



Q2 2025 Results Conference Call

August 7, 2025

Diana Várkonyi

Good afternoon, everyone. I am Diana Várkonyi, Head of Investor Relations at Magyar Telekom, and it is my pleasure to welcome you to our second quarter 2025 results conference call. I am joined today by Tibor Rékasi, our CEO, and André Lenz, our CFO, who will take you through the presentation and answer any questions you may have.

Please note that today's presentation is also available on the Investor Relations section of our website. This event is being recorded for internal purposes only and by joining the presentation, 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 begin, I would like to draw your attention to the disclaimer on the second page of the presentation. The information in this presentation includes forward-looking statements about expected future events and financial results which are subject to risks and uncertainties.

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

Tibor Rékasi

Thank you, Dia. Good afternoon, everybody.

Let me start by highlighting some of the key areas of notable progress against our 3 strategic pillars, including network and infrastructure, customer and resilience and efficiency.



The continued service revenue growth – especially from mobile internet and fixed broadband – validates the strategic choices we made in building our network. With ongoing infrastructure enhancement, we have been able to connect more customers and meet the growing demand for data and broadband. Our investments in both fixed and mobile networks go beyond simply achieving coverage targets; they are about empowering our customers with seamless, reliable connectivity. The achievement of our 86% 5G coverage by the end of June is a key milestone in this journey.

Our financial performance in the first half of the year reflects the effectiveness of our strategic decisions. Profitability improved, supported in part by the strategic disposal of non-core assets, including the sale of real estate. We also successfully concluded the final steps in the divestment of our fixed-service subsidiary, ViDaNet. As a result of the favorable first half performance, we have taken the decision to upgrade our full-year guidance, which André will elaborate on shortly.

Another highlight of the second quarter is the recent approval by the General Meeting of the separation of our passive mobile assets. This decision marks a key step forward in our network portfolio optimization efforts, aimed at enhancing flexibility and efficiency.

Our strong operational and financial performance has also enabled us to generate meaningful shareholder value, evidenced by the return of HUF 130 billion to shareholders following the 2024 earnings.

Lastly, our robust execution against our comprehensive sustainability strategy is reflected in our continued constituency of the FTSE4Good Index Series.

I am confident that our strategic initiatives will continue to drive growth and create lasting value for all our stakeholders.

Now let me summarize key operational developments for the quarter before I hand over to André to delve into our financial performance in more detail.

Starting with Hungarian mobile services on slide 4... As demonstrated by the first chart, the key driver of continued SIM card growth was once again the dynamic growth



in the machine-to-machine segment, which increased by 230 thousand year-on-year. While the postpaid customer base continued to experience elevated churn among public sector clients, this was mostly offset by the solid growth of the residential customer base. To further accelerate subscriber growth, we introduced a new mobile portfolio with a restructured offering. Instead of bundling add-ons - such as streaming subscriptions, text messages, or multi-SIM options - we now offer basic packages focused on core voice and data services at more competitive price points. Add-ons can be selected and subscribed to separately, giving customers greater flexibility and control over their plans.

Initial results are encouraging. The shift to the new portfolio has had a positive impact on ARPU, with more than 50% of the customers opting for an unlimited voice and data plan along with additional add-ons. We believe this trend will continue to support the positive ARPU development we are experiencing. As you can see from the right hand chart on the slide, both postpaid and prepaid ARPUs recorded significant year-on-year growth, driven by strong momentum in mobile data usage. Among postpaid customers, average usage increased by 17%, while this figure was over 40% among prepaid customers. Looking ahead, continued investment in our mobile network will be essential to leveraging this momentum and meeting growing data demand.

Now moving to **slide 5** and the Hungarian fixed service market, where strong uptake of fiber network-based services continued to drive performance. Over the past 12 months, the number of fiber optic broadband subscriptions has increased by over 100 thousand. As you can see on the first chart, roughly half of this was down to migration from copper and the other half entirely due to new subscriptions. In parallel, the number of IPTV subscriptions increased by over 50 thousand, which again includes some migration from other platforms as well as new customers signing up with us. While this achievement did not fully offset the loss of satellite TV customers, the cost



savings generated by shutting down the satellite TV service support our view that this was a strategically sound decision for the Group.

Regarding the structural decline in fixed voice connections, I am pleased to report that churn rates remain steady, with no further acceleration versus previous quarters. This quarter, the customer base development reflects an inorganic change resulting from the sale of ViDaNet, which provided fixed line services on Docsis technology to around 50 thousand customers. The sale of this asset, however, allows us to further streamline our operation and generate opportunities for future efficiency gains.

Looking at ARPU levels, I would like to highlight the importance of investments into the optical network in Hungary, as this is clearly the primary growth area for us as a Group.

Let me now hand over to André for a more detailed review of our financial performance.

André Lenz

Thank you, Tibor. Good afternoon, everybody.

