

MAGYAR TELEKOM GROUP Q4 2020 RESULTS PRESENTATION

February 25, 2021



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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.

Q4 / FY 2020 results

NEARLY ALL 2020 TARGETS ACHIEVED DESPITE COVID-19 CHALLENGES

	2019 results	2020 targets (vs 2019)	2020 results	2020 delivery
REVENUE	HUF 666.7 bn	Broadly stable	HUF 673.0 bn	
EBITDA AL	HUF 197.6 bn	Increase of 1%-2%	HUF 202.6 bn	
CAPEX AL*	HUF 89.6 bn	Up by around 10%	HUF 106.0 bn	
FCF*	HUF 65.1 bn	Broadly stable	HUF 69.5 bn	

* EXCLUDING SPECTRUM LICENSE FEES

SIGNIFICANT MILESTONES PASSED IN 2020 AMID TURBULENT EXTERNAL CONDITIONS

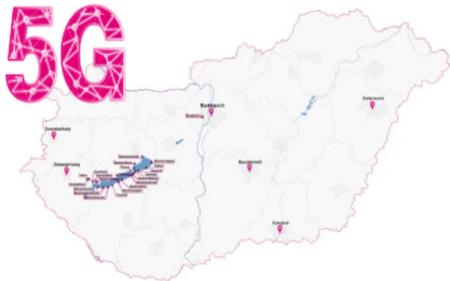
Network

- Fixed network rollout: just under 2.5m gigabit capable access points covered
- Acquisition of 5G licenses and launch of commercial 5G service



58%

gigabit capable network



Customers

- Successfully leveraging more-for-more strategy (esp. in B2C)...
- ... supported by surging demand for data



5.8 GB

average monthly mobile data usage in 2020 representing a 47% increase



+39%

fixed broadband customers connected through fiber in 2020

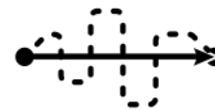
Resilience

- Notable efficiency improvements drive profitability
- Digital transformation underway



HUF 5bn+

indirect cost decrease in 2020



80%+

employees working remotely during the pandemic

Sustainability

- Enhancing the digital operations of non-profit organizations and SMEs in response to COVID-19
- Safeguarding the wellbeing of employees
- Outstanding ESG ratings maintained, Mtelekom received an MSCI ESG rating of AA in Q4 2020
- Net carbon neutral operations for the 6th year in a row (Scope 1 & 2 emissions)

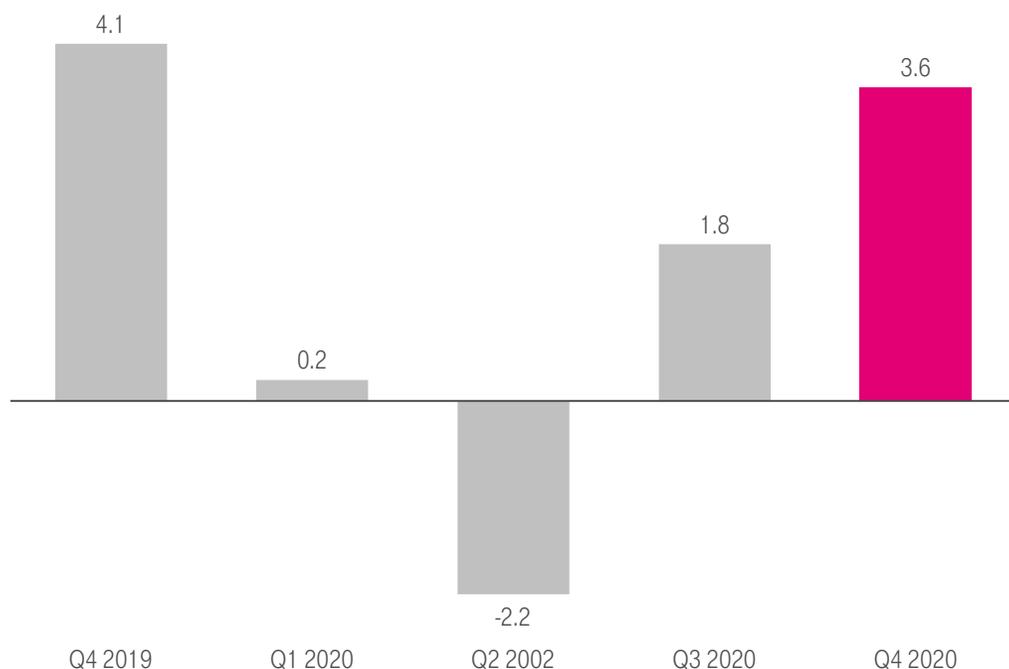
WE CAN DO IT TOGETHER!



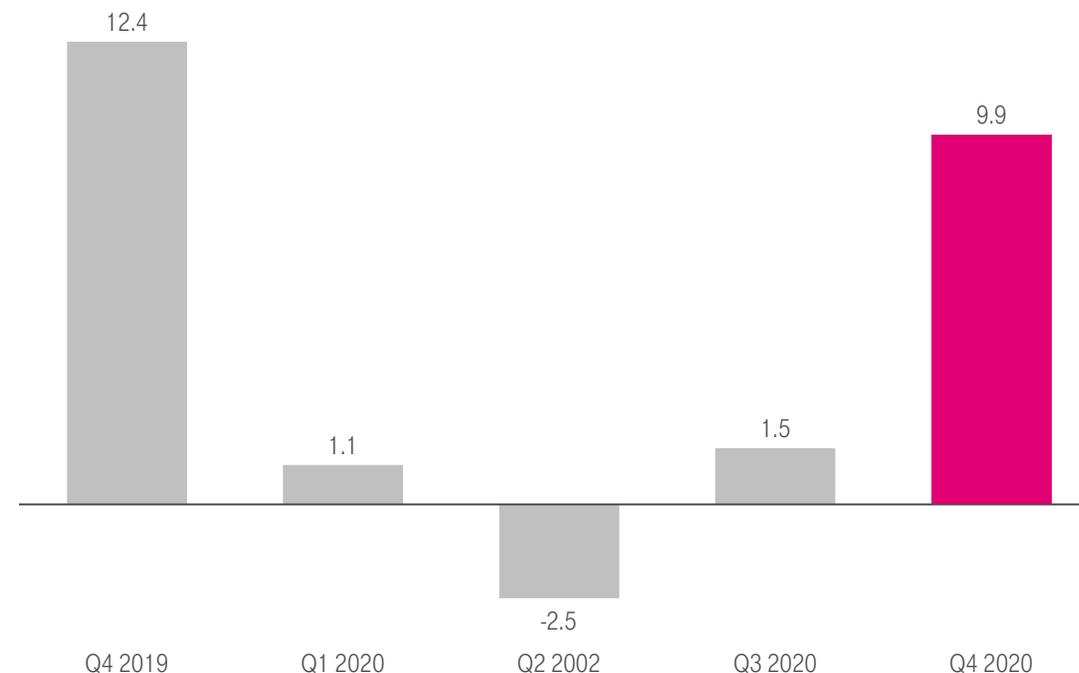
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ROBUST 2020 PERFORMANCE, COVID-19 IMPACT MOST PRONOUNCED IN Q2

