BULGARIAN TELECOMMUNICATIONS COMPANY EAD

CONDENSED SEPARATE AND CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34
QUARTERLY CONSOLIDATED AND SEPARATE ACTIVITIES REPORT

30 June 2015

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Bulgarian Telecommunications Company EAD

CONSOLIDATED AND SEPARATE ACTIVITIES REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2015

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This document reflects the activity in the reporting period of Bulgarian Telecommunications Company EAD ("VIVACOM" or the "Company") on an individual and consolidated basis.

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

Bulgarian Telecommunications Company EAD ("VIVACOM" or the "Company") is a single shareholder joint stock company, domiciled in Bulgaria, with its registration address: 115I "Tsarigradsko Shose" blvd., 1784 Sofia. VIVACOM's activities include development, operation and maintenance of national fixed and mobile network and data system for the Republic of Bulgaria.

As at June 30, 2015 the group includes VIVACOM and its subsidiary entity BTC Net EOOD (the "Group" or "VIVACOM Group").

We are the leading telecommunications operator in Bulgaria, based on revenue for the six months ended June 30, 2015. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+ technologies. As at June 30, 2015, we served 3.0 million mobile subscribers, 1.1 million fixed telephony subscribers, 0.4 million fixed broadband subscribers and 0.3 million fixed pay-TV subscribers. For the six months ended June 30, 2015, we generated total revenue of BGN 404.8 million and had Adjusted EBITDA of BGN 168.2 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 3.0 million subscribers as at June 30, 2015, an increase of 10.4% from 2.7 million subscribers as at June 30, 2014. This is primarily due to the implementation of an ongoing successful market challenger strategy in the mobile market, which has led us to achieve an increase in our mobile market share and to develop a solid market share position. A central part of the market challenger strategy has been our focus on features that allow us to differentiate ourselves from our competitors, such as integrated IT systems and what we believe to be our "best in class" mobile network, which provides market leading coverage among the major network operators in Bulgaria. As at June 30, 2015 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.92% of the Bulgarian population of which 65.03% with download speed up to 42.2 Mbit/s. Our revenue share for the mobile services market is approximately 27% as at June 30, 2015.

We are the incumbent in the fixed voice line market with 71% revenue share and 68% subscriber share as at March 31, 2015 (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). We offer fixed telephony, fixed broadband and pay-TV services to our residential and business customers.

We are the market leader in the fixed broadband market with a 24% subscriber market share as at March 31, 2015. (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). Our ongoing FTTx network build out enables us to benefit from the ongoing shift to FTTx from other broadband technologies as customers demand services at higher speeds. We began our FTTx roll out in 2011 and we have since achieved significant progress, with 964,000 fiber homes passed as at June 30, 2015. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

We sell our services and products through direct channels, such as VIVACOM owned stores, which are strategically located, and indirect channels, such as a smaller number of third party retail distributors. Our distribution network is further supported by remote channels such as telemarketing. As at June 30, 2015 VIVACOM has 240 owned branded retail locations with an additional 105 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first half of 2015 with a negative result of BGN 6.8 million, (the Company - with a negative result of BGN 6.0 million), a decrease of BGN 25.8 million from BGN 19.1 million for the six months ended June 30, 2014 as a result of impairment of receivables related to the assigned cash in Corporate Commercial Bank (CCB) amounting to BGN 25.2 million for the Group and BGN 25.0 million for the Company, recognised in other operating expenses.

On November 22, 2013 VIVACOM successfully completed its bond offering of EUR 400 (BGN 782.3) million 6⅝% Senior Secured Notes due 2018 (the "Notes"). The maturity date of the Notes is November 15, 2018. The Company will pay interest on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of B1 by Moody's and BB- by Standard & Poor's Ratings Services. Standard & Poor's lowered the company's credit rating to 'B' on April 2, 2015 and subsequently to 'B-' on July 8, 2015.

Simultaneously with the Notes offering VIVACOM, as borrower and BTC Net EOOD, as co-debtor have entered into a commitment with Societe Generale Expressbank AD, as lender to provide a Revolving Credit Facility (RCF) with commitment of up to EUR 35 (BGN 68.4) million in aggregate. Loans may be borrowed, repaid and reborrowed at any time up to November 30, 2016. The interest on the principal amounts owed by the Company under the revolving credit facility is payable monthly and was initially agreed to be at a rate of 1 month EURIBOR plus a margin of 4% per year. Effective from May 26, 2014 the margin was reduced to 3.75% per year.

REVENUES

Our total revenue was BGN 404.8 million for the six months ended June 30, 2015, an increase of BGN 12.2 million, or 3.1%, from BGN 392.6 million for the six months ended June 30, 2014.

The table below sets forth our revenue for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

	For the six months ended June 30,		Change	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Recurring charges	197.1	182.8	14.3	7.8
Outgoing traffic	55.2	65.6	(10.5)	(15.9)
Leased lines and data transmission	56.8	56.5	0.2	0.4
Interconnect	20.0	19.2	0.8	4.0
Other revenue	75.8	68.5	7.4	10.7
Total revenue	**404.8**	**392.6**	**12.2**	**3.1**

Revenue from recurring charges was BGN 197.1 million for the six months ended June 30, 2015, an increase of BGN 14.3 million, or 7.8%, from BGN 182.8 million for the six months ended June 30, 2014 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue for outgoing traffic was BGN 55.2 million for the six months ended June 30, 2015, a decrease of BGN 10.5 million, or 15.9%, from BGN 65.6 million for the six months ended June 30, 2014 mainly due to lower termination rates and competitive pressure leading to decline in prices per minute and more included minutes in tariffs offered to customers.

Revenue for leased lines and data transmissions was BGN 56.8 million for six months ended June 30, 2015, an increase of BGN 0.2 million, or 0.4% from BGN 56.5 for the six months ended June 30, 2014, mainly due to higher revenue from wholesale customers using dedicated capacity on our data network.

Interconnect revenue was BGN 20.0 million for the six months ended June 30, 2015, an increase of BGN 0.8 million, or 4.0%, from BGN 19.2 million for the six months ended June 30, 2014. The increase was primarily due to higher inbound traffic in our mobile network generated by other operators.

Other revenue was BGN 75.8 million for the six months ended June 30, 2015 an increase of BGN 7.4 million, or 10.7% from BGN 68.5 million for the six months ended June 30, 2014 mainly due to increased revenue from provision of pay-TV services (both DTH and IPTV).

The following table sets forth a breakdown of our revenue by segment for the six months ended June 30, 2015, as compared to the six months ended June 30, 2014.

	For the six months ended June 30,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Fixed-line revenue	174.2	185.0	(10.8)	(5.8)
Mobile revenue	230.6	207.6	23.0	11.1
Total revenue	**404.8**	**392.6**	**12.2**	**3.1**

Our fixed-line revenue, which is comprised of fixed voice (fixed telephony and other), fixed data (fixed broadband and other), fixed pay-TV and other fixed line services was BGN 174.2 million for the six months ended June 30, 2015, a decrease of BGN 10.8 million, or 5.8%, from BGN 185.0 million for the six months ended June 30, 2014. The decrease was mainly attributable to the ongoing fixed to mobile substitution trend and competitive pressure from other alternative operators with low ARPUs.

Our mobile revenue was BGN 230.6 million for the six months ended June 30, 2015, an increase of BGN 23.0 million, or 11.1%, from BGN 207.6 million for the six months ended June 30, 2014. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base, which can be attributed to our competitive offers and the superior quality of our network.

Principal Factors Affecting Mobile Revenues

The table below sets forth selected operational data for our mobile services business for the periods indicated, including a breakdown by type of customer.

	For the six months ended June 30,		Change	
	2015	**2014**	**(amount)**	**(%)**
Number of mobile subscribers at period end (in thousands)	**2 957**	**2 677**	**279.2**	**10.4**
% post-paid at period end	85	85	(0.1)	(0.1)
% pre-paid at period end	15	15	0.1	0.6
Blended mobile ARPU (BGN)	**11.2**	**11.1**	0.1	1.1
Post-paid ARPU (BGN)	12.5	12.4	0.1	1.1
Pre-paid ARPU (BGN)	3.9	4.2	**(0.4)**	**(8.4)**
AMOU (minutes)	**151**	**140**	**11.3**	**8.1**

Our mobile subscriber base consists primarily of residential subscribers and, in line with the Bulgarian mobile telecommunications market, the vast majority of our subscribers are post-paid. As at June 30, 2015, 85% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.7 million subscribers as at June 30, 2014 to 3.0 million subscribers as at June 30, 2015. We attribute this growth over the periods under review to a number of factors, including what we believe is our superior network quality, offering value for bundled services, cross-selling and up-selling to existing customers.

Blended mobile ARPU increased by 1.1% to BGN 11.2 for the six months ended June 30, 2015 from BGN 11.1 for the six months ended June 30, 2014 mainly as a result of increased MRC and data usage. The increasing popularity of Android smartphones boosted the smartphone penetration rate and, in turn, mobile data usage by customers and mobile data ARPU.

Mobile AMOU increased by 8.1% to 151 minutes for the six months ended June 30, 2015, from 140 minutes for the six months ended June 30, 2014 mainly as a result of more minutes included in monthly subscriptions and increased inbound traffic from other mobile operators.

Principal Factors Affecting Fixed-line Revenue

The table below sets forth selected operational data as at the end of the periods indicated for our fixed-line business broken down by fixed telephony and fixed broadband subscribers.

	For the six months ended June 30,		**Change**	
	2015	**2014**	**(amount)**	**(%)**
Fixed telephony subscribers at period end (in thousands)	1 124	1 256	(132.5)	(10.5)
Fixed telephony ARPU (BGN)	11.5	12.2	(0.7)	(5.5)
AMOU (minutes)	107	110	(2.8)	(2.5)
Fixed broadband subscribers at period end (in thousands)	370	335	35.2	10.5
% FTTx at period end	40	28	11.8	42.0
Fixed broadband ARPU (BGN)	10.8	11.4	(0.6)	(5.0)
Number of fiber homes passed (in thousands)	964	780	184.1	23.6
Fixed pay-TV subscribers at period end (in thousands)	337	277	59.3	21.4
% IPTV at period end	35	28	6.8	24.2
Fixed pay-TV ARPU (BGN)	12.4	11.8	0.7	5.6

Fixed Telephony

Our total fixed telephony subscribers decreased by 10.5% to 1.1 million as at June 30, 2015, from 1.3 million as at June 30, 2014. The decrease in fixed telephony subscribers was primarily due to the strong price competition surrounding fixed telephony 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 ongoing fixed to mobile substitution.

Total fixed telephony ARPU decreased by 5.5% to BGN 11.5 for the six months ended June 30, 2015, from BGN 12.2 for the six months ended June 30, 2014. The decrease in total fixed telephony ARPU was primarily due to a decrease in the outgoing traffic volume as well as lower monthly recurring fees.

Fixed telephony AMOU decreased by 2.5% to 107 minutes for the six months ended June 30, 2015, from 110 minutes for the six months ended June 30, 2014. The decrease was primarily due to ongoing fixed-to-mobile substitution, which resulted in a decrease in outgoing volume of calls made by our customers.

Fixed Broadband

Our total fixed broadband subscribers increased by 10.5% to 370 thousand as at June 30, 2015, from 335 thousand as at June 30, 2014. The increase was due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 5.0% to BGN 10.8 for the six months ended June 30, 2015, from BGN 11.4 for the six months ended June 30, 2014. The decrease was primarily due to increased bundling.

Fixed Pay-TV

Our total fixed pay-TV subscribers increased by 21.4% to 337 thousand as at June 30, 2015, from 277 thousand as at June 30, 2014. This was mainly due to the increased demand for high quality services with superior user experience, rich content and HD channels.

Total fixed pay-TV ARPU increased by 5.6% to BGN 12.4 for the six months ended June 30, 2015, from BGN 11.8 for the six months ended June 30, 2014. The increase was mainly attributable to the increasing share of tariffs with higher monthly recurring fees.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 21.3 million for the six months ended June 30, 2015, an increase of BGN 2.3 million, or 12.1%, from BGN 19.0 million for the six months ended June 30, 2014. This was mainly due to increase in outbound traffic to another national mobile operators, resulted from more calls made by our subscribers to other networks.

Other Operating Expenses

Our other operating expenses were BGN 121.6 million for the six months ended June 30, 2015, an increase of BGN 31.0 million, or 34.2%, from BGN 90.6 million for the six months ended June 30, 2014.

The table below sets forth our other operating expenses for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

	For the six months ended June 30,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Advertising, customer service, billing and collection	27.6	27.6	0.1	0.2
Facilities	22.4	22.1	0.3	1.4
Maintenance and repairs	16.5	15.6	0.9	5.4
License fees	6.6	6.7	(0.1)	(1.2)
Vehicles and transport	4.5	4.4	0.1	2.4
Administrative expenses	8.0	4.6	3.4	74.1
Leased Lines & Data Transmission	1.4	1.5	(0.1)	(3.4)
Professional fees	1.4	0.7	0.7	101.6
Other, net	33.1	7.4	25.7	345.7
Total operating expenses	**121.6**	**90.6**	**31.0**	**34.2**

Other operating expenses increase was driven mainly by higher administrative expenses and higher maintenance and repairs expenses, as well as higher professional fees, facilities expenses and other, net expenses. Administrative expenses increase is mainly related with a tax assessment act from June 5, 2015. The tax assessment act has been appealed in front of the court and the decision is pending.
Increase in maintenance and repairs is mainly related with maintenance of our mobile core and access network, customer care & billing systems and higher costs for dismantling copper cables. Increase in professional fees was driven by higher legal and consulting fees. Increase in facilities expenses was related with higher rental fees on commercial and technical premises. Other, net expenses increase was mainly driven by impairment of receivables related to the assigned cash in CCB.
These increases were partially offset by decrease in leased lines & data transmission expenses and license fees expenses.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 70.2 million for the six months ended June 30, 2015, an increase of BGN 10.4 million, or 17.4%, from BGN 59.8 million for the six months ended June 30, 2014 attributable mainly to the higher subsidies of mobile handsets to support the increased demand for smartphones and increased utilities expenses.

Staff Costs

Our staff costs were BGN 59.1 million for the six months ended June 30, 2015, an increase of BGN 5.3 million, or 9.9%, from BGN 53.8 million for the six months ended June 30, 2014, mainly due to increase in the commercial headcount.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 116.5 million for the six months ended June 30, 2015, a decrease of BGN 11.4 million, or 8.9%, from BGN 127.9 million for the six months ended June 30, 2014.

Finance Costs

Our finance costs were BGN 28.8 million for the six months ended June 30, 2015, a decrease of BGN 0.9 million, or 3.0%, from BGN 29.7 million for the six months ended June 30, 2014, primarily due to decrease in interest expenses under the RCF which has lower level of utilization.

Finance Income

Our finance income was BGN 6.9 million for the six months ended June 30, 2015, an increase of BGN 0.1 million, or 1.6%, from BGN 6.8 million for the six months ended June 30, 2014, mainly due to interest income from granted loans.

