

## INTEGRATED ANNUAL REPORT 2018



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## **INTEGRATED**

## **ANNUAL REPORT** 2018

We are pleased to present you the third Integrated Annual mitigate those. All reported data has been duly reviewed. Report of Bulgarian Telecommunications Company EAD analysed and consolidated, and fully corresponds with our ('VIVACOM', 'Company'). It covers data on the company's official reports. This report also includes condensed annual activities in 2018 and aims to promote the high degree of financial statements. More detailed information can be transparency on all material topics that the company has found in the consolidated annual financial report, published built up and follows in its interaction with key stakeholders. on our website. Demonstrations of this long-term policy are the annual public Sustainability reports issued to date (2014 and 2015) This report is prepared in accordance with the GRI Standards: 'Core' option. It is also in line with the Reporting and the Integrated reports (2016 and 2017). This edition covers all important areas of development, achievements Framework published by the International Intelligence and challenges for VIVACOM in 2018, viewed in the context Reporting Council (IIRC). of the economic and social environment in the country, The Managing Board and top management of the company market dynamics, competitive offerings and customer actively participated in the preparation of this report to attitudes. ensure the integrity of information and its alignment with The report is prepared following the principles of the International <IR> Framework.

transparency and involvement of key stakeholders in defining the value creation process, taking into account the create value, its strategic objectives and decision-making. Topics material to the stakeholders are determined through consultations with them and with consideration of their interests and needs. The content of this report is further guided by the latest amendments to the national legislation (Accountancy Act, 2016).

The Integrated Annual Report for 2018 provides data about VIVACOM on individual and consolidated bases. The quantitative data reflects economic, technical, social and environmental performance in the period between January 1, 2018 – December 31, 2018, unless stated otherwise. This report presents our performance against sustainability goals and priorities as stated in our 2017 Integrated Annual Report, our strategy, taking into account the operating environment, use of capitals, challenges and changes we are facing, as well as the measures put in place to

#### Transparency through reporting - our progress in the reporting process

PUBLICATION	MAIN TARGET	FOCUS AREAS
Integrated Report 2018	Investors, shareholders, clients, employees, business partners, state institutions	<ul> <li>Value creation for key stakeholders, business model &amp; capital transformation, long-term sustainable development strategy and contribution to the macroeconomic environment and society in Bulgaria, operational performance and achievements</li> </ul>
Integrated reports 2016 and 2017	Investors, shareholders, business partners, suppliers, authorities	<ul> <li>Value creation, business model &amp; capital</li> <li>transformation, long-term strategy, goals &amp; vision, operational performance and excellence</li> </ul>
Sustainability reports 2014 and 2015	Customers, employees, suppliers, business partners, NGOs, media	Sustainability matters to key stakeholders, company policy, programs and performance against sustainability targets
Financial reports, presentations and KPIs	Investors, shareholders, analysts, authorities	<ul> <li>Financial statements, overview of the activities</li> <li>of the company, financial condition and results of operation, main risks</li> </ul>

## ABOUT THIS REPORT

Our third Integrated Annual Report was prepared in material topics that could affect the company's ability to partnership with densktatt - a Bulgarian consultancy specialized in the subject matter – and has successfully passed the Materiality Disclosure Service of GRI. It has not been subject to third-party verification.

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## STATEMENT OF THE CEO



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Atanas Dobrev: Our industry is one of the driving forces of the Bulgarian economy

#### Dear readers.

**INTEGRATED** 

In front of you is VIVACOM's Integrated Annual Report for 2018. The report reflects all significant achievements of the company for this period as well as the leading global trends in technology development. You will find answers to questions about why analysts talk about the amount of information measured in zettabites, and where this information will be stored, how smart systems in cities will solve the problems of growing urbanization and what new business models will trigger the digitization of industries.

2018 was the year in which 5G came out of the 'dream' stage and became a reality. The first fifth-generation network became a fact in the US, and the theme of its building on the Old Continent took an important place in the European Union's agenda.

What is 5G and what will it give us? Fifth-generation networks make it possible to connect many more devices at a same time. This way they will not only provide more capacity for smartphone and tablet users, but will also boost business growth. These networks will allow easier automation of the production process, and high speeds and instantaneous data transmission will open up the possibility of developing entirely new niches such as autonomous vehicles, use of robots in different spheres, remote medical procedures, etc. Under the conditions of total digitization, for people will remain the creative and highly qualified work, which will mean better pay, higher satisfaction and, respectively, improvement of socioeconomic status of societies.

In these conditions of dynamic change, Bulgaria is one of the countries with the best indicators for quality of telecom services. We have traditionally been at one of the leading places for speed and coverage on both the fixed broadband Internet and mobile network.

I can proudly say that our industry is one of the driving forces of the Bulgarian economy. VIVACOM is a leader in the development and introduction of modern technologies with investments of BGN 187 million just for 2018 and over BGN 1 billion for the last five years.

Thanks to our strategy for long-term and sustainable development of infrastructure and services we have succeeded in building the mobile network with the best coverage of the population in our country as well as the fastest 4G network . These investments made it possible in 2018 to have the mobile Internet traffic on 4G to surpass that on 3G. This was the year in which 4G ceased to be innovation and become a technology that consumers rely on and use on a daily basis. To offer even more opportunities to our customers, we also launched 4.5G with even higher mobile Internet speeds, as well as 4G Voice service for crystal clear calls through LTE.

True innovations in the past year happened in the field of the Internet of Things and Smart Cities. After the end of 2017, when we were the first telecom in Bulgaria to launch LoRa network, in 2018 we realized a number of pilot projects with smart solutions for improving the urban environment. In partnership with other progressive companies, start-ups and municipalities, we showed in

practice how technology can improve parking, traffic management, lighting and even garbage collection. We believe that cooperation between business, entrepreneurs and institutions is the engine of creating a world of connected devices where machines will communicate with each other to make people's lives better.

My expectations for this year are for us to get out of the test phase of Smart City services and move on to their tangible commercial offering and wider deployment in companies and municipalities. From our work to date with local administrations, it is clear that Bulgarian cities are not lagging behind the global trends and are ready to use new technologies in order to improve the environment and lives of their citizens and quests.

In VIVACOM we also apply these technologies in our own processes. The company is currently digitizing its internal systems and processes. We are changing our way of work too, so that everything for our customers becomes faster and easier. For example, we launched the My VIVACOM application, which allows our subscribers to manage their services themselves. We laid the foundations for a complete transformation of the company, and I believe that in 2019 consumers will feel the real benefits of this for themselves.

Most noticeably this change is felt by the young people who are currently studying or starting to work. They grow into a world dominated by technology, and the inability to use its potential means they are facing a failure. The key to their successful realization is education that meets modern labour market requirements and is based on new technologies.

<sup>1</sup> The coverage of 4G technology by population was measured by Global Wireless Solutions (GWS) according to their methodology in the period 15.10–15.11.2018.

<sup>2</sup> According to Ookla® analysis based on Speedtest Intelligence® data from tests conducted on the territory of Bulgaria in the third quarter of 2018 for average download speeds in the mobile network. Ookla trademarks are used with permission. More information at www.vivacom.bg.

As a company, we believe that we have responsibility for the growth of young people in the country and see our contribution in the introduction of technology in school. Thus, learning will be more interesting, useful and, most importantly, effective, by preparing modern children with real knowledge and skills to enter their active life stage. With a number of partners involved with the topic of education, we launched the 'Education 4.0' initiative, which aims to help the digitization of Bulgarian secondary education. At the same time, we constantly train ours about 5,000 employees to be informed and professionally prepared in this dynamically developing field.

The changes we are already witnessing will happen even more rapidly in the coming years. Practice shows that every next technology - 2G, 3G, 4G - took less time to be massively adopted than the previous one. We expect 5G to become a reality in Bulgaria in 2020-2021. This is the network that will transform our lives as did the mobile phones appearance some 20 years ago.

VIVACOM is ready for this new, exciting world. How we have done so far, what are our goals for the coming years and what we will offer our customers in the high-tech future can be read on the following pages.

Yours faithfully,

**Atanas Dobrev** Chief Executive Officer of VIVACOM

#### **INTEGRATED ANNUAL REPORT** 2018

ADDRESS BY THE MINISTER OF TRANSPORT. INFORMATION TECHNOLOGY AND COMMUNICATIONS



## Rossen Jeliazkov: The example of companies like VIVACOM and the good practices they apply are a valuable resource

Telecommunication connectivity is becoming increasingly important in the technological development of the economy and society. Digital technologies have led Europe and the world to a stage that completely changes business models, social relationships, policies and visions in all spheres of life.

With the massive penetration of 5G networks and services, there is another technological leap ahead of which we have to be ready in advance. That is why our efforts in recent years have been aimed at improving the connectivity of the regions, not only in transport but also in communication. With the Internet getting more and more into our daily lives, it is important to provide a high-speed network to the most remote and sparsely populated areas in the country as well. In this respect, the example of companies like VIVACOM and the good practices they apply are a valuable resource.

These processes should not be encapsulated only within

our country. Therefore, during the Bulgarian Presidency of the Council of the European Union, Bulgaria made a first step towards integrating the countries of the Western Balkans into the values of the Union. Thanks to our strong political commitment, we were able to sign memoranda with neighbouring countries for reduction of international roaming tariffs for telecoms services. Agreements have encouraged telecom operators to take step-bystep action to achieve price levels similar to those in the European Union. Bulgarian telecom companies have offered special conditions for our western neighbours and are already reporting increasing calls and access to the Internet. Improving access to these services plays an important role in facilitating economic and social interactions both in trade and in travel to these countries. A study of the possibility of a common international roaming space between the European Union and the Eastern Partnership

#### countries is underway.

In 2018, telecoms began to implement a number of concrete projects for the digitalization of society, economy and everyday life, in close partnership with the administration. This is an example of effective cooperation aimed at implementing Europe's digital strategy post-2020 and improving digital skills. All this helps to ensure that citizens, businesses and administrations make the most of the enormous opportunities offered by digitization.

> Rossen Jeliazkov, Minister of Transport, Information Technology and Communications

# 1.0UR COMPANY

VIVACON



#### **INTEGRATED ANNUAL REPORT** 2018

## 11. Who we are

technology leaders in Bulgaria under the VIVACOM terrestrial and satellite broadcasting and transmission, brand, 'Bulgarian Telecommunication Company' was established as an autonomous organization in 1992 after the division of the state-owned company this type, as evidenced by the full international Tier 3 'Bulgarian Posts and Telecommunications'. Back in history, the organization can proudly claim to be the successor to Pleven's postal, telegraphic, telephone and radio station – the first communication infrastructure in Bulgaria, founded in 1879. Following its 140-year traditions and experience and going through various transformations, our company is ready to meet the challenges of the Internet of Things (IoT) – a trend that permanently becomes a part of our lives. The support. In 2018 VIVACOM was once again awarded world of connected devices and smart technologies is as the company with the fastest mobile network in undoubtedly the new major worldwide revolution and Bulgaria will not lag behind it thanks to the modern technology visionaries, including VIVACOM.

Our company has established itself on the Bulgarian market as a trusted supplier of a complete portfolio of telecom solutions for the needs of every household, business or institution. We offer mobile and fixed voice services, high-speed mobile and fixed broadband, interactive and satellite TV. We are constantly striving to expand our range of services to ensure maximum convenience to our customers. In the past year, we have included products such as compulsory Third Party Liability insurance for vehicle owners. For the needs of our business customers, we offer specialized M2M solutions as well as technologies developed specifically for their field and scale of business.

Our wide range of services is complemented by a wide portfolio of devices – smartphones, tablets, laptops and technological accessories in all price categories, updated according to the global trends and needs of Bulgarian consumers.

Focus in our entire strategy in 2018 was the development of so-called 'Smart' or intelligent All these achievements were realized in the extremely solutions for corporate clients and state institutions dynamic telecom market in Bulgaria, which in 2018 with a leading accent on 'Smart City' services for was marked by two significant changes in our Bulgarian municipalities. Our company united all of its main competitors. Mtel, part of Telecomm Austria's products in these areas into a single platform - VIVA international group, was fully re-branded and SMART, which offers services in three directions: smart marketed under the A1 brand, which was accompanied cities, digital education and cloud solutions via a data by an intensive communication campaign throughout center system.

Known today as one of the most innovative Along with these services, VIVACOM is distinguished by which it implements via its own satellite station 'Plana'. Teleport is one of the world's most modern facilities of certificate. Satellite services bring our company to the international market, with more than 200 radio and TV channels broadcasted and transmitted every day to Europe, Africa, the Middle East and Asia.

> All the innovations in our product and service portfolio have been made possible by the high quality of the network and the technological infrastructure we Bulgaria for the third quarter of 2018, according to the Ookla<sup>®</sup> Speedtest Intelligence<sup>®</sup> information analysis.

> For us a guiding principle in the development of services always has been to offer them with similar parameters to our customers across the country, whether they are located in big cities or in small and remote settlements. This is an expression of our understanding that in order for the company to develop sustainably, it must contribute to the sustainable development of society as a whole. Technology is precisely the instrument that can give equal chance for prosperity to people in every part of the country. Our efforts to ensure equal access to high-speed mobile broadband have been assessed by the global leader in Global Wireless Solutions (GWS). According to their report at the end of 2018, the 4G network of VIVACOM once again had the highest result in the country for coverage by population – 99.25%

> During the reported year, the company has also made a lot of effort in increasing the number of settlements with access to high-speed fixed broadband. A total of 1,182,000 households can now take advantage of its benefits as well as to watch interactive TV.

the year. The other major player in the mobile segment,

Telenor, has changed its ownership and is no longer number one operator in total revenue in Bulgaria. Our a part of the eponymous Norwegian headquarters, customer base in the most key segments, such as but of the PPF Group, which operates in 22 countries. mobile services, high-speed Internet and interactive In these conditions of serious changes in the whole TV, is growing. This is a proof of the consumer's trust sector, VIVACOM managed to maintain its stable in us and the quality of our products, services and position and to continue the positive tendency of the networks, as well as of the high level of customer last years by becoming for sixth consecutive year the experience we provide.



<sup>1</sup> According to Ookla® analysis based on Speedtest Intelligence® data from tests conducted on the territory of Bulgaria in the third guarter of 2018 for average download speeds in the mobile network. Ookla trademarks are used with permission. More information at www.vivacom.bg.

<sup>2</sup> The measurement of the coverage of 4G technology by population was done by Global Wireless Solutions (GWS) according to their methodology in the period 15.10–15.11.2018. More information about the VIVACOM survey and mobile network at www.vivacom.bg.

**BTC EAD Headquarters address:** 115 I, Tsarigradsko Shosse Blvd., Sofia

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## 1.2. Mission, Vision and Values







EFFECTIVE	EFFECTIVE	EFFECTIVE	EFFECTIVE	
INSPIRING	INSPIRING	INSPIRING	INSPIRING	
INNOVATIVE	INNOVATIVE	INNOVATIVE	INNOVATIVE	BTC Net EOOD
NEST HONEST	HONEST HONEST	HONEST	HONEST HONES	
DYNAMIC	DYNAMIC	DYNAMIC	DYNAMIC	Net E0
RESPONSIBLE	RESPONSIBLE	RESPONSIBI	LE RESPONSIBLE	



## **1.4. Material Topics and Stakeholders**

Our Integrated report addresses the ability of the with our customers, whose requirements and organization to create value for the stakeholders interests are ever growing, suppliers who give us in the context of the operating environment. Our insights into the newest product developments, business success depends on our ability to adapt and and partners with whom we engage in meaningful respond to risks and opportunities of matter to our business activities. key stakeholders. The telecommunication industry is constantly developing through technological Identifying the material topics is the first step in transformation and innovative business solutions. developing a better understanding of the value creation process in the Company. This change is enabled by the continuous interaction

## **Defining Material Topics and Stakeholder Engagement** (102-46)

managed properly.

In creating this report, we are guided by the GRI The Company top management, including Standards and the <IR> framework for materiality, representatives of the Managing Board, validated stakeholder inclusiveness and relationship, the assessed and prioritized topics identified through completeness and context. We performed our material the stakeholder engagement process. Each material assessment considering the operating environment aspect is presented in an updated material matrix for the reporting period. As part of the reporting (Figure 1) and a table according to the GRI Standards process, a workshop with Company representatives and the <IR> Standards.

As the value creation is developed through relationships from different departments was held, as well as a with others, here we present our approach to series of interviews with Company directors. Overall, stakeholder engagement and defining material topics most of the material topics described in the 2017 that are important to our business. Important material Integrated report remain relevant, although the topics for us are those that relate to the biggest impact level of importance to stakeholders or impact on our of our business on the economy, the environment or business have changed. Some new issues have been the social environment, and at the same time are of raised, such as the one about customer experience great importance to our stakeholders. These are areas – topic that engages a whole new department in the where value can be created or reduced if risks are not company. No other significant changes in the scope and aspect boundaries have been introduced (102-46).



# [GRI 102-47]

# Figure 1 Materiality matrix

PUBLIC HEALTH, SAFE SERVICES AND PRODUCTS S olde akeh **COOPERATION WITH** OTHER OPERATORS St . ateria

Significance of the impact -

# 1. OUR COMPANY

ECONOMIC IMPACT ON LOCAL COMMUNITIES

ETHICAL COMPETITION

WASTE MANAGEMENT

CAMPAIGNS AND DONATION PROGRAMS

> TRANSPARENT AND **EFFICIENT RELATIONS** WITH SUPPLIERS



PROFITABILITY AND EFFICIENCY EFFICIENCY

MANAGEMENT

## 1. OUR COMPANY

those topics where most value could be created or along the value chain. We depict the risks associated destroyed. The connections between stakeholders, material topics and the value we create are mapped in the following connectivity matrix. Each material aspect is assessed considering where the impact dynamic framework used in our strategic planning. The occurs and the involvement of the Company and thus next sections of this report elaborate in detail on each setting its boundary. The impacts could be internal to element of the connectivity matrix.