Quarterly revenue changes YoY (%)

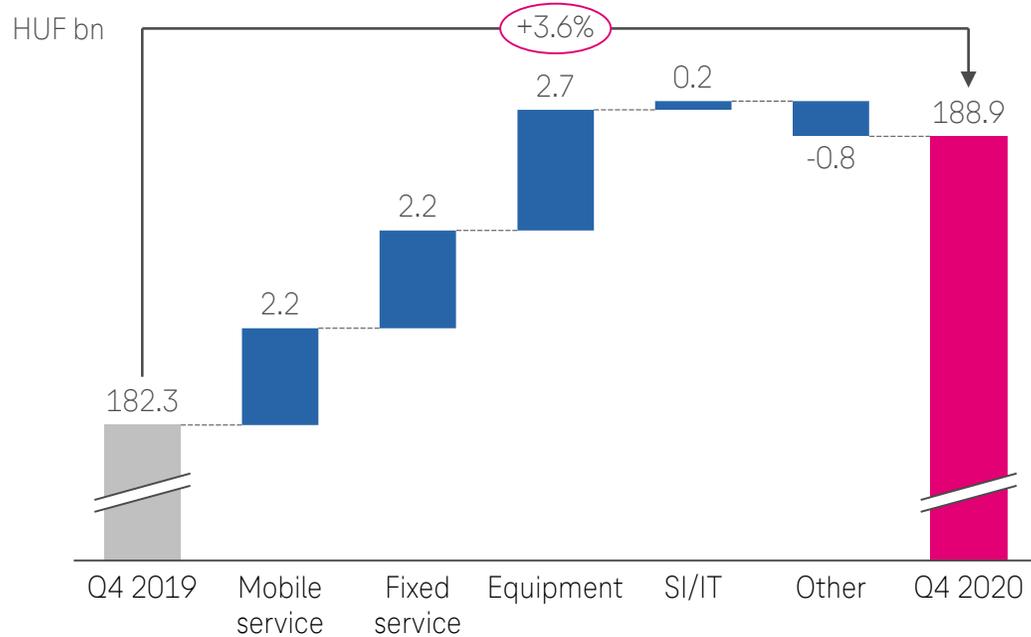


Quarterly EBITDA (AL)¹ changes YoY (%)



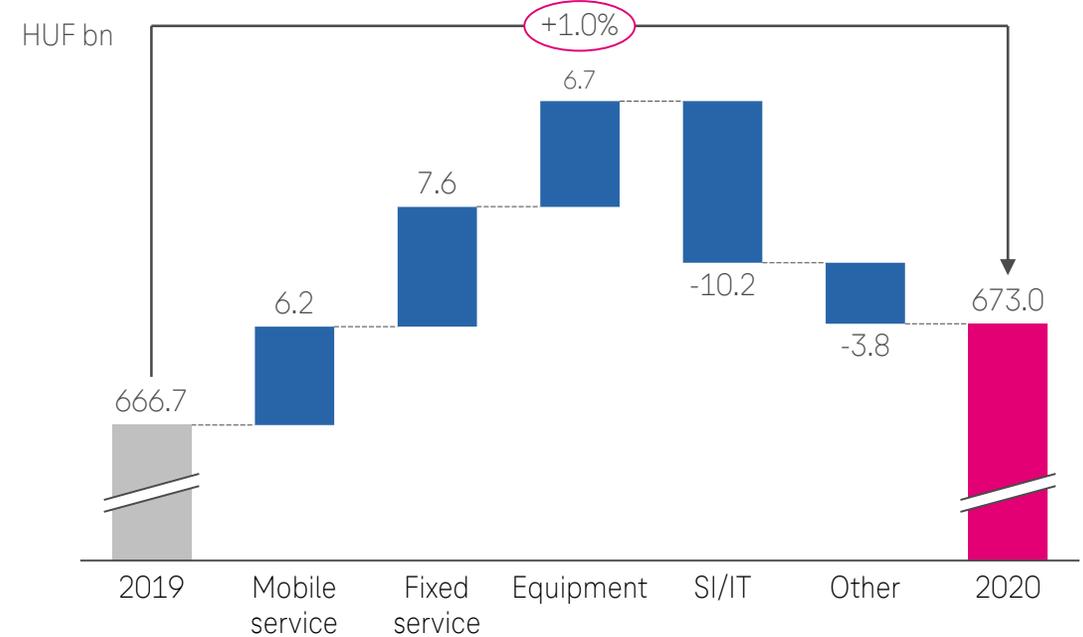
POSITIVE MOMENTUM IN REVENUES MAINTAINED

Revenue, Q4 2020 vs Q4 2019



- Growth in telecommunication service revenues driven mainly by higher broadband, TV and mobile data revenues
- Equipment sales remained strong
- Normalizing SI/IT revenue trend compared to earlier quarters

Revenue, FY 2020 vs FY 2019



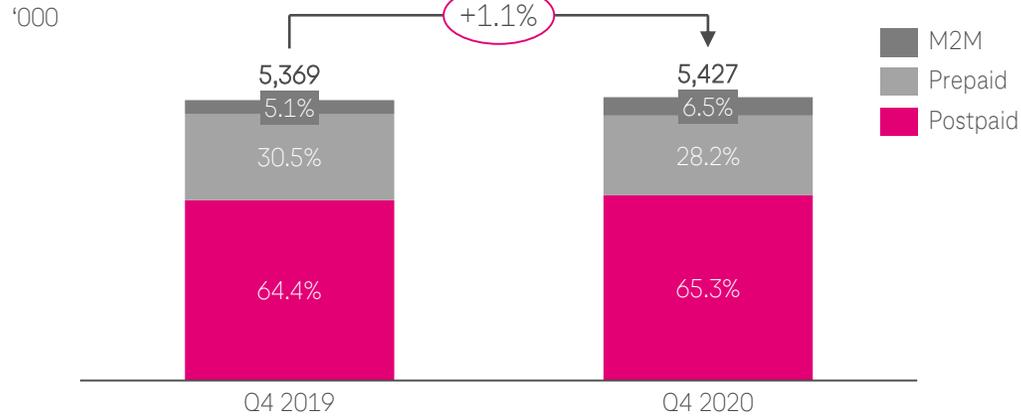
- Increase in service revenue largely due to strong demand for data
- SI/IT revenue contraction as a result of lower project implementation in the public sector
- Decline in "other" category mainly reflects lower visitor revenues



