



PRESS RELEASE

Bucharest, November 7, 2019

Telekom Romania posts third consecutive quarter of profit growth

Telekom Romania group of companies

- Consolidated revenues of EUR 243.5mn in Q3'19, corresponding to a 7.4% yoy growth;
- Adjusted EBITDA of EUR 36.1mn in Q3'19, resulting to three quarters of growth in a row;
- Fixed-mobile integrated services segment continued the positive evolution. FMC customer base reached 822,647 in Q3'19, an increase of 25.5% YoY;
- Disciplined cash and cost management shows results.

Telekom Romania group announces key performance indicators for the 2019 third quarter, ended September 30, 2019, as reported today by OTE Group. The financial performance for the quarter shows that the transformation programs initiated by the company have been delivering results, bringing Telekom Romania closer to its goal of redefining the operational model towards a simple and digital company.

Adjusted EBITDA before IFRS 16 grew for a third consecutive quarter, reaching EUR 36.1mn, which represents a 21.1% increase QoQ. Due to one-time effects in Q3'18, the YoY comparison shows a decrease of 12.4%, driven especially by the extraordinary financial impact of a sizeable real estate transaction that took place last year. All this despite continued strong competition in the market.

Consolidated revenues of Telekom Romania group in Q3'19 continued the upward trend started in the previous quarter and reached EUR 243.5mn, which represents a 7.4% increase compared to the same period of the previous year.

Revenues from Retail Fixed Services amounted to EUR 56.4mn, down 6% YoY, mainly as a result of lower revenues from traditional fixed voice services, which were partially compensated by the 2.1% improvement in TV revenues.

Voice users (including FMC) reached 2.1 million at the end of the third quarter of this year, registering a decrease by 0.9% YoY, reflecting the continued decline of the subscriber number in the traditional fixed voice services.

The TV segment registered an ARPU increase by more than 5% compared to the previous year, which over compensated for the slight reduction in customer base, which amounted to 1.35 million customers in Q3'19. This shows that there is consumer appetite for content differentiated TV offerings.

The slightly negative trend in broadband subscribers (up to 1.07 million customers) was also compensated by a higher ARPU over the same period, leading to a stable trend in broadband revenues YoY. Telekom Romania has recently launched the new Smart WiFi service, which offers customers super convenient way to get broadband at home. Customer demand is promising and is expected to show positive impact in the broadband customer base in the following quarters.

At the same time, the strategically important FMC segment continued its growth, with a revenue increase of 32.4% YoY. This came as a result of further increase in subscribers by 25.5% compared to the previous year, to 822,647 customers. The respective ARPU increased as well for a second



quarter in a row. This convergent services offering remains one of the main commercial pillars of Telekom Romania for strengthening customers' loyalty and satisfaction, something that several internal customer surveys underpin.

Mobile Service revenues continued to grow for the third quarter in a row to EUR 79.8 mn. This is a particular sign of healthiness after the clean-up of the base at the end of 2018.

Telekom Romania Mobile's customer base totalled 4.2 million at the end of September 2019, down by 9% YoY, mainly due to year-end 2018 clean up. However, the share of postpaid customers in the total base increased to 36.5%, leading to higher ARPU. On portability, Telekom Romania managed to attract a higher number of customers, up by 4%, versus the same quarter last year.

The positive results in postpaid sales are also fuelled by the launch of Mobil Nelimitat Cartela. This is a premiere product introduced in July 2019, bringing a fully digital customer journey and a simplified process to digitally migrate from prepaid to subscription, next to extended sales footprint in retailers' stores.

Revenues from Wholesale Services continued to increase in the third quarter of this year, by 67.3% YoY.

Moreover, the company continued to register a significant improvement in operating free cash flow YoY, providing us with more cash to fund our growth investments. This is the direct result of the disciplined cash management program running since Q3'18 and the ongoing success of cost transformation, which generate a continued and sustainable improvement in operational efficiency. We have been able to reduce our cost base by 3.8% compared to the same quarter in 2018. We will continue to further improve our cost base going forward to fund our future investments. For this we have a clear plan that we will continue to execute in a disciplined manner across all areas. As communicated in July, Telekom Romania also underwent a redundancy process, with the aim to support its transformation programs.

“During the third quarter, we continued our journey of delivering continuously increasing EBITDA results, while also generating higher cash flows. All within a difficult market environment. This shows that we are able to do both things in parallel: run successful internal cost transformation programs, as well as improve the revenue performance on the strategically most important customer segments. The third quarter performance also shows that we are on the right track in executing our strict focus on cost and cash discipline.

We are very pleased that we continued to lead the market in unique propositions, such as Mobil Nelimitat Cartela and Smart WiFi. These prove to be very attractive and strong propositions on our key segments of mobile and broadband services, as reflected in customers' satisfaction with our new offers and the commercial performance during the quarter. We are proudly continuing the very attractive unlimited mobile internet propositions to our customers under #netliberare and #businessliber umbrellas. Our customers love our offering and thus demand for mobile data consumption is steadily increasing.

As previously, 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 work is not done yet, but we can see that we have managed to find the right way”, said Nicolas Mahler, Chief Financial Officer, Telekom Romania.



EXPERIENȚE ÎMPREUNĂ.

About Telekom Romania

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

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.

CONTACT:

TELEKOM ROMANIA

TELEKOM ROMANIA COMMUNICATIONS S.A.

TELEKOM ROMANIA MOBILE COMMUNICATIONS S.A.

Corporate Communication

E-mail: mediarelations@telekom.ro

TELEKOM ROMANIA

TELEKOM ROMANIA COMMUNICATIONS S.A.

TELEKOM ROMANIA MOBILE COMMUNICATIONS S.A.

3-5 Piața Presei Libere, City Gate (North Tower), 18th Floor, 1st District, 013702, Bucharest

E-mail: mediarelations@telekom.ro

Further information for journalists: www.telekom.ro