

VIVACOM SECOND QUARTER RESULTS 2016

Sofia, 2 August 2016

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The information contained in this presentation is on consolidated basis as at 30 June 2016, unless otherwise noted.

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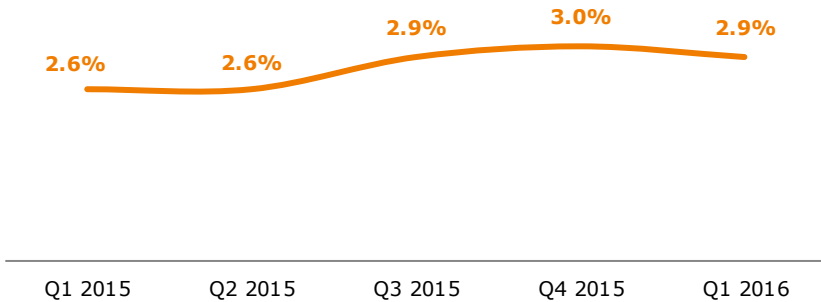
1. Overview
2. Performance highlights
3. Financial review
4. Results outlook for 2016
5. Q&A session

1. OVERVIEW

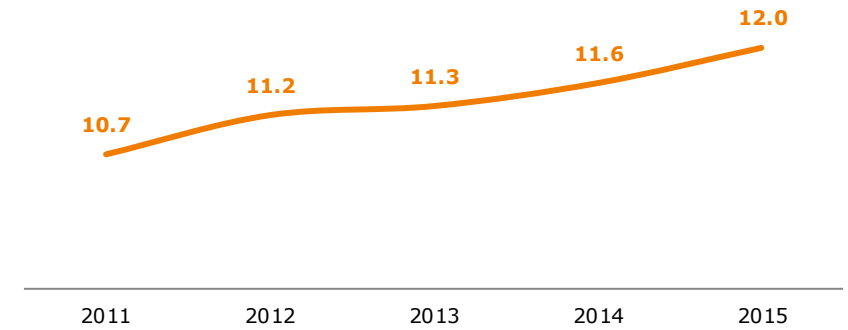
Atanas Dobrev
Chief Executive Officer

Macroeconomic environment

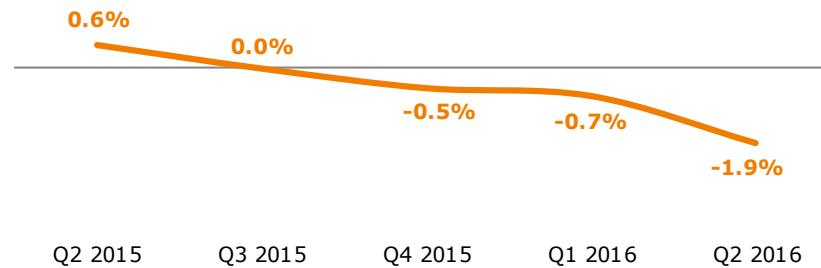
GDP recovering slowly
(%)



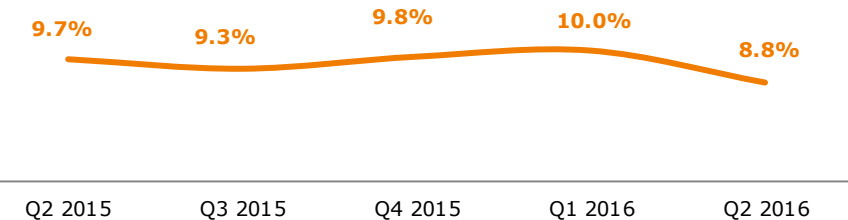
GDP per capita on the rise
(BGN 000s)



CPI still in negative territory
(%)



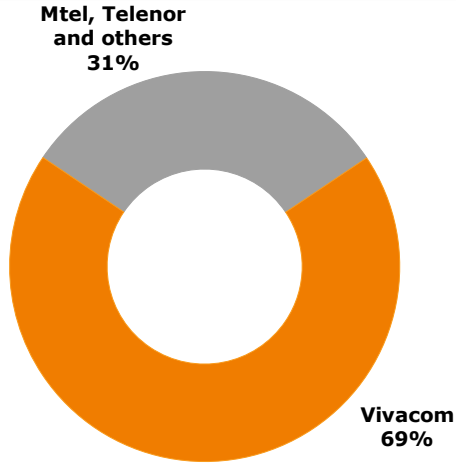
Unemployment with seasonal decrease
(%)



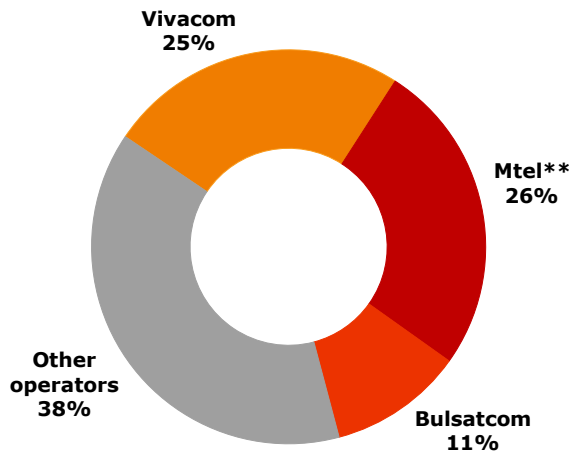
Source: BNB, Employment Agency, NSI
Unemployment (Employment Agency methodology) calculated as average of the respective monthly figures.

