



PRESS RELEASE

Bucharest, May 14, 2020

Stable Performance for Telekom Romania in Q1 2020

Telekom Romania group of companies

Telekom Romania group announces key performance indicators in the first quarter of 2020, ended March 31, 2020, as reported today by OTE Group.

With a year-on-year growth on the major financial KPIs - Revenue & EBITDA – the company managed to improve the results in Q1 2020, compared to the same period in the previous year. Consolidated revenues increased to 237.1 mln. €, a growth of 9.5% over the result of Q1 2019. At the same time, Adjusted EBITDA after Lease grew by 31.5% to 33.8 mln. €.

Total Fixed Revenues amounted to 125.8 mln. € in Q1 2020, an YoY increase of 23.9%, especially driven by strong growth in the company's ICT segment with a growth of more than 100% and the Wholesale business, which grew by 31%. Retail Fixed Revenues showed a slight decline of 2.2%, due to the ongoing decline in the traditional voice telephony business and only partly offset by the growth in broadband revenues.

Broadband revenues grew by 11.8% YoY, reaching 18 mln. € in Q1 2020, thanks to a focus on higher-value customers and resulting increase in Average Revenue per User (ARPU), which was able to overcompensate a reduction in the customer base. Revenues from TV Services remained stable, with a customer base of 1.3 mln. subscribers, declining compared to Q1 2019, mostly on DTH, in the course of the ongoing transformation towards new TV technology, such as IPTV. As part of this orientation to modern TV technologies, Telekom Romania introduced a new Smart TV Stick product at the end of Q1 2020, offering customers the ability to turn their old devices into a Smart TV plus enjoying premium Telekom content, without the need for any technical upgrades. Thus it is easy to use, as clients can access TV content via the use of a TV stick and without the need of additional cables or a technical installation – “plug & play”.

The FMC customer base continued to grow the eighth consecutive quarter in a row, to 857,000 users, further strengthening the company's market position for convergent fixed-mobile service offers.

Mobile service revenues declined by 3.8% compared Q1 2019 to 73.3 mln. €. This was driven by a reduction in interconnection in mobile networks, and partially due to lower traffic from international visitors during the COVID-19 related travel restrictions in Q1 2020. The mobile contract customer base, including FMS grew with 1.6% compared to the previous year, to reach 1.6 mln. subscribers.

In Q1 2020, the effects of the company's ongoing cost transformation were further visible, with significant decreases on major cost categories across the firm. With the outsourcing of TV production activities, Telekom Romania successfully implemented a further step in the structural cost improvement and organizational transformation, with further optimizations planned for the rest of the year in other areas. The number of internal employees decreased by 17% YoY and reached 4,923 at the end of Q1 2020.

“Despite the current challenging economic situation, we have achieved a good result for the first quarter of 2020, with an increase in Revenue and EBITDA. We are continuing on the growth path we have initiated and are seeing the results of our continuous transformation of the company. With the first impacts of the COVID-19 crisis visible and further impacts on our revenues expected, we will intensify our efforts to cut our expenditures, in order to meet our targets on EBITDA and FCF for 2020.,” said Nicolas MAHLER, Chief Financial Officer, Telekom Romania.



“The results of the first three months of the year confirm the correct approach we had so far. The effects of the economic lockdown imposed following the Covid-19 pandemic started to show at the end of Q1. Telekom Romania has adapted to the new context, but we, as all businesses, need to brace for impact in the coming months, since we are an integrant part of the Romanian economy. We are doing and will do everything is in our powers to prevail”, Miroslav MAJOROS, CEO Telekom Romania, said.

Nicolas MAHLER continued: “The current COVID-19 pandemic in Romania, Europe and across the world has confronted us with many challenges, just like the rest of the economy. Our first imperative in this situation was, of course, the safety and wellbeing of our employees. We managed to react to the shifting situation quickly and adapted to the new circumstances. Within just a few days, 64% of our employees, which equals 3,200 FTE, started to work from home and we took all precautions to ensure the safety of those colleagues, whose position did not allow for remote work.”.

“Special thanks has to go out to our front line employees, especially in technical functions, whose work cannot be performed from home. Through their commitment, we were able to keep the network operating within the context of traffic surge. Furthermore, we increased our digitization efforts, providing customers with more options to get in contact with us or pay their bills, without having to physically visit our premises and the significant increase in the share of digital transactions shows that customers appreciate these offers. On our [website](#), customers can easily see all the different options to pay their bills and choose according to their preference.”.

“At the same time, we are aware of our obligation towards society, now more than ever. As telecommunication provider, we follow the mantra to “Keep Romania Connected”. It is our mission to support in these difficult times, by enabling people across the country to work remotely and to stay in touch with their families and loved ones. We support the educational system through free access to the Adservio platform, until year-end, enabling remote classrooms for schools across Romania. We donated handsets and opened SMS donation lines to various nongovernmental organizations engaged in the fight with Covid-19. For our business customers we offered the Business Continuity package, through which they could receive access to a series of services to keep their business running with no added cost for 3 months. To answer increased home entertainment needs, we not only introduced the new Smart TV Stick, but also enabled customers of our TV M product to have access to the full range of channels without extra charge.

“In Q1 2020, we also continued our progress on the structural cost transformation of our company. By completing the outsourcing project for our TV production activities to a specialized third party, we have put the next piece in place. The overhaul of our cost structure will continue and constitutes a vital element of our strategy. The savings achieved through this optimization allow us to drive important investments into our future and to ensure continuous growth of our business. This becomes even more critical during the economic uncertainty placed on us by the Covid-19 pandemic. Even though the effects we experienced so far have been manageable, it is clear that a crisis like this never has a winner and a further impact on our revenues is likely to occur in the future. To cover this and to safeguard the financial performance of the OTE group, we are taking pre-cautious measures, especially through a drastic reduction in expenditures and activities, which do not have a direct impact on our revenues. We are working to severely limit costs, especially on items such as travel, utilities and purchases, while also re-negotiating with our suppliers across all relevant categories.”.

“In this period of economic uncertainty, we are more convinced than ever, that our strategy is correct. Our transformation to a more digital, simplified company continues and the successes we have already achieved are providing us with a more stable base to weather the current turbulences. That is why we will continue our disciplined focus on cost reduction and further driving the digitization of our processes in Q2 and the rest of the year. Even more than ever: Cost discipline! At the same time, we will continue our mission to liberate the internet, delighting our customers with attractive offers and innovative new products. The launch of our new Smart TV Stick & Smart WiFi offerings are another step towards this goal and we are happy to see that our customers agree with us, as our satisfaction surveys show that the majority of new customers would recommend our services to others.”

Nicolas MAHLER added: “We can clearly see the turnaround and we can be proud of the improvements we have already achieved. At the same time, we are not where we want to be yet. Our EBITDA margin of 11.9% in Q1 2019 was unsustainable and even though we managed to grow this margin to 14% in the current quarter, it is still short of our ambition. In order to reside on a healthy financial basis and to finance our



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investment needs, we need to aim for an EBITDA margin beyond 20% in the midterm. To achieve this ambition, we need to continue our growth, while further driving our structural cost transformation.”

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.

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