Q2 2026 Results Conference Call

August 6, 2026

Diana Várkonyi

Good morning, everyone. I'm Diana Várkonyi, Head of Investor Relations at Magyar Telekom, and it's my pleasure to welcome you to our Q2 2026 results conference call. As usual, I am joined today by Tibor Rékasi, our CEO, and André Lenz, our CFO, who will run through key developments during the second quarter and then answer any questions you may have.

Just so you're aware, we're recording this session for internal use. By taking part, you consent to being recorded.

Throughout the presentation your lines will remain muted. Once we commence the Q&A session, you will be able to ask a question using the "raise hand" function.

Before we get started, just a quick note about the disclaimer on page two. This presentation includes forward-looking statements about future events and financial results, which come with some risks and uncertainties.

I'll now hand over to Tibor to start the presentation.

Tibor Rékasi

Thank you, Dia. Good morning, everyone.

Turning to slide 3, I'd like to highlight the strategic progress we have made during the quarter and how it keeps us firmly on track to deliver our 2026 objectives.

We continue to invest at a high level to strengthen the quality of our network, the foundations for long-term growth. During the first half, we expanded our gigabit-capable network to 4.2 million access points across Hungary, adding almost 100 thousand new fiber access points while upgrading a further 70 thousand cable endpoints to HFC technology. Looking ahead, around 200 thousand additional gigabit-capable access points remain to be delivered in the second half, in line with our annual target of 300 thousand.

Of this 300 thousand, approximately 20% extends our network footprint, 70% will replace legacy copper infrastructure, while around 10% will be used to cover existing HFC areas by fiber as well. As customer expectations continue to evolve, migrating these network areas to fiber is an important step in maintaining the quality of our fixed infrastructure and safeguarding our market positions.

Alongside these investments, we successfully completed the migration of our customers' 2G traffic to Yettel's network. This is a significant milestone in technological modernization, enabling us to retire our legacy 2G infrastructure and repurpose the released spectrum to further enhance our 4G and 5G services.

Our commitment to network excellence has also been recognized externally. I'm pleased to highlight that our North Macedonian subsidiary recently received the Ookla Speedtest Awards for the best mobile and best fixed networks in the country, recognizing our continued investment in technology and innovation across the Group.

Supported by these investments and our refreshed customer proposition, we continued to execute strongly commercially, delivering further customer growth and higher ARPU across our core service categories. This momentum was reinforced by the successful portfolio renewal in Hungary, which drove strong upselling activity and supported continued growth in both our mobile and fixed business.

Finally, we remain fully focused on delivering on our financial and non-financial strategic priorities. Based on our solid operational performance and the outlook for the rest of the year, we are confidently reaffirming our full year 2026 financial guidance. At the same time, our continued commitment to sustainability is reflected in our ongoing inclusion in the FTSE4Good Index, as well as our strong MSCI AA rating.

Taken together, these achievements give us confidence that we remain well positioned to deliver our strategic and financial objectives for the year.

Turning to slide 4, let me review key developments in our mobile business, where we continued to deliver healthy customer growth, improving monetization and strong customer engagement.

Over the past twelve months, our mobile customer base increased by 0.7%, equivalent to 47 thousand additional SIM cards. Around 20 thousand of these net additions were delivered during the second quarter, driven by continued organic growth in our residential postpaid customer segment. This was partly offset by the ongoing reduction in public sector customers, which lowered the base by around 10 thousand SIMs during the quarter. Meanwhile, M2M net additions continued to normalize following the exceptionally strong uptake of elderly care devices seen over the recent periods.

Alongside customer growth, we delivered robust ARPU expansion across all key segments, providing further support for mobile service revenue growth. This reflects both structurally higher data usage and the continued success of our refreshed commercial proposition.

Customer demand for mobile data remains exceptionally high, with consumption increasing by more than 20% year-on-year across both prepaid and postpaid customers. This underlines the importance of our continued investments in network capacity and quality, ensuring we remain well positioned to meet evolving customer demand.

