



PRESS RELEASE

Bucharest, November 12, 2020

Continued EBITDA Growth for Telekom Romania in Q3 2020

- Revenue stable year on year (+0.2%);
- Adjusted EBITDA (AL) up 40.5% as disciplined cost initiatives mitigate pandemic impact on revenues;
- OTE announced agreement to sell its 54% stake in Telekom Romania Communications S.A. to Orange Romania, to the benefit of all stakeholders.

Telekom Romania group announces key performance indicators for the third quarter of 2020, ended September 30, 2020, as reported today by OTE Group, showing a stable development on revenues and the fourth consecutive quarter of YoY EBITDA growth.

Consolidated revenues in Q3 2020 reached €244.1 mln., a slight growth of 0.2% compared to the same period in 2019, despite the fact that the effects of the Covid-19 pandemic were still evident in the Romanian economy and across Europe. At the same time, EBITDA After Lease grew by 40.5% YoY to €50.3 mln. in Q3 2020, helped by one time-effects in 2020. Excluding one-time effects, EBITDA growth remained significantly above 30%.

Total mobile revenues increased by 2.8% compared to Q3 2019, amounting to €109.2 mln. The number of contract subscribers grew by 9.8% YoY to 1.69 mln. Mobile Service revenues were adversely affected by a reduction in termination rates for mobile networks, as well as lower traffic from roaming and international visitors during the COVID-19 related tourism slowdown in Q3 2020.

On the Fixed-Mobile-Convergence (FMC) segment, Telekom Romania reaffirmed its strength, with an increase in subscribers of 10.1% compared to the same period in the previous year, reaching 909k in Q3 2020.

Total revenues from Fixed Business grew by 1.5% to €117.0 mln. in Q3 2020, driven especially by a YoY growth in Wholesale revenues of 6.6% to €43.7 mln., mitigating a reduction in Fixed Retail Revenues of 4.6% compared to Q3 2019. The traditional voice business showed signs of stabilization, with the YoY decline in revenues slowing down in 2020, despite the Covid-19 negative impact.

The QoQ reduction in TV subscribers also slowed down in Q3 2020, with the total customer base amounting to 1.24 mln., an effect of the ongoing decline of older technologies, such as DTH services. At the same time, subscribers to Telekom's innovative Smart TV Stick more than doubled compared to Q2 2020, to 39.5k. The product allows customers to effortlessly turn their old television set into a smart TV, without the need for technical installations.

Meanwhile, broadband revenues grew by 11.9% YoY up to €17.8 mln. in Q3 2020, especially due to the continued focus on customer value.

Starting on the 9th of November 2020, Vladan Peković, the former Chief Technology and Information Officer of the Romanian operations, was appointed CEO of Telekom Romania group of companies. His mandate is to continue to develop further the fixed and mobile operations of the company, to the benefit of all stakeholders. "I am honored by the shareholders' trust, and, together with the management team I will continue the growth story of the operations in Romania", Vladan Peković stated.

In Q3 2020, Telekom Romania's EBITDA improvement was to a large part supported by the continued transformation of the company's cost base, with Indirect Costs reduced by 12.6% YoY in Q3 2020. Telekom's strategic cost reduction program, started in the second half of 2018, continued in Q3, leading to an ongoing structural reduction of the cost base on all relevant cost lines. At the end of the third quarter, Telekom Romania completed its IT transformation project, by implementing a long-term strategic partnership with Accenture.

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In addition, the company implemented additional cost saving measures in Q2 and Q3 2020, to mitigate challenges of the ongoing COVID-19 pandemic, while staying true to its decision not to proceed with any personnel reduction measures during the crisis.

Commenting on Q3 results, Nicolas Mahler, Chief Financial Officer, Telekom Romania, said: “More than half a year into the COVID-19 pandemic, we see that our strategy is working, also in the face of external challenges. We managed to keep our revenues stable and continue to grow on EBITDA. This is mainly due to our rigorous focus on cost control and our comprehensive transformation of the company over the past 2 years. While we saw pressures caused by the pandemic, especially on roaming, we were able to stabilize our revenues, also thanks to a very strong performance of our wholesale segment. What’s more, we are seeing consistent growth in our strategically important customer segments – Mobile Contract and FMC. At the same time, the accelerated need for digitization of companies and government agencies during the crisis offers additional opportunities for our ICT business.”

Nicolas MAHLER continued: “We also further drove the digitization of our own company, accelerating the efforts already in place as part of our transformation strategy. On our internal processes, we continued the exponential growth of Robotic Process Automation within Telekom, currently doubling the number of active robots every 12 months. At the same time, we are continuously expanding our digital offers towards our customers, making it faster, easier and most importantly safer to enjoy our products and services. As part of this effort, we introduced even more features to our mobile app, letting customers handle their service needs from the comfort and safety of their homes and introduced a Chatbot, which is available to our customers any time of day to provide fast answers to important requests. I am very happy to see our customers’ appreciation for these offers: the active users of our mobile app more than double compared to Q3 2019, while the share of customers receiving a digital invoice increased by 70% in the same timeframe.”

“To further empower the digitization of our company and to strengthen our IT capabilities, we completed the IT transformation project, via a long-term strategic partnership. This step is the latest building block in the transformation of our company, further streamlining our cost base, which we managed to reduce by 12% compared to the same timeframe last year. This is in large part the achievement of our disciplined and focused cost reduction program – Cash for Growth – through which we continue to drive structural improvements across all areas of our business. In addition to this, we have implemented further cost reduction measures, in order to mitigate the potential negative effects of the Covid-19 pandemic on our business”.

Nicolas Mahler concluded: “Our continued disciplined cost transformation, coupled with growth in strategically important customer segments have enabled us to further solidify our financial turnaround. The growth in our EBITDA margin to over 20% in Q3 2020 further highlights the stable base of our recovery and enables us to finance necessary future investments, needed to grow in our industry. We remain vigilant, especially in the face of the ongoing COVID-19 crisis, which will continue to affect our economic environment.”

OTE S.A. announced it has entered into an agreement to sell its 54% stake in Telekom Romania Communications S.A. to Orange Romania. The transaction is subject to regulatory approvals and other conditions and is expected to be completed within the second half of 2021. Until then, nothing changes for the customers. The company will continue to provide the same services, as today.

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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EXPERIENȚE ÎMPREUNĂ.

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