Gains on sale of non-current assets and materials

Our gains on sale of non-current assets and materials were BGN 6.6 million for the six months ended June 30, 2015, an increase of BGN 4.0 million, or 153.8%, from BGN 2.6 million for the six months ended June 30, 2014 as gains from sales of non-current assets increased, mainly due to higher sales of dismantled cables and non-operational buildings.

Income Tax Expenses

The following table sets forth our income tax expense for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

	For the six months ended June 30,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Current income tax charge	(11.5)	(2.9)	(8.6)	291.0
Deferred tax credit to comprehensive income	4.6	0.8	3.8	489.8
Income tax expense	**(6.9)**	**(2.2)**	**(4.7)**	**218.9**

Income tax expenses were BGN 6.9 million for the six months ended June 30, 2015, an increase of BGN 4.7 million, or 218.9%%, from BGN 2.2 million for the six months ended June 30, 2014, mainly due to effect of current tax from previous periods accounted during the year. On June 5, 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009.

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the six months ended June 30, 2015 was BGN 14.0 million, a decrease of BGN 5.0 million, or 26.4% from BGN 19.0 million for the six months ended June 30, 2014.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from our profit/(loss) for the periods presented.

	For the six months ended June 30,		**Change**	
(BGN in millions)	**2015**	**2014**	**(amount)**	**(%)**
Profit / (loss) for the period	**(6.8)**	**19.0**	**(25.8)**	**(135.6)**
Income tax expense	6.9	2.2	4.7	218.8
Finance expenses, net	22.6	22.9	(0.4)	(1.5)
Depreciation and amortization	116.5	127.9	(11.4)	(8.9)
EBITDA	**139.1**	**172.0**	**(32.9)**	**(19.1)**
Gains on sale of non-current assets and materials	(6.6)	(2.6)	(4.0)	150.7
Asset impairment and write off	29.0	1.6	27.4	1 731.3
Provisions and penalties	4.0	1.6	2.5	158.5
Other exceptional items	2.6	1.1	1.5	142.3
Adjusted EBITDA	**168.2**	**173.6**	**(5.4)**	**(3.1)**

CASH FLOW

The following table summarizes the principal components of our consolidated cash flows for the periods presented.

	For the six months ended June 30,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Net cash from operating activities	89.5	(21.5)	111.0	(516.3)
Net cash used in investing activities	(79.0)	(22.9)	(56.0)	244.3
Net cash used in financing activities	(11.7)	(1.8)	(9.9)	545.7
Net increase / (decrease) in cash and cash equivalents	**(1.2)**	**(46.2)**	**45.1**	**(97.4)**

Net Cash from Operating Activities

For the six months ended June 30, 2015, net cash flows from operating activities increased by BGN 111.0 million to BGN 89.5 million, from BGN 21.5 million negative amount for the six months ended June 30, 2014. The increase in operating assets was primarily due to the increase in trade receivables and trading stock to support customer growth.
Trade and other receivables increased mainly due to increased receivables from national and international operators as well as the assigned third party receivables from CCB. Change in other current and non-current assets is driven mainly by license fee prepayments to CRC and prepayments to suppliers. Trade payables decreased mainly due to higher payments to suppliers.

Net Cash Used in Investing Activities

For the six months ended June 30, 2015, net cash flows used in investing activities increased by BGN 56.0 million to BGN 52.8 million, from BGN 22.9 million mainly due to payments to suppliers of non-current assets, reflecting the level of capital expenditures. In 2014, cash flows used in investing activities were offset by proceeds from the sale of corporate debt and equity securities.

Net Cash Used in Financing Activities

For the six months ended June 30, 2015, net cash flows used in financing activities increased by BGN 9.9 million to BGN 11.7 million, from BGN 1.8 million for the six months ended June 30, 2014. The increase is mainly attributable to repayments under the RCF which has BGN 58.7 million unutilized amount as at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements arise primarily from the need to fund capital expenditures for the expansion and maintenance of our network operations, both in terms of quality of services and innovative technologies, for working capital and to repay debt.

During the first half of 2015 VIVACOM maintained a structure of assets and liabilities that allowed its smooth operation. In order to control the threat of liquidity risk, the Company applied planning techniques, including daily liquidity reports, short-term and medium-term cash flow forecasts.

We maintain cash and cash equivalents to fund the day to day requirements of our business. We hold cash primarily in BGN and EUR.

CAPITAL EXPENDITURES AND INVESTMENTS

Our investments mainly relate to the build out and enhancement of our fixed (particularly in respect of fiber roll-out) and mobile network (particularly in respect of 3G technology and HSPA+). Our capital expenditures also include information technology investments aimed at supporting network development, commercial products and services and overall customer management, as well as commercial and other capital expenditures for structural support to the build out and maintenance of consumer points of sale (such as refurbishing and furniture) and for customer equipment such as set-top boxes and modems. Our capital expenditure plans are subject to change depending, among other things, on the evolution of market conditions and the cost and availability of funds.

The following table shows our historical capital expenditures for the periods indicated:

	For the six months ended June 30,	
(BGN in millions)	**2015**	**2014**
Network	36.2	28.4
IT	5.5	5.3
Commercial and other	15.8	16.9
Licenses	-	-
Total capital expenditures	**57.5**	**50.7**

For the six months ended June 30, 2015, capital expenditures amounted to BGN 21.0 million, which consisted of:

- BGN 36.2 million of capital expenditures relating to network activities, mainly for investment in our mobile network and FTTx roll-out;
- BGN 5.5 million of capital expenditures relating to IT activities, mainly due to customer relation management and network driven projects.
- BGN 15.8 million of capital expenditures relating to commercial and other activities, mainly for CPEs to support our growing pay-TV and fiber subscriber base, as well as sales commissions related to long term contracts;

MAIN RISKS

Investment in securities involves different types of risks, including the risks described below and elsewhere in this report. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also materially and adversely affect our business, results of operations or financial condition.
This document contains certain projections and estimates which refer to future uncertain events. The projections are made on the basis of the current information available to the authors of this document and on the estimates they consider justifiable. Actual results may differ, even materially, from the estimates stated in this document, as they depend on a number of risk factors described in the paragraphs below. Not all risk factors can be predicted or described and some of these risk factors are outside the abilities of the issuer to counteract.

The main risk factors that could affect the Company's activity and results are described below.

General risk

General risk is considered in the broadest economic and political context in which the Company operates (e.g. risk related to the development of the global economy, the development of the local economy, inflation risk, general political risks, domestic policy, foreign policy and general trends). Therefore, some of these risks are not subject to management or mitigation by the Company's management. They affect VIVACOM's activity with different weight and emerge in different, usually unpredictable patterns.

Macroeconomic risks

Many European countries have faced or are facing an economic slowdown, which includes a general contraction in consumer spending resulting from, among other factors, reduced consumer confidence, falling gross domestic product, rising unemployment rates and uncertainty in the macroeconomic environment. Although the economic climate in Bulgaria has also been negatively affected by the global economic downturn, keeping unemployment at high levels, the Bulgarian economy has demonstrated some resilience and fiscal stability with low levels of government debt.
On December 12, 2014, Standard & Poor's Ratings Services lowered its long- and short-term foreign and local currency sovereign credit ratings of Bulgaria by one notch to 'BB+/B' from 'BBB-/A-3' with stable outlook.. The downgrade reflects the liquidity support to weakened domestic banks which has pushed up Bulgarian government debt. The stable outlook balances the risks from potential vulnerabilities mounting in the financial sector against still-low levels of government indebtedness. On June 13, 2015 Standard & Poor's Ratings Services affirmed its 'BB+/B' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable.
We operate in the telecommunications sector, for which underlying customer demand has proven to be less cyclical than other aspects of consumer spending during the ongoing global financial and economic crisis. However, the general macroeconomic environment still has an adverse effect on consumer spending. Consumers could spend less on an incremental basis, such as by placing fewer calls, sending fewer SMS, or opting for flat rate or lower tariff price plans. In poor economic conditions, consumers are likely to delay the replacement of their existing mobile handsets or be more likely to disconnect or cancel their services. Generally, weak economic conditions may deteriorate the growth prospects of the telecommunications market in Bulgaria, which in turn may impact our number of subscribers and ARPU.

Inflation risk

Inflation is a factor determining the actual return on the investment. This means that at a level of inflation exceeding the nominal rate of annual return during the year, the actual rate of return on the investment denominated in the national currency would be negative during the year.

Market risk

The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions.

Political risks

The political process is a significant factor affecting the return on investments. The degree of political risk is associated with the probability of changes in the economic policy pursued by the government, which could lead to negative changes in the investment climate, as well as the probability of emergence of regional or global armed conflicts or terrorism, social unrest or political tension. Apart from this is the probability of adverse changes in the legal regulation of economic activity.
Last parliamentary elections in October 2014 produced a centre-right coalition government led by the Citizens for European Development of Bulgaria (GERB) party, which is dependent on the support of smaller centre-left and nationalist parties in parliament.

Specific Company risks

Specific Company risks are the risks associated directly with its activity, which is strictly regulated. They include:

Regulatory risk

Regulatory risk exists both in respect of the telecommunications regulation and the general regulation in the area of competition law. The regulatory practice of the Commission for Protection of Competition (CPC) and that of the Communications Regulation Commission (CRC) is not always concerted and can provoke conflicting decisions in the area of electronic communications. This could result in market uncertainty, lack of clear criteria and in many cases could lead to excessive regulation for VIVACOM.

Following market analyses procedures that were carried out by the Communications Regulation Commission, VIVACOM was recognized as a company having significant market power (SMP) on the following markets: origination and termination on fixed network, access and local, long distance and international calls for fixed voice service, call termination for the mobile voice service. VIVACOM is obliged to have and officially publish standard offers for interconnection, unbundling access to the subscription line and access to ducts. In addition VIVACOM was obliged to provide another wholesale services – wholesale line rental, bitstream, leased lines.

Fixed Number Portability (FNP) was officially launched in July 2009. In 2012 the CRC made amendments to the fixed portability process. The risk associated with this process is a possible decrease of the number of VIVACOM's subscribers of fixed voice service as well as the possibility of VIVACOM's subscribers to port out their numbers without paying penalties.

Potential risks during the course of the year could be the appeal of VIVACOM's new commercial offers and converged services in the CPC. It should be noted that in case of infringement, CPC has power to stop advertisements which may affect the whole sector. The measures which the CPC may impose could have material weight and in practice could affect seriously not only one company but the whole sector. The maximum amount of pecuniary penalties could reach 10% of a company's turnover.

EU Telecom Single Market Regulation

The European Parliament has voted on first reading the proposal for new EU Regulation. The new regulation mandates EU roaming charges at national level and net neutrality (not discriminating traffic to different services). It is expected the new regulation to be finally voted by the EU Parliament and approved by the Council of the European Union later this year. The proposed regulation is expected to have a material impact on the EU telecom sector.

Electronic Communications Act

Amendments to the Electronic Communications Act were adopted and entered into force on April 21, 2015. The amendments modified the sanctions in case of failure to comply with the CRC decisions and imposed specific obligations. Firstly, the CRC shall have the power to impose penalties while the court procedure on the appeal against the CRC decision is pending. Secondly, CRC shall have the power to impose daily sanctions until the fulfilment of the imposed specific obligations, the obligations under the General requirements and the obligations under the authorizations for usage of scarce resource (spectrum and numbers).

Unfair competition

Unfair competition from a number of alternative operators poses a risk to the Company. Their typical behaviour is anti-competitive associations for concerted market behaviour, forbidden and hidden advertising, negative advertising and unfair acquisition of clients as a result of the low price promotions.

A new element in the field of competition law should be noted - the use of non-profit legal entities (NGOs) to approach the CPC. Such NGOs are used for policy coordination and consolidation of market participants. They also attack specific VIVACOM offers – as for example the bundled services including end communications device and a subscription plan for mobile internet.

It is important to emphasize the particularly active policy of CPC to study in-depth and investigate specific inquiries regarding possible antitrust behavior of VIVACOM in the field of interconnection and termination of international traffic. Such in-depth studies and investigations have resulted in to a competition risk – such as claim and direct accusations by the CPC for violation of antitrust rules.

Use of illegal content by TV operators is also not uncommon. Some of the operators distribute content without contracts with the content owners or underreport the number of their subscribers. As a result, they are not paying the full price for content, creating risks for the Company and the industry as a whole.

More market analyses of CRC are due to become effective which shall most probably confirm some of VIVACOM’s existing specific obligations.

Some operators that provide internet access build their cable networks in contradiction with imperative stipulation of Bulgarian legislation. Examples of such practices are networks built over the air in cities with more than 10 000 inhabitants, in violation of the Electronic Communications Act.

Credit risks

Credit risks or the risk of counterparty defaulting is reduced partly by the application of monthly subscription, credit limits and monitoring procedures. The Company has a policy of obtaining collateral from its retail customers where risk is perceived and from distributors. Credit risk is managed on VIVACOM Group level. The credit exposure of VIVACOM consists of the total value of trade and other receivables and short-term deposits.
As a result of the assigned receivables on cash deposits in CCB in 2014 the VIVACOM has recognized loans and other receivables. The receivables are due by several counterparties, one economic group of which represents more than 30% of the total balance of other receivables. The total amount of this individual exposure is fully secured by enterprise and assets pledges. Apart from this BTC Group is not exposed to credit risk from an individual partner or group of partners with similar profile.
According to Treasury policy, applicable to VIVACOM and its subsidiaries, transactions are carried out predominantly with financial institutions and banks with credit standing between B+ and A. Credit exposure is

controlled by individual credit limits of counterparties, which are regularly revised and appropriately approved. The limit for each third party is determined according to its size in terms of assets and equity as well as its long-term credit rating from S&P, Moody's or Fitch. The Treasury policy also defines the financial instruments, allowed to the Treasury Department, as well as the maximum maturity.

Liquidity risks

Liquidity risk arises from the mismatch of contractual maturity of monetary assets and liabilities and the possibility that debtors may not be able to settle obligations to the Company within the normal terms of trade. To manage such risk, the Company uses planning techniques, including but not limited to, arrangement of overdraft facilities, liquidity reports, short- and medium-term cash forecasts.

Currency risk

The main objective of Company currency risk management is to minimise adverse effects of market volatility on exchange rates.

Due to the fact that the companies within VIVACOM Group use mainly BGN and EUR as operating currencies they are not significantly exposed to currency risk. Most of the income is generated in BGN while long term borrowings, interest expenses and part of the capital expenses are in EUR. This mismatch has not been a problem for the past 15 years as the Bulgarian lev is pegged to the euro. At the same time the stability of the currency board needs to be monitored closely, since a potential free floating of the local currency and devaluation of the Lev will significantly affect the financial situation of the Group.

Company identifies currency risk, arising as a result of exposure in USD. According to the Treasury policy of the Company and in compliance with its foreign exchange risk management strategy, the foreign exchange risk arising from the highly probable forecasted purchases is hedged. The hedges are cash flow hedges and are classified as financial assets at fair value through profit or loss.

