



## PRESS RELEASE

Bucharest, August 6, 2020

### **EBITDA Growth and Nearly Stable Revenues for Telekom Romania in Q2 2020, Despite COVID-19 Crisis**

#### ***Telekom Romania group of companies***

Telekom Romania group announces key performance indicators for the second quarter of 2020, ended June 30, 2020, as reported today by OTE Group, showing nearly stable revenues and a continued increase in EBITDA YoY.

In Q2 2020, the consolidated revenues were impacted by the ongoing global COVID-19 pandemic – similar to other operators in EU - as travel restrictions reduced roaming and visitor revenues, while temporary closure of key points of sales negatively affected handset sales. This impact was nearly fully compensated through an increase in revenues from the company's ICT & wholesale segments, leading consolidated revenues to 228.9 mln. €, a slight decline of 1% compared to the same period in 2019.

Despite these adverse effects, adjusted EBITDA After Lease grew by 25.7% YoY, reaching 36.2 mln. €, especially due to the company's ongoing cost transformation and its additional cost containment measures due to COVID-19. The YoY growth in EBITDA for the third consecutive quarter provides further proof of the company's continued and sustainable recovery, even in the face of additional economic challenges through the COVID-19 crisis.

Total mobile revenues declined by 9.2% compared to Q2 2019, to 93.8 mln. €. This was driven by a reduction in termination fees for mobile networks imposed by the regulator, and is partially due to lower traffic from roaming and international visitors during the COVID-19 related travel restrictions in Q2 2020. Moreover, during the lock-down, as part of the country's state of emergency, a third of the company's retail shops, especially in large malls, were closed. Thus affected handset sales and slowed down overall customer acquisitions. By the end of Q2 2020, all retail locations could to reopen. Despite this, the mobile contract (postpaid) customer base grew by 6.1% compared to the previous year, to reach 1.6 mln subscribers.

The customer base of the strategically important Fixed-Mobile-Convergence (FMC) segment continued its increase in Q2 2020 with 9.4% compared to the same period in the previous year, now reaching 881k subscribers, and further reaffirming Telekom Romania's market leadership in this segment.

Total Fixed Revenues amounted to 121.1 mln. € in Q2 2020, a YoY increase of 7.2%, especially driven by strong growth in the company's ICT segment with an increase of 25.1% and the Wholesale business, which grew by 21%, overcompensating a contraction of 6.6% in Retail Fixed Revenues. The voice business showed signs of stabilization, with revenues remaining stable compared to the previous two quarter at 14.3 mln. €, helped by the increase in FMC customers.

The transformation of the TV customer base towards future-oriented technologies - such as IPTV - continued with subscribers declining to 1.26 mln. In Q2 2020, mostly on DTH services, which was partly mitigated through an increase in ARPU during the same timeframe, leading to a contraction of TV revenues YoY. At the same time, the company's new Smart TV offer, which allows customers to transform their television set into a Smart TV without additional installation and irrespective of the provider, continued to grow to a base of 17.4k subscribers, since its launch at the end of Q1 2020. The decline in TV revenues was partially compensated through a growth in broadband revenues, which increased 8.4% YoY through focusing on higher-value customers.

All this time, Telekom kept Romania connected with special offers for all customer segments, in order to support Romanians to continue to work, learn and entertain themselves safely, from the comfort of their homes. Similarly, the company continued to help the most affected segments of society and supported



modern educational models, by implementing Wi-Fi in over 700 schools across the country, while also providing access to digital learning for Romanian schools via the Adservio platform.

In Q2 2020, the effects of the company's Cash for Growth program were further visible, with significant decreases especially on indirect costs, which were 10% lower, compared to the same period in 2019. This improvement was achieved through the continuous implementation of cost reduction measures across all business areas, as part of the company's ongoing cost transformation program and further accelerated through additional measures put in place to mitigate the negative top line effects of the COVID-19 crisis, on various cost items.

At the same time, during the COVID-19 crisis, the company did not implement personnel reduction measures, such as layoffs or technical unemployment.

"In Q2, we kept our revenues stable and continued our EBITDA growth, despite the difficult circumstances. In this quarter, we have shown that through our strategy of tight spend control and cost transformation, we are able to overcome and mitigate the unexpected effects of the COVID-19 pandemic on our top line. I am happy that we achieved the third consecutive quarter of EBITDA growth and that gives me confidence, that we have chosen the right approach to achieve a stable and sustainable recovery of our financial performance", said Nicolas MAHLER, Chief Financial Officer, Telekom Romania.

"We have managed to quickly adapt to the pandemic situation, all pulling together in the same direction and were able to implement the necessary changes in record time. Now and in the coming period we will have to continue to adapt our way of working to the new normal – of course, always with the customer in mind. One thing is clear, the path of digitalization that we have already started as a company is more relevant than ever and we will continue to push into this direction, in order to facilitate our work under the new circumstances. All under the guiding motto: <<Strong during the crisis and together even stronger after the crisis>>. I am personally very happy that our response is also recognized by our customers, who according to a recent study, placed a lot of trust in Telekom, especially during the COVID-19 lockdown", said Miroslav MAJOROS, CEO Telekom Romania.

Nicolas MAHLER continued: "With a very strong performance in our ICT and Wholesale segments, we were able to keep our consolidated revenues stable for this quarter. This is also the result of an increased demand for digitization solutions on the part of our business customers, which we were able to fulfil both through our standard product portfolio, but also through tailor made solutions. At the same time, our new products for the consumer segments – Smart WiFi & Smart TV Stick– continue to be very well received by customers, showing that we are providing the right solutions for this current challenging time, at which connectivity and digital communication is more important than ever. It is great to see our customers' appreciation for these offers, especially the award for Product of the Year®, which we received for our Smart WiFi solution. We are very proud to be the company that is keeping Romania connected."

"Of course, we could only be successful in our mission to keep Romania connected through this difficult period, thanks to the ongoing and dedicated work of our front line employees, such as our field service technicians. They worked tirelessly to solve all customer requests on site and ensured our networks could continue to operate on the usual high level of quality. I want to take this opportunity to say a very special thank you to these colleagues, who continued to do their job with great passion out in the field, while a vast number of Romanians were able to switch to a work from home mode. We will continue to ensure all necessary safety and protection measures, to keep our colleagues safe, while they are out there, in the service of the customer."

"While we are, of course, focusing on the wellbeing of our employees, we also have not lost sight of the health of our valued customers. Especially during the COVID-19 pandemic, it is very important to switch interactions, such as payments or billing to digital channels. This not only makes it safer, but also much faster for our clients. We are doing our best to make this process as simple as possible and we are happy to see our customers embracing it, with eBill usage growing up by more than 70% YoY."

"The previous quarter has again shown the importance of rigorous focus on cash management and cost transformation, as key drivers of our ongoing financial recovery and as the basis for funding needed investments in the future. This becomes even more vital in the face of the unfolding economic impacts of the COVID-19 pandemic. We will continue our strategic path of strict discipline on expenses & cost optimization

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across the organization, to ensure healthy cash flow, and continuous process digitization, for the remainder of 2020", concluded Nicolas MAHLER.

*\* Study conducted online, between 06.03.2020 - 09.04.2020, by Exact Business Solutions, on 30 categories. In the "Wireless Internet" category, the sample was of 500 respondents, 18-65 years old, from urban areas, internet users. The maximum sampling error is +/- 4.4%.*

*\*\* TRI\*M CUSTOMER LOYALTY SURVEY Q1 2020 Business Customers*

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### 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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