

# **VIVACOM SECOND QUARTER RESULTS 2014**

*Sofia, 15 August 2014*

# Forward looking statements

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This presentation includes information and statements which are or may constitute forward-looking statements.

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The information contained in this presentation is as at 30 June 2014, unless otherwise noted.

# Table of contents

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1. Overview
2. Performance highlights
3. Financial review
4. Updates on CCB events and political environment
5. Results outlook for 2014
6. Q&A session

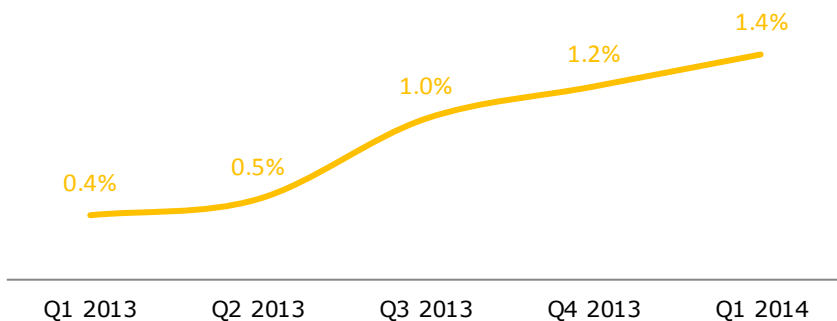
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# 1. OVERVIEW

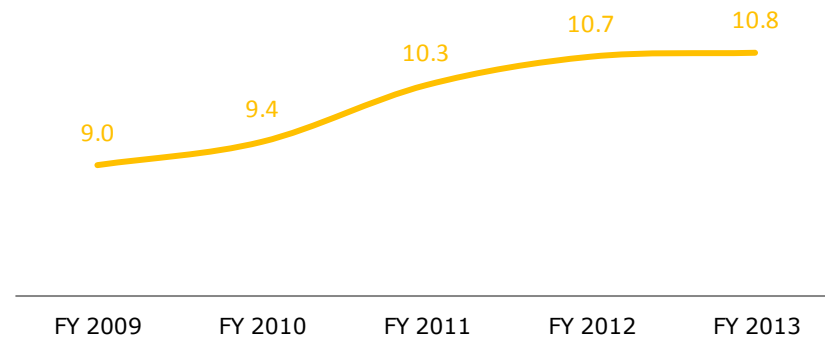
Atanas Dobrev  
Chief Executive Officer

# Macroeconomic environment

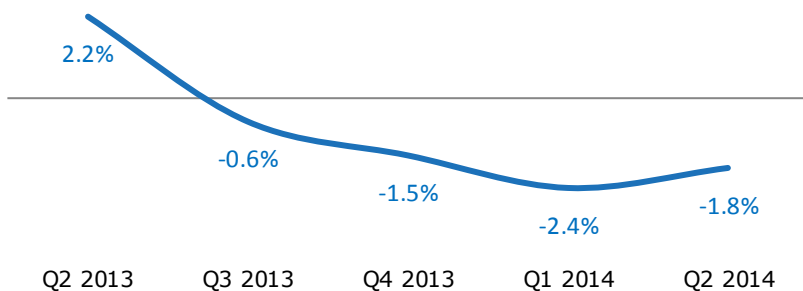
**GDP growth recovering slowly**  
(%)



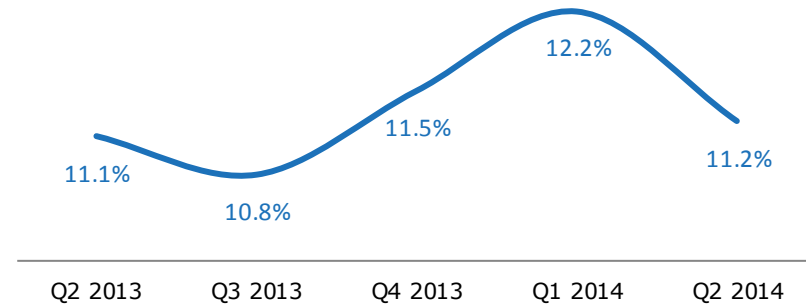
**GDP per capita is on the rise, but remains low**  
(BGN 000)



**CPI in negative territory**  
(%)



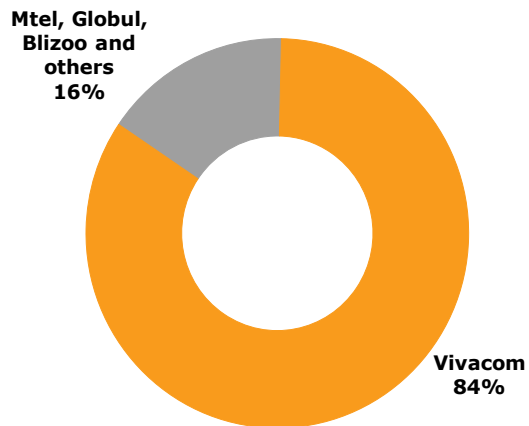
**Unemployment remains high, with seasonal decrease**  
(%)



