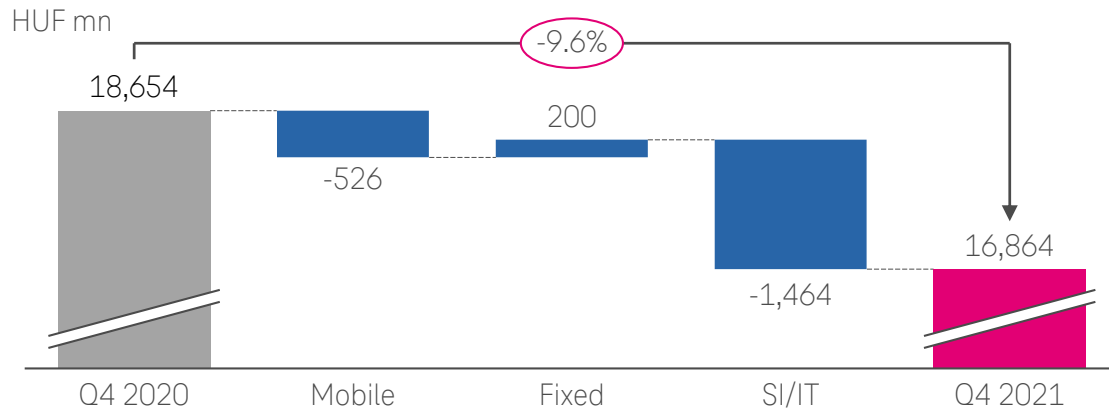


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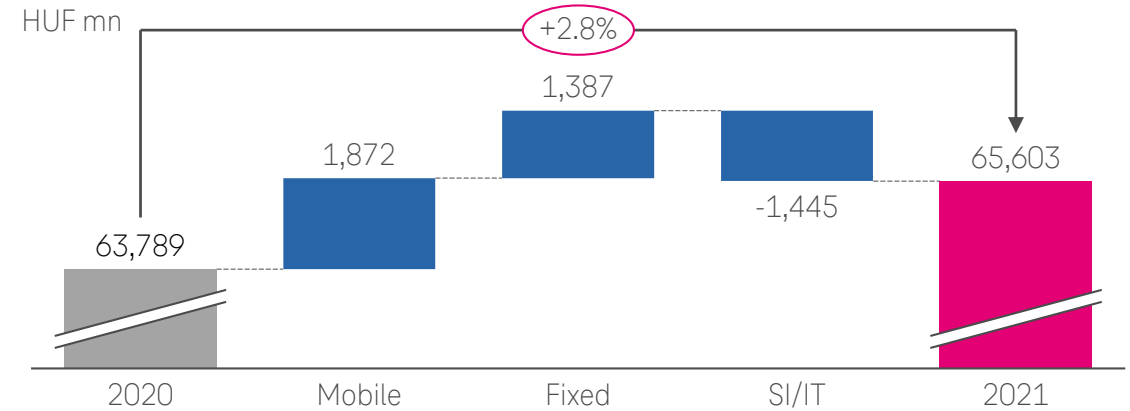
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NORTH MACEDONIA: Q4 AND FY 2021 RESULTS

