To the bondholders

We wanted to update you on the publication of accounts for VIEO BV Group. The management board publish the financial figures within this update to accommodate the demand of the bondholders and the markets and to serve in the best interest of the VIEO BV group companies especially Lebara Group BV and Lebara Mobile Group BV.

Update

There has been significant progress towards the publication of audited 2017 and unaudited Q1 2018 accounts for Lebara Group throughout June and July. Following positive conversations with all interested parties, and with the support of the majority of bondholders, we have taken the decision that publication of the audited 2017 and unaudited Q1 2018 accounts will now take place as soon as possible but no later than 27th August.

We have made significant progress and pay tribute to the ongoing hard work of all those involved. A number of workstreams have taken longer to complete than expected, including:

i) A requirement to restructure the reporting processes across the group so that financial information is aggregated efficiently and correctly, which has been more complex than anticipated and therefore taken longer;
ii) A change in the materiality threshold – namely a shorter 3.5-month reporting period – which increased the required scope and level of detail for reporting; and
iii) Our commitment to report in line with IFRS guidelines and to implement the new standards.

We would like to emphasise that we recognise the need for the accounts to be published as quickly as possible, and we are putting all the effort required to deliver this for our investors. The newly agreed timeline is based on agreed definitions with the bondholders in the agreement's amendments, and we can confirm that the company is in line with its covenant obligation.

As the audit process is still underway, figures in this update may change following that process. In this context, we can give the guidance that Lebara Mobile Full year 2017 EBITDA will be EUR63m. Comparing the first quarter of 2018 with 2017, Lebara Mobile EBITDA shows a strong improvement reaching EUR13m compared to EUR9m in Q1 2017.

As mentioned previously, management focus on operational improvements and cost restructuring led is in excess of EUR2m cost reductions for Lebara Service Centre and Lebara Digital from 4th quarter 2017 into the 1st quarter of 2018.

As a result, Lebara Group BV EBITDA performance will demonstrate a strong improvement in Q1 2018 compared with Q1 2017 and is in compliance with the agreed covenant definition for 2017 and Q1 2018. Lebara has started 2018 with strong trends in the key metrics of ARPU, SAC and Churn. ARPU for Q1 2018 is in line with the same period in 2017 which is a solid performance given the prior period declines in ARPU and the regulated reduction of Mobile Termination Revenue in the Netherlands. Overall, churn improved in Q1 2018 to 13.8%, down from 16.2% in Q4 2017 and 17.3% in Q1 2017. Churn improved in all markets due to less reliance on sales channels with high churn. This has also resulted in total subscriber acquisition costs falling by over 25% versus Q1 2017 and by 17% versus Q4 2017.

Q2 Commentary

During Q2 2018, Lebara continued to make progress in the execution of the key strategic themes of profitable growth, cost reduction and reorganisation. The business also returned to customer base growth. Customer growth was experienced in all markets. Churn and ARPU for Q2 are in line with expectations.

New branding was launched in June and is gradually being rolled out. The brand refresh gives Lebara a more modern look and feel which has researched well amongst the Lebara target audience. The new brand will be rolled out as materials need refreshing so as to ensure that the roll out is cost effective.

At the Group level, the streamlining of the shared service and other central functions has continued with further successes in identifying mid-term improvements in a number of areas including the IT and network infrastructure. New office premises were secured which will see the company moving from its current locations in the City of London to modern new offices in East London. This move which will be completed by early Q4 2018 will result in better working conditions and a much lower cost base than the current arrangement.

On the digital businesses during the quarter the Play customer base was migrated to its new owners and no longer has any continuing operations or costs to the Group.

Looking forward, we thank the bondholders for recognising that the reforms to our reporting process undertaken over this period will streamline and facilitate the process for future reporting requirements.

Buy-back update

The company and the bondholders have reached an updated agreement on the terms of the buy-back offer, with a two part buy-back process. A tranche of new cash equity of EUR15m to be deposited with Pareto by 15th August, to be used for the settlement of the Buy-Back Offer, which shall be no later than 24th August 2018. If the Buy-Back Offer is not executed within this time frame, the equity amount shall be applied in accordance with the instructions of the Bond Trustee.

Subsequently, a second buy-back of EUR15m will be initiated on or before 15th October, with the deadline for this buy-back to be completed on 29th October. This brings the total additional commitment to EUR30m.

VIEO B.V.