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The materiality assessment helps us to focus on the Company or external – related to organizations with value deduction and our management approach to deal with them. Connecting the different elements supports our integrated thinking and provides us with a

## [GRI 102-47, GRI 102-49]

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## Table 1 VIVACOM Connectivity matrix

Material aspect and boundary (B)	Primary relevance of material aspects to	Impact & value proposition to stakeholders	Risks to diminish value	
<b>Quality products</b> Access to rich portfolio of telecom services and products. B: external	Customers	Well-connected customers everywhere and at every moment. Tailor-made services and products for customers. High-quality service on time.	Over-regulation that limits the offering to customers. Service failure due to technical issues or extreme events (heavy snow and power cuts), delays with suppliers, infrastructure thefts. Unqualified employees for the respective positions.	We inve network legal rec offering and sup
<b>Customer experience</b> B: external	Customers	Good customer experience at every contact point with the company: store service, call center, technical support. Permanent delivery of information about the used services. Opportunity to improve services and to use new ones according to the individual needs of the client.	Service mistakes due to technical issues. Unqualified employees for the respective positions.	Establisł custome custome
<b>Employee engagement and satisfaction</b> Equal opportunities for all employees, retention and development, health and safety at work, well-being. B: internal	Employees	A broad range of opportunities for career development. Safe and pleasant working environment, team support and positive relationships are favorable for good health and stress management. Flexible working time allows for improved work- life balance. Fair payment and equal opportunities for growth. Efforts in increasing personal productivity.	Tough competition offering better conditions. Development of existing and emergence of new industries with a high potential to attract talents.	We surp standard develop the perf we enco working processe employe
<b>Profitability and efficiency</b> Financial stability, return of investment, efficiency of business processes and risks management. B: internal	Investors and shareholders	To secure sufficient financial capital to drive investments and entrepreneurial activities. Dividend payments. Improved business competitiveness.	Insufficient (potential) employees with the right set of qualifications, skills, attitude to the job. Theft of infrastructure. Over-regulation and bureaucracy. Strong competition.	We inve for their efforts. <sup>1</sup> services business

#### VIVACOM management approach

est in network modernization and maintain innovative systems for rk and data management We secure our network. We adhere to the equirements and ensure transparency and adequate information when g our services. We maintain regular communication with our customers ppliers. We work closely with regulatory bodies.

ishment of a dedicated Customer Experience Department. Regular ner surveys. Improved systems for selecting and targeting offers to the hers.

rpass legal requirements and act in compliance with international ards for health and safety management. We provide various career pment programs and specialized trainings. We regularly evaluate rformance of our employees to stimulate their development, and courage them with adequate rewards while addressing issues in the ng process on time. We invest in digitalization to facilitate system ses. We support not only our team but also the families of our vees.

est in employee motivation by valuing individual contributions, asking ir feedback, providing mentoring and training programs, recognizing . We implement functional controlling and project monitoring. We offer es that differentiate us from the competition. We regularly upgrade our ess management systems. We work closely with the regulatory bodies.

## INTEGRATED ANNUAL REPORT 2018

## [GRI 102-47, GRI 102-49]

## Table 1 VIVACOM Connectivity matrix

Material aspect and boundary (B)	Primary relevance of material aspects to	Impact & value proposition to stakeholders	Risks to diminish value	
Innovations and digitalization Cloud-based, tailor made, converged services, wireless Internet access at a higher speed, IPTV, Internet of things, etc. Self-service opportunities. B: internal & external	Society and customers	Provide new ways to connect faster, share and discover. We provide customers with self-service. Reducing service delivery times or resolving issues. Responding to emerging customer needs. Innovative solutions to existing problems among our business customers and in the cities.	Low product and service demand. High functional information requirements. High educational demands on customers. Information security breach.	We trac is ready We mak improve of self-s informa
<b>Infrastructure Management</b> Modernization of the network, prevent loss of infrastructure. B: internal & external	Customers and shareholders	High quality service to customers at optimal costs.	Extreme natural events that could damage the infrastructure. Low quality service of suppliers. Infrastructure thefts.	We con:
<b>Compliance with legislation</b> Regulatory requirements, customers' rights B: internal and external	Society and institutions	Tax payments. Respect of customers' health and rights.	Extreme changes in the regulatory context and requirements.	We regu We regu
<b>Transparent and efficient</b> <b>relations with suppliers</b> Criteria for supplier selection, Tender procedures B: external	Suppliers	Trust and transparent relations. New business opportunities and know-how transfer. Good reputation and endorsements.	Unethical supplier practices. Unclear contractual agreements. Breach of contracts. Delays in payment.	We hav process supplier
Information security Processes and tools to prevent, detect, document and counter threats to digital and non-digital information such as personal data. B: external	Customers	Personal data and information is kept private.	Information loss due to improper internal to the company or suppliers' practices. Technical difficulties that could cause information loss. High requirements of the latest legal reforms.	We prot is in full informa to make
Economic impact on local communities Indirect job creation, opportunities for better education, access to cultural events B: external	Society	People in small settlements profit of good employment options, opportunities to work in a modern business or develop one of their own, career growth chances and improved standards of living. Possibility for remote work and business development in distant settlements.	Demographic change reflected in an aging population and low birth rates. Business consolidation and automation that will lead to job cuts. Complication of the administrative burden and social security.	We have develop of servio employ

#### VIVACOM management approach

rack systematically and adopt innovative technologies when the market ady to accommodate. We develop partnerships with high-tech companies. nake well-informed decisions based on market research. We upgrade, ove and automate our systems and processes to allow for expansion lf-service for our customers. We educate our customers through mational campaigns.

onstantly upgrade our network to ensure that customers' needs are met.

egularly get ourselves informed about recent legislative changes. egularly pass audits and inspections by third parties.

ave put in place an e-auction platform that accelerates the application ess for our potential suppliers. We maintain productive relations with iers establishing good attitude and fair payment on due time.

rotect customer data following clear rules and legislation. The company full compliance with GDPR requirements. Implemented and certified mation management system. We have an Information Security Manager ake sure all rules are followed and all employees are trained in them.

ave a Regional Grant to finance projects that aim to support local opment. Through the expansion of our business and the provision rvices in remote areas, we work with more suppliers and provide oyment in areas where it is difficult to find a job.

## INTEGRATED ANNUAL REPORT 2018

## [GRI 102-47, GRI 102-49]

## Table 1 VIVACOM Connectivity matrix

Material aspect and boundary (B)	Primary relevance of material aspects to	Impact & value proposition to stakeholders	Risks to diminish value	
Ethical competition Anti-corruption, combat grey economy practices, ethical business B: internal & external	Competitors and customers	Fair market rules.	Unethical practices. Creation of context that stimulates unethical behavior.	We adh
Safety and child protection Management of the products offered to families, in terms of potential risks these products may entail to children. B: external	Customers	Safe content for children. Parents feel at ease that their children are protected.	Fast technological development. Delayed reaction regarding potential risks in services and products.	We inve children We info founder and bus existing measur
Energy efficiency and carbon dioxide emissions Lower energy consumption. Energy efficiency. B: internal & external	Investors and shareholders, society, NGOs	Minimization of negative environmental impacts due to the company's activities. Helping our customers to minimize their own environmental impact through our services. Optimized costs for resource use. Improved company reputation and attraction of customers and investments.	Use of old and energy demanding technologies. Inefficient technology solutions to reduce energy consumption and generate energy from renewable sources. Insufficient capital investments.	Introdu energy- that lea and cas
Cooperation with other operators Sharing network B: internal & external	Competitors, associations, shareholders	Good partnership relations. Business opportunities. Costs optimization. Saving resources to create additional infrastructure.	Unfair relations. Lack of transparency and open dialogue.	We deve operato industry
Public health, safe services and products Electromagnetic emissions, safety certified products B: external	Customers and society	Good public health. Well-informed customers and citizens on the effects of electromagnetic radiation on human health.	Regulatory non-compliance. Products and services with low health and safety characteristics.	We opti about th We adh We aud
<b>Campaigns and donation</b> programs Sponsorship of campaigns, donations B: external	Society and employees	Meeting the basic human needs of education, culture, sport, good health.	Financial instability and decrease of budgets. Change in priorities. Use of donations for improper purposes.	We have culture a includin social ca
<b>Telecom waste generation</b> Hazardous and non-hazardous waste from telecom equipment and office work. B: internal & external	Society and NGOs	Waste free environment. Increasing of waste collection and recycling opportunities. Extending equipment life through reuse.	Regulatory non-compliance. Inadequate regulatory control. Partnering with recycling organizations without a permit.	Introduc rules fo possible

#### VIVACOM management approach

dhere to the principles of our Code of ethics.

ivest in understanding parents' concerns about products risks to their ren.

nform parents on child safety related practices and actions. We are a coder of the SafeNet centre where together with associations, foundations, ousiness representatives participate actively in focus groups to tackle ing and emerging issues. We also work closely with our employees on the sures for safe surfing of their children on the Internet.

duction of certified Environmental Management System. We introduce gy-saving technologies in our network. We offer products and services ead to energy savings for our customers. We ensure financial stability ash flows into infrastructure modernization.

levelop joint projects (e.g. sharing network resources) with other ators. Memberships in organizations representing the interests of the stry (ETNO, BACCO).

ptimize the management of impact of our activities and inform society the effects of EMR.

dhere to European legal requirements for product safety (CE). udit the products and services of suppliers.

ave identified key areas of impact of our business such as education and re and we contribute to them via our special VIVACOM Fund platform, ding VIVA People, VIVACOM Cares, etc. Our employees volunteer in various l causes.

duction of certified Environmental Management System. We follow strict for partnerships. We renew and reuse end-user equipment whenever ble.

## 1. OUR COMPANY

Value creation takes place within our operating context that have the greatest impact on our business and the through intensive interactions with our stakeholders. highest interest in our activities, we realize initiatives In order to improve our business performance, we strive to push the boundaries of our responsibility and include in our business management and decision. We summarized up some of the expectations of making clearly defined needs and interests of our key the different stakeholder groups, how we reach stakeholders. In practice, we strive to be informed about them, and how we address the themes that concern the interests and expectations of all our stakeholders – them. Detailed information about our initiatives with both external (customers, partners, suppliers, etc.) and different stakeholders is to be found in the different internal (employees, shareholders). With those parties chapters of this report.

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and projects of mutual benefit. (102-42)

## Table 2 Stakeholder Engagement

STAKEHOLDER GROUP 102-40	CUSTOMERS	EMPLOYEES
Expectations 102-44	Our customers expect safe, reliable and quality services at reasonable price. This includes delivery of the same service regardless of location, meteorological conditions and network load. There is a rising interest in IPTV. Clear contractual agreements and offers, timely and complete response to questions and complaints, excellent personal data management. Option for quick and independent managing of services.	Employees are satisfied with their job when provided with ample career opportunities, treated fairly and with respect at all levels. Relationships built on trust and recognition are valued by our team. Employees also expect internal information about the Company development and strategic focus. Fair compensation, increasing welfare, corporate benefits.
Engagement approach & frequency 102-43	We engage in a daily dialogue with customers in stores, via our call centres, mail, social media. We regularly apply instruments such as NPS and other surveys to assess the customer satisfaction rate.	We consult with our employees on a daily base via internal and management meetings, trainings, performance appraisals, employee engagement surveys.
OUR RESPONSE	We continuously upgrade and invest in our network. Expanding the coverage of the optical network, adding more content to mobile and fixed services packages. Continuous business process improvement is implemented via adoption of ITIL-based service management systems. We improve our Customer Service in the call centre by applying SLA. We created the My VIVACOM self-service platform.	Focus groups have been organized to develop action plans based on the results of the employee engagement survey. We develop specific training programs for experts in different fields.
STAKEHOLDER GROUP 102-40	INVESTORS AND SHAREHOLDERS	AUTHORITIES
Expectations 102-44	Investors, analysts, traders and shareholders consider material regular and transparent information regarding financial performance, strategy, vision, long-term objectives and corporate governance. They require that the management maintains a good corporate image by following both the rules of legislation and ethical competition.	Regulators expect us to comply with the legislation that concerns the sector and protect the rights of consumers, employees, competitors and all relevant stakeholders.
Engagement approach & frequency 102-43	We engage with the investor community by participating in conferences. We regularly consult with shareholders via meetings.	We maintain regular contacts with institutions concerned by the telecom market.

OUR RESPONSE	We achieve continuous financial impr modernization, internal process impro acquisition, implementation of an ong for money' strategy. In our commitme provide annual Integrated report, ann and quarterly financial statements.
STAKEHOLDER GROUP 102-40	SUPPLIERS
Expectations 102-44	Suppliers need clear terms of particip procedures, optimization of business decision-making related to supplies. T attitude, respect of contractual agree due time.
Engagement approach & frequency 102-43	We maintain good relationships with organizing regular meetings, negotiat improvement opportunities regarding service delivered by suppliers.
OUR RESPONSE	We are constantly increasing the num auctions. We follow our procurement
STAKEHOLDER GROUP	
102-40	MEDIA
	MEDIA Current and reliable information abou activities, products and services.
102-40 Expectations	Current and reliable information about
102-40 Expectations 102-44 Engagement approach & frequency	Current and reliable information abou activities, products and services. Permanent communication with the r
102-40 Expectations 102-44 Engagement approach & frequency 102-43 OUR	Current and reliable information about activities, products and services. Permanent communication with the r media to find out what information the Proactive communication of informat
102-40 Expectations 102-44 Engagement approach & frequency 102-43 OUR RESPONSE STAKEHOLDER GROUP	Current and reliable information about activities, products and services. Permanent communication with the r media to find out what information the Proactive communication of informat the company. Organization of special
102-40Expectations 102-44Engagement approach & frequency 102-43OUR RESPONSESTAKEHOLDER GROUP 102-40Expectations	Current and reliable information about activities, products and services. Permanent communication with the re media to find out what information the Proactive communication of informat the company. Organization of special UNIVERSITIES AND S Providing opportunities for career devision of practical experience, support

technological laboratories.

rovement by network ovement, strategic going successful 'value nual financial reports,

We keep regular track of the latest changes in legislation and consult with our legal advisors on proper implementation. We perform internal ent to transparency, we audits to manage the risks of incompliance.

**BUSINESS PARTNERS** ipation in tender Business partners are interested in collaboration processes and timely opportunities. They also expect good ements and payment on suppliers by Opportunities for partnership are regularly discussed at individual meetings. ation sessions to discuss ng our needs and the We enable business partners to offer our services nber of electronic policy. to their clients. We offer the services of our partners through our own commercial channels. BRANCH ORGANIZATIONS Active participation in dialogue on cases and out the company's topics affecting the sector. media. Meetings with Regular participation in meetings and events of branch organizations of which we are members. hey need. tion with news about The company has appointed representatives events for journalists. who are actively involved in the activities of organizations. CHOOLS NGOS evelopment of alumni, Financial and communication support of socially port in the development important initiatives. Participation in partner NGO events and gue with educational discussions. Permanent dialogue for udents preparation for improvement of the social environment. et es and schools. Support of social initiatives. Partnerships with opment of Technical NGO experts for initiation of specific social Academy in the Technical University of Sofia. Internship campaigns to be supported or implemented by program for hiring students for summer internship. VIVACOM. Conducting lectures by our experts at universities. Building of

## 1.5. Goals & Achievements 2018

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NETWORK AND COVERAGE	Result
Launch of VoLTE service	
Extending the fiber optic network with 60,000 new households	
Expanding the FTTc coverage with 200,000 new households	
Modernization of 42 locations in MAN	
Improving autonomy and redundancy of power supply and connectivity to the network of important for performance of the network sites:	
- Investment in mobile generators	
- Investment in equipment to control fuel of diesel generators	
- Installation of a separate power supply systems for transmission facilities in order to increase the autonomy of the transmission network	
PROCUREMENT	
Increase of hybrid cars in the fleet portfolio and introduction of electric vehicles *The company decided to invest more in increasing hybrid cars (31 in 2018 compared to 11 in 2017) instead of electric cars that at this stage do not meet our needs of service vehicles.	•
Renegotiation and optimization of trading conditions in strategic supply contracts – minimum 20 con- tracts	
Developing an e-shop	
Developing the re-testing, repackaging and reuse of devices and customer equipment program	
EMPLOYEES	
Continuation of process of simplification of processes	
Optimization of administrative structures and personnel costs	
Increase of engagement rate by 2% compared to 2017	
CUSTOMER EXPERIENCE	
Creating customer service standards based on customers' lifestyle and values	
*Completed to 50% - groups of clients are differentiated according to their way of life and values, and 'customer trips' and service standards towards them are to be created.	
Revision of basic processes affecting customer inquiries	
Revising the way of communication with customers through various documents and communication channels	
Collecting customer feedback after each contact with us *Postponed for 2019	$\bigcirc$
Launching of an internal program to promote the idea of 'client experience' within the company	
DIGITAL CHANNELS AND DIGITAL INNOVATIONS	
Launching My VIVACOM digital platform and mobile application for end users	
At least 1/3 of all of the telecom's mobile customers to have profiles in the platform created by the end	
of 2018	

## 1.6. Goals 2019

#### NETWORK AND COVERAGE

Extending the fiber optic network with 50,000 new households Expanding the FTTc coverage with 100,000 new households Expanding the 4.5G mobile network coverage, increasing capacity and maximum speeds Modernization of the interactive TV platform and improvement of customer experience with the addition of new functionalities Switching the satellite television (DTH) to a new satellite

#### **PRODUCTS AND SERVICES**

Expansion of additional content included in mobile plans services used Development of the self-service portal - My VIVACOM New proposals for disadvantaged people

#### **HUMAN RESOURCES**

Upgrading programs and measures to attract, retain, develop and motivate employees Restructuring the company and optimizing staff costs

#### **CUSTOMER CARE AND IMPROVING CUSTOMER EXPERIENCE**

Create 'customer journeys' for different clients groups according to their lifestyle so that they have the most satis-fying contact with the company

Measuring the experience of our customers at different points of contact Revision of basic processes in fixed services Change in the type and content of monthly invoices

Replacement of the customer service platform

#### SUPPLY

Development and ongoing improvement of the electronic supply system

30% of all vendor selection procedures are to be conducted through open auctions

Carrying out an internal survey to measure the level of employee satisfaction and the efficiency of delivery processes in the company

- Enhanced bundled offerings according to the customer's needs in order to increase the average number of
- Creating a company map of activities to the customer according to the stage in which our services are used
- Optimization of the delivery process reducing the time for creating a delivery order by 30%

## 2. STRATEGY, **VALUE CREATION** AND DISTRIBUTION

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2. STRATEGY, VALUE CREATION AND DISTRIBUTION

## 2.1. Strategic Highlights

"Our leading position as fully integrated telecom services We view our strategic development built on four provider is driven by our capabilities and competitive strategic themes, further developed into measures advantages achieved through assessment of strategic and goals, which we believe will enable us to expand opportunities with respect to the very dynamic and strengthen our portfolio of products and services, operational environment. To sustain our competitive leverage core competences, increase efficiencies and advantages, we analize the opportunities and challenges, capitalize on growth opportunities." market trends and expectations of stakeholders.



Maintain best of its class mobile • Maintain best of its class mos network to deliver unmatched • Continue to roll out high speed fiber-optic broadband: - new households passed with high-speed fiber-optic - VDSL roll-out as part of copper-based network optimization • Next generation IPTV user interface • Explore opportunities to acquire additional spectrum for mobile

STRATEGIC MEASURES

KEY STRATEGIC PILLARS

We have a scalable nationwide network

infrastructure and have plans to

further develop our networks to meet

the growing demand for data services.

We believe we provide superior mobile

and fixed-line network quality and

Invest in network to capitalize on demand for high-quality services

KEY STRATEGIC PILLARS

services

STRATEGIC MEASURES

Identify and deploy cost optimization measures to increase efficiency

We aim to maximize efficiencies by Controlling Operating Costs Within our business through a number of measures, such as extracting synergies by unifying our operational IT platforms, reducing our upgrade and maintenance expenses, controlling our subscriber acquisition costs. Our goal is to achieve above market efficiency through superior processes, services

• Decrease TCO of mobile • Clear, effective, written, followed processes and procedures • Moving to more energy efficient technologies • Explore opportunities for network sharing • Optimize copper services with migration to next-generation solutions

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## 2. STRATEGY, VALUE CREATION AND DISTRIBUTION



In the last decade we have been part of a gradual transformation of the telecommunications landscape. Transformation which saw us become a modern integrated operator able to deliver a full range of telecom services and complex solutions.



VIVACOM creates value through its business model by taking inputs from capitals and transforms them through business activities and interactions to deliver outputs and outcomes that create or decrease value for the organization and its stakeholders over short, me-dium and long term, depending on their expectations. Value creation is influenced positively or negatively by factors of the external environment, relationships with stakeholders, and VIVACOM business activities.

