

MAGYAR TELEKOM GROUP Q3 2020 RESULTS PRESENTATION

November 5, 2020



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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.

Q3 2020: ON TRACK TO DELIVER OUR 2020 TARGETS

	2019 results	9M 2020 (vs 9M 2019)	2020 targets (vs 2019)	2021 targets
REVENUE	HUF 666.7bn	HUF 484.2bn (0%)	Broadly stable	Broadly stable
EBITDA AL	HUF 197.6bn	HUF 146.0bn (0%)	Increase of 1%-2%	Increase of 1%-2%
CAPEX ¹	HUF 89.6bn	HUF 75.0bn (+31%)	Up by around 10%	Broadly stable vs 2019
FCF ²	HUF 65.1bn	HUF 32.9bn (+18%)	Broadly stable	Broadly stable

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

² EXCLUDING SPECTRUM LICENSE FEES

FIBER ROLL-OUT CONTINUES WITH OVER 100,000 ACCESS POINTS COVERED IN Q3 2020

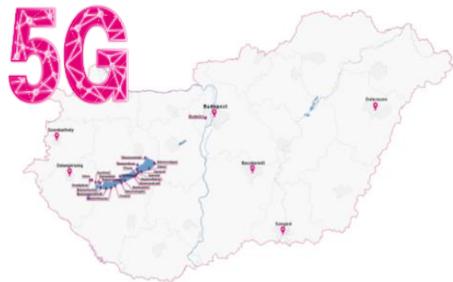
Network

- Fixed network rollout: 2.3m gigabit capable access points covered
- Ongoing mobile radio network modernization and gradual extension of commercial 5G service



54%

gigabit capable network



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Customers

- Average mobile data usage up by 40% in Q3 2020
- Mobile portfolio rebalanced as of September in line with more-for-more approach



5.9 GB

Average monthly mobile data usage in Q3 2020



% of B2C customers opting for flat-rate data and voice packages (since the launch of new mobile plans)

21%+

Resilience

- First-time investment grade credit rating obtained from Scope Ratings
- Further organizational stream-lining



BBB+

corporate credit rating with stable outlook



13%

lower headcount

Sustainability

- Magyar Telekom confirmed as a FTSE4Good Emerging index constituent for the 5th consecutive year
- Enhancing digital cooperation of non-profit organizations, SMEs in response to COVID-19:
- Safeguarding the wellbeing of employees

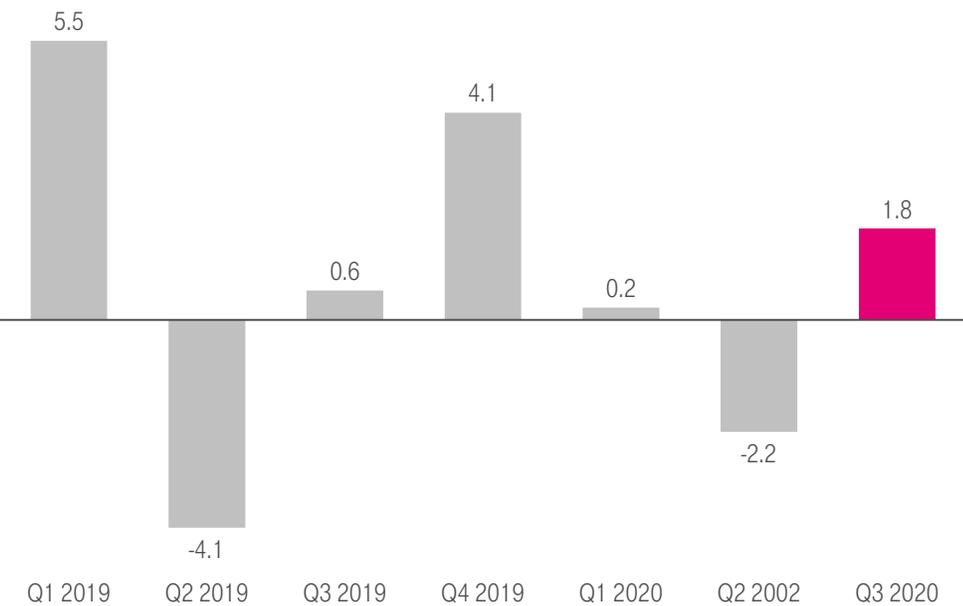


FTSE4Good

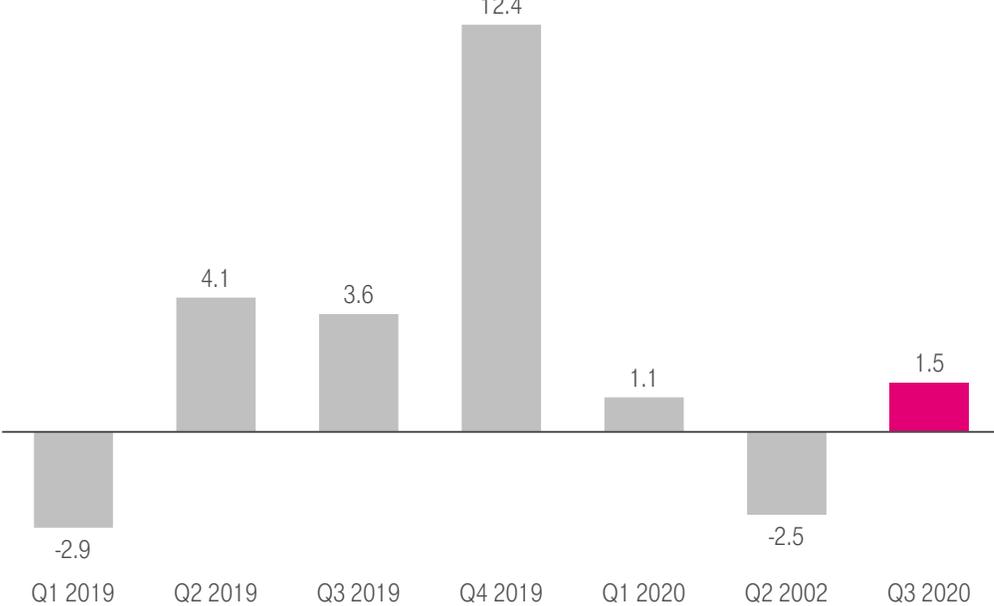
WE CAN DO IT TOGETHER!

