



Makedonski telekom AD Skopje

Explanation on the operation for the period

January – December 2024



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Chief Executive Officer's Statement

"We are continuing further with solid financial results, investments and growth in 2024 as well.

Apart from all global economic challenges, we continue to invest in the latest technologies and lead the way to the digital transformation of the society. This year, again we won the prestige Ookla® prize for best network. The results have shown highest speed of mobile and fix network as well as best quality of the mobile network and the customers' satisfaction measurement shows that we are number one for our customers.

"The results are a motive to continue with the committed work and stay leaders in the industry and strongly committed to our customers". – stated Nikola Ljushev, Chief Executive Officer of Macedonski Telekom.

Highlights of the results from operations

Macedonski Telekom in 2024 continued with the solid results. This is an outcome of the successful operations, focus on the modernization and expanding of the network infrastructure and pioneering in the implementation of the latest technologies, aiming towards best customers' experience.

Sales revenues growth by 2%. The sales revenues at the end of 2024 marked an increase by 2% compared to the previous year and amounted to MKD 12,145 millions.

In the scope of the revenues from core business there is a growth by 3.4% in the mobile services, while in the fix segment there is a slight decline by 0.8%, compared to the previous year.

Slight increase of EBITDA by 0.3%. The Earnings before interest, taxation, depreciation and amortization (EBITDA) in 2024 amounts MKD 5,100 millions. It is slightly increased by 0.3% compared to the previous year mostly due to the higher sales revenues.

The EBITDA margin for 2024 has decreased and amounts 41.7% compared to 42.2% at the end of the previous year.

Increase of the Net income by 7.6%. As a result of the movements of the revenues and costs as well as the financial incomes and expenses the Net profit for 2024 has increased by 7.6% compared to the previous year and amounts MKD 2,239 millions. The increase of the net income is due to the higher sales financial revenues as well as lower cost of consumed materials and other supplies and cost for depreciation and amortization on one side compensated by the higher employee related expenses and provisions on the other side.



<i>In MKD millions</i>	<i>2023 Jan - Dec</i>	<i>2024 Jan - Dec</i>	<i>Change YoY</i>
(1) Total Operating revenues	12.061	12.228	1,4%
(2) Sales revenues	11.913	12.145	2,0%
(3) Total Operating expenses	9.720	9.770	0,5%
(4) Electricity cost	470	330	-29,8%
(5) Depreciation and amortization	2.746	2.641	-3,8%
(6) = (3) - (5) Operating expenses excluding Depreciation and amortization	6.974	7.129	2,2%
(7) = (1) - (6) Earning before interest, taxation, depreciation and amortization (EBITDA)	5.087	5.100	0,3%
(7a) = (7) / (1) EBITDA margin in %	42,2%	41,7%	-1,1%
(8) = (1) - (3) Operating Profit (Earning before interest and taxation - EBIT)	2.341	2.458	5,0%
(9) Financial incomes	73	264	263,5%
(10) Financial expenses	61	166	173,1%
(11) income tax	272	318	16,7%
(12) = (8) - (9) - (10) - (11) Net Profit	2.080	2.239	7,6%

Operation analysis by segments

The overall analysis refers to the Unaudited Financial Statements of Makedonski Telekom (MKT) for the period 01.01.2024 - 31.12.2024, prepared in accordance with the International Financial Reporting Standards (IFRSs).

Mobile services

Mobile voice and non-voice services

On the mobile market, MKT has a **market share of 48.1%** (internal estimation, compared to 48.1% at the end of the previous year). The subscribers' base at the end of 2024 amounts to 1,282 thousand subscribers and it is stable compared to the previous year.

At the end of 2024, the revenues from **mobile retail voice and mobile non-voice services** marked an increase by 4.6% compared to the previous year.

The increase is mainly due to the higher number of post-paid subscribers, as well as increase of the roaming revenues, and on the other hand there is decline of the revenues from pre-paid mostly due to pre to post migration as well as the lower spending of voice services in the pre-paid segment. There is increase of the revenues from non-voice services mostly as a result of the increased revenues from mobile internet due to higher usage of bundled tariff models with non-voce services as well as the increased GPRS traffic in roaming.

