

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 2014

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Bulgarian Telecommunications Company EAD

**QUARTERLY CONSOLIDATED AND SEPARATE
ACTIVITIES REPORT FOR THE SIX MONTHS ENDED
JUNE 30, 2014**

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BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT
For the six months ended 30 June 2014

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: 1151 “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 2014 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, 2014. We are the only 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, 2014, we served 2.7 million mobile subscribers, 1.3 million fixed telephony subscribers and 0.3 million fixed broadband subscribers. For the six months ended June 30, 2014, we generated total revenue of BGN 392.6 million and had Adjusted EBITDA of BGN 173.6 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 2.7 million subscribers as at June 30, 2014, an increase of 10.2% from 2.4 million subscribers as at June 30, 2013. 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 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 December 31, 2013 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.81% of the Bulgarian population (Source: CRC).

Our revenue market share for the mobile market is approximately 24% as at June 30, 2014.

We are the incumbent in the fixed voice line market with 84% subscription revenue share (excluding VoBB revenue) and 66% subscriber share as at March 31, 2014 (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 23% subscriber market share as at March 31, 2014. (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 780,000 fiber homes passed as at June 30, 2014. 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, 2014 Vivacom had 237 owned branded retail locations with an additional 113 alternative sale points.

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FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first half of 2014 with a positive result of BGN 19.0 million, (the Company - with a positive result of BGN 26.2 million), an increase of BGN 11.7 million from BGN 7.3 million for the six months ended June 30, 2013. Overall, the financial statements show stable increase in profitability with minimal decrease in revenues and an adequate optimization of operating expenses.

On 22 November 2013 Vivacom successfully completed its bond offering of €400 (BGN 782.3) million 6⁵/₈% 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 semiannually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014.

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 €35 (BGN 68.4) million in aggregate. Loans may be borrowed, repaid and reborrowed at any time up to 30 November 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 26 May 2014 the margin was reduced to 3.75% per year.

REVENUES

Our total revenue was BGN 392.6 million for the six months ended June 30, 2014, a decrease of BGN 6.3 million, or 1.6%, from BGN 398.9 million for the six months ended June 30, 2013.

The table below sets forth our revenue for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

	For the six months ended June 30,		Change	
	2014	2013	(amount)	(%)
BGN in millions, except percentages				
Recurring charges	182.8	173.9	9.0	5.2
Outgoing traffic	65.6	70.1	(4.5)	(6.4)
Leased lines and data transmission	56.5	61.1	(4.5)	(7.4)
Interconnect	19.2	34.2	(15.0)	(43.9)
Other revenue	68.5	59.7	8.7	14.6
Total revenue	392.6	398.9	(6.3)	(1.6)

Revenue from recurring charges was BGN 182.8 million for the six months ended June 30, 2014, an increase of BGN 9.0 million, or 5.2%, from BGN 173.9 million for the six months ended June 30, 2013 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

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Revenue for outgoing traffic was BGN 65.6 million for six months ended June 30, 2014, a decrease of BGN 4.5 million, or 6.4%, from BGN 70.1 million for the six months ended June 30, 2013 mainly due to lower termination rates and competitive pressure leading to a decline in prices per minute and more included minutes in tariffs offered to customers.

Revenue for leased lines and data transmissions was BGN 56.5 million for six months ended June 30, 2014, a decrease of BGN 4.5 million, or 7.4% from BGN 61.1 million for the six months ended June 30, 2013, primarily due to the migration of customers to alternative data services where such services are being offered as a low price substitute to the traditional lines.

Interconnect revenue was BGN 19.2 million for the six months ended June 30, 2014, a decrease of BGN 15.0 million, or 43.9%, from BGN 34.2 million for the six months ended June 30, 2013. The decrease in revenue was mainly a result of lower termination rates as mandated by the CRC. MTRs were reduced in January 2013 to reach BGN 0.046 in accordance with the glide path. Further decreases were implemented in July 2013, with MTR lowered to BGN 0.023 and from January 2014 the MTR is set at BGN 0.02. FTRs were reduced in July 2013 to BGN 0.005 compared to BGN 0.0085 in January 2013.

Other revenue was BGN 68.5 million for the six months ended June 30, 2014, an increase of BGN 8.7 million, or 14.6% from BGN 59.7 million for the six months ended June 30, 2013 mainly due to increased revenue from pay TV (both DTH and IPTV) and increased sales of mobile handsets and tablets.

The following table sets forth a breakdown of our revenue by segment for the six months ended June 30, 2014:

BGN in millions, except percentages	For the six months ended June 30,		Change	
	2014	2013	(amount)	(%)
Fixed-line revenue	185.0	202.6	(17.6)	(8.7)
Mobile revenue	207.6	196.3	11.3	5.8
Total revenue	392.6	398.9	(6.3)	(1.6)

Our fixed-line revenue, which is comprised of fixed voice (fixed telephony and other), fixed data (fixed broadband and other) and other fixed line services was BGN 185.0 million for the six months ended June 30, 2014, a decrease of BGN 17.6 million, or 8.7%, from BGN 202.6 million for the six months ended June 30, 2013. The decrease was mainly attributable to the ongoing fixed to mobile substitution trend, competition from other operators and a decrease in interconnect revenues stemming from the regulatory effect.

Our mobile revenue was BGN 207.6 million for the six months ended June 30, 2014, an increase of BGN 11.3 million, or 5.8%, from BGN 196.3 million for the six months ended June 30, 2013. 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 quality of our network that offset the decrease in mobile ARPU from competition and the regulatory effect.

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.

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	For the six months ended June 30,		Change	
	2014	2013	(amount)	(%)
Number of mobile subscribers at period end (in thousands)	2 677	2 429	248	10.2
% post-paid at period end	85	82	3	3.7
% pre-paid at period end	15	18	(3)	(16.7)
Blended mobile ARPU (BGN)	11.1	11.5	(0.4)	(3.2)
Post-paid ARPU (BGN)	12.4	13.0	(0.6)	(4.4)
Pre-paid ARPU (BGN)	4.2	4.5	(0.3)	(6.2)
AMOU (minutes)	140	136	4	3.0

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, 2014, 85% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.4 million subscribers as at June 30, 2013 to 2.7 million subscribers as at June 30, 2014. 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 decreased by 3.2% to BGN 11.1 for the six months ended June 30, 2014 from BGN 11.5 for the six months ended June 30, 2013 primarily as a result of the continued reduction in termination rates mandated by the CRC and reduced tariffs for our offerings. The increasing popularity of Android smartphones boosted the smartphone penetration rate and, in turn, mobile data usage by customers and mobile data ARPU. The gain in mobile data ARPU partially compensated for the falling ARPU from voice services.

Mobile AMOU increased by 3.0% to 140 minutes for the six months ended June 30, 2014, from 136 minutes for the six months ended June 30, 2013. The increase is due to our strategy for offering more added services and tariff plans with a high number of included minutes, providing our subscribers with flexible solutions to match their consumption patterns.

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.