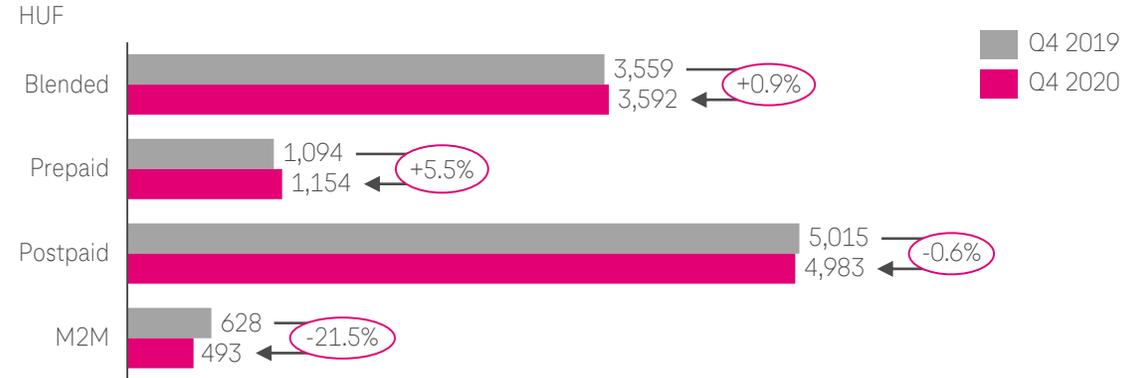
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REVENUE GROWTH IN HUNGARY DRIVEN BY INCREASE IN MOBILE SIMS AND ARPU

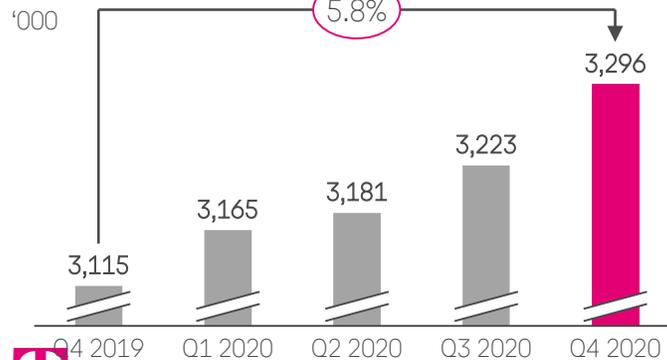
Mobile SIMs



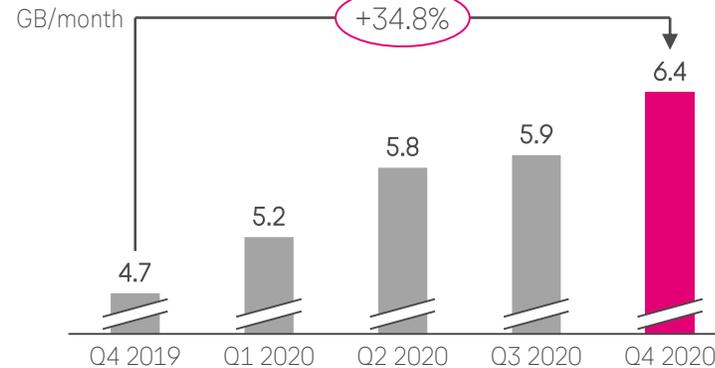
Mobile ARPU



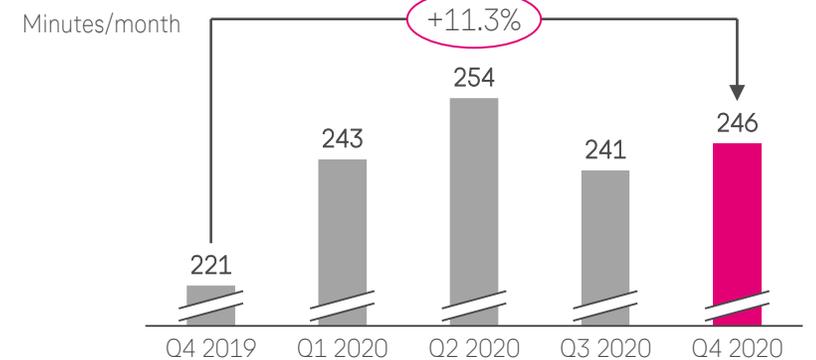
Mobile data SIMs



Mobile broadband usage



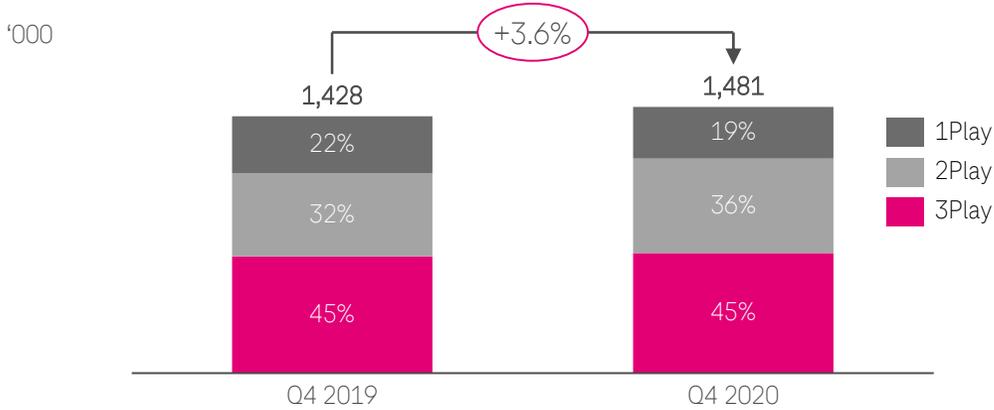
Mobile voice usage



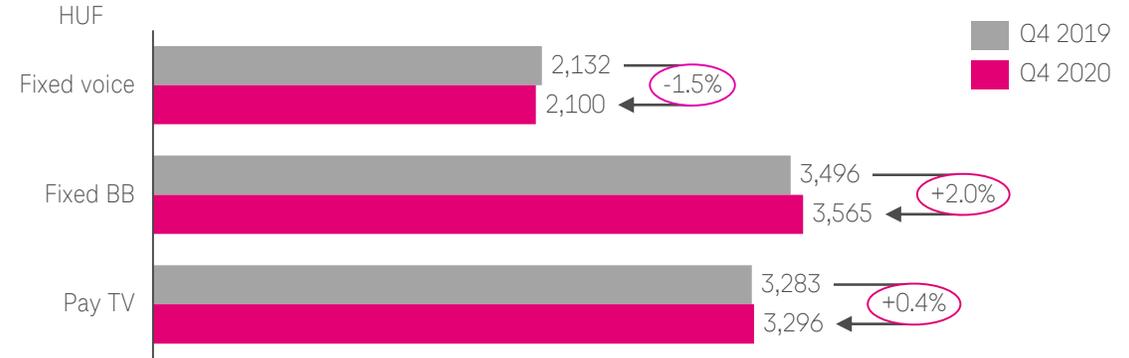
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FIXED LINE PERFORMANCE SUPPORTED BY GROWING CUSTOMER BASE AND FAVORABLE ARPU DEVELOPMENTS IN HUNGARY

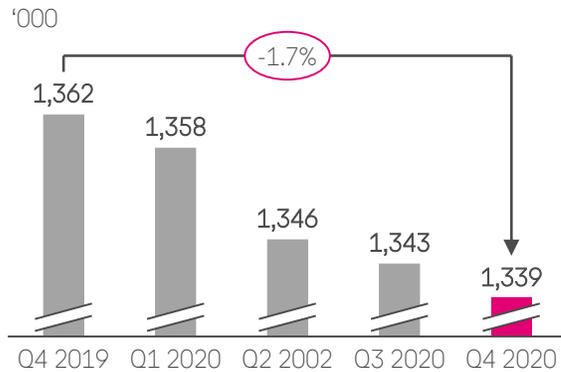
Fixed line multiplay residential subscribers