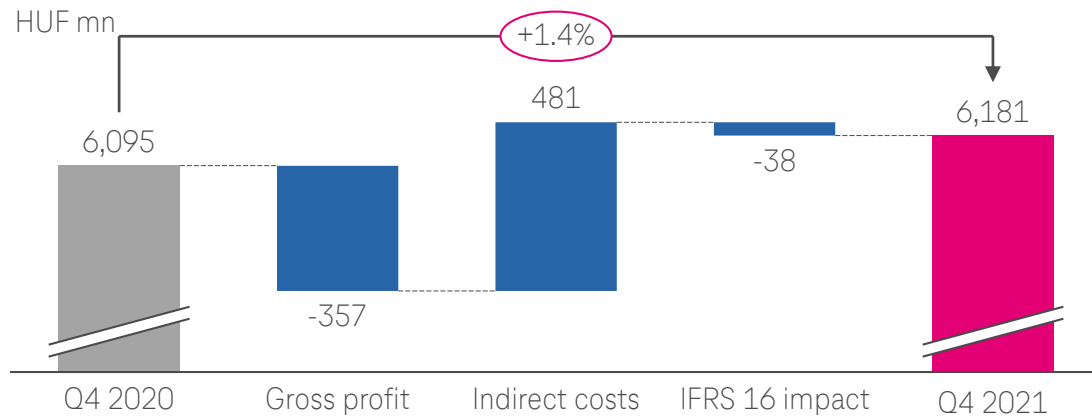
Revenues, Q4 2021 vs Q4 2020



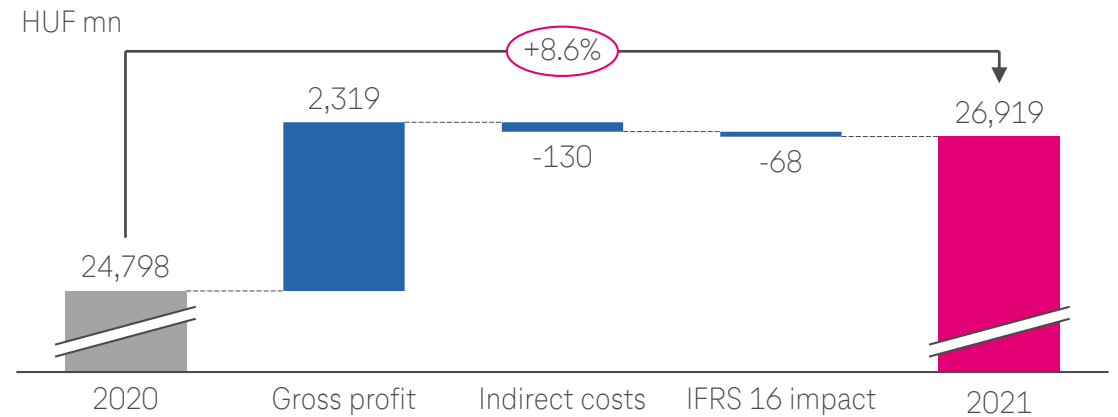
Revenues, 2021 vs 2020



EBITDA AL, Q4 2021 vs Q4 2020



EBITDA AL, 2021 vs 2020



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FURTHER DETAILS ON ADJUSTMENTS ON NET INCOME

'Adjusted Net Income'* is to be adjusted for major non-cash below EBITDA one-off items that are not part of the underlying performance

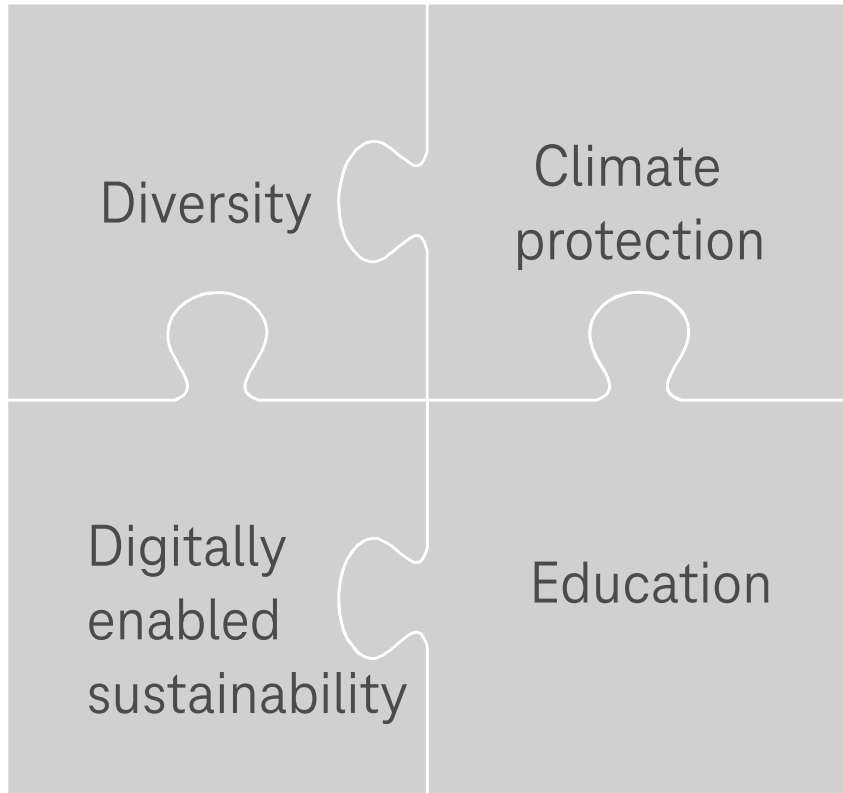
Such as:

- Change in fair value of derivatives
- FX result realized on principal of the CCIR (cross currency interest rate) swap
- Realized result on loan related FX forwards
- Lease non-realized FX result
- Any one-off item in D&A (depreciation & amortization)
- Any tax expense one-off due to external changes in tax calculation

In 2021, such adjustments would have amounted to HUF 7.6 billion leading to Adjusted Net Income of HUF 51.4 billion for 2021

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 5th year in a row
- Magyar Telekom received top3 telco ranking in 2021



- “B” rating for climate change
- “A” rating for supply chain

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)

