

# **VIVACOM THIRD QUARTER RESULTS 2014**

*Sofia, 10 November 2014*

# Forward looking statements

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

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

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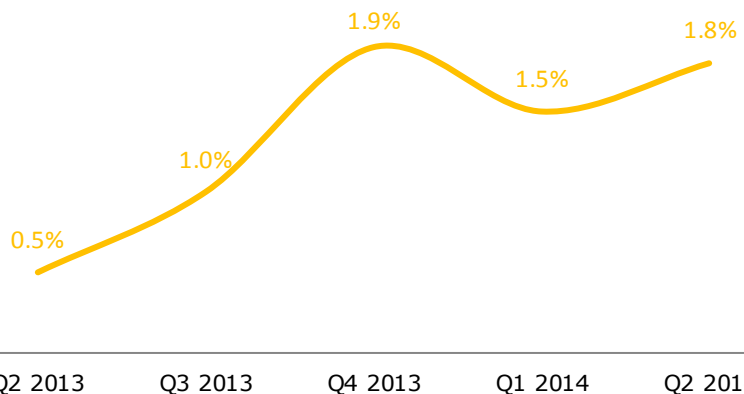
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# 1. OVERVIEW

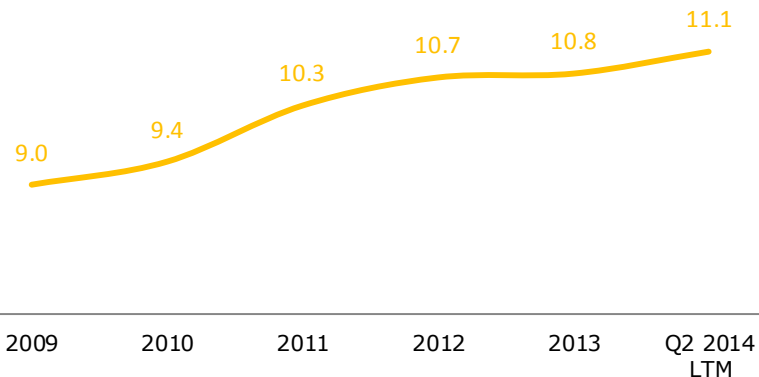
Atanas Dobrev  
Chief Executive Officer

# Macroeconomic environment

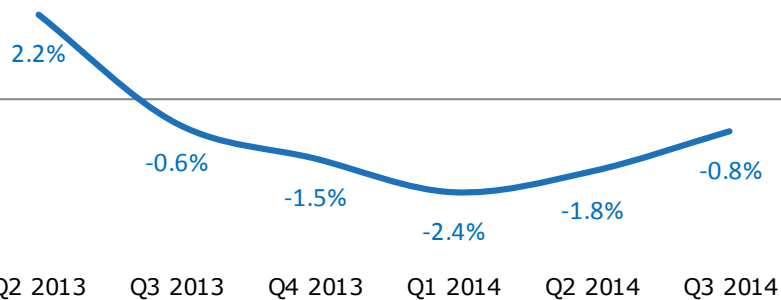
**GDP growth recovering slowly**  
(%)



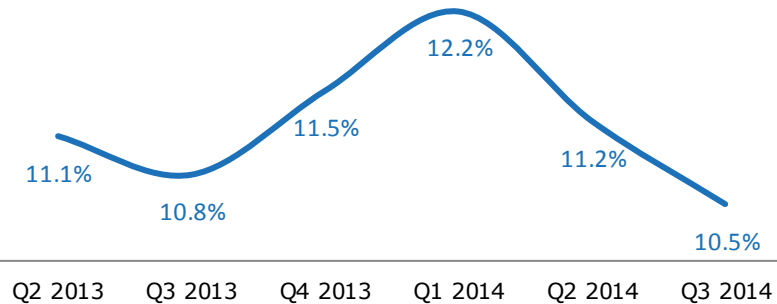
**GDP per capita is on the rise, but remains low**  
(BGN 000)



**CPI on the rise, but still in negative territory**  
(%)



**Unemployment decrease with seasonal effect**  
(%)

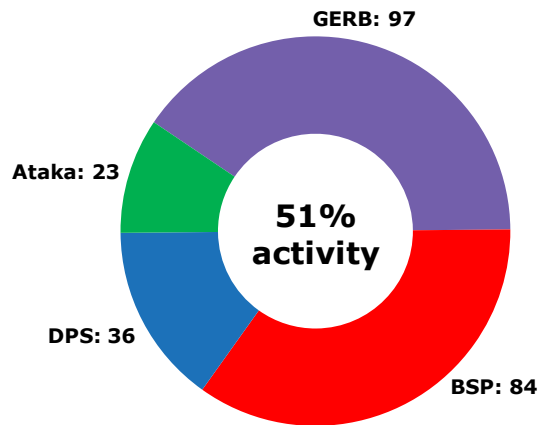


Source: BNB, NSI  
GDP per capita as of Q2 2014 LTM calculated with LTM GDP and population as of December 31, 2013

# Political environment

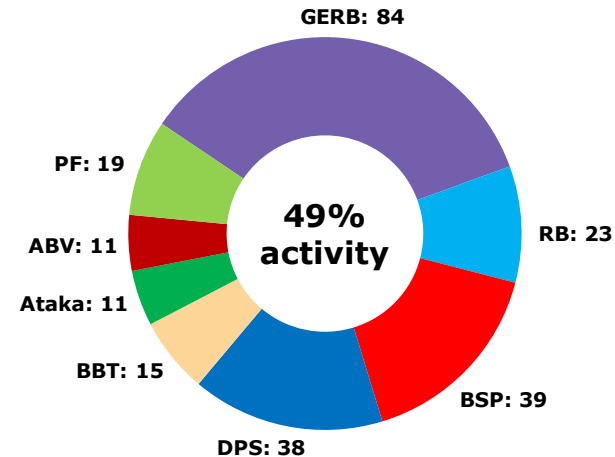
## Bulgarian Parliament elections results - May 2013

(Political party: MPs)



## Bulgarian Parliament elections results - October 2014

(Political party: MPs)



### Resignation

- Government resignation was agreed in June 2014
- The Parliament voted it on July 24, 2014

ABV – Alternative for Bulgarian Revival  
Ataka – Attack (Nationalists)  
BBT – Bulgaria Without Censorship  
BSP – Bulgarian Socialists Party  
DPS – Movement for Rights and Freedoms  
GERB – Citizens for European Development of Bulgaria  
PF – Patriotic Front  
RB – Reformist Block