When significant foreign currency exposure arises, the Company takes into account the following factors:

- Future outlook on volatility of financial market variables. These are modelled by Treasury and in accordance with best practice analytical techniques and economic models;
- Effect of the given foreign exchange exposure on total Company financial results;
- Cost of foreign exchange exposure hedging

VIVACOM's Treasury department uses mainly forward contracts to hedge foreign exchange risk. All derivatives are entered into with credible counterparties and are in compliance with the Treasury policy of the Company.

Other specific risks

Other specific risk identified by the management is the risk of unethical behavior of employees of the Company. To address this risk the management has developed and adopted a Code of Ethics that entered into force on July 1, 2010 and regularly promotes it with awareness campaigns. It guides the employees to act responsibly, ethically and lawfully and in compliance with the Code of Ethics, as well as all other policies, laws and regulations that apply to the Company.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 1 July 2015 Vivacom became the sole owner of NURTS Bulgaria AD and its wholly owned subsidiary NURTS Digital EAD.

Except as stated above, there are no important events after the end of the reporting period that need to be disclosed.

EXPECTED DEVELOPMENT

In 2015 the activity of the Group will continue to be carried out in accordance with the main objectives of the Company:

- VIVACOM will continue to support its competitive advantages by further investments in its mobile network;
- VIVACOM will continue to deploy its fibre network and to develop its portfolio of Internet services in order to support today's growing demands for high speed bandwidth capacity;
- VIVACOM plans to continue the investments in high quality digital television services.

INFORMATION ABOUT THE COMPANY'S MANAGING BOARD AND SUPERVISORY BOARD.

Members of the Company's Managing Board and Supervisory Board at 30 June 2015

a) At 30 June 2015 the members of the Managing Board of VIVACOM are:

Mr. Atanas Dobrev - Member of the Managing Board and Chief Executive Officer
Mr. Alexander Grancharov – Member of the Managing Board
Mr. Rusin Yordanov - Member of the Managing Board
Mr. Asen Velikov - Member of the Managing Board
Mr. Alexander Dimitrov - Member of the Managing Board

b) At 30 June 2015 the members of the Supervisory Board of VIVACOM are:

Mr. Vladimir Penkov - Chairman of the Supervisory Board
Mr. Georgi Veltchev - Member of the Supervisory Board
Mr. Michael Tennenbaum - Member of the Supervisory Board
Mr. Stefano Zuppet - Member of the Supervisory Board
Mr. Svetoslav Dimitrov - Member of the Supervisory Board

As per the available information the member of the Managing Board and CEO Atanas Dobrev holds bonds of VIVACOM at a nominal value of EUR 200 thousand. With the exception of the disclosure under the previous sentence the members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares and bonds of VIVACOM in the first half of 2015. The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM on special terms pursuant to any existing financial instrument or agreement.

Remuneration amounting to BGN 3 582 thousand relating to the members of the Managing and Supervisory Boards has been accrued for the six months ended 30 June 2015.

Participation of the members of the Managing Board and the Supervisory Board in companies as general partners, holdings of more than 25% of the capital in another company, as well as participations in the management of other companies or co-operations as procurators, managing directors or board members were disclosed in accordance with the provisions of the applicable law.

No contracts under Article 240b of the Commerce Act were concluded in the first half of 2015.

INFORMATION ABOUT THE COMPANY'S SHARES

The share capital of VIVACOM is comprised of 288,764,840 ordinary registered shares. The nominal value of one share is BGN 1.

CORPORATE GOVERNANCE

VIVACOM applies internationally recognized standards for good corporate governance. The Company complied, in all material respects, throughout the period under review, with the legal requirements for public companies and with the best practices and principles applicable to Bulgarian companies.

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. Accordingly, it can only provide reasonable, but not absolute, assurance against possible misstatements and losses. The Managing Board of VIVACOM ensured ongoing identification, evaluation and management of the material risks faced by the business. The Audit Committee was established in 2009 with liabilities and responsibilities according to the Independent Financial Audit Act.

ADDITIONAL INFORMATION

The Company has no branches in the country or abroad.

The Company has no information about pending judicial, administrative or arbitration proceedings regarding liabilities or receivables of the Company amounting to at least 10% of its equity.

Data about the Investor Relations:

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Atanas Dobrev
CEO
Sofia
03.08.2015

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ABBREVIATIONS AND TERMS

AMOU

We define AMOU as the sum of the total traffic (in minutes) in a certain period divided by the average number of mobile subscribers for the period divided by the number of months in that period. The average number of mobile subscribers during a period is calculated by adding together the number of active mobile SIM cards at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

ARPU

We believe that ARPU provides useful information concerning the appeal and usage patterns of our rate plans and service offerings and our performance in attracting and retaining high value subscribers of mobile, fixed line voice and fixed broadband subscribers.

We define blended mobile ARPU as the sum of the monthly mobile services revenue in the period divided by the average number of mobile subscribers in the period, divided by the number of months in that period. The average number of mobile subscribers during a period is calculated by adding together the number of active mobile Subscriber Identity Module cards ("SIM cards") at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating blended mobile ARPU, mobile services revenue (which differs from revenue from our mobile segment) consist of revenue generated from our monthly subscription fees, usage fees for services that are incremental to the services allocated with our monthly subscription fees and mobile interconnect revenue (from fees paid to us by other operators for calls terminated on our mobile network, including roaming charges by our customers) as well as the expired balance revenue for pre-paid SIM cards as part of non-recurring revenue, but does not include non-recurring revenue such as revenue generated from mobile handset sales and revenue from roaming charges incurred by customers of other operators using our network.

We define pre-paid mobile ARPU as the sum of the monthly pre-paid mobile revenue in the period divided by the average number of pre-paid mobile subscribers in the period divided by the number of months in that period. The average number of mobile subscribers during a period is calculated by adding together the number of active mobile SIM cards at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

We define post-paid mobile ARPU as the sum of the monthly post-paid mobile revenue in the period divided by the average number of post-paid mobile subscribers in the period divided by the number of months in that period. The average number of mobile subscribers during a period is calculated by adding together the number of active mobile SIM cards at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period.

We define fixed telephony ARPU as the sum of the monthly fixed telephony revenue in the period divided by the average number of fixed telephony subscribers in the period, divided by the number of months in that period. The average number of fixed telephony subscribers in a period is calculated by adding together the number of fixed telephony subscribers at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating fixed telephony ARPU, fixed telephony revenue includes revenue generated from monthly subscription fees, usage fees for services that are incremental to the services allocated with our monthly subscription fees and landline termination rates (i.e., fees paid to us by other operators for calls terminated on our landline network), but does not include revenue generated from wholesale voice and public payphone services.

We define fixed broadband ARPU as the sum of the monthly fixed broadband revenue in the period divided by the average number of fixed broadband subscribers in the period, divided by the number of months in that period. The average number of fixed broadband subscribers in a period is calculated by adding together the number of fixed broadband subscribers at the beginning and end of each month during the period, dividing by two and then averaging the results from all months during the period. For purposes of calculating fixed broadband ARPU, fixed broadband revenue includes revenue generated from monthly subscription fees but does not include dial up revenue, revenue from the sale of customer premises equipment, such as modems and initial set up charges and revenue generated from the provision of business data and connectivity solutions such as VPN and MAN services.

EBITDA and Adjusted EBITDA

We define EBITDA as starting from profit/(loss) for the period (prepared in accordance with IFRS) and adding back income tax expense, finance costs, finance income and depreciation and amortization.

We define Adjusted EBITDA as EBITDA as calculated above, and adjusted to remove the effect of asset impairment and write off /excluding the impairment of receivables and trading stock/, gains on sale of non-current assets and materials, provisions and penalties and other exceptional items which we believe are not indicative of our underlying operating performance.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenue in the applicable period.

Market Share

We calculate the market share for our mobile services by taking the total number of our subscribers as a percentage of the total number of subscribers in the Bulgarian market (which is calculated here by adding the total number of our subscribers to the number of subscribers disclosed by each of the mobile network operators in their publicly available reports as of a given date). We have excluded the market share represented by third party mobile virtual network operators or “MVNOs.” MVNOs have limited penetration in Bulgaria.

Subscribers

The number of subscribers in our mobile service is reported based on the number of active mobile SIM cards. In line with the prevailing methodology in Bulgaria for calculating post-paid mobile subscribers, post-paid mobile subscribers are counted in our subscriber base as long as they have an active contract, have any active billing status (subscribers who regularly pay their bills) and have not been disconnected from our network, which includes machine to machine connections. Pre-paid mobile subscribers are counted in our subscriber base in line with the prevailing methodology for doing so in the Bulgarian mobile telecommunications market, whereby pre-paid mobile subscribers are counted in our subscriber base if they have had an activity event (such as outgoing and incoming customer generated usage or recharge) within the last six months.

In our fixed telephony service, subscribers are counted in our subscriber base as long as they have an active billing status (subscribers who regularly pay their bills). Subscribers are counted in channels – PSTN =1, ISDN BRA = 2, ISDN PRA and R2D = 30 channels.

In our fixed broadband service, we report fixed broadband subscribers based on technical installations and the number of subscribers who have an active billing status (subscribers who regularly pay their bills).

In our fixed pay-TV service, we report fixed pay-TV subscribers based on technical installations and the number of subscribers who have an active billing status (subscribers who regularly pay their bills).

Our subscriber data includes the number of main products in use by our residential and business customer units. An individual buying a VIVACOM Trio bundle could therefore be reported as a post-paid mobile subscriber, a fixed telephony subscriber and a fixed broadband subscriber, as each active service is reported separately based on the technology. Generally, each connection counts as one subscriber; however, this may vary depending on the circumstances and subscriber numbers should not be equated with the actual number of individuals or businesses using our services.

The following technical terms and abbreviations when used in this report have the definitions ascribed to them opposite below.

Abbreviation	**Definitions**
"**2G**"	Second Generation Mobile System, which is based on the GSM universal standard.
"**3G**"	Third Generation Mobile System, which is based on the UMTS universal standard.
"**4G**"	Fourth Generation Mobile System, which is based on the LTE universal standard.
"**ADSL**" or "**Asymmetric Digital Subscriber Line.**"	ADSL is a type of DSL broadband communications technology used for connecting to the Internet. ADSL allows more data to be sent over existing copper telephone lines (POTS), when compared to traditional modem lines. A special filter, called a microfilter, is installed on a subscriber's telephone line to allow both ADSL and regular voice (telephone) services to be used at the same time.
"**AMOU**" or "**average minutes of use**"	Average minutes of use is a telecom industry metric generally calculated by dividing sum of the total traffic (in minutes) in a certain period divided by the average number of subscribers for that period.
"**ARPU**" or "**average revenue per user**"	Average revenue per user is a telecom industry metric generally calculated by dividing recurring revenue (which includes airtime (*i.e.*, time elapsed between the start and termination of a call) usage, monthly subscription fees and other recurring service fees) during a period by the average number of subscribers during a period.
"**backbone**"	A high speed line, or a series of connections forming a major communication pathway within a network, which uses a much faster protocol than that employed by a single local area network and has the highest traffic intensity.
"**band**"	In wireless communication, band refers to a frequency or contiguous range of frequencies.
"**bit**"	The smallest unit of binary information.
"**bps**"	Bits per second.
"**broadband**"	Broadband refers to telecommunication that provides multiple channels of data over a single communications medium, typically using some form of frequency or wave division multiplexing.
"**BTS**" or "**base transceiver station**"	Fixed transmitter/receiver equipment in each geographic area or cell of a mobile telecommunications network that communicates by radio signal with mobile telephones in the cell.
"**byte**"	A sequence of usually eight bits (enough to represent one character of alphanumeric data) processed by a computer as a single unit of information.
"**churn**"	A telecom industry measure of the proportion of subscribers that disconnect from a telecommunication providers' service over a period of time.
"**CPE**" or "**customer premises equipment**" or "**customer provided equipment**"	Any terminal and associated telecommunications equipment located at a subscriber's premises such as telephones, routers, switches, residential gateways, set-top boxes, fixed mobile convergence products, home networking adaptors and internet access gateways.
"**digital**"	A signaling technology in which a signal is encoded into digits for transmission.

"**DSL**" or "**Digital Subscriber Line**"	A technology enabling a local loop copper pair to transport high- speed data between a central office and the subscribers' premises.
"**DTH**" or "**Direct to Home**"	A satellite television signal transmitted directly to the home, rather than to a broadcast television station or to a cable television provider for retransmission to the subscriber.
"**EDGE**"	Enhanced Data rates for GSM Evolution; EDGE is a technology, which elevates GPRS download speeds to above 100 kbps.
"**fiber optic cable**"	Fiber-optic cable is a transmission medium composed of extremely pure and uniform glass. Digital signals are transmitted across fiber optic cable as pulses of light. While signals transmitted over fiber optic cable travel at the same speed as those transmitted over traditional copper cable, fiber optic cable benefits from greater transmission capacity and lower distortion of signals transmitted..
"**fixed-line**"	A physical line connecting the subscriber to the telephone exchange. In addition, fixed-line includes fixed wireless systems, in which the users are in fixed locations using a wireless connection (*i.e.,* cordless telephones) to the telephone exchange.
"**frequency**"	The rate at which an electrical current alternates, usually measured in Hertz (Hz). Also the way to note a description of a general location on the radio frequency spectrum such as 800 MHz, 900 MHz or 1900 MHz.
"**FTR**" or "**fixed termination rates**"	A voice termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The FTR is usually subject to regulatory limits.
"**FTTB**" or "**fiber to the building**"	FTTB is an access network architecture in which the final part of the connection goes to a point on a shared property and other cabling provides the connection to homes, offices or other spaces.
"**FTTH**" or "**fiber to the home**"	FTTH is an access network architecture in which the final part of the connection to the home is optical fiber.
"**FTTx**" or "**fiber to the x**"	A generic term for any broadband network architecture using optical fiber to provide all or part of the local loop used for last mile telecommunications. The term is a generalization for several configurations of fiber deployment.
"**GB**"	A gigabyte, equal to 1 billion bytes.
"**GPRS**" or "**General Packet Radio Services**"	A packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that allows continuous connection to the Internet for mobile phone and computer users. GPRS is a specification for data transfer over GSM networks.
"**GPS**" or "**Global Positioning System**"	A space-based satellite navigation system that provides location and time information in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to 4 or more GPS satellites
"**GSM**" or "**Global System for Mobile Communications**"	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
"**GSM 1800**" or "**GSM 900**"	GSM operating at a frequency of 1800 MHz or 900 MHz. Used in Europe, the Middle East, Africa, much of Asia and certain South American countries.
"**Hertz**"	A unit of frequency of one cycle per second.
"**Homes passed**"	The number of homes that a service provider has capability to connect in a service area through fiber.
"**HSDPA**" or "**High Speed Downlink Packet Access**"	A 3G mobile telephone protocol which allows networks based Universal Mobile Telecommunication System to have higher data transfer speeds and capacity.
"**HSPA**" or "**High Speed Packet Access**"	A mix of two mobile telephony protocols, high speed download Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.

