Telenor Bulgaria

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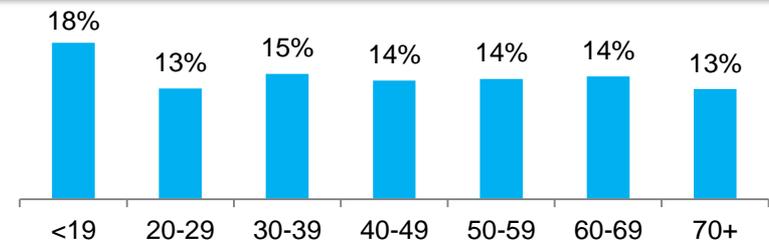group

Bulgaria

Population - geography distribution

Rural; 27%
Sofia; 18%
Next 5 cities; 16%
Remaining cities; 22%
Next 20 cities; 17%

Population - age distribution

<19	20-29	30-39	40-49	50-59	60-69	70+
18%	13%	15%	14%	14%	14%	13%

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Telenor Group acquired Globul in April 2013

GLOBUL

- GLOBUL started operating in the Bulgarian market back in 2001 as a greenfield investment and second mobile entrant

- Subsidiary of OTE SA (Hellenic Telecom) part of Deutsche Telecom Group

- Strong number two position with 36% revenue market share and 4 million customers

Major Acquisition Considerations

- ✓ **Strategic fit** with the existing Telenor operations in the region and opportunity to leverage Telenor's expertise in the CEE region

- ✓ **Strong market position** – strong #2 (similar scale to #1) mobile player, with further upside potential

- ✓ **Mobile data potential** – low smartphone penetration and data usage

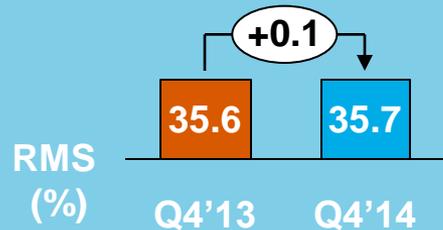telenor group

Total turnaround and Telenor Group alignment

150 shops rebranded and **20** shops fully redesigned in 2 months

Legacy network swapped for **9 months**

10 x more new sites rolled vs. last year
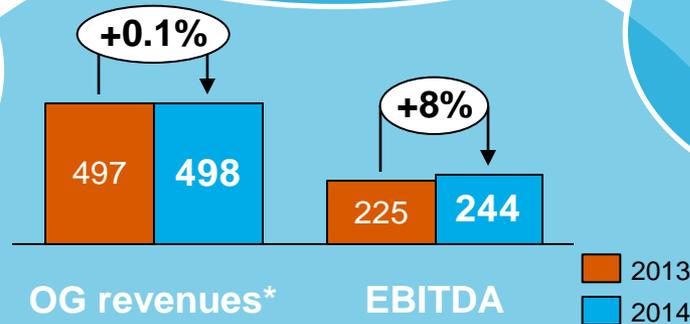
70% aided brand awareness in Dec 14. Just a month after rebranding

10 000 m2 HQ renovated in 6 months in line with Telenor Work Model

BGN 29 m OE program savings realized
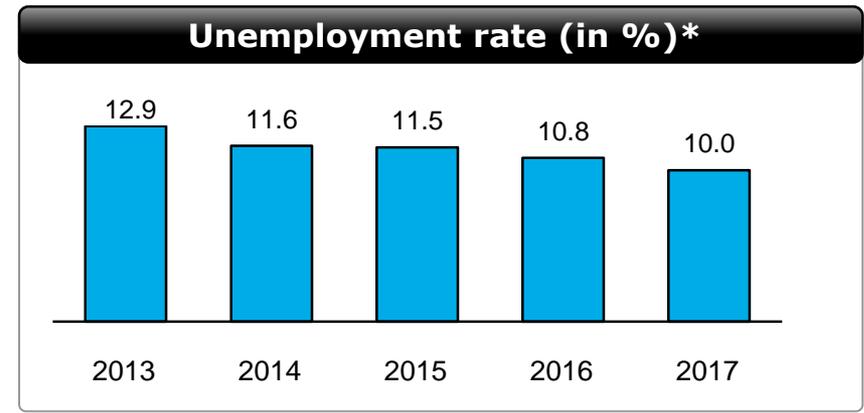
+0.1%

OG revenues*
497
498

+8%

EBITDA
225
244

2013
2014

+0.1

RMS (%)
Q4'13 **35.6**
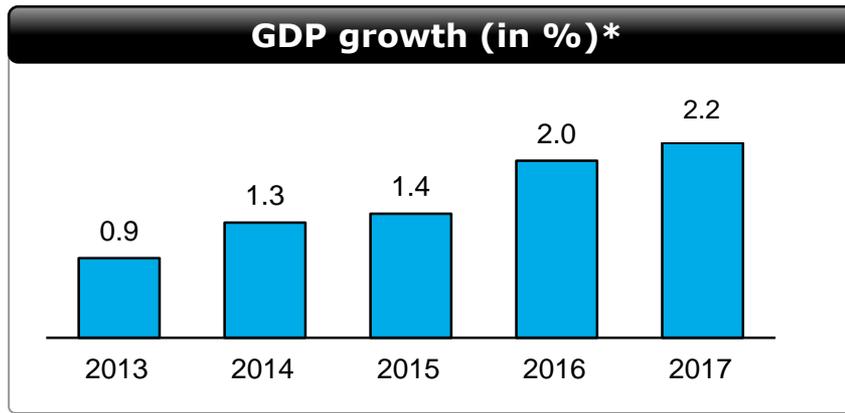Q4'14 **35.7**

* Outgoing revenues are representing service revenues excluding interconnect revenues. Numbers in local currency.