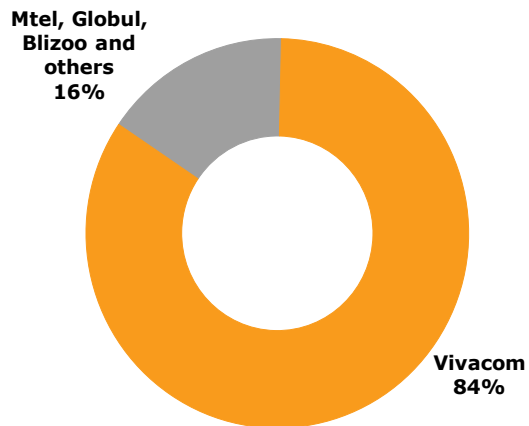
### Elections on October 5, 2014

- October elections produced very fragmented results;
- 8 political parties are presented in the new Parliament;
- Coalition agreement signed between GERB and RB on November, 6 2014;
- The new government was elected by the National Assembly on November, 7 2014, supported by ABV and PF as well

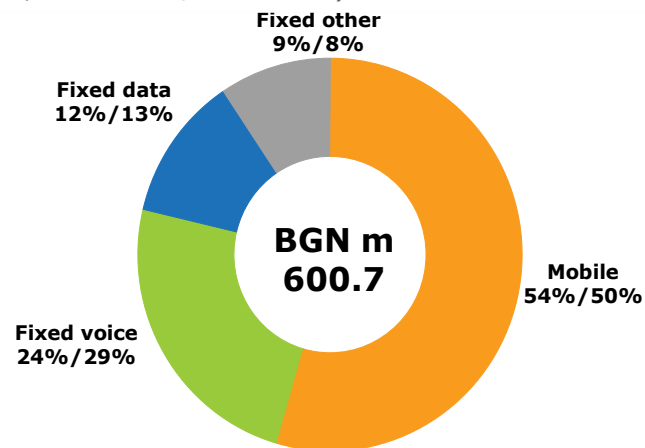
Source: Central Election Commission

# Company snapshot

**Incumbent fixed operator with high revenue share**  
(% share in fixed voice subscription revenue as of H1 2014)



**Well diversified and resilient business model**  
(%, YTD 2014 / YTD 2013)



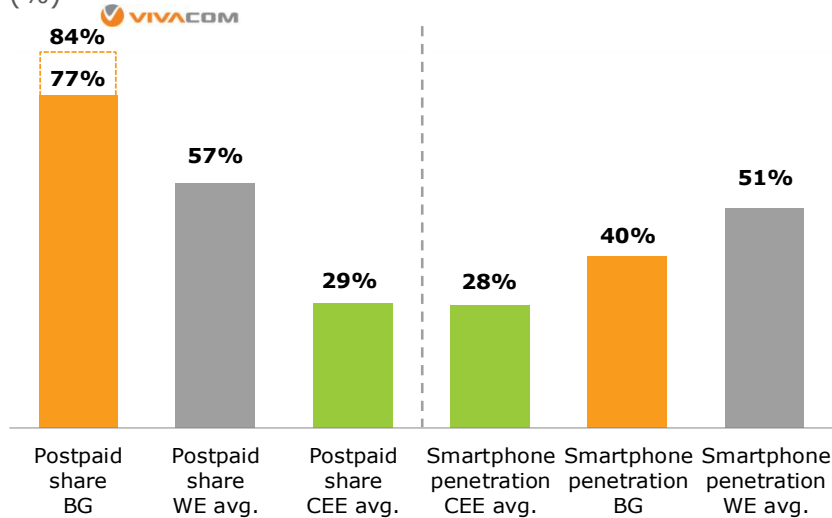
**Best in class 3G mobile network**



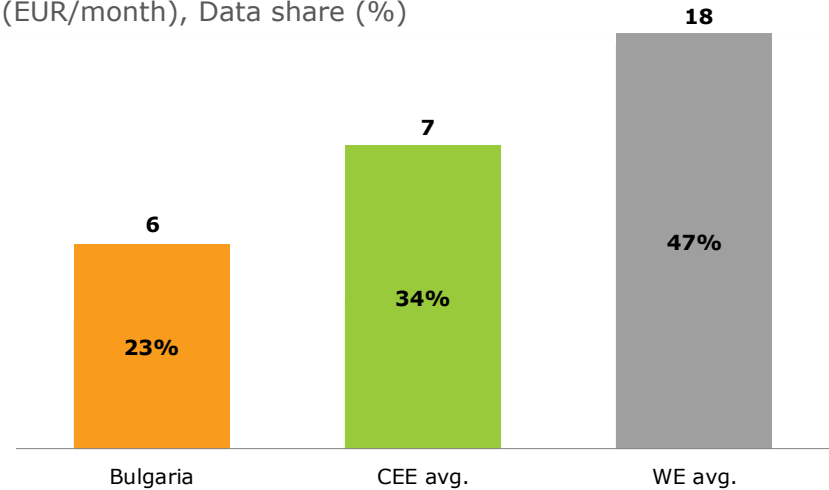
- Leading integrated telecom operator in Bulgaria
  - Number 1 in revenue share;
  - Number 1 in fixed voice - 84% subscription revenue share, 66% subscriber share;
  - Number 1 in fixed data – 23% fixed broadband subscriber share;
  - Best coverage in the 3G network - 99.81% by population of which 59.51% with download speed of up to 42.2 Mbit/s

# Market highlights

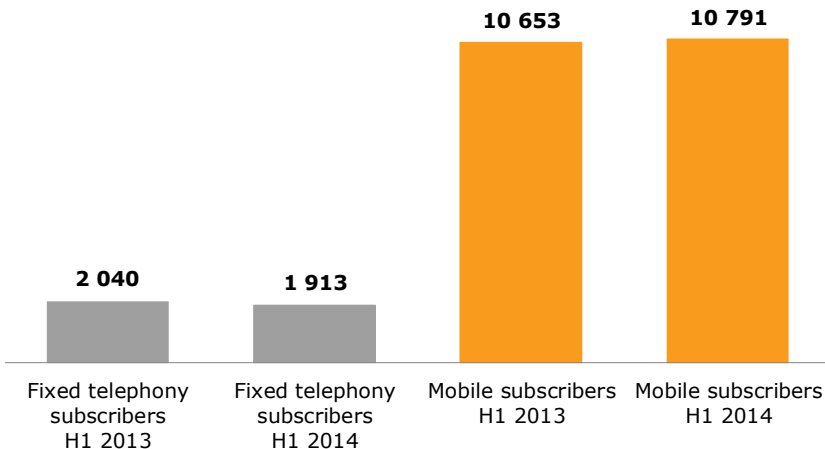
**Postpaid mobile market with upside in data**  
(%)