EBITDA BACK TO GROWTH FOLLOWING A DIP IN Q2 2020 DRIVEN BY COVID-19

Quarterly group revenue changes YoY (%)



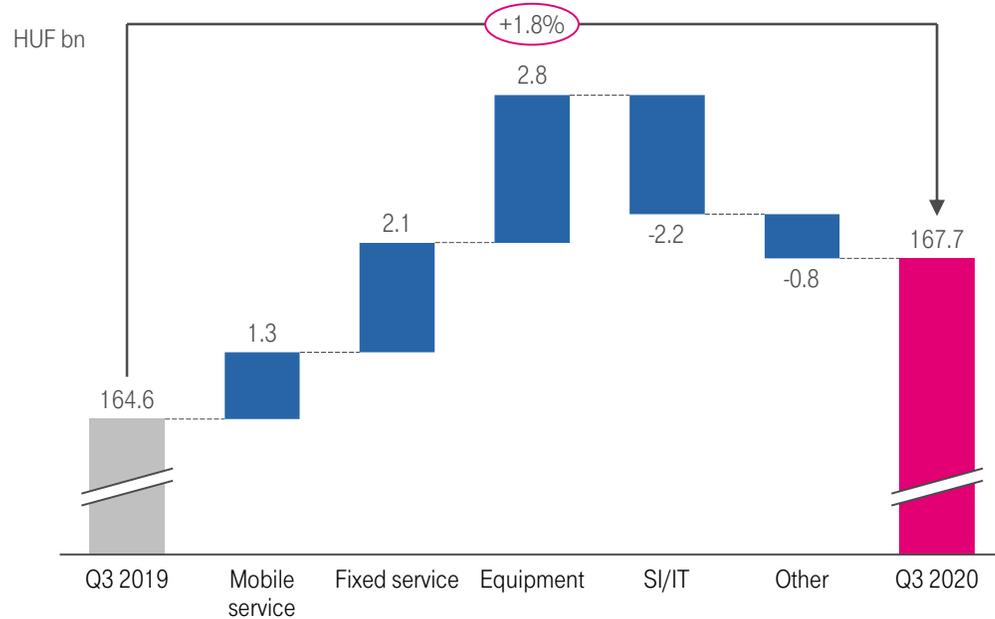
Quarterly group EBITDA (AL)¹ changes YoY (%)



¹ 2019 YoY quarterly changes reflect EBITDA excl. IFRS 16 developments to ensure comparability with the base period

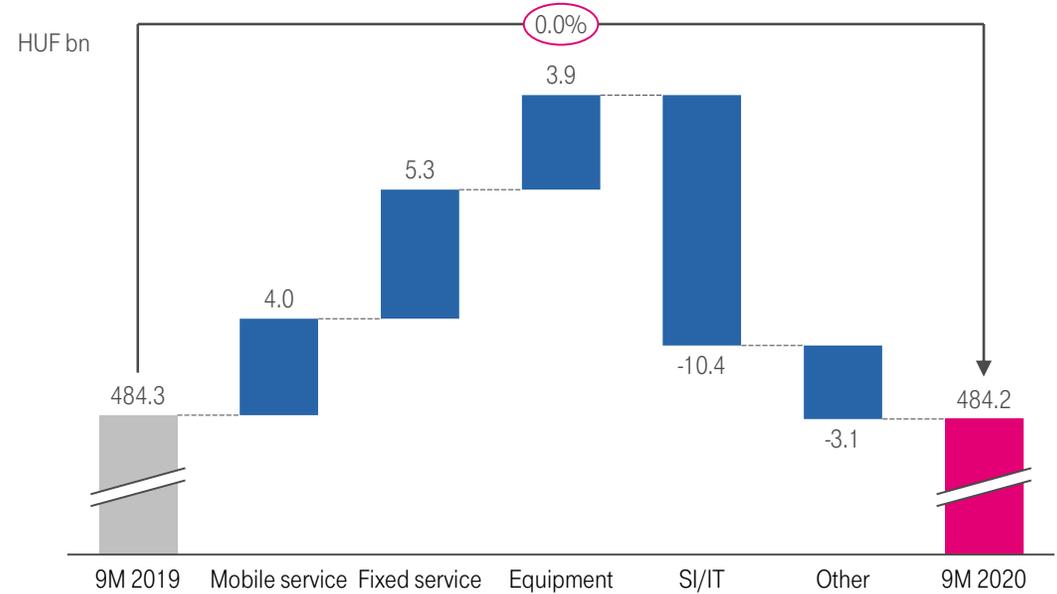
EQUIPMENT SALES, BROADBAND AND MOBILE DATA REVENUE GROWTH MITIGATE LOWER SI/IT CONTRIBUTION IN Q3