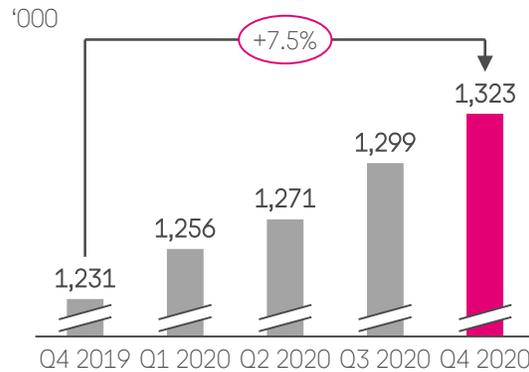
Fixed Voice, BB and TV ARPU



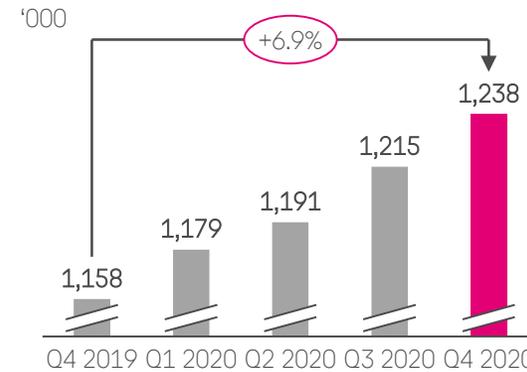
Fixed voice customers



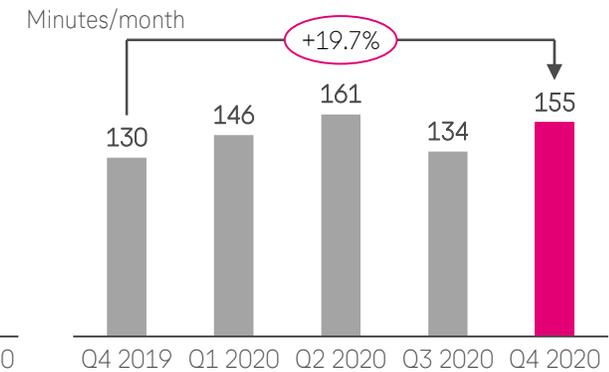
Fixed broadband customers



Pay TV customers

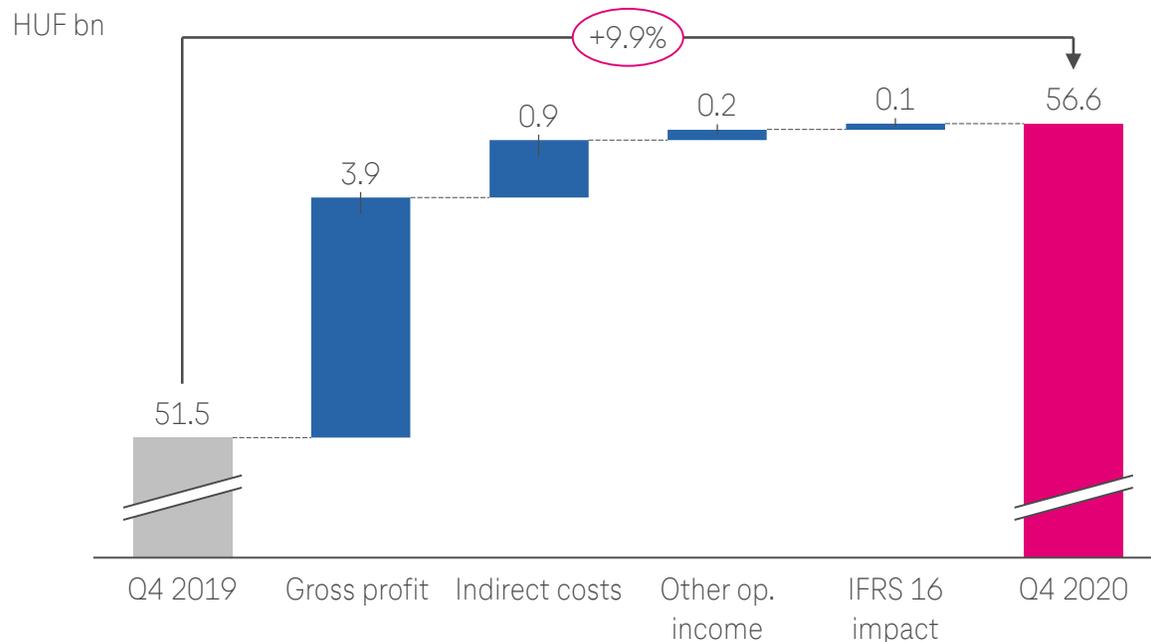


Fixed voice usage



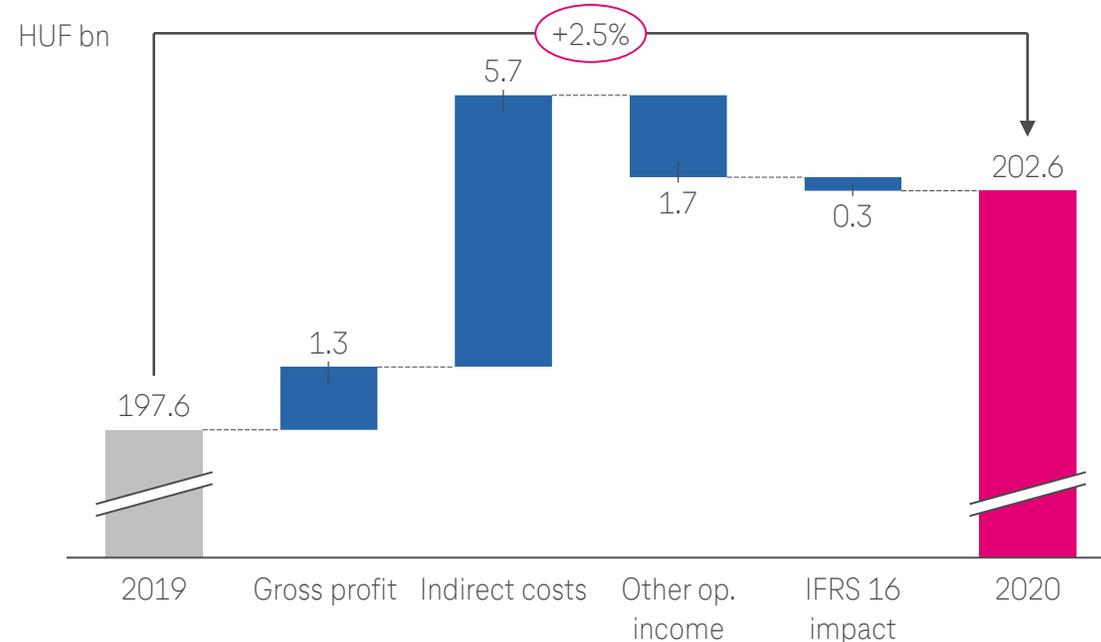
2020 EBITDA AL INCREASE DRIVEN BY COST OPTIMIZATION AND MARGIN EXPANSION

EBITDA AL, Q4 2020 vs Q4 2019



- Gross profit development largely due to marked improvement in B2C
- Decline in indirect costs attributable to OPEX savings achieved (e.g.: maintenance, marketing) during the period