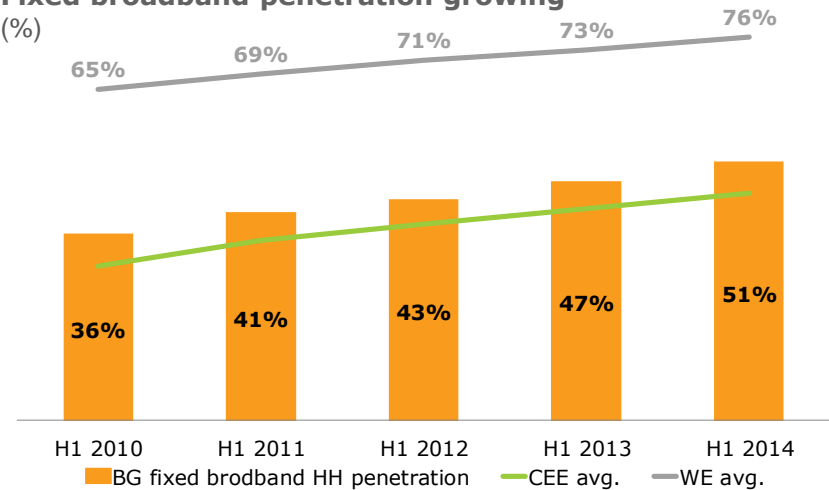
**Mobile blended ARPU is lower in the Bulgarian market**  
(EUR/month), Data share (%)



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



**Fixed broadband penetration growing**  
(%)



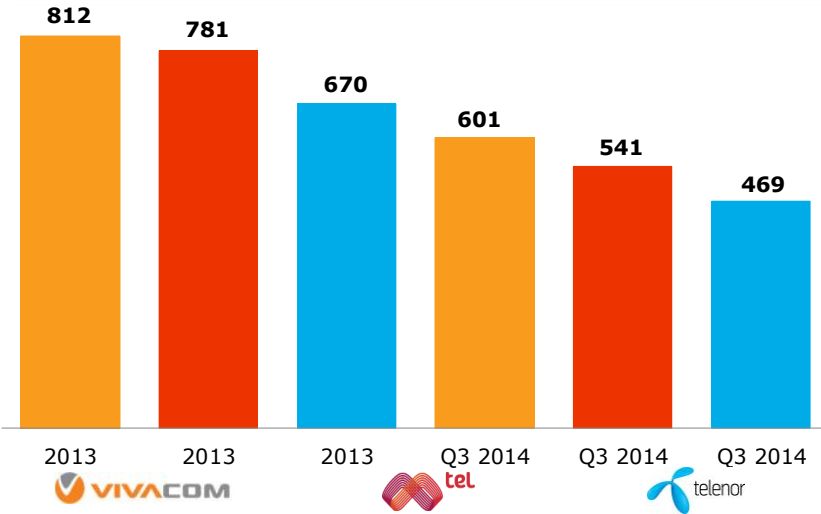
Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts, Company data

All figures are based on active subscribers. Postpaid mobile market share (company postpaid market share as of Q3 2014), mobile blended ARPU and data share are as of H1 2014. Fixed telephony subscribers include narrowband and VoBB connections. Smartphone penetration is as of 2013 (updated), defined as smartphone share of mobile handset connections.

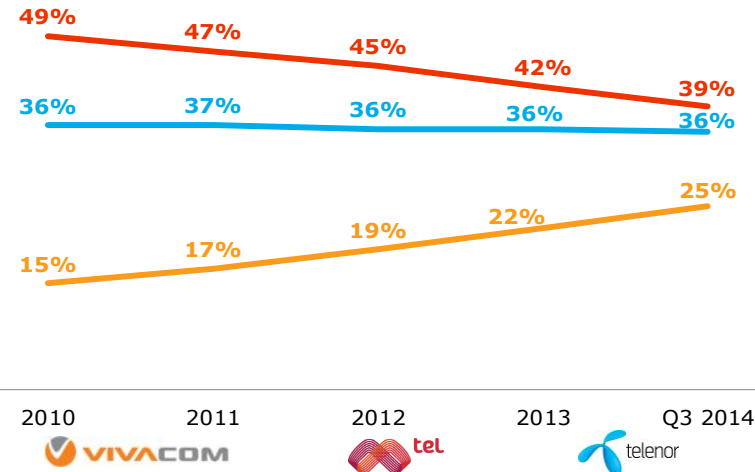


# Performance overview

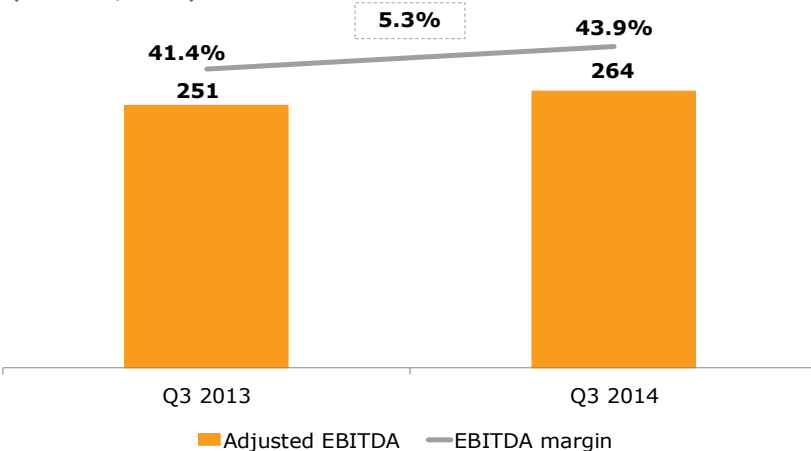
#1 Telco company on total revenues - 2013 and Q3 '14 (BGN m, YTD)



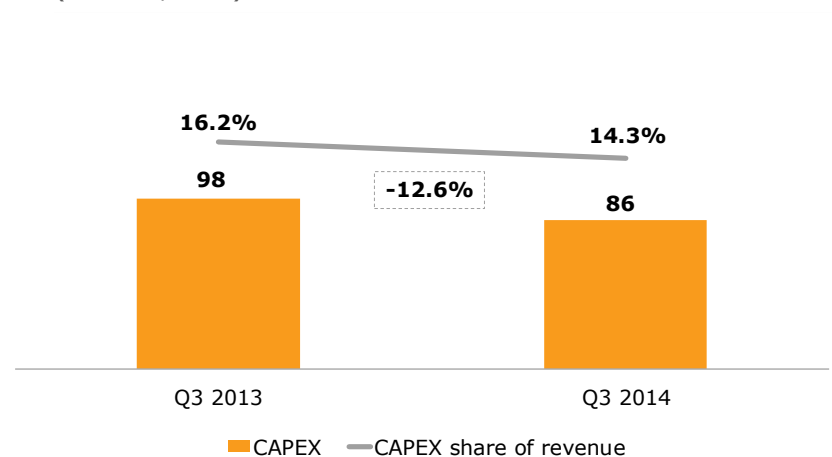
Gaining share in mobile revenues (%)



Adjusted EBITDA and margins growing (BGN m, YTD)