Let us now turn to **slide 6** for a review of our top line performance. Although overall revenue remained broadly stable year-on-year, we were pleased to see continued growth in service revenue. Driven by the increase in mobile data usage, mobile service revenue was up by 3.7% compared to the second quarter last year. Fixed service revenue, excluding the deconsolidation impact of ViDaNet, would have been up by roughly 0.6% with broadband growth offsetting declines in voice and TV.

This performance was counterbalanced by the ViDaNet deconsolidation impact, and the lower equipment sales and System Integration and IT revenues. Lower equipment sales were driven by the somewhat weaker customer demand and a slight decline in export sales. The reduction in SI/IT revenues mostly reflects a year-on-year difference in project seasonality in Hungary.



Now moving on to **slide 7** for a quick look at our profitability, starting with EBITDA after leases.

Our gross profit improved by 2.4 billion forint. This was primarily driven by the service revenue growth highlighted earlier, with lower telecom tax charges resulting from reduced traffic among the business customer base.

The 9.1 billion forint positive impact resulting from the elimination of the supplementary tax provided further tailwinds, along with the gains from the sale of ViDaNet and two real estate properties during the second quarter. Employee related expenses grew by 6.7% year-on-year, reflecting the wage increases implemented during the first quarter of 2025 and some carry-over impact from last year. Other operating costs remained broadly stable, supported by our continued focus on simplification and process enhancement. Consequently, we managed to grow EBITDA after leases by 13.1% year-on-year and reach a margin of 42.1% in the second quarter of 2025.

This strong EBITDA growth is reflected in the significant increase in net income and adjusted net income, as shown on **slide 8**. In the second quarter, adjusted net income rose by 27% year-on-year to 55.9 billion forint. This robust Q2 performance contributed to the cumulative 110.4 billion forint adjusted net income for the first half of 2025. As shown on the left-hand chart on this slide, there was a slight increase in D&A expenses in relation to software licenses whilst income tax also rose by 1.0 billion forint as a result of the 14 billion forint higher profit before tax. However, these increases were fully offset by improvements financing costs. The 2.3 billion forint lower financial charges year-on-year are attributable to our enhanced liquidity position, which allowed us to generate higher interest income and reduced interest costs related to the loan portfolio.

Turning now to **slide 9**, let us look at capex and free cashflow development in the first half of 2025. As shown on the right-hand chart, capital expenditures were 6% higher



year-on-year versus the first half of 2024. This increase reflects higher investments in fixed and mobile infrastructure in Hungary, in line with our strategic objectives. During the first six months of the year, we expanded the fixed gigabit network in Hungary by further 80 thousand access points, achieving 85% gigabit coverage. We also completed further mobile network upgrades, delivering increased capacities and 86% population-based 5G coverage. In addition, we accelerated network investments in North Macedonia, implementing important upgrades to fixed and mobile infrastructure. In this market, our fixed network now provides gigabit optical access to 60% of households, whilst the 5G network has an over 90% population-based coverage. Under the recently signed Memorandum of Understanding, we have committed to increasing these KPIs to 70% household coverage with our optical network and 99% 5G coverage by 2028.

Our higher network spend during the first half of this year was partially offset by the asset retirement obligation recognized in the base period in the amount of 3.5 billion forint.

Turning now to free cashflow, which also benefited from the strong growth in EBITDA. This was further amplified by the favorable changes in working capital, especially in receivables, primarily driven by the lower volume of equipment sales on instalment. In addition, the proceeds from the sale of real estate assets and ViDaNet also contributed strongly to the overall performance. These positive developments led to a year-on-year growth of almost 50 billion forint in free cashflow to 86 billion forint in the first six months of the year.

Before we open the floor to questions, let me briefly summarize our performance against guidance at the mid-year point, and outline our expectations for the second half of 2025.

As you can see on slide 10, our revenue growth was just above the guided range in the first half of the year, supported by the positive impact from the fee adjustment for two



months of the period. As our growth rate during the second half normalizes, we expect to finish the year within the originally targeted range of 1-to-3% growth.

With regard to profitability and cashflow generation, we delivered a significant outperformance relative to our targets in the first half of the year. This was driven by more effective cost management, one-off income from asset disposals, as well as some risks which we had built into our assumptions not materializing. Consequently, we now expect EBITDA after leases to increase by around 15% versus 2024, i.e. the upper end of the previously targeted range, while adjusted net income and free cashflow are projected to reach at least 200 billion forint for this year.

With that, I will hand back to Dia to start the Q&A.

Dia Várkonyi

Thank you very much, André.

We are now happy to take any questions you may have. Please use the “raise hand” function; once selected, 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 conclude today’s call. Thank you again for joining us today. Please note that a transcript of this conference call will be available on our website shortly. If you have any follow-up questions, please don’t hesitate to contact us.