"**HSPA+**" or "**evolved high speed packet access**" or	A set of 3G / UMTS technology enhancements allowing for very fast data transmission between network and mobile devices. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.
"**interconnection**"	The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another.
"**Internet Protocol**" or "**IP**"	Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.
"**IPTV**" or "**Internet Protocol Television**"	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
"**ISDN**" or "**Integrated Services Data Network**"	A set of communication standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network.
"**ISDN BRA/PRA**"	Integrated Service for Digital Network, Basic Rate Access/Primary Rate Access
"**ISP**"	An ISP is a company that provides individuals and companies access to the internet.
"**Kbps**"	Kilobits per second.
"**LAN**" or "**Local Area Network**"	A computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building using network media.
"**LLU**" or "**local loop unbundling**"	Local loop unbundling, is where the incumbent grants access to third- party operators of the part of the communications circuit between the subscriber's equipment and the equipment of the local exchange (known as the local loop). Where such access is granted by the incumbent, the incumbent may charge the third-party operator a regulated fee for the interconnection service.
"**LTE**" or "**Long Term Evolution**"	LTE refers to a new mobile telephony technology that succeeds 3G. 3GPP (Third Generation Partnership Project) Long Term Evolution, is a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the fourth generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.
"**M2M**" or "**Machine-to-Machine**"	M2M refers to the data communication between wireless and wired systems and other wireless and wired systems.
"**MAN**" or "**Metropolitan Area Network**"	A computer network in which two or more computers or communicating devices or networks which are geographically separated but in same metropolitan city.
"**MB**"	A megabit.
"**Mbps**"	Megabits per second.
"**MHz**"	Megahertz; a unit of frequency equal to 1 million Hertz.
"**MMS**" or "**Multimedia Messaging Service**"	An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
"**MPLS**" or "**Multi Protocol Label Switching**"	A method used to speed up data communication over combined IP / ATM networks.
"**MRC**"	Monthly Recurring Charges.
"**MTR**" or "**mobile termination rates**"	A voice, or SMS or MMS, as applicable termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The MTR is usually subject to regulatory limits.

"**MVNO**" or "**mobile virtual network operator**"	A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use for sale to their own subscribers.
"**network**"	An interconnected collection of telecom components consisting of switches connect to each other and to customer equipment by real or virtual transmission links. Transmission links may be based on fiber optic or metallic cable or point-to-point radio connections.
"**number portability**"	A facility provided by telecommunications operators that enables customers to keep their full telephone numbers when they change operators.
"**operator**"	A term for any company engaged in the business of building and running its own network facilities.
"**penetration**"	A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100.
"**roaming**"	Roaming is the transfer of mobile traffic from one network to another, referring to the exchange of mobile international traffic.
"**R2D**"	Register to Digital signalization via 2 Mbit/s subscriber line.
"**smartphone**"	A smartphone is a mobile phone built on a mobile computing platform and includes high-resolution (touch) screens, web browsers that can access and properly display standard web pages and high speed data access via Wi-Fi and mobile broadband.
"**SMS**" or "**Short Message Service**"	A text message service which enables users to send short messages (160 characters or less) to other users.
"**spectrum**"	A continuous range of frequencies, usually wide in extent within which waves have some certain common characteristics.
"**Subscriber Identity Module card**" or "**SIM card**"	A SIM is a chip card inserted into a mobile phone, which contains information such as telephone numbers and memory for storing a directory.
"**subscriber**"	A person or entity who is party to a contract with the provider of telecommunications services for the supply of such services.
"**termination rate**"	The tariff chargeable by operators for terminating calls on their networks as set forth by the CRC.
"**Universal Mobile Telecommunications System**" or "**UMTS**"	UMTS is one of the major third generation mobile communications systems being developed. UMTS is suited to deliver voice, text, music and animated images. Data can be sent via UMTS at approximately 6 times the speed of ISDN.
"**VoBB**" or "**Voice over Broadband**"	A telephone service via Internet, or via transmission control/Internet Protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
"**VPN**" or "**Virtual Private Network**"	A VPN is a virtual network constructed from logic connections that are separated from other users
"**Wi-Fi**"	Wi-Fi is a technology that allows an electronic device to exchange data wirelessly over a computer network, including broadband internet connections. Wi-Fi is a trademark of the Wi-Fi Alliance.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
As at 30 June 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
ASSETS					
Current assets					
Cash and cash equivalents	4.	59 006	60 080	58 960	60 026
Trade and other receivables	5.	158 681	149 952	158 656	150 141
Current income tax receivables		58	56	-	-
Inventories	6.	36 114	34 741	36 114	34 741
Investments	11.	790	271	790	271
Other current assets	8.	18 011	9 497	18 008	9 497
Assets classified as held for sale	7.	399	1 852	399	1 852
Total current assets		**273 059**	**256 449**	**272 927**	**256 528**
Non-current assets					
Goodwill		2 049	2 049	2 049	2 049
Property, plant and equipment	9.	773 335	812 336	773 328	812 327
Intangible assets	10.	193 389	215 392	193 382	215 385
Investments	11.	382	382	1 181	1 181
Trade and other receivables	5.	76 330	84 391	76 087	83 953
Other non-current assets	8.	2 221	1 990	2 221	1 990
Deferred tax assets, net	16.	40	7	-	-
Total non-current assets		**1 047 746**	**1 116 547**	**1 048 248**	**1 116 885**
TOTAL ASSETS		**1 320 805**	**1 372 996**	**1 321 175**	**1 373 413**
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	3	3	3	3
Trade payables	12.	84 287	121 246	84 321	122 140
Other payables	13.	33 272	31 504	33 239	31 452
Deferred income/revenue		21 024	20 282	21 024	20 282
Current income tax liabilities		3 593	18	3 593	18
Provisions	14.	4 000	5 499	4 000	5 499
Borrowings	15.	12 300	12 517	12 300	12 517
Total current liabilities		**158 479**	**191 069**	**158 480**	**191 911**
Non current liabilities					
Borrowings	15.	783 402	792 450	783 402	792 450
Deferred tax liabilities, net	16.	10 587	15 140	10 587	15 140
Retirement benefit obligations	17.	3 285	3 095	3 285	3 095
Provisions	14.	8 944	8 717	8 944	8 717
Trade payables	12.	3 568	3 748	3 568	3 748
Deferred income/revenue		1 471	1 280	1 471	1 280
Total non current liabilities		**811 257**	**824 430**	**811 257**	**824 430**
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves	18.	36 085	36 196	36 085	36 196
Retained earnings		26 219	32 536	26 588	32 111
Total equity		**351 069**	**357 497**	**351 438**	**357 072**
TOTAL LIABILITIES AND EQUITY		**1 320 805**	**1 372 996**	**1 321 175**	**1 373 413**

These financial statements were approved on 03.08.2015

Atanas Dobrev
CEO

Asen Velikov
Finance Director

The accompanying notes from pages 31 to 61 are an integral part of these interim consolidated and separate financial statements.

CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	**Notes**	**Six months ended**		**Three months ended**	
		30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Revenue	19.	404 792	392 631	203 528	198 277
Interconnect expenses		(21 339)	(18 963)	(11 016)	(9 892)
Other operating expenses	20.	(121 645)	(90 640)	(77 039)	(46 125)
Materials and consumables expenses		(70 207)	(59 839)	(34 169)	(29 561)
Staff costs	21.	(59 078)	(53 844)	(29 028)	(27 416)
Depreciation and amortization	8.; 9., 10	(116 465)	(127 862)	(58 598)	(64 145)
Finance costs	22.	(28 832)	(29 732)	(14 402)	(14 769)
Finance income	22.	6 276	6 824	2 862	4 536
Gains on sale of non-current assets, assets held for sale and materials	23.	6 605	2 634	2 747	1 288
Profit/(loss) before tax		**107**	**21 209**	**(15 115)**	**12 193**
Income tax expenses	24.	(6 884)	(2 159)	(5 273)	(1 102)
Profit/(loss) for the period		**(6 777)**	**19 050**	**(20 388)**	**11 091**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		388	153	(1 029)	84
Valuation of financial assets available for sale		-	899	-	234
Available-for-sale financial assets – reclassified to profit or loss	22.	-	(2 430)	-	(2 430)
Related tax	24.	(39)	(15)	103	(8)
		349	**(1 393)**	**(926)**	**(2 120)**
Items that will never be reclassified to profit or loss:					
Revaluation of land		-	(554)	-	(554)
Related tax	24.	-	55	-	55
		-	**(499)**	-	**(499)**
Other comprehensive income for the period, net of tax		**349**	**(1 892)**	**(926)**	**(2 619)**
Total comprehensive income for the period		**(6 428)**	**17 158**	**(21 314)**	**8 472**
(Loss)/earnings per share (basic and diluted)		(0.02)	0.07	(0.07)	0.04

The accompanying notes from pages 31 to 61 are an integral part of these interim consolidated and separate financial statements.

All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	**Notes**	**Six months ended**		**Three months ended**	
		30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Revenue	19.	403 902	389 847	203 306	196 888
Interconnect expenses		(20 301)	(17 299)	(10 700)	(9 083)
Other operating expenses	20.	(121 480)	(90 673)	(76 856)	(46 138)
Materials and consumables expenses		(70 206)	(59 838)	(34 169)	(29 561)
Staff costs	21.	(59 075)	(53 841)	(29 026)	(27 415)
Depreciation and amortization	8.; 9., 10.	(116 463)	(127 860)	(58 597)	(64 144)
Finance costs	22.	(28 817)	(29 725)	(14 421)	(14 763)
Finance income	22.	6 769	14 996	3 363	4 524
Gains on sale of non-current assets, assets held for sale and materials	23.	6 605	2 634	2 747	1 288
Profit/(loss) before tax		**934**	**28 241**	**(14 353)**	**11 596**
Income tax expenses	24.	(6 917)	(2 037)	(5 300)	(1 042)
Profit(loss) for the period		**(5 983)**	**26 204**	**(19 653)**	**10 554**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		388	153	(1 029)	84
Valuation of financial assets available for sale		-	899	-	234
Available-for-sale financial assets – reclassified to profit or loss	22.	-	(2 430)	-	(2 430)
Related tax	24.	(39)	(15)	103	(8)
		349	**(1 393)**	**(926)**	**(2 120)**
Items that will never be reclassified to profit or loss:		-	-		
Revaluation of land		-	(554)	-	(554)
Related tax	24.	-	55	-	55
		-	**(499)**	**-**	**(499)**
Other comprehensive income for the period, net of tax		**349**	**(1 892)**	**(926)**	**(2 619)**
Total comprehensive income for the period		**(5 634)**	**24 312**	**(20 579)**	**7 935**
(Loss)/earnings per share (basic and diluted)		(0.02)	0.09	(0.07)	0.04

These financial statements were approved on 03.08.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 31 to 61 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2015
All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2014		**288 765**	**28 876**	**8 113**	**7 452**	**(143)**	**6 763**	**339 826**
Comprehensive income								
Profit for the period		-	-	-	-	-	19 050	19 050
Total other comprehensive income	24.	-	-	(499)	(1 531)	138	-	(1 892)
Total comprehensive income		-	-	**(499)**	**(1 531)**	**138**	**19 050**	**17 158**
Balance as at 30 June 2014		**288 765**	**28 876**	**7 614**	**5 921**	**(5)**	**25 813**	**356 984**
Balance as at 1 January 2015		**288 765**	**28 876**	**7 047**	-	**273**	**32 536**	**357 497**
Comprehensive income								
Loss for the period		-	-	-	-	-	(6 777)	(6 777)
Total other comprehensive income	24.	-	-	-	-	349	-	349
Total comprehensive income		-	-	-	-	**349**	**(6 777)**	**(6 428)**
Transfer to retained earnings - land disposal		-	-	**(460)**	-	-	**460**	-
Balance as at 30 June 2015		**288 765**	**28 876**	**6 587**	-	**622**	**26 219**	**351 069**

Separate Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings/(accumulated loss)	Total
Balance as at 1 January 2014		**288 765**	**28 876**	**8 113**	**7 452**	**(143)**	**(1 119)**	**331 944**
Comprehensive income								
Profit for the period		-	-	-	-	-	26 204	26 204
Total other comprehensive income	24.	-	-	(499)	(1 531)	138	-	(1 892)
Total comprehensive income		-	-	**(499)**	**(1 531)**	**138**	**26 204**	**24 312**
Balance as at 30 June 2014		**288 765**	**28 876**	**7 614**	**5 921**	**(5)**	**25 085**	**356 256**
Balance as at 1 January 2015		**288 765**	**28 876**	**7 047**	-	**273**	**32 111**	**357 072**
Comprehensive income								
Loss for the period		-	-	-	-	-	(5 983)	(5 983)
Total other comprehensive income	24.	-	-	-	-	349	-	349
Total comprehensive income		-	-	-	-	**349**	**(5 983)**	**(5 634)**
Transactions with owners								
Transfer to retained earnings - land disposal		-	-	**(460)**	-	-	**460**	-
Balance as at 30 June 2015		**288 765**	**28 876**	**6 587**	-	**622**	**26 588**	**351 438**

These financial statements were approved on 03.08.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 31 to 61 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
For the six months ended 30 June 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Six months ended		Six months ended	
		30.6.2015	30.06.2014	30.6.2015	30.06.2014
Cash flows from operating activities					
Profit before tax		107	21 209	934	28 241
Adjustment for:					
Depreciation and amortization	8., 9., 10.	116 465	127 862	116 463	127 860
Gain on sale of non current assets and assets held for sale	23.	(6 604)	(2 632)	(6 604)	(2 632)
Impairment loss and write off of non-current assets	9., 10.	3 374	1 385	3 374	1 385
Interest expenses, net of interest income	22.	22 261	25 183	22 268	25 261
Impairment loss on trade receivables	5.	29 056	4 209	28 855	4 201
Impairment loss and write off of current assets		312	438	312	438
Income from investment operations and other finance income	22.	(98)	(2 554)	(598)	(10 804)
Gain from operations with cash flow hedges	22.	(15)	(3)	(15)	(3)
Accruals and provisions charged to profit and loss		3 358	3 046	3 358	3 046
Changes in:					
-inventories		(1 534)	(7 485)	(1 534)	(7 485)
-trade and other receivables		(23 575)	(155 205)	(23 390)	(155 151)
-other current and non-current assets		(10 463)	(8 913)	(10 460)	(8 909)
-trade and other payables		(5 851)	500	(6 693)	834
-provisions and employee benefits		(3 921)	(4 925)	(3 921)	(4 925)
-deferred income/revenue		934	712	934	712
Cash generated from operations		**123 806**	**2 827**	**123 283**	**2 069**
Interest received		10	2 342	9	2 259
Interest paid		(26 376)	(26 590)	(26 376)	(26 590)
Corporate income tax paid		(7 934)	(81)	(7 932)	(63)
Net cash from operating activities		**89 506**	**(21 502)**	**88 984**	**(22 325)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		8 343	3 458	8 343	3 458
Acquisition of property, plant, equipment and intangible assets		(86 858)	(66 866)	(86 858)	(66 866)
Acquisition of investments		-	44	-	44
Cash deposits with maturity greater than three months, net		(446)	(107)	(415)	(17)
Dividends received		-	69	500	8 319
Proceeds from sales of investments	11.	-	40 470	-	40 470
Net cash used in investing activities		**(78 961)**	**(22 932)**	**(78 430)**	**(14 592)**
Cash flows from financing activities					
Proceeds from new borrowings		19 558	78 233	19 558	78 233
Repayments of borrowings		(29 337)	(78 233)	(29 337)	(78 233)
Payment of finance lease liabilities		(1 946)	(1 816)	(1 946)	(1 816)
Net cash used in financing activities		**(11 725)**	**(1 816)**	**(11 725)**	**(1 816)**
Net decrease in cash and cash equivalents		**(1 180)**	**(46 250)**	**(1 171)**	**(38 733)**
Effect of exchange rate fluctuations on cash held		106	9	105	8
Cash and cash equivalents at the beginning of the year		60 080	87 333	60 026	79 508
Cash and cash equivalents at the end of the period		**59 006**	**41 092**	**58 960**	**40 783**

These financial statements were approved on 03.08.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 31 to 61 are an integral part of these interim consolidated and separate financial statements.