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



Source: Company data, Telekom Austria reports, Telenor reports

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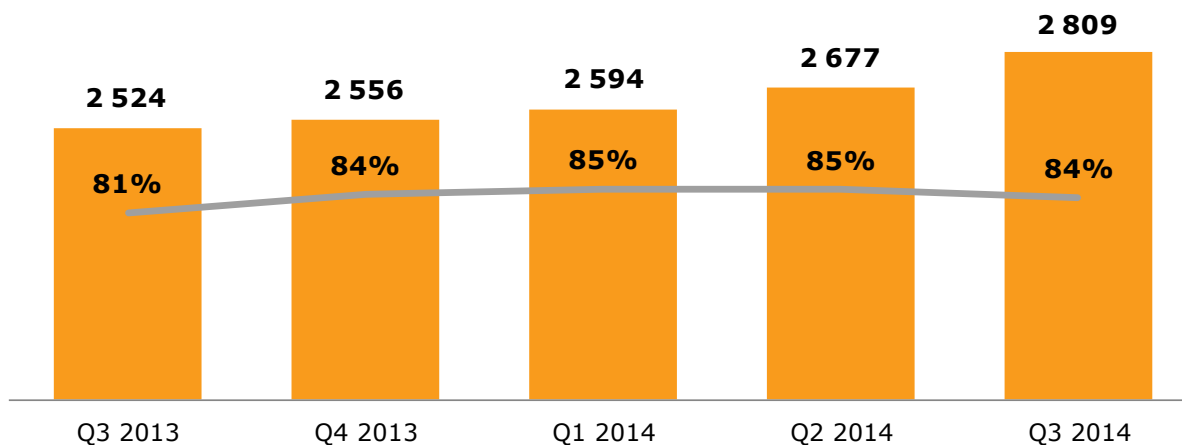
## 2. PERFORMANCE HIGHLIGHTS



# Mobile key metrics

## Subscribers (000s)

— Postpaid share

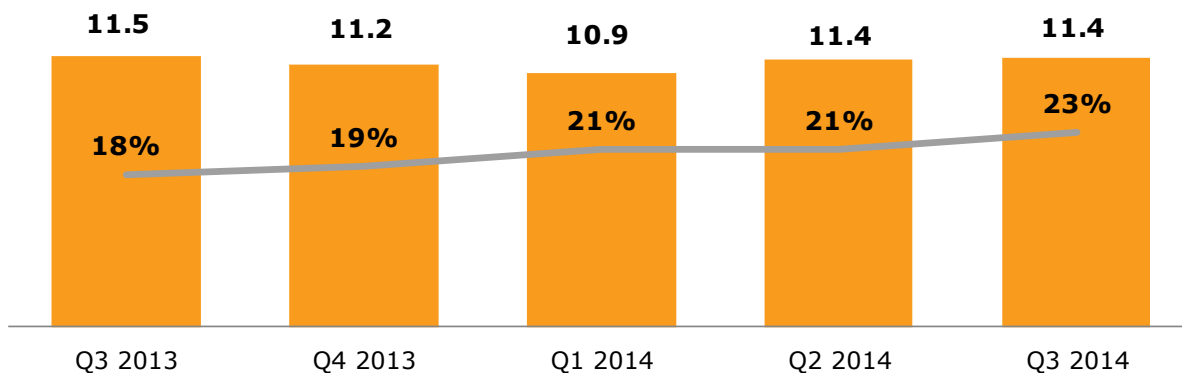


## Highlights

- Subscriber acquisition continues with strong postpaid and seasonal increase in prepaid

## ARPU blended (BGN)

— Data share



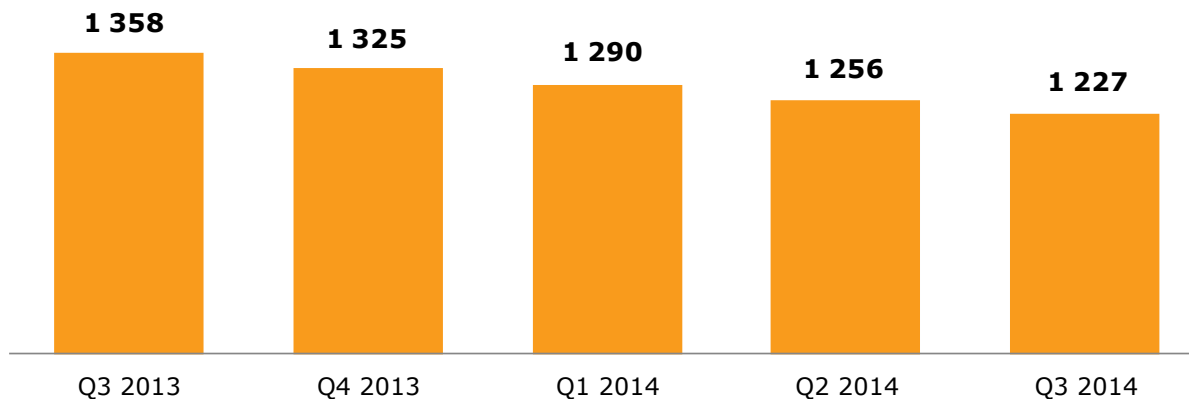
- Blended ARPU stabilizing with data and MRC growth offsetting MTR reductions effect (EBITDA neutral)

Source: Company data



# Fixed voice key metrics

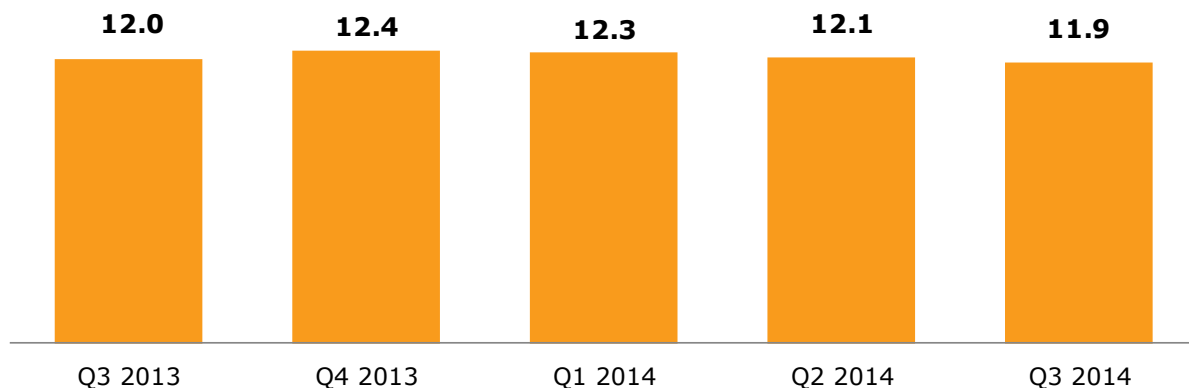
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