**DIVERSIFIED** 

**FIBER AND** MOBILE

## **INTERACTIVE** TV

## **CLAUD** SERVICES

## DIGITAL **CUSTOMER** SERVICE **CHANNELS**

## **MOBILE VOICE AND DATA**

These include a full range of innovative and reliable voice, data, broadband, TV and specific enterprise-wide solutions and services. To ensure long-term sustainable development, our resilient business model considers the socio-economic and regulatory environment, while incorporating VIVACOM's mission, vision and values, supported by our governance structures and effective management of processes.

## 2. STRATEGY, VALUE CREATION AND DISTRIBUTION

## **BUSINESS MODEL**

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## Investments in network & people

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We believe that carefully considered capital investments ensure efficient coverage, capacity and quality networks. This considers also investments made to facilitate the expansion of new revenue streams, use of new spectrum, while investment in our people and staff members ensures we have the appropriate skills to deliver our strategy. We also recognize that our operations depend much on electricity and fuel use for our vehicle fleet. Thus, with the installation of energyefficient solutions such as hybrid PV systems, we ensure higher availability of our networks and reduce our diesel costs and negative environmental effects.

## Product development and innovations

We believe that carefully considered capital investments ensure efficient coverage, By establishing a high quality network, VIVACOM has been able to offer its customers a range of innovative products and services and has built its brand loyalty. This stage of the business involves continuous innovation and deep knowledge of the customer base. Employees with the right skills are required, while a strong brand and solid market share are necessary to reinforce the benefits of broader product offerings. Moreover, our innovative capacity includes also effective relationships with key business partners and suppliers. Developing the right product at the right price is critical to gain strategic advantage and remain competitive in the long-term.

#### Sales & distribution

Our wide distribution network ensures that the majority of the population in Bulgaria has access to our products and services. Deep and broad distribution channels and segmented sales campaigns as well as consistent service across all VIVACOM sales points allow us to compete effectively. In addition, our distribution channels serve as a valuable physical interaction point with customers and provide products and services beyond the traditional boundaries. We believe that our nationwide footprint and distribution network provides us with large scale cross-selling opportunities.

#### **Customer experience**

We focus on building a high quality customer experience, in order to retain customers on our network and keep them satisfied. Our efforts are not limited only to the instances when customers contact our points of sale or call centers but we also strive to provide a high quality customer experience by managing our customers through the entire 'life cycle' of a customer relationship with competence, availability and efficiency, at a level that exceeds average performance levels in the Bulgarian telecommunication industry. To retain customers we need to ensure a consistent and quality customer experience which also includes the high quality of our network. Customer feedback also proves to be an important tool to assess the progress of our efforts.

### SOCIO-ECONOMIC & REGULATORY **ENVIRONMENT**

### MISSION, VISION, VALUES AND MANAGEMENT ORGANIZATION

### **INVESTMENTS IN NETWORK &** PEOPLE

#### **PRODUCT DEVELOPMENT &** INNOVATIONS

### SALES & DISTRIBUTION

CUSTOMER EXPERIENCE

## **CAPITAL INPUTS**

#### **Financial capital**

Our financial strength is based on primary sources of financial capital such as shareholder equity, internally generated cash flows, and raised debt on the capital markets. These resources serve us to maintain our network, functional units, fund expansion and modernization, as well as to pay dividends to shareholders in the past. Cash generated from operations: BGN 309.8 million

## Manufactured capital

Our services are highly dependent on our network working well. ready for the future. Thus, constantly improving and maintaining the quality and resilience of our technological systems is the most important element of our use of manufactured capital. Capital expenditures for assets acquisition: BGN 187.5 million

Total property, plant and equipment: BGN 757.9 million

#### Human capital

At the core of every business are the people and we are not exclusion to this principle. Delivering great experience to the customer relies on highly motivated and talented people. Our employees are the primary interface with our customers, making them the drivers of delivering the unique experience we strive to offer.

Number of employees: **5,433** Training and employee development: **BGN 1.8 million** 

#### Intellectual capital

Our corporate procedures, corporate governance, management systems and organizational knowledge, technologies and intellectual property serve us to develop the best solutions and to optimize the customer experience, as well as to provide innovative products.

Investments in innovation and product development: **BGN 4.3 million** 

## Social & Relationship capital

We forge and maintain cooperative relationships with our key stakeholders – customers, employees, shareholders, business partners – through investing in strategic partnerships, supporting community programs, building trust with suppliers. Customer relations are at the core of our business and we strive to exceed their expectations.

Community investments and sponsorship: BGN 4.3 million

#### Natural capital

Our business is not considered resource intensive. However, the growing customer needs for more data at a higher speed will lead to increased energy demand in the near future. Radio spectrum is a finite and important resource for the digital society that our business depends on. We use valuable metals for our telecom equipment and devices.

Energy consumption: 148.2 GWh

## **OUTPUTS & OUTCOMES**

#### KPIS

Financial value	1	
Telecommunications business is important facilitator of economic development, especially in small settlements. We contribute directly through regulatory fees and taxes and indirectly by providing access to services which keep people connected, support entrepreneurship and economic activity. We adhere to the principles of fair competition by contributing to the growth of economic productivity and delivery of benefits to customers.		Total revenue: BGN 948.0 million Adjusted EBITDA: BGN 359.8 million
Manufactured value	ſ	4G mobile network: 99,25%
We deliver value to our customers through a stable, secure and robust network with a high flexibility and resilience. We are currently in the process of further digitalization of customer centric processes, enabling us to be more agile and ready for the future.		4G mobile network. coverage by population Fiber homes passed: 1.182 million
Human value	-	
We aim to attract, develop and retain the best people by defining a strong corporate identity, creating a culture of excellence and helping employees create their best place to work. We maintain high level of labor practices to ensure our employees fair payment and well-being, including health and safety related practices, flexible working time, kind working environment, good attitude, and financial support. As one of the largest employers in the country, VIVACOM provides continuous training to ensure that our team feels empowered and presented with sufficient growth opportunities.		Promoted employees: 380 Employee engagement: 59%
Intellectual value		9 new mobile voice tariff
We continuously strengthen our system capabilities, expand our digital offering and reshape our distribution model to respond to ever changing customer needs. We actively pursue collaboration with external parties to extend our innovative capabilities, share our know-how and deliver state of the art services in other sectors.		9 new me lines 6 new mobile data tariff lines 5 new mobile additional packages 5 new IPTV packages; 1 new DTH package 3 new fixed voice tariff lines
Social & relationship value	-	
We engage with our key stakeholders on a regular basis by a dialogue and pro-active behavior on the material issues raised. This allows us to strengthen our cooperative relationships with them and build trust. We also invest extensively in local community programs by triggering entrepreneurship and creating shared value. The reputational benefit of these relationships is important to accessing new market niches. We also focus on the value we create for society and on the strengthening of our reputation.		Value distributed to suppliers: BGN 446.9 million, of which 84% to local suppliers
Natural value		
Efficient use of natural resources. Through our environmental initiatives and with dedicated expertise, we are reducing our impact, use of scarce natural resources and waste. Besides improving environmental performance, there is an added benefit in lower operational costs and care of human health beyond the Company boundaries. Our efforts in that area help to build and sustain our reputation for potential employees and investors.		GHG emissions: 80,993 t CO2e Total network waste: 1,094 t

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2. STRATEGY, VALUE CREATION AND DISTRIBUTION

#### Value Distribution

We firmly believe that sustainable business development largely depends on the fair distribution of the created value between the groups of stakeholders. It is our understanding that as a leader in the telecom market we create value for our employees, shareholders, investors and suppliers as well as to society as a whole. We are confident that our core competences and expertise enables us to work in a way that addresses public needs, while supporting social causes and generating benefits for the business.

We believe in a developed society where telecommunications technology enriches life, enhances day-to-day business and plays an important role. Therefore, we distribute the created value seeking for positive outcomes on wider base in the society.





# 3. GOVERNANCE AND COMPLIANCE

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## 3. GOVERNANCE AND COMPLIANCE

## 3.1. Governance

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Effective governance and demonstration of leadership affects the way in which we manage the environmental, social and economic concerns in creating value for the key stakeholders. Maintaining stability of the organization's governance structure is critical to ensure resilience against disruptive changes in the internal and external environment and thus to the value creation process.

#### Commitment

VIVACOM is committed to the highest standards of ethical behaviour from our directors, management and employees. In line with this commitment, we continue to enhance and align policies, systems and processes to embed sound corporate governance principles and ethical standards. Guided by these principles and standards, directors and management are required to exercise rigorous ethical judgement in leading the business and acting in the best interests of key stakeholders.

VIVACOM's primary objective is the creation of value for all its stakeholders through the provision of innovative customer and market focused solutions. In pursuing this objective, we have committed to the highest standards of governance and we strive to embed a culture that values and rewards exemplary ethical standards, personal and corporate integrity, as well as respect for others.

We believe that corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organization's wealth generating capacity. This is ensured by taking ethical business decisions and conducting business with commitment to values, while meeting stakeholders' expectations.

### Approach

Our approach to governance is based on the belief that there is a link between high quality governance and the creation of sustainable value for all stakeholders. It is our view that governance is not just a matter for the Managing Board – a good governance culture must be fostered throughout the organisation.

The current economic environment underscores the need for adopting the highest standards of corporate governance. This is also clearly a time where engagement with stakeholders is more important than ever. Key part of our approach to governance is ensuring that stakeholders' views are heard and understood. The Managing Board governs the Company in accordance with its commitment to a transparent and high quality governance system.

Our corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company. At VIVACOM, it is imperative that our Company affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders and helps us evolve with changing times.

#### Bodies

As per the statutes of the Company, our top-line governance system is based on two corporate bodies: Managing Board, in charge of the strategic management of the Company, and Supervisory Board, responsible for supervision and control. This traditional two-tier management system allows for the clear exchange of views between management and shareholders on fundamental elements of governance.

#### Supervisory Board

The Members of the Supervisory Board are elected by the sole owner of the Company for a five-year term and can be re-elected without limitations. The Supervisory Board supervises the policy pursued by the Managing Board, the Managing Board's performance of its managerial duties and the Company's general course of affairs, taking account the interests of all the Company's stakeholders. The Supervisory Board can approve business transactions reported by the Managing Board as per the statutes of the Company and the existing legislation, as well as to assist the Managing Board by providing advices. In 2018 the Supervisory Board held 10 meetings in total.

#### **Managing Board**

The Managing Board manages the business of the Company. Its members are elected by the Supervisory Board for five-year terms and can be re-elected without limitations. Managing Board is responsible for the Company's strategy, portfolio policy, deployment of human and capital resources, risk management system and financial performance. The Managing Board is also entitled to appoint the Chief Financial Officer and Chief Accountant, selects the type of accounting policies, approves staff support programs, prepares and presents to the Supervisory Board the annual financial report, as well as proposing a profit distribution scheme, taking decisions on the management of strategic assets, etc. Following a Supervisory Board approval, the Managing Board takes decisions on strategic and operating plans, the annual budgets and business plans of the Company. The Managing Board reports to the Supervisory Board and to the Sole owner. During the year the Managing Board held 80 meetings in total.

### Remuneration

Our remuneration philosophy is interlinked to our approach, aiming to support current and evolving business priorities. The philosophy includes our desire to attract, motivate and retain talent and to execute business strategy in a sustainable manner over the longterm.

We aim to promote an action-oriented culture focussed at delivering results, and our remuneration programs therefore includes variable pay and long-term value creation. The Managing Board members are entitled to an annual bonus remuneration at the amount of 50% of the paid for the previous calendar year annual gross remuneration, if the Company meets the projected and agreed annual performance goals. If the Company



exceeds these goals, members of the Managing Board will be paid a total bonus of up to a maximum of 100% of the paid for the previous calendar year annual gross remuneration. In our opinion, this relationship and ratio between base salary and performance-related incentives adequately reflects the balance between the Company's objectives and its entrepreneurial spirit. Moreover, we are confident that the level and structure of Managing Board remuneration is in line with management development goals and pay differentials within the Company. This enables us to attract, motivate and retain senior management of the necessary calibre and leadership background.

Furthermore, members of the Supervisory and Managing boards are obliged to deposit guarantees for their governance duties. The exact amount of the guarantees is determined by a resolution of the sole owner but cannot be less than the contracted quarterly gross remuneration per member. The guarantees for the relevant periods are released following a resolution of the sole owner for discharge of liability which could be performed only on the basis of an audited annual report for the financial year.

Remuneration amounting to BGN 3,772 thousand relating to the members of the Managing Board and to key management personnel has been accrued for the year ended December 31, 2018.

## INTEGRATED ANNUAL REPORT 2018

3. GOVERNANCE AND COMPLIANCE

## 3.2. Main Risks and Mitigation Strategies

Intensified competition in the industry

The telecommunications industry is

Declining financial performance and inability to maintain efficiencies

# Risks

characterised by rapid technological changes. Our commercial success depends on providing services at competitive prices as well as differentiating our product offerings. Lack of agility to respond to changing market conditions and competitive pressure may affect our market share and revenue streams, as well as profits. The industry is in pursue of constant business evolution, where commercial and operational excellence, as well as innovation and technologies, are becoming much more critical.



pportunities

Implementing a digital strategy with broader service offerings. Driving critical mass in our operations and leveraging on our extensive footprint in the country. - Improving launch process of new products - reduce development time, implementation in trade channels and sales efficiency. Build on successful experiences and launching commercial initiatives in data, digital and customer value management. - Ensuring we have the appropriate skills to deliver the right products and services at the right price. Maintaining the best value-for-money position on the market with offers that target undeserved segments.

 Bridging the digital divide through innovative offerings including e-commerce services, automation, self-service capabilities and omni-channel.
 Creating greater efficiencies that would allow us to remain both competitive and profitable.
 Increasing focus on the end-customer experience to provide competitive advantage and improve customer engagement and loyalty. A reduction in industry tariffs, high levels of imposed regulation and increased competition are impacting revenue growth significantly. Our diversified revenue streams and resilient business model are producing some fruitful returns, but as the market environment is highly competitive and dynamic, we need to invest capital to build capacity, maintain and grow market share and position for future growth. Our continuos expansionary upgrades and maintenance of infrastructure and network premises demand high levels of investments which impact our reported results.



- We nurture our traditional revenue streams and identify and develop new revenue streams. - We are actively exploiting our integrated nationwide mobile and fixedline network which gives us a strong competitive advantage as we are able to offer full spectrum of bundled services on a nationwide basis. - We are selling non-core assets mainly non-operational buildings and dismantled copper cables. - We are focussing on effective procurement procedures and open communication with key vendors which enables us to maintain tight cost control and retain competitive financial performance



enue streams from digital businesses Driving cost efficiencies in core business and existing transformation projects through Refinement of capital allocation principles - Leverage our contemporary infrastructure by offering innovative products and services

Adverse regulatory changes or non-compliance with laws and regulations

VIVACOM is the incumbent operator on the Bulgarian telecommunications market and its position carries responsibilities not applicable to other market players. Our business must comply with an extensive range of laws and regulations.Increased regulatory or legal changes/requirements may negatively impact our business model, and affect revenues and prof-



- Open dialogue and established collaboration with regulatory authorities

- Systems in place to monitor and track new legislation and regulations as well as changes to current legislation and regulations.

- Compliance framework developed and rolled out to the operational level

- Chief Regulatory Adviser to the Managing Board in place to oversee compliance within regulatory and statutory laws.

- Strengthening and increasing capacity to manage regulatory changes and key stakeholders.

- Increasing internal audits for compliance

- Obtaining third-party assurance on processes, systems and policies.

 Increasing training of senior management and executives on regulatory compliance.

#### Threats to integrity and availability of networks and systems

We depend on the uninterrupted operation of our networks to provide our services. From time to time, customers experience data quality issues because of network constraints. Lack of timeous, effective and efficient capital investments to cater for greater subscriber numbers and traffic could lead to a loss of customers, and in turn a loss in revenue and a reduction in our profit.

Risks

igation itegies

Stra

pportunities

O

Strong technical expertise retained in the Company and sustainable integrated business model. - Upgrading our mobile network to SRAN technology with deployment of LTE enables us to improve the experience of our customers with offering them high quality and reliable services. By installing energy-efficient solutions such as hybrid power, we ensure higher availability of our networks and reduce our diesel costs and negative environmental effects. This also reduces our reliance on national grid electricity. - With our backup and recovery systems we are able to secure steady network performance and high availability of services

capital investme

- Careful capital investment in key markets to maintain leading market share position.

- Further increase in the coverage and capacity of our LTE services to enhance our mobile broadband offering.

- Network and infrastructure sharing.

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## Compromised information security

Lack of an effective information security programme may compromise our information as a result of an increase in cyber-attacks. This could lead to reputational damage and the loss of customers, and in turn impacting revenue and margins.



- Establishing of Corporate Information Protection function on organisational level

- Implementing an information security governance framework.

- Increasing focus on reduction of cyber security risks.

- Embedding information security requirements into key processes.

 Raising awareness with staff and vendors.



- Security of information policies and procedures give comfort to stake-holders and enhance our reputation.

- Improved information security places VIVACOM as a preferred service provider for securityconscious investors, business partners and customers.

#### Inadequate stakeholder management

Stakeholders are increasingly demanding more transparency, development that stays true to core principles and values, more information on the business practices of the Company and its cooperation with suppliers, the reporting of nonfinancial indicators and the upholding of public commitments.

Key stakeholders such as government, investors and staff may feel they are not sufficiently engaged and informed about our governance and operational challenges.



- Segmenting key stakeholders into groups in order to focus on their material concerns through structured engagements, understand their impact on reputation and improve our reporting on stakeholder management.

- Open communication with stakeholders, including regular reporting on financial, environmental and sustainability issues and key mitigation activities

- Ensure balanced and equally transparent dialogue with different stakeholder groups in evaluating the importance of the various topics from the viewpoint of each stakeholder group. This enable us to have a two-sided evaluation of topic materiality in trying to keep different groups well informed and incorporate their point of views.

- Intensify the information exchange with stakeholders, increase transparency in the communication - especially with government, regulators and the media.

- Continuos optimization of our business processes and governance procedures through the whole value chain.

## 3.3. Compliance

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VIVACOM is subject to local, regional and international laws and regulations, regulatory controls and practices. Our legal and regulatory compliance experts are monitoring and adapting to significant and rapid changes in a wide range of legal and compliance areas, to ensure that the code and our internal regulations remain suited for purpose and are properly applied.

We make sure that all employees are aware of, and comply with, laws and regulations that are relevant to their specific role, as well as the Code of Ethics and related internal regulations.

#### Code of Ethics

Our Code of Ethics entered into force on July 1, 2010. It guides the employees to act responsibly, ethically and lawfully and in compliance with the Code of Ethics, all other policies, laws and regulations that apply to the Company, as well as our strategic values, our fundamental principles and rules for doing business.

Communication on the code starts for new employees from the moment they join VIVACOM and includes training, which enables them to fully acquaint themselves with the compliance framework and the code. We also run campaigns and other training activities throughout the organisation regularly to raise awareness of employees in their workplace behaviour as well as their personal and social behaviour. We have appointed business compliance officers and set up compliance committee.

Reporting helpline is available 24 hours a day, which encourages employees to report alleged breaches of the Code of Ethics. All alleged breaches of the code that are brought to the attention of the compliance committee are investigated.