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

Bulgarian Telecommunications Company EAD ("BTC", the "Parent Company" or the "Company") is a single owned joint stock company, domiciled in Bulgaria, with its registration address: 115i, Tsarigradsko shose Blvd, 1784 Sofia. BTC's activities include development, operation and maintenance of the national fixed and mobile network and data system for the Republic of Bulgaria.

The Ultimate Parent Company is V Telecom Investment S.C.A. ("V Telecom") which indirectly owns 100% of the equity of Viva Telecom Bulgaria EOOD which is the Parent of the Company as at 30 June 2015. There are two shareholders which own more than 5% of the share capital of V Telecom none of which exercise control over V Telecom: (a) LIC Telecommunications S.à r.l., Luxembourg, is holding 43,3% of the share capital of V Telecom (as of 31.12.2014 this stake was held indirectly by Mr Tzvetan Radoev Vassilev through SHCO 79 S.à r.l. (subsequently renameded to LIC Telecommunications S.à r.l.). In the beginning of 2015, LIC33, a Luxembourg company owned by Mr. Pierre Louvrier, has entered into share purchase agreement to buy the economic stake of Mr. Vassilev in BTC. On 23 July 2015 Mr. Pierre Louvrier publicly announced that a right under the share purchase agreement to hand back the acquired assets under certain circumstances was exercised and the acquired assets were reverted back to their previous beneficial owner); and (b) Crusher Investment Limited (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) is holding 33,3% of the share capital of V Telecom. A number of shareholders are holding less than 5% share individually.

In September 2014 BTC submitted notification to the Commission for Protection of Competition (CPC) of its plans to acquire the NURTS Bulgaria Group (NURTS). After carrying out a profound investigation procedure according to the applicable Protection of Competition Act, on 8 June 2015 CPC approved a resolution, which gives an authorization to BTC to acquire control of NURTS. On 1 July 2015 all shares of NURTS Bulgaria AD were transferred to BTC. Thus BTC became the sole owner of the company and its wholly owned subsidiary NURTS Digital EAD
In relation to the above, as of the reporting date BTC does not control NURTS within the meaning of IFRS 10 Consolidated financial statements.

The Group

As at 30 June 2015 and 2014 and 31 December 2014 the Group includes the subsidiary entity BTC Net EOOD.

BTC Security EOOD/ Renamed to BTC Net EOOD

The subsidiary was registered in the Register of commercial companies of Sofia City Court on 27 October 2004 with share capital of BGN 5 thousand. Its main activity is provision of security services to BTC AD and the companies controlled by it. BTC is the sole owner of this company.

The registered subject of business activity of BTC Net is building and operation of data transfer networks for the provision of domestic and international value added services and sale of telecommunication network facilities, development and exploitation of other telecommunication networks, and provision of other telecommunications services, as well as any other commercial activities.

On September 30, 2009 BTC Net EOOD was merged into BTC Security EOOD.

The legal merger of the entities was registered in the Commercial Register on October 15, 2009. As a result, BTC Net has ceased to exist as a separate legal entity, by virtue of law BTC Security has become universal legal successor of BTC Net and all assets, rights and obligations of BTC Net have passed to BTC Security automatically as of that date. On October 16, 2009 the successor BTC Security was renamed to BTC Net EOOD.

2. Functional and Presentation Currency

These financial statements are prepared in thousand Bulgarian Levs (BGN), unless otherwise stated, whereas the Bulgarian Lev has been accepted as presentation currency for the presentation of Group's consolidated financial statements. Effective from 1 January 1999, the Bulgarian Lev was fixed to the EUR at a rate BGN 1.95583 = EUR 1.00.

3. Summary of significant accounting policies

This condensed interim consolidated and separate financial report has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

The same accounting policies and methods of calculation are applied in the present interim separate and consolidated financial statement, as in the annual consolidated financial statements of the Group for the year ended 31 December 2014.

4. Cash and cash equivalents

As at 30 June 2015 and 31 December 2014 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Current accounts and cash in hand				
Held in BGN	21 223	48 571	21 194	48 538
Held in EUR	36 691	11 272	36 683	11 263
Held in foreign currencies other than EUR	1 092	233	1083	221
Total current accounts and cash in hand	**59 006**	**60 076**	**58 960**	**60 022**
Deposits				
Held in BGN	-	4	-	4
Total deposits	**-**	**4**	**-**	**4**
Total cash and cash equivalents	**59 006**	**60 080**	**58 960**	**60 026**

As disclosed in Note 15 BTC secured the payments related to Company's liabilities under the bond offering by establishing a pledge on the receivables under certain bank accounts and insurance policies.

Money kept in bank deposits can be withdrawn at any time on demand of the Company and is held to meet short term operational needs.

On 20.06.2014 the Bulgarian National Bank (BNB) placed one of the servicing banks of the Group - Corporate Commercial Bank (CCB) - under special supervision. On 6 November 2014 BNB Governing Council announced its decision to revoke CCB's license for conducting banking activities and to submit petition to the competent court of law to open bankruptcy proceedings. On these grounds the cash available in current and deposit accounts at CCB as at the reporting date has been presented as receivables, as disclosed in note 5.

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables

As at 30 June 2015 and 31 December 2014 trade and other receivables include:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Trade receivables	132 467	112 918	131 431	111 864
incl. international settlement receivables	*6 317*	*2 374*	*5 593*	*1 574*
Intercompany receivables (Note 26)	20 021	18 943	21 468	20 167
Other receivables	132 390	126 968	131 427	126 465
incl. loans	*123 686*	*105 564*	*123 272*	*105 156*
Total	**284 878**	**258 829**	**284 326**	**258 496**
Allowance for impairment of receivables	(49 867)	(24 486)	(49 583)	(24 402)
Total Trade and other receivables	**235 011**	**234 343**	**234 743**	**234 094**
Incl:				
Non-current portion: trade and other receivables	89 646	86 260	89 131	85 752
Allowance for impairment of receivables	(13 316)	(1 869)	(13 044)	(1 799)
Total non-current portion: trade and other receivables	**76 330**	**84 391**	**76 087**	**83 953**
Current portion trade and other receivables	195 232	172 569	195 195	172 744
Allowance for impairment of receivables	(36 551)	(22 617)	(36 539)	(22 603)
Total current portion: trade and other receivables	**158 681**	**149 952**	**158 656**	**150 141**

Other receivables as of 30 June 2015 and 31 December 2014 include respectively BGN 987 thousand and BGN 541 thousand term cash deposits with maturity greater than three months for the consolidated and BGN 867 thousand and BGN 451 thousand for the separate financial statements.

As disclosed in note 4 other receivables for the consolidated and for the separate financial statements as of 30 June 2015 include respectively BGN 1,060 thousand and BGN 960 thousand representing the remaining cash and cash equivalents at CCB after the assignment of receivables on cash deposits of the Group and the Company in 2014.

On 4 May 2015, being a central billing party (CBP) of MECMA 2014 agreement and acting in good faith, BTC entered into agreement with the members of MECMA in relation to the cash of MECMA blocked in CCB. As per the agreed terms, all affected MECMA members assign to BTC their receivables from CCB amounting to EUR 6,043 thousand, along with all accrued interest, and BTC paid 50% of the assigned amount in cash. The agreement is full and final settlement of all potential disputes regarding MECMA’s cash blocked in CCB. The assigned receivables form CCB are included in other receivables.

On 3 July 2015 the second instance court confirmed the entry of CCB into insolvency and determined the insolvency date to be 22 June 2014. This could affect one of the assignment transactions dated 2014. Based on the above and the disclosure in note 26 the management has made an assessment of the collectability of some of the receivables related to the assigned cash in CCB. As a result, impairment amounting to BGN 25,235 thousand for the Group and BGN 25,032 thousand for the Company has been recognized and included under other operating expenses (note 21).

Part of the non-current receivables are due within two years from the end of the reporting period and relate to sales of mobile phone sets on finance lease agreements with customers. The net investment in finance leases for the Group and BTC may be analyzed as follows:

	Gross receivables from finance leases		**Net investment in finance leases**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Finance leases receivables with maturity:				
Within one year	33 369	34 497	31 421	32 368
Within two years	10 930	13 390	10 627	13 002
Total receivables	**44 299**	**47 887**	**42 048**	**45 370**
Less: unearned finance income	(2 251)	(2 517)		
Allowance for impairment of receivables	(4 205)	(4 537)	(4 205)	(4 537)
Net investment in finance leases	**37 843**	**40 833**	**37 843**	**40 833**

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

Movement of the allowance for impairment of accounts receivables as at 30 June 2015 and 31 December 2014 is as follows:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Balance at the beginning of the period	24 486	54 960	24 402	54 946
Accrued impairment	29 054	31 025	28 853	30 392
Impairment of receivables written off	(3 673)	(61 499)	(3 672)	(60 936)
Balance at the end of the period	**49 867**	**24 486**	**49 583**	**24 402**

Presented by class of customer the figures above are as follows:

Business customers	**Consolidated financial statements**		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Balance at the beginning of the period	9 040	14 274	8 956	14 260
Accrued impairment	26 980	26 835	26 779	26 202
Impairment of receivables written off	(678)	(32 069)	(677)	(31 506)
Balance at the end of the period	**35 342**	**9 040**	**35 058**	**8 956**

Residential customers	**Consolidated financial statements**		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Balance at the beginning of the period	15 446	40 686	15 446	40 686
Accrued impairment	2 074	4 190	2 074	4 190
Impairment of receivables written off	(2 995)	(29 430)	(2 995)	(29 430)
Balance at the end of the period	**14 525**	**15 446**	**14 525**	**15 446**

Related parties balances are shown in note 26.

As of 30 June 2015 and 31 December 2014 receivables of the Group at the amount of BGN 54,867 and 6,683 thousand were assessed individually and the impairment amounts to BGN 31,767 and BGN 5,284 thousand, which is included above. For the Company these amounts are respectively BGN 54,350 thousand and BGN 6,571 thousand and BGN 31,484 thousand and BGN 5,203 thousand.

As of 30 June 2015 and 31 December 2014 the age structure of overdue receivables not impaired is as follows:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
From 60 to 90 days	18	210	21	109
From 91 to 180 days	110	205	120	388
From 181 to 360 days	30	20	186	127
Above 1 year	637	467	1 090	860
Total	**795**	**902**	**1 417**	**1 484**

As of the reporting date the accounts with major (the five biggest) counterparties in the trade receivables for the Group and the Company are as follows:

Consolidated and separate financial statements	**Gross book value of the receivable as of**	
Type	**30.6.2015**	**31.12.2014**
In the country	5 733	1 987
Outside the country	3 738	615
In the country	1 033	545
In the country	898	325
In the country	564	964

BGN 43,860 thousand from the other receivables balance as at the reporting date are due from one debtor. There are no other debtors who represent more than 15% of the total balance of other receivables.

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 30 June 2015 and 31 December 2014 are as follows:

	Consolidated and Separate financial statements	
	30.6.2015	**31.12.2014**
Materials and supplies, net	4 477	5 003
Merchandise and other, net	31 637	29 738
Total materials and supplies	**36 114**	**34 741**

For the six months ended 30 June 2015 the write-down of inventories to net realisable value amounted to BGN 15 thousand (for the six months ended 30 June 2014: BGN 310 thousand). The reversal of write-downs amounted to BGN 35 thousand (for the six months ended 30 June 2014: BGN 13 thousand). The write-downs and reversals are included in Other operating expenses.

7. Assets classified as held for sale

	Consolidated and Separate financial statements	
	30.6.2015	**31.12.2014**
Real estates, held for sale	399	1 852
Total assets held for sale	**399**	**1 852**

As of 30 June 2015 and 31 December 2014 BTC has signed several preliminary agreements for the sale of real estates. Their net book value is reported in the statement of financial position as Assets classified as held for sale.

8. Other assets

As of 30 June 2015 and 31 December 2014 other assets are as follows:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Prepayments and deferred expenses	18 588	9 505	18 585	9 505
Subscriber acquisition costs and other	1 644	1 982	1 644	1 982
Total other assets	**20 232**	**11 487**	**20 229**	**11 487**
Incl.				
Other current assets	**18 011**	**9 497**	**18 008**	**9 497**
Other non-current assets	**2 221**	**1 990**	**2 221**	**1 990**

Subscriber acquisition costs, representing mainly fees paid to distributors for the Group and the Company are amounting to BGN 1,447 thousand as of 30 June 2015. As of 31 December 2014 they amount to BGN 1,960 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 1,935 thousand and BGN 2,881 thousand for the six months ended 30 June 2015 and 2014.

Other assets include also intellectual rights, amounting to BGN 197 thousand as of 30 June 2015 (31 December 2014 : BGN 22 thousand), for which amortization expense amounting to BGN 72 thousand for the six months ended 30 June 2015 has been recognised in profit or loss (for the six months ended 30 June 2014 : BGN 71 thousand).