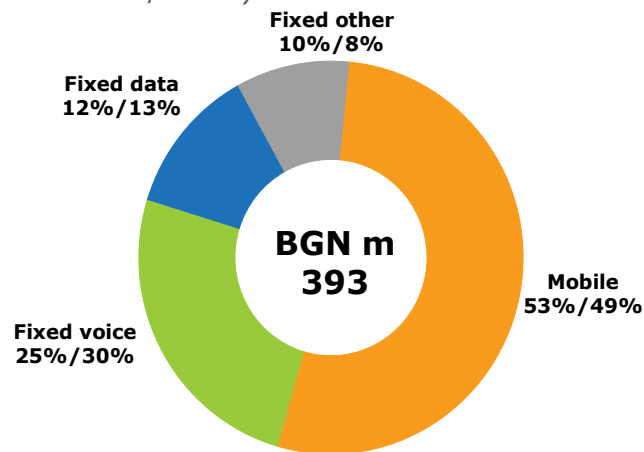
Source: NSI

# Company snapshot

**Incumbent fixed operator with high revenue share**  
(% share in fixed voice subscription revenue in Q1 2014)



**Well diversified and resilient business model**  
(% in H1 14/H1 13)



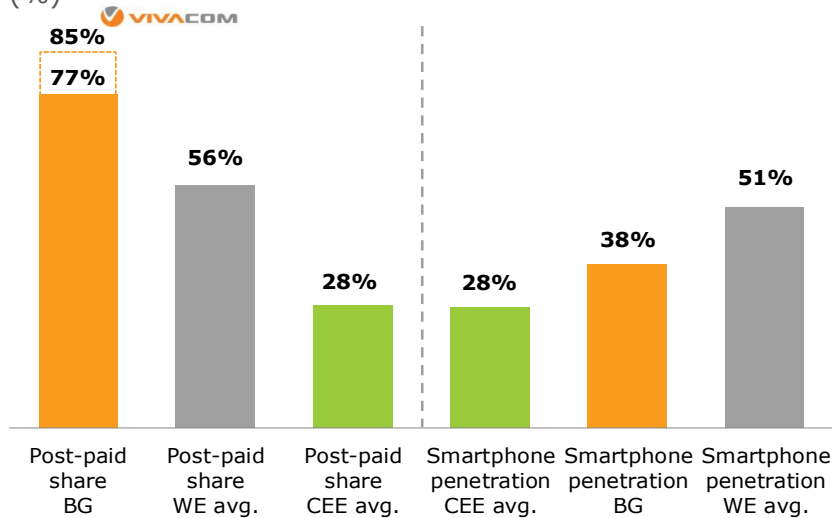
**Best in class 3G mobile network**



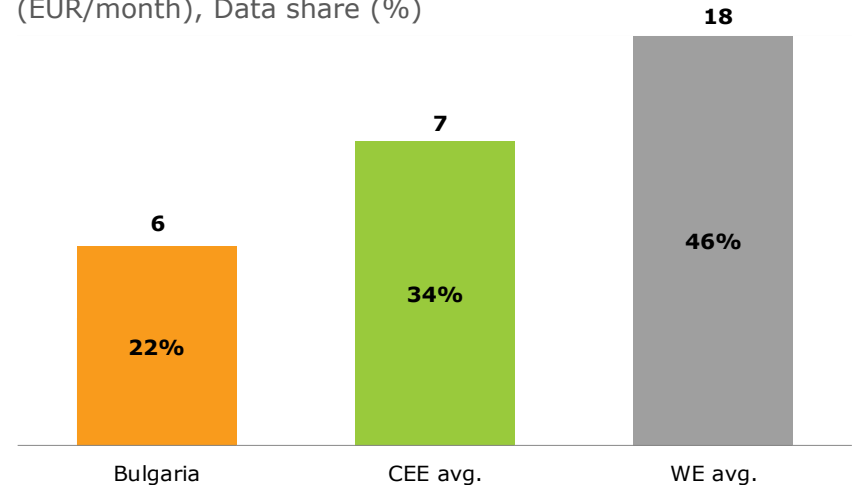
- Leading integrated telecom operator in Bulgaria
  - Number 1 in fixed voice - 84% subscription revenue share, 66% subscriber share
  - Number 1 in fixed data - 23% fixed broadband subscriber share
  - Best coverage in the 3G network - 99.81% by population (97.90% by territory)

# Market highlights

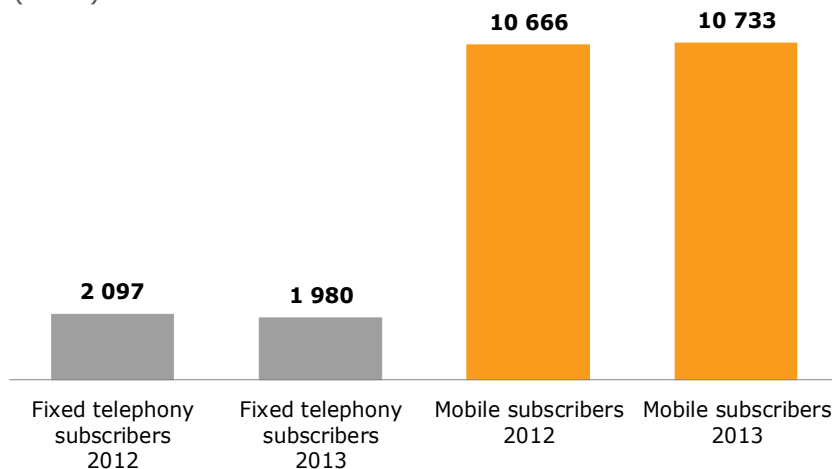
**Post-paid mobile market with upside in data**  
(%)



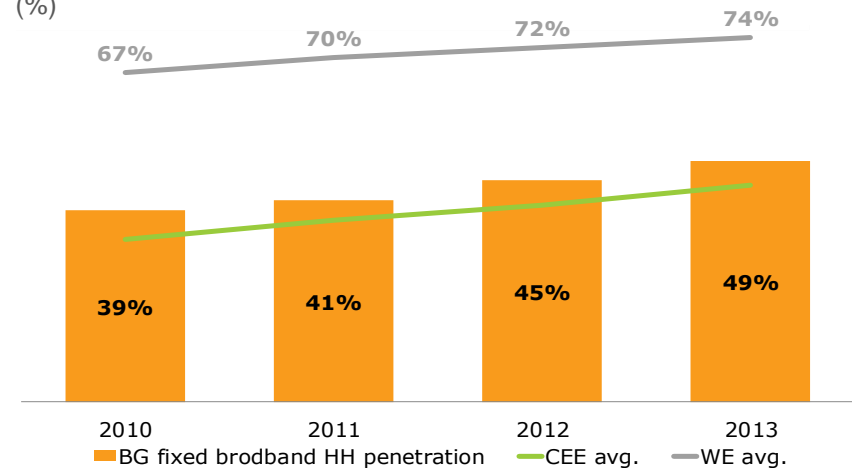
**Mobile blended ARPU is lower in the Bulgarian market**  
(EUR/month), Data share (%)



**Fixed voice with substitution to mobile**  
(000s)



**Fixed broadband penetration growing**  
(%)

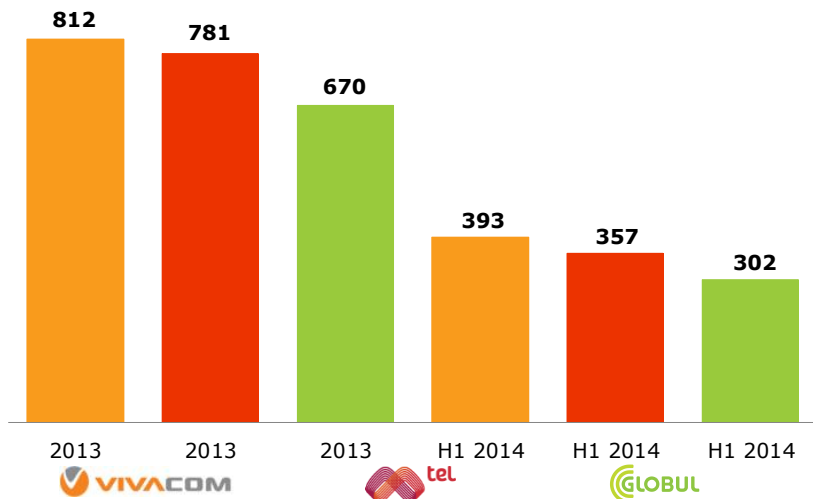


Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Mobile subscribers calculated as of Company data, Telekom Austria reports and Telenor reports

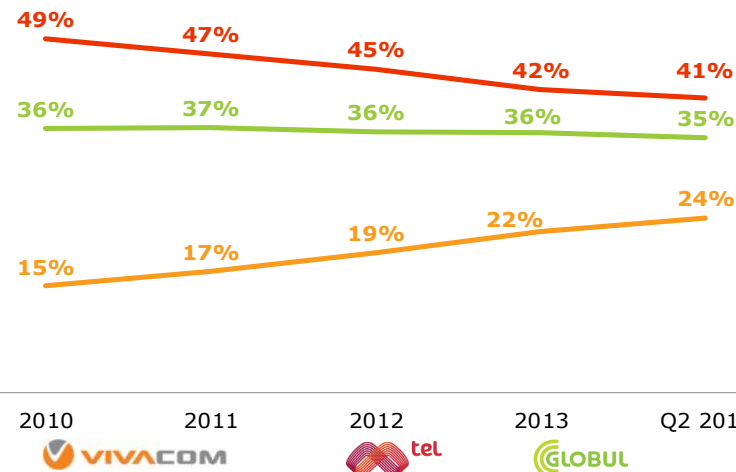
All figures are based on active subscribers. Post-paid mobile market share, mobile blended ARPU and data share are as of Q1 2014. Smartphone penetration is as of 2013, defined as smartphone share of mobile handset connections.