#### Internal control

The Managing Board of VIVACOM exercises independent supervision over the activities and the internal control established by the Company including via the established Internal Audit Department. The objective of the internal control system is to manage rather than eliminate the risk of failure to achieve corporate objectives.

## Independent Audit Committee

The members of the independent audit committee are appointed with resolution of the sole owner of the Company. The independent audit committee has the following responsibilities:

• monitoring the financial reporting process, the effectiveness of the internal control systems and risk management systems of the Company;

• consulting with and monitoring external auditors regarding the extent of their independent financial audit of the Company and ensuring that the external auditors are in compliance with the requirements





of the Law and the Code of Ethics of professional accountants, as well as monitoring the provision of any additional services provided by the external auditors; and

• recommending to the shareholders the appointment of the external auditors.





# 4 PERFORMANCE



## 4.1. Effective

- 4.2. Inspiring
- 4.3. Innovative
- 4.4. Honest
- 4.5. Dynamic
- 4.6. Responsible

# 4.1. EFFECTIVE

- Number 1 interactive TV (IPTV) provider

- their December 2017 report;

- gy (Fiber To The curb) coverage

- terms

## • **Number 1** operator in total revenue for 6 consecutive years

Number 1 in the provision of broadband Internet access

• **Fastest mobile network in Bulgaria** for the third quarter of 2018 according to Speedtest Intelligence<sup>®</sup> of Ookla

• 4G network with the best population coverage in Bulgaria – 99.25% according to Global Wireless Solutions (GWS) in

• 615 populated areas with 4.5G or LTE Advanced coverage

• 1,182,000 households in 25 cities with optical network

• 296,304 households in 112 settlements with FTTc technolo-

New customer self-service platform – My VIVACOM

• New voice service over the 4G network – 4G Voice

• 'Western Balkans' roaming package with preferential

## 4. PERFORMANCE 41 Effective

## 4.1.1. Financial Results

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#### Financial performance indicators

We are the leading telecommunications operator in Bulgaria, based on total revenue for a sixth consecutive year. We are a fully integrated operator that provides mobile and fixed telephony, fixed broadband and pay-TV services nationwide to both residential and business customers. For the year ended December 31, 2018, we generated total consolidated revenue of BGN 948.0 million and had consolidated Adjusted EBITDA of BGN 359.8 million.

In 2018, total revenue of the group grew by 6.6% yearon-vear driven by consistent increase in mobile. pay-TV services and fixed broadband services.

Despite the highly competitive environment in the telecom market, VIVACOM keeps its leading position thanks to the strength of our customer value proposition, our strong brand and the breadth of our product and service offerings which caters to a broad set of customer preferences and usage profiles.



#### Fixed voice

We are the incumbent fixed voice operator in Bulgaria with a leading market share of 82% by revenue as at December 31, 2018.

Our total fixed voice subscribers decreased by 14.5% to 689 thousand as at December 31, 2018, from 806 thousand as at December 31, 2017. The decrease in fixed voice subscribers was primarily due to the strong price competition surrounding fixed voice services. where such services are being offered as a low price addition to our competitors' mobile, fixed broadband and pay-TV services, as well as the ongoing fixed-tomobile substitution.

#### Fixed broadband

As at December 31, 2018 VIVACOM is the largest fixed Our ongoing fiber-optic network build-out enables us broadband operator with 27% subscriber market share . Our total fixed broadband subscribers increased by 2.8% to 444 thousand as at December 31, 2018, from 432 thousand as at December 31, 2017. The growth was mainly due to higher fiber-optic connections driven by the growing demand for December 31, 2018. high speed bandwidth capacity and reliable high-speed broadband service.



#### Non-financial performance indicators

#### Mobile

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 3,071 million subscribers as at December 31, 2018, a decrease of 2.0% from 3.133 million subscribers as at December 31, 2017. Our revenue market share on the mobile services market has reached 30% for the year ended December 31, 2018

We attribute the decline in mobile customer base to the effect of mandatory registration and subsequent clearance of the pre-paid base. As a result, 89% of our customer base consists of post-paid subscribers as at December 31, 2018.



#### Pay-TV

Our pay-TV subscribers increased by 4.8% to 468 thousand as at December 31, 2018, from 447 thousand as at December 31, 2017. This was mainly due to the increased demand for high quality interactive services with a high level of customer service and rich content to meet customer preferences. As at December 31, 2018 VIVACOM is positioned as the leading IPTV operator with 50% market share<sup>3</sup>.

<sup>1</sup>Source: Company data, Telekom Austria reports, Telenor reports <sup>2</sup>Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts <sup>3</sup>Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts



to benefit from the well-established trend of shifting to high-speed broadband technologies. In 2018, we achieved significant progress in the fibre-optic network expansion, with 1 182 thousand homes covered nationwide as at





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## 4. PERFORMANCE 41 Effective

## 4.1.2. Network and Coverage

In recent years, VIVACOM's development is based on a clear and long-term strategy: to offer its clients what it can actually do. For the different networks with which the company operates, it means a smooth and evolutionary upgrade with the latest technology on the market. The company's management approach has always been geared towards promptly and effectively meeting the needs of the market, while investing in innovations and solutions for the future.

In 2018, the focus in the mobile segment remained on high-speed data transfer and wider coverage of the population. Our consistent and long-term efforts in this direction were also appreciated by world-class industry analysts. After having been the winner of the Ookla Award for the fastest mobile network for the whole of 2017, VIVACOM has also been recognized for the fastest mobile network in Bulgaria for the third quarter of 2018, according to an analysis of Speedtest Intelligence® of Ookla<sup>®</sup> . The popular mobile application for speed measurement collects information from real user tests

And because for us is important not only the high quality of the network but also its good coverage on the territory of the country, we continued to work on its development in this direction as well. At the end of the year, we also received the measurement results of one of the international leaders in the field – Global Wireless Solutions (GWS). According to their December 2018 report, VIVACOM 4G network once again had the highest coverage by population in Bulgaria – 99.25%.

and gives its assessment based on their analysis.

In 2018, the company made a significant innovation in its fourth-generation network – building on the 4G technology in 4.5G or LTE Advanced. This provides telecom's customers with higher download speeds from the Internet – up to 150 Mbps for download. Users need only to use a smartphone that supports LTE Advanced. The 4.5G network started in April in five major cities -Sofia, Plovdiv, Burgas, Russe and Stara Zagora, and by the end of the year a total of 615 settlements across the country were covered with the new technology.

All efforts of the company to modernize the mobile network are a step towards the next major revolution -5G. Technologically speaking, VIVACOM is ready to meet the challenges of the fifth-generation network expected to be available in Bulgaria for end-users in 2020-2021. In 2019, we are even ready to launch the first private industrial 5G network.

For now, what keeps the development of the new technology is the allocation of the frequency spectrum by the state among the different operators, as well as the over-rigid construction regime that treats the replacement of the old with new equipment at the base stations, such as a construction of an entirely new infrastructure.

In the provision of fixed services in the past year, the focus continued to be high-speed broadband Internet and interactive television. For this purpose, the company is investing in the development of its optical network (FTTx - Fiber To The x). With it in 2018 two new cities -Russe and Bansko – were covered, so a total of 1,182,000 households in 25 cities have the opportunity to use optical Internet and IPTV. And 296,304 households in another 112 smaller settlements have access to modern fixed services thanks to the network built using FTTc technology (Fiber To The curb).

Throughout the year, the IPTV service itself was upgraded, so users in 2019 enjoy an even friendlier interface and more options for interactivity in content.

The high quality of each service has always been of an utter importance for VIVACOM. That's why we are also concentrating on improving our satellite TV, and in 2018 we have been running a large-scale systemic preparation for switching to a new satellite in 2019. The planned relocation aims to improve both signal quality and wider terrestrial coverage of the service.

The company does not underestimate also its fixed telephony network, with which it has begun to operate on the market as a telecom. The efforts there are mainly aimed at optimizing the electricity it consumes. Older TDM technologies are being upgraded with the newer Next Generation Network (NGN), which leads to lower electricity consumption, smaller occupied zones, and optimized transport infrastructure.

One of the key objects in VIVACOM's large-scale technology infrastructure – the Plana satellite station - is also being constantly modernized. The teleport, through which we broadcast radio and television signals and satellite data, already transmits over 200 TV channels on three continents – Europe, Asia and Africa. In 2018, we renewed the Head-end TV channel system and invested in a new VSAT HUB platform to provide satellite Internet on ships. The Plana Teleport is already certified by the World Teleport Association (WTA) at Tier 3 level, making it one of the 27 certified teleports in the world and ensuring customers the highest level of service and reservation. The Plana Teleport is in active preparation for certification at the maximum Tier 4 level.

The large number of networks and systems operated by VIVACOM requires serious integration with them, as well as ongoing support to work as one platform and our customers to get their services seamlessly. Facing the case that on the market there is no such comprehensive system for managing such a multicomponent infrastructure, we come to the decision to develop one. As a result, we created our own OSS environment or Operational Support System. Through it, we manage both the physical infrastructure and devices on the network, as well as the services built on them. For example, if we see a malfunction in a component of the network, we immediately know which services are affected and we can inform their users. Conversely, if we find a problem in any end-to-end service, we uniquely identify the network elements that are involved in delivering it, and we resolve the issue in a very short time.



'2018 was one of the most successful for VIVACOM in terms of technology. We achieved the fastest mobile network in Bulgaria for the third quarter of 2018, according to Ookla® Speedtest Intelligence® information analysis. However, for us, not only the speed of the mobile broadband is important, but also to offer quality coverage of services. We worked hard in this direction and the result was not delayed - VIVACOM's 4G network had the highest coverage by population in Bulgaria: 99.25% according to GWS's December 2018 report. We have also expanded the number of households with fibre-optic network coverage, so to offer them high-speed fixed Internet and interactive television. I believe that these achievements rank us among the technological leaders in Bulgaria. We will continue to uphold our position as an innovator by developing and offering technical solutions for the broadband of Things and Smart Cities. All this is possible thanks to the professionalism, energy and team spirit of all our employees."

speed in the mobile network. Ookla trademarks are used with permission. More information at www.vivacom.bg

Our research has shown that such a comprehensive OSS environment does not exist not only on the Bulgarian market but also on the international one. That is why, in the beginning of 2019, together with Italtel as our global partner, we presented it to the world's largest technology forum, held in Barcelona, Spain – the MWC (Mobile World Congress).

Technologically, VIVACOM's achievements are the result of both the strategic approach of top management and the policy of permanent and long-term investment, as well as of the team of high technical expertise. The Chief Technical Directorate is one of the largest units in the company, where every year a lot of effort is made to maintain high quality in the creation and maintenance of services. There is no other company in our country with such a large own resource of people for network and service maintenance. This enables us to follow a unified standard of quality and fulfil our commitments to customers across the country. For this purpose, each year, more than 1,500 employees from the Directorate undertake a series of training sessions not only to increase their professional qualification but also to develop the so called 'soft skills' to work with clients.

## Radoslav Zlatkov, Chief Technology Officer and Member of the Managing Board of VIVACOM:

According to Ookla® analysis based on Speedtest Intelligence® data from tests conducted on the territory of Bulgaria in the third quarter of 2018 for average download

<sup>&</sup>lt;sup>2</sup> The coverage of 4G technology by population was measured by Global Wireless Solutions (GWS) according to their methodology in the period 15.10–15.11.2018.

## 4. PERFORMANCE 41 Effective

## 4.1.3. Products and Services

2018

INTEGRATED

VIVACOM follows a long-term and sustainable strategy to place emphasis on its products and services on the larger and more diverse content it offers its users. In 2018, this trend was a key to the overall development of the telecom portfolio. The company offered a total of 16 new tariffs for mobile voice and data services from the Smart line, with more minutes and megabytes for free communication.

In 2018 VIVACOM launched its new self-service platform – My VIVACOM, with a web version and mobile application. The app enables customers to monitor and manage their consumption quickly and easily through their mobile phone. They can also pay their monthly bill, activate roaming and charge extra minutes and megabytes with a few clicks, as well as to recharge prepaid cards.

In the middle of the year, the company launched an entirely new service - 4G Voice, which aims to offer customers an even better experience on VIVACOM's mobile network. It is a voice service through the 4G network of the telecom, which until now has been used only for high-speed mobile broadband connection. The new service enables conversations with much crystal and clear sound through LTE technology. One of the main advantages of 4G Voice is that it shortens the connection time, as the call takes place only on the 4G network without the need to switch to 2G or 3G. That way the devices themselves work more efficiently and save on battery life. In addition, users can simultaneously talk over the phone and browse the web, watching videos, listening to music, or communicating with friends on social networks. To use

4G Voice, customers must have a device that supports it. VIVACOM is constantly expanding its portfolio of smartphones that meet this requirement.

One of the most significant events from the consumer point of view was the launch of a new additional roaming package - 'Western Balkans'. Since the end of May 2018, VIVACOM has enabled its customers to talk, send SMS and use mobile broadband on preferential terms while travelling to Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Serbia and Montenegro. The launch of the extra package was of great importance to Bulgarian consumers, who often travel as tourists or for work in the Balkan countries, and the prices of roaming telecommunication services seriously restricted them from communicating or doing their work engagements while on the road. As a result of its customer-oriented policy, VIVACOM managed to offer 100 minutes for outgoing calls, 100 SMS and 100 MB per day at a price of BGN 4, while for comparison the standard roaming prices in these countries start from BGN 2.29 per minute, from BGN 0.59 per SMS and from BGN 14.99 per MB.

Another added value to the mobile services packages the telecom provides is up to 128GB of cloud storage with pCloud. This way, users can store their photos, videos, music and any other files with important information without worrying about losing them. Cloud storage is provided free of charge with all mobile plans on the Smart line; only its volume is different.

In the field of fixed services, the company also pursues its policy of offering richer content that meets the diverse customer's needs. In 2018, 5 new packages for interactive and 1 for satellite TV were launched. Highly rated by users were the new additional sports content packages, thus giving the opportunity for all sports and soccer fans not to miss events from the most popular club championships such as the Championship League, La Liga, Premier League and many others on the air of VIVACOM.

The citizens of two entirely new cities in the optical network of the telecom can watch interactive TV and take advantage of high-speed Internet – Russe and Bansko. Modern services that make life easier for today's people are already available in 112 smaller settlements with the FTTc technology (Fiber To The curb).

The company does not leave behind its fixed voice service customers. While technology has declined in popularity compared to the mobile connection, VIVACOM continues to develop its tariff plans in this segment by enriching them with more minutes for calls to mobile networks abroad. Thus, their users can communicate with their friends and relatives who are constantly on the move or abroad. In 2018, we launched 3 new fixed voice packages for private customers -VIVAFIX S/M/L, 3 new for business clients - B Fix S/M/L, as well as additional packages for international calls to them.

Looking for opportunities for entirely new products and services which to offer its customers, in order to facilitate their lives, by the end of 2018, VIVACOM launched a project to take out Third Party Liability



### Monica Zethson, Head of Communication Services at Ericsson:

'With the deployment of our Fast VoLTE Launch solution, VIVACOM has substantially reduced the time for deploying communication services while also opening up for a broad range of new communication capabilities to their customers.'



insurance at all telecom stores. In this way, to the owners of motor vehicles additional visit to another place for the conclusion of the compulsory insurance is saved.

As a responsible company, VIVACOM works in partnership with a number of institutions to create and deliver services to the benefit of citizens. Such is the joint project of 2018 with the Ministry of Foreign Affairs of the Republic of Bulgaria. Thanks to it, every Bulgarian citizen holding a SIM card of a Bulgarian mobile operator receives a short text message when entering the territory of a foreign state - with information about the number of the 24-hour on-call telephone line at the Ministry of Foreign Affairs (+359 2 948 24 04) to be used for assistance in the event of an emergency. The project is supported by the three telecom operators in Bulgaria.





## 4.1.4. Energy Efficiency and Carbon Dioxide Emissions

The increase in the number and type of services, the growth in consumer traffic and the expansion of coverage are processes related to the construction and maintenance of infrastructure that consumes significant amounts of energy. More than half of the energy needed for our users to take advantage of mobile or fixed services is consumed in our network and data centres. Our constant striving is to increase their efficiency and achieve optimal consumption in relation to the growth of our business.

In 2018, the energy consumption for our mobile network grew to 42 GWh, and its share in total electricity consumption increased to 34%. Compared to the past two years, the mobile network represented 25% of our electricity consumption in 2016 and 28% in 2017. The growth trend is fully expected in light of increase of mobile service consumption and speed and reliability quality that we support. The electricity consumption of the mobile network is mainly limited to DTX and power control functions that are enabled for 100% of the network. Another significant consumer of electricity is cooling. In addition to the standard technical solution, such as free cooling systems, we allow higher operating temperatures for telecommunication equipment and only place the batteries in a cooling container.

Main consumer of electricity remains the fixed network, which in 2018 registered a consumption of 74 GWh. We pay

special attention to optimizations in this type of network. Although last year our consumer reach continued to increase, we managed to reduce consumption by 1.4 GWh. During the year, we made a number of improvements to fixed telephony. We transfer subscribers to more energyefficient facilities based on NGN technology and take out TDM technology from use. This allowed us to close 17 oldstyle telephone exchanges in 2018.

The total energy consumption of VIVACOM in 2018 in the form of electricity, heat and fuel is 150.3 GWh. Compared to 2017, there was a total increase of 4%. For VIVACOM investments in energy efficiency are an integral part of the business. The solutions are not self-directed, but are based on a detailed analysis of the return on each case and technology.

In 2018, the energy consumed by VIVACOM generates 69.1 thousand tons of carbon emissions (direct and indirect), a 6% increase from 2017. If we add NURTS energy consumption, the total carbon footprint is 80.9 thousand tons.

Over the past few years, we have been taking steps to seek alternative energy sources through tests for power supply base stations with RES. Several of our sites have photovoltaic cells installed, but so far the results do not bring the required efficiency. However, we continue our integrate such solutions.

task is to optimize the travels and routes of our employees. efforts to develop projects and seek opportunities to This allows us to reduce fuel consumption and air pollutant emissions, especially in an urban environment where it is most needed. Especially for the management of the cars To be as close to our customers as possible and to provide them with the expected high level of service, our sales used by the technical teams, we use a software system to representatives and technical teams travel daily between maximize the timetable for visits to end-users and choose different locations. Our fleet consists of 1,401 vehicles, the best routes for their completion. This saves resources mostly diesel, gasoline, several LPG and 31 hybrids from and reduces the carbon footprint of the company. the last year, 20 more than the previous one. An important

## 4.1.5. Circular Economy – Waste Management

As a large business, with a range of services and infrastructure practically all across the country, VIVACOM has the important task of optimally managing the waste generated by its operations. All our operating points have a significant amount of electronic equipment that has a certain life cycle and its end should be adequately planned. We strive to minimize the amount of waste to be deposited of and maximize the amount of equipment receiving a second life via reuse or recycling.

In 2018, 278 tonnes of telecom equipment was taken out of use and handed over for recycling. In addition, we re-used 181,197 items or 41% of all equipment we provide to end users.