Company snapshot

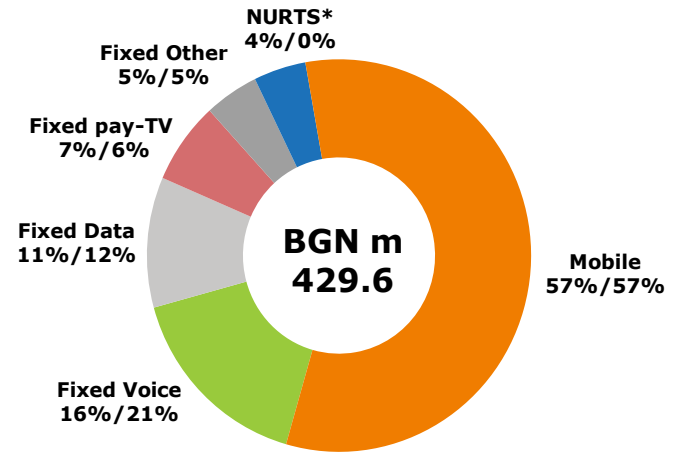
Incumbent fixed operator with high revenue share
 (% share in fixed voice revenue as of Q1 2016)



Second largest fixed broadband operator
 (% fixed broadband subscriber share as of Q1 2016)



Well diversified and resilient business model
 (% of revenue, H1 2016 / H1 2015)



- Leading integrated telecom operator in Bulgaria:
 - #1 in total revenues
 - #1 in fixed voice - 69% revenue share
 - #2 fixed broadband – 25% subscriber share
 - #1 IPTV operator and #3 pay-TV provider
 - 4G network launched in May, reaching 40% population coverage end of June 2016

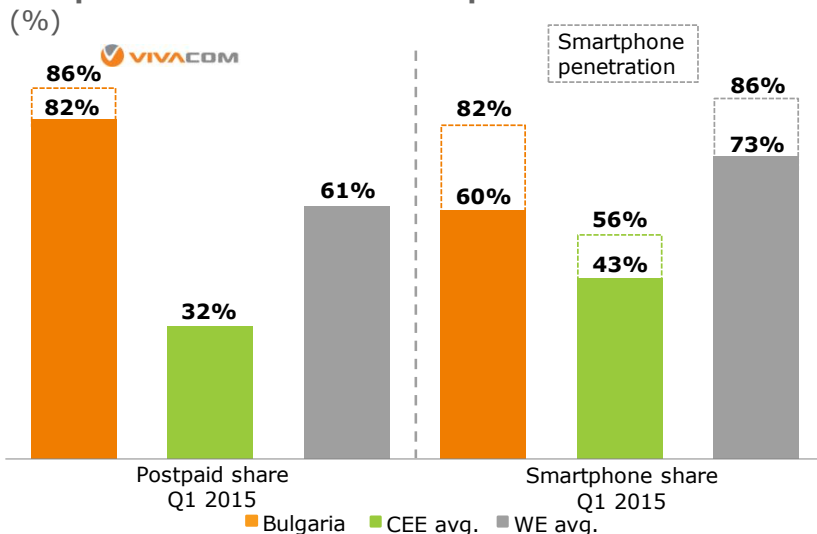
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data

* NURTS Group revenue with consolidation adjustments.

** Market positions following Mtel's acquisition of Blizoo (completed on Sep 28th, 2015). Consolidation started from Q4 2015.

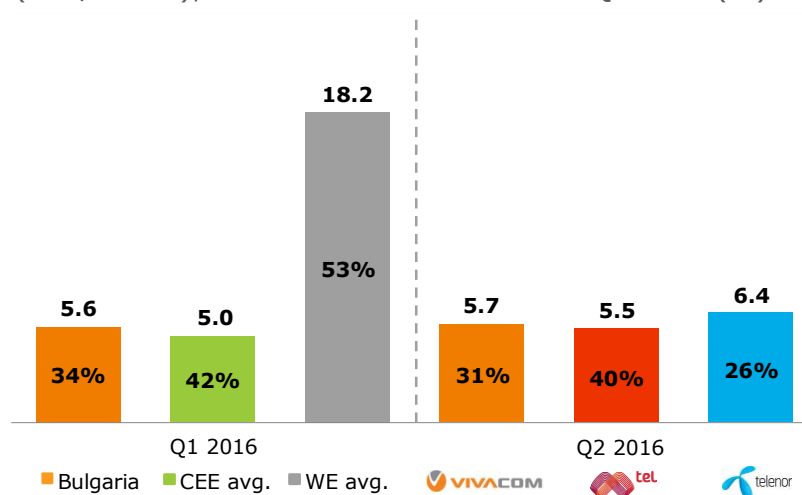
Market highlights

Postpaid mobile market with upside in data



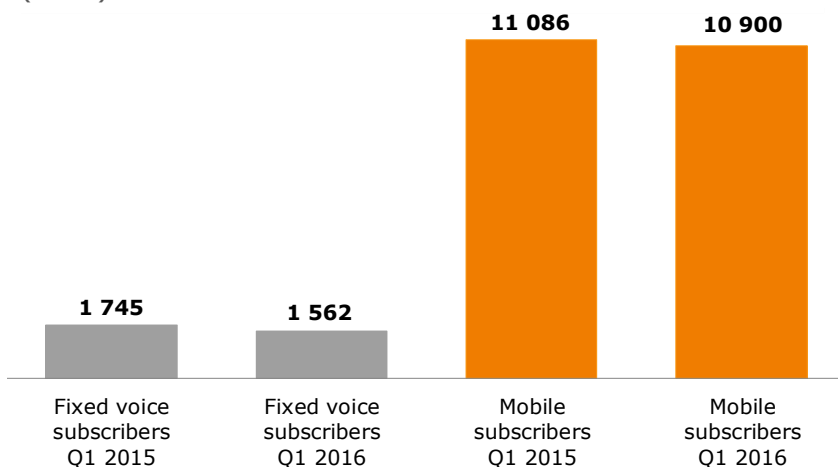
Mobile blended ARPU and growing share of data

(EUR/month); share of data in ARPU as of Q1 2016 (%)



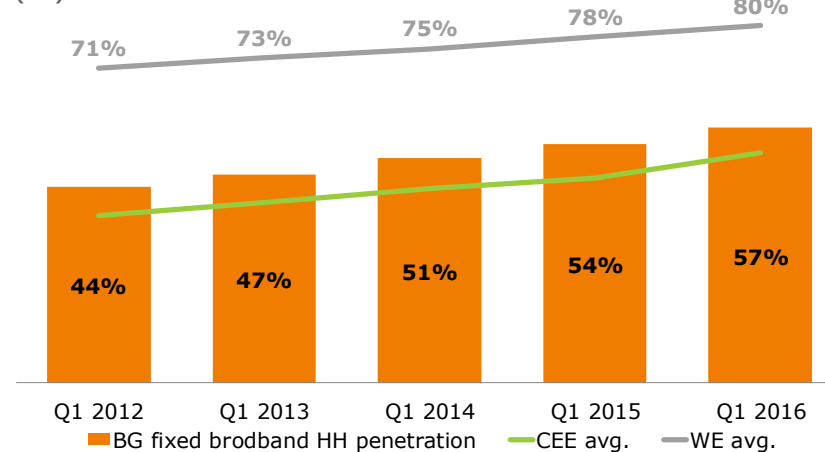
Fixed voice with substitution to mobile

(000s)