Group revenue, Q3 2020 vs Q3 2019



- Telecommunication service revenues grew driven mainly by higher broadband, TV and mobile data revenues
- Recovery in equipment sales underway
- More moderate SI/IT revenue decline compared to earlier quarters

Group revenue, 9M 2020 vs 9M 2019

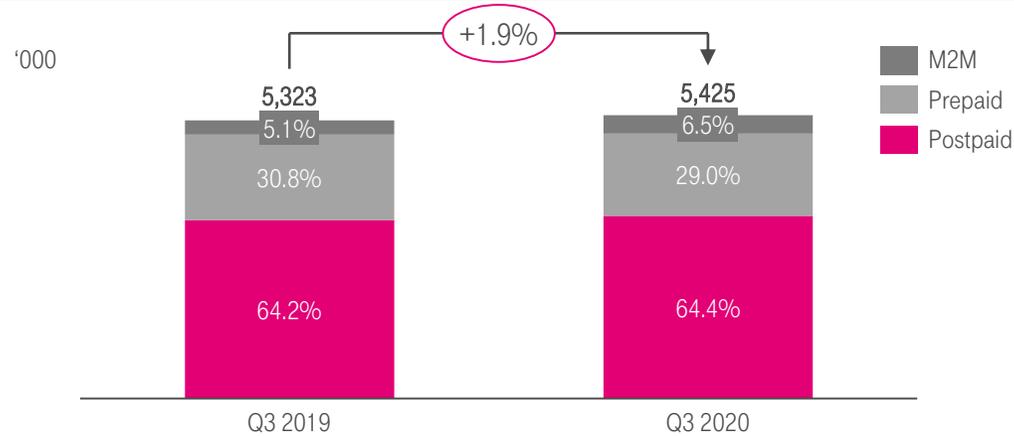


- Similar trends shaped revenue development YTD as YoY
- SI/IT revenue contraction driven by lower level of implementation project deliveries to the public sector
- Decline in „Other” category mainly reflects lower visitor revenues