#### Consumption of paper and share of electronic invoices







**INTEGRATED** 

2018

Our fixed network also undergoes regular updates, which in 2018 generated 561 tonnes of cables sent for recycling. We continue to make efforts to reduce paper invoices issued and encourage our customers to switch to electronic ones. The issue of paper invoices is related to paper consumption, document transport to address, human resource for delivery, all of which can be replaced by an electronic message. Every year, more and more subscribers are aware of the importance of such optimization and switch to an electronic invoice. In 2018, there were 814,624 or 46% of all invoices issued. As a result, our consumption of copier paper decreases for another year, reaching 50,457 packages for 2018.



# 4.2. INSPIRING

- 4% increase in employee engagement in 2018 compared to 2017
- 380 promoted employees
- attracting new employees
- stayed with the company
- e-training
- managers
- **Partnership of events for first steps of children in programming** Megadojo 1.0 and 2.0 with the participation of 80 mentors, 5 schools, 110 volunteers, 3 robots and over 1,000 children from all across the country

## • 5,433 employees scattered in 130 points across the country

• Video advertisements – an innovative approach for

## 39% of the participants in the summer internship program

• VIVACOM Academy – a new own brand, uniting all trainings

## 100% of our employees have undergone at least one

An entirely new retention and development program for

## 4.2.1. Employees

**INTEGRATED** 

VIVACOM ranks among the largest employers in Bulgaria with 5,433 employees scattered in 130 points across the country. All of them with their individuality, different demographic profile, education and professional experience contribute to the diversity of the company and the creation of a colourful and dynamic working environment.

2018 passed without major structural changes, we also noted a decrease in personnel turnover, which reinforced the sense of stability of the employees. Under these conditions, management was focused on:

- Improving the internal processes for organizing the work of the whole company;
- Updating the human resources management system;
- Improving the working environment;
- Enhancing the dialogue between senior and middle managers with their teams;
- Introducing new methods for attracting and recruiting employees;
- Integration of a variety of training methods as part of employee retention and development policy.

In 2018, the main focus of the company's strategy on employees was to increase their engagement. This is one of the key measures for an organization's success – a higher engagement is an indicator of how much people are satisfied with their employer and job, whether they promote their company as a good place to work beyond its confines, do they associate their future with it. The engagement also shows whether employees recognize the company's goals as their own and whether they are highly motivated to make a personal contribution for achieving them. Specifically for VIVACOM and our corporate mission according to which 'The customer is in focus!', the higher engagement of employees leads to more satisfied customers.

In the fourth consecutive engagement survey took part 87% of employees, which ensured the representativeness of the results. Our engagement level in 2018 rose by 4% compared to the previous year, which is 2% more than the target set in 2017. The result is commensurate with the average for the high-tech sector. Over the past year, we have growth in absolutely all areas rated, with top 5 outlined from employees being:

- Working with direct supervisors:
- Managing differences;
- Work tasks;
- Teamwork;
- Reputation.

Objective employee feedback motivates management to continue making efforts in turning VIVACOM into an even better employer and a preferred place for career development. This year, assessment areas in which employees identified need for improvement will also be discussed in working groups in order to propose concrete measures for change. Thanks to this systematic approach applied after each annual engagement survey since 2015, the overall indicator level has risen by 9%.



employees: 5,433





Number of new hires for the reporting period: 704

## 4.2.2. Personnel Recruitment and Selection

The struggle for personnel in the tech industry is a at the prestigious Employer Branding Awards 2019, constant challenge that the company has to deal with. In order to be successful and to select the best future telecom professionals, in 2018 we simplified and facilitate the process, while at the same time diversifying and expanding the selection channels.

We believe that in order to attract even more gualified specialists, it is important that they understand firsthand what it is like to have a career in one of the highly-valued employers in Bulgaria. That is why we have set up one of the most up-to-date formats for representing the employer's brand, by creating a series of video ads for different directorates. Within 1.5 minutes, they present the relevant position in an accessible and interesting way so that candidates have a clear idea of how one business day passes and what are the daily challenges. The video business card realistically presents the work environment, the friendly environment and the team that awaits their new additions.

Our innovative approach was also appreciated by an outside audience for the company - we received the award in category 'Employer Branding Video'



Percentage of employees regularly assessed for their performance and professional organized by b2b Media.

Together with the new way of presenting vacancies, we have also maintained the already established practices for reaching potential prospective employees, and through the past year:

• We presented the attractive positions in a total of 13 career forums throughout the country:

• We continued our successful joint project with the Telecommunications Faculty of the Technical University – 'VIVACOM Technical Academy' – to identify talented young engineers with potential;

• We've expanded the internal encouragement program related to the personnel recruitment process – 'Recommend a Friend', and it is already active not only for Residential Sales, Customer Service and IT directorates, but also for Exploitation and Network Support:

• 39% of young talents remained in the company thanks to our large internship program in the accounting year, compared with 31% in 2017.



#### INTEGRATED ANNUAL REPORT 2018

## 4.2.3. Personnel Development and Retention

In VIVACOM we know that the most valuable capital is and to be informed about the innovations in the the employees. That's why we are constantly investing sector. In this regard, we created an annual program in new methods of motivation and retention, striving to ensure the most flexible working environment and these topics share their knowledge in accessible providing new opportunities for professional training language with colleagues from all directorates. and development all year round.

We are constantly updating and working to improve not only the remuneration, but also the benefits package of our employees as well as the balance of work-life.

• **Remuneration** – In the past year, we have introduced new levels of remuneration in the departments where our employees work directly with the end customer - Residential Sales, Network Operations and Maintenance, Cable Network, Customer Service.

• Benefits – We've built up the benefits package so that professional development and personal interests go by hand in hand:

- We've increased the individual budget for purchase of a mobile device;

- We have launched a new, specially customized for employees, tariff for the various VIVACOM services.

#### • Improving work-life balance:

- We have introduced a 'Short Friday' option for functions where the workflow allows it;

- We have increased the number of days for home office by maximally automating the administrative process of requesting them.

#### Improving the working environment and conditions.

The high level of professional training of VIVACOM employees has always been essential to the company. We believe in the concept of 'lifelong learning' and provide this opportunity to our employees to the fullest extent. We invest annually in training with external suppliers, and with them we also have a number of internal ones. In 2018, we created our own brand, VIVACOM Academy, to promote the idea of continuous learning and its benefits throughout the company.

As a telecom, it is important for us all employees to have basic technological knowledge about the capabilities of our network, products and services,

for internal trainings - VIVATech, where experts on

Technologies change the world in which we live and naturally also change the way we train our employees. That is why every year we add new functionalities and enrich the content of our e-learning platform - E-academy. For the past year, 100% of our employees have attended at least one distance training. An example of this is the training linked to the new General Data Protection Regulation (GDPR). The E-academy platform provides convenience to employees who choose the most appropriate time for self-learning according to their work tasks and workload. The benefit to the company is in terms of cost savings and time savings, and for society the increased gualification and professionalism of employees.

In 2018, we also held a completely new company management program, mainly located in the e-learning platform. Its aim is both to build on managerial skills through the use of digital learning tools, and to initiate a process of continuous learning and sharing of experience among the participants.

The management program is a mini-series of 12 online episodes, coupled with a virtual classroom, a live online chat channel and attendance event. Throughout the year, the participants were in role of virtual consultants of one of the managers in the series. The training was developed jointly with The Business Institute, it was held within 10 months, and 200 participants completed it successfully.

## 4.2.4. CoderDojo – First Steps for **Children in Programming**

The management of our company stands firmly Along with these events, we continued our behind the belief that we have a responsibility partnership with CoderDoio by supporting them in: not only for the development of the technological environment in our country, but also for the preparation of the future generation of creators and • EU Code Week: Safe Internet – the event was a users of high-tech products and services. Work in this part of the World Safer Internet Day series. During innovative industry is often associated with a high it together with Doio representatives we reminded level of complexity, in-depth knowledge of the exact the kids interested in technology how important sciences such as mathematics, IT competencies. This it is to surf the net safely, what are the ways to often leads the young people to a refusal to go to this be protected online and how to guide the content sphere even before they try know it. High technology, they generate on the Internet; however, can be a very inspiring and attractive area • CoderDojo Workshops – courses for children in for development if children are attracted to it from 36 locations across the country, taking place during an early age.

That is why in 2018 we supported the MegaDojo events, where nearly 1,000 children had the opportunity to experience the world of innovations and make their first steps in programming.

Organizer of the events was the Global Movement CoderDojo, which provides free training for children between 7 and 17 years of age in different technological fields. VIVACOM recognizes the philosophy of the organization and the goals of its events, namely that technology has completely changed the way we live and communicate, and it is important for children to understand this while encouraging their interest in IT and programming from an early age.

MegaDojo 1.0 and 2.0 were organized under the patronage of the Ministry for the Bulgarian Presidency of the Council of the EU in 2018 and attended by over 80 mentors, 5 schools, 110 volunteers, 3 robots and over 1,000 children from all across the country.

## **Gergana Passy**, Chairman of the Digital National Alliance (DNA):

'Education 4.0' managed to create an alternative discussion platform that outlined specific expectations of the stakeholders – teachers, pupils and parents – for change in the educational sphere. The Digital National Alliance was actively involved in organizing and promoting the initiative coming from its believe that the smart penetration of technology in modern education requires a new type of social contract in which business has a key role to play. Memorizing facts in a world where the Internet can answer every question is less and less important. Skills need to be developed that will enable children to succeed in the future, including programming. Kids in CoderDojo are inventors and explorers, and no matter what profession they choose, they will be an active part of tomorrow's world. We are happy that VIVACOM actively supports the mission of CoderDojo Bulgaria and contributes to its development and popularization across the country.





the school year. Approximately 2,000 children participated in them, inspired by the different programming languages introduced with gameplay elements and worked on their own Scratch, JavaScript, HTML, and database projects.

In 2019, we will continue to support the cause of more children inspired by technology and, accordingly, more future IT professionals. This year, we will be joining the third edition of the Free Tech Events for Kids, where thousands of children will have an exciting opportunity to enter the world of innovation and entrepreneurship through their own developed projects that provide alternatives or solve specific problems. The projects that the youths have worked on for three months will be evaluated by an expert jury, which will give feedback to the participants about their first real experience in the start-up sphere.

# 4.3.**INNOVATIVE**



- safety, management
- Municipality
- Municipality
- data centres
- trained teachers
- WiFi networks in over 100 schools
- @vivacom.bg Instagram profile launch

## • VIVA Smart – an entirely new platform for IoT services in 3 directions: Smart City, Data Centres and Digital Education

• VIVA Smart City – a smart solution with 13 different modules in the areas of mobility, environment, energy,

## Launching a solution for **smart parking in Burgas**

## Pilot project for smart garbage collection in Plovdiv

• Smart Data Hub – a platform for complete storage, transmission, processing and data usage with a total of 11

• Digital classrooms in more than 220 schools and more than 90 kindergartens throughout the country, more than 6,000



## 4.3.1. VIVA SMART – an Innovative Platform for **Complete IoT Services and Solutions**



Innovation is the driving force of the telecom market. the Bulgarian municipalities 13 different modules, which Every company that wants to be a technology leader should not just follow the trends, but also work for the development of entirely new products and solutions. In recent years, heading direction in the high-tech sector has been the Internet of Things (IoT) or the interconnection of all our surrounding devices to exchange information, thus accumulating data on lifestyle and consumer behaviour. The ultimate goal is to analyse these data to provide adequate changes in our environment thus making people's daily lives easier.

VIVACOM has years of experience in the field of various M2M solutions that provide communication between individual machines. But in the dynamically developing world we live in, they are no longer enough. According to estimates by global technology giants such as Cisco and Ericsson, Internet-connected devices will be about 29 billion globally by 2022. Estimations show that there will be 5.7 billion mobile users and 12.3 billion connected mobile devices.

At the same time, according to UN data, currently 55% The most valuable advantage of the platform is that it is of the world's population is concentrated in cities, but applicable to the needs of each municipality, regardless by 2050 this figure is expected to reach 68%. Enhanced of its size, population, and the pressing issues it needs urbanization forecasts bring with them many issues to deal with. Local governing bodies can choose which of urban management and addressing issues such as modules to use and over time have the ability to upgrade increased traffic, mobility of residents, energy and them and include additional services. All of them resource efficiency, environmental protection, access to are managed through a unified system, making data employment, quality education and health, security, etc. collection and subsequent analysis much more effective. And it is precisely the development of technology that can provide the necessary solution for them.

As a company that always strives to be a technology leader and today seeks solutions for tomorrow, in 2018, VIVACOM launched an entirely new platform uniting all of its IoT projects - VIVA SMART. Through it, the telecom offers smart services in three directions: Smart City (VIVA Smart City), Cloud Solutions and Equipment Collocation (Smart Data Hub), and Digital Education. The platform was presented in November 2018 and in the coming years the company will gather feedback from its users and report successful projects.

VIVA Smart City is an innovative platform for management, monitoring and analysis of urban environments that offers both software for the municipality authorities and mobile applications for all its residents and quests. VIVACOM builds on the good international experience of cities such as Dubai, Izmir and Dublin, where the solution is already working successfully. The company will offer to

will best meet their needs. They are divided into the following vital areas for each city: mobility, environment, energy, safety, management. In the field of mobility, the system allows for monitoring and control of traffic, urban transport, parking, bicycle rentals, etc. Environmental monitoring is intended to measure water and waste as well as to function as a meteorological station. The energy submenu includes smart buildings, smart meters, street lighting, electric vehicles, and infrastructure modules. The city's safety is provided by functions for CCTV, traffic violations, intruders and emergency systems. A particular focus on citizen satisfaction is the separate section of government that includes public services.

The system is as transparent as possible to modern consumers who are extremely active with regard to the management and development of their cities. It has a mobile application with an easy interface and a variety of options to check everything that is most important to any resident or visitor to given location.

The mass penetration of technology leads to a huge increase in the amount of information that is being created. According to another Cisco study, by 2021 the volume of data generated worldwide will grow to 847 zettabits (ZB) per year, compared to 218 ZB in 2016. These trends raise the issue of storing and protecting information created. According to the same survey, at global level, data stored in data centres will increase almost fivefold by 2021 compared to 2016.

These forecasts motivate VIVACOM's decision to develop its data storage, transmission, processing and usage platform - Smart Data Hub, which is also the second VIVA SMART direction. It unites all 11 VIVACOM data centres in the country and creates the conditions for developing a successful digital business for the telecom's customers while optimizing their operating costs. All centres provide the highest level of security, reliability and accessibility of the data.  $\rightarrow$ 

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They meet international standards for power supply, cooling, telecom connectivity and redundancy for each of these systems. Through them, the company offers cloud services and colocation of IT equipment.

Cloud services are generally divided into three areas software, platforms and infrastructure, with Infrastructure as a Service (IaaS) being the fastest growing year-on-year, and the largest – Software as a Service (SaaS). VIVACOM offers 'infrastructure as a service'. With it the user hires computing resources: RAM, disk space and computing power. The main advantage for businesses is that it helps them to be more efficient, save costs, as well as to use a specialized IT resource. Instead of investing in expensive hardware that has a short lifecycle, to provide an isolated room with appropriate conditions such as uninterruptible power supply, specific temperature and humidity, fire safety and limited access, and then paying high hidden costs each month, such as electricity, they can just hire IaaS. VIVACOM offers an infrastructure hiring model where customers use the amount of server space they need at the moment and that can be easily increased or decreased as needed.

The collocation service, on the other hand, enables corporate clients to have their personal IT equipment in the telecom's data centres. Thus, they benefit from the fully-certified and high-standard collocation halls and do not invest in their own premises. At the same time, they have 24/7 access to their machines and can rely on expert technical and IT support when needed. As a company with

a strong focus on the needs of its customers, in 2018, VIVACOM launched a special solution for the collocation of IT equipment for small and medium-sized businesses. They can hire a telecommunication cabinet with smaller volume – 1U/2U or even ¼ or ½ with an individual lock, thus saving financial and human resources to support IT systems and equipment.

The third element of VIVA SMART is Smart Education. In recent years, the company has invested in a number of initiatives aimed at developing Bulgarian education. In 2018, it launched its largest campaign for digitization of the educational system in Bulgaria – 'Education 4.0'. It is realized jointly with '24 Hours' newspaper, Ministry of Education and Science, Sofia Municipality, Sofia Regional Inspectorate of Education and Digital National Alliance. The aim of the initiative is to change attitudes and to create a framework for digitization of Bulgarian education. It focuses on three main areas: teacher education, digital content creation and digitization of classrooms and school environment.

Along with this, the company offers the Bulgarian schools a technological solution for digitization called Smart School. So far, the telecom has equipped digital classrooms in more than 220 schools and in more than 90 kindergartens across the country, also over 6,000 teachers have been trained with the help of our partners. Under the Ministry of Education and Science project, the company has built Wi-Fi networks in over 100 schools.

## 4.3.2. Smart Parking in Burgas Municipality

VIVACOM works closely with the Bulgarian municipalities to offer them solutions that respond to their exact needs and that will improve the lives of their residents and guests. Based on the trust and the good cooperation between VIVACOM and Burgas Municipality, achieved in the time when the company provides communication connectivity to the city's bicycle rental systems, intelligent video surveillance and integrated transport, in 2018 was launched a development of a pilot solution for **smart parking in the city**.

The innovative system started working on 30 parking spaces in the paid 'blue zone' in the central part of Burgas. For the test phase was selected one of the most neuralgic areas in the city where the overloading needless traffic for search of free parking and long lines of waiting cars are common occurrence. The aim of the Municipality is to gather information on the zone's traffic load, then to analyze it and to take specific measures to deal with the problem.

The system works via built-in sensor in each parking space, which through the telecom's LoRaWAN network detects in real time whether there is a car parked on it. Sensors are hermetically sealed boxes with a battery which life-time is over 7 years. This provides easy maintenance and a long-term exploitation.

In addition, two information boards, which show real-time dynamic information about the number of free parking spaces, are installed on both entry / exit directions. Thus drivers understand whether to enter the area at all or to go to another – that saves their time and carbon emissions release from their vehicles into the atmosphere, and last but not least, reduces stress for all traffic participants.



### Nikola Ghechev, Director of Corporate Sales, VIVACOM:

'The allocation of VIVA SMART into a separate platform establishes VIVACOM as an innovative technology leader on the market. Behind this initiative is our understanding that connectivity, freedom and independence are fundamental values of modern society. We work to make this society grow and people live better through communications and technology.'



## **Dimitar Nikolov,** Mayor of Burgas Municipality:

'The pilot project is a good start. Next year comes the upgrading and expansion of the system by scope and functionalities.

The intelligent parking is only one of the aspects to which the efforts of the Municipality team are directed. Combining city data into a common urban platform that provides residents and guests with services, information and a place for civic engagement and feedback from the administration is our next challenge."

Thanks to specialized management software helping the 'OP Transport' operator and the citizens, the smart parking system combines the information from each sensor, reporting the free and occupied parking spaces in real time. The system can issue an alert when parking time is exceeded. It also has a special functionality in the mobile application, which provides greater convenience when making payments for hourly parking.

The system has one more advantage – the information gathered can be provided to any interested authorized institution as well as to companies wishing to develop new mobile and web applications with information about the city.