# Performance overview

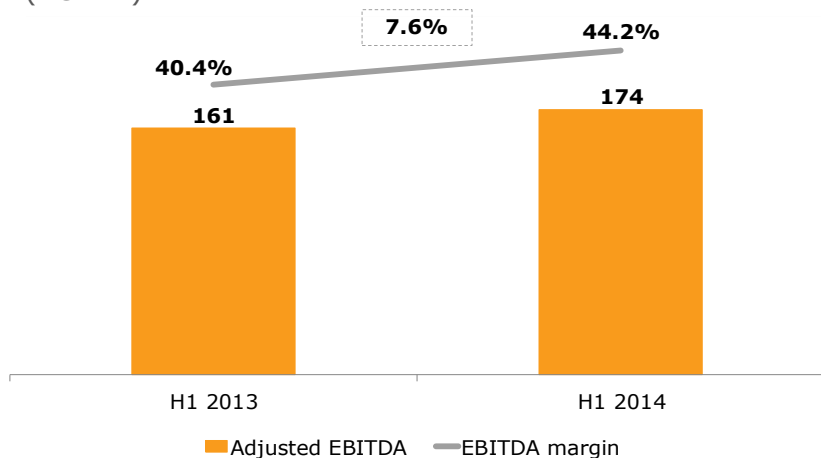
#1 Telco company on total revenues in 2013 and H1 14 (BGN m)



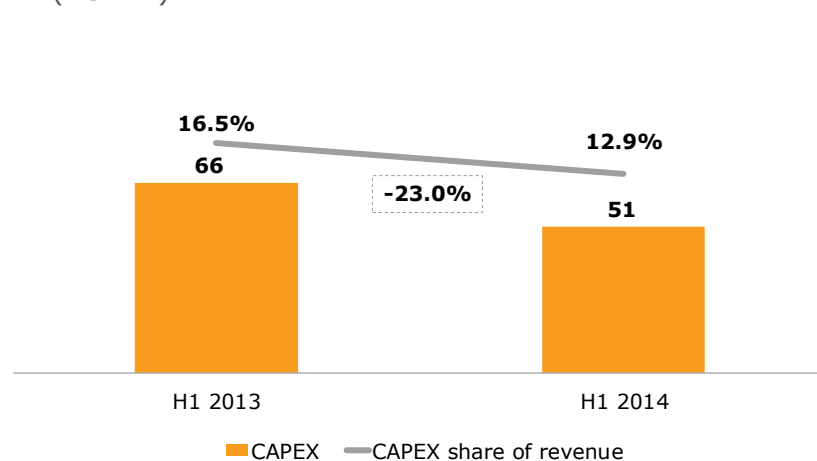
Gaining share in mobile revenues (%)



Adjusted EBITDA and margins growing (BGN m)



Capex supporting 3G and fiber, but with timing variance (BGN m)



Source: Company data, Telekom Austria reports, Telenor reports



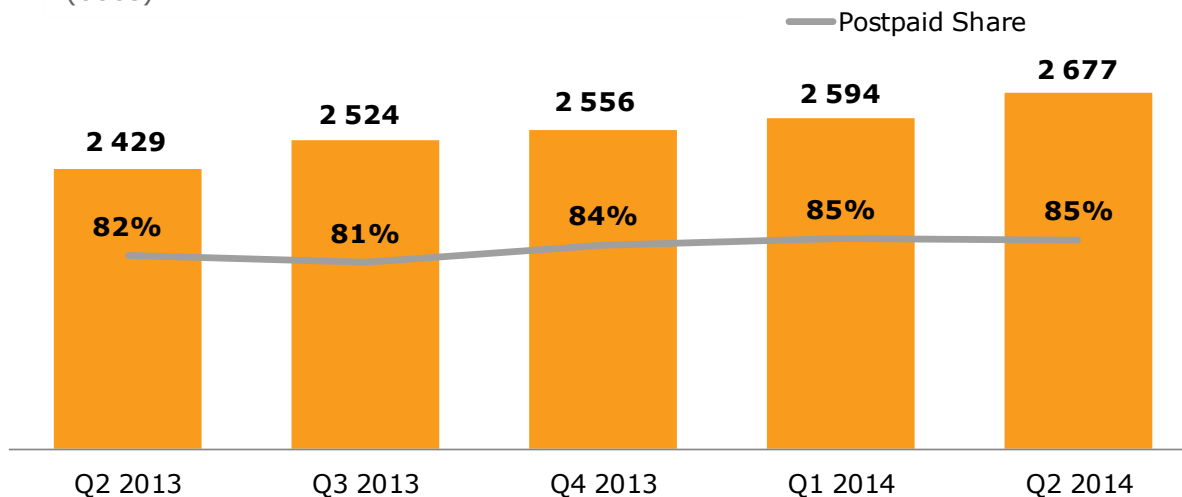
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## 2. PERFORMANCE HIGHLIGHTS



# Mobile key metrics

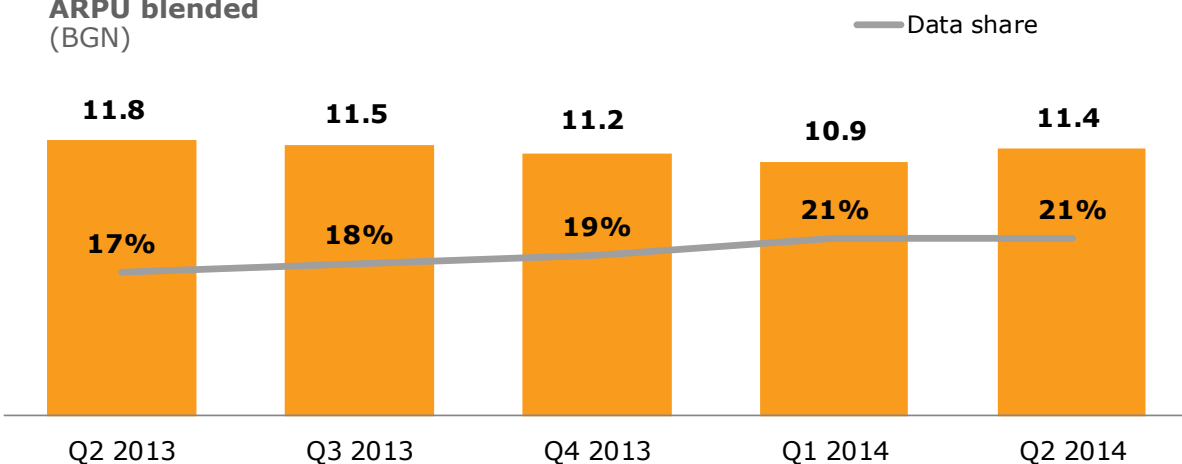
## Subscribers (000s)



## Highlights

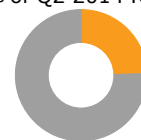
- Subscriber acquisition continues with focus on postpaid and longer term contracts despite the aggressive competition
- Smartphones and tablets driven device market

## ARPU blended (BGN)



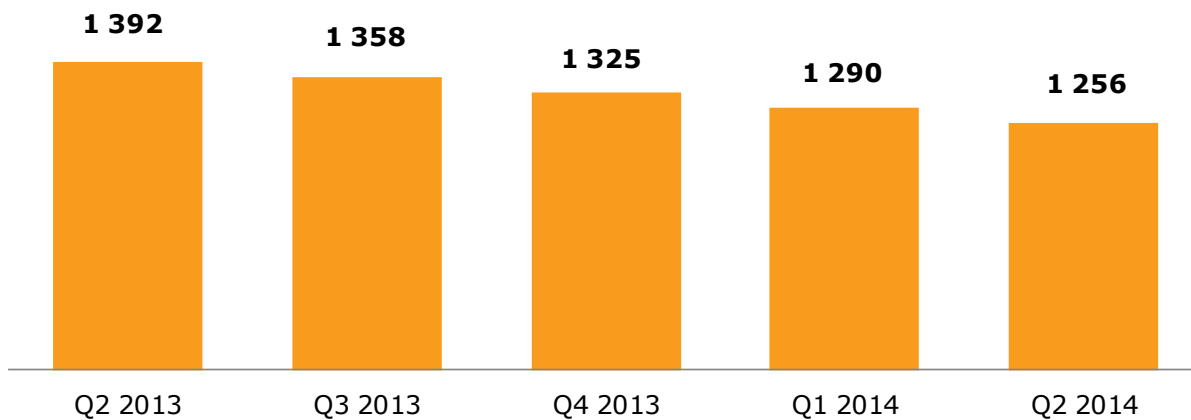
- Voice ARPU still impacted by MTR reductions (EBITDA neutral) and increasingly flat tariffs