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	For the six months ended June 30,		Change	
	2014	2013	(amount)	(%)
Fixed telephony subscribers at period end (in thousands)	1 256	1 392	(136)	(9.7)
Fixed telephony ARPU (BGN)	12.1	12.5	(0.4)	(3.0)
AMOU (minutes)	106	113	(7)	(6.2)
Fixed broadband subscribers at period end (in thousands)	335	321	14	4.2
% Fttx at period end	28	15	13	86.7
Fixed broadband ARPU (BGN)	11.3	11.9	(0.6)	(4.9)
Number of fiber homes passed (in thousands)	780	512	268	52.3

Fixed Telephony

Our total fixed telephony subscribers decreased by 9.7% to 1.3 million as at June 30, 2014, from 1.4 million as at June 30, 2013. 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 3.0% to BGN 12.1 for the six months ended June 30, 2014, from BGN 12.5 for the six months ended June 30, 2013. The decrease in total fixed telephony ARPU is primarily due to the decrease in monthly recurring fees as the proportion of tariffs with lower MRC increased as well as a decrease in AMOU.

Fixed telephony AMOU decreased by 6.2% to 106 minutes for six months ended June 30, 2014, from 113 minutes for the six months ended June 30, 2013. The decrease is 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 4.2% to 335 thousand as at June 30, 2014, from 321 thousand as at June, 2013. The increase is due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 4.9% to BGN 11.3 for the six months ended June 30, 2014, from BGN 11.9 for the six months ended June 30, 2013. The decrease was primarily due to the falling ARPUs of lower speed ADSL.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 19.0 million for the six months ended June 30, 2014, a decrease of BGN 14.1 million, or 42.6%, from BGN 33.1 million for the six months ended June 30, 2013. This was mainly

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due to lower termination rates for calls made by our subscribers to other networks, as a result of regulation.

Other Operating Expenses

Our other operating expenses were BGN 90.6 million for the six months ended June 30, 2014, a decrease of BGN 22.6 million, or 20.0%, from BGN 113.2 million for the six months ended June 30, 2013.

The table below sets forth our other operating expenses for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

BGN in millions, except percentages	For the six months ended June 30,		Change	
	2014	2013	(amount)	(%)
Advertising, customer service, billing and collection	(27.6)	(27.0)	(0.6)	2.2
Facilities	(22.1)	(22.2)	0.1	(0.5)
Maintenance and repairs	(15.6)	(40.3)	24.7	(61.3)
License fees	(6.7)	(6.8)	0.1	(1.5)
Administrative expenses	(4.6)	(4.3)	(0.3)	7.0
Vehicles and transport	(4.4)	(1.8)	(2.6)	144.4
Leased Lines & Data Transmission	(1.5)	(1.6)	0.1	(6.3)
Professional fees	(0.7)	(1.5)	0.8	(53.3)
Other, net	(7.4)	(7.7)	0.3	(3.9)
Total other operating expenses	(90.6)	(113.2)	22.6	(20.0)

The decrease in other operating expenses was driven mainly by lower maintenance and repairs expenses reflecting the termination of the outsourcing agreement with Alcatel-Lucent Bulgaria EOOD (“Alcatel Lucent agreement”) as well as lower other, net expenses and professional fees. The services that were outsourced to Alcatel Lucent include among others, the maintenance of our fiber and copper access network, service provisioning and assurance, mobile sites field maintenance, active equipment and service platforms maintenance, and the operation of a network operation center. The Company transferred the outsourced activities and 2 156 employees back as of 1 January 2014. Decrease in other, net expenses is mainly due to lower impairment of trade and other receivables as a result of improved collectability. Professional fees decreased due to less legal fees.

These decreases were partially offset by the higher vehicles and transport expenses as well as higher cost of advertising, customer service, billing and collection and administrative expenses. Higher vehicles and transport expenses were driven by the transfer of employees and related vehicles following the termination of Alcatel Lucent agreement.

Advertising, customer service, billing and collection expenses increase mainly due to more promotional activities and higher costs for pay TV content as we increased our subscriber numbers.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 59.8 million for the six months ended June 30, 2014, a decrease of BGN 0.1 million, or 0.2%, from BGN 59.9 million for the six months ended June 30, 2013 attributable mainly to decrease in utilities costs.

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Staff Costs

Our staff costs were BGN 53.8 million for the six months ended June 30, 2014, an increase of BGN 19.4 million, or 56.4%, from BGN 34.4 million for the six months ended June 30, 2013, mainly due to the increase in the number of employees following the termination of Alcatel Lucent agreement and insourcing of our network operation and maintenance activities.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 127.9 million for the six months ended June 30, 2014, a decrease of BGN 0.1 million, or 0.1%, from BGN 128.0 million for the six months ended June 30, 2013.

Finance Costs

Our finance costs were BGN 29.7 million for six months ended June 30, 2014, an increase of BGN 3.8 million, or 14.7%, from BGN 25.9 million for the six months ended June 30, 2013, primarily as a result of the higher coupon (6⁵/₈% fixed) on the EUR 400m Notes compared to floating interest rate (EURIBOR + 5.5%) on the old EUR 452m syndicated loan.

Finance Income

Our finance income was BGN 6.8 million for the six months ended June 30, 2014, an increase of BGN 4.2 million, or 161.5%, from BGN 2.6 million for the six months ended June 30, 2013, due to the proceeds from sale of equity securities as well as due to the higher income from deposits held and interest income from finance leases on mobile devices whereby customers pay us for mobile handsets and tablets in installments.

Other Gains, Net

Our other gains, net were BGN 2.6 million for the six months ended June 30, 2014, an increase of BGN 1.1 million from BGN 1.5 million for the six months ended June 30, 2013 as gains from sales of non-current assets increased, mainly due to the increase in sales of our dismantled copper cables.

Income Tax Expenses

The following table sets forth our income tax expense for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

	For the six months ended June 30,		Change	
BGN in millions, except percentages	2014	2013	(amount)	(%)
Current income tax charge	(2.9)	(0.5)	(2.4)	480.0
Deferred tax credit to comprehensive income	0.8	(0.6)	1.4	(233.3)
Income tax expense	(2.1)	(1.1)	(1.0)	90.9

Income tax expenses were BGN 2.1 million for the six months ended June 30, 2014, an increase of BGN 1.0 million, or 90.9%, from BGN 1.1 million for the six months ended June 30, 2013 mainly due to higher operating profit for the first half of 2014.

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ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the period was BGN 19.0 million for the six months ended June 30, 2014, an increase of BGN 11.7 million, or 160.7% from BGN 7.3 million for the six months ended June 30, 2013.

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)	2014	2013	(amount)	(%)
Profit / (loss) for the period	19.0	7.3	11.7	160.7
Income tax expense	2.2	1.2	1.0	85.4
Finance expenses, net	22.9	23.3	(0.4)	(1.9)
Depreciation and amortization	127.9	128.0	(0.2)	(0.1)
EBITDA	172.0	159.8	12.1	7.6
Other gains, net	(2.6)	(1.5)	(1.2)	79.7
Asset impairment and write off	1.6	2.0	(0.5)	(22.8)
Provisions and penalties	1.6	0.1	1.5	1 358.0
Other exceptional items	1.1	0.7	0.4	48.8
Adjusted EBITDA	173.6	161.3	12.3	7.6

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	2014	2013	(amount)	(%)
Net cash from operating activities	(21.5)	117.2	(138.7)	(118.3)
Net cash used in investing activities	(22.9)	(69.8)	46.9	(67.2)
Net cash used in financing activities	(1.8)	(1.6)	(0.2)	12.5
Net increase / (decrease) in cash and cash equivalents	(46.2)	45.8	(92.0)	(200.9)

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Net Cash from Operating Activities

For the six months ended June 30, 2014, net cash flows from operating activities decreased by BGN 138.7 million to BGN (21.5) million, from BGN 117.2 million for the six months ended June 30, 2013. The decrease mainly resulted from the increase in trade receivables and trading stock to support customer growth as well as the slight decrease in trade payables. Trade and other receivables increased mainly due to cash and cash equivalents deposited in Corporate Commercial Bank (CCB) which is under special supervision.