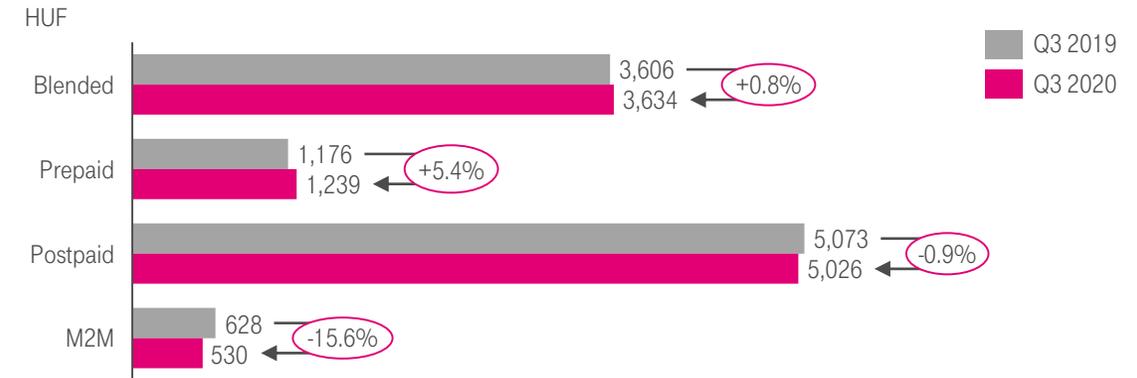


INCREASE IN MOBILE DATA USAGE AND MOBILE SIMS SUPPORTS YOY REVENUE GROWTH

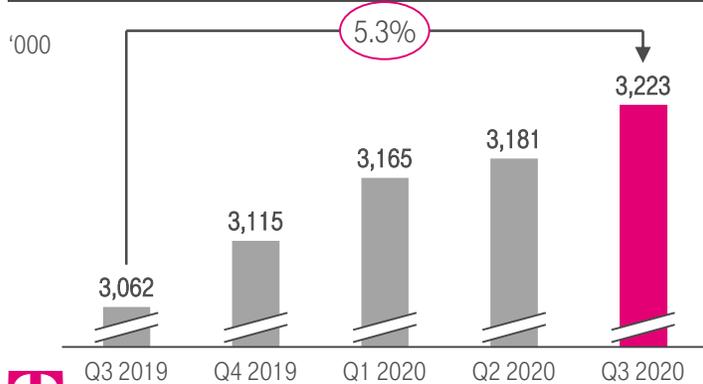
Mobile SIMs¹



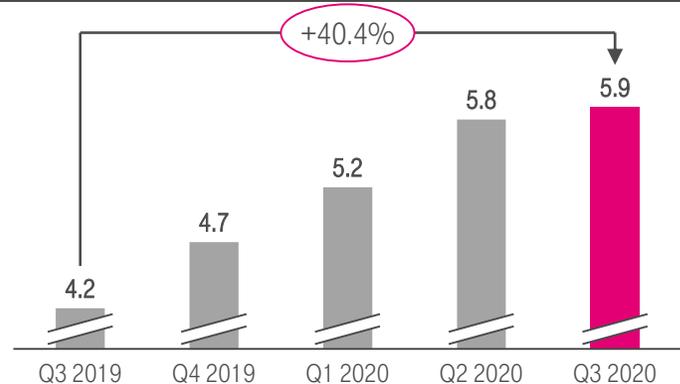
Mobile ARPU¹



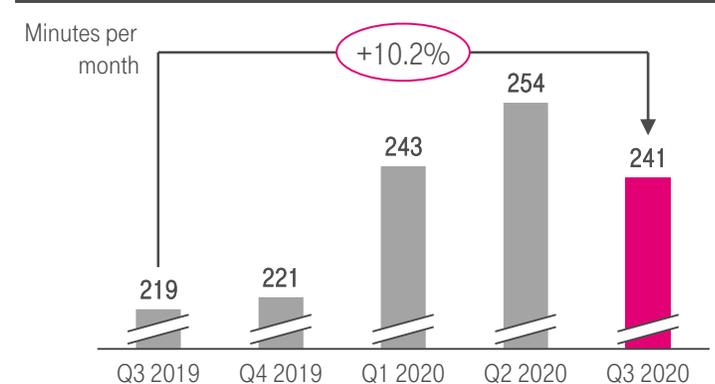
Mobile data SIMs¹



Mobile broadband usage (GB/month)¹



Mobile voice usage¹

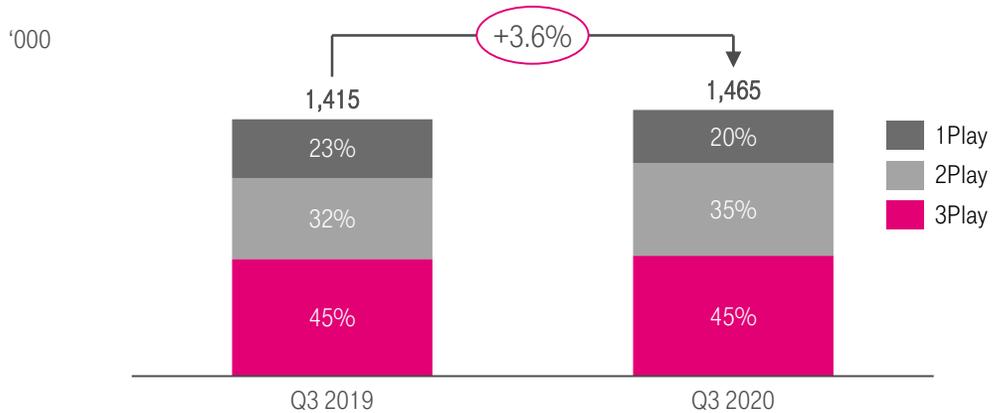


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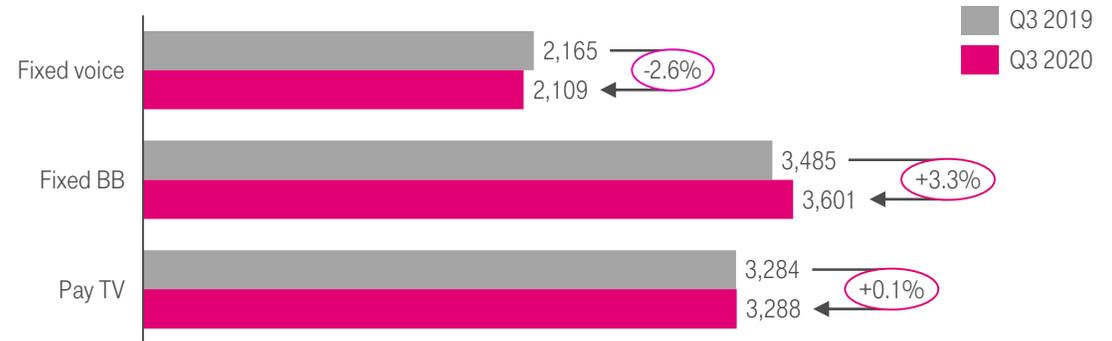
¹ KPIs for Hungary

HIGHER FIXED LINE CONTRIBUTION DRIVEN BY GROWING CUSTOMER BASE AND BROADBAND ARPU

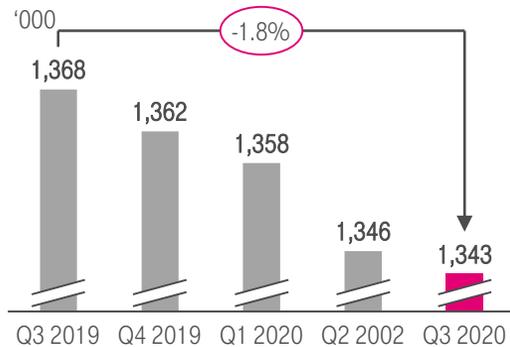
Fixed line multiplay residential subscribers¹