Source: Company data



# Fixed voice key metrics

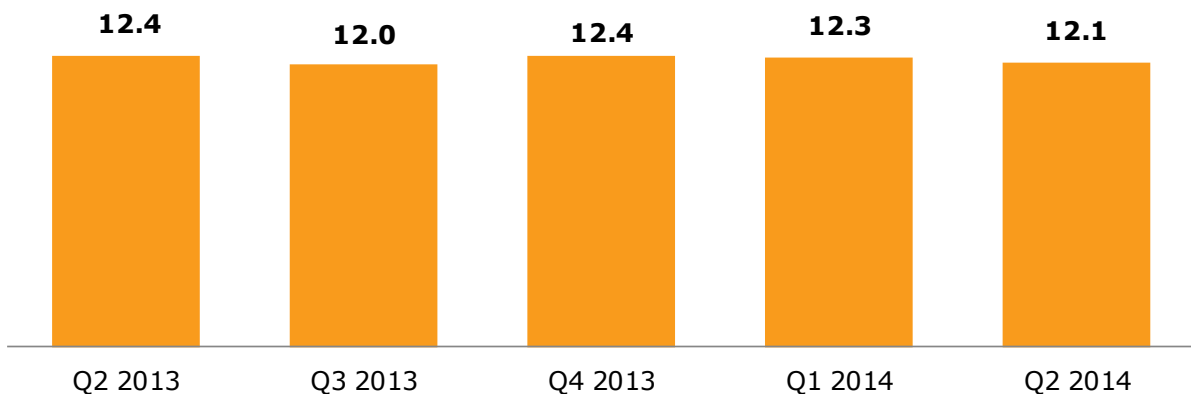
## Subscribers (000s)



## Highlights

- Ongoing fixed to mobile substitution trend
- Competitive pressure from alternative providers with low ARPUs

## ARPU blended (BGN)



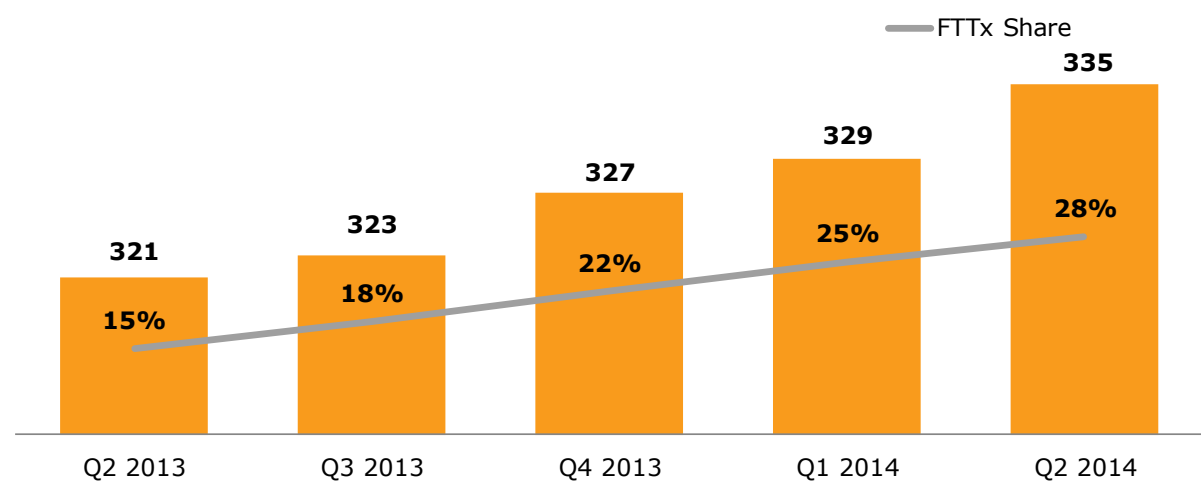
- ARPUs with slow decrease due to competitive pressure and promotional activities

Source: Company data



# Fixed broadband key metrics

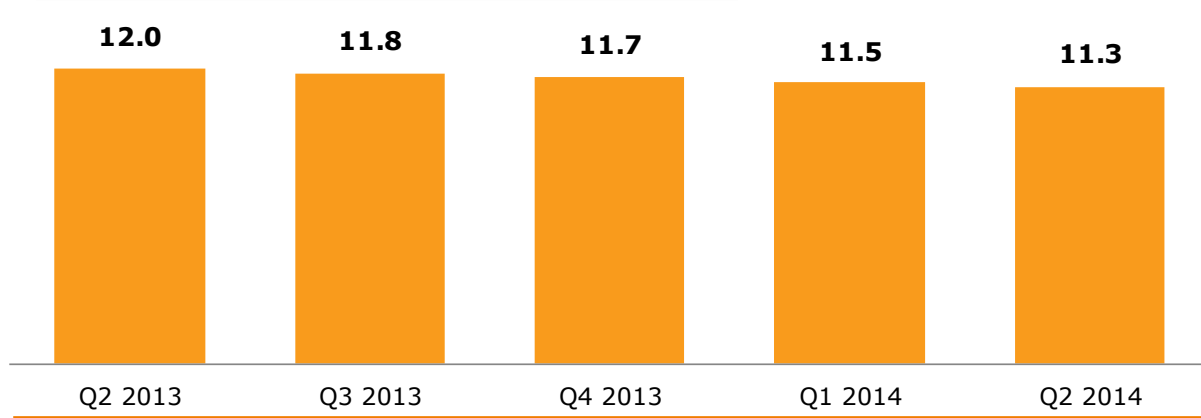
## Subscribers (000s)



## Highlights

- Ongoing shift to high quality and high speed FTTx services supports broadband growth
- Highly competitive market with many local operators and cheap bundled offers from bigger players

## ARPU blended (BGN)



- ARPU pressures from fragmented competition and increased bundling – with ADSL most affected

Source: Company data

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## 3. FINANCIAL REVIEW

Asen Velikov  
Finance Director

# Financial performance summary

(BGN m)	H1 2014	H1 2013	Q2 2014	Q2 2013
<b>Revenue</b>	<b>393</b>	<b>399</b>	<b>198</b>	<b>204</b>
<i>% growth</i>	(1.6%)		(2.6%)	
<b>Net income</b>	<b>19</b>	<b>7</b>	<b>11</b>	<b>4</b>
<b>EBITDA</b>	<b>172</b>	<b>160</b>	<b>87</b>	<b>81</b>
Other gains, net	( 3)	( 1)	( 1)	( 0)
EBITDA adjustments	4	3	3	1
<b>Adjusted EBITDA</b>	<b>174</b>	<b>161</b>	<b>88</b>	<b>82</b>
<i>% of revenues</i>	44.2%	40.4%	44.3%	40.1%
<b>Capex</b>	<b>51</b>	<b>66</b>	<b>26</b>	<b>33</b>
<i>% of Revenues, excl. licenses</i>	12.9%	16.5%	13.3%	16.0%
<b>Adjusted EBITDA - Capex</b>	<b>123</b>	<b>95</b>	<b>62</b>	<b>49</b>
Change in net working capital	( 175)*	( 26)	( 157)*	( 33)
Other CF items	32	2	44	( 0)
<b>Pre-tax FCF</b>	<b>( 20)</b>	<b>71</b>	<b>( 52)</b>	<b>16</b>