Our commercial initiatives are also delivering tangible results. Our modular portfolio, introduced just over a year ago, continues to resonate strongly with our customers, and the enhanced discount scheme launched in March this year has been very well received. Today, more than 10% of our retail customer base has already adopted the new structure, and we continue to see a clear uplift in average customer spend.

Turning to slide 5, our fixed business continued to perform during the quarter, with sustained customer growth, improving customer value and further evidence that our fiber investment strategy is delivering tangible commercial benefits.

Fiber broadband remained the growth engine of our fixed business as we continued migrating customers from our legacy copper network while expanding our high-speed fiber footprint. Over the past 12 months, our fiber broadband customer base increased by more than 100 thousand users, with around half of these customers migrating from copper and the remainder representing new customer additions.

Our TV business also maintained positive momentum. Despite the continued structural decline of the overall TV market, we delivered further customer growth and continued to grow market share, reflecting the strength of our converged proposition and the quality of our network.

In fixed voice, we saw a somewhat faster decline in the customer base during the second quarter. This primarily reflects the flexibility of our refreshed portfolio, where customers are increasingly choosing alternative add-on services instead of traditional voice subscriptions while maintaining the value of their package. Given the structural decline of the fixed voice market, our focus remains on managing this transition while maximising overall customer value.

These commercial trends translated into broad-based improvements in monetization. Broadband ARPU growth accelerated further during the quarter, pay TV ARPU remained on an upward trajectory, and the decline in fixed voice ARPU continued to moderate. This performance reflects the combined benefits of our expanding fiber footprint, and our refreshed commercial proposition, which continues to encourage customers to adopt higher-value services and additional add-ons.

With that, I will now hand over to André, who will take you through our financial performance for the quarter and our outlook for the remainder of the year.

André Lenz

Thank you, Tibor. And a very good morning from me too.

Turning to slide 6, revenue remained resilient during the second quarter, supported by continued strength in our core telecommunications services, while declines in other activities were broadly in line with expectations.

Total revenue increased by 0.8% year-on-year. The main driver continued to be the strong performance of our Hungarian telecommunications business, with both mobile and fixed service revenues delivering healthy growth.

Mobile service revenue increased by 2.6 billion forint, driven primarily by 3.1 billion forint, or 3.2%, growth in Hungary. This was partly offset by the foreign exchange translation effects on our North Macedonian operations' results.

Fixed service revenue also increased by 0.9 billion forint, or 2.1%. This growth was achieved despite the negative translation impact from North Macedonia and the remaining one-month deconsolidation impact relating to ViDaNet.

At the same time, equipment sales revenues from customer transaction rose as well, with increase coming mostly from higher average handset prices, in line with broader market trends.

These positive developments were partly offset by the expected decline in handset export sales and lower IT revenues. The reduction in export sales reflects our strategic decision to gradually phase out this lower-value activity. Meanwhile, the decline in IT revenues is primarily related to some timing effects versus 2025. We are seeing a shift in project seasonality this year, with lower activity in the first half, whilst a gradual improvement is expected in the second.

Turning to slide 7, reported EBITDA AL declined slightly by 0.7%, primarily reflecting the exceptionally strong comparison period in the second quarter of 2025, which benefited from one-off gains, namely the profit on the sale of ViDaNet and higher real estate disposal gains. Excluding these items, EBITDA AL would increase by 1.3% year-on-year, demonstrating the continued strength of our operations.

This improvement was driven by 1.2% growth in gross profit, partly offset by modest increases in indirect operating costs. Gross profit was itself affected by some temporary factors, including a weaker year-on-year IT margin and higher bad debt expenses. Employee costs increased by 1.1%, primarily reflecting the 4.5% wage increase implemented in Hungary from March this year. This was largely offset by lower severance related expenses at the North Macedonian subsidiary compared with the prior year. Beyond that, we maintained good cost discipline across the business. While subcontractor price increases, mostly triggered by continued wage inflation across the economy continued to put pressure on our expenses, this impact was largely mitigated through ongoing efficiency measures, helping to keep the overall increase in indirect costs modest.

Turning to slide 8, adjusted net income followed a similar pattern to EBITDA After Leases, with the year-on-year movement primarily reflecting the same temporary factors.