Net Cash Used in Investing Activities

For the six months ended June 30, 2014, net cash flows used in investing activities decreased by BGN 46.9 million, or 67.2%, to BGN 22.9 million, from BGN 69.8 million for the six months ended June 30, 2013, mainly due to sale of our investment in corporate debt security which offset the acquisition of assets. The decrease in payments for purchases of fixed assets reflecting the timing differences in our roll-out projects.

Net Cash Used in Financing Activities

For the six months ended June 30, 2014, net cash flows used in financing activities increased by BGN 0.2 million or 12.5%, to BGN 1.8 million, from BGN 1.6 million for the six months ended June 30, 2013. The increase is mainly attributable to higher payments of finance lease liabilities. The RCF was repaid and reborrowed fully during the period under review with fully utilized balance as 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 2014 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.

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

(BGN in millions)	For the six months ended June 30,	
	2014	2013
Network	28.4	45.1
IT	5.3	2.7
Commercial and other	16.9	18.0
Licenses	-	-
Total capital expenditures	50.7	65.8

For the six months ended June 30, 2014, capital expenditures amounted to BGN 50.7 million, which consisted of:

- BGN 28.4 million of capital expenditures relating to network activities, mainly for investment in optical infrastructure and our mobile network;
- BGN 16.9 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; and
- BGN 5.3 million of capital expenditures relating to IT activities, mainly for customer care and billing driven projects and acquisition of IT infrastructure.

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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 June 13, 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 'BBB-/A-3' from 'BBB/A-2'. The outlook remains stable. The downgrade reflects the structural impediments facing Bulgaria which constrain institutional effectiveness and impede economic growth.

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.

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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.

Bulgarian government resigned in July and new parliamentary elections are now scheduled for October 5, 2014.

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 still obliged to have and officially publish standard offers for interconnection, unbundling access to the subscription line. In addition VIVACOM was obliged to provide another wholesale services – wholesale line rental, bitstream, leased lines, duct rental. The lack of strict regulation allows the mobile operators with dominant position to provide many complex and bundled quasi-fixed offers at lower prices than the one VIVACOM is allowed to provide due to its regulated activity.

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 services and 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.

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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 by the end of 2015 and net neutrality (not discriminating traffic to different services). It is expected the new regulation to be finally voted by the new EU Parliament and approved by the Council of the European Union later this year. The proposed regulation and the associated change in wholesale rates are expected to have a material impact on the EU telecom sector.

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.

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.

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.

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.

According to Treasury policy, applicable to Vivacom and its subsidiaries, transactions are carried out only with reputable financial institutions and banks with good credit standing. 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

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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

In July 2014 BTC sold 100% of its shares in Eutelsat. The total proceeds from the sale amounted to EUR 3,104 thousand.

On July 11, 2014, Standard & Poor's Ratings Services revised its outlook on Vivacom to negative from positive. At the same time the long-term corporate credit rating on the company was affirmed at 'BB-'.

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

EXPECTED DEVELOPMENT

In 2014 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.

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INFORMATION ABOUT THE COMPANY'S BOARD OF DIRECTORS AND SUPERVISORY BOARD.

Members of the Company's Managing Board and Supervisory Board at 30 June 2014

a) At 30 June 2014 the members of the Managing Board of VIVACOM are:

Mr. Zlatozar Sourlekov - Chairman of the Managing Board
Mr. Atanas Dobrev - Member of the Managing Board and Chief Executive Officer
Mr. Alexander Grancharov – Deputy Chairman of the Managing Board
Mr. Rusin Yordanov - Member of the Managing Board
Mr. Ivailo Bachiyski - Member of the Managing Board

b) At 30 June 2014 the members of the Supervisory Board of VIVACOM are:

Mr. Tzvetan Vassilev - Chairman of the Supervisory Board
Mr. Oksandr Moroz - Member of the Supervisory Board
Mr. Philip Harrison Grose - Member of the Supervisory Board
Mr. Stefano Zuppet - Member of the Supervisory Board
Mr. Vladimir Rangelov - Member of the Supervisory Board

Mr. Tzvetan Vassilev has resigned as member of the Supervisory Board of BTC and pursuant to a resolution of the sole owner of BTC dated 30 July 2014 Vladimir Penkov will succeed the resigning director. This change takes effect from its entry into the Bulgarian commercial register 6 August 2014.

The members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares of VIVACOM in the first half of 2014. The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM pursuant to any existing financial instrument or agreement.

The contracts referred to in Article 240b of the Commerce Act were concluded during the first half of 2014 after the due authorization by the Managing Board of VIVACOM.

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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 Director:

Bogdan Bogdanov

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Atanas Dobrev
CEO
Sofia
14.08.2014

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QUARTERLY ACTIVITIES REPORT (Continued)
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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 voice 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

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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/, other gains, net, 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 three 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).

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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>i.e.</i> , 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.

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“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>i.e.</i> , 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.

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“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.

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For the six months ended 30 June 2014

“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.
“VoIP” or “Voice over IP”	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 2014

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.6.2014	31.12.2013	30.6.2014	31.12.2013
ASSETS					
Current assets					
Cash and cash equivalents	4.	41 092	87 333	40 783	79 508
Trade and other receivables	5.	223 376	72 814	222 510	72 079
Inventories	6.	44 393	37 262	44 393	37 262
Investments	11.	13	145	13	145
Other current assets	8.	16 906	11 066	16 903	11 066
Assets classified as held for sale	7.	1 518	1 533	1 518	1 533
Total current assets		327 298	210 153	326 120	201 593
Non-current assets					
Goodwill		2 049	2 049	2 049	2 049
Property, plant and equipment	9.	802 138	853 402	802 127	853 390
Intangible assets	10.	227 324	252 215	227 317	252 207
Investments	11.	6 213	44 992	7 012	45 791
Trade and other receivables	5.	11 121	10 115	11 121	10 115
Other non-current assets	8.	1 686	1 583	1 686	1 583
Deferred tax assets	16.	1	1	-	-
Total non-current assets		1 050 532	1 164 357	1 051 312	1 165 135
TOTAL ASSETS		1 377 830	1 374 510	1 377 432	1 366 728
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	6	6	6	6
Trade payables	12.	61 210	92 664	61 726	92 843
Other payables	13.	42 385	25 476	42 308	25 402
Deferred income/revenue		19 649	18 882	19 649	18 882
Current income tax liabilities		2 875	13	2 766	8
Provisions for other liabilities and charges	14.	7 197	10 247	7 197	10 247
Borrowings	15.	11 830	10 975	11 830	10 975
Total current liabilities		145 152	158 263	145 482	158 363
Non current liabilities					
Borrowings	15.	841 564	841 583	841 564	841 583
Deferred tax liabilities, net	16.	17 872	18 696	17 872	18 696
Retirement benefit obligations	17.	2 072	1 956	2 072	1 956
Provisions for other liabilities and charges	14.	8 902	8 668	8 902	8 668
Trade payables	12.	3 950	4 130	3 950	4 130
Deferred income/revenue		1 334	1 388	1 334	1 388
Total non current liabilities		875 694	876 421	875 694	876 421
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves		42 406	44 298	42 406	44 298
Retained earnings/(accumulated loss)		25 813	6 763	25 085	(1 119)
Total equity		356 984	339 826	356 256	331 944
TOTAL LIABILITIES AND EQUITY		1 377 830	1 374 510	1 377 432	1 366 728