EBITDA AL, FY 2020 vs FY 2019



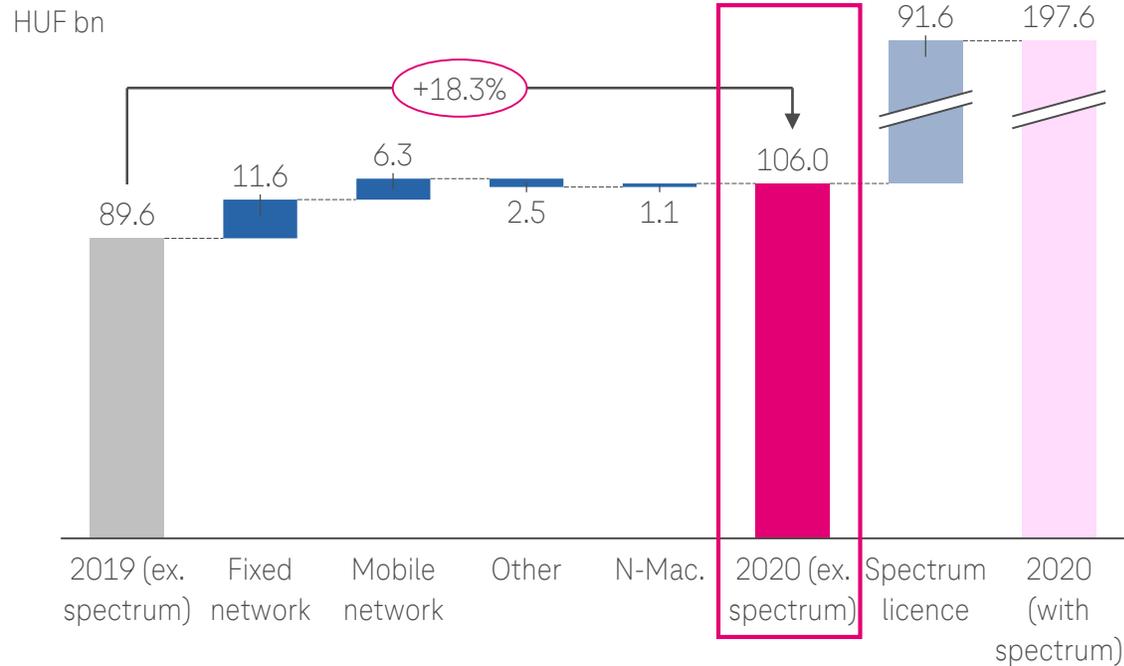
- Increasing gross profit from telecommunication services offset by lower SI/IT contribution
- Indirect cost decrease driven by lower headcount and other cost saving measures
- Other operating income decline reflects lower real estate sales



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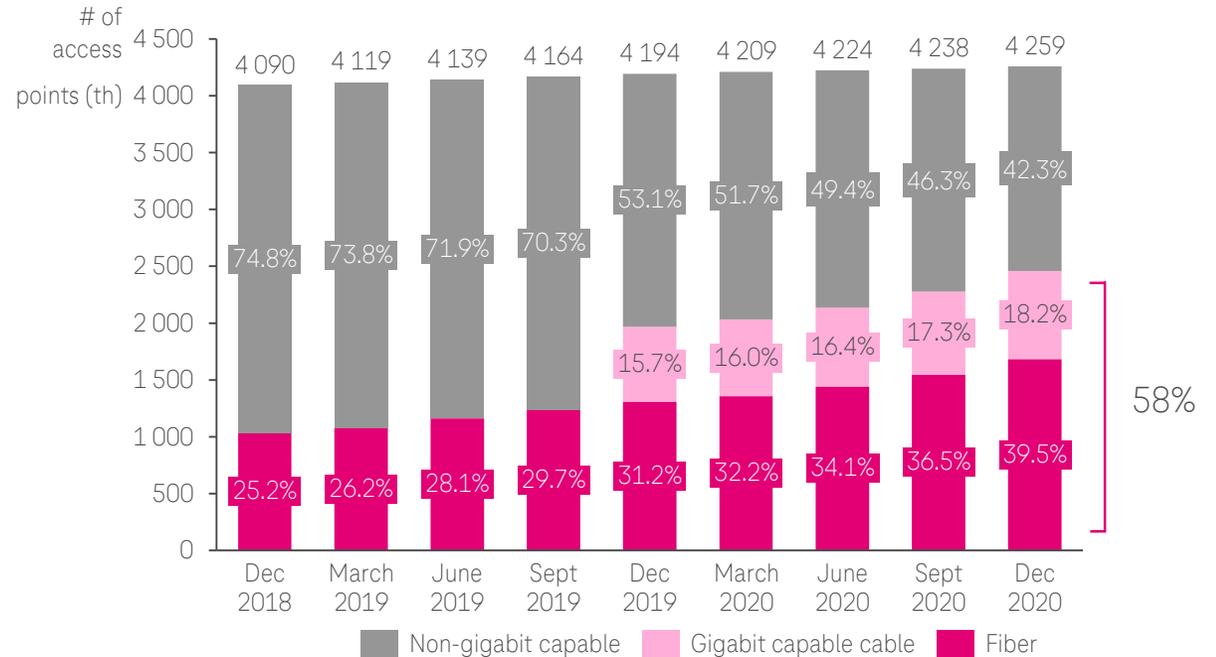
HIGHER INVESTMENT LEVELS LARGELY DRIVEN BY ACCELERATED FIBER ROLL-OUT

CAPEX AL, FY 2020 vs FY 2019



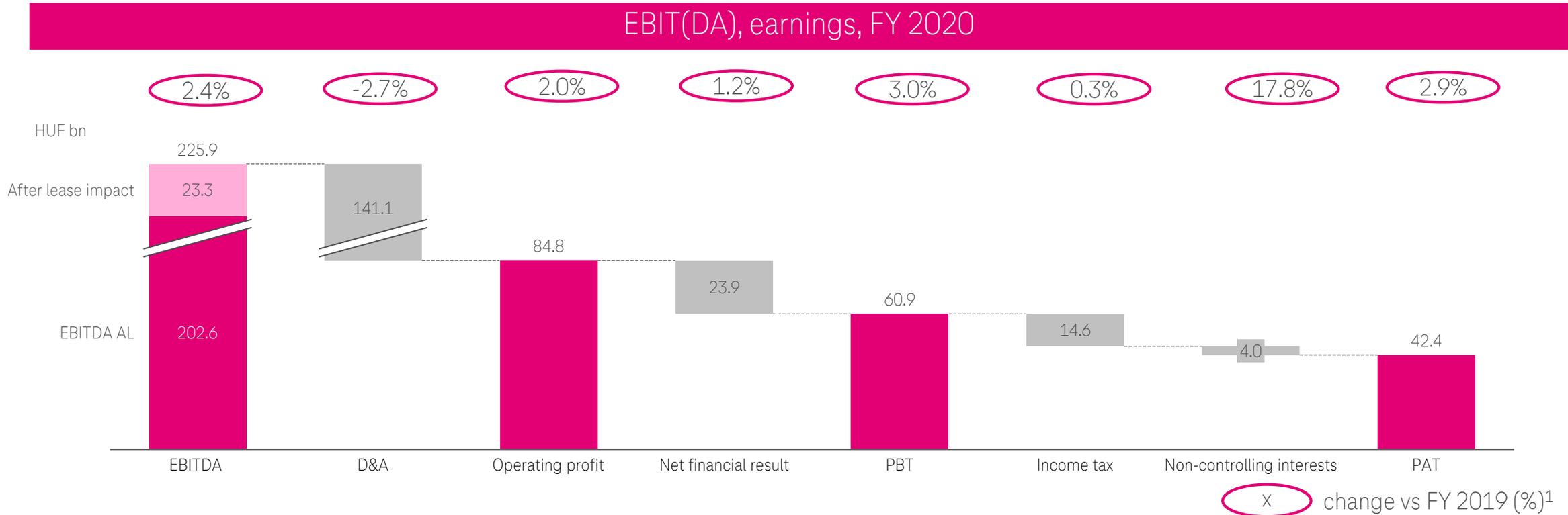
- Comprehensive mobile network modernization activities underway in Hungary
- Spectrum license fees related to the 5G services