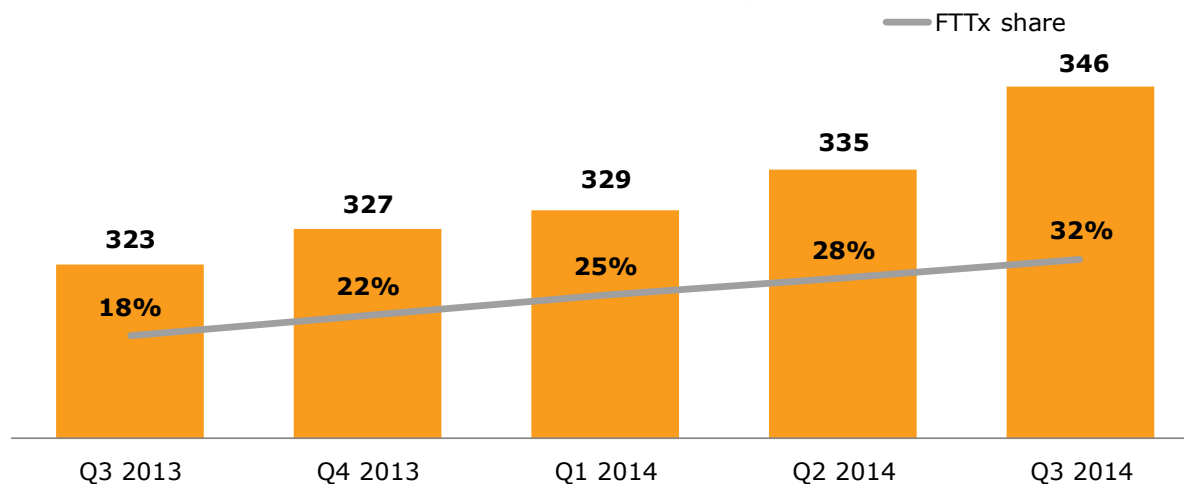
- ARPUs with slow decrease due to competitive pressure

Source: Company data



# Fixed broadband key metrics

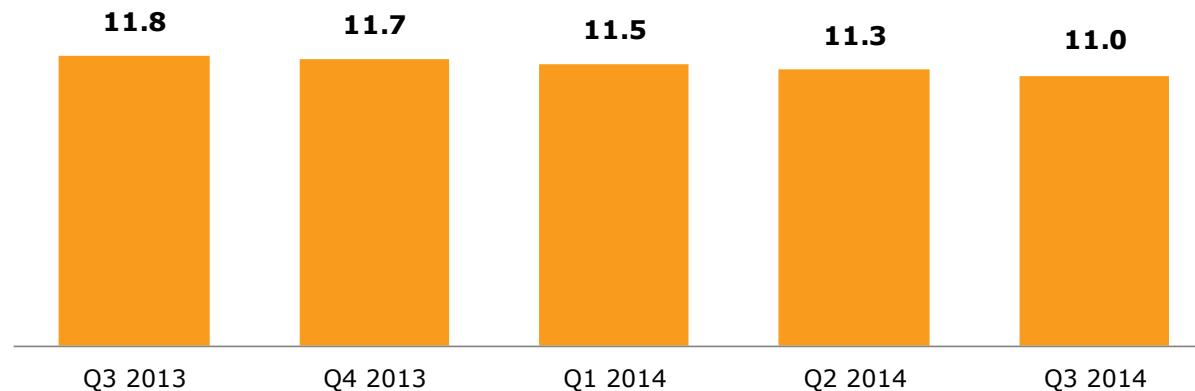
## Subscribers (000s)



## Highlights

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

## ARPU blended (BGN)



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

Source: Company data

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## 3. FINANCIAL REVIEW

Asen Velikov  
Finance Director

# Financial performance summary

(BGN m)	YTD 2014	YTD 2013	Q3 2014	Q3 2013
<b>Revenue</b>	<b>601</b>	<b>606</b>	<b>208</b>	<b>207</b>
<i>% growth</i>	<i>(0.8%)</i>		<i>0.7%</i>	
<b>Net income</b>	<b>16<sup>*</sup></b>	<b>10</b>	<b>( 3)<sup>*</sup></b>	<b>3</b>
<b>EBITDA</b>	<b>239</b>	<b>240</b>	<b>67</b>	<b>80</b>
Other gains, net	( 6)	( 3)	( 3)	( 1)
EBITDA adjustments	30	13	26	10
<b>Adjusted EBITDA</b>	<b>264</b>	<b>251</b>	<b>90</b>	<b>89</b>
<i>% of revenues</i>	<i>43.9%</i>	<i>41.4%</i>	<i>43.4%</i>	<i>43.2%</i>
<b>Capex</b>	<b>86</b>	<b>98</b>	<b>35</b>	<b>32</b>
<i>% of revenues, excl. licenses</i>	<i>14.3%</i>	<i>16.2%</i>	<i>16.8%</i>	<i>15.5%</i>
<b>Adjusted EBITDA - Capex</b>	<b>178</b>	<b>153</b>	<b>55</b>	<b>57</b>
Change in net working capital	( 161) <sup>**</sup>	( 33)	14	( 8)
Other CF items	14	( 5)	( 19)	( 6)
<b>Pre-tax FCF</b>	<b>31</b>	<b>114</b>	<b>51</b>	<b>43</b>

Source: Company data.

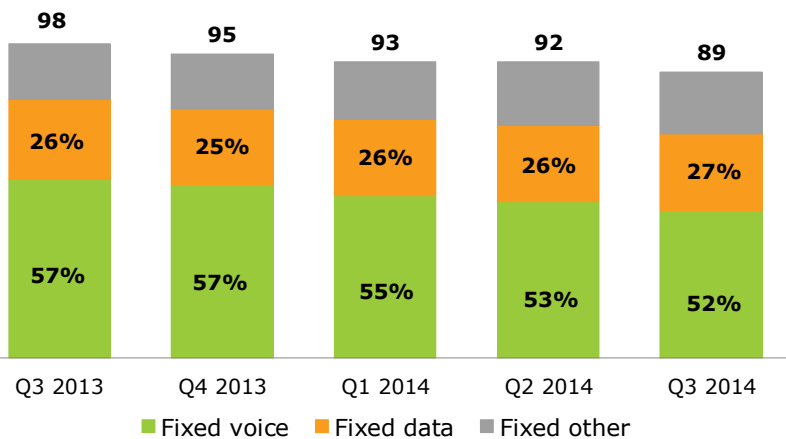
FCF excludes net cash used in financing activities, interest received/paid, corporate income tax paid and cash deposits