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## 4.3.3. Pilot Project for Smart Waste Disposal in Plovdiv **Municipality**



The growing tourist flow in Plovdiv may have a positive impact on its economic wellbeing and the one of its residents, but it also creates a prerequisite for generating more waste and pollution. The second largest city in Bulgaria faced this challenge in 2018, standing on the verge of the large scale program 'Plovdiv – European Capital of Culture 2019'. In preparation for the expected significant flow of visitors, the local administration tested an innovative solution for waste collection and disposal carried out by VIVACOM. On-site waste containers were installed sensors to monitor the level of garbage and transmit the data to a mobile application. Through this, in real time, the waste disposal company can track the containers and optimize its route for garbage collection. The introduction of this solution for smart waste disposal is one of the achievements with which Plovdiv Municipality won the National Award of the Association of Bulgarian Cities and Regions for 'Most Innovative Municipality'.

Such a service could be upgraded with a number of other applications, for example the sensors on the containers to indicate whether they have become subject to vandalism, ignition or theft, as it often happens. The sensors are applicable both for containers for separate waste disposal and for underground ones, which will become an increasingly preferred solution by Bulgarian municipalities. And the mobile application that monitors the data could be installed on tablets in the waste trucks, so in case of an unexpected accident they could react timely. This would lead to significant optimization of the routes and, respectively, the costs of the waste disposal companies.

For residents' convenience, on the other hand, the application can show when the containers in their vecinity are empty enough so they could throw away their garbage. There are also developments where residents could report overload containers that need to be collected.

The benefits to the municipality are also significant: better control over waste collection companies, which leads to cost optimization, garbage trucks traffic relief and, of course, a cleaner urban environment.

## 4.3.4. @vivacombg on Instagram and **Other Social Networks**

In our drive to be innovative both in technology and in the relations with the modern customers, in 2018 we continued to communicate with them on all important issues using the social networks. Our official Facebook page continues to be the company's most popular online channel with its 288,969 followers at the end of the year.

Despite the changes in the Facebook algorithm, introduced in 2018, we managed to almost double the average daily engagement of our followers, compared to 2017, as well as the organic number of people we reach with each publication.

#### We achieved this as:

- We created and published more videos;
- We shared mobile devices' world premieres and everything that is most interesting in the world of technology;
- We showed our fans how to take advantage of the latest updates of their phones.

Our main ambition was to be useful. We showed the parameters and benefits of the devices we sell. In 2018, we also introduced the so-called Facebook Shop, which allows customers to find and buy their desired products more easily. Over the past year, the number of consumers using mobile devices to access the Internet reached more than 60%, prompting us to introduce new types of posts in Instant Experience format. These are just some of the innovations we've made with the content of the page, looking for more technologically and adequate presence in the social networks and

TOTAL NUMBER OF FOLLOWERS ON EACH **NETWORK:** 



more human language while at the same time keeping as guiding the interest and needs of our clients.

In 2018, Instagram passed the threshold of 1 billion users. That is why at the end of June, the time has come to create a profile there. We started with a teaser campaign under the name #CodeOrange, and two weeks later we revealed that this is the official VIVACOM profile. We provoked our fans to search for the colour orange around them, take a photo and share it with #CodeOrange, while we also remained true to the hashtag and only published photos with orange elements. By the end of the year, we gathered just over 900 photos with the distinctive hashtag and won the sympathy of 3,434 followers. We also made a series of Instagram Stories with different smartphone models, preserving the 'One Day with...' approach as a distinctive way of revealing the functionalities of given device to our followers at Instagram.

The behavior of the generation Z is increasingly influenced by the celebrities they follow on social networks. That is why in 2018 we started to work with both influencers such as the singer Ruth Koleva, and with micro-influencers such as technology journalists, podcasters, athletes and a number of adherents and partners of the company.

In 2019, we plan to actively extend our presence in social networks, not only in VIVACOM's communication channels, but also outside of them, by partnering with celebrities, bloggers and vloggers to integrate our messages in an organic way into the online routine of our customers, partners and followers.


# 4.4. **HONEST**



- Service Directorate compared to 2017
- their specific needs
- **Improving the service** of purchased devices
- ntroduce sending of all SMS messages in Cyrillic
- their personal data
- Three internal meetings of employees with top the Directorate General Marketing

## • Improving the overall 'Service Level Factor' in Customer

Informing users about promotions and offers according to

• Optimizing the roaming service activation process

 Bringing all processes in the company in accordance with GDPR – EEuropean Regulation (EU) 2016/679 on the protection of individuals with regard to the processing of

**management of the company** – with the Chief Executive Officer, commercial function directors, and directors from

• Special event for employees and their children on 'Safer Internet' topic in partnership with the Directorate of Computer Crimes at the Directorate-General for Combating Organized Crime and the Safer Internet Centre.

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#### 4.4.1. Consumer Relations and Customer Experience Improvement

As a company operating in the field of services, we believe that the satisfaction and loyalty of our customers is among the main measures of our success. Our broad portfolio of telecom solutions is driven by the wide variety of customers by demographic, economic and social indicators – from the traditional consumers of fixed telephony, through the advanced tech such as interactive television enthusiasts, to the modern Z-generation, for which the main value is the freedom to do everything quickly and easily, whenever and wherever they want. This broad palette of people, who have chosen VIVACOM to provide their connection and communication with the world, motivates the company to use different approaches to contacting them. Our goal is not just to provide good service to our customers, but to create an entirely positive experience at every point of their contact with us – from the moment they learn about our services, through the willingness to try them, to the experience of their actual use. This is the overall policy of our company, which is reflected in the work of every directorate.

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For more than a year in our organization a separate directorate Customer Experience has been functioning. with the main purpose to ensure a greater number of satisfied and loyal customers to become ambassadors of the VIVACOM brand in their personal environment. Its work is focused on three main areas:

#### 1. A better understanding of the expectations, needs and lifestyles of our customers, which is the basis of our personal approach to each customer.

In everyday life, where information is following us everywhere, consumers highly value organizations that do not waste their time with irrelevant proposals, but bring to their attention only the ones that are tailor made for their needs;

That is why the correct and timely targeting of marketing and information campaigns is a key not only for the success of the company, but also for the attitude of the customers towards it.

#### 2. Changing key business processes of great importance to end users.

For a year a number of internal processes and systems have undergone transformation, with end users being at the center of this change. Among the most important of these are:

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Improving the service of VIVACOM-purchased devices with a more efficient customer information system at each stage, as well as upgrading the devices' models that are provided as substitutes for the period of repair;

Improving the process of receiving complaints so that the customers use the most convenient way for them and receive a response within the same time and under the same conditions;

Optimizing the roaming service activation process, as a result of which over 98% of our customers are able to use it without paying a deposit and can freely activate it not only by dialing 123, but also through the My VIVACOM platform.

#### 3. Focusing on the customer experience: improving the overall impression from the contact with the company.

A number of activities have been implemented in this direction, such as:

Improvements in the SMS communication with customers: all SMS messages are sent in the Cyrillic alphabet; SMS message for confirmation of a paid bill is send – thus we provide a peace of mind to our customers that, regardless of the channel they have chosen to pay, their monthly invoice is paid, etc.;

Institution of 'thank-you' notes for consumers who submit complaints. For us, they are a source of data that we analyze and based on it find out where we can improve our work;

A corporate template for presenting our proposals to business clients in order for them to be able to understand from the first contact with us the advantages of the company as a provider of telecom services;

Proactively informing consumers of mobile services how to improve their experience while using mobile data through our 4G network.

The Customer Experience Directorate works not only to improve the current processes in the company, but also to build entirely new 'customer journeys' depending on the lifestyle and the use of services by the clients. The goal is that the customer expectations are exceeded and positive emotions are provoked in them at each

stage of contact with the company. This leads to the that could raise issues – such as technical prophylaxis, creation of loyal customers, who are ambassadors of the changes in the content or pricing of services, regulatory brand. The process of creating the so-called 'customer changes, etc. For this purpose, different channels like journeys' started in 2018 with a quantitative survey SMS messages, e-mail, TV screen messages, voice of the factors influencing the customer's loyalty. After recording when calling 123, social networks and the a series of analyses, the different types of customers company's website are used. were grouped according to their values and lifestyle. In The past year was extremely important because the 2019, the specific 'customer journeys' will be created – Customer Service Directorate started working on a from the moment of informing the customers about our services, to the point of making them our loyal clients key project to replace the service platform, which will provide an opportunity to bring the service to and brand ambassadors.

The other key directorate in the company, which works company's drive for digitalization. directly for the customer satisfaction, is the Customer Service Directorate. In 2018, its main goal was to In addition to the quantitative indicators, the Directorate improve the level of key performance indicators for overcomes challenges that are entirely related to the the call center operations. These are the Abandonment quality of the service provided, the changes being rate (ABR), the Average Waiting Time (AWT) for a call in entirely in the benefit of the customers. The intent is to the CSR queue before being served (when calling 123) allow every inquiry to be resolved after the first contact and other indicators that form the overall Service Level with the company, regardless of the communication Factor. In 2017, there was a decline in the indicators, channel chosen by the consumer. which was mainly the result of the introduction of a In our constant striving to improve the quality of our number of regulatory changes at European and national level, which increased the number of customer inquiries services and their after-sales management, we analyze the key issues that we receive through all the customer and the traffic to the customer service line. In 2018, contact channels. One of the most frequently raised the team, including staff responsible for the 123 calls, technical experts and specialists, managed to improve topics is the information in the invoices. We have found that consumers need a different way of description of the the results on all indicators. This was achieved through services used by them, and a process of making changes system changes and proactive prior communication to customers on all important issues and innovations in the content of the monthly bills is forthcoming.



a completely different level corresponding to the

#### Georgi Apostolov, Coordinator of the Safer Internet Centre:

'As a long-standing member of the Public Council of the National Safer Internet Centre, VIVACOM has regularly supported various activities and initiatives related to informing and promoting the main principles of online safety and prevention of child abuse on the Internet, aimed at teachers, parents and the children themselves. In 2018, training of VIVACOM's employees was carried out with the participation of experts from the National Safer Internet Centre and representatives of the Cyber Crime Department of the General Directorate Combating Organized Crime of the Ministry of Interior. The employees who participated in the training gained insight into the latest trends in Internet usage and mobile communications by children and learned about the latest online risks for kids and how to prevent them.'

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#### 4.4.2. Regulation and Management of Personal Data

In 2018, one of the main challenges for the entire company was the preparation for the new European Regulation (EU) 2016/679, concerning the protection of individuals with regard to the processing of their personal data – GDPR (General Data Protection Regulation), which came into force. The topic is gaining increasing popularity and importance for all interested parties. Our company has always strictly complied with the requirements of the national legislation on the collection and processing of personal data, works closely with the competent body the Commission for Personal Data Protection (CPDP), and continues to make the necessary efforts to protect the data of all its clients and partners.

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The new regulation required a review and change of many internal processes, policies, procedures and systems, as well as of relationships with external organizations involved in the processing of personal data.

The alignment with Regulation (EU) 2016/679 affected the activities not only of all directorates having direct contact with the company's clients such as Customer Service, Sales, Technical Directorate, but also almost all supporting functions such as Finance, Customer Experience, Marketing Communications, Corporate Communications, etc. Each of them reviewed their processes and, together with the Data Protection Officer, made the necessary adjustments to meet the new European requirements. The process of preparing for the entry into force of the Regulation began in 2017 and in 2018 each employee of the company went through two trainings on the topic – one common for the entire organization affecting the principles of GDPR, and one specialized on changes in his/her specific function. Both trainings were completed with mandatory tests to verify the knowledge that all employees successfully passed.

Revision and change also underwent the processes of the Human Resources Directorate, especially in relation to the processing of data for job applicants and employees. They also achieved a high level of compliance with the requirements of Regulation (EU) 2016/679.

For the reporting period, only 20 records have been filed in CPDP for complaints from our customers and there are no established confirmed cases of theft or loss of data of a client.

#### 4.4.3. Internal Employee Initiatives

Maintaining honest and open communication with employees is one of the main priorities of the company's top management. Board members stay firmly behind the belief that employees in an organization should be its ambassadors and promote it in their circle. And this can only happen if they feel informed about everything current and important in a timely manner.

Therefore, in 2018, we built up the already established internal campaigns 'For VIVACOM with Atanas Dobrev' and Tech Talk with the Chief Technical Officer, as we held meetings with the directors of two other departments - Marketing and Sales. The goal of the events was managers of various functions to present in more detail the work, achievements and plans for the development of their units.

The Marketing Directorate colleagues presented the exciting activities related to ad creation and positioning of the VIVACOM brand, the challenging task of keeping the company's official website always up-to-date and increase customer satisfaction, as well as the responsibility to create customer-oriented tariff plans.

The representatives of Sales Directorate shared how they manage to attract new customers and to keep their current ones satisfied with a personal approach to the needs of each client and assistance in choosing among the variety of telecom services and devices.

Each meeting was streamed live online on the company's internal portal and had an average viewing rate of about 2,000 people, and the 100-person auditorium hall was filled to capacity.



#### Georgi Sredkov, **Corporate Information Protection Manager at** VIVACOM:

'In accordance with the new data protection rules that came into force with Regulation (EU) 2016/679 (GDPR), significant work was done in 2018 on all aspects: administrative, process organizational, legal and technological. True to the principles of transparent and lawful processing of personal data and maintenance of accountability, during the year we introduced appropriate technical and organizational measures, trainings and courses, with which BTC consistently follows the path of building and maintaining a comprehensive data protection management system.



A similar type of initiative was also held on a smaller scale - especially for the needs of our IT unit. Its main goal was the managers of the department to introduce the key projects and to get concrete proposals from their employees to increase efficiency into the entire structure. These meetings were also streamed live online so that maximum number of people could join.

As a telecommunication company, it is extremely important for us to maintain an open dialogue in society about the opportunities and the dangers of the Internet, especially for the vulnerable child audience. We believe that all users must be well informed on this subject in order to be able to protect both themselves and the children around them.

That is why we used the festive mood around June 1st (Children's Day) to bring our employees' attention to the current and important topic of safe Internet. The campaign had two parts. The first one was a public lecture for adults with useful tips on what to watch out for online and how to protect children around them. The second part was a special event for the employees' children, in which the various 'faces' of the network were presented through entertaining presentations with game elements. Partners of the initiative were the Directorate of Computer Crimes at the Directorate-General for Combating Organized Crime, Safer Internet Center, Bulbera safe Internet surfing application, Cartoon Network and Buba Play. The event was attended by more than 100 children.

# 4.5. **DYNAMIC**



- family is one of the core values along with communication, 'Positioning of Telecommunication Companies'
- (Share of Spending/Share of Voice) 3%.
- compared to the same period in 2017
- in Sofia
- the European Union in 2018
- digital experts from all over the world
- Entirely new look of our own movie channel **VIVACÓM** Arena

#### • VIVACOM is preferred company of consumers for whom the

positivism and honesty, according to a marketing survey on

 Highest score for the telecom sector for the whole of 2018 in the primary metrics for TV commercials – SOS vs SOV

#### Growth in NPS (Net Promoter Score) for all key services - mobile voice, mobile broadband, fixed broadband and television – measured for the second quarter of 2018

Support for the World Rhythmic Gymnastics Championship

#### Participation in the annual meeting of the European **Telecommunications Operators' Association (ETNO)**

• Partnership of the IT Hub Connect conference held under the patronage of the Bulgarian Presidency of the Council of

#### Hosting the first for Sofia and second for the region telecom event iCU Sofia 2018, which brought together

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#### 4.5.1. Market – VIVACOM positioning

2018 was extremely dynamic for the telecom market, with major changes in two of its major companies. One of the organizations went through a process of complete change of the name of the brand with which it operates. The rebranding campaign was supported by large-scale communication through various channels - television, print, online and outdoor advertising; positioning in a variety of events; enhanced PR presence in the media.

For the other serious player on the telecom market in the country, the year passed under the sign of the change of ownership of the company. The deal was widely covered in the media in Bulgaria and for several months has become one of the most commented economic themes in the public space.

In these conditions of enhanced public communication with regards to its two largest competitors on the market, VIVACOM has managed to maintain its steady presence in the media and increase consumer confidence.

Evidence of this is the study 'Positioning of Telecommunication Companies' conducted in December 2018 – January 2019. Its main goals were to establish consumer attitudes and needs regarding telecom services and how the leading operators in our country are positioned according to the degree of satisfaction of their clients. The scope of the query included the most important services from a consumer point of view - mobile voice service, mobile broadband, digital satellite television, IPTV package and optical Internet from a single provider. The data showed that VIVACOM is positioned as a preferred company of consumers for which the family is one of the core values, along with communication, positivism and honesty. For them, telecommunication services are a way to be in touch with their loved ones or to provide entertainment and pleasure. They are looking for convenient and easy-touse services from a trustworthy and reliant company that offers good value for money. This positioning is the result of VIVACOM's long-term strategy of offering and communicating a wide portfolio of products and services for the whole family. For that purpose, the 'Different Together' comprehensive communication platform launched in 2017, with the main characters in the advertising campaigns the four members of the screen 'family' of VIVACOM, played a major role. The results of the survey are proof that it works successfully to position our brand as a trusted partner, making life of every family easier and more enjoyable. They also show that our advertising activities have been effective in achieving our goals.

As a company, we strive to be as effective as possible in everything we do, and that is why we measure also the effectiveness of our communication campaigns. For 2018, we achieved exceptionally high score of 3% in the most important metric of TV advertising - SOS/ SOV (Share Of Spending / Share Of Voice). It shows the ratio between the invested ad budget and the audience reached by the ads, according to the official channel ratings for a given time period. According to Nielsen data, 3% is the highest score for the telecom sector for the whole of 2018 and the best for VIVACOM for the past few years.

#### Users of telecommunication services describe VIVACOM as:

An operator that provides attractive and diverse bundled services:

An operator who provides innovative products and services and is constantly in line with market trends.

#### Main results

Positioning of VIVACOM's mobile voice service (from a user' point of view):

- Best network coverage, incl. 4G/LTE network;
- Unlimited minutes to all networks;
- Best (attractive) monthly fee;
- A great choice of tariff plans.
- Positioning of VIVACOM's mobile broadband (from a user's point of view):
- Best coverage of the 4G/LTE network;
- · Continuous and high bandwidth, stable connection.

#### Positioning of VIVACOM's IPTV package and optical Internet (from a user's point of view):

- · An operator providing the best interactive TV, a wide choice of TV channels:
- Continuous and reliable Internet connection;
- High-speed Internet connection.





**Fixed Broadband** 



of 2018 against the same period in 2017

Study on 'Positioning of Telecommunication Positioning of VIVACOM's digital satellite TV Companies' conducted by Gallup International in (from a user's point of view): the period December 2018 – January 2019, with • A wide choice of TV channels, incl. film channels; a representative sample: urban population 15-60 years old (with an additional subsample of the rural • High quality TV picture and sound; population to cover the service of digital satellite TV); • Reliable TV signal (without interruptions); 2032 completed personal interviews.  $\rightarrow$ 

- Attractive prices.

#### **Mobile broadband**





National representative survey conducted by Gallup International comparing data for the second quarter

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#### 4 PERFORMANCE 4.5. Dynamic

The high quality assessment that consumers provide in the guoted study is also supported by the results of our regular NPS (Net Promoter Score) surveys – to what extent our clients would recommend others the company's services they use. For all key services (mobile voice, mobile broadband, fixed broadband, and TV), we mark growth in this indicator, which in fact shows the satisfaction of our subscribers.