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 30 June 2015 and 31 December 2014 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1 432 119**	**860 923**	**266 829**	**9 023**	**43 210**	**2 612 104**
Revaluation	-	-	-	(666)	-	(666)
Additions	(288)	-	4	-	120 483	120 199
Transfers	73 679	26 557	23 740	-	(123 976)	-
Impairment	-	-	(4)	-	1	(3)
Assets held for sale	-	-	(942)	(430)	-	(1 372)
Disposals	(63 955)	(46 593)	(10 428)	(47)	(493)	(121 516)
At 31 December 2014	**1 441 555**	**840 887**	**279 199**	**7 880**	**39 225**	**2 608 746**
Additions	87	-	-	-	37 064	37 151
Transfers	24 912	7 975	5 853	-	(38 740)	-
Impairment	-	-	-	-	56	56
Assets held for sale	-	-	(158)	(26)	-	(184)
Disposals	(13 792)	(7 631)	(1 080)	-	(633)	(23 136)
At 30 June 2015	**1 452 762**	**841 231**	**283 814**	**7 854**	**36 972**	**2 622 633**
Accumulated depreciation and impairment						
At 1 January 2014	**996 019**	**577 351**	**185 332**	**-**	**-**	**1 758 702**
Depreciation charged	123 820	21 259	21 430	-	-	166 509
Impairment	(3 760)	(7 149)	(75)	-	-	(10 984)
Assets held for sale	-	-	(436)	-	-	(436)
Disposals	(61 343)	(45 955)	(10 083)	-	-	(117 381)
At 31 December 2014	**1 054 736**	**545 506**	**196 168**	**-**	**-**	**1 796 410**
Depreciation charged	51 199	11 182	10 709	-	-	73 090
Assets held for sale	-	-	(128)	-	-	(128)
Disposals	(11 800)	(7 324)	(950)	-	-	(20 074)
At 30 June 2015	**1 094 135**	**549 364**	**205 799**	**-**	**-**	**1 849 298**
Net book value						
At 31 December 2014	**386 819**	**295 381**	**83 031**	**7 880**	**39 225**	**812 336**
At 30 June 2015	**358 627**	**291 867**	**78 015**	**7 854**	**36 972**	**773 335**

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 30 June 2015 and 31 December 2014 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1 432 119**	**860 923**	**266 756**	**9 023**	**43 210**	**2 612 031**
Revaluation	-	-		(666)	-	(666)
Additions	(288)	-	4	-	120 483	120 199
Transfers	73 679	26 557	23 740	-	(123 976)	-
Impairment	-	-	(4)	-	1	(3)
Assets held for sale	-	-	(942)	(430)	-	(1 372)
Disposals	(63 955)	(46 593)	(10 428)	(47)	(493)	(121 516)
At 31 December 2014	**1 441 555**	**840 887**	**279 126**	**7 880**	**39 225**	**2 608 673**
Additions	87	-	-	-	37 064	37 151
Transfers	24 912	7 975	5 853	-	(38 740)	-
Impairment	-	-	-	-	56	56
Assets held for sale	-	-	(158)	(26)	-	(184)
Disposals	(13 792)	(7 631)	(1 080)	-	(633)	(23 136)
At 30 June 2015	**1 452 762**	**841 231**	**283 741**	**7 854**	**36 972**	**2 622 560**
Accumulated depreciation and impairment						
At 1 January 2014	**996 019**	**577 350**	**185 272**	**-**	**-**	**1 758 641**
Depreciation charged	123 820	21 259	21 427	-	-	166 506
Impairment	(3 760)	(7 149)	(75)	-	-	(10 984)
Assets held for sale	-	-	(436)	-	-	(436)
Disposals	(61 343)	(45 955)	(10 083)	-	-	(117 381)
At 31 December 2014	**1 054 736**	**545 505**	**196 105**	**-**	**-**	**1 796 346**
Depreciation charged	51 199	11 182	10 707	-	-	73 088
Assets held for sale	-	-	(128)	-	-	(128)
Disposals	(11 800)	(7 324)	(950)	-	-	(20 074)
At 30 June 2015	**1 094 135**	**549 363**	**205 734**	**-**	**-**	**1 849 232**
Net book value						
At 31 December 2014	**386 819**	**295 382**	**83 021**	**7 880**	**39 225**	**812 327**
At 30 June 2015	**358 627**	**291 868**	**78 007**	**7 854**	**36 972**	**773 328**

On the base of § 8 Para 1 of Transitional and concluding provisions to the Law for amendment and supplement of the law for privatization and post-privatization control the Agency for Privatization and Post-privatization Control imposed statutory mortgage on 121 properties of BTC with a net book value as of 30 June 2015 amounting to BGN 515 thousand (BGN 560 thousand for 122 properties as of 31 December 2014). They are included in General support above except for 1 property with net book value as of 30 June 2015 amounting to BGN 13 thousand which is included in Assets classified as held for sale (BGN 15 thousand for for 2 properties as of 31 December 2014).

In January 2015 in relation with one of the open tax audits, as disclosed in note 16, the tax authorities imposed preliminary securing measures over 241 real estates and certain other non-current assets, amounting to BGN 10,148 thousand. Their net book value as of 30 June 2015 amounted to BGN 9,112 thousand. On 15 July 2015 the securing measures have been cancelled.

As disclosed in note 15 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the bond offering by establishing a pledge on real estate property, which net book value as of 30 June 2015 amounted to BGN 7,727 thousand, and as of 31 December 2014 their net book value was BGN 8,192 thousand.

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

Measurement of fair value

Fair value hierarchy

Land is measured at fair value, in accordance with the revaluation model of IAS 16. The fair value of land was determined as at 31 December 2012 by external, independent property valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued.

The fair value measurement for land of BGN 7,854 thousand has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Balance at 1 January 2015	7 880
Transfers out of Level 3	(26)
Balance at 30 June 2015	**7 854**

In 2015 the Company has signed preliminary agreement for the sale of a land plot, which has been transferred to Assets classified as held for sale.

Valuation technique and significant unobservable inputs

The valuation technique used is Market comparison - the fair value is based on the market price of properties with similar location and category. At the date of valuation no active market existed and the market value was determined based on offers to sell similar plots under the assumption that these are the end prices. The offered prices have been adjusted with: discount rate ranging from 10% to 15% to reflect the actual reduction in the offered price, based on the trends of actual transactions; adjustment coefficients, derived on the basis of characteristics of the respective plots like size, environmental and geomorphologic condition, level of development and transport accessibility, and improvements of the land. The estimated fair value of the individual properties would increase/(decrease) had the respective discount rate were lower/(higher) and the adjustments coefficients were higher/(lower).

10. Intangible assets and goodwill

As of 30 June 2015 and 31 December 2014 intangible assets of the Group are as follows

	Licenses	**Software**	**Other intangible assets**	**Intangible assets under construction**	**Total**
Gross book value					
At 1 January 2014	**126 544**	**569 243**	**34 480**	**2 387**	**732 654**
Additions(Transfers)	159	32 357	13 860	1 499	47 875
Disposals	-	(37 167)	(7 053)	-	(44 220)
At 31 December 2014	**126 703**	**564 433**	**41 287**	**3 886**	**736 309**
Additions(Transfers)	82	12 285	6 048	1 371	19 786
Disposals	-	(4 684)	(4 274)	-	(8 958)
At 30 June 2015	**126 785**	**572 034**	**43 061**	**5 257**	**747 137**
Accumulated depreciation and impairment					
At 1 January 2014	**48 001**	**417 260**	**15 178**	**-**	**480 439**
Amortization charge	7 335	64 326	12 154	-	83 815
Impairment	-	(4)	-	-	(4)
Disposals	-	(36 791)	(6 542)	-	(43 333)
At 31 December 2014	**55 336**	**444 791**	**20 790**	**-**	**520 917**
Amortization charge	3 643	30 514	7 211	-	41 368
Disposals	-	(4 684)	(3 853)	-	(8 537)
At 30 June 2015	**58 979**	**470 621**	**24 148**	**-**	**553 748**
Net book value					
At 31 December 2014	**71 367**	**119 642**	**20 497**	**3 886**	**215 392**
At 30 June 2015	**67 806**	**101 413**	**18 913**	**5 257**	**193 389**

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill(continued)

As of 30 June 2015 and 31 December 2014 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 1 January 2014	**126 489**	**569 243**	**34 480**	**2 387**	**732 599**
Additions(Transfers)	159	32 357	13 860	1 499	47 875
Disposals	-	(37 167)	(7 053)	-	(44 220)
At 31 December 2014	**126 648**	**564 433**	**41 287**	**3 886**	**736 254**
Additions(Transfers)	82	12 285	6 048	1 371	19 786
Disposals	-	(4 684)	(4 274)	-	(8 958)
At 30 June 2015	**126 730**	**572 034**	**43 061**	**5 257**	**747 082**
Accumulated depreciation and impairment					
At 1 January 2014	**47 953**	**417 261**	**15 178**	**-**	**480 392**
Amortization charge	7 335	64 325	12 154	-	83 814
Impairment	-	(4)	-	-	(4)
Disposals	-	(36 791)	(6 542)	-	(43 333)
At 31 December 2014	**55 288**	**444 791**	**20 790**	**-**	**520 869**
Amortization charge	3 643	30 514	7 211	-	41 368
Disposals	-	(4 684)	(3 853)	-	(8 537)
At 30 June 2015	**58 931**	**470 621**	**24 148**	**-**	**553 700**
Net book value					
At 31 December 2014	**71 360**	**119 642**	**20 497**	**3 886**	**215 385**
At 30 June 2015	**67 799**	**101 413**	**18 913**	**5 257**	**193 382**

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 30 June 2015 is respectively BGN 5,491 thousand and BGN 12,531 thousand (31 December 2014: BGN 6,233 thousand and BGN 12,910 thousand).

The Company acquired Kimimpex - TL OOD in 2009 and the resulting goodwil was allocated to the respective cash generating units. In 2012 the portion of the goodwill allocated to the fixed bussines was impaired in full and the remainig goodwill is related to the mobile bussiness.

All amounts are in thousand BGN, unless otherwise stated

11. Investments

Investments as of 30 June 2015 and 31 December 2014 are as follows:

		Consolidated financial statements		**Separate financial statements**	
Investments	**Share**	**30.6.2015**	**31.12.2014**	**30.6.2015**	**31.12.2014**
Equity securities – available-for-sale					
Intersputnik	4.79%	369	369	369	369
Sofia Commodity Exchange	5%	13	13	13	13
Total equity securities available for sale		382	382	382	382
Forward exchange contracts for hedging		790	271	790	271
Subsidiaries					
BTC Net		-	-	799	799
Total investments in subsidiaries		-	-	799	799
Total investments		**1 172**	**653**	**1 971**	**1 452**
Incl.					
Current investments		**790**	**271**	**790**	**271**
Non-current investments		**382**	**382**	**1 181**	**1 181**

In the separate financial statements the investments in subsidiaries are measured at cost, less any impairment.

On 8 June 2015 an attachment over 43% of the shares of BTC Net EOOD imposed by the Commission for Forfeiture of Illegally Acquired Property was registered in the Commercial Register. The attachment represents a preliminary securing measure in relation to a future claim of the Commission against third party and was appealed by the Company in front of the court and the decision is currently pending.

12. Trade payables

The payables to suppliers as of 30 June 2015 and 31 December 2014 are as follows:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Payables to suppliers of non current assets	25 123	55 470	25 123	55 470
Payables to international telecom operators - interconnect	22 609	21 361	21 333	19 854
Payables to suppliers of equipment and goods for customers	3 869	472	3 869	472
Payables to suppliers of network maintenance	2 992	3 377	2 992	3 377
Payables to domestic telecom operators	688	1 067	589	881
Payables to related parties (Note 26)	-	-	1 424	2 587
Other payables to suppliers	32 574	43 247	32 559	43 247
Total trade payables	**87 855**	**124 994**	**87 889**	**125 888**
Incl.				
Non-current portion	**3 568**	**3 748**	**3 568**	**3 748**
Current portion	**84 287**	**121 246**	**84 321**	**122 140**

Other payables include outstanding balances of suppliers of fuel, utilities, advertising, inventories, and other.

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

Other payables as of 30 June 2015 and 31 December 2014 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Payables to employees	15 963	18 449	15 963	18 449
VAT	6 920	1 018	6 887	986
Social securities	3 431	3 738	3 431	3 738
Personal income tax payable	1 494	1 522	1 494	1 522
Advances from clients	647	916	647	916
Payables for license fee	227	347	227	347
Withholding and other taxes	77	76	77	76
Forward exchange contracts used for hedging	59	-	59	-
Others	4 454	5 438	4 454	5 418
Total other payables	**33 272**	**31 504**	**33 239**	**31 452**

14. Provisions

Consolidated and Separate financial statements

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2015	**8 717**	**1 018**	**4 481**	**14 216**
Charged to profit and loss		-	(333)	(333)
Recognised in the statement of financial position	87			87
Used during the year	(23)	(114)	(1 052)	(1 189)
Unwinding of discount	163		-	163
At 30 June 2015	**8 944**	**904**	**3 096**	**12 944**

Analysis of provision in consolidated financial statements

	30.6.2015	31.12.2014
Non-current (decommissioning costs)	8 944	8 717
Current	4 000	5 499
Total	**12 944**	**14 216**

All amounts are in thousand BGN, unless otherwise stated

14. Provisions(continued)

Decommissioning

A provision has been recognised for decommissioning costs associated with mobile sites. The provision has been capitalized to the cost of the sites with the amount of the present value of the expected decommissioning obligation after ceasing operation. The discount rate used for 2015 and 2014 was 3.8%.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2015 and was recognized as staff cost in the profit or loss for the year ended 2014.

Legal claims

The amounts represent a provision for labour disputes, legal claim of customers and certain penalties imposed on the Group by the Commission for Protection of Competition (CPC) and Communications Regulation Commission (CRC).

15. Borrowings

The debts in the consolidated and separate financial statements are as follows:

	30.6.2015	**31.12.2014**
Secured bond issue	775 134	773 356
Revolving credit	9 780	19 597
Trade credits	8 598	10 499
Financial lease	2 190	1 515
Total borrowings	**795 702**	**804 967**
including:		
Current borrowings	**12 300**	**12 517**
Non current borrowings	**783 402**	**792 450**

On 17 August 2007 BTC became a party to a loan agreement together with certain companies from the group of its former parent company. In October 2012 the loans of BTC group were restructured through a combination of debt repayment, equity conversion and an outright debt write off, as well as in a change of the ownership of BTC. The existing credit facilities of BTC under the loan agreement were consolidated into a single facility, whereas the aggregate principal amount of the Company’s borrowings was reduced to EUR 452,099 thousand.

In November 2013 BTC announced the successful completion of its debut bond offering of €400 million 6⅝ % Senior Secured Notes due 2018 on the Irish Stock Exchange pursuant to Rule 144A / Regulation S (the "Notes"). The proceeds from the bond offering were used by the Company to repay its existing indebtedness under the amended and restated loan agreement in full. The interest on the Notes is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of B1 by Moody's and BB- by Standard & Poor's Ratings Services. Standard & Poor's lowered the company’s credit rating to 'B' on April 2, 2015 and subsequently to 'B-' on July 8, 2015, as the refinancing of a bridge loan of a holding company of BTC, due on 22 May 2015, has not yeat been finalized.

The liabilities of the Company under the Notes are guaranteed by BTC Net EOOD (subsidiary) and are secured by : 1) a first ranking non-possessory pledge in accordance with the Special Pledges Act on the going concern of the Company, which includes among other assets the shares of the Company in BTC Net, certain real estates and receivables of the Company under certain bank accounts and insurance policies and 2) first ranking pledge in accordance with the Agreements on Financial Collateral Act on receivables of the Company under certain bank accounts and insurance policies. The liabilities of the Company under the Notes are guaranteed as well by an additional security provided by BTC Net EOOD in a form of a first ranking non-possessory pledge in accordance with the Special Pledges Act over its going concern which includes among other assets the receivables of BTC Net under certain bank accounts. The shares of the Company owned by Viva Telecom Bulgaria EAD are also pledged in favour of the bondholders in accordance with the Agreements on Financial Collateral Act.

