



PRESS RELEASE

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Telekom Romania reports performance indicators for Q2'19

Telekom Romania group of companies

- *Fixed-mobile integrated services segment continued the positive evolution. FMC customer base reached 802,511 in Q2'19, increasing by 34.4% YoY;*
- *Consolidated revenues of EUR 231.2mn in Q2'19;*
- *Adjusted EBITDA of EUR 29.8mn in Q2'19*

Telekom Romania group announces key performance indicators in the second quarter of 2019, ended June 30, 2019, as reported today by OTE Group.

Consolidated revenues of Telekom Romania group in Q2'19 reached EUR 231.2mn, which represents an increase by 6.7% compared to Q1'19 and a slight decrease by 2.8% YoY, also driven by lower handset revenues, as Telekom Romania has shifted to the attractive #Netliberare and #BusinessLiber offers focused on best service offering.

Revenues from Retail Fixed Services amounted to EUR 59.3mn, down 5.3%, mainly as a result of lower revenues from fixed voice services, while revenues from TV and broadband returned to growth after several quarters. In addition, Retail Fixed Service revenues increased sequentially (up 2.6%) following two years of sequential quarterly decline, reflecting the favorable evolution in ARPU.

Total revenues from FMC services continued the upward trend, with an increase by 30.2% YoY, as the number of FMC subscribers rose by 34.4%, to 802.5k at the end of Q2'19. Through its FMC offering, Telekom Romania further strengthens customer loyalty, and a number of brand and network surveys underline this positive trend.

Voice users (including FMC) reached 2.1 million at the end of the second quarter of this year, registering a slight increase, by 0.9% YoY, with growing FMC customer base compensating for the continued decline of the subscriber number in the traditional fixed voice services.

The TV customer base amounted to 1.4 million in the second quarter of 2019, with a 5.7% decline YoY, mainly driven by the decline on old DTH technology. At the same time, the internet TV (IPTV) segment, recorded a 15% customer growth compared to the same quarter last year. Additionally, the Average Revenue per User (ARPU) for this segment increased significantly in the same time period.

At the end of Q2'19 Telekom Romania group reported 1.1 million broadband subscribers (both fixed and mobile) for the fixed line operations, down by 5.9% compared to the same quarter last year. At the same time, ARPU for this segment increased relevantly compared to the same quarter in the previous year.

Telekom Romania Mobile's customer base totalled 4.5 million at the end of June 2019, down by 4.9% YoY. However, we see positive results of the company's efforts to ensure a healthier mobile customer base. Of the total customer base, 35% were postpaid. Mobile Service revenues were down 4.4% YoY to EUR 78.8mn in Q2'19, mainly due to the impact of the transition in IT platforms



accounted for in Q4'18, which led to a number of disconnections and reversals in the latter part of the year. Stabilization of the Mobile Service revenues is expected in the second half of this year. Here as well the ARPU for the postpaid segment increased relevantly compared to Q1'19, continuing the positive trend started in Q4'18 and reflecting the increasing health of the customer base, after the necessary corrections were performed.

Revenues from Wholesale Services continued to increase in the second quarter of this year, by 28.4% YoY, reflecting the increase in international transit traffic business.

Adjusted EBITDA before IFRS 16 declined by 20.1% in Q2'19 as compared to the same quarter last year, to EUR 29.8mn, primarily reflecting lower retail revenue in both fixed and mobile. However, this represents an increase by 12.1% over the previous quarter, reflecting the ongoing positive development since Q4'18.

The company also registered a significant improvement in operating free cash flow YoY, highlighting the disciplined cash management since Q3'18 and ongoing success of cost transformation programs, which are starting to generate an increasing impact on the financial results and a continued improvement in operational efficiency.

“In the second quarter of this year, we see positive results on the main pillars of our commercial strategy. First, we see a sustained performance of the fixed-mobile convergent offers, both in terms of customer base and contribution in revenues for the retail fixed services segment. Second, we see a consolidation on the mobile segment, reflected in a healthier mobile customer base, as well as in customer satisfaction with our mobile offers. We continue to be very well positioned in terms of brand perception: we score second best brand in consumers' preferences on all segments – mobile, integrated services, TV and broadband.

The number of our customers benefiting from FTTH technology continues to increase, by an annual growth rate of 14%. At the same time, we continue to improve our operational efficiency, generating significant cash improvements, as we need cash for our growth.

On top we have been improving our cost base across all major categories, especially during the past year. We need further improvements like this, as competition and margin pressure is still intense, in certain areas we have still increasing costs and we have relevant upcoming investment needs, e.g. for our network and digitization. It is our ambition to constantly evolve, grow our customer base and further optimize our cost structure in order to build the “Telco/Netliberare of the future” to the benefit of our customers”, said Nicolas Mahler, Chief Financial Officer, Telekom Romania.

About Telekom Romania

Telekom Romania is a dynamic brand, offering fixed and mobile innovative communication services to a broad customer community, using approximately 10 million services.

Our solutions open a world of infinite opportunities to share the beauty of life together with our families, friends, partners, colleagues and citizens around us. Our mission is to enrich people's lives, by offering them fixed and mobile integrated services, latest technologies like 4G, optical fiber, as well as Internet TV which brings users a new entertainment experience, with access to exclusive and quality content, on all screens, and advanced interactive features. Telekom Romania is the trusted partner for companies, providing them with complete communications and IT&C solutions. Our network is bringing together people, machines and content, connecting them for a better, safer, simpler future.

Telekom Romania is present in the Romanian market since 2014, after the joint rebranding of Romtelecom and COSMOTE Romania.

Telekom is a brand pertaining to Deutsche Telekom, one of the world's leading integrated telecommunications companies.



EXPERIENȚE ÎMPREUNĂ.

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