These financial statements were approved on 14.08.2014

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 COMPREHENSIVE INCOME

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
Revenue	19.	392 631	398 967	198 277	203 614
Interconnect expenses		(18 963)	(33 130)	(9 892)	(17 067)
Other operating expenses	20.	(90 640)	(113 223)	(46 125)	(56 275)
Materials and consumables expenses		(59 839)	(59 870)	(29 561)	(32 299)
Staff costs	21.	(53 844)	(34 369)	(27 416)	(17 184)
Depreciation and amortization	8.; 9.; 10.	(127 862)	(128 030)	(64 145)	(65 103)
Finance costs	22.	(29 732)	(25 949)	(14 771)	(13 040)
Finance income	22.	6 824	2 609	4 538	1 540
Other gains, net	22.	2 634	1 466	1 288	38
Profit before tax		21 209	8 471	12 193	4 224
Income tax expenses	24.	(2 159)	(1 165)	(1 102)	(670)
Profit for the period		19 050	7 306	11 091	3 554
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Cash flow hedges – effective portion of changes in fair value		153	147	84	(8)
Valuation of financial assets available for sale		899	7 165	234	7 165
Available-for-sale financial assets – reclassified to profit or loss		(2 430)	-	(2 430)	-
Related tax	24.	(15)	(15)	(8)	1
		(1 393)	7 297	(2 120)	7 158
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of land		(554)	-	(554)	-
Related tax		55	-	55	-
		(499)	-	(499)	-
Other comprehensive income for the period, net of tax		(1 892)	7 297	(2 619)	7 158
Total comprehensive income for the period		17 158	14 603	8 472	10 712
Earnings per share (basic and diluted)		0.07	0.03	0.04	0.01

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 COMPREHENSIVE INCOME
(CONTINUED)

For the six months ended 30 June 2014

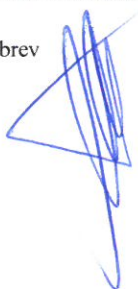
All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	Notes	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
Revenue	19.	389 847	388 023	196 888	198 230
Interconnect expenses		(17 299)	(25 836)	(9 083)	(13 578)
Other operating expenses	20.	(90 673)	(113 325)	(46 138)	(56 675)
Materials and consumables expenses		(59 838)	(59 868)	(29 561)	(32 298)
Staff costs	21.	(53 841)	(34 366)	(27 415)	(17 182)
Depreciation and amortization	8.; 9.; 10.	(127 860)	(128 030)	(64 144)	(65 103)
Finance costs	22.	(29 725)	(25 946)	(14 765)	(13 039)
Finance income	22.	14 996	8 651	4 526	7 620
Other gains, net	22.	2 634	1 466	1 288	38
Profit before tax		28 241	10 769	11 596	8 013
Income tax expenses	24.	(2 037)	(785)	(1 042)	(439)
Profit for the period		26 204	9 984	10 554	7 574
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Cash flow hedges – effective portion of changes in fair value		153	147	84	(8)
Valuation of financial assets available for sale		899	7 165	234	7 165
Available-for-sale financial assets – reclassified to profit or loss		(2 430)	-	(2 430)	-
Related tax	24.	(15)	(15)	(8)	1
		(1 393)	7 297	(2 120)	7 158
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of land		(554)	-	(554)	-
Related tax		55	-	55	-
		(499)	-	(499)	-
Other comprehensive income for the period, net of tax		(1 892)	7 297	(2 619)	7 158
Total comprehensive income for the period		24 312	17 281	7 935	14 732
Earnings per share (basic and diluted)		0.09	0.03	0.04	0.03

These financial statements were approved on 14.08.2014

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 2014

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/(accumulated loss)	Total
Balance as at 1 January 2013		288 765	28 876	8 443	-	(45)	(22 546)	303 493
Comprehensive income								
Profit for the period		-	-	-	-	-	7 306	7 306
Total other comprehensive income	24.	-	-	-	7 165	132	-	7 297
Total comprehensive income		-	-	-	7 165	132	7 306	14 603
Transfer to retained earnings		-	-	(188)	-	-	188	-
Balance as at 30 June 2013		288 765	28 876	8 255	7 165	87	(15 052)	318 096
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

Separate Financial Statements

		Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings/(accumulated loss)	Total
Balance as at 1 January 2013		288 765	28 876	8 443	-	(45)	(28 251)	297 788
Comprehensive income								
Profit for the period		-	-	-	-	-	9 984	9 984
Total other comprehensive income	24.	-	-	-	7 165	132	-	7 297
Total comprehensive income		-	-	-	7 165	132	9 984	17 281
Transfer to retained earnings - land disposal		-	-	(188)	-	-	188	-
Balance as at 30 June 2013		288 765	28 876	8 255	7 165	87	(18 079)	315 069
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

These financial statements were approved on 14.08.2014

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 2014

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Six months ended		Six months ended	
		30.6.2014	30.06.2013	30.6.2014	30.06.2013
Cash flows from operating activities					
Profit before tax		21 209	8 471	28 241	10 769
Adjustment for:					
Depreciation and amortization	8., 9., 10.	127 862	128 030	127 860	128 030
Gain on sale of non current assets	23.	(2 632)	(1 465)	(2 632)	(1 465)
Impairment loss and write off of non-current assets	9., 10.	1 385	1 679	1 385	1 679
Interest expenses, net	22.	25 183	23 193	25 261	23 250
Impairment loss on trade receivables	5.	4 209	5 868	4 201	5 939
Impairment loss and write off of current assets		438	428	438	428
Income from investment operations	22.	(2 554)	(25)	(10 804)	(6 125)
Loss/(gain) from operations with cash flow hedges	22.	(3)	18	(3)	18
Loss from provisions		3 046	551	3 046	551
Changes in:					
-inventories		(7 485)	(7 673)	(7 485)	(7 673)
-trade and other receivables		(164 118)	(17 983)	(164 060)	(21 820)
-trade and other payables		500	1 160	834	3 591
-provisions and employee benefits		(4 925)	(1 723)	(4 925)	(1 723)
-deferred income/revenue		712	540	712	540
Cash generated from operations		2 827	141 069	2 069	135 989
Interest received		2 342	1 363	2 259	1 309
Interest paid		(26 590)	(25 020)	(26 590)	(25 020)
Corporate income tax paid		(81)	(239)	(63)	-
Net cash from operating activities		(21 502)	117 173	(22 325)	112 278
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		3 458	10 612	3 458	10 612
Acquisition of property, plant, equipment and intangible assets		(66 866)	(80 456)	(66 866)	(80 456)
Acquisition of investments		44	-	44	-
Cash deposits with maturity greater than three months		(107)	(1)	(17)	(31)
Dividends received		69	51	8 319	6 150
Sale of investments		40 470	25	40 470	25
Net cash used in investing activities		(22 932)	(69 769)	(14 592)	(63 700)
Cash flows from financing activities					
Proceeds from new borrowings		78 233	-	78 233	-
Repayments of borrowings		(78 233)	(346)	(78 233)	(346)
Payment of finance lease liabilities		(1 816)	(1 216)	(1 816)	(1 216)
Net cash used in financing activities		(1 816)	(1 562)	(1 816)	(1 562)
Net increase in cash and cash equivalents		(46 250)	45 842	(38 733)	47 016
Effect of exchange rate fluctuations on cash held		9	(9)	8	(9)
Cash and cash equivalents at the beginning of the year		87 333	63 886	79 508	59 352
Cash and cash equivalents at the end of the period		41 092	109 719	40 783	106 359