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

Simultaneously with the bond offering BTC has concluded EUR 35 million Revolving Credit Facility with Societe Generale Expressbank AD under which the Company may borrow funds for the repayment of its debt under the amended and restated loan agreement, financing of its working capital purposes and issue of bank guarantees and letters of credit. The revolving credit facility is available up to 30 November 2016. The interest on the principal amounts owing by the Company under the revolving credit facility is payable monthly and was initially agreed to be the aggregate of 1 month EURIBOR plus a margin of 4% per year. Effective from 26 May 2014 the margin was reduced to 3,75% per year. The liabilities of the Company under the revolving credit facility are secured on a senior secured basis by the same scope and type of security provided by the Company to secure its obligations to the bondholders under the Notes.

Trade credits

Certain assets of the mobile network of the Company have been purchased under a trade credit agreement. The contracted term is four years and the installments are payable quarterly. The future payments are discounted to their net present value at the reporting date using an effective borrowing rate of 5.56%.

Obligations under Finance lease

Certain part of BTC's software is leased under the terms of finance lease. The average lease term is 3 years and the effective borrowing rates are in the range of 4% and 5.798%.

The fair value of Group's and Company's lease obligations approximates their carrying amount.

	Minimum lease payments		Present value of minimum lease payments	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**
Finance lease payables with maturity:				
Within one year	1 927	1 595	1 881	1 515
In the second to fifth years inclusive	332	-	309	-
Total payables	**2 259**	**1 595**	**2 190**	**1 515**
Less: future finance charges	(69)	(80)	-	-
Present value of lease obligations	**2 190**	**1 515**	**2 190**	**1 515**

The net book value of the assets acquired under finance lease arrangements as of 30 June 2015 is BGN 2,423 thousand. (31 December 2014: BGN 2,144 thousnad)

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 30 June 2015 and 2014 the deferred tax assets and liabilities are as it follows:

Consolidated financial statements

Deferred tax assets	Tax loss carried forward	Long-term employee benefits	Property, plant, equipment and intangible assets	Allowance for impairment of receivables	Expense accruals	Available-for-sale financial assets	Cash flow hedges	Total
At 1 January 2014	-	-	-	**1**	-	-	-	**1**
Charged/(credited) to the profit/(loss) for the period	-	-	-	-	-	-	-	-
At 30 June 2014	-	-	-	**1**	-	-	-	**1**
At 1 January 2015			**(1)**	**8**	-	-	-	**7**
Charged/(credited) to the profit/(loss) for the period	12	-	-	21	-	-	-	33
At 30 June 2015	**12**	-	**(1)**	**29**	-	-	-	**40**

Deferred tax liabilities	Tax loss carried forward	Long-term employee benefits	Property, plant, equipment and intangible assets	Allowance for impairment of receivables	Expense accruals	Available-for-sale financial assets	Cash flow hedges	Total
At 1 January 2014	-	**(187)**	**30 382**	**(5 488)**	**(5 996)**	-	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(12)	(2 674)	1 484	418	-	-	(784)
Charged to other comprehensive income for the period	-	-	(55)	-	-	-	15	(40)
At 30 June 2014	-	**(199)**	**27 653**	**(4 004)**	**(5 578)**	-	-	**17 872**
At 1 January 2015	-	**(209)**	**22 219**	**(2 438)**	**(4 463)**	-	**31**	**15 140**
Charged/(credited) to the profit/(loss) for the period	-	(19)	(2 097)	(2 518)	43	-	-	(4 591)
Charged to other comprehensive income for the period	-	-	-	-	-	-	39	39
At 30 June 2015	-	**(228)**	**20 122**	**(4 956)**	**(4 420)**	-	**70**	**10 588**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Six months ended**	
	30.6.2015	**30.6.2014**
Deferred tax liabilities	4 591	784
Deferred tax assets	33	-
Total (charged)/credited to the profit/(loss) for the year	4 624	784

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities(continued)

Separate financial statements

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2014	**-**	**(187)**	**30 382**	**(5 488)**	**(5 996)**	**-**	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(12)	(2 674)	1 484	418	-	-	(784)
Charged to other comprehensive income for the period	-	-	(55)	-	-	-	15	(40)
At 30 June 2014	**-**	**(199)**	**27 653**	**(4 004)**	**(5 578)**	**-**	**-**	**17 872**
At 1 January 2015	**-**	**(209)**	**22 219**	**(2 438)**	**(4 463)**	**-**	**31**	**15 140**
Charged/(credited) to the profit/(loss) for the period	-	(19)	(2 097)	(2 518)	43	-	-	(4 591)
Charged to other comprehensive income for the period	-	-	-	-	-	-	39	39
At 30 June 2015	**-**	**(228)**	**20 122**	**(4 956)**	**(4 420)**	**-**	**70**	**10 588**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Six months ended**	
	30.6.2015	**30.6.2014**
Deferred tax liabilities	4 591	784
Total (charged)/credited to the profit/(loss) for the year	4 591	784

Deferred tax assets and liabilities for different taxable entities are not offset as they can not be settled on a net basis and it is not expected that the assets will be realised and the liabilities will be settled simultaneously in the future.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 30 June 2015 and 31 December 2014 are calculated in these financial statements at 10% tax rate which has been effective since 1 January 2007.

The last period audited by the tax authorities for BTC is 2006. As of the reporting date an open tax audit is ongoing, covering the period January 2010 – December 2013. On 05 June 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009, assessing BGN 10,235 thousand corporate income tax and interest due. The tax assessment act has been appealed and the decision is pending.
On 9 April 2015 a tax audit was opened to BTC Net with a term of 5 months, covering corporate income tax for the period January 2009 – December 2014. With a ruling dated 16 April 2015, preliminary securing measures were imposed over cash in bank accounts amounting to BGN 425 thousand. The ruling has been appealed in front of the court and the decision is pending.

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

In compliance with the Labour Code, the Parent company owes compensation at retirement to all the employees. The compensations of the employees with a 10 years experience in the Company is 6 gross monthly salaries; for the employees having under 10 years experience the compensation is 2 gross monthly salaries.

Currently no assets have been allocated for covering the long-term staff revenue in a separate fund and there are no legal requirements for the establishment of such.

The present consolidated and separate financial statements include a provision for employee benefits obligation which is measured applying the projected unit credit method.

The movement of the liability, recognized in the balance sheet, is as follows:

	Consolidated and Separate financial statements	
	30.6.2015	**31.12.2014**
Liability at the beginning of the period	3 095	1 956
Past service cost	*-*	*39*
Current service cost	*158*	*287*
Interest cost	*57*	*75*
Total cost recognized in profit or loss	215	401
Payments to retirees	(25)	(174)
Remeasurements – actuarial loss recognised in OCI	-	912
Liability at the end of the period	**3 285**	**3 095**

The following principal assumptions have been used in the estimation of the liability:

	30.6.2015	**31.12.2014**
Discount rate	3.80%	3.80%
Future salary increases per year	from 3% to 4%	from 3% to 4%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

The Management has used in the estimation of the liability for retirement benefit obligations the assumption that voluntary leave of personnel, without any compensation, will be negligible.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the statistical information, provided by the National Statistical Institute for the total mortality of the population in Bulgaria for the period 2011 – 2013.

18. Share capital, reserves and dividends

	30.6.2015	**31.12.2014**
Number of shares	288 764 840	288 764 840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288 765	288 765
Share capital	288 765	288 765

Structure of the share capital:	**30.6.2015**	**%**	**31.12.2014**	**%**
Number of ordinary shares:				
Viva Telecom Bulgaria EOOD	288 764 840	100.00%	288 764 840	100.00%
Total ordinary shares	**288 764 840**	**100%**	**288 764 840**	**100%**
Total number of shares	**288 764 840**	**100%**	**288 764 840**	**100%**

On 2 June 2015 the Company was informed about an attachment over 43% of the shares of the Company imposed by the Commission for Forfeiture of Illegally Acquired Property. The attachment represents a preliminary securing measure in relation to a future claim of the Commission against third party and was appealed by Viva Telecom in front of the court and the decision is currently pending.

All amounts are in thousand BGN, unless otherwise stated

18. Share capital, reserves and dividends (continued)

On 10 November 2004 BTC was registered as a public company. As part of the governmental project to privatize the remaining state

Earnings per share	Consolidated financial statements		Separate financial statements	
	Six months ended		Six months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Profit/(loss) for the period	(6 777)	19 050	(5 983)	26 204
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
(Loss)/earnings per share (BGN (basic and diluted))	(0.02)	0.07	(0.02)	0.09

Legal reserve

The legal reserve is set up as required by the Bulgarian Commercial Act and equals one tenth of the share capital.

Revaluation reserve

The revaluation reserve relates to the revaluation of Land.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

The revaluation, fair value and hedging reserves are not subject to distribution of profit prior to transfer to retained earnings.

Dividends payable

	30.6.2015	31.12.2014
Dividend approved by the Sole owner of the share capital	-	-
Non-distributed dividends for prior years	3	6
Tax on dividend	-	-
Net dividends paid	-	(3)
Total dividend payable	3	3

With a resolution dated 5 May 2015 the Sole owner of the share capital of BTC decided not to distribute dividends for the year.

19. Revenue

Revenue of the Group and the Company for the six months ended 30 June 2015 and 2014 consist of:

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Recurring charges	197 113	182 842	98 878	92 063
Leased lines and data transmission	56 757	56 527	28 385	28 258
Outgoing traffic	55 151	65 615	28 128	33 871
Interconnect	19 961	19 188	10 505	10 065
Other revenue	75 810	68 459	37 632	34 020
Total revenue	**404 792**	**392 631**	**203 528**	**198 277**

Separate financial statements	Six months ended		Three months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Recurring charges	197 089	182 842	98 860	92 063
Leased lines and data transmission	57 077	56 847	28 544	28 418
Outgoing traffic	55 151	65 615	28 128	33 871
Interconnect	18 164	15 376	9 850	8 162
Other revenue	76 421	69 167	37 924	34 374
Total revenue	**403 902**	**389 847**	**203 306**	**196 888**

Revenue from sales of mobile handsets is included in Other revenue above, which for the six months ended 30 June 2015 amount to BGN 26,982 thousand for the Group and the Company (for the six months ended 30 June 2014: BGN 26,803 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses

Other operating expenses for the six months ended 30 June 2015 and 2014 consist of:

Consolidated financial statements

	Six months ended		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Advertising, customer service, billing and collection	27 634	27 581	14 486	14 239
Facilities	22 402	22 098	11 313	10 971
Maintenance and repairs	16 472	15 621	8 153	7 824
Administrative expenses	8 007	4 598	6 045	2 148
License fees	6 638	6 718	3 325	3 345
Vehicles and transport	4 493	4 388	2 255	2 221
Leased lines and data transmission	1 444	1 495	741	750
Professional fees	1 429	709	849	339
Other, net	33 126	7 432	29 872	4 288
including				
Impairment of trade and other receivables	*29 056*	*4 209*	*26 994*	*2 052*
Scrap of assets	*3 146*	*1 174*	*2 245*	*788*
Impairment of other current assets	*(20)*	*296*	*(11)*	*(13)*
Impairment of non-current assets	*(56)*	*(47)*	*(45)*	*(24)*
Provisions	*(333)*	*742*	*(29)*	*984*
Other/other	*1 333*	*1 058*	*718*	*501*
Total other operating expenses	**121 645**	**90 640**	**77 039**	**46 125**

Separate financial statements

	Six months ended		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Advertising, customer service, billing and collection	27 681	27 627	14 509	14 262
Facilities	22 402	22 099	11 313	10 972
Maintenance and repairs	16 472	15 621	8 153	7 824
Administrative expenses	8 006	4 597	6 045	2 148
License fees	6 636	6 713	3 324	3 343
Vehicles and transport	4 493	4 388	2 255	2 221
Leased lines and data transmission	1 436	1 495	735	750
Professional fees	1 429	709	849	339
Other, net	32 925	7 424	29 673	4 279
including				
Impairment of trade and other receivables	*28 855*	*4 201*	*26 795*	*2 043*
Scrap of assets	*3 146*	*1 174*	*2 245*	*788*
Impairment of other current assets	*(20)*	*296*	*(11)*	*(13)*
Impairment of non-current assets	*(56)*	*(47)*	*(45)*	*(24)*
Provisions	*(333)*	*742*	*(29)*	*984*
Other/other	*1 333*	*1 058*	*718*	*501*
Total other operating expenses	**121 480**	**90 673**	**76 856**	**46 138**

All amounts are in thousand BGN, unless otherwise stated

21. Staff costs

Staff costs for the six months ended 30 June 2015 and 2014 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Salaries and wages	47 436	43 028	23 005	21 706
Pension, health and unemployment fund contributions	8 215	7 604	4 085	3 838
Other benefits	2 292	2 213	1 121	1 080
Other staff costs	1 135	999	817	792
Total staff costs	**59 078**	**53 844**	**29 028**	**27 416**

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Salaries and wages	47 433	43 025	23 003	21 705
Pension, health and unemployment fund contributions	8 215	7 604	4 085	3 838
Other benefits	2 292	2 213	1 121	1 080
Other staff costs	1 135	999	817	792
Total staff costs	**59 075**	**53 841**	**29 026**	**27 415**

As stated in note 17 the amounts of post employment benefits included in salaries and wages above for the consolidated and separate financial statements for the six months ended 30 June 2015 and 2014 are respectively BGN 158 thousand and BGN 143 thousand.