Gigabit capable fixed network development



- Gigabit access coverage reached just under 2.5mn access points as of end-2020
- Record annual fiber roll-out speed with 377 thousand access points covered in Hungary

NET PROFIT SLIGHTLY ABOVE 2019 LEVEL, HIGHER EBITDA PARTIALLY OFFSET BY RISING D&A



- D&A up by 2.7% FY 2020 mainly driven by capitalized spectrum in Q2 2020
- Net financial losses amounted to HUF 6.2bn in Q4 2020, due to partial reversal of positive non-cash items recorded in Q3 2020

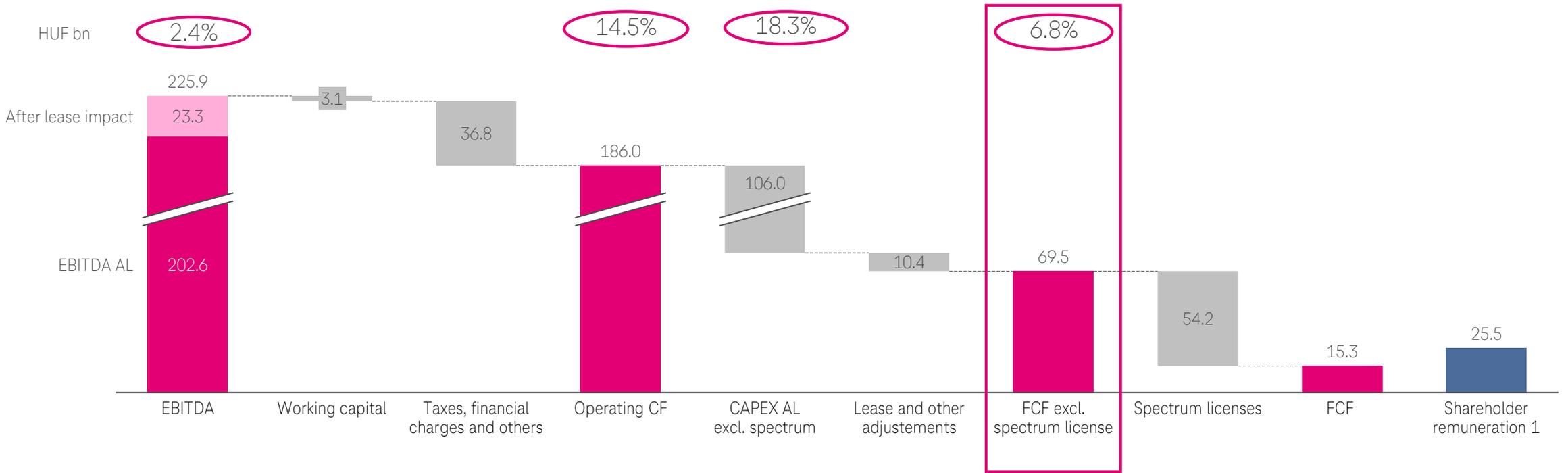


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(1) Positive change represents a decrease in case of D&A, financial results and income tax

SOLID FCF (EX-SPECTRUM) GENERATION DESPITE INCREASE IN INVESTMENT

EBITDA and cash-flow, FY 2021



- Annual operating CF was supported by favourable working capital evolution, rising profitability and lower financial charges paid in 2020
- FCF excl. spectrum licenses reached HUF 69.5bn, FCF after spectrum licenses amounted to HUF 15.3bn in FY 2020

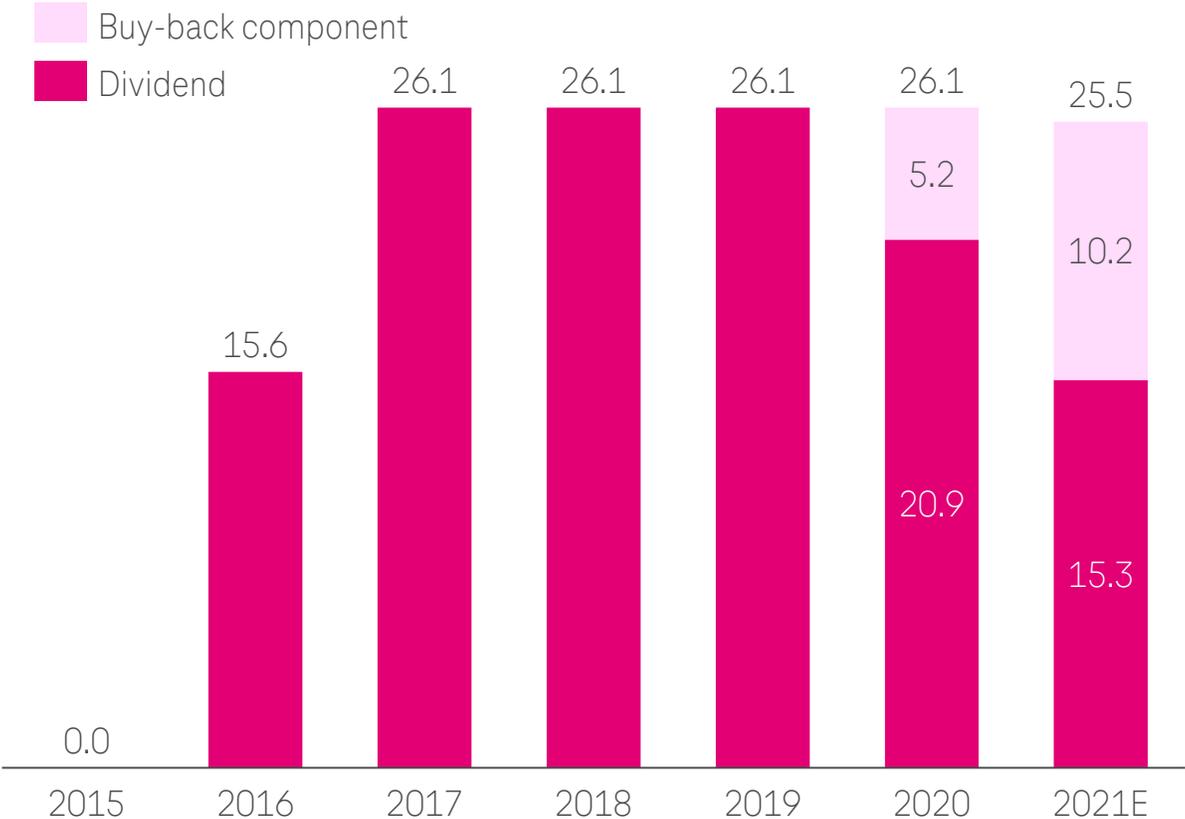
x Change vs FY 2019 (%)
 FCF figure incl. in the guidance