These financial statements were approved on 14.08.2014

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
NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

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 2014. As per the publicly disclosed tender offer documentation published by Viva Telecom Bulgaria on 15 July 2013 there are two shareholders which own more than 5% of the share capital of V Telecom none of which exercise control over V Telecom: Bromak Telecom Invest AD (indirectly wholly owned by Mr Tzvetan Radoev Vassilev) holding 43,264% of the share capital of V Telecom and Crusher Investment Limited (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) holding 33,307% of the share capital of V Telecom, and a number of shareholders (being lenders of the present and/or previous owners of the Company’s group companies) holding less than 5% share individually.

In 2010 BTC and Alcatel-Lucent Bulgaria EOOD has signed a master service agreement whereby BTC outsourced various aspects of its network implementation, provisioning operations, field service, maintenance and other business. The parties have jointly decided to terminate the outsourcing agreement prior to its initially agreed term without any penalty for either party and to transfer the outsourced activities and staff back to BTC effective as of 1 January 2014. As a result as of the beginning of 2014 BTC assumed 2171 employees, assets and liabilities solely related to the network operation activities, incl. equipment and tools; inventory, spare and consumables; the rights, claims, lawsuits and credits which Alcatel-Lucent Bulgaria has against third parties; work in progress; third party contracts with subcontractors.

The Group

As at 30 June 2014 and 2013 and 31 December 2013 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 automatically as of that date. On October 16, 2009 the successor BTC Security was renamed to BTC Net EOOD.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

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 2013.

4. Cash and cash equivalents

As at 30 June 2014 and 31 December 2013 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Current accounts and cash in hand				
Held in BGN	16 528	15 680	16 429	14 183
Held in EUR	21 978	2 530	21 877	2 462
Held in foreign currencies other than EUR	338	785	229	615
Total current accounts and cash in hand	38 844	18 995	38 535	17 260
Deposits				
Held in BGN	2 248	68 338	2 248	62 248
Total deposits	2 248	68 338	2 248	62 248
Total cash and cash equivalents	41 092	87 333	40 783	79 508

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 for a period of three months. On 22.06.2014 the Governing Council of the Bulgarian National Bank, after a detailed analysis of the situation created by the lack of liquidity of CCB and its subsidiary - the former "Credit Agricole - Bulgaria" EAD (part of CCB banking group), also placed Credit Agricole - Bulgaria EAD under special supervision for three months. On these grounds the cash and cash equivalents of the Group and the Company at the above mentioned banks as of 30 June 2014 has been presented as receivables, as disclosed in note 5.

The CCB banking group is part of a group of which Bromak Telecom Invest AD is a member (Bromak Telecom Invest AD Group). BGN 65,000 thousand and BGN 59,000 thousand (for the consolidated and for the separate financial statements) from the cash and cash equivalents as of 31 December 2013 were deposited in CCB.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables

As at 30 June 2014 and 31 December 2013 trade and other receivables include:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Trade receivables	127 880	131 203	126 941	129 607
<i>incl. international settlement receivables</i>	2 682	2 900	1 899	1 508
Intercompany receivables (Note 26)	490	1	1 545	864
Other receivables	146 230	6 685	145 230	6 669
Total	274 600	137 889	273 716	137 140
Allowance for impairment of receivables	(40 103)	(54 960)	(40 085)	(54 946)
Total Trade and other receivables	234 497	82 929	233 631	82 194
Incl:				
Non-current portion: trade and other receivables	12 303	11 237	12 303	11 237
Allowance for impairment of receivables	(1 182)	(1 122)	(1 182)	(1 122)
Total non-current portion: trade and other receivables	11 121	10 115	11 121	10 115
Current portion trade and other receivables	262 297	126 652	261 413	125 903
Allowance for impairment of receivables	(38 921)	(53 838)	(38 903)	(53 824)
Total current portion: trade and other receivables	223 376	72 814	222 510	72 079

Other receivables as of 30 June 2014 and 31 December 2013 include respectively BGN 240 thousand and BGN 133 thousand term cash deposits with maturity greater than three months for the consolidated and BGN 150 thousand and BGN 133 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 2014 include respectively BGN 140,237 thousand and BGN 139,339 thousand representing cash and cash equivalents at CCB.

No impairment of the receivables of the Group and the Company, representing cash and cash equivalents at CCB as of 30 June 2014 has been accrued.

All 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	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Finance leases receivables with maturity:				
Within one year	29 188	24 253	27 408	22 486
Within two years	12 116	11 590	11 823	11 222
Total receivables	41 304	35 843	39 231	33 708
Less: unearned finance income	(2 073)	(2 135)	-	-
Allowance for impairment of receivables	(3 923)	(3 371)	(3 923)	(3 371)
Net investment in finance leases	35 308	30 337	35 308	30 337

Movement of the allowance for impairment of accounts receivables as at 30 June 2014 and 31 December 2013 is as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Balance at the beginning of the period	54 960	65 888	54 946	65 745
Accrued impairment	4 210	8 571	4 202	8 647
Impairment of receivables written off	(19 067)	(19 499)	(19 062)	(19 446)
Balance at the end of the period	40 103	54 960	40 086	54 946

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

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

Business customers	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Balance at the beginning of the period	14 274	20 077	14 260	19 934
Accrued impairment	2 721	1 331	2 713	1 407
Impairment of receivables written off	(2 740)	(7 134)	(2 735)	(7 081)
Balance at the end of the period	14 255	14 274	14 238	14 260

Residential customers	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Balance at the beginning of the period	40 686	45 811	40 686	45 811
Accrued impairment	1 489	7 240	1 489	7 240
Impairment of receivables written off	(16 327)	(12 365)	(16 327)	(12 365)
Balance at the end of the period	25 848	40 686	25 848	40 686

Related parties balances are shown in note 26.

As of 30 June 2014 and 31 December 2013 receivables of the Group at the amount of BGN 10,085 and 7,307 thousand were assessed individually and the impairment amounts to BGN 6,903 and BGN 5,773 thousand. For the Company these amounts are respectively BGN 10,074 thousand and BGN 7,307 thousand and BGN 6,892 thousand and BGN 5,773 thousand.