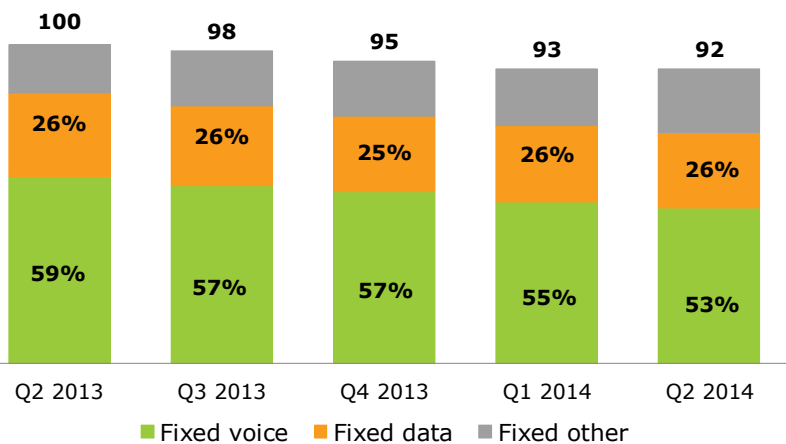
\* BGN 140m cash and cash equivalents in CCB reclassified as receivables

Source: Company data.

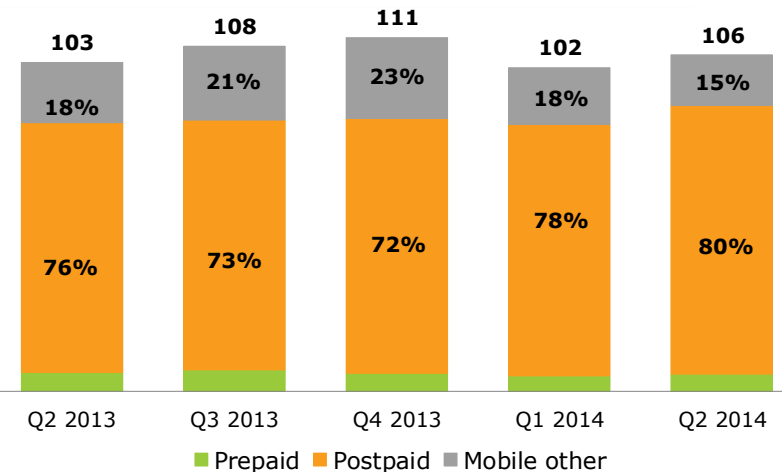
FCF excludes net cash used in financing activities, interest received/paid, corporate income tax paid and cash deposits

# Revenues

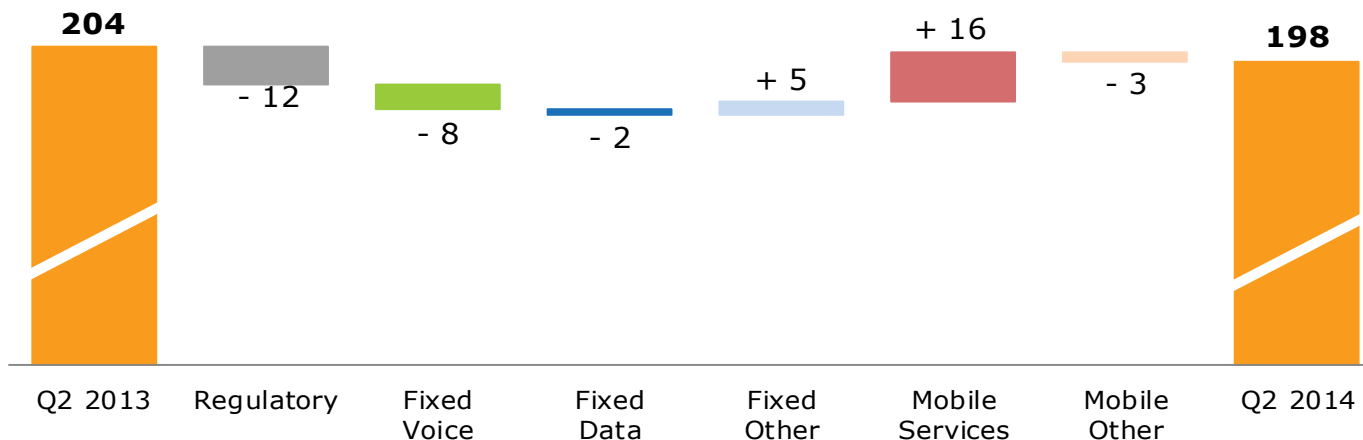
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



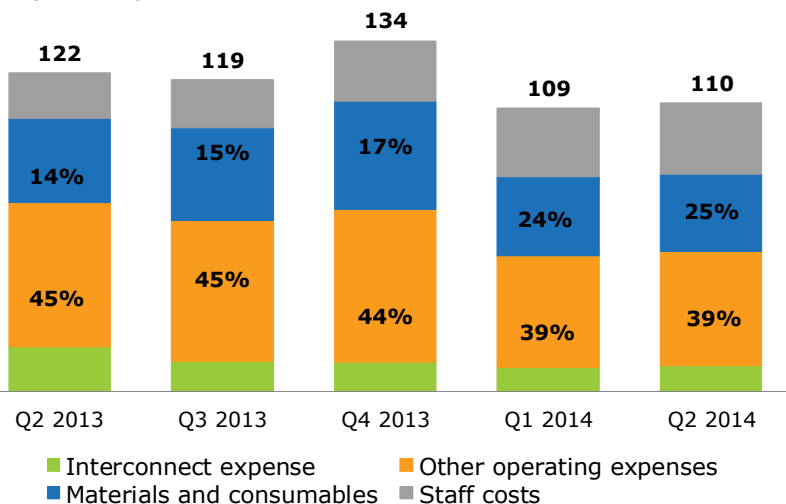
**Revenue bridge Q2 2013 – Q2 2014 (BGN m)**