Fixed broadband penetration growing

(%)



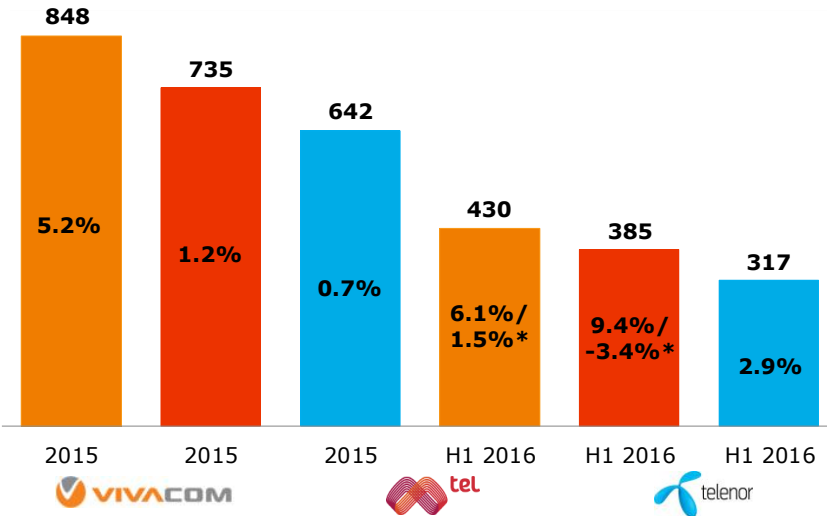
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data, TA reports, Telenor reports
 All figures are based on active subscribers. Fixed voice subscribers include narrowband and VoBB connections.
 Smartphone share is defined as number of smartphones divided by number of active mobile handset connections.
 Smartphone penetration is defined as number of active smartphones divided by population.
 Company postpaid market share and blended ARPU by operators are as of Q2 2016, as reported.



Performance overview

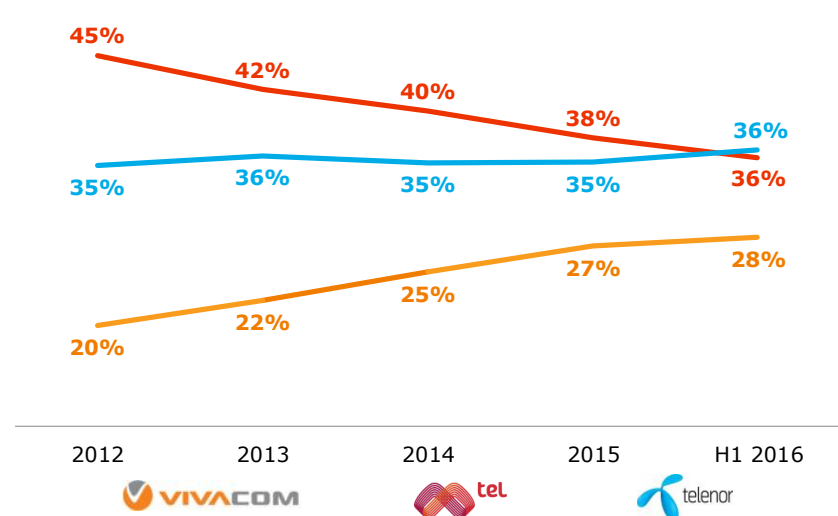
#1 Telco company on total revenues

(BGN m, prior year variance %)



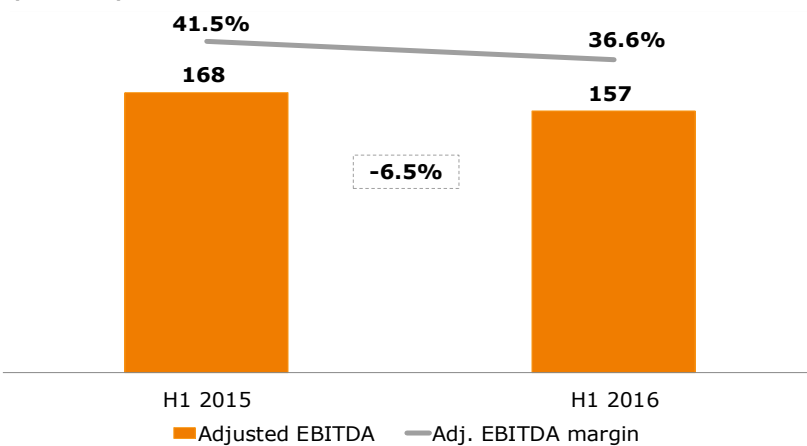
Gaining share in mobile service revenues

(%)



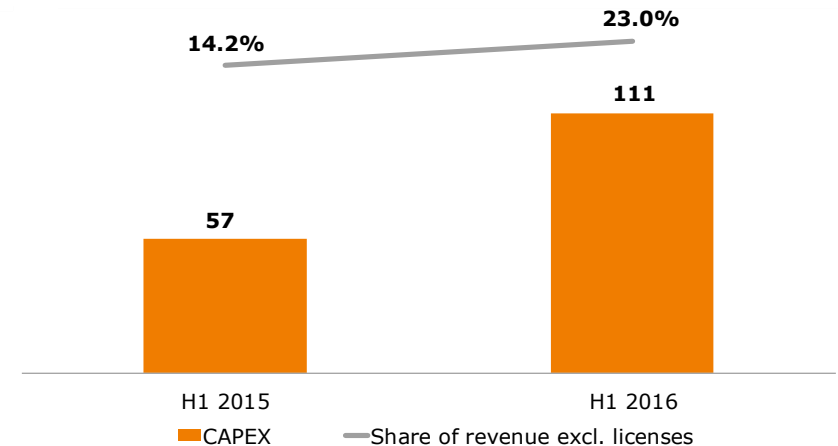
Adjusted EBITDA led by higher costs in growth areas

(BGN m)



Focus on SRAN and LTE roll-out Capex

(BGN m)



Source: Company data, Telekom Austria reports, Telenor reports

* Excluding acquisitions of NURTS by Vivacom and Blizoo by Mtel.

Mobile service revenues exclude visitor roaming and M2M revenues.