\* BGN 24.8m impairment of CCB receivables included in Q3 net income

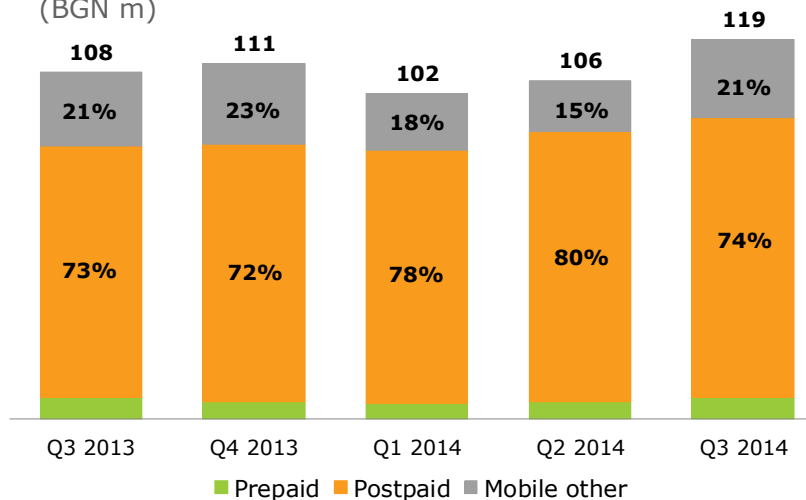
\*\* BGN 140m cash and cash equivalents in CCB reclassified as receivables

# Revenues

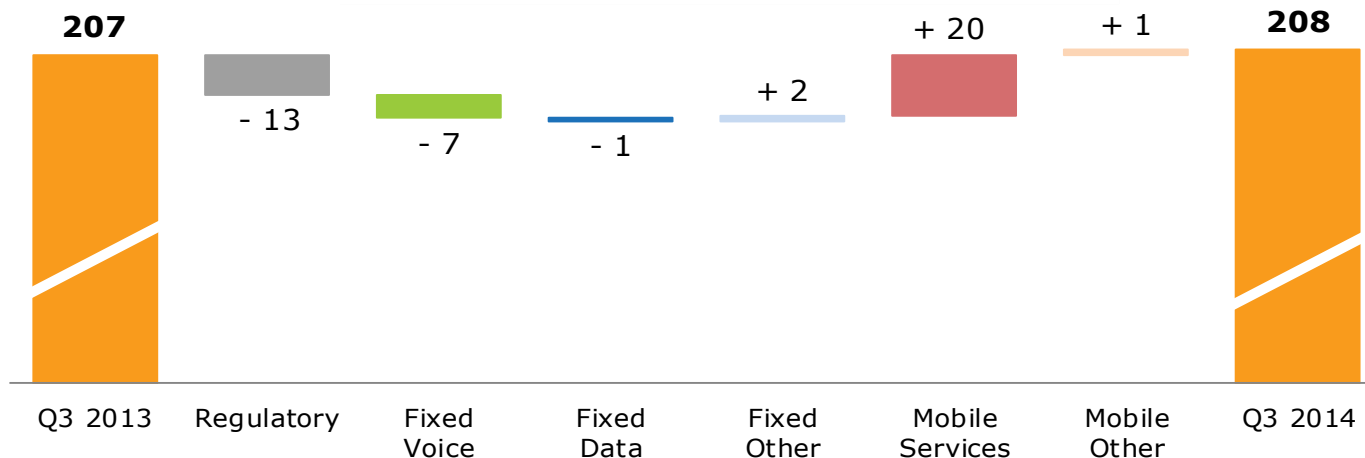
**Revenues Fixed**  
(BGN m)