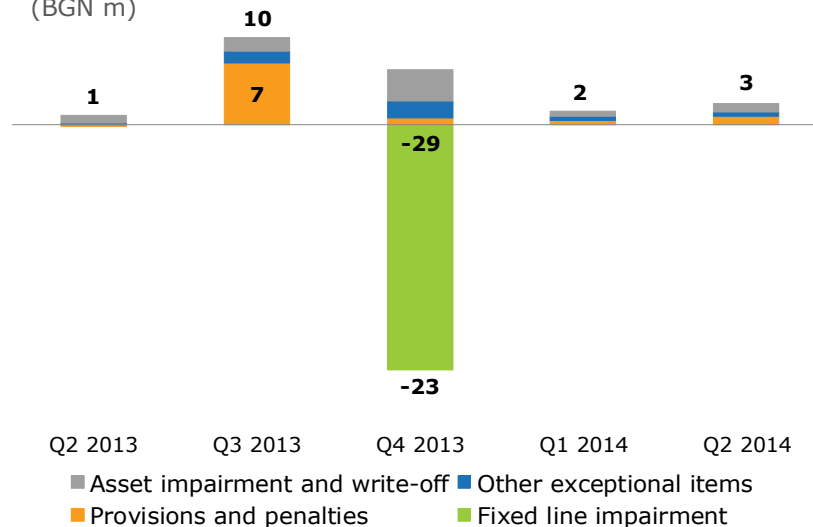
Source: Company data

# Operating expenses and adjusted EBITDA

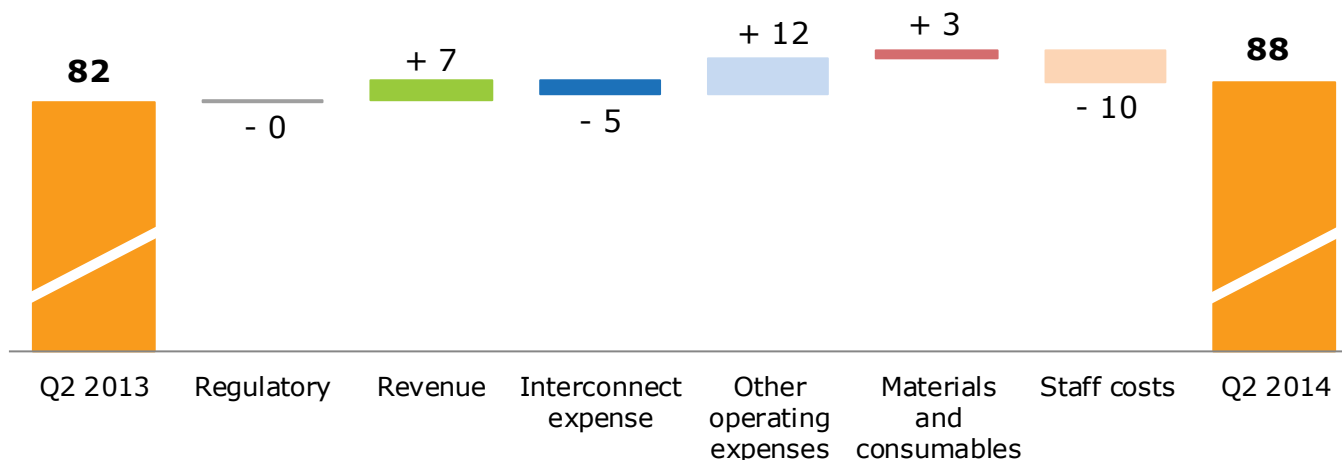
**COS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



**Adjusted EBITDA bridge Q2 2013 – Q2 2014 (BGN m)**

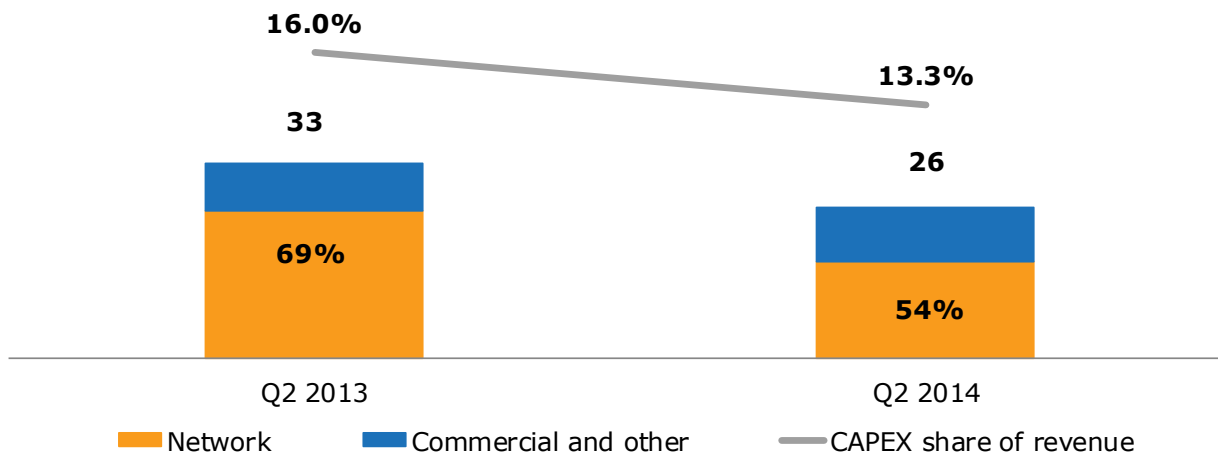


Source: Company data



# Capex

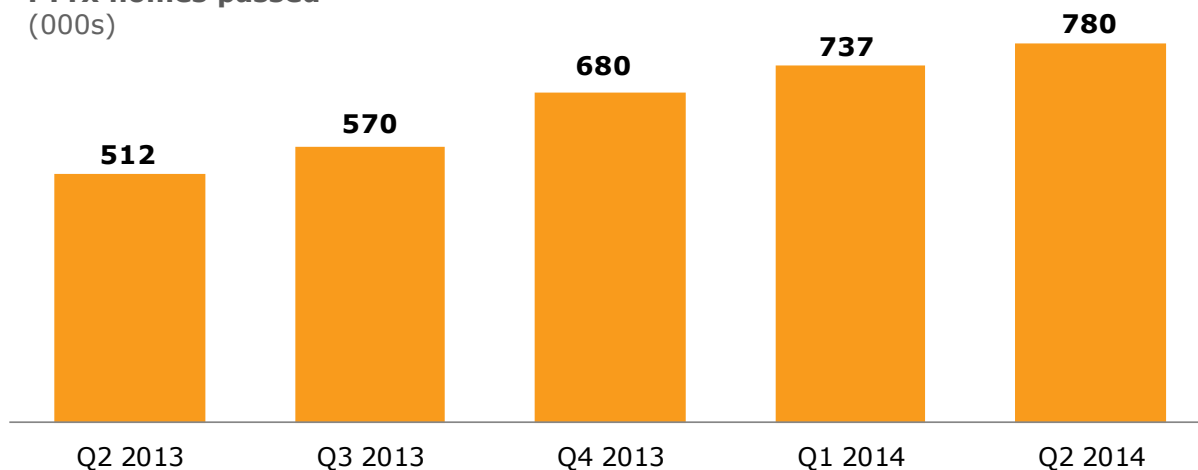
## Capex structure (BGN m)



## Highlights

- Mobile network capex falling with timing differences in roll-outs projects

## FTTx homes passed (000s)



- FTTx rollout continues with controlled cost per household passed

Source: Company data

# Net debt

(BGN m)	Q2 2014	Q1 2014
Bonds	772	783
Revolving credit	68	68
Trade credits	10	11
Financial lease	3	3
<b>Total borrowings</b>	<b>853</b>	<b>865</b>
<b>Total cash and cash equivalents</b>	<b>( 41 )<sup>*</sup></b>	<b>( 118 )</b>
<b>Net debt</b>	<b>812</b>	<b>747</b>
<i>Net Leverage Ratio</i>	<i>2.41</i>	<i>2.26</i>

\* Cash and cash equivalents exclude BGN 140m in CCB reclassified as receivables

Source: Company data.

Net leverage ratio calculated as ratio of Net debt and Adj. EBITDA for the last 12 months

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## 4. UPDATES ON CCB EVENTS AND POLITICAL ENVIRONMENT

Atanas Dobrev  
Chief Executive Officer

Asen Velikov  
Finance Director

## CCB events

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- On June, 20 Corporate Commercial Bank (CCB) was placed under conservatorship, following a written notice from its management to the Bulgarian National Bank (BNB);
- On June 22, BNB placed Credit Agricole Bulgaria EAD under special supervision for three months as well;
- On July, 11 BNB announced a plan of action to guarantee the funds of citizens and companies in full with proposal for new legislation;
- On July, 15 BNB announced that there is no consensus among the major parliamentary political powers and consultations are continuing;
- On July, 31 the conservators issued report on the position of CCB; with a decision from the same date BNB mandated additional reviews until October, 20;
- As of today CCB remains under the special supervision procedure

# Ad-hoc information – net debt

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(BGN m)

