Q3 2025 Results Conference Call

November 13, 2025

Diana Várkonyi

Good afternoon, everyone. I'm Diana Várkonyi, Head of Investor Relations at Magyar Telekom, and it's my pleasure to welcome you to our Q3 2025 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.

If you haven't got our presentation in front of you, please note that this is available for download on the Investor Relations section of our website. 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 naturally come with some risks and uncertainties.

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

Tibor Rékasi

Thank you, Dia. Good afternoon, everybody.

First, I'd like to touch on the key strategic and operational developments of the third quarter. During this period, as data use kept rising across the board, we continued strengthening our gigabit networks, adding more capacity upgrades to mobile, and rolling out further optical access points on our fixed infrastructure. At the same time, we introduced a number of measures to help improve monetization of these investments. Our summer campaign, which gave customers free access to our gigabit network where they had the right equipment, made a real difference. Millions of people were able to experience the benefits these networks offer. During this period, we saw more than 700 thousand additional users on our 5G network as a result of the campaign, and even after the offer ended, we still had 20% more 5G customers than previously. We also saw strong momentum on our optical network. The number of new fiber subscribers rose thanks to our summer initiatives, and by the end of the third quarter, 90% of our broadband customers were using gigabit-capable technology.

One of the real highlights of this quarter was the launch of our new fixed service portfolio. Just like the mobile plans we introduced in April, it gives customers the freedom to build their own package by adding the services that matter the most to them. We've also expanded our broadband offering. We now provide download speeds of up to 4 gigabits per second to residential, and up to 8 gigabits per second to business customers. These ultra-fast speeds are powered by XGSPON technology, which we've rolled out across our entire optical network.

Our results show the clear benefits of these investments in capturing opportunities created by strong growth in customer demand for data. The 1.9% increase in service revenues in the third quarter was down to the 8% rise in mobile data revenues and the growth in broadband service revenues. If we adjust for the ViDaNet deconsolidation impact, this figure is up by over 6% year-on-year.

Our focus on maintaining leading positions in fast-growing segments of the telecom industry, together with the financial discipline that guides all our decisions, is reflected in Scope Rating reaffirming our BBB+ credit rating with stable outlook, even as our external environment becomes increasingly volatile.

Now let's look deeper into trends across our main KPIs during the third quarter, starting with the mobile segment on **page 4.** Our SIM growth continued to come mainly from new machine-to-machine connections, especially elderly care watches and smart meters. As in the rest of the market, the shift from prepaid to postpaid continued so prepaid numbers dropped as those customers moved over to entry-level postpaid plans. Even though our residential postpaid base continues to grow – thanks to both prepaid migration and new customers joining us – we're seeing a moderate year-on-year decline in total postpaid users. This is mostly due to public sector clients leaving for other providers. These particular SIMs generally had low ARPU and very slim margins, so their loss doesn't meaningfully affect our financial performance, which you can see reflected in the mobile ARPU trends chart on the right.

The 1.1% increase in blended ARPU is the combined result of strong ARPU growth across services, partly offset by the higher share of M2M SIMs in our service mix. The rise in postpaid and prepaid ARPU mainly comes from growing data usage across both customer segments. The monthly average data usage of a residential postpaid customer rose by 18% year-on-year to 23.6 gigabytes per month. In prepaid, the growth was much more pronounced at 42% year-on-year to an average of 5.4 gigabytes per month.

Looking at fixed service markets on **page 5**, we can see that growth is mainly coming from fixed broadband, where both the customer base and ARPU continued to rise in the third quarter. As shown on the charts on the left, the sale of the ViDaNet subsidiary temporarily affected our year-on-year subscriber numbers, but by Q3 the trend had recovered. We saw a strong net increase in broadband customers; a healthy rebound in the TV segment after several quarters impacted by the satellite service shutdown and the subsidiary sale, and we managed to keep the decline in fixed voice customers under control.

When it comes to ARPUs, the trends we saw earlier continued into this quarter - TV and fixed voice ARPUs declined slightly, but those drops were mostly offset by growth in broadband.

To wrap up from my side, I'd like to emphasize once again that we expect the demand for data and connectivity to keep shaping customer behavior going forward. That's why we'll stay focused on investing in and developing services that enhance the availability and quality of data-driven solutions.

With that, I'll hand over to André for a more detailed review of our financial performance.

André Lenz

Thank you, Tibor. Good afternoon, everybody.

Let me start with a review of our top line performance, on **page 6**. As you can see from this chart, the 1.3% year-on-year dip in revenue was predominantly down to external factors. While mobile service revenue continued to grow by 4.2% compared to Q3 last year, the decline in other segments offset this positive trend. The deconsolidation of ViDaNet led to a drop in fixed service revenues, which reduced this year's Q3 figure by about 1.5 billion forint. But if we set that aside, we see that fixed service revenues are actually improving, driven by the strong uptake of fast access connections, as Tibor mentioned earlier.