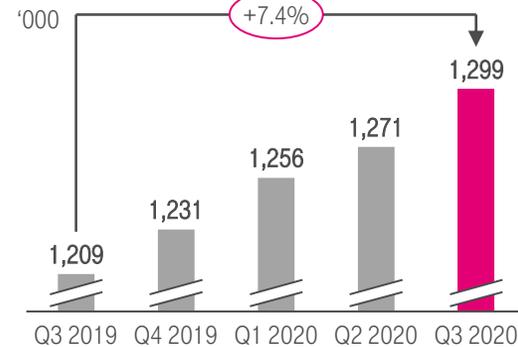
Fixed Voice, BB and TV ARPU¹



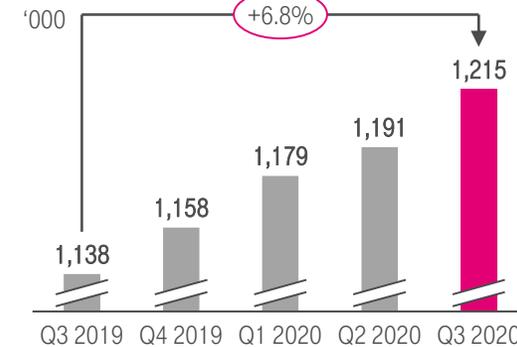
Fixed voice customers¹



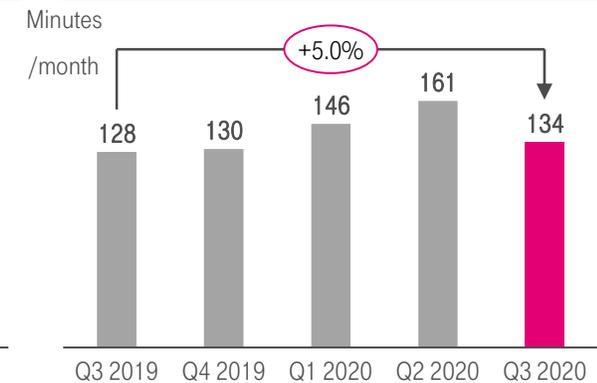
Fixed broadband customers¹



Pay TV customers¹



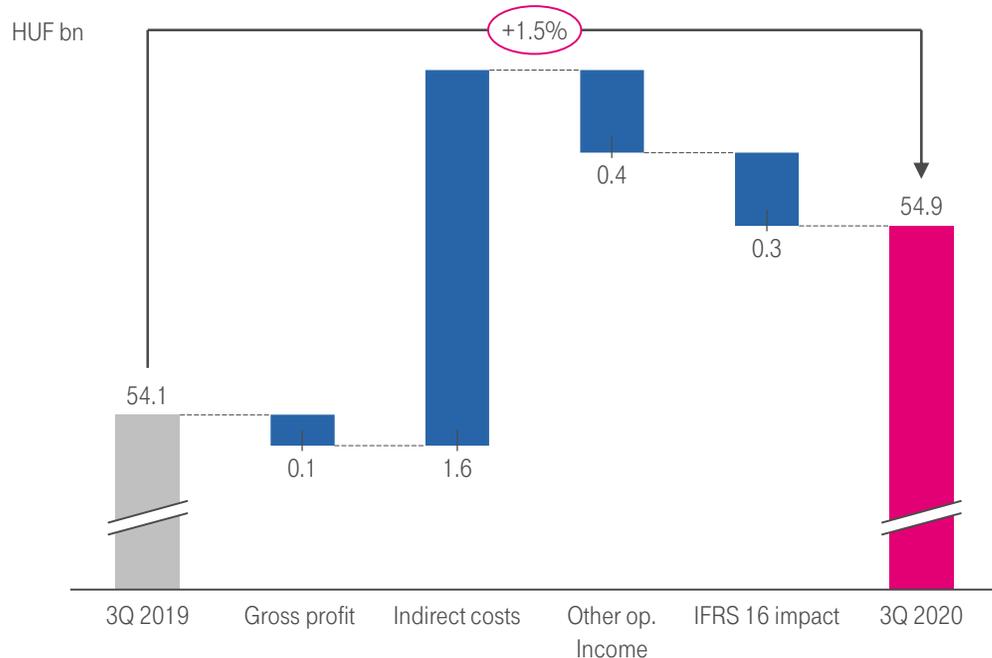
Fixed voice usage¹



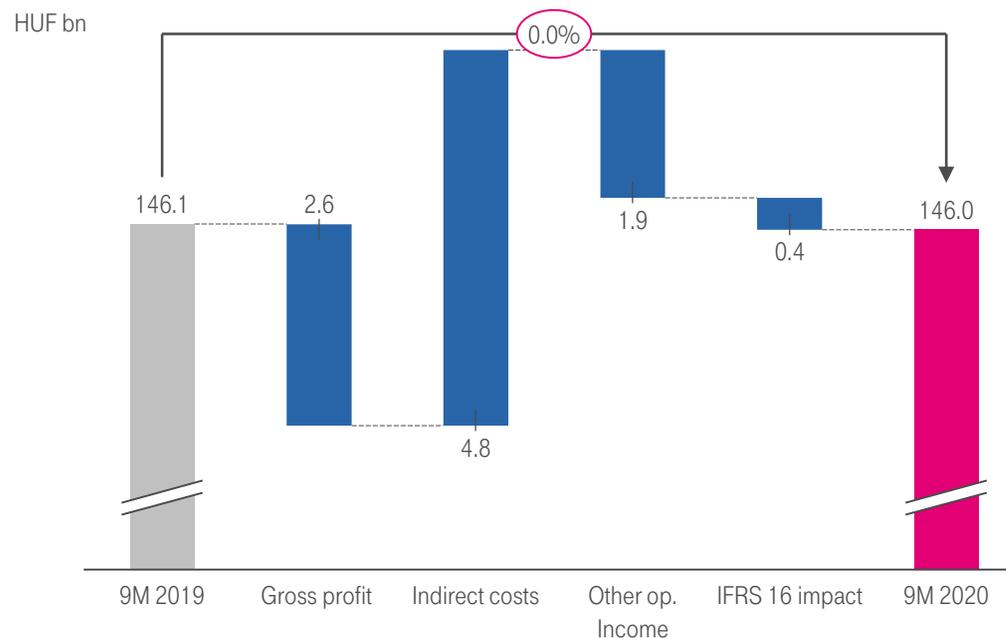
¹ KPIs for Hungary

MATERIAL EFFICIENCY GAINS DELIVERED THROUGHOUT 9M 2020

Group EBITDA AL, Q3 2020 vs Q3 2019



Group EBITDA AL, 9M 2020 vs 9M 2019



- Gross profit: higher equipment sales also generated increasing direct costs
- Positive impact of increasing data and TV revenues off-set by higher content fees and telco tax
- Decline in indirect costs (excl. other operating income) attributable to OPEX savings achieved (e.g. advisory and marketing costs)