Jul-14

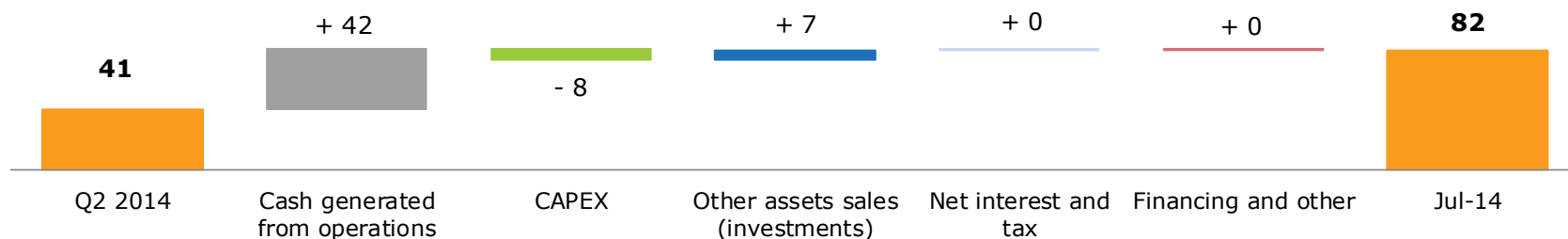
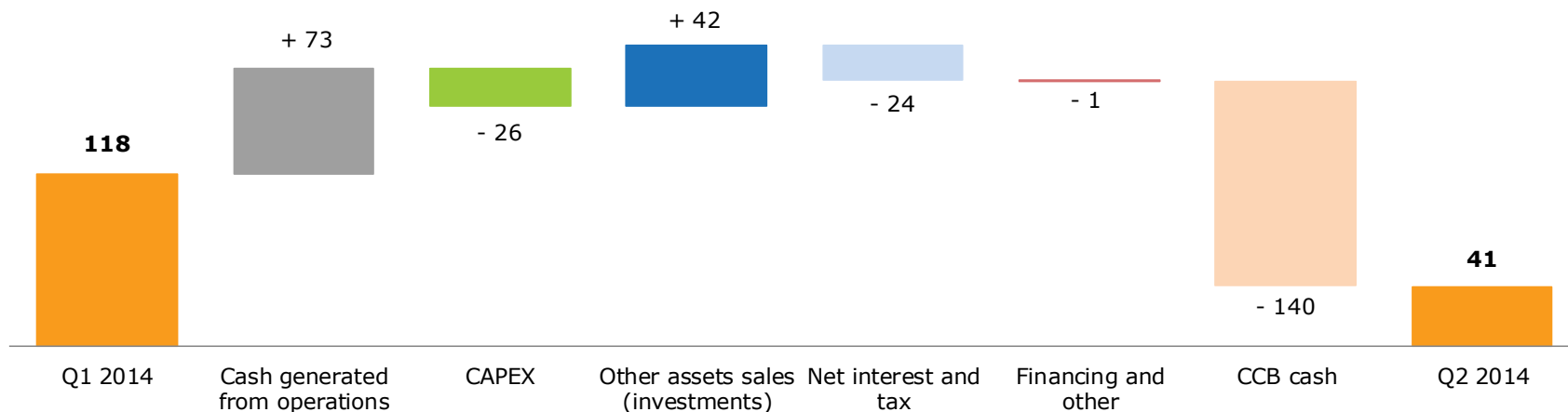
Bonds	776
Revolving credit	68
Trade credits	10
Financial lease	3
<b>Total borrowings</b>	<b>858</b>
<b>Total cash and cash equivalents</b>	<b>( 82)</b>
<b>Net debt</b>	<b>776</b>
<i>Net Leverage Ratio</i>	<i>2.30</i>

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Source: Company data.

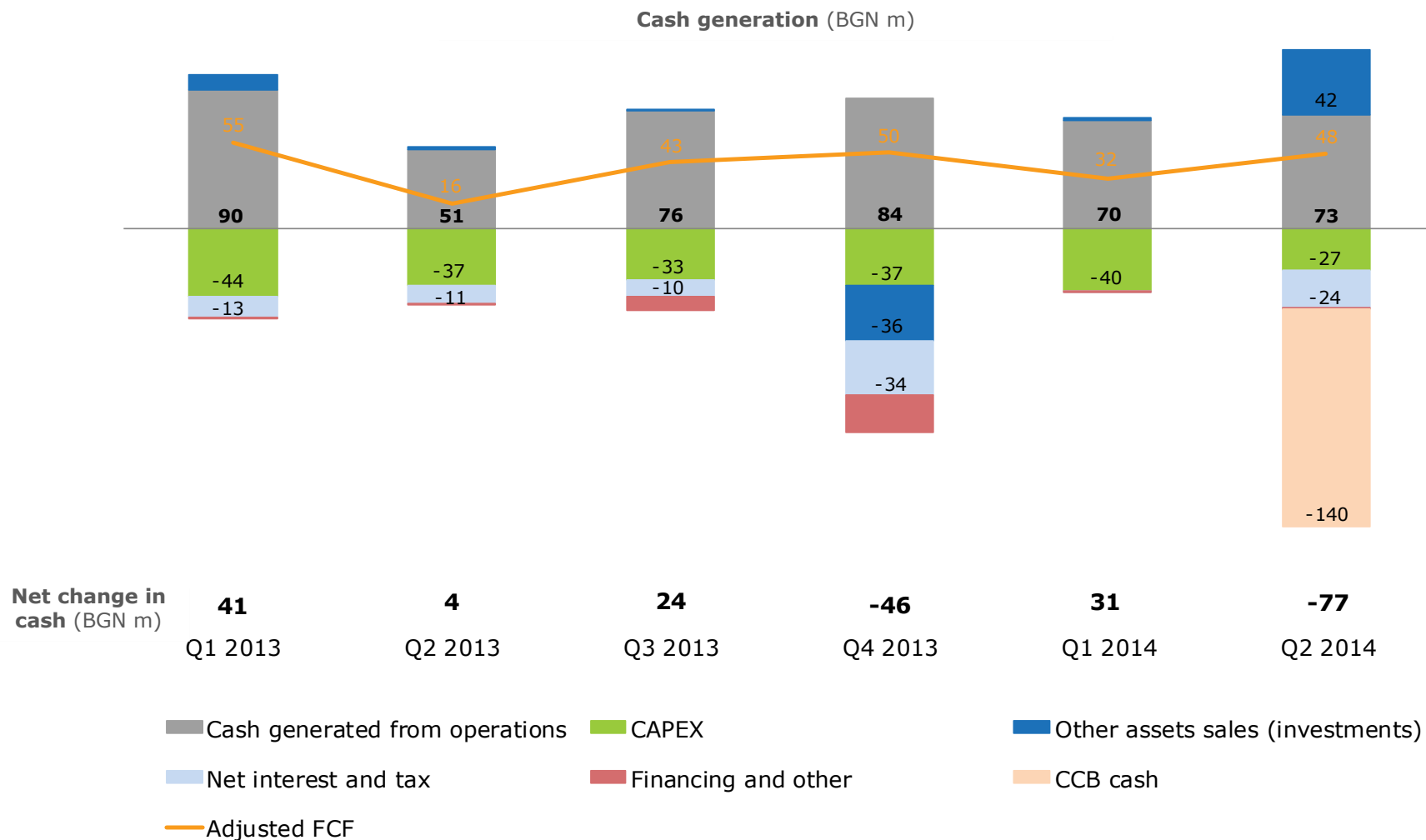
Net leverage ratio calculated as ratio of Jul-14 Net debt and Adj. EBITDA for the twelve months ended June 30, 2014

# Ad-hoc information – cash flow bridge



Source: Company data.

# Ad-hoc information – net change in cash



Source: Company data.  
Adjusted FCF excludes interests and taxes, acquisition/sale of investments and CCB cash.