Mtel and Telenor mobile service revenues include fixed-wireless voice revenues.



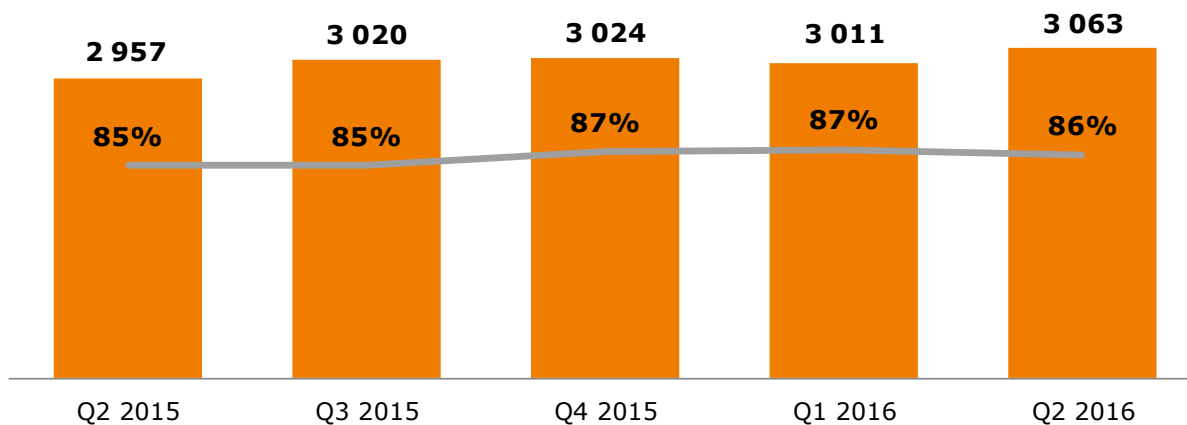
2. PERFORMANCE HIGHLIGHTS



Mobile key metrics

Subscribers (000s)

— Postpaid share

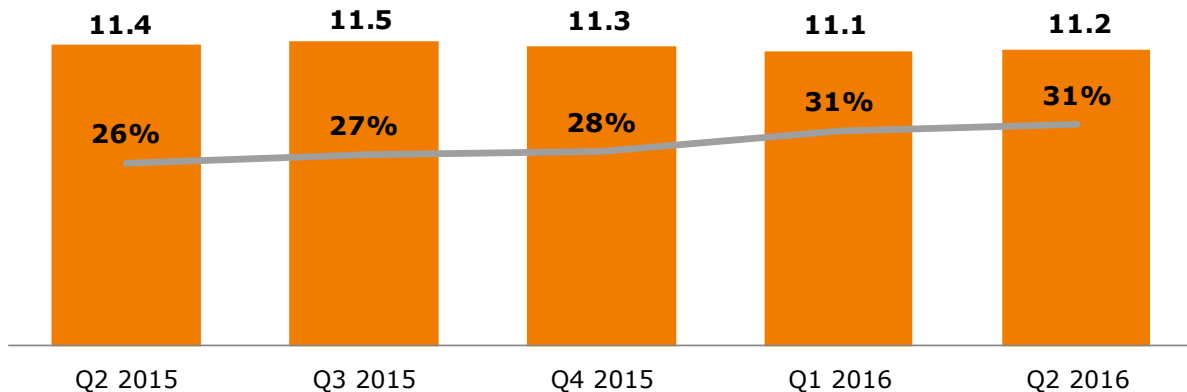


Highlights

- Growing mobile subscriber base with seasonal increase in prepaid

ARPU blended (BGN)

— Data share



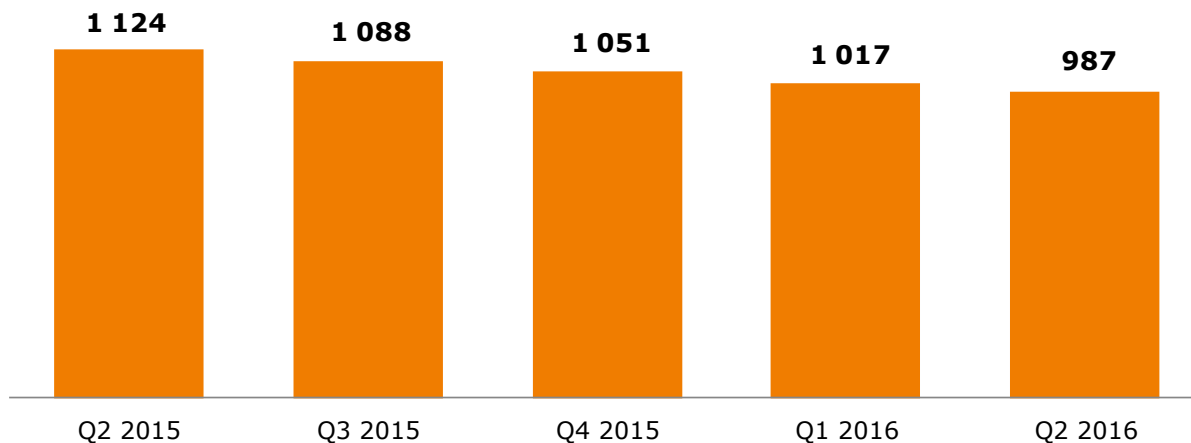
- Stabilized blended ARPU with booming data demand after launch of LTE offerings

Source: Company data



Fixed voice key metrics

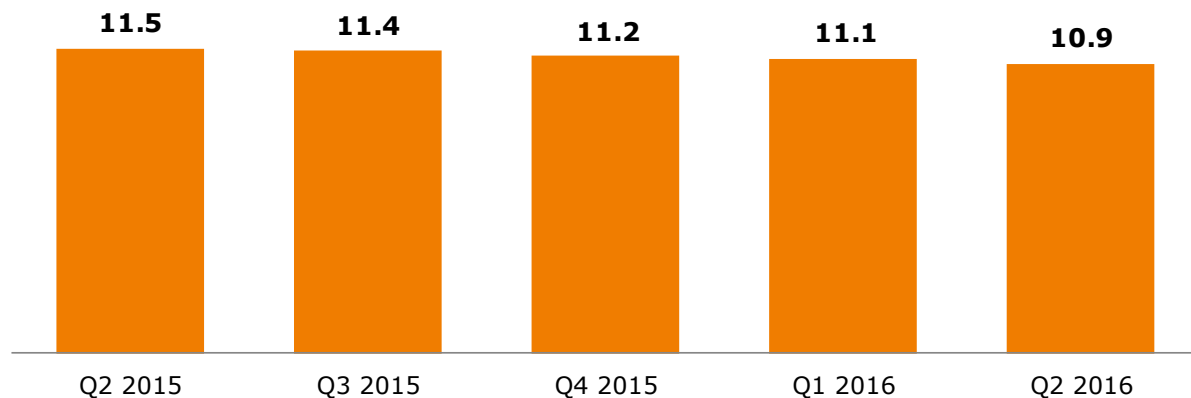
Subscribers (000s)