(1) Total shareholder remuneration (dividend + buy-back based on the BoD proposal, subject to AGM approval) after FY 2020

SHAREHOLDER REMUNERATION PROPOSAL: HUF 25.5BN, WELL ABOVE 2020 FCF GENERATION

Shareholder remuneration¹ (payout year, HUF bn)

Shareholder remuneration¹ considerations



- Total shareholder remuneration of HUF 25.5bn demonstrates resilience in a turbulent external environment generated by COVID-19 and is largely consistent with total shareholder remuneration over the past 4 years
- Total shareholder remuneration exceeds free cash-flow (after spectrum) of HUF 15.3bn of 2020 leading to higher indebtedness
- Net debt to EBITDA stood at 1.85x at year-end 2020, pro-forma indebtedness (adjusted for 900 / 1800 MHz spectrum auction) reaches 2.22x
- Share buy-back is value accretive compared to a cash payout in the current circumstances



(1) Total shareholder remuneration (dividend + buy-back based on the BoD proposal, subject to AGM approval) after FY 2020



2021-24 outlook

2021 STRATEGIC PRIORITIES SUPPORT FINANCIAL TARGETS

Network

- Roll-out of the fiber network: covering around 350 000 access points
- Gradual roll-out of 5G network
- Modernization of radio access network to support flexibility and network quality
- Improvements to the legacy network: gradual copper retirement, reducing complexities

Resilience

- Continued focus on efficiency improvement with a shift towards digital channels and improvements to the legacy network

Customers

- Monetize favorable market trends (esp. growing data demand) through more-for-more approach (mainly in B2C)
- Leverage unique capabilities in IT and telco for B2B customers, turnaround in SI/IT performance
- Maintain leading positions in customer satisfaction

Sustainability

- Maintain best-in-class ESG ratings
- Sustainability strategy highlights to be released during 2021 (following successful implementation of the 2020 strategy)

EBITDA AL IS EXPECTED TO INCREASE BY 1%-2% ALONG WITH BROADLY STABLE INVESTMENT LEVEL IN 2021

	2020 results	2021 guidance (vs 2020)
REVENUE	HUF 673.0bn	Grow 1%-2%
EBITDA (AL)	HUF 202.6bn	Grow 1%-2%
CAPEX AL ¹	HUF 106.0bn	Broadly stable
FCF ¹	HUF 69.5bn	Broadly stable / slight increase

¹ EXCLUDING SPECTRUM LICENSE FEES



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SHAREHOLDER REMUNERATION EXPECTED TO INCREASE THROUGH 2021-24

	2020 results	2021-24 outlook (vs 2020) ²
REVENUE	HUF 673.0bn	Increase potential of ~1%
EBITDA (AL)	HUF 202.6bn	Increase potential of ~1%
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

NEW

¹ EXCLUDING SPECTRUM LICENSE FEES

² CHANGES IN % TERMS REPRESENT CAGR VALUES

³ TOTAL SHAREHOLDER REMUNERATION (DIVIDEND + BUY-BACK BASED ON THE BOD PROPOSAL, SUBJECT TO AGM APPROVAL AND COMPLETION OF BUY-BACK) AFTER FY 2020; BASED ON THE NUMBER OF TREASURY SHARES AS OF FEB 25, 2021



Q&A

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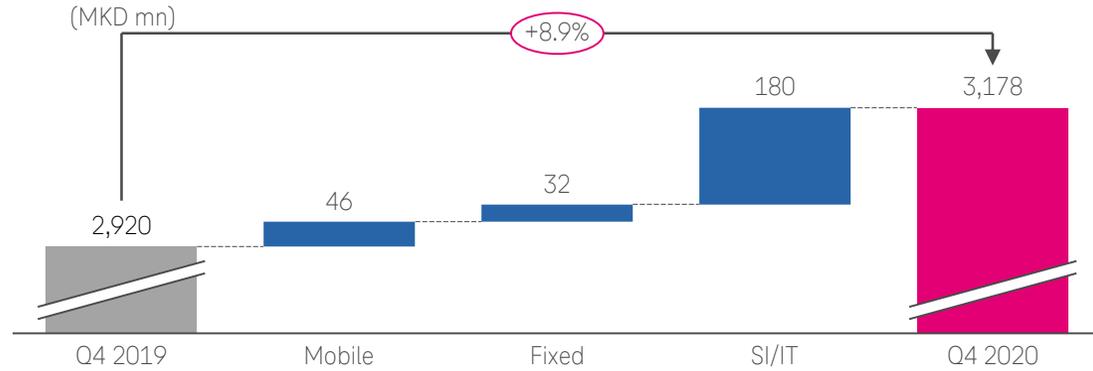
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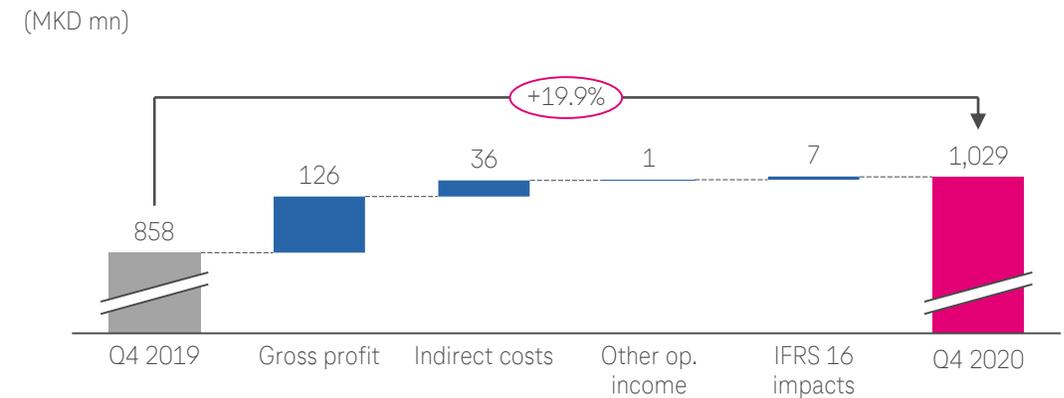