The lower reported EBITDA was partly offset by an improvement in net financial results by 1.8 billion forint. However, a significant portion of this improvement was driven by unrealized foreign exchange gains on financial liabilities following the strengthening of the forint during the quarter. As these unrealised foreign exchange movements are excluded from our adjusted performance measures, the improvement in adjusted net financial expenses was 0.8 billion forint. As the bridge illustrates, this benefit was largely offset by a temporary increase in income tax expense. This primarily reflects the different timing of recognizing withholding tax on the dividend from our North Macedonian subsidiary compared with the prior year and is therefore expected to reverse by the end of the financial year.

Turning to slide 9, I'll take you through our capital expenditure and free cash flow performance on a year-to-date basis, which provides a clearer view by removing the normal quarterly seasonality.

Starting with capex, investment levels in the first half of 2026 increased in line with our strategic priorities. Network investment, particularly in fiber rollout, rose significantly, supporting our target to increase annual deployment by 20%. As discussed on our first-quarter call, we have also started to invest in the expansion of our data center capacity, while higher global prices of memory chip-based equipment further increased capex. These increases were partly offset by lower investment in North Macedonia, reflecting a less intensive network rollout program and the timing of TV content capitalization.

Now with regards to free cash flow, higher capex, together with the absence of last year's one-off proceeds from the subsidiary sale, lower cash inflows from real estate disposals and the cash outflow relating to the subsidiary acquisition, all represented headwinds compared with the prior year. However, these were more than offset by the 3.1 billion forint increase in EBITDA during the first half and more favorable working capital developments, some of which are temporary in nature. As a result, free cashflow increased by 5.2% or 4.5 billion forint year-on-year. As usual, this figure excludes the 550 million spectrum payment made in April for the renewal of our 2100 megahertz license.

Turning to our final slide, let me summarize why we remain confident in delivering our 2026 guidance.

Starting with revenue, although total revenue declined by 0.3% in the first half, we continue to expect modest growth for the full year. As discussed earlier, first half trend primarily reflects temporary factors that are expected to either disappear or become significantly less pronounced during the remainder of the year. These include the approximately 2 billion forint deconsolidation impact from ViDaNet and the 5 billion forint timing effect in our IT business. The planned reduction in handset export sales will continue to weigh on reported revenue, although to a lesser extent than in the first half. At the same time, the inflation-based fee adjustment introduced at the beginning of July is expected to provide additional support for telecommunication service revenue growth.

Turning to EBITDA After Leases, underlying momentum remains strong. During the first half, EBITDA AL increased by 1.6% or 2.2 billion forint, despite the absence of approximately 2 billion forint of one-off gains recognized in the prior year. Looking ahead, we expect continued gross profit growth, supported also by the fee adjustment, while the prior year's one-off comparison will no longer affect year-on-year performance.

Adjusted net income increased by 2.9%, or 3.2 billion forint, in the first half. As EBITDA growth accelerates during the second half of the year, we expect positive earnings momentum to continue at the bottom-line as well.

Finally, free cash flow excluding spectrum increased by 4.5 billion forint to 90.5 billion forint, despite the absence of around 6 billion forint of one-off cash proceeds received in the prior year. However, some of the favorable working capital movements seen in the first half are expected to unwind and capex will remain elevated as planned. We therefore continue to expect free cash flow excluding spectrum to reach at least 200 billion forint in 2026.

Overall, our first-half performance reinforces our confidence in delivering our 2026 financial guidance. The business continues to perform well operationally, our investment program remains firmly on track, and the commercial momentum across both our mobile and fixed businesses provides a solid foundation for the remainder of the year.

With that, we are now happy to take any questions you may have.

Dia Várkonyi

Thank you very much, André.

Please use the “raise hand” function to ask a question. Once you reach your turn, your microphone will be enabled, and you will be able to unmute yourself to ask a question.

(Take questions)

If there are no further questions, let me thank you again for joining us today. Please note that a transcript of this call will be available on our website shortly. If you have any follow-up questions, please don’t hesitate to contact us.