Highlights

- Ongoing fixed to mobile substitution trend
- Pressure from alternative providers with low ARPUs, particularly mobile operators

ARPU blended (BGN)



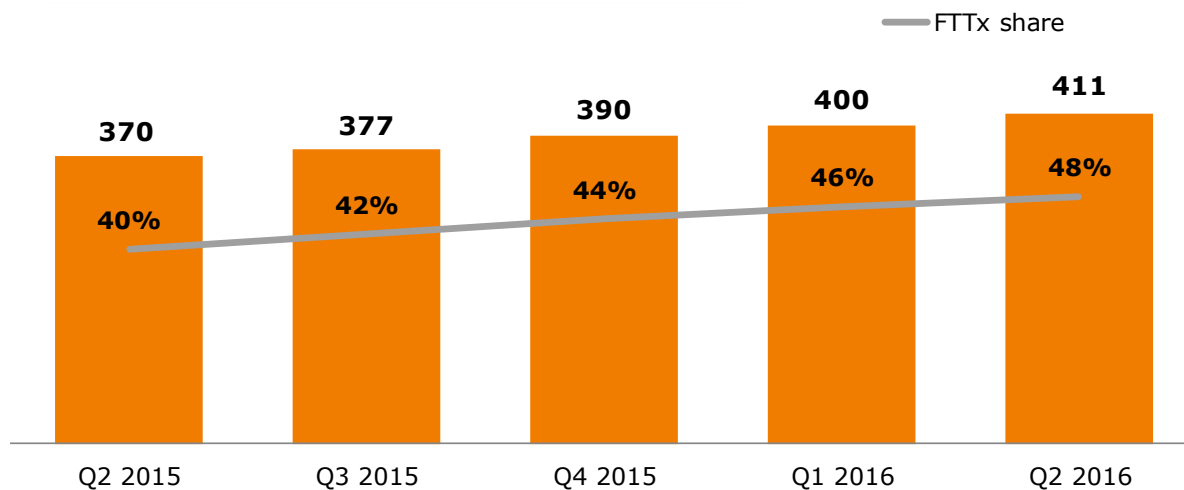
- ARPU with slow decrease due to competitive pressure and bundling

Source: Company data



Fixed broadband key metrics

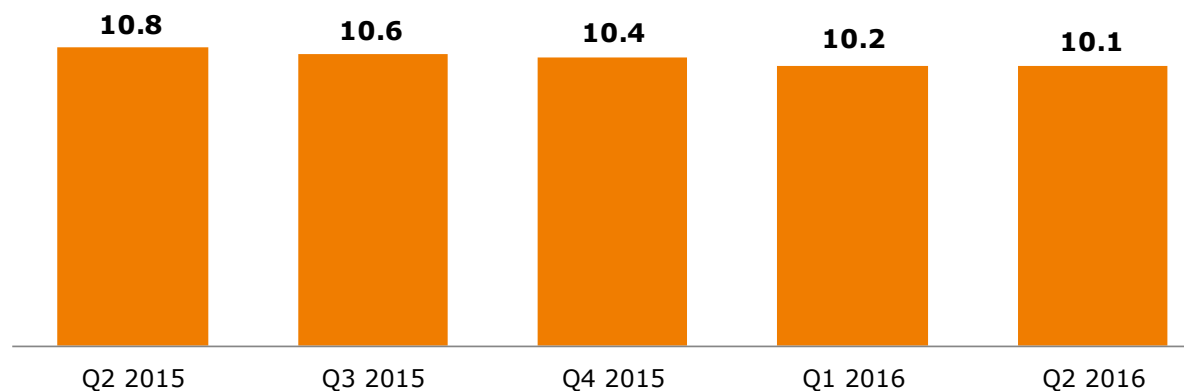
Subscribers (000s)



Highlights

- Growing FTTx penetration and take-up rate
- Highly competitive market with many local operators and cheap bundled offers from bigger players

ARPU blended (BGN)



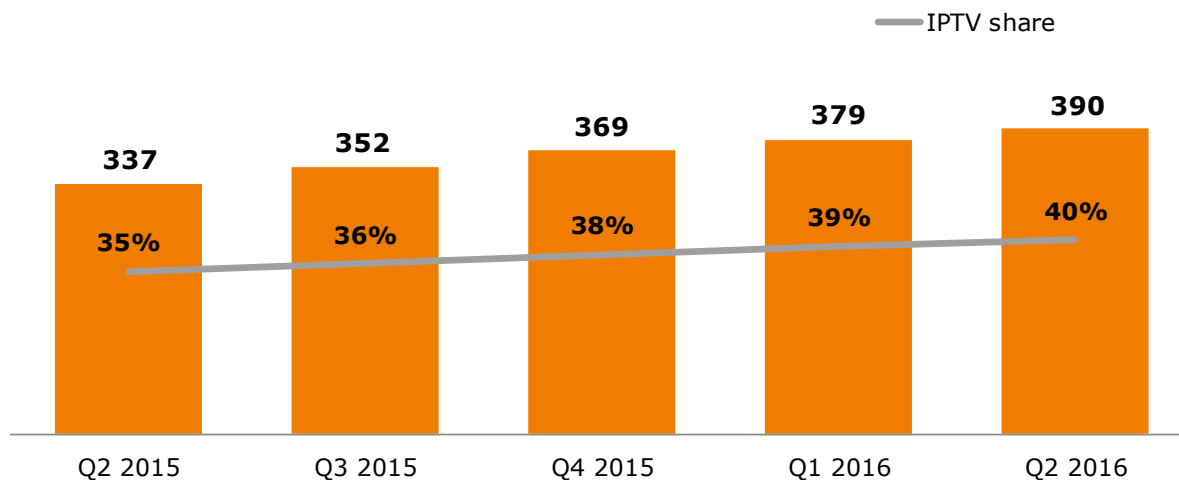
- ARPU pressure from fragmented competition and increased bundling