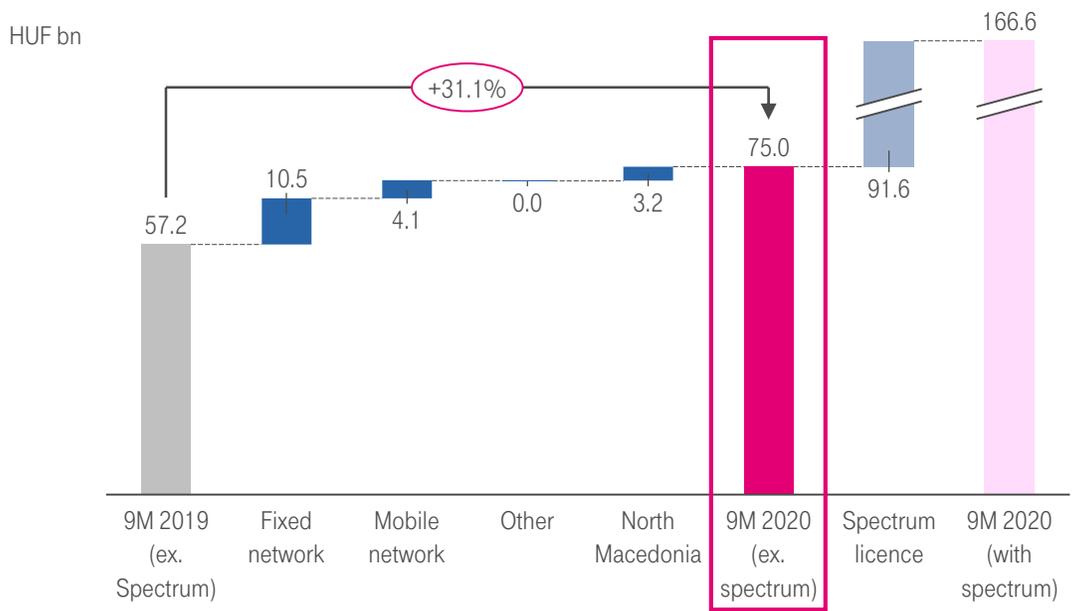
- Gross profit under pressure year-to-date mainly due to rising TV content fees, telco tax and weaker SI/IT performance
- Indirect cost decrease supported by lower headcount and other OPEX decrease
- Other operating income was lower by HUF 1.9bn YoY, reflecting the absence of real estate sales



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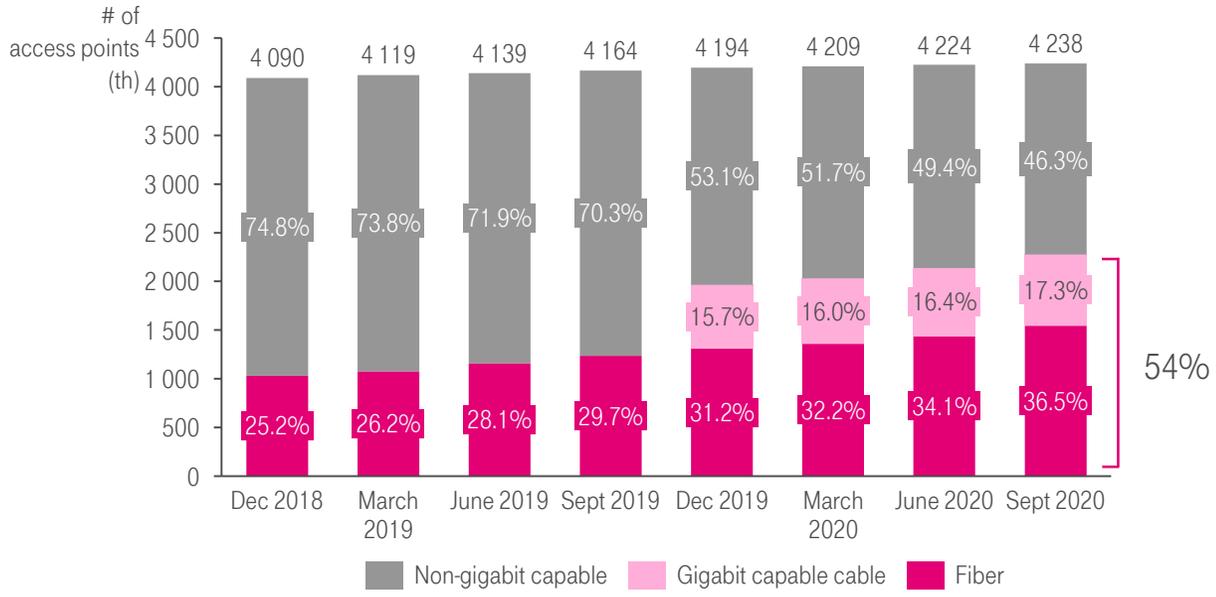
CAPEX GROWTH DRIVEN BY FIBER ROLL-OUT AND MOBILE NETWORK MODERNIZATION