NORTH MACEDONIA: Q4 2020 HIGHLIGHTS

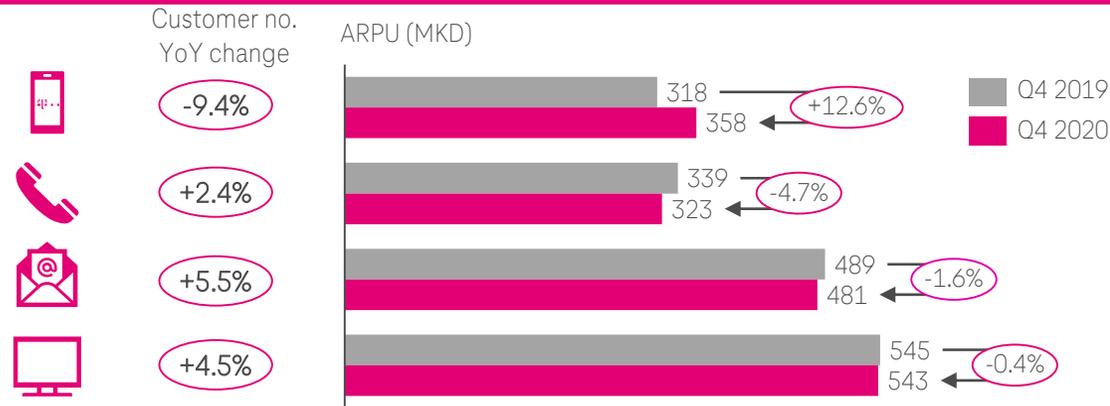
Revenues



EBITDA AL



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

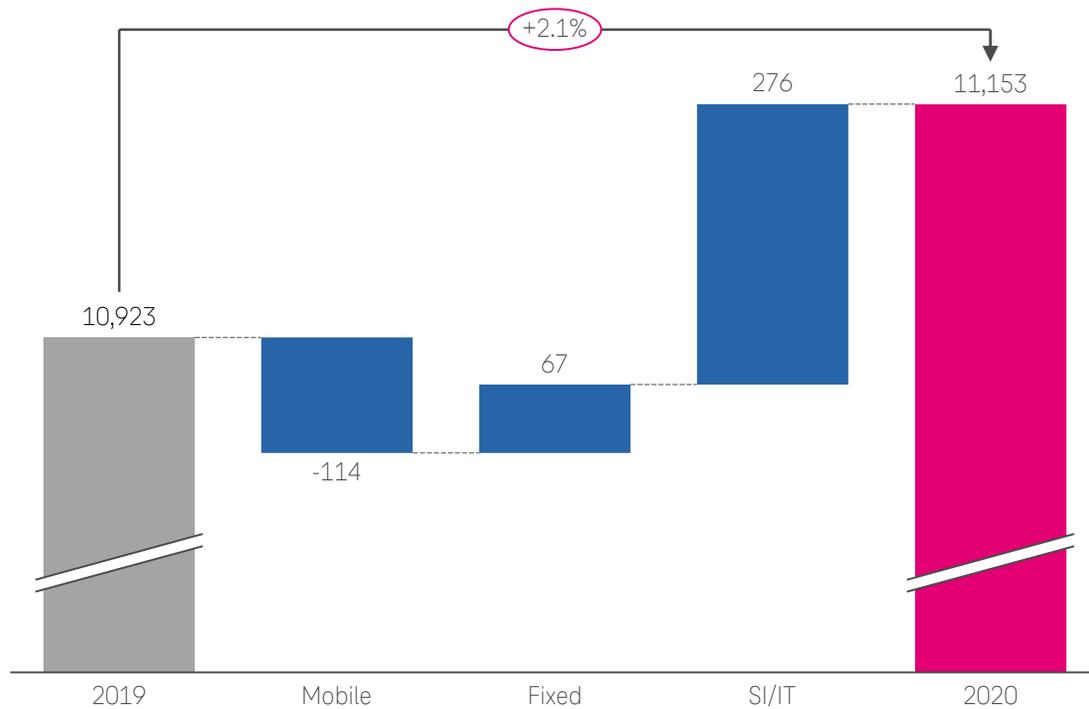


- Revenue increase influenced mainly by SI/IT with sales more than doubling year-on-year in Q4 2020 from a low base attributable to a sizeable hardware delivery project
- Fixed revenue reflects continuous expansion of the customer base
- Composition of mobile customers improving through higher postpaid to prepaid ratio
- EBITDA AL positively influenced revenue growth and moderate improvement of indirect costs

NORTH MACEDONIA: FY 2020 RESULTS

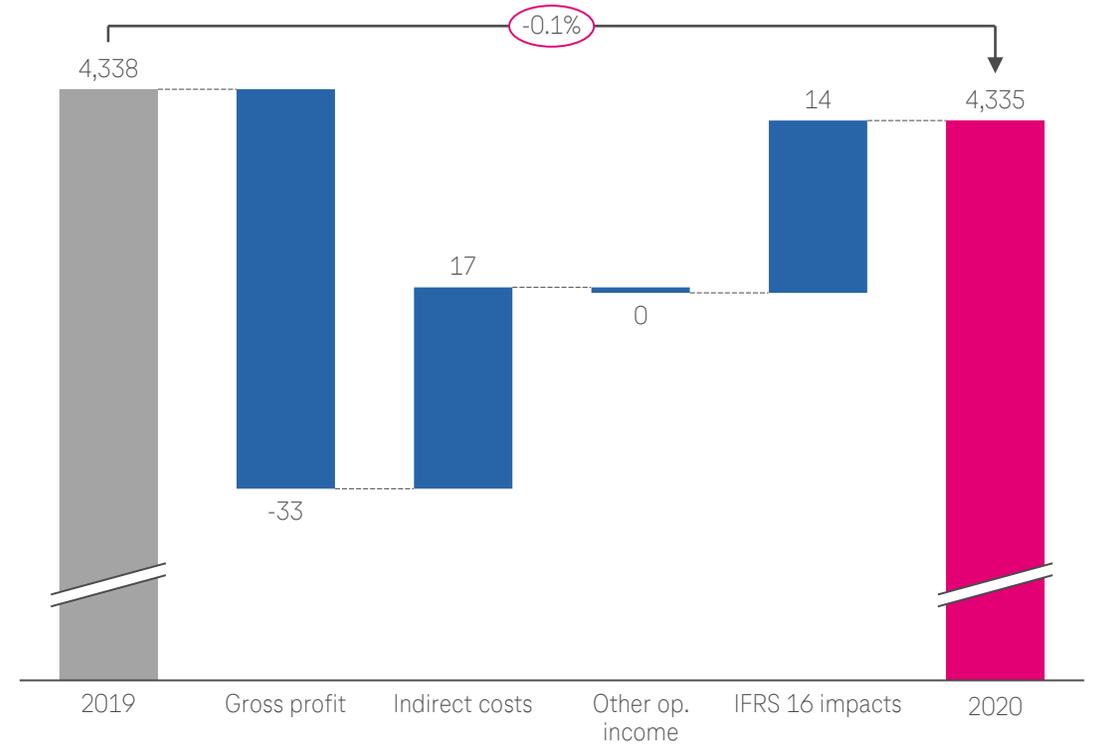
Revenues

(MKD mn)



EBITDA AL

(MKD mn)



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