Source: Company data



Fixed pay-TV key metrics

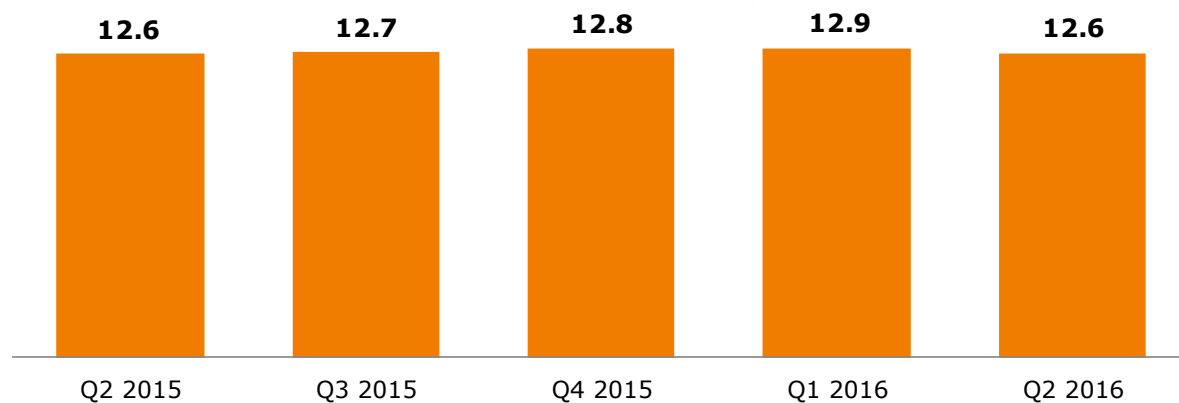
Subscribers (000s)



Highlights

- Subscriber acquisition driven by increased demand for high quality services with superior user experience, rich content and HD channels
- Alternative and mass-market players with low cost offers
- Stable blended ARPU with growing share of higher MRC tariffs with more content and increased bundling

ARPU blended (BGN)



Source: Company data

3. FINANCIAL REVIEW

Asen Velikov
Finance Director

Financial performance summary

(BGN m)	H1 2016	H1 2015	change %	Q2 2016	Q2 2015	change %
Revenue	429.6	404.8	6.1%	217.9	203.5	7.1%
Vivacom	410.7	404.8	1.5%	208.1	203.5	2.2%
NURTS	22.6	-		11.6	-	
Eliminations	(3.7)	-		(1.9)	-	
EBITDA	154.1	139.1	10.8%	73.5	55.0	33.6%
Other gains, net	(2.3)	(6.6)		(0.6)	(2.7)	
EBITDA adjustments	5.4	35.6		4.2	32.8	
Adjusted EBITDA	157.2	168.2	(6.5%)	77.1	85.1	(9.4%)
<i>% of revenues</i>	36.6%	41.5%		35.4%	41.8%	
Vivacom	148.5	168.2	(11.7%)	72.6	85.1	(14.7%)
NURTS	9.0	-		4.5	-	
Eliminations	(0.3)	-		(0.1)	-	
Capex	111.0	57.5	(93.2%)	78.9	36.4	(116.5%)
<i>% of revenues, excl. licenses</i>	23.0%	14.2%		30.6%	17.9%	
Vivacom	110.8	57.5	(92.9%)	78.7	36.4	(116.0%)
NURTS	0.2	-		0.2	-	
Adjusted EBITDA - Capex	46.2	110.7	(58.3%)	(1.8)	48.7	(103.8%)

Source: Company data



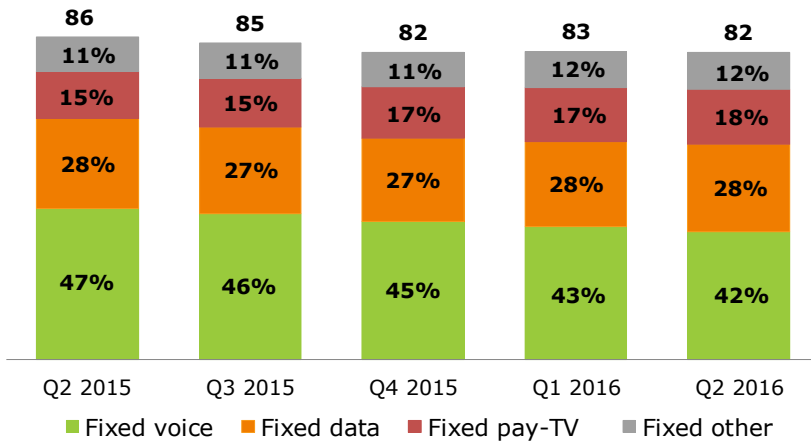
NURTS Group financial performance

(BGN m)	H1 2016	Q2 2016
Revenue	22.6	11.6
EBITDA	8.9	4.3
Other gains, net	(0.2)	(0.0)
EBITDA adjustments	0.2	0.2
Adjusted EBITDA	9.0	4.5
<i>% of revenues</i>	39.7%	39.0%
Capex	0.2	0.2
<i>% of revenues, excl. licenses</i>	0.9%	1.5%
Adjusted EBITDA - Capex	8.8	4.4