Looking at equipment sales revenues, the 2.9-billion-forint lower result was primarily due to weaker sales to third party export partners. Let me point out that this reflects our strategic decision to gradually phase out this activity, as it's no longer delivering the same level of benefit it once did.

Key drivers of revenue decline in System integration and IT included generally lower demand levels among public and private sector customers, especially for high volume projects. This is reflected in the decline in revenues from asset sales projects. On top of that, the absence of high-value deliveries that boosted last year's results also played a role in the year-on-year revenue decline. Even so, thanks to our strong market positions in key IT segments and our strategy of focusing on higher-value growth areas, we managed to keep overall profit from SI/IT projects stable compared to last year.

Turning now to the development of EBITDA after leases on **page 7**. Let me first highlight the 2.1 billion forint increase in gross profit we delivered in Q3 this year. This improvement comes from a mix of factors - higher mobile service revenues, the steady contribution from SI/IT services I just mentioned, and savings from favorable bad debt trends.

This result was amplified by the 9.2 billion forint positive impact resulting from the elimination of the supplementary tax.

Looking at our cost base, employee-related expenses were lower year-on-year, as the effect of wage increase we implemented in March was offset by the fact that last year's figures included accruals for year-end bonuses. Other operating costs remained under control, supported by our ongoing focus on simplification and efficiency. Consequently, we managed to grow EBITDA after leases by 13% year-on-year to reach a margin of 41.4% in Q3 this year.

This strong EBITDA growth fueled the significant increase in net income and adjusted net income, as shown on **page 8.** Adjusted net income came to 55.2 billion forint, up 20% on Q3 last year. In addition to EBITDA growth, lower interest expenses also contributed to this increase. However, part of the net income growth was offset by slightly higher D&A expenses due to a couple of one-offs in the base period, increased income tax in line with higher profit before tax, and a year-on-year increase in non-controlling interest.

The close to 50% increase in minority interest reflects higher profit levels at the North Macedonian operation, thanks primarily to the absence of a one-off expense that affected last year's performance.

Turning now to **page 9** and the development of capex and free cash flow in the first nine months of this year. As shown on the right-hand chart, capital expenditure was 18% higher year-on-year. This increase reflects higher investments in fixed and mobile infrastructure in Hungary, in line with our strategic objectives. During the first nine months of the year, we expanded the fixed gigabit network in Hungary by 163 thousand new access points, reaching close to 4 million in total. In addition, we accelerated network investments in North Macedonia, implementing important upgrades to fixed and mobile infrastructure.

However, our higher investment level didn't really show up in our year-to-date free cash flow because of strong seasonal differences in creditor payment schedules between the two years. As a result, total investment-related outpayments were only about 0.6 billion higher in the first nine months of 2025 versus the same period in 2024.

Now looking at additional drivers behind our free cash flow development… As you can see from the chart on the left, our performance benefited greatly from our strong EBITDA growth. This was amplified by the favorable changes in working capital. Receivable balances improved further in the third quarter, adding a total of 16 billion forint to our free cash flow year-to-date, which represents a 13-billion-forint improvement versus the same period last year. Vendor outpayments were also lower compared to last year, by about 12 billion forint for the first nine months. However, this is mostly down to seasonal differences, which we expect to reverse by year end.

In addition to these positive developments, the proceeds from the sale of real estate assets and ViDaNet, realized during the second quarter, also contributed strongly to overall performance. These favorable developments led to a year-on-year growth of over 70 billion forint in free cash flow, resulting in total cash in of 179.8 billion forint in the first nine months of the year.

Before we wrap up, let's take a quick look at our year-to-date performance and what we expect for the rest of the year, on **page 10.** Revenue growth in the first nine months of the year landed right about the mid-point of our guided range, driven by higher service revenues and supported by the positive impact of the fee adjustment for two months of the period. The fourth quarter typically brings strong seasonality in equipment sales and IT project deliveries, which could influence our full-year results. Nevertheless, taking everything into account, we expect to close the year within our originally targeted growth range of 1% to 3%.

Regarding profitability and cash flow generation, we delivered a significant outperformance relative to our targets in the first nine months of the year. This was driven by more effective cost management and one-off income from asset disposals, and it also reflects some seasonal differences between the two years.

Looking ahead to the remainder of the year, we expect some of these seasonal differences to level out during the final quarter. That said, we remain confident that we'll be able to meet all our targets for the year.

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

Dia Várkonyi

Thank you very much, André.

We're now happy to take any questions you may have. 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.