Q3 2026 Results Conference Call

November 5, 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 Q3 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 third 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, let me start with the strategic progress we made this quarter, and how it supports our performance today while preparing us for the years ahead.

Our networks remain central to that progress. We continued our fiber rollout, completing more than half of our annual target of 300 thousand new access points by

the end of September. That takes our fiber reach to over 3.3 million access points and our total gigabit reach to more than 4.3 million.

We're also seeing customers make the move to fiber. It now connects 65% of our broadband users, with 27% on cable and just 8% still on copper. So the investment is translating into a better-connected customer base. And network quality continues to stand out: Ookla's latest independent Speedtest measurements once again named our Hungarian fixed network both the "Fastest" and the "Best" fixed network in Hungary.

We made further progress in mobile, too. Our 5G network now covers more than 95% of the population. We also completed the nationwide rollout of 5G Standalone and concluded handset and network-compatibility testing and we expect to launch commercially early next year, with offers designed around customers and applications that can benefit most from this technology.

These capabilities underpin our commercial performance. Our customer base continued to grow across both fixed and mobile services. As data demand rises, our ability to deliver reliable connectivity across both networks remains an important competitive advantage.

Our refreshed portfolio is also encouraging customers to take more services and move to higher-value packages. The principle is straightforward: customers can qualify for higher discounts as their spending increases. That is supporting higher transaction volumes and favorable ARPU trends.

There is a mix effect worth highlighting here. Bringing fixed and mobile discounts into a common structure shifts some of the discount allocation between services. This puts some downward pressure on fixed while increasing mobile ARPU levels compared to the previous schemes.

To strengthen customer satisfaction in an increasingly competitive environment, we also introduced promotions and new offers tailored to what matters most to our

customers. These include additional data allowances and subscription offers for the holiday season. In prepaid, we launched an innovative offer aimed primarily at children and teenagers, with a monthly spending amount set in advance to help families manage costs. Demand has been particularly strong, helping reduce the decline in prepaid customers during the quarter.

Turning to financial resilience, we implemented the scheduled fee adjustment in July, which supported our third-quarter performance.

Looking further ahead, we've launched a multi-year operational transformation. We're starting from a strong position, and the aim is to sustain that success as customer expectations and technology evolve. We need to respond faster to changing customer needs, put AI to work where it can improve service and productivity, and maintain tight cost discipline. Our first step has been to reorganize retail customer service to accelerate decisions and processes, leverage new revenue opportunities, and use consumer data to tailor services and offers more effectively.

Together, these changes will help us deepen customer relationships and reinforce our readiness for the future, while building on the efficiency and operational strengths we already have.

Turning to slide 4, our mobile business continued to perform well, supported by customer growth and higher spending per customer.

We added 21 thousand postpaid customers during the quarter. Strong retail growth more than offset a smaller drag from subscriber losses associated with a public sector client. Prepaid customer losses also eased, helped in part by the new proposition I mentioned earlier.

Machine-to-machine SIMs continued to grow, driven by smart meter installations. Together with developments in previous quarters, these trends brought our total SIM base to 1% above last year's level.

Alongside customer growth, we delivered robust ARPU expansion, further supporting mobile service revenue. Three factors contributed to this growth: rising data usage, the performance of our refreshed portfolio, and the July fee adjustment.

Data consumption increased by close to 25% year-on-year in both prepaid and postpaid. That sustained demand continued to support upgrades to higher-value packages and remains an important driver of underlying ARPU growth.

Our modular portfolio and the enhanced discount scheme are also delivering ARPU gains ahead of our initial expectations. Around a fifth of our retail customers have now moved to the new portfolio, and the increase in their monthly spending is making a meaningful contribution to overall ARPU growth.

The July fee adjustment provided an additional boost. The 4.4% increase applied to subscription fees for plans available before March 2026, covering i.e. approximately 80% of the customer base. It accounted for roughly half of the ARPU increase.

Turning to slide 5, our fixed business delivered improving performance, supported by continued fiber uptake and the fee adjustment.

We're attracting new broadband customers while also moving existing customers from copper to fiber technology. Fiber penetration now stands at 38%, even as we continue to expand the network. That demonstrates demand for the infrastructure we're building and supports the case for further investment.

In parallel to the shift towards the fiber network, customers are also choosing higher-speed packages, contributing to underlying broadband ARPU growth. Together with the fee adjustment, this drove a year-on-year ARPU increase of more than 4%.

Our TV business maintained positive momentum, too. We continue to grow our customer base in a contracting market, supported by attractive offers and a positive customer experience. TV ARPU also increased, as the fee adjustment more than offset the higher discounts I mentioned earlier.

In fixed voice, the customer base continued to decline, although at a more moderate pace than in the previous quarter. The fee adjustment also helped moderate the decline in ARPU. However, with usage falling across customer segments, we expect the downward trend to continue. We aim to offset part of that pressure through additional revenue from add-on services in our new portfolios.

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

André Lenz

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

Turning to slide 6, Group revenue grew strongly year-on-year, with contributions from services, equipment sales and IT.

The commercial progress Tibor outlined earlier was a key driver. In Hungary, mobile service revenue rose by 6.5%, while fixed service revenue increased by 5%.