22. Finance income and costs

Financial income and costs for the six months ended 30 June 2015 and 2014 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Finance costs				
Interest expense:	28 425	29 450	14 244	14 604
-Bond issues	*27 693*	*27 606*	*13 892*	*13 802*
-Provisions	*219*	*208*	*109*	*103*
-Bank borrowings	*195*	*1 222*	*90*	*499*
-Finance lease	*44*	*91*	*22*	*43*
-Other	*274*	*323*	*131*	*157*
Foreign exchange loss	49	36	(24)	15
Other finance costs	358	246	182	150
Total finance cost	**28 832**	**29 732**	**14 402**	**14 769**
Finance income				
Interest income:	6 163	4 266	2 750	1 983
-Finance lease	*1 649*	*1 358*	*815*	*694*
-Bank deposits	*(8)*	*2 228*	*(41)*	*1 257*
-Other	*4 522*	*680*	*1 976*	*32*
Gains on cash flow hedges - ineffective portion of changes in fair value	15	3	14	(2)
Income on available-for-sale financial assets:				
-Reclassified from OCI	-	2 430	-	2 430
-Dividend income	-	111	-	111
Other finance income	98	14	98	14
Total finance income	**6 276**	**6 824**	**2 862**	**4 536**
Net finance costs	**22 556**	**22 908**	**11 540**	**10 233**

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Six months ended		Three months ended	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Finance costs				
Interest expense:	28 425	29 450	14 244	14 604
-Bond issues	*27 693*	*27 606*	*13 892*	*13 802*
-Provisions	*219*	*208*	*109*	*103*
-Bank borrowings	*195*	*1 222*	*90*	*499*
-Finance lease	*44*	*91*	*22*	*43*
-Other	*274*	*323*	*131*	*157*
Foreign exchange loss	39	33	(2)	12
Other finance costs	353	242	179	147
Total finance cost	**28 817**	**29 725**	**14 421**	**14 763**
Finance income				
Interest income:	6 156	4 188	2 751	1 971
-Finance lease	*1 649*	*1 358*	*815*	*694*
-Bank deposits	*(8)*	*2 150*	*(40)*	*1 245*
-Other	*4 515*	*680*	*1 976*	*32*
Gains on cash flow hedges - ineffective portion of changes in fair value	15	3	14	(2)
Income on available-for-sale financial assets:				
-Reclassified from OCI	-	2 430	-	2 430
-Dividend income	500	8 361	500	111
Other finance income	98	14	98	14
Total finance income	**6 769**	**14 996**	**3 363**	**4 524**
Net finance costs	**22 048**	**14 729**	**11 058**	**10 239**

23. Gains on sale of non-current assets, assets held for sale and materials

Other gains, net for the six months ended 30 June 2015 and 2014 consist of:

Consolidated and Separate financial statements	Six months ended		Three months ended	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Gains from sales of non-current assets and assets held for sale	**6 604**	**2 632**	**2 747**	**1 287**
incl.: income	8 214	2 724	2 780	1 341
net book value	(1 610)	(92)	(33)	(54)
Gain from sales of materials	**1**	**2**	**-**	**1**
incl.: income	1	3	-	2
net book value	-	(1)	-	(1)
Total gains on sale of non-current assets, assets held for sale and materials	**6 605**	**2 634**	**2 747**	**1 288**

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the six months ended 30 June 2015 and 2014 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Current income tax charge	11 508	2 943	8 926	964
Deferred tax	(4 624)	(784)	(3 653)	138
Total income tax expense	**6 884**	**2 159**	**5 273**	**1 102**

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Current income tax charge	11 508	2 821	8 926	904
Deferred tax	(4 591)	(784)	(3 626)	138
Total income tax expense	**6 917**	**2 037**	**5 300**	**1 042**

Total tax expense can be reconciled to the accounting profit as follows:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Profit/(loss) before tax	107	21 209	(15 115)	12 193
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	11	2 121	(1 512)	1 219
Non-deductible expenses	466	102	437	24
Tax exempt income	(1)	(247)	-	(247)
Effect of current tax from previous periods, accounted during the year	6 298	-	6 298	-
Change in recognised deductible temporary differences	110	183	50	106
Income tax expense	**6 884**	**2 159**	**5 273**	**1 102**
Effective tax rate	6433.64%	10.18%	-34.89%	9.04%
Income tax expense in the profit or loss	6 884	2 159	5 273	1 102

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Profit/(loss) before tax	934	28 241	(14 353)	11 596
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	94	2 824	(1 435)	1 159
Non-deductible expenses	466	102	437	24
Tax exempt income	(51)	(1 072)	(50)	(247)
Effect of current tax from previous periods, accounted during the year	6 298	-	6 298	-
Change in recognised deductible temporary differences	110	183	50	106
Income tax expense	**6 917**	**2 037**	**5 300**	**1 042**
Effective tax rate	740.58%	7.21%	-36.93%	8.99%
Income tax expense in the profit or loss	6 917	2 037	5 300	1 042

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

b) amounts recognized in other comprehensive income

Consolidated and separate financial statements	**Six months ended**		**30.6.2015**	**Six months ended**		**30.6.2014**
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Revaluation of land	-	-	-	(554)	55	(499)
Cash flow hedges – effective portion of changes in fair value	388	(39)	349	153	(15)	138
Valuation of financial assets available for sale	-	-	-	(1 531)	-	(1 531)
Total tax (expense)/benefit	**388**	**(39)**	**349**	**(1 932)**	**40**	**(1 892)**

	Three months ended		**30.6.2015**	**Three months ended**		**30.6.2014**
	Before tax	**Tax benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Revaluation of land	-	-	-	(554)	55	(499)
Cash flow hedges – effective portion of changes in fair value	(1 029)	103	(926)	84	(8)	76
Valuation of financial assets available for sale	-	-	-	(2 196)	-	(2 196)
Total tax benefit	**(1 029)**	**103**	**(926)**	**(2 666)**	**47**	**(2 619)**

All amounts are in thousand BGN, unless otherwise stated

25. Segment information

Management has determined the operating segments based on the reports reviewed by the Managing Board that are used to make strategic decisions. The business, considered on a product perspective is currently organized into two lines of business – Fixed line of business and Mobile line of business. Principal activities are as follows:

- Fixed line of business – voice and data services over the fixed network;
- Mobile line of business – mobile services (GSM and UMTS Standards)

The Managing Board assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Managing Board for the six months ended 30 June 2015 and 2014 is presented below.

Six months ended 30 June 2015	**Consolidated financial statements**		
	Fixed line of business	**Mobile line of business**	**Total**
Revenue	174 156	230 636	404 792
Cost of sales	(24 591)	(70 487)	(95 078)
Gross margin	**149 565**	**160 149**	**309 714**
Operating expenses			(118 113)
Staff costs			(59 078)
Depreciation and amortization			(116 465)
Financial expenses, net			(22 556)
Gains on sale of non-current assets, assets held for sale and materials			6 605
Profit before tax			**107**
Income tax expense			(6 884)
Net loss for the year			**(6 777)**

Six months ended 30 June 2014	**Consolidated financial statements**		
	Fixed line of business	**Mobile line of business**	**Total**
Revenue	185 002	207 629	392 631
Cost of sales	(23 617)	(58 002)	(81 619)
Gross margin	**161 385**	**149 627**	**311 012**
Operating expenses			(87 823)
Staff costs			(53 844)
Depreciation and amortization			(127 862)
Financial expenses, net			(22 908)
Gains on sale of non-current assets, assets held for sale and materials			2 634
Profit before tax			**21 209**
Income tax expense			(2 159)
Net profit for the year			**19 050**

Operating expenses comprise materials and consumables and other operating expenses not included in cost of sales

All amounts are in thousand BGN, unless otherwise stated

26. Related parties

The Group's related parties are considered to be the following:

• shareholders of which the Company is a subsidiary or an associate, directly or indirectly, and companies under control by such shareholders;

• members of the Company's statutory and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties;

For the stand alone statements as related parties are considered all consolidated subsidiaries as well.

Balances

The following table summarizes the balances of receivables and payables with related parties as of 30 June 2015 and 31 December 2014:

For the Group	Relationship	Receivables		Payables	
		30.6.2015	31.12.2014	30.6.2015	31.12.2014
Members of Mr Vassilev's Group of Companies	Other RP	2	88	-	-
Total for BTC group		**2**	**88**	**-**	**-**

For BTC	Relationship	Receivables		Payables	
		30.6.2015	31.12.2014	30.6.2015	31.12.2014
BTC Net EOOD	Subsidiary	1 447	1 224	1 424	2 587
Members of Mr Vassilev's Group of Companies	Other RP	2	88	-	-
Total for BTC		**1 449**	**1 312**	**1 424**	**2 587**

Transactions

The following table summarizes services received by BTC from related parties:

For the Group	Relationship	Six months ended		Three months ended	
		30.6.2015	30.6.2014	30.6.2015	30.6.2014
Members of Mr Vassilev's Group of Companies	Other RP	-	52	-	49
Total for BTC group		**-**	**52**	**-**	**49**

For BTC	Relationship	Six months ended		Three months ended	
		30.6.2015	30.6.2014	30.6.2015	30.6.2014
BTC Net EOOD	Subsidiary	4 460	4 577	2 298	2 497
Members of Mr Vassilev's Group of Companies	Other RP	-	52	-	49
Total for BTC		**4 460**	**4 629**	**2 298**	**2 546**

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

The realised revenue from related parties is as follows:

For the Group	**Relationship**	**Six months ended 30.6.2015**	**Six months ended 30.6.2014**	**Three months ended 30.6.2015**	**Three months ended 30.6.2014**
Members of Mr Vassilev's Group of Companies	Other RP	4	308	-	168
Viva Telecom Bulgaria EOOD	Parent	4	4	2	4
Total for BTC group		**8**	**312**	**2**	**172**

For BTC	**Relationship**	**Six months ended 30.6.2015**	**Six months ended 30.6.2014**	**Three months ended 30.6.2015**	**Three months ended 30.6.2014**
BTC Net EOOD	Subsidiary	2 858	2 042	1 605	1 067
Members of Mr Vassilev's Group of Companies	Other RP	4	308	-	168
Viva Telecom Bulgaria EOOD	Parent	4	4	2	4
Total for BTC		**2 866**	**2 354**	**1 607**	**1 239**

Loans

As per Loan Agrement dated 22 April 2014 BTC provided to Viva Telecom Bulgaria EOOD a revolving credit facilty for the amount of up to EUR 2,000 thousnad. The aplicable interest rate shall be the aggregate of 6M Euribor plus a margin of 6.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on 22 April 2016.
The amounts related to the loan are shown below:

		Loan principal	**Interest income**	**Interest receivable**
Viva Telecom	For the six months ended 30 June 2014		3	
Bulgaria EOOD	As of 31 December 2014	925		10
	For the six months ended 30 June 2015		41	
	As of 30 June 2015	1 744	-	17

On 17 October 2014 BTC assigned BGN 17,633 thousand from the cash and cash equivalents at CCB. The Company recognized loan amounting to BGN 17,633 thousand, provided to Inter V Investment Sarl., which is the parent company of Viva Telecom Bulgaria. The applicable interest rate is the aggregate of 6M Euribor plus a margin of 7.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on the date of discharge of all liabilities of Inter V Investment Sarl under its loan facility agreement dated 6 November 2013. The discharge date was initially agreed to be 22 May 2015, but since the liabilities were not repaid the applicable margin of the interest rate was changed to 8.5% p.a. since 22 May 2015. In relation to the above the management has assessed the collectability of the loan as disclosed in note 6.
The amounts related to the loan are shown below:

		Loan principal	**Interest income**	**Interest receivable**
InterV Investment S.à r.l	For the six months ended 30 June 2014		-	
	As of 31 December 2014	17 633		287
	For the six months ended 30 June 2015		339	
	As of 30 June 2015	17 633	-	625

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

Key management remunerations

Remuneration amounting to BGN 3,582 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 30 June 2015 (30 June 2014: BGN 1,763 thousand).

27. Commitments and contingencies

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 30 June 2015, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 30.06.2015	Commitments outstanding
Hardware and software	12 335	6 627	5 708
Construction and assembly works of the network of BTC	23 111	4 544	18 567
Network equipment	92 780	67 340	25 440
Total	**128 226**	**78 511**	**49 715**

Contingencies

The Company is a participant in several lawsuits and administrative proceedings. Based on the information available, management is satisfied that there is no material unprovided liability arising from these lawsuits and administrative proceedings.

The Group has bank guarantees issued to third parties which amount to BGN 474 thousand as of 30 June 2015 (31 December 2014: BGN 615 thousand).

28. Operating lease

Minimum lease payments under operating leases recognized as an expense for the period are as follows:

Consolidated and Separate financial statements	Six months ended		Three months ended	
	30.6.2015	**30.6.2014**	**30.6.2015**	**30.6.2014**
Minimum lease payments	6 871	6 806	3 434	3 418

BTC has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30.6.2015	31.12.2014
Within one year	13 454	13 445
In the second to fifth years inclusive	35 530	36 574
Later than five years	72 290	75 513
Total commitments	**121 274**	**125 532**

Operating lease payments represent rentals payable for certain part of the vehicles of the Group and the Company. Leases and rentals are negotiated for an average term of three years.

In the amount of the non-cancellable operating lease payables are included payments related to contract for lease of administrative building that commenced in 2010 and the leasing term is above 5 years.

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments

The following table shows the carrying amounts and fair values of the group's financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Consolidated financial statements

30 June 2015	Note	Carrying amount					Fair value			
		Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	790				**790**		790		**790**
Total financial assets measured at fair value		**790**	**-**	**-**	**-**	**790**				
Financial assets not measured at fair value										
Trade receivables	5.		235 011			**235 011**				**-**
Cash and cash equivalents	4.		59 006			**59 006**				**-**
Total financial assets not measured at fair value		**-**	**294 017**	**-**	**-**	**294 017**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	59				**59**		59		**59**
Total financial liabilities measured at fair value		**59**	**-**	**-**	**-**	**59**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				775 134	**775 134**	804 449			**804 449**
Secured bank loans	15.				9 780	**9 780**			9 780	**9 780**
Trade credits	15.				8 598	**8 598**			8 598	**8 598**
Finance lease liabilities	15.				2 190	**2 190**			2 190	**2 190**
Trade payables	12.				87 855	**87 855**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**883 557**	**883 557**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Consolidated financial statements

31 December 2014	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Forward exchange contracts used for hedging		271	-		-	**271**		271		**271**
Total financial assets measured at fair value		**271**	**-**	**-**	**-**	**271**				
Financial assets not measured at fair value										
Trade receivables	5.		234 343			**234 343**				**-**
Cash and cash equivalents	4.		60 080			**60 080**				**-**
Total financial assets not measured at fair value		**-**	**294 423**	**-**	**-**	**294 423**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				773 356	**773 356**	796 852			**796 852**
Secured bank loans	15.				19 597	**19 597**			19 597	**19 597**
Trade credits	15.				10 499	**10 499**			10 499	**10 499**
Finance lease liabilities	15.				1 515	**1 515**			1 515	**1 515**
Trade payables	12.				124 994	**124 994**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**929 961**	**929 961**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

30 June 2015	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	790				**790**		790		**790**
Total financial assets measured at fair value		**790**	**-**	**-**	**-**	**790**				
						-				**-**
Financial assets not measured at fair value										
Trade receivables	5.		234 743			**234 743**				**-**
Cash and cash equivalents	4.		58 960			**58 960**				**-**
Total financial assets not measured at fair value		**-**	**293 703**	**-**	**-**	**293 703**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	59				**59**		59		**59**
Total financial liabilities measured at fair value		**59**	**-**	**-**	**-**	**59**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				775 134	**775 134**	804 449			**804 449**
Secured bank loans	15.				9 780	**9 780**			9 780	**9 780**
Trade credits	15.				8 598	**8 598**			8 598	**8 598**
Finance lease liabilities	15.				2 190	**2 190**			2 190	**2 190**
Trade payables	12.				87 889	**87 889**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**883 591**	**883 591**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

31 December 2014	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	271				**271**				-
Total financial assets measured at fair value		**271**	**-**	**-**	**-**	**271**				
						-				-
Financial assets not measured at fair value										
Trade receivables	5.		234 094			**234 094**				-
Cash and cash equivalents	4.		60 026			**60 026**				-
Total financial assets not measured at fair value		**-**	**294 120**	**-**	**-**	**294 120**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				773 356	**773 356**	796 852			**796 852**
Secured bank loans	15.				19 597	**19 597**			19 597	**19 597**
Trade credits	15.				10 499	**10 499**			10 499	**10 499**
Finance lease liabilities	15.				1 515	**1 515**			1 515	**1 515**
Trade payables	12.				125 888	**125 888**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**930 855**	**930 855**				

29. Financial instruments(continued)

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities	Discounted cash flows	Interest rate

Other financial liabilities include secured bank loans and finance lease liabilities

Market interest rates applied for the valuation of the financial instruments are in the range of 3.75% and 5.798%.

30. Subsequent events

Except as disclosed in these financial statements, there are no events since the reporting period end which would require additional adjustment of or disclosure in the financial statements now presented.