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Bridging the local culture to Telenor Way

- Implement Telenor Group governance framework

- Establish project-based way of work

- Develop leadership attitudes

- Introduce accountability and empowerment

- Build a transparent working environment
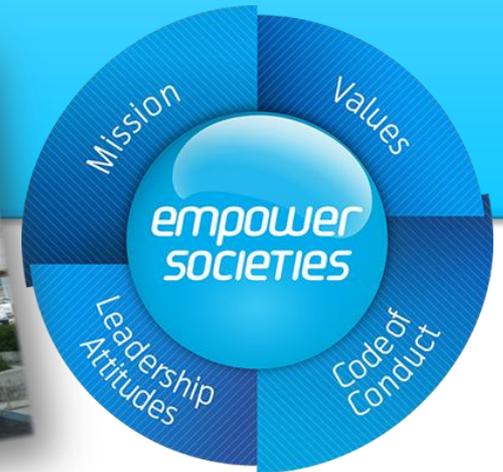
Economic outlook improving, but regulatory challenges likely to persist

GDP growth (in %)*

Year	Value
2013	0.9
2014	1.3
2015	1.4
2016	2.0
2017	2.2

Unemployment rate (in %)*

Year	Value
2013	12.9
2014	11.6
2015	11.5
2016	10.8
2017	10.0

Economic outlook is improving

Political stability still a risk

Regulatory environment remain unpredictable

Demographics development is a challenge

Sustainability risks for Telenor in Bulgaria

- Political instability
- Intransparent juridical system
- Supply chain sustainability ✓
- Corruption risk ✓
- Privacy issues ✓

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Supply chain sustainability

- Establish powerful Telenor Group sourcing policy & controls

- Challenge old vendor base and give more opportunities to local vendors

- Suppliers committed to Telenor's Supplier Conduct Principles

- Implemented supply chain monitoring and inspections of vendors

Agreement of responsible business conduct

93% of total spend

Vendor base

40% of total vendor base changed

Local vendors

87% local vendors of total vendor base*

* Local vendor base including locally registered international companies

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Zero tolerance policy for corruption; extensively communicated

Bulgaria

CORRUPTION PERCEPTIONS INDEX (2014)

RANK: **69** /175   SCORE: **43** /100

OECD ANTI-BRIBERY CONVENTION (2011)

ENFORCEMENT: **LITTLE**

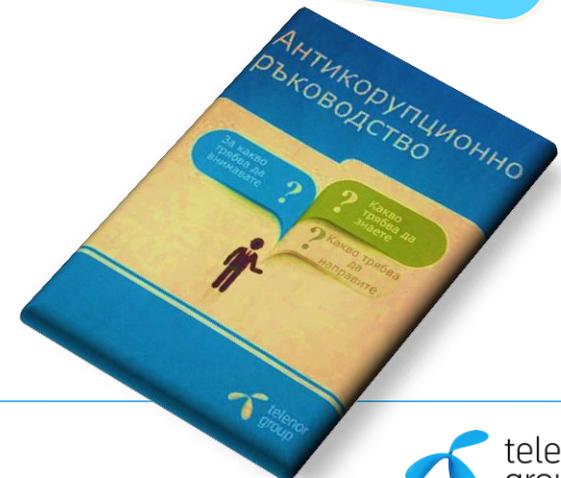*Source: Transparency International*

Anti-corruption initiatives in Telenor Bulgaria

- Group Anti-Corruption Program
- Telenor Code of Conduct
- Local Ethics & Compliance Officer/Compliance Hotline
- Local Anti-Corruption Policy
- Local Manual Integrity Due Diligence (Business Partners)
- Local Policy Supply Chain Sustainability
- Local Manual for Donations and Sponsorships

Trainings and e-learning sessions for almost all employees conducted ~87% **1853 employees (w6)**

Agreement of responsible business conduct signed with all major vendors **~ 200 agreements signed in 18 months**

Антикорупционно ръководство

Ensuring the privacy of our customers, while complying with the legal framework is essential

- Robust Group processes are implemented locally to ensure privacy of our customers and preventing leakage and unauthorized access to personal data

- Bulgarian legal framework is fully harmonized with EU

- Lawful Interception is performed by the state authorities

- All communication data requests are processed only after court approval

2014: Extradition or access to personal data
- 38 k requests
- ~ 95% are requests for customer communication data

2014: Blocking web sites used for illegal gambling
- 154 requests
- Only 3 blocked web sites are permitted after initial blocking

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Enable local society through telecommunication services

Safe Internet Initiatives

- Safer Internet Day– annual awareness campaign
- Child sexual abuse filter
- Educational campaign dedicated to the safety of children online - partnership with the Ministry of Interior and the National Safer Internet Centre

Environment

- Recycling of mobile phones, batteries and accessories
- e-bills account for more than 60% of all bills
- Network swap reducing significantly energy consumption - app. 10% in the last 3 months

School of the Future

- "Digital Classroom" initiative aiming at technological modernization of the educational environment of the schools and faster adoption of latest technologies
- Supporting "MUZEIKO" initiative – an exhibition for kids encouraging them to touch and feel latest technologies and real prototypes

Key takeaways

- Acquisition of Globul has proved to be a successful move for the Telenor Group in the CEE region

- Total turnaround of the organization in a challenging business environment while sustaining the position in the market

- Positive impact on local business and society by investing and implementing Telenor Group's values and transparent and ethical business practices

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Q&A