One of the areas in which the company invests the most resources – both financial and communication ones – is the development of the 4G network and the mobile voice and Internet services offered through it. In order to know whether we are managing this process correctly and meeting our users' expectations, we have conducted a large-scale survey of 4G recognition among the population. The National representative omnibus study, conducted by Gallup International, showed that by September 2018. VIVACOM had the highest score among the three telecoms in Bulgaria with fourthgeneration networks for the consumer's perception of all the criteria:

- Fastest 4G mobile network;
- 4G network with the best coverage;
- Most reliable 4G network.



#### 4.5.2. World Rhythmic Gymnastics Championship 2018

VIVACOM traditionally supports Bulgarian sport. Over the years, the company has sponsored professional teams and players, as well as a number of youth clubs and mass activities that encourage sports for health. In addition to the development of football, basketball and volleyball, in 2018 we also invested funds to support one of the most popular sports in Bulgaria, with long-standing traditions and major worldwide success – rhythmic gymnastics. Last September, for the second time in the history of the graceful sport Sofia hosted the World Rhythmic Gymnastics Championship. Our company supported the 36th edition of the prestigious tournament and gave the Bulgarian audience the opportunity to watch live the competition among the best rhythmic gymnasts from countries on all continents. The Bulgarian team made an excellent performance and won a gold medal at the finals for five hoops. We organized a special Facebook game and five lucky participants won double invitations to the entire championship.

Our company carefully selects the activities it supports, and when we become a partner of an organization or event, we strive to develop our cooperation at all possible levels - communicative; involving our employees; adding value to our customers; engaging our partners and local communities in a common cause, etc. Following this comprehensive approach. in July we organized a special meeting of 'The Golden



#### Diana Simeonova, **Director of Marketing Communications at VIVACOM:**

'The way people interact is changing, but the things they say and the emotions they share are the same. That is why we created the 'Different Together' communication platform, in which we presented in an accessible and human way the services provided by VIVACOM to each client from the different segments we identified with a national representative survey based on people's values and lifestule. Now, almost two years after the launch of the platform, people define our brand as a fair company that gives them a sense of security and confidence that they can constantly be in touch with their family, to share easily with the community they belong to, to be entertained and constantly informed.

VIVACOM is defined by consumers as a company that is close to people."



## Federation

'We managed to build a partnership with VIVACOM that goes beyond the usual frameworks, and we are grateful to work together for the development of rhuthmic gumnastics, which despite the difficulties that faces in Bulgaria does not stop to bring joy and win us medals and smiles. During the World Championship in Sofia, together with VIVACOM, we had special performances of the girls, thanks to which we managed to get closer to the people and to get them excited for our sport. This year, together again, we are working on the DMS-fundraising campaign for the girls' rehabilitation center, with which we are confident that the success of our sport will only rise.

Girls' with their fans in Varna. Residents and guests of the Bulgarian sea capital had the opportunity to personally meet and greet the contestants from our National rhythmic gymnastics team.

The company's store at 'Osmi Primorski polk' Blvd. in Varna gathered dozens of fans of the new generation of Bulgarian sports hopes who had the chance to get acquainted with the gymnasts and take autographs from them. The seven champion girls were in a training camp in Varna, but they took a few hours of their intense program for their fans. The meeting was organized in partnership with one of our major mobile device vendors - Motorola. The girls took photos with their fans with three models of Motorola mobile phones and demonstrated the advantages and effects of their cameras. That is how we succeeded in uniting our strategy of positioning quality products in our portfolio, the cause of supporting Bulgarian sports, good cooperation with key vendors and our contribution to local communities by organization of useful and significant events.

Rhythmic gymnasts also shot a special video, congratulating VIVACOM followers on social networks.

In 2019 we will continue to invest in the development of rhythmic gymnastics. In April, the World Cup will be held in Sofia, and we will also support it.

#### Rosina Atanasova, Chief Secretary of the Bulgarian Rhythmic Gymnastics

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#### 4.5.3. Experience Exchange with International Leaders in the Technology Sector

The dynamics of the technology sector requires us to be constantly informed about the latest trends in all aspects of our business – networks and infrastructure, innovative products and services, regulations, customer demand and behavior. Our aim goes beyond just simply following the improvements; the goal is to be their driving force on the Bulgarian market. We strive for key stakeholders – clients, employees, partners and society as a whole, to recognize us as a carrier of industry expertise and to trust us as a source of innovations.

## As part of this strategy, during the year, we participated in several key forums on industry-specific topics:

VIVACOM Chief Executive Officer Atanas Dobrev took part in the annual meeting of the European Telecommunications Network Operators Association (ETNO) along with with the CEOs of the most important companies in the sector in Europe, including Deutsche Telekom, Telefonica, Orange, Telecom Italia and others. VIVACOM is the only Bulgarian operator that is a member of ETNO, and since 2017 we are also a member of the branch organization's Management Board, which is the main group for policies initiation of the European operators of electronic communications networks. Its 40 members and observers from Europe and beyond are the backbone of Europe's digital progress, as well as the leading engines of digital networks and services on the Old Continent. The main topic of ETNO annual meeting in 2018 was the EU's Global Digital Leadership Policy and the telecoms' vision for their own contribution to the process. ETNO members are united around the idea that operators need to ensure the digitalization of services for people and businesses through super-fast high-quality connectivity throughout 5G networks and enhancing their capabilities by integrating artificial intelligence.

Analysts estimate that by 2020 the value of the EU data economy will grow up to 739 billion Euros or 4% of the total EU GDP. In this sense, regulations must not obstruct innovation but help increase customer confidence in the new technologies;

• Our company was a partner of the two-day conference IT Hub Connect in Sofia, under the patronage of the Bulgarian Presidency of the Council of the European Union in the first half of 2018. The topic of the forum was 'Innovations, Regulations and Investments'. Representatives of the governmental institutions, executive directors of technological companies, among which Atanas Dobrev, as well as business experts and start-ups, took part in the discussion;

VIVACOM hosted the first for Sofia and second for the region telecom event iCU Sofia 2018, which gathered for two days digital experts from all over the world, turning Bulgaria into a know-how center of new technologies. The international platform is designed to share experience and knowledge as well as expert opinions about the future of telecommunications, mobile technologies, Internet of Things and the digital content. The event attracted more than 300 executives and representatives of leading telecom companies, network operators, Internet and cloud services providers, smart solutions and Internet eXchange Point (IXP) developers as well as streaming media and content providers. They discussed digital transformations under the influence of the fast-growing Internet of Things, cloud services and smart cities platforms. The participants expressed their view that, in order to maintain an active role on the market, at the moment telecoms are focusing on building on their basic role, namely data transfer and infrastructure providing.

#### 4.5.4. VIVACOM Arena with an Entirely New Appearance

As a company operating in one of the most dynamic sectors on the market, we strive to build not only the quality but also the content of the services we offer. In recent years, the trends in the television content consumption show an increasing interest of viewers towards thematic programs according to their personal preferences – movies, sports, music, etc. To answer these needs, in 2012 VIVACOM launched its own movie channel VIVACOM Arena, and in 2018 we completely changed its appearance so it already broadcasts all its content in FULL HD quality. The change is part of the overall renewal of the program, which since the autumn of last year has a new logo and vision. The rebranding of the television comes with a number of changes and improvements that contribute for a better movie experience of viewers.

VIVACOM Arena is the only Bulgarian television that does not broadcast commercials and it is already interactive. Channel's content is available up to 24 hours back with the 'TV Archive' function, and the 'TV Pause' function allows pausing up to 2 hours back. The broadcast at a separate position also continues, with the 'Delay TV' function which allows the program to be delayed for 1 hour.

'For me, for you, for us' is the new slogan embodying the channel's philosophy to provide quality and interesting content for the whole family. VIVACOM Arena offers viewers a wide variety of exciting TV shows, movie premieres, animation, and contemporary Bulgarian cinema.



In addition to making changes to its content and features, we have also improved the visual appearance of the program. The new logo places emphasis on the content and interactivity of the channel, and in developing the visual identity we have been guided by the most current trends targeting a wider audience with more diverse taste for movie content. The graphic concept of the new channel's identity has been developed by HAVAS agency, and the video realization was made by Screen Brothers production house. The musical signature and layout were created by the composer Viktor Stoyanov, an author of movie music for Bulgarian and Hollywood productions. The author of the overall art and video concept is Sergey Georgiev for HAVAS agency.

The channel is available to all our customers who use satellite TV, interactive TV or the mobile TV GO.

In 2019, we will continue to add new, family-friendly content, as well as thematic slots with movies and TV shows, such as 'Children's Zone' during the weekends.



# 4.6. **RESPONSIBLE**

Alliance

- 'Education 4.0' gathered 700 active participants to a total of 5 thematic events and popularized the cause through more than 150 media publications.

- assistance of the Bulgarian Red Cross
- conditions

• Launching a campaign for digitization of Bulgarian education - 'Education 4.0', in partnership with the Ministry of Education and Science, Sofia Municipality, Digital National

• 97 young people joined the 15th summer internship program 'VIVA Race: The Winner is You'

• Over 80 interns participated in volunteer action for cleaning and restoration of benches, gazebos and eco paths in the Zlatnite Mostove area in Vitosha mountain

• In 2018 there were no fatal accidents with employees

• 28 employees trained to provide first aid with the

639 employees trained to ensure healthy and safe working

• 2,771 employees have undergone prophylactic medical examinations, carried out in 38 cities across the country **INTEGRATED ANNUAL REPORT** 2018

#### 4.6.1. 'Education 4.0' – Digitization of the Bulgarian School



Education has always been one of the main social spheres in which VIVACOM invests. Over time, we have supported a number of organizations and projects focused mainly on science education (the platform www.vivacognita.org) and Bulgarian history Bulgarian History Association, www.vivahistory. bg), and in 2018 we identified the serious need for including businesses into the digitization process of schools. Over the past few years, our company has been offering innovative solutions for integrating modern technology into the learning process, and by the end of 2018 we have been working with over 200 schools. Despite these successful steps, over the past year, we have identified the need for the topic of digitalization of education to be raised on the public agenda in order to provoke an open and productive dialogue with the participation of all interested parties – teachers, parents, students, institutions, NGOs, media and business. Leading to us was the understanding that modern children are extremely active online and are doing more than well with the use of new technologies. Under the right conditions, resources and support, their skills can be directed for improving the learning process so that it can be more interesting and useful for their future realization on the labor market.

As a result, we launched the 'Education 4.0' initiative together with the national daily newspaper '24 Hours'. The project aims to support the process of digitization of education by introducing new methods, technologies and appropriate content in Bulgarian schools.

The initiative was supported by the Ministry of Education and Science (MES), Sofia Municipality, the Digital National Allayance and is being held under the patronage of the Commissioner for Digital Economy and Digital Society Maria Garbiel. A number of organizations have also been involved as partners or participants in the debates, such as Ucha.se, Parents Association, Safer Internet Centre, KAN Academy, Center for Inclusive Education, SoftUny Foundation and others.

At the beginning of June 2018, 'Education 4.0' initiative launched with a national discussion, bringing together institutions, school representatives, parent councils and NGOs working in the education sector to discuss what digital education is, what are its goals, how much it has penetrated the Bulgarian schools and how this should happen more effectively in the future. The campaign continued with three separate debates among the most important participants in the

who shared their challenges, suggestions and goals for the process of introducing modern technology into the classrooms.

meeting in February 2019, when for the first time a definition of digital education was presented to MES and the other responsible institutions, reflecting the common understanding of all interested parties on the matter. Namely: 'Digital learning is teaching, learning and comprehensive communication between teachers, parents and students with the help of digital devices and new technologies. The innovative approach in digital education uses the skills and activity of children on the Internet by developing their creativity, analytical thinking and teamwork opportunities.

To meet the needs of today's students and to be 'digital', a class should use basic technological tools such as:

- A secure Internet environment;
- E-Journal:
- E-student report card;
- E-textbooks;
- Digital communication channels;
- Interactive whiteboards:
- Virtual lessons and tests:
- Digital demonstrations and teaching through discussions;
- Using cloud storage for exchange and collaboration.



#### Darin Madzharov, Founder of the online video lessons platform for school Ucha.se:

'Congratulations on being actively involved with the Bulgarian education. Not only in words but also with your actions. Uchase supported 'Education 4.0' initiative because we saw that there would be real practical results. I am very grateful that you have invested in this initiative because this way, step by step, we are improving Bulgaria together."

education system - teachers, students and parents, Within the closing discussion, specific engagements were undertaken by the Ministry of Education and Science for the next institutional steps for mass implementation of digitization in the Bulgarian schools.

The first stage of the project concluded with a summary 'Education 4.0' brought together 700 active participants to a total of 5 events and promoted the topic through more than 150 publications in various media.

> The great public interest, the institutional partnership and the real need for change in the education system make the 'Education 4.0' initiative a long-term project of the company that we will continue to develop and build in 2019.



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#### 4.6.2. Internship Program – Volunteer Action at the Zlatnite Mostove Area

As a responsible company which invests in education. VIVACOM supports and encourages the career development of young people. In 2018, 97 of them joined the company's 15th Summer Internship Program. Each year VIVACOM gives the opportunity to ambitious young people to work with a team of proven professionals from almost all company's departments such as IT, Network Architecture, Planning and Construction, Sales, Human Resources, Marketing Communications, Corporate Communications, Finance, etc. For three months, interns are committed to real-life projects and case studies and develop new skills in a digital and innovative environment. Beside employment contract, competitive salary and social benefits package, interns undergo specialized trainings, participate in competitions, and finally receive a recommendation and a certificate of successful completion of the Program. All interns have an individually appointed mentor who introduces them to the corporate environment, assigns tasks and guides them during the internship. Each year, a large part of the interns remain in permanent employment at the company after completing the Program, and in 2018 this percentage has risen to 39% compared to 31% in 2017.

In addition to acquiring new knowledge and skills, interns also learn how to be socially responsible, work in team, and contribute to the development of society. Each year, they are involved in a different, large-scale volunteer action. In 2018, over 80 young people cleaned and restored benches, gazebos



and eco paths and built an entirely new bridge in Vitosha's mountain Zlatnite Mostove area. The interns worked alongside with the Nature Park's staff to cultivate the area which is an initial point of all major eco trails in the mountain. You can see here how this day went by.

The volunteer initiative joined by VIVACOM's young hopes is part of their integration into the core values of the company, including sustainable development and environmental care. This year's upcoming 16th edition of the Internship Program will be held under the slogan 'VIVA Game: Find Your Place'.

#### 4.6.3. Electromagnetic Fields

Electromagnetic emissions are present in various ways into our daily life – from kitchen appliances trough radio transmitters and mobile phones to base stations which ensure the operation of mobile networks.

The long-standing debate on the potential effects on human health is largely resolved – various studies have not found a relationship between exposure to electromagnetic fields and any hypothetical negative effects on the human organism. Yet, when human health is concerned, we approach the issue

#### 4.6.4. Health and Safety at Work

As a responsible company, in the care of its employees, VIVACOM places first the provision of a safe working environment. We have developed a Corporate Health and Safety Policy at Work that we strictly apply. VIVACOM is certified under OHSAS 18001:2007 'Occupational Health and Safety Management Systems' and in 2018t he certification successfully passed an external audit.

#### IN ORDER TO REDUCE THE IDENTIFIED RISKS TO THE SAFETY OF EMPLOYEES. IN 2018 THE APPROPRIATE MEASURES WERE TAKEN:

28 employees trained to provide first aid with the assistance of the Bulgarian Red Cross

working conditions



#### Margarita Dineva,

intern in Corporate Communications Directorate from the Summer Internship Program 'VIVA RACE: You Are the Winner' held in 2018:

'VIVACOM's Internship Program helped me grow not only professionally but also personally. The company pays serious attention to socially important causes and allows interns to contribute to them as well. The restoration of the Zlatnite Mostove area enriched us, giving us the opportunity to help society and nature. This action reminded us to be more concerned about the environment; it showed us that by joining efforts we can achieve everything and gave us real satisfaction. I am proud that I was part of this memorable experience."

**1,801** employees trained in electric safety procedures



14 учебни евакуации, като 9 от тях са с практическо обучение на персонала по пожарогасене в реална обстановка

of electromagnetic radiation responsibly and with caution. As we introduce new technologies, we ensure that our network and customer equipment meet all government safety standards. For example, the process of building base stations is controlled at two-stages - at the beginning and at the end of the construction process. The construction of a base station takes between 6 to 24 months and involves consultations with 15 different authorities. We also work closely with our suppliers to ensure that the delivered products meet all applicable safety and regulatory requirements.

Our specific activity, related to building and maintaining a serious technologic infrastructure, requires certain number of employees to work in a risk situation. For this purpose we provide personal protective equipment, special workwear and regular specialized trainings.

In 2018 there were no fatal accidents, and incidents that led to absence from work for more than 3 days were reduced to 6 compared to 9 in 2016 and 7 in 2017.

639 employees trained to ensure healthy and safe

**195** employees trained for work at great height

2,062 employees provided with personal protective equipment and special workwear 2,771 employees underwent prophylactic medical examinations conducted in 38 cities across the country

#### **MEMBERSHIPS**

- AmCham The American Chamber of Commerce
- BACCO Bulgarian Association of the Cable Communications Operators
- ▶ BAIT Bulgarian Association of Information Technologies
- BBLF Bulgarian Business Leaders Forum

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- ▶ BDF Bulgarian Donor's Forum
- BICA Bulgarian Industrial Capital Association
- Bulgarian Public Relations Association
- CEING The Confederation of Employers and Industrialists in Bulgaria
- Council of Women in Business in Bulgaria
- DE-CIX Management GmbH
- ETNO European Telecommunications Network Operators' Association
- ▶ German-Bulgarian chamber of commerce and industry
- **GSMA**

**INTEGRATED** 

- GSM Association
- ▶ Italian Chamber of Commerce in Bulgaria
- ▶ NGO Bulgarian Association for People Management
- ▶ NGO Bulgarian-Nordic Chamber of Commerce
- Plesk International GmbH
- ► RIPE NCC
- Telecommunications Association
- TERAPRO Society for Protection of Legal Content

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accordance with international standards:

- ▶ ISO 9001:2015 'Quality Management Systems',
- ▶ ISO 14001:2015 'Environmental Management Systems' and

with the following scope:

'Provision of electronic communication services via fixed voice and/or mobile voice telephone service under GSM, UMTS and LTE standard, including fixed voice service, mobile voice telephone service, television, fixed Internet access, mobile Internet access, data transmission and transfer, provision of data transfer environment, collocation and complex technical solutions. Development and implementation of software, development and implementation of integrated solutions and IT audit, including delivery, installation, testing and deployment of electronic monitoring systems, building a complete platform including hardware and software, maintenance training for installation and diagnostics, consumables, warranty maintenance and personnel training for system operation.

► ISO/IEC 27001:2013 'Information Security Management System' with scope: 'VIVACOM Headquarter, Data Center – Haydushka Polyana, Data Center – Kaspichan'.

▶ ISO/IEC 20000-1:2011 'IT Service management – Part 1: Service management system requirements' with scope: 'Supporting the provision of electronic communication and IT services in accordance with the service catalogue to business customers'.