As of 30 June 2014 and 31 December 2013 the age structure of overdue receivables not impaired is as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
From 60 to 90 days	698	231	398	248
From 91 to 180 days	315	411	352	419
From 181 to 360 days	174	396	256	132
Above 1 year	508	728	820	727
Total	1 695	1 766	1 826	1 526

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	
	30.6.2014	31.12.2013
Type		
In the country	5 266	1 637
In the country	858	15
In the country	679	169
In the country	524	600
In the country	477	243

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 30 June 2014 and 31 December 2013 are as follows:

	Consolidated and Separate financial statements	
	30.6.2014	31.12.2013
Materials and supplies, net	4 981	5 035
Merchandise and other, net	39 412	32 227
Total materials and supplies	44 393	37 262

For the six months ended 30 June 2014 the write-down of inventories to net realisable value amounted to BGN 310 thousand (for the six months ended 30 June 2013: BGN 44 thousand). The reversal of write-downs amounted to BGN 13 thousand (for the six months ended 30 June 2013: nil). The write-downs and reversals are included in Other operating expenses.

7. Assets classified as held for sale

	Consolidated and Separate financial statements	
	30.6.2014	31.12.2013
Real estates, held for sale	1 518	1 533
Total assets held for sale	1 518	1 533

As of 30 June 2014 and 31 December 2013 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 2014 and 31 December 2013 other assets are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Deferred expenses and prepayments	16 197	9 163	16 194	9 163
VAT and other current assets	2 395	3 486	2 395	3 486
Total other assets	18 592	12 649	18 589	12 649
<i>Incl.</i>				
Other current assets	16 906	11 066	16 903	11 066
Other non-current assets	1 686	1 583	1 686	1 583

Subscriber acquisition costs, representing mainly fees paid to distributors, are included in other current assets above, which for the Group and the Company are BGN 2,309 thousand as of 30 June 2014. As of 31 December 2013 they amount to BGN 2,943 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 2,881 thousand and BGN 4,174 thousand for the six months ended 30 June 2014 and 2013.

Other assets include also intellectual rights, amounting to BGN 86 thousand as of 30 June 2014 (31 December 2013 : BGN 27 thousand), for which amortization expense amounting to BGN 71 thousand for the six months ended 30 June 2014 has been recognised in profit or loss (for the six months ended 30 June 2013 : nil).

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9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 30 June 2014 and 31 December 2013 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
<i>Gross Book Value</i>						
At 31 December 2012	1 394 161	866 159	260 921	9 181	53 939	2 584 361
Revaluation	-	-	-	(158)	-	(158)
Additions	(366)	-	65	-	113 473	113 172
Transfers	79 457	28 639	15 453	-	(123 549)	-
Transfer of impairment	-	-	-	-	30	30
Impairment	-	-	-	-	(137)	(137)
Assets held for sale	-	-	30	-	-	30
Disposals	(41 133)	(33 875)	(9 640)	-	(546)	(85 194)
At 31 December 2013	1 432 119	860 923	266 829	9 023	43 210	2 612 104
Revaluation	-	-	-	(554)	-	(554)
Additions	83	-	-	-	33 524	33 607
Transfers	21 739	7 151	6 479	-	(35 369)	-
Impairment	-	-	-	-	46	46
Assets held for sale	-	-	(121)	-	-	(121)
Disposals	(32 489)	(6 713)	(2 130)	(47)	(28)	(41 407)
At 30 June 2014	1 421 452	861 361	271 057	8 422	41 383	2 603 675
<i>Accumulated depreciation and impairment</i>						
At 31 December 2012	922 581	607 021	170 150	-	-	1 699 752
Depreciation charged	123 288	19 340	24 893	-	-	167 521
Transfer of impairment	13	11	-	-	-	24
Impairment	(12 676)	(15 306)	(459)	-	-	(28 441)
Assets held for sale	-	-	(11)	-	-	(11)
Disposals	(37 187)	(33 715)	(9 241)	-	-	(80 143)
At 31 December 2013	996 019	577 351	185 332	-	-	1 758 702
Depreciation charged	61 792	10 458	10 868	-	-	83 118
Assets held for sale	-	-	(102)	-	-	(102)
Disposals	(31 500)	(6 682)	(1 999)	-	-	(40 181)
At 30 June 2014	1 026 311	581 127	194 099	-	-	1 801 537
<i>Net book value</i>						
At 31 December 2013	436 100	283 572	81 497	9 023	43 210	853 402
At 30 June 2014	395 141	280 234	76 958	8 422	41 383	802 138

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9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 30 June 2014 and 31 December 2013 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
<i>Gross Book Value</i>						
At 31 December 2012	1 394 161	866 159	261 457	9 181	53 939	2 584 897
Revaluation	-	-	-	(158)	-	(158)
Additions	(366)	-	65	-	113 459	113 158
Transfers	79 457	28 639	15 439	-	(123 535)	-
Transfer of impairment	-	-	-	-	30	30
Impairment	-	-	-	-	(137)	(137)
Assets held for sale	-	-	30	-	-	30
Disposals	(41 133)	(33 875)	(10 235)	-	(546)	(85 789)
At 31 December 2013	1 432 119	860 923	266 756	9 023	43 210	2 612 031
Revaluation	-	-	-	(554)	-	(554)
Additions	83	-	-	-	33 524	33 607
Transfers	21 739	7 151	6 479	-	(35 369)	-
Impairment	-	-	-	-	46	46
Assets held for sale	-	-	(121)	-	-	(121)
Disposals	(32 489)	(6 713)	(2 130)	(47)	(28)	(41 407)
At 30 June 2014	1 421 452	861 361	270 984	8 422	41 383	2 603 602
<i>Accumulated depreciation and impairment</i>						
At 31 December 2012	922 581	607 021	170 686	-	-	1 700 288
Depreciation charged	123 288	19 340	24 892	-	-	167 520
Transfer of impairment	13	11	-	-	-	24
Impairment	(12 676)	(15 306)	(459)	-	-	(28 441)
Assets held for sale	-	-	(11)	-	-	(11)
Disposals	(37 187)	(33 716)	(9 836)	-	-	(80 739)
At 31 December 2013	996 019	577 350	185 272	-	-	1 758 641
Depreciation charged	61 792	10 458	10 866	-	-	83 116
Assets held for sale	-	-	(102)	-	-	(102)
Disposals	(31 500)	(6 681)	(1 999)	-	-	(40 180)
At 30 June 2014	1 026 311	581 127	194 037	-	-	1 801 475
<i>Net book value</i>						
At 31 December 2013	436 100	283 573	81 484	9 023	43 210	853 390
At 30 June 2014	395 141	280 234	76 947	8 422	41 383	802 127

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 123 properties of BTC with a net book value as of 30 June 2014 amounting to BGN 606 thousand (BGN 3,972 thousand for for 369 properties as of 31 December 2013). They are included in General support above except for 2 properties with net book value as of 30 June 2014 amounting to BGN 15 thousand which are included in Assets classified as held for sale (BGN 1,533 thousand for for 5 properties as of 31 December 2013).

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 2014 amounted to BGN 8,664 thousand, and as of 31 December 2013 their net book value was BGN 9,189 thousand.