**Revenues Mobile**  
(BGN m)



**Revenue bridge Q3 2013 – Q3 2014** (BGN m)

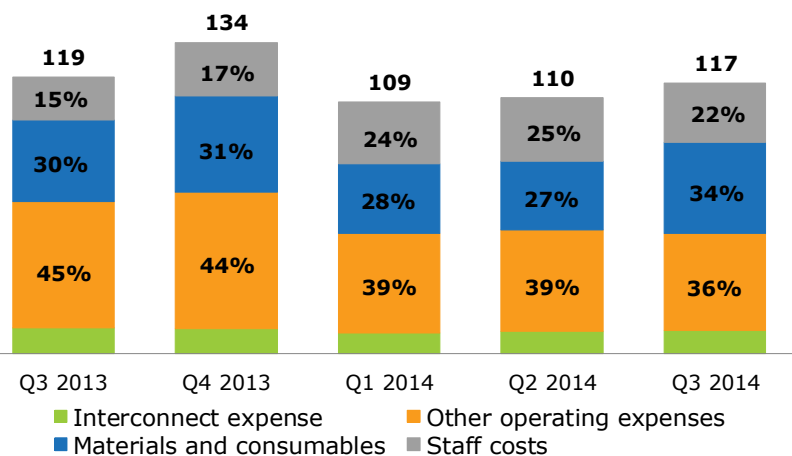


Source: Company data

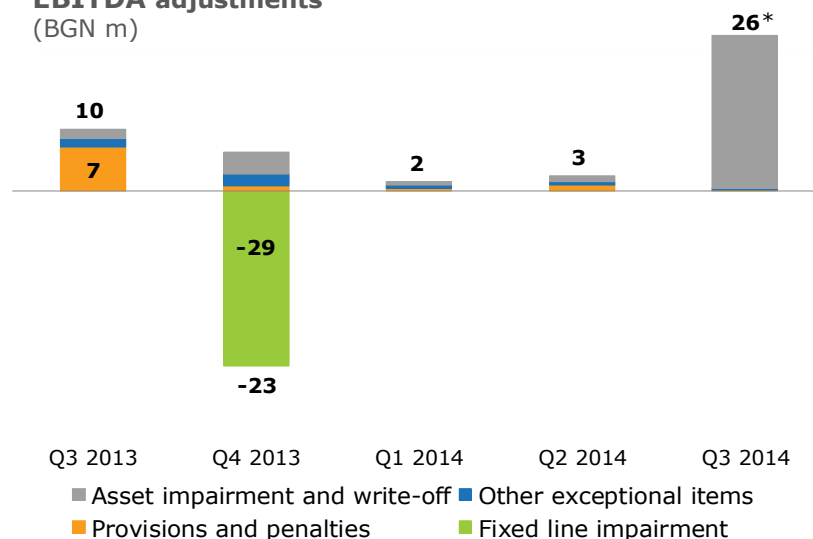


# Operating expenses and adjusted EBITDA

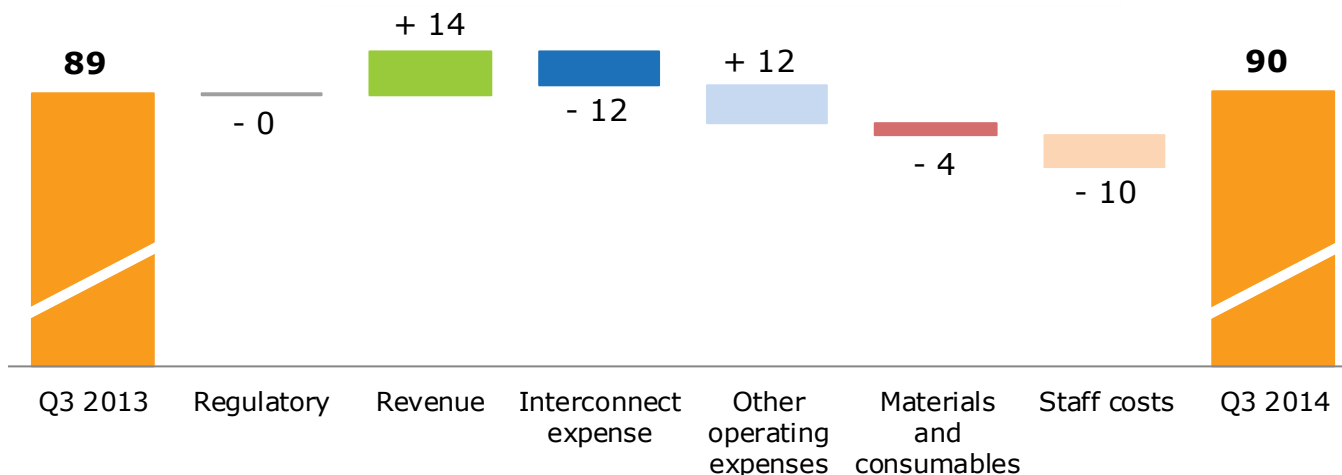
**COS and Opex**  
(BGN m)



**EBITDA adjustments**  
(BGN m)



**Adjusted EBITDA bridge Q3 2013 – Q3 2014 (BGN m)**

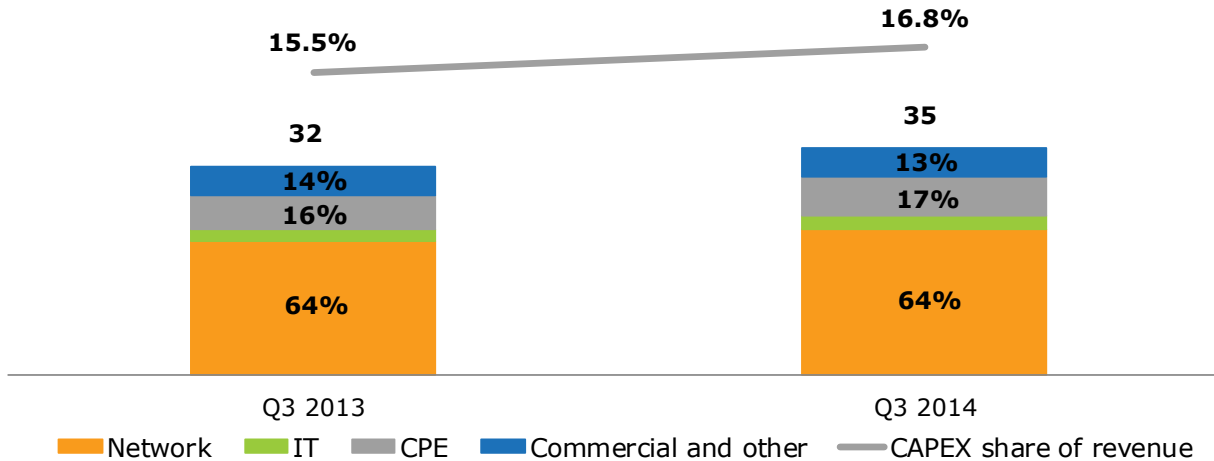


Source: Company data

\* Includes BGN 24.8m impairment of CCB receivables

# Capex

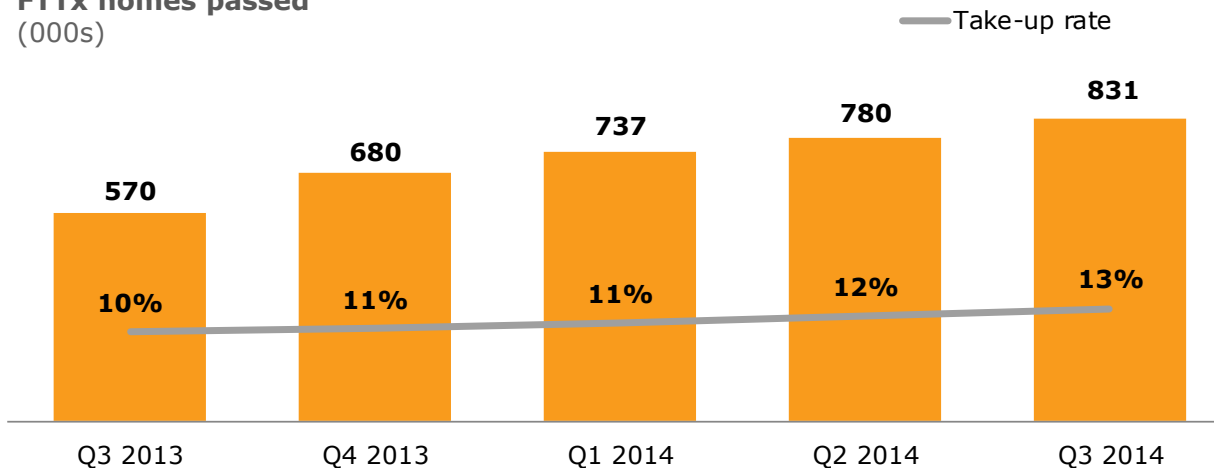
## Capex structure (BGN m)



## Highlights

- Mobile network capex catching up timing differences in roll-outs projects

## FTTx homes passed (000s)



- FTTx rollout continues with controlled cost per household passed
- Stable increase in fiber take-up rate

Source: Company data

# Net debt

(BGN m)	Q3 2014	Q2 2014
Bonds	785	772
Revolving credit	20	68
Trade credits	9	10
Financial lease	3	3
<b>Total borrowings</b>	<b>818</b>	<b>853</b>
<b>Total cash and cash equivalents*</b>	<b>( 43)</b>	<b>( 41)</b>
<b>Net debt</b>	<b>775</b>	<b>812</b>
<i>Net Leverage Ratio</i>	<i>2.29</i>	<i>2.41</i>

Source: Company data.