Group CAPEX after lease, 9M 2020 vs 9M 2019



- CAPEX up by HUF 17.8bn in 9M 2020 due to:
 - Expedited roll-out of fiber & mobile network modernization activities in Hungary
 - Capitalization of TV content rights in North Macedonia
- HUF 91.6 billion capitalized 5G spectrum license fees

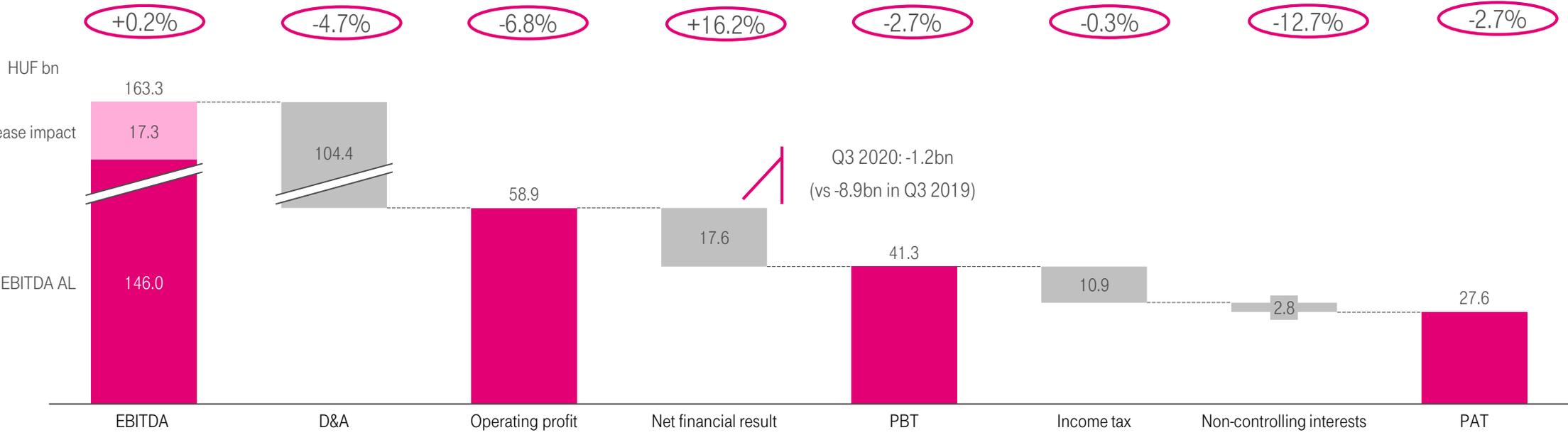
Gigabit capable fixed network development in Hungary



- Gigabit access coverage reached 2.3mn households as of September 2020

NET PROFIT IN LINE WITH BASE PERIOD, HIGHER D&A OFFSET BY LOWER NET FINANCIAL CHARGES IN 9M 2020

Group EBIT(DA), earnings, 9M 2020



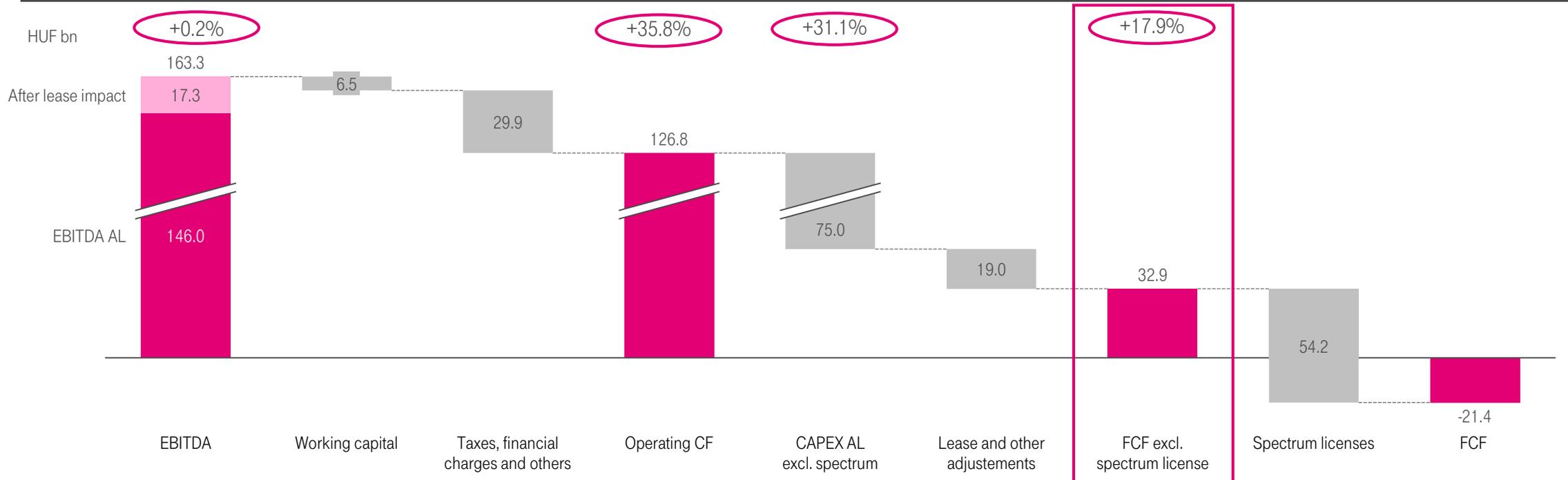
x change vs 9M 2019 (%)¹

- D&A up by 4.7% 9M 2020 mainly driven by recently capitalized spectrum
- Net financial result improved due to non-realized gains recorded (mainly in Q3 2020)