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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 8,422 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 2014	9 023
Disposals	(47)
Loss included in other comprehensive income	
Changes in fair value (unrealised)	(554)
Balance at 30 June 2014	8 422

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

As of 30 June 2014 and 31 December 2013 intangible assets of the Group are as follows

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2012	126 378	561 190	29 645	1 704	718 917
Additions(Transfers)	166	39 896	10 372	683	51 117
Disposals	-	(31 843)	(5 537)	-	(37 380)
At 31 December 2013	126 544	569 243	34 480	2 387	732 654
Additions(Transfers)	116	8 641	5 542	2 860	17 159
Disposals	-	(6 273)	(3 532)	-	(9 805)
At 30 June 2014	126 660	571 611	36 490	5 247	740 008
<i>Accumulated depreciation and impairment</i>					
At 31 December 2012	40 684	381 711	11 472	-	433 867
Amortization charge	7 317	67 351	8 941	-	83 609
Impairment	-	(25)	(56)	-	(81)
Disposals	-	(31 777)	(5 179)	-	(36 956)
At 31 December 2013	48 001	417 260	15 178	-	480 439
Amortization charge	3 634	32 547	5 611	-	41 792
Disposals	-	(6 273)	(3 274)	-	(9 547)
At 30 June 2014	51 635	443 534	17 515	-	512 684
<i>Net book value</i>					
At 31 December 2013	78 543	151 983	19 302	2 387	252 215
At 30 June 2014	75 025	128 077	18 975	5 247	227 324

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10. Intangible assets (continued)

As of 30 June 2014 and 31 December 2013 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2012	126 323	561 190	29 645	1 704	718 862
Additions(Transfers)	166	39 896	10 372	683	51 117
Disposals	-	(31 843)	(5 537)	-	(37 380)
At 31 December 2013	126 489	569 243	34 480	2 387	732 599
Additions(Transfers)	116	8 641	5 542	2 860	17 159
Disposals	-	(6 273)	(3 532)	-	(9 805)
At 30 June 2014	126 605	571 611	36 490	5 247	739 953
<i>Accumulated depreciation and impairment</i>					
At 31 December 2012	40 637	381 711	11 472	-	433 820
Amortization charge	7 316	67 351	8 941	-	83 608
Impairment	-	(25)	(56)	-	(81)
Disposals	-	(31 776)	(5 179)	-	(36 955)
At 31 December 2013	47 953	417 261	15 178	-	480 392
Amortization charge	3 634	32 547	5 611	-	41 792
Disposals	-	(6 274)	(3 274)	-	(9 548)
At 30 June 2014	51 587	443 534	17 515	-	512 636
<i>Net book value</i>					
At 31 December 2013	78 536	151 982	19 302	2 387	252 207
At 30 June 2014	75 018	128 077	18 975	5 247	227 317

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 2014 is respectively BGN 6,988 thousand and BGN 10,174 thousand (31 December 2013: BGN 7,730 thousand and BGN 9,298 thousand).

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11. Investments

Investments as of 30 June 2014 and 31 December 2013 are as follows:

	Share	Consolidated financial statements		Separate financial statements	
		30.6.2014	31.12.2013	30.6.2014	31.12.2013
Investments					
Equity securities – available-for-sale					
Eutelsat	0.06%	6 022	7 595	6 022	7 595
Intersputnik	4.79%	178	178	178	178
Sofia Commodity Exchange	5%	13	13	13	13
Total equity securities available for sale		6 213	7 786	6 213	7 786
Corporate debt securities – loans and receivables		-	37 351	-	37 351
Forward exchange contracts for hedging		13	-	13	-
Subsidiaries					
BTC Net		-	-	799	799
Total investments in subsidiaries		-	-	799	799
Total investments		6 226	45 137	7 025	45 936
<i>Incl.</i>					
Current investments		13	145	13	145
Non-current investments		6 213	44 992	7 012	45 791

The investment in Eutelsat as of 30 June 2014 and 31 December 2013 is presented at fair value based on the market price of the shares at the reporting date.

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

On 4 April 2014 BTC EAD sold 100% of its corporate debt securities. The total proceeds from the sale amounted to EUR 19,450 thousand.

On 29 May 2014 BTC EAD sold 29% of its shares in Eutelsat. The total proceeds from the sale amounted to EUR 1,268 thousand.

12. Trade payables

The payables to suppliers as of 30 June 2014 and 31 December 2013 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Payables to suppliers of non current assets	17 685	33 869	17 685	33 869
Payables to suppliers of equipment and goods for customers	5 878	3 185	5 878	3 185
Payables to international telecom operators - interconnect	4 531	14 105	2 939	12 899
Payables to suppliers of network maintenance	3 319	3 433	3 319	3 433
Payables to domestic telecom operators	537	546	320	480
Payables to related parties (Note 26)	-	-	2 325	1 452
Others	33 210	41 656	33 210	41 655
Total trade payables	65 160	96 794	65 676	96 973
<i>Incl.</i>				
Non-current portion	3 950	4 130	3 950	4 130
Current portion	61 210	92 664	61 726	92 843

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

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13. Other payables

Other payables as of 30 June 2014 and 31 December 2013 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Payables to employees	16 394	13 841	16 394	13 841
Cable project MECMA	10 192	1 114	10 192	1 114
VAT	6 884	71	6 809	-
Social securities	3 078	2 355	3 078	2 355
Personal income tax payable	1 460	984	1 460	984
Advances from clients	582	770	582	770
Payables for license fee	128	747	126	744
Withholding and other taxes	42	764	42	764
Forward exchange contracts used for hedging	11	162	11	162
Others	3 614	4 668	3 614	4 668
Total other payables	42 385	25 476	42 308	25 402

The liabilities under Cable projects MECMA amounting to BGN 10,192 and 1,114 thousand originated as a result of BTC's role as a Central Billing Party in the MECMA 2004 Agreement for maintenance of submarine cables in the Mediterranean Sea, Red Sea and Black Sea area.

14. Provisions for other liabilities and charges

Consolidated and Separate financial statements

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2014	8 668	1 407	8 840	18 915
Charged to profit and loss	-	-	741	741
Recognised in the statement of financial position	83	-	-	83
Used during the year	(19)	(165)	(3 626)	(3 810)
Unwinding of discount	170	-	-	170
At 30 June 2014	8 902	1 242	5 955	16 099

Analysis of provision in consolidated financial statements

	30.6.2014	31.12.2013
Non-current (decommissioning costs)	8 902	8 668
Current	7 197	10 247
Total	16 099	18 915

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14. Provisions for other liabilities and charges(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 2014 and 2013 was 4%.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2014 and was recognized as staff cost in the profit or loss for the year ended 2013.

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:

	30.6.2014	31.12.2013
Secured bond issue	771 670	768 970
Revolving credit	68 454	68 586
Trade credits	10 242	11 768
Financial lease	3 028	3 234
Total borrowings	853 394	852 558
including:		
Current borrowings	11 830	10 975
Non current borrowings	841 564	841 583

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 6% % 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.

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.

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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 repay 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.