#### CERTIFICATIONS AND STANDARDS

## VIVACOM Integrated Management System is certified and continuously maintained in

#### **BS OHSAS 18001:2007 'Occupational Health and Safety Management Systems'**

#### ▶ Teleport Plana holds Tier 3 certificate from World Teleport Association.

# 5. ANNEXES



ANNUAL REPORT 5. ANNEXES

#### 5.1. Key Performance Indicators and GRI Content Index

#### **GRI Content Index**

2018

INTEGRATED

INDICATOR	CHAPTER	PAGE	COMMENT
GRI 101: Core 2016			
GRI 102: General disclosures 2016			
102-1 Name of the organisation	Our Company	10	
102-2 Activities, brands,products, and services	Performance	54-55	
102-3 Location of headquarters	Our Company	11	
102-4 Location of operations	Our Company	13	
102-5 Ownership and legal form	Our Company	13	
102-6 Markets served	Our Company	10	
102-7 Scale of organisation	Our Company, Performance, Annexes	10-11, 50, 60, 102	
102-8 Information on employees and other workers	Performance	60	
102-9 Supply Chain	Strategy, Value Creation and Distribution	34-35	
102-10 Significant changes to the organisation and its supply chain	Strategy, Value Creation and Distribution	32	
102-11 Precautionary Principle or approach	Governance and Compliance	42-43	
102-13 Memberships in associations	Memberships	92	
102-14 Statement from senior decision-maker	Statement of the CEO	4-5	
102-16 Values, principles, standards and norms of behaviour	Governance and Compliance	40	
102-17 Feedback mechanisms and issues, related to business ethics	Governance and Compliance	44	
102-18 Governance structure	About this Report	14	



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#### INDICATOR

102-40 List of stakeholder groups 102-41 Collective bargaining agreements 102-42 Identifying and selecting stakeholders 102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised 102-45 Entities included in the consolidated financial statements 102-46 Defining report content and topic Boundaries 102-47 List of the material topics 102-48 Restatements of information 102-49 Changes in reporting 102-50 Reporting period 102-51 Date of most recent report 102-52 Reporting cycle 102-53 Contact point for questions regarding the report 102-54 Claims of reporting in accordance with the GRI Standards 102-55 GRI Content Index 102-56 External assurance

"For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report."

CHAPTE	R	PAGE	COMMENT
Our Compa	any	24-25	
Annexes		103	
Our Compa	any	24-25	
Our Compa	any	24-25	
Our Compa	any	24-25	
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Our Compa	any	15	
Our Compa	any	16-17	
GRI Conte	nt Index	97	There are no restatements of information
GRI Conte	nt Index	97	There are no significant changes in reporting
About this	Report	3	
About this	Report	3	
About this	Report	3	
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#### GRI Content Index: Specific Disclosures

FIELD	MATERIAL TOPIC	SPECIFIC GRI DISCLOSURE	CHAPTER	PAGE
	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	18-19
Employee engagement and satisfaction	"GRI 405: Diversity and equal opportunity 2016"	"Disclosure 405-1 Diversity of governance bodies and employees"	Performance	60
	"GRI 403: Occupational health and safety 2018"	"Disclosure 403-9 Work-related injuries"	Performance, Annexes	86, 91, 103
	"GRI 401: Trainings and education 2016"	"Disclosure 404-1 Average hours of training per year per employee"	Annexes	103
Economic impact on local communities	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	20-21
Safety and child protection	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23
	Specific Vivacom disclosure	Safe internet campaigns	Performance	59, 63, 77, 88, 89
Customer service and quality products	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	18-19
	Specific Vivacom	Missed calls ratio	Performance	75
	disclosure	Average waiting time in queue	Performance	75
		Customers service level	Performance	75

FIELD	MATERIAL TOPIC	SPECIFIC GRI DISCLOSURE	CHAPTER	PAGE
Profitability and efficiency	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	18-21
	"GRI 201: Economic performance 2016"	"Disclosure 201-1 Direct economic value generated and distributed"	Strategy, Value Creation and Distribution, Annexes	34, 35, 10
Energy efficiency and carbon emissions	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23
	"GRI 302: Energy 2016"	"Disclosure 302-1 Energy consumption within the organization"	Performance, Annexes	56, 102
Innovation and Digitalization	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company, Performance	20-21, 66
Ethical competition	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23
	Specific Vivacom disclosure	A mechanism to monitor compliance with the Code of Ethics or unethical business behaviour	Governance and Compliance	44-45
Public health, safe services and products	"GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23

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GRI Content Index: Specific Disclosures

FIELD	MATERIAL TOPIC	SPECIFIC GRI DISCLOSURE	CHAPTER	PAGE
1	'GRI 103: Management Approach"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	20-21
1	'GRI 203: Indirect economic impacts"	"Disclosure 203-1 Infrastructure investments and services supported"	Performance	66-71
1	'GRI 103: Management Approach"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company, Performance	22-23, 57
E	'GRI 306: Effluents and waste 2016"	"Disclosure 306-2 Waste by type and disposal method"	Annexes	102
Campaigns	'GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23
	Specific Vivacom disclosure	Donations and investments in society	Annexes	102
Transparent and	'GRI 103: Management Approach 2016"	"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	20-21
	Specific Vivacom disclosure	Percentage of budget spent on local suppliers	Annexes	102

SPECIFIC GRI DISCLOSURE	CHAPTER	PAGE
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"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	20-21
"Disclosure 205-3 Confirmed incidents of corruption and actions taken"	Приложения	103
"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	22-23
"Disclosure 103-1 Explanation of the material topic and its Boundary Disclosure 103-2 The management approach and its components Disclosure 103-3 Evaluation of the management approach"	Our Company	20-21
"Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data"	Performance	76

MATERIAL TOPIC

"GRI 103: Management Approach 2016"

"GRI 103:

"GRI 205:

"GRI 103:

"GRI 103:

"GRI 418:

2016"

Management Approach 2016"

Customer privacy

Management

Approach 2016"

Anti-corruption 2016"

Management Approach 2016"

#### Key Performance Indicators

INDICATORS BY MATERIAL TOPICS	UNIT	2017	2018
ECONOMIC <sup>1</sup>			
Total revenue	Thousand BGN	889,503	948,043
Operating expenses	Thousand BGN	583,026	597,602
Interest expenses	Thousand BGN	56,931	40,021
Capital expenditures	Thousand BGN	180,976	187,500
Dividends	Thousand BGN	0	0
Share of the budget spent on local suppliers in Bulgaria	%	91%	84%
Salaries and wages	Thousand BGN	103,091	106,343
Taxes, social securities and fees to authorities	Thousand BGN	36,800	42,334
Community investments and sponsorship	Thousand BGN	5,988	4,344
ELECTRICITY CONSUMPTION			
Total	kWh	139,676,636	148,207,952
Base stations	kWh	32,699,617	42,229,846
Core and fixed networks	kWh	75,444,624	74,040,821
Stores	kWh	5,979,389	5,995,225
Offices (including Corporate Sales)	kWh	2,877,308	3,504,783
NURTS	kWh	22,675,698	22,437,278
HEATING			
Offices	MWh	3,858	3,172
Stores	MWh	345	340
FUELS			
Diesel for heating	Litres	6,000	2,788
incl. NURTS	Litres	6,000	2,788
Diesel for electricity generation	Litres	262,886	187,845
incl. NURTS	Litres	37,964	21,367
VEHICLE FLEET		<u> </u>	I
Diesel-powered vehicles	Litres	1,823,847	1,697,700
incl. NURTS	Litres	157,189	148,004
Petrol-powered vehicles	Litres	449,192	418,597
incl. NURTS	Litres	5,140	7,409
LPG-powered vehicles	Litres	7,213	3,284
incl. NURTS	Litres	4,310	0
COOLING AGENTS			
R407C	kg	348	356
R410	kg	127	125
WASTE			<u> </u>
Batteries	Tonnes	185	255
Cables	Tonnes	646	561
Telecom equipment	Tonnes	318	278

EMPLOYEES			
Number of employees (female)	Number	2,496	2,403
incl. NURTS and Net Is Sat		5	2
Number of employees (male)	Number	3,165	3,039
incl. NURTS and Net Is Sat		18	7
Employees with permanent employment contract (female)	Number	2,338	2,254
Employees with permanent employment contract (male)	Number	3,078	2,953
Employees with temporary/fixed-term contract (female)	Number	158	150
Employees with temporary/fixed-term contract (male)	Number	87	85
Full-time employees (male)	Number	3,159	3,030
Full-time employees (female)	Number	2,485	2,393
Part-time employees (male)	Number	6	9
Part-time employees (female)	Number	11	10
Members of the management department	Number	10	10
Low-skilled staff	Number	10	10
Medium Qualified Personnel	Number	2,963	2,796
Highly Qualified Personnel	Number	2,003	1,934
Team leaders	Number	440	458
Managers	Number	158	161
Senior managers	Number	87	83
Employees of collective agreements	%	67	65
Staff fluctuation	%	15	14
Average age of employees	years	37	39
Interns employed permanently in the company (% of the total number of interns)	Number	31	38
Fatal incidents	Number	1	0
Number of high-consequence work-related injuries (excluding fatalities)	Number	0	1
Reportable incidents (led to over 3 days absence at work)	Number	7	6
incl. NURTS and Net Is Sat	Number	0	0
Incidents which result in transfer to another job	Number	0	0
Incidents which result in medical treatment beyond first aid	Number	8	6
Incidents which cause loss of consciousness	Number	1	0
Lost calendar days due to incidents	Number	319	535
incl. NURTS and Net Is Sat	Number	0	0
Cases of discrimination	%	0	0
Confirmed cases of corruption and actions taken	Number	0	0
Number of hours worked	Number	9,485,880	8,892,011
Average number of training hours per year (managers)	Number	39	45
Average number of training hours per year (female)	Number	17	29
Average number of training hours per year (male)	Number	20	26
Share of employees undergoing regular performance and development evaluation	%	100	100

Source: Consolidated Financial Statements; The data for NURTS and Net Is Sat are reported from the acquisition period

#### 5.2. Condensed Financial Statements

#### Summary consolidated income statement

All figures are presented in Thousand BGN

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	Year ended 31.12.2018	Year ended 31.12.2017
Revenue	948,043	889,503
Interconnect expenses	(77,773)	(79,609)
Other operating expenses	-214,801	(213,094)
Materials and consumables expenses	(172,201)	(161,568)
Staff costs	(132,827)	(128,755)
Amortization	(198,552)	(200,131)
Finance costs	(40,857)	(57,635)
Finance income	7,528	6,010
Other gains, net	17,602	17,857
Profit/ (loss) before tax	136,162	72,578
(Expense for)/ Tax income	(8,434)	(1,474)
Profit/ (loss) for the year	127,728	71,104
Other comprehensive income, net from tax	4,136	29
Total comprehensive income	131,864	71,133

#### Summary consolidated statement of cash flows

	Year ended 31.12.2018	Year ended 31.12.2017
Cash generated from operations	309,755	375,345
Interest received	41	260
Interest paid	(58,965)	(52,939)
Corporate income tax paid	(3,105)	(7,655)
Net cash from operating activities	247,726	315,011
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	6,976	38,653
Acquisition of PPE and intangible assets	(156,061)	(171,953)
Acquisition of investments	(193,627)	(59,565)
Cash deposits with maturity greater than three months	221	352
Dividends received	-	125
Loans granted to related parties	(16,087)	(13,485)
Loan repayments received from related parties	-	-
Net cash used in investing activities	(358,578)	(205,873)
Cash flows from financing activities		
Repayment of borrowings	(1,028,562)	-
Proceeds from new loans	1,003,136	-
Payment of finance lease liabilities	(2,415)	(5,411)
Net cash used in financing activities	(27,841)	(5,411)
Net increase/(decrease) in cash and cash equivalents	(138,693)	103,727
Effect of exchange rate fluctuations on cash held	53	-98
Cash and cash equivalents at the beginning of the year	175,973	72,344
Cash and cash equivalents at the end of the year	37,333	175,973

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#### Summary consolidated statement of financial position

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	Year ended 31.12.2018	Year ended 31.12.2017
ASSETS		
Current assets		
Cash and cash equivalents	37,333	175,973
Trade and other receivables	155,842	101,954
Current income tax receivables	10	-
Inventories	45,401	37,005
Investments	-	5
Other current assets	17,146	14,075
Assets classified as held for sale	13	193
Total current assets	278,364	329,205
Non-current assets		
Goodwill	2,049	2,049
Property, plant and equipment	757,948	751,489
Investment property	151,587	145,401
Intangible assets	172,195	196,301
Investments	261,709	59,057
Trade and other receivables	32,191	53,256
Other non-current assets	30,157	10,558
Deferred tax assets, net	4,067	3,981

# Deferred tax assets, net 4,067 3,981 Contractual assets 9,259 Total non-current assets 1,421,162 1,222,092 Total assets 1,699,526 1,551,297

#### LIABILITIES AND EQUITY

<b>~</b>	1.1.1.1.1	
Current	lish	
CULLENC	IIau	IIILICS

102 482 34,973	102,482 38,764
34,973	38,764
	/ -
-	21,893
1,360	556
2,431	3,073
45,399	787,295
23,723	-
221,978	954,063
	23,723

# Non-current liabilitiesBorrowingsDeferred tax liabilities, netRetirement benefit obligationsProvisionsTrade payablesOther payablesDeferred income/revenueContractual liabilitiesTotal non-current liabilities

# Equity Share capital Reserves Retained earnings Total equity

#### **TOTAL LIABILITIES AND EQUITY**

#### Summary consolidated statement of changes in equity

	Share capital	Legal reserve	Revalua- tion reserve	Fair value reserve	Hedging reserve	Other reserve	Retained earnings	Total equity
Balance as at 1 January 2017, as it was disclosed	288,765	28,876	144,420	-	282	-	29,112	491,455
Revaluation	-	-	-	-	-	-975	975	-
Balance as at 1 January 2017	288,765	28,876	144,420	-	282	-975	30,087	491,455
Comprehensive income for the year				-				
Revenue for the year	-	-	-	-	-		71,104	71,104
Total other comprehensive income	-	-	2,391	-	-896	(1,466)	-	29
Total comprehensive income for the year	-	-	2,391	-	-896	(1,466)	71,104	71,133
Transfer to retained earnings - write-off of land	-	-	(24,238)	-	-	-	(24,238)	-
Balance as at 31 December 2017	288,765	28,876	122,573	-	-614	(2,441)	125,429	562,588
Balance as at 1 January 2018, as it was disclosed	288,765	28,876	122,573	-	-614	-	122,988	562,588
Revaluation	-	-	-	-	-	(2,441)	2,441	-
Effect of Changing Accounting Policies	-	-	-	2,669	-	-	35,716	38,385
Balance as at 1 January 2018	288,765	28,876	122,573	2,669	-614	(2,441)	161,145	600,973
Comprehensive income for the year		-				-		
Revenue for the year	-	-	-	-	-	-	127,728	127,728
Total other comprehensive income	-	-	3,298	4,459	(1,155)	(2,466)	-	4,136
Total comprehensive income for the year	-	-	3,298	4,459	(1,155)	(2,466)	127,728	131,864
Transfer to retained earnings - write-off of land	-	-	-230	-	-	-	230	-
Balance as at 31 December 2018	288,765	28,876	125,641	7,128	(1,769)	(4,907)	289,103	732,837

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 744,711	54,040
744,711	34,646
2,470	-
-	2,717
1,965	-
2,020	2,502
15,078	12,180
7,445	6,187
15,437	10,204
700,296	856

-,,	-,,
1,699,526	1,551,297
732,837	562,588
289,103	122,988
154,969	150,835
288,765	288,765

5 ANNEXES

#### 5.3. Dictionary of Terms and Definitions

#### 2G, 3G, 4G и 4.5G

2018

The "G" stands for Generation of mobile systems. Each next generation implies a faster, more secure and reliable way of data transfer.

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#### **EBITDA**

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A profit from business operations (gross profit less operating expenses) before deduction of taxes, fees, interest and depreciation

#### FTTx

Fiber to the x (FTTx) is a generic term for any broadband network architecture using optical fiber to provide connection to home.

#### FTTC

Fiber to the Curb

#### GSM/GPRS/EDGE and UMTS/HSPA+/LTE technologies

Different standards of data transfer that are noticeable for the mobile phone user mainly in a different data transfer rate.

#### Head-end

Control center of a television system where broadcast signals are received and distributed.

#### HLR

The home location register (HLR) is a central database that contains details of each mobile phone subscriber that is authorized to use the GSM core network.

#### ICT

Information and Communications Technology (ICT) is a convergence of audio-visual and telephone networks with computer networks through a single cabling or link system.

#### **IPTV**

Internet Protocol television (IPTV) is the delivery of television content using signals based on the logical Internet Protocol (IP), rather than through traditional terrestrial and satellite signal or cable television formats.

#### ITIL

ITIL provides a framework of Best Practice guidance for IT Service Management. It focuses on the continual measurement and improvement of the quality of IT service delivered, both from a business and a customer perspective.

#### IoT (Internet of Things)

The Internet of Things – a comprehensive concept for many connected devices that share data with each other using different technologies and telecommunication networks.

#### KPI

Key Performance Indicator – an evaluation system that helps the organization determine the degree of achievement of its strategic goals.

#### LoRa

LoRaWAN <sup>™</sup> is a Low Power Wide Area Network (LPWAN) specification for wireless, battery-powered, regional, national, or global networking. LoRaWAN focuses on key requirements of the Internet of Things. such as secure two-way communication, mobility and localization services.

#### Material topic

Topic that reflects a reporting organization's significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders.

#### M2M

Machine-to-Machine – automatic information exchange between machines and devices.

#### Mbps (Megabits per second)

Mbps is a measure of data transfer speed (1 Mbps is equal to one million bits in second).

#### NGN

Next Generation Network is an open, standardsbased, packetized infrastructure capable of efficiently supporting a wide range of applications and services.

#### **0**SS

Operational Support System –a group of computer programs or IT systems used by telecom companies to monitor, analyze, control and manage the network.

#### SLA

A Service-Level Agreement (SLA) is an agreement between two or more parties, where one is the customer and the others are service providers. This can be a legally binding formal or an informal "contract".

#### SRAN (Single RAN)

Single Radio Access Network (SRAN) allows mobile telecommunications operators to support multiple mobile communications standards and wireless telephone services on a single network.

#### Stakeholder

Entity or individual that can reasonably be expected to be significantly affected by the reporting organization's activities, products and services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its goals.

#### TCO

Total Cost of Ownership (TCO) is a financial model intended to help buyers and owners determine the direct and indirect costs of a product or system.

#### TDM

Time-Division Multiplexing is the transmission of information through sequential, cyclical alternation of digital signals from several different communication channels using one common line.

#### Value chain

An organization's value chain encompasses the activities that convert input materials or effort into output products with added value. It includes other entities with which the organization has a direct or indirect business relationship and which either (a) supply products or services that contribute to the organization's own products or services, or (b) receive products or services from the organization.

Topic that reflects a reporting organization's significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders.

#### VDSL

Very high bit rate digital subscriber line (VDSL) is a digital subscriber line (DSL) technology providing data transmission over a copper network.

#### ZB (Zettabyte)

ZB is a unit of measure of quantity of information (1 ZB is equal to one trillion GB).

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#### 5.4. Disclaimer

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#### Forward-looking statements

## This integrated report includes information and statements which are or may constitute forward-looking statements.

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These forward-looking statements include all matters that are not historical facts, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Company operates. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks, uncertainties and assumptions. The Company cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in, implied or projected by, the forward-looking statements contained in this integrated report. The Company does not undertake any obligation, and does not expect, to review or confirm analyst expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this integrated report.

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