Wholesale voice services

The revenues from **wholesale voice services** at the end of 2024 are increased by 1.8% compared to the previous year. The increase is due to higher volume of traffic from M2M supported by effect in the revenues as a result of the Western Balkan regulation.



Sales of equipment

The revenues from the sale of equipment at the end of the 2024 have increased by 3.6% compared to the previous year as a result of the increase of revenues from sale of handsets on instalments due to higher average sale price per device.

The blended ARPU (Average Revenue Per User)

The blended ARPU for voice and nonvoice services at the end of 2024 marked an increase by 4.2% compared to the previous year amounting to MKD 394.

Fixed services

Fixed voice and non-voice services

MKT maintains the **leading position on the fixed voice market with 62.2%** (internal estimation compared to 61.9% at the end of the previous year) or 233 thousand customers at the end of 2024.

The **voice retail revenues** in 2024 in the fixed segment services are slightly decreased by 1.1% compared to the previous year. At the end of 2024 the number of customers in the fix voice (including the customers using the convergent services) marked an increase by 2.2% compared to the previous year.

At the end of 2024, **the number of total BB accesses** (including the customers using the convergent services) is increased by 3.7% and amounts 242.5 thousand compared to 233.8 thousand at the end of the same period of the previous year. **The number of BB subscribers (excluding wholesale)** at the end of 2024 has increased by 3.5% and amounts 218 thousand compared to 210.5 thousand at the end of the previous year. The **broadband Internet market share** at the end of 2024 **amounts to 49.7%** (internal estimation, compared to 49.3% at the end of the previous year). The investments in the optic network have resulted in a continuous increase of the number of accesses to the optic network in the country. At the end of 2024 Makedonski Telekom has enabled more than 344 thousand accesses to the optic network which is an increase by 9.6% compared to the previous year.

The **revenues from retail Internet** at the end of 2024 have increased by 7.7% compared to the previous year.

Regarding the **TV market**, MKT has a leading position with **market share of 36%** of the total TV market (internal estimation, compared to 34.4% at the end of the previous year). The IPTV service (digital television via Internet protocol), with its high quality, interactivity and the unique TV experience, is excellently accepted on the market and MKT at the end of 2024 achieved an increase of the number of IPTV customers (including Magenta1, 3 Play and other TV services) by 5.5% compared to the previous year, which has resulted in a customer base of 159 thousand customers at the end of 2024.

TV revenues (digital television via Internet protocol "IPTV") at the end of 2024 have decreased by 3.3% compared to the previous year due to the decline of ARPU (Average Revenue Per User) from TV services.

Wholesale services

The **wholesale revenues** at the end of 2024 are declined by 17.2% compared to the previous year, mostly due to the decline of the revenue from the international transit to other fix telco operators and terminated international traffic to MKT network supported by the lower revenue from retransmission of TV content due to finished contracts for transition of TV rights.

System integration and IT

The **revenues from System integration and IT services** at the end of 2024 have decreased by 8% compared to the previous year, mostly as a result of the ICT projects realization dynamics.



Expenses

Operating expenses

On the cost side, at the end of 2024, the operating expenses marked a slight increase by 0.5% compared to the previous year, mostly due to increase of the employee related expenses and provisions partially compensated with the decrease of the cost of consumed materials and other supplies as a result of decline of electrical energy price as well as the decline of cost for depreciation and amortization.

The cost of trading goods sold is slightly decreased by 0.2%, while **the cost of consumed materials and other supplies** including the electricity cost are decreased by 25.6% at the end of 2024 compared to the previous year, dominantly due to decline of the electrical energy price as a result of the global movements of the electrical energy price.

The cost for services is decreased by 4% at the end of 2024 compared to the previous year mostly due to the decline of the costs for maintenance of the telecommunication equipment.

The **employee related expenses** at the end of 2024 are increased by 12.1% due to higher number of employees, mostly as a result of in-sourcing of the employees who are performing the activities related to the managed services. Additionally, the Company has higher expenses for provisions for employee related expenses compared to the previous year.