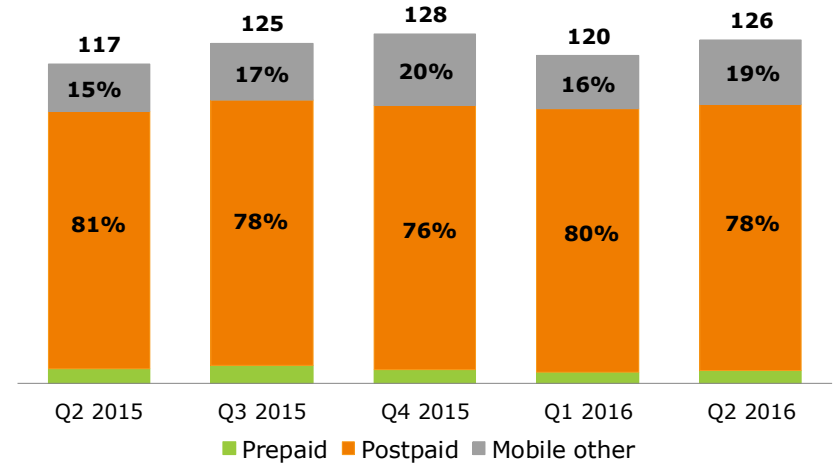
Source: Company data

Revenues

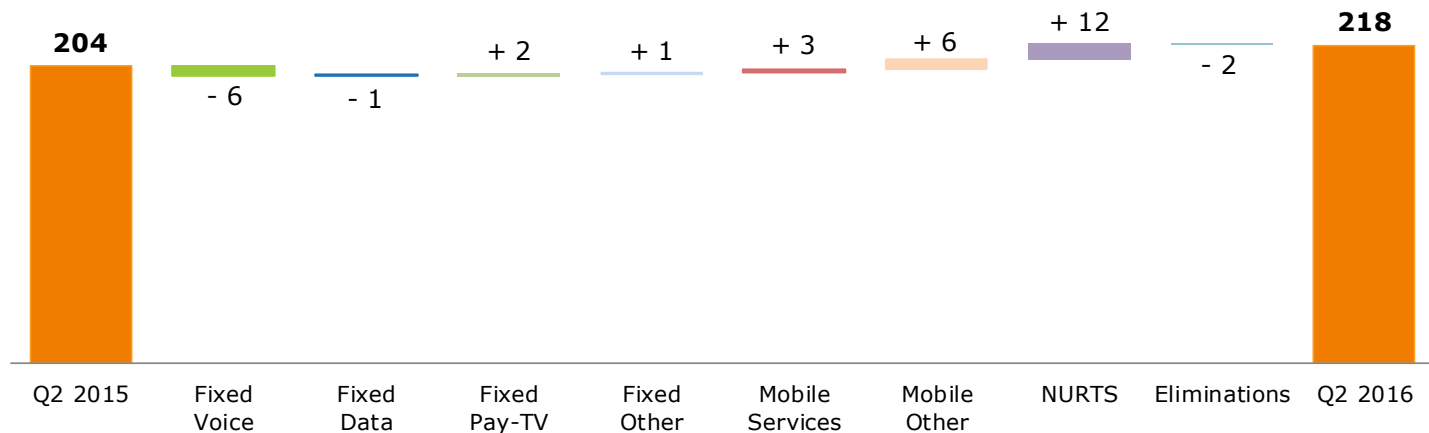
Revenues Fixed
(BGN m)



Revenues Mobile
(BGN m)



Revenue bridge Q2 2015 – Q2 2016 (BGN m)