In North Macedonia, unfavorable currency translation pushed reported service revenue below last year's levels in forint terms. Across the Group, service revenue nevertheless increased by 5.2% year-on-year.

This positive development was now coupled with favorable year-on-year changes in other revenue categories, in line with our anticipations.

Equipment sales contributed to growth as we recorded more customer transactions and higher average handset prices, in line with broader market trends. Handset export revenue no longer weighed on the year-on-year comparison, as activity was already subdued in the same period last year.

IT revenue increased strongly, despite softer market conditions and some differences in project timing compared to 2025. The main contributor was a large, multi-phase project for a Hungarian financial institution. We completed the asset delivery phase during the third quarter, making a significant contribution to revenue.

Turning to slide 7, reported EBITDA AL increased by 6.6% as growth in gross profit more than offset higher indirect costs across the Group.

Telecommunication service revenue growth was the main driver of gross profit. This was partly offset by a lower IT margin, reflecting a greater share of lower-margin projects in the quarter.

Higher installment sales also increased bad debt expense. Importantly, this reflected sales activity, while customer payment behavior and collection trends remained favorable.

Employee costs were the main source of indirect cost growth, rising by 7.2%, or 1.7 billion forint year-on-year. This reflected the 4.5% wage increase implemented in Hungary in March and 8% increase in North Macedonia in April. Differences in the timing of costs also contributed, as the prior-year quarter benefited from a more favorable seasonal pattern.

We also faced higher subcontractor prices, driven largely by continued wage inflation. Ongoing efficiency measures largely offset that pressure, helping to keep the overall increase in indirect costs modest.

Turning to slide 8, reported net income rose by 7.5% year-on-year, while adjusted net income increased by 11.5%.

The difference reflects currency movements; the forint strengthened in the third quarter of 2025 but weakened in the same period this year. This resulted in unrealized foreign exchange gains in the prior-year quarter and losses this year, which are excluded from adjusted net income.

Higher EBITDA AL drove the increase in adjusted net income, partly offset by higher depreciation and amortization. D&A increased mainly because we shortened the useful lives of certain network assets. These included 2G assets following the transfer of traffic to Yettel's network, and copper assets retired in areas where customers have fully migrated to fiber.

With regards to financial results, on an adjusted basis we recorded a 0.4 forint billion improvement, thanks to lower realized losses on financial instruments compared to a year earlier. As for the reported figures, we recorded a year-on-year 1.6 billion forint deterioration because of the currency effects I mentioned.

Income tax was broadly unchanged year-on-year. Profits at our North Macedonian subsidiary declined moderately in forint terms due to cost pressures.

Now **turning to slide 9**, I'll take you through our capital expenditure and free cash flow performance for the first nine months, which gives us a clearer view of the underlying trends than a single quarter.

Starting with capex, investment levels increased in line with our strategic priorities. We stepped up fiber deployment and mobile network investment, including the expansion of 5G coverage. We also continued investing in data centers and transport networks to support growing data traffic. These increases were partly offset by lower TV content capitalization in North Macedonia and the absence of the one-off network retirement obligation recognized in Hungary last year.

Free cash flow was 34.1 billion forint lower year-on-year, despite the 9.7 billion increase in EBITDA. This reflects a combination different factors, including higher investment, payment timing and one-off items.

Capex payments increased by 16.1 billion forint, with higher investment and the timing of payments contributing roughly equally.

Income tax payments rose by 8.2 billion forint, largely reflecting profit growth in previous years, as cash tax payments follow earnings with a delay.

Higher working capital requirements reduced free cash flow by a further 12.5 billion forint. Increased handset instalment sales raised receivables, while the timing of vendor payments also resulted in higher cash outflows than in the first nine months of last year.

These changes were coupled 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. Together, these items represented a further 10.1 billion forint year-on-year headwind.

As a result, free cash flow for the nine months was 145.7 billion forint, down 18.7% year-on-year. As usual, this excludes the 550 million spectrum payment made in April for the renewal of our 2100 megahertz license.

Turning to our final slide, we remain confident in delivering our 2026 guidance.

Third-quarter revenue strengthened compared to the first half, putting us on track for low single-digit growth for the full year. Some contributions, particularly IT, may be more modest in the fourth quarter, but we remain well positioned to meet our target.

For EBITDA After Leases, underlying momentum remains strong. We expect growth to accelerate further in the fourth quarter, supported by continued gross profit growth, some margin improvement from third-quarter levels, and more favorable indirect cost trends.

Adjusted net income should benefit from higher EBITDA and lower financial expenses, more than offsetting the increase in income tax associated with higher profits. Proposed changes to statutory corporate tax rates could also increase deferred tax liabilities in the fourth quarter, although we do not expect a significant impact from these on adjusted net income level.

Finally, while free cash flow excluding spectrum was down 34 billion forint in the nine months, part of that decline reflects temporary factors. With faster EBITDA growth and an expected partial reversal of the working capital outflow, we continue to expect free cash flow excluding spectrum of at least 200 billion forint in 2026.

With that, let me hand back to Dia, who will coordinate the Q&A.

Dia Várkonyi

Thank you very much, André.

We'll now open the floor for questions.

Please use the "raise hand" function if you'd like to ask a question. When it's your turn, we'll enable your microphone so you can unmute your line.

(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.