Capital expenditures

The amount of total Capital expenditures (CAPEX), at the end of 2024 is MKD 2,286.4 millions compared to MKD 2,628.2 millions at the end of the previous year.

Paid dividends and share capital indicators

The Shareholders' Assembly of MKT, at its meeting, held on 29 May 2024 adopted a Resolution for the dividend payment for the year 2023 and determination of the dividend calendar. In accordance with this Resolution the dividend for 2023 is in a total gross amount of MKD 2,212,067 thousand.

The gross amount of dividend per share for 2023 is MKD 25.65 which is increase by 33% compared to the dividend for 2022 (MKD 19.34). The dividend was paid within the legally defined deadline, 30 September 2024.

The price per share at the end of 2024 is increased by 4.2% compared to the previous year, while the Earning per share also mark an increase by 7.7% and amounts MKD 27.62 per share.¹

Share Capital indicators	31.12.2022	31.12.2023	31.12.2024
Earning per share (EPS) in MKD	19,34	25,65	27,62
Growth in %	-	32,6%	7,7%
Dividend per share (DPS) in MKD	19,34	25,65	NA
Growth in %	-	32,6%	-
Dividend yield (DY) in %	5,3%	6,7%	NA
Growth in %	-	26,1%	-
Average share price on a date in MKD	365,0	383,8	400,0
Growth in %	-	5,2%	4,2%
MBI - 10 (Macedonian Stock Exchange index)	5.652	6.116	10.201
	-	8,2%	66,8%

¹ The Earning per share is presented in accordance with the adopted International Financial Reporting Standards published in the "Official Gazette of the Republic of North Macedonia"



Plan and expectations for the next period

In the forthcoming period it is expected growth trend of the service revenues and net margin as a result of revenue growth from the core business. The higher net margin along with the effect of the cost decline as a result of the combined effect from the continuous optimization and increase based on inflation resulted with the increased EBITDA compared to the previous year.

The positive revenues' trend is expected to be secured by:

- Market growth and keeping the leader position related to the brand perception and sales network
- Implementation of the new TV platform with advanced features as a factor for differentiation from the others on the market
- Superior digital customer experience supported by the communication with the customers (Magenta Moments)
- Accelerating the simplification of the chain of services, building AI/ML (Artificial intelligence/machine learning) models for automatization and forecasting capabilities and gaining position of the most efficient operator on the market.
- Keeping the leadership position in FMC and securing generation of the positive value of the convergent households
- Securing and monetizing of the 5G spectar to secure the leader position related to the innovations in the mobile network and securing the preparation of the 5G environment
- Focus on ICT projects with higher margins and with own professional service.

Ukraine conflict and economic crises impact on the business and on the financial statements

The annual inflation rate has been slightly increasing and at the end of November 2024 it was at the level of 4.3% (3.5% in October). On one side, the measures for price regulation which were in force in the course of the previous year ceased and on the other, there was a higher growth of the food prices and lower decline of the prices of energy resources, which affected the basic component of inflation and the acceleration of the price increase. The inflation spread compared to the Eurozone marked slight increase and the average inflation rate for 2024 was measured at around 3.3% with the latest IMF country reports and it was still on a relatively high level compared to the historical average. Although a further decline in the prices is expected, the uncertainty of the future prices on the stock exchanges still persists due to the ongoing military conflicts.²

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation as well as the other ongoing military conflicts may have a further impact on the European and the global economy, apart from the one it already had on the energy prices as discussed above. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates in the future. Impact of the crisis has been experienced by the Company through the increased energy prices. The future long-term impact may also affect the trading volumes, cash flows, and profitability. Nevertheless, except for the increased energy cost, no other effects of the Ukraine conflict and other ongoing military conflicts have been experienced by the Company as of the date of these financial statements.

Nikola Ljusev
Chief Executive Officer

Slavko Projkoski
Chief Financial Officer

² NBRSM – Latest macroeconomic indicators Current situation overview – December 2024