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

\* Cash and cash equivalents exclude CCB receivables - BGN 140m in Q2 2014 and BGN 63m in Q3 2014

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## 4. UPDATES ON CCB EVENTS AND AD-HOC INFORMATION

Atanas Dobrev  
Chief Executive Officer

Asen Velikov  
Finance Director

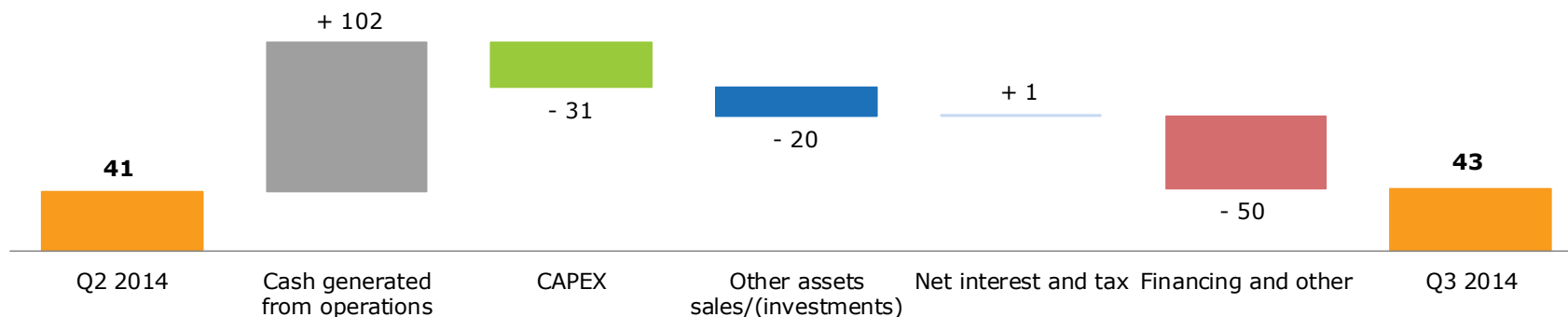
## Ad-hoc information – net debt

(BGN m)	Oct-14	Q3 2014
Bonds	790	785
Revolving credit	20	20
Trade credits	10	9
Financial lease	3	3
<b>Total borrowings</b>	<b>822</b>	<b>818</b>
<b>Total cash and cash equivalents</b>	<b>( 67)</b>	<b>( 43)</b>
<b>Net debt</b>	<b>756</b>	<b>775</b>
<i>Net Leverage Ratio</i>	2.24	2.29

Source: Company data.

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

# Ad-hoc information – cash flow bridge



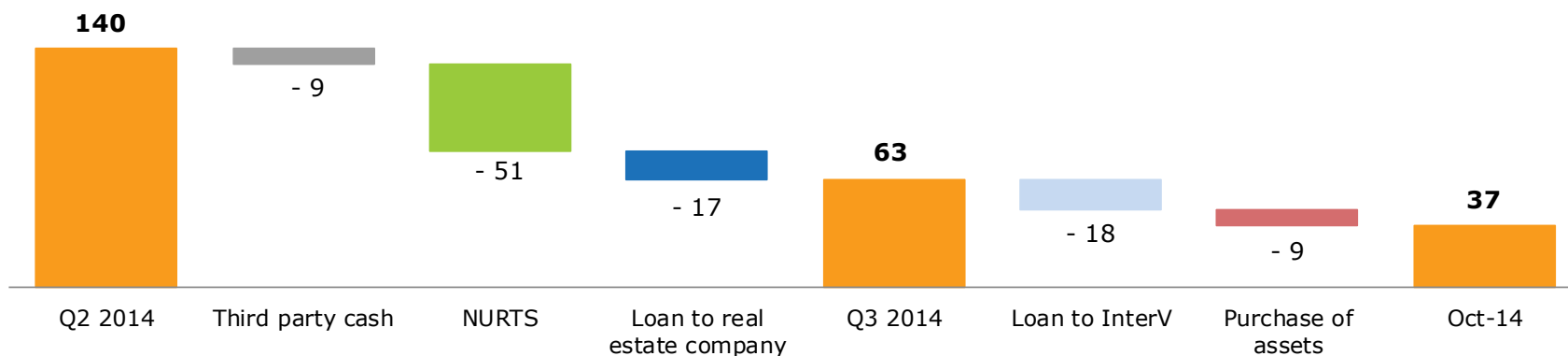
- Strong cash generation from operations with better working capital performance;
- Other assets sales / (investments) include purchase of NURTS bonds (BGN 28.1 million), partially offset by proceeds from sales of Eutelsat shares (BGN 6 million);
- Repayments of BGN 48.9 million under the RCF have reduced the outstanding amount to BGN 19.6 million;

# CCB events update

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- On October, 21 BNB announced results from the analysis of CCB assets. According to them, assets of the bank need to be impaired by BGN 4 222 million in total (around 63%). Share capital is BGN 403 million;
- On October, 27 BNB submitted a report to the members of the 43rd National Assembly of the Republic of Bulgaria with detailed information about the events, actions undertaken and decisions made by the BNB regarding CCB Group from 20 June 2014 (the date of placing CCB under special supervision) to date;
- On November, 6 BNB revoked the banking license of CCB.

# Ad-hoc information – CCB receivables development



- Transactions with CCB cash were done via assignment of receivables;
- All transactions are within the SSN baskets limits;



# CCB cash recovery estimate

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## ➤ **Assumptions:**

- CCB banking license revoked and insolvency procedure is started;
- The assignments of receivables performed are not contested in court;
- Bank assets and impairment of assets as per the public information from BNB;
- Creditor ranking as per the Law on Credit Institutions;
- Delayed recovery in time – 3-4 years.

## ➤ **Recovery estimate:**

- 35% of the remaining receivables from CCB – BGN 37 million as of October 31;
- Impairment of cash in CCB – BGN 24.8 million

# NURTS transaction structure

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- Part of the assignment of receivables from CCB to NURTS fully offsets the CCB held portion of the bond (EUR 25.7m), along with accrued interest;
- Vivacom purchased in cash the remaining bonds issued by NURTS (EUR 14.3m), along with accrued interest;
- NURTS will have no debt to third parties, if the acquisition is approved;
- Recurring EBITDA of NURTS is expected to be around EUR 5 million

# Other completed assignments

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## ➤ **Loan to real estate company:**

- Amount – BGN 17 million;
- Interest – 7% cash / 8% PIK;
- Type of business - retail park;
- Properties fully leased with long term tenants
- The group has revenues of around BGN 6 million and is able to service its obligations

## ➤ **Loan to InterV**

- Amount – BGN 18 million. Expected use of cash is for partial repayment of the Equity bridge
- Interest – PIK, 7.50% + 6-month EURIBOR;
- Type of business – owns 100% of Vivacom

## ➤ **Purchase of assets**

- Amount – BGN 9 million
- Assets will be used in the core business of Vivacom

# Results Outlook for 2014

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	Prior guidance	Current guidance
Adjusted EBITDA	BGN 320 - 330 m	BGN 330 - 335 m
Capex	BGN 160 - 170 m	BGN 165 - 175 m

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# Q&A

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