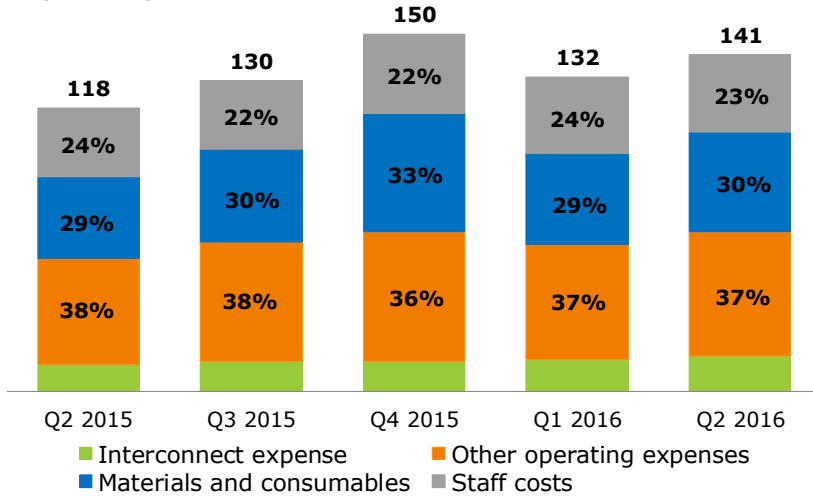


Source: Company data

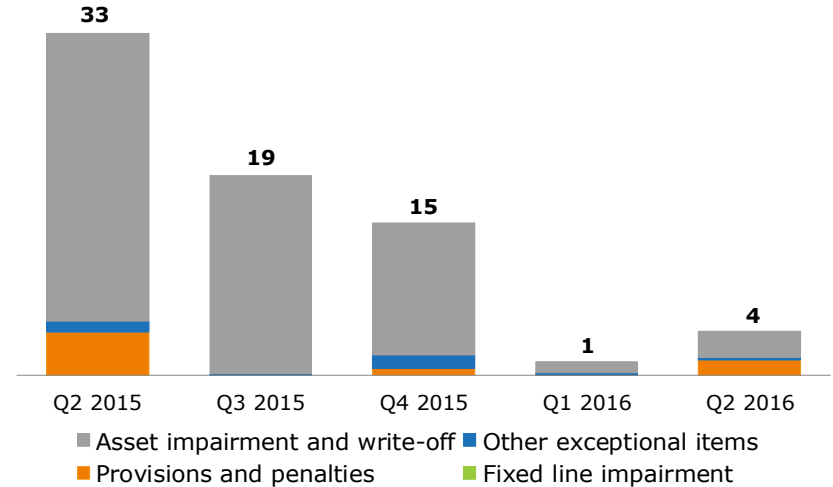


Operating expenses and adjusted EBITDA

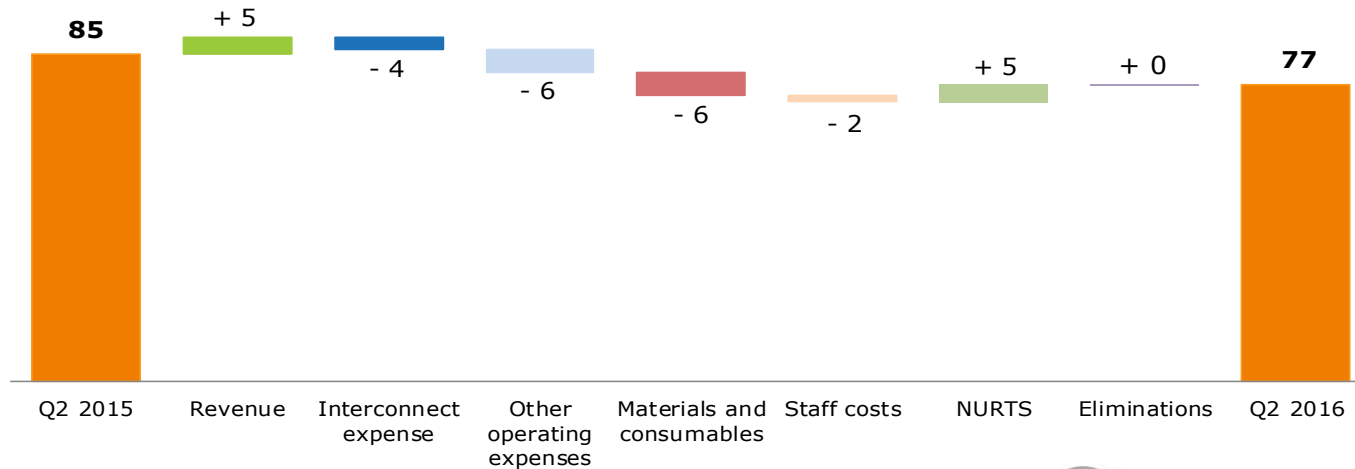
CoS and Opex
(BGN m)



EBITDA adjustments
(BGN m)



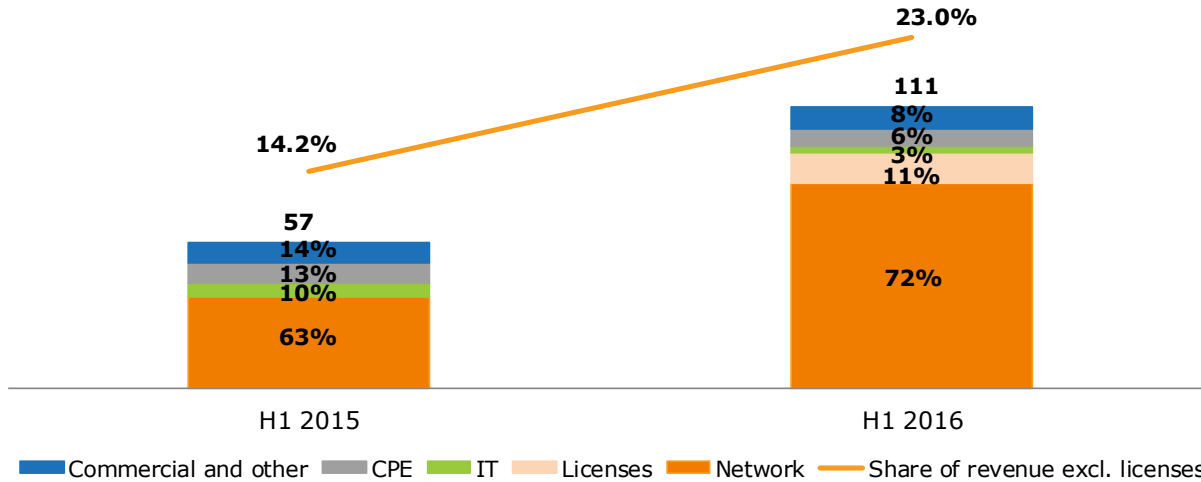
Adjusted EBITDA bridge Q2 2015 – Q2 2016 (BGN m)



Source: Company data

Capex

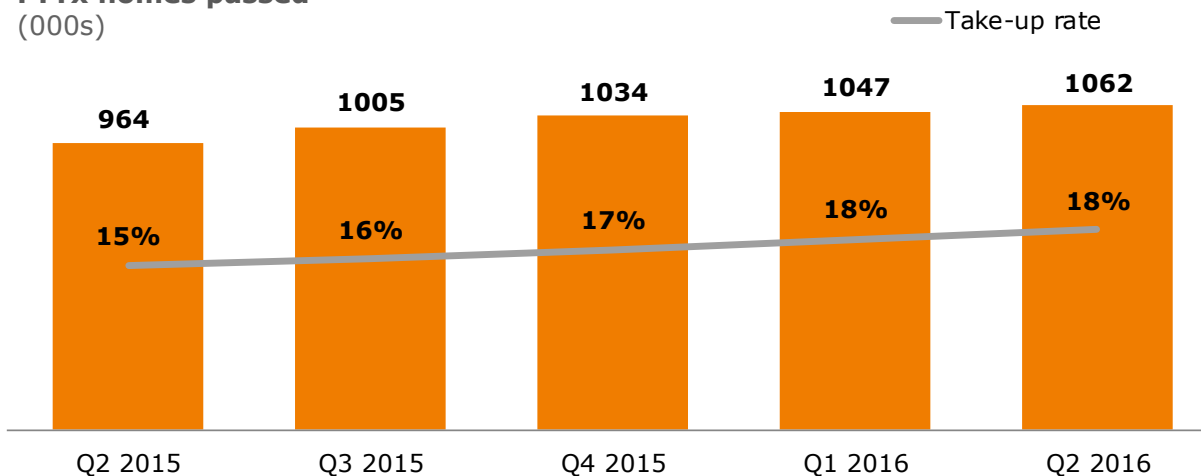
Capex structure and share of revenue
(BGN m)



Highlights

- Focus on network to improve coverage, capacity, resilience and long-running efficiencies
- 52% of Network Capex (~BGN 42 million) for SRAN and LTE roll-out project
- 11% of Capex (BGN 12 million) for new spectrum in 1800 MHz

FTTx homes passed
(000s)



- Slower FTTx roll-out in carefully selected areas based on return of investment criteria
- Stable subscribers take-up rate

Source: Company data



Net debt

(BGN m)	Q2 2016	Q2 2015
Bonds	778.9	775.1
Revolving credit	0.0	9.8
Trade credits	5.1	8.6
Financial lease	0.4	2.2
Total borrowings	784.4	795.7
Total cash and cash equivalents	(84.6)	(59.0)
Net debt	699.8	736.7
<i>Net Leverage Ratio</i>	<i>2.18</i>	<i>2.24</i>

Source: Company data
Net leverage ratio calculated as ratio of Net debt and LTM Adjusted EBITDA.

Results outlook for 2016 – revised

	2015 actual	2016 old guidance	2016 revised guidance
Adjusted EBITDA	BGN 332 m	BGN 325 - 335 m	BGN 315 - 325 m
Capex	BGN 163 m	BGN 210 – 220 m	BGN 200 – 210 m

Source: Company data

Q&A

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