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

9M 2020 CASH GENERATION (EXCL. SPECTRUM) IN LINE WITH FY 2020 GUIDANCE

Group EBITDA and cash-flow, 9M 2020



- Total annual working capital build of HUF 6.5bn in 9m 2020, reversing by HUF 8.8bn quarter-on-quarter, driven by handset accounts payable fluctuation
- FCF excl. spectrum licenses reached HUF 32.9bn, exceeding 9m 2019 by HUF 5.0bn

x Change vs 9M 2019 (%)¹
 FCF figure incl. in the guidance



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Q&A



For further questions please contact the IR department:

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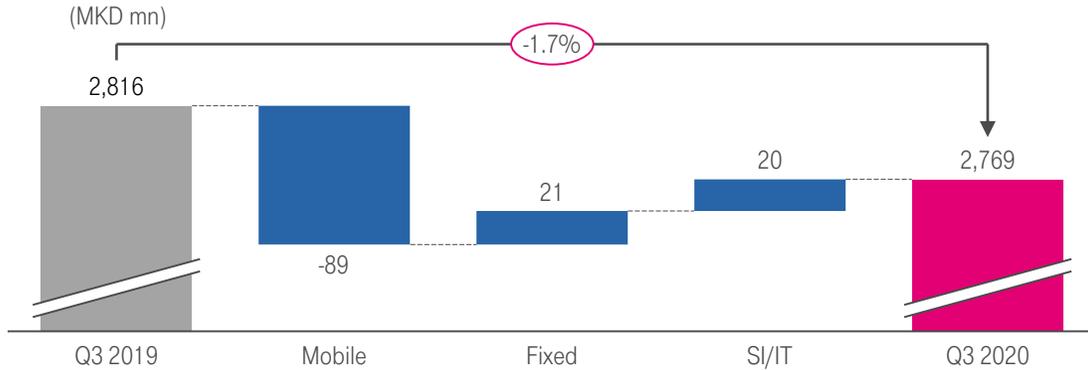
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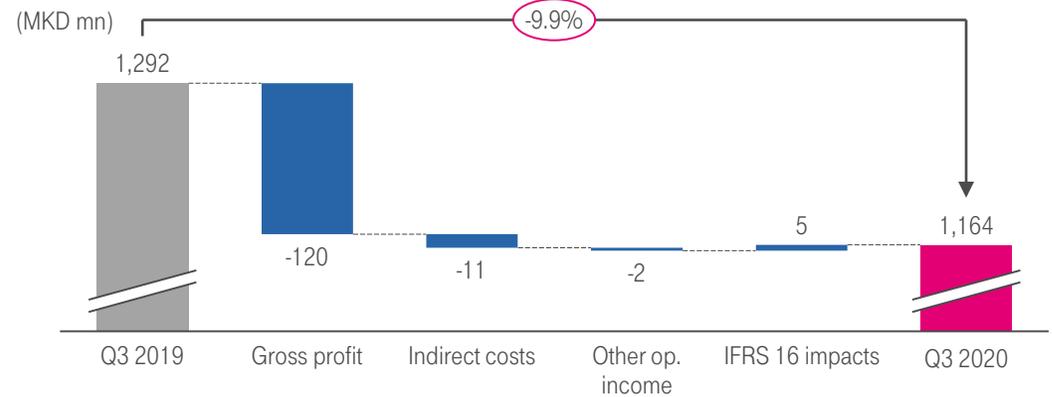
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NORTH MACEDONIA

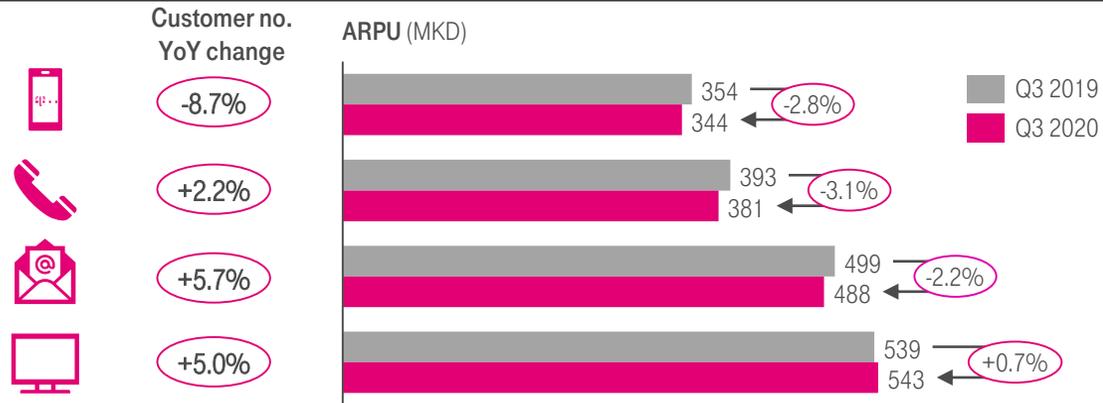
Revenues



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 reflects sustained strong demand for broadband and TV services
- EBITDA AL decline driven primarily by diminishing roaming and visitor revenues
- Positive fixed customer developments maintained
- Mobile customer base reduction led by lower prepaid base



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