# Current governance structure

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- **Supervisory Board members:**

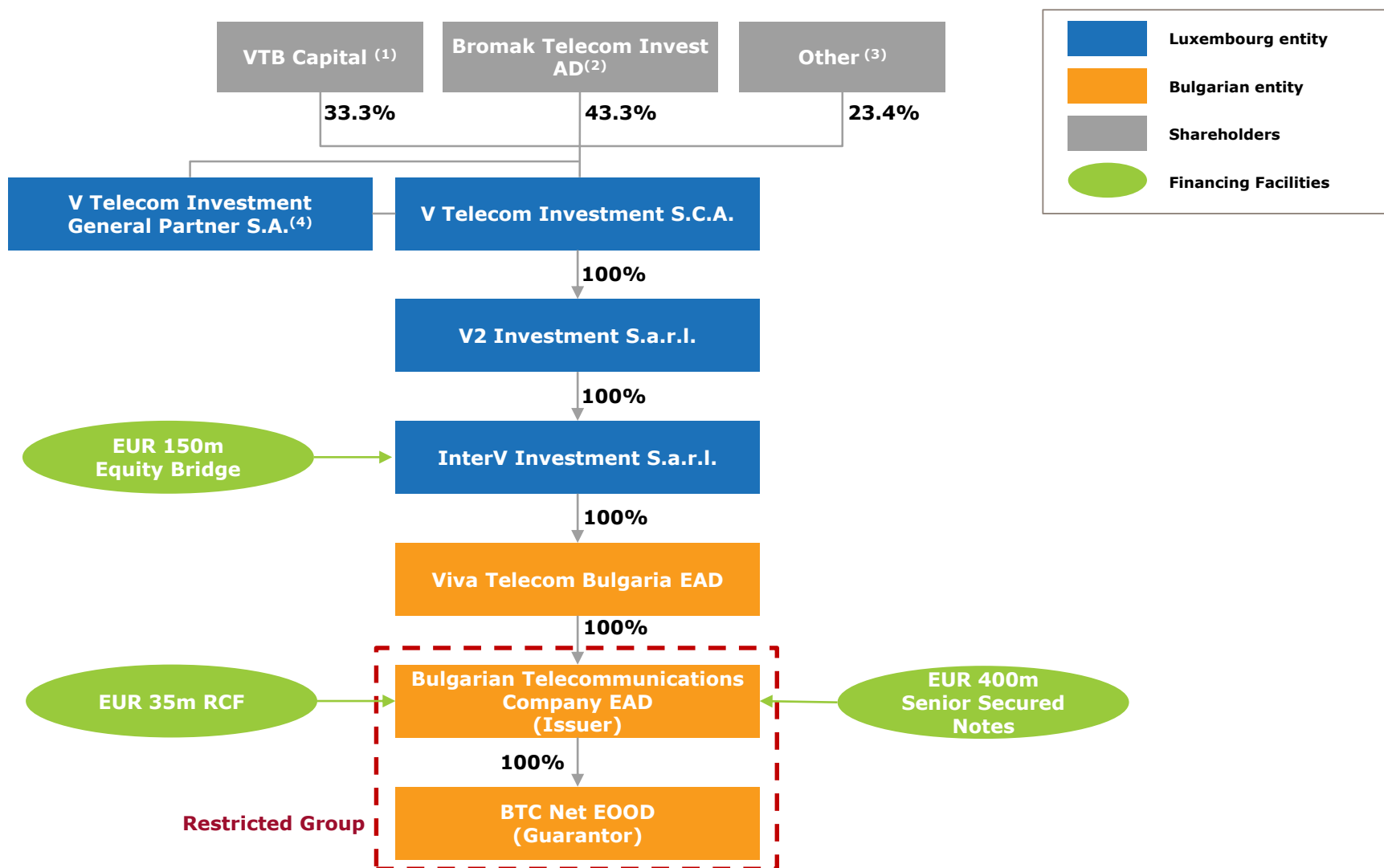
- Vladimir Penkov - Member of the Supervisory Board
- Olsandr Moroz - Member of the Supervisory Board
- Philip Grose - Member of the Supervisory Board
- Stefano Zuppet - Member of the Supervisory Board
- Vladimir Rangelov - Member of the Supervisory Board

- **Managing Board members:**

- Zlatozar Sourlekov - Chairman of the Managing Board
- Atanas Dobrev - Member of the Managing Board and Chief Executive Officer
- Alexander Grancharov – Deputy Chairman of the Managing Board
- Rusin Yordanov - Member of the Managing Board
- Ivailo Bachiyski - Member of the Managing Board



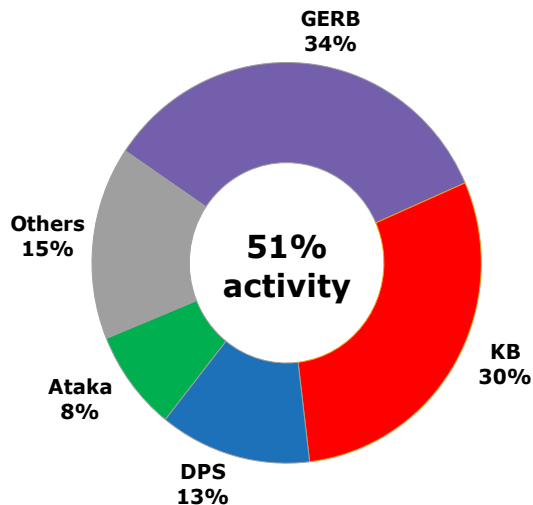
# Ownership structure



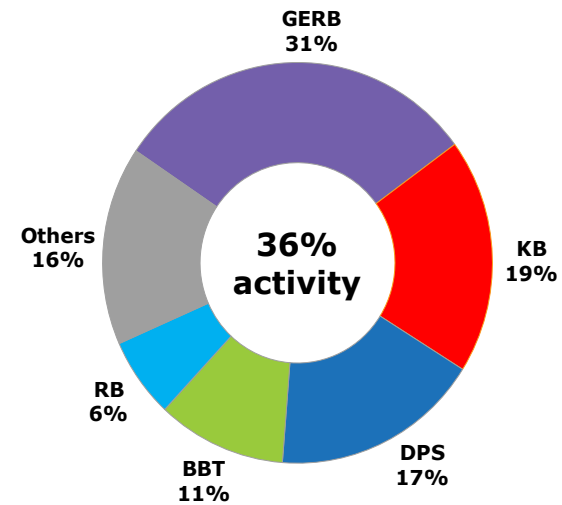
- (1) Stake held through Crusher Investments Limited, an indirectly, wholly owned EU based subsidiary of JSC VTB Bank.  
 (2) Bromak Telecom Invest AD, a subsidiary of Bromak EOOD ultimately controlled by Mr. Tzvetan Vassilev.  
 (3) Other shareholders, all owning less than 5% of the capital individually.  
 (4) V Telecom Investment S.C.A. is managed by its general partner V Telecom Investment General Partner S.A.

# Political environment

**Bulgarian Parliament elections results in May 2013**  
(%)



**European Parliament elections results in May 2014**  
(%)



## Resignation

- Government resignation was agreed in June 2014
- The Parliament voted it on 24<sup>th</sup> of July 2014
- Interim government is in charge since 6<sup>th</sup> of August 2014

## Next Parliamentary elections

- Parliamentary elections are scheduled for 5<sup>th</sup> of October 2014

Source: Central Election Commission

Ataka – Attack (Nationalists)

BBT – Bulgaria Without Censorship

DPS – Movement for Rights and Freedoms

GERB – Citizens for European Development of Bulgaria

KB – Coalition for Bulgaria

RB – Reformist Block

# Results Outlook for 2014

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	Prior guidance	Current guidance
Adjusted EBITDA	BGN 310 - 330 m	BGN 320 - 330 m
Capex	BGN 160 - 180 m	BGN 160 - 170 m

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# Q&A

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