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 average effective borrowing rate is 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	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Finance lease payables with maturity:				
Within one year	1 592	1 888	1 597	1 803
In the second to fifth years inclusive	1 595	1 595	1 431	1 431
Total payables	3 187	3 483	3 028	3 234
Less: future finance charges	(159)	(249)	-	-
Present value of lease obligations	3 028	3 234	3 028	3 234

The net book value of the assets acquired under finance lease arrangements as of 30 June 2014 is BGN 3,295 thousand. (31 December 2013: BGN 4,475 thousand)

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16. Deferred tax assets and liabilities

As of 30 June 2014 and 2013 the deferred tax, 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	Cash flow hedges	Total
At 1 January 2013	-	-	-	14	-	-	14
Charged/(credited) to the profit/(loss) for the period	-	-	-	6	-	-	6
At 30 June 2013	-	-	-	20	-	-	20
At 1 January 2014	-	-	-	1	-	-	1
Charged/(credited) to the profit/(loss) for the period	-	-	-	-	-	-	-
At 30 June 2014	-	-	-	1	-	-	1

Deferred tax liabilities	Tax loss carried forward	Long-term employee benefits	Property, plant, equipment and intangible assets	Allowance for impairment of receivables	Expense accruals	Cash flow hedges	Total
At 1 January 2013	-	(92)	33 405	(6 568)	(9 554)	(5)	17 186
Charged/(credited) to the profit/(loss) for the period	-	(8)	(980)	493	1 134	-	639
Charged to other comprehensive income for the period	-	-	-	-	-	15	15
At 30 June 2013	-	(100)	32 425	(6 075)	(8 420)	10	17 840
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

Deferred tax (charge)/credit to the profit/(loss) for the year

	Six months ended	
	30.6.2014	30.6.2013
Deferred tax liabilities	784	(639)
Deferred tax assets	-	6
Total (charged)/credited to the profit/(loss) for the year	784	(633)

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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	Cash flow hedges	Total
At 1 January 2013	-	(92)	33 405	(6 568)	(9 554)	(5)	17 186
	-	-	-	-	-	-	-
Charged/(credited) to the profit/(loss) for the period	-	(8)	(980)	493	1 134	-	639
Charged to other comprehensive income for the period	-	-	-	-	-	15	15
At 30 June 2013	-	(100)	32 425	(6 075)	(8 420)	10	17 840
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

Deferred tax (charge)/credit to the profit/(loss) for the year

	Six months ended	
	30.6.2014	30.6.2013
Deferred tax liabilities	784	(639)
Total (charged)/credited to the profit/(loss) for the year	784	(639)

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 2014 and 31 December 2013 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.

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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	
	30.6.2014	31.12.2013
Liability at the beginning of the period	1 956	917
<i>Past service cost</i>	-	871
<i>Current service cost</i>	143	98
<i>Interest cost</i>	38	40
Total cost recognized in profit or loss	181	1 009
Payments to retirees	(65)	(58)
Remeasurements – actuarial (gain)/loss recognised in OCI	-	88
Liability at the end of the period	2 072	1 956

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

	30.6.2014	31.12.2013
Discount rate	4.00%	4.00%
Future salary increases per year	from 3% to 4.5%	from 3% to 4.5%
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 2010 – 2012.

18. Share capital and dividends

	30.6.2014	31.12.2013
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:	30.6.2014	31.12.2013
	%	%
<i>Number of ordinary shares:</i>		
Viva Telecom Bulgaria EOOD	288 764 840	288 764 840
Other shareholders	-	-
Total ordinary shares	288 764 840	288 764 840
Total number of shares	288 764 840	288 764 840

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18. Share capital and dividends (continued)

Earnings per share	Consolidated financial statements		Separate financial statements	
	Six months ended		Six months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Profit for the period	19 050	7 306	26 204	9 984
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN (basic and diluted))	0.07	0.03	0.09	0.03

Dividends payable

	30.6.2014	31.12.2013
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	6	10
Tax on dividend	-	-
Net dividends paid	-	(4)
Total dividend payable	6	6

19. Revenue

Revenue of the Group and the Company for the six months ended 30 June 2014 and 2013 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Recurring charges	182 842	173 854	92 063	87 355
Outgoing traffic	65 615	70 102	33 871	36 046
Leased lines and data transmission	56 527	61 063	28 258	30 531
Interconnect	19 188	34 221	10 065	17 283
Other revenue	68 459	59 727	34 020	32 399
Total revenue	392 631	398 967	198 277	203 614

Separate financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Recurring charges	182 842	173 854	92 063	87 355
Outgoing traffic	65 615	70 102	33 871	36 046
Leased lines and data transmission	56 847	61 379	28 418	30 689
Interconnect	15 376	22 251	8 162	11 384
Other revenue	69 167	60 437	34 374	32 756
Total revenue	389 847	388 023	196 888	198 230

Revenue from sales of mobile handsets is included in Other revenue above, which for the six months ended 30 June 2014 amount to BGN 26,803 thousand for the Group and the Company (2013: BGN 23,262 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

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20. Other operating expenses

Other operating expenses for the six months ended 30 June 2014 and 2013 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Advertising, customer service, billing and collection	27 581	27 032	14 239	13 958
Facilities	22 098	22 150	10 971	11 228
Maintenance and repairs	15 621	40 340	7 824	20 190
License fees	6 718	6 790	3 345	3 352
Administrative expenses	4 598	4 297	2 148	2 446
Vehicles and transport	4 388	1 819	2 221	906
Leased lines and data transmission	1 495	1 613	750	818
Professional fees	709	1 519	339	425
Other, net	7 432	7 663	4 288	2 952
<i>including</i>				
<i>Impairment of trade and other receivables</i>	4 209	5 868	2 052	2 539
<i>Scrap of assets</i>	1 174	1 495	788	680
<i>Provisions for legal claims</i>	742	(831)	984	(723)
<i>Impairment of other current assets</i>	296	44	(13)	(17)
<i>Impairment of non-current assets</i>	(47)	123	(24)	-
<i>Other/other</i>	1 058	964	501	473
Total other operating expenses	90 640	113 223	46 125	56 275

Separate financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Advertising, customer service, billing and collection	27 627	27 076	14 262	13 981
Facilities	22 099	22 150	10 972	11 228
Maintenance and repairs	15 621	40 340	7 824	20 190
License fees	6 713	6 780	3 343	3 348
Administrative expenses	4 597	4 296	2 148	2 446
Vehicles and transport	4 388	1 819	2 221	906
Leased lines and data transmission	1 495	1 613	750	817
Professional fees	709	1 519	339	425
Other, net	7 424	7 732	4 279	3 334
<i>including</i>				
<i>Impairment of trade and other receivables</i>	4 201	5 939	2 043	2 923
<i>Scrap of assets</i>	1 174	1 495	788	680
<i>Provisions for legal claims</i>	742	(831)	984	(723)
<i>Impairment of other current assets</i>	296	44	(13)	(17)
<i>Impairment of non-current assets</i>	(47)	123	(24)	-
<i>Other/other</i>	1 058	962	501	471
Total other operating expenses	90 673	113 325	46 138	56 675

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21. Staff costs

Staff costs for the six months ended 30 June 2014 and 2013 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Salaries and wages	43 028	27 813	21 706	13 853
Pension, health and unemployment fund contributions	7 604	4 535	3 838	2 256
Other benefits	2 213	1 315	1 080	644
Other staff costs	999	706	792	431
Total staff costs	53 844	34 369	27 416	17 184

Separate financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Salaries and wages	43 025	27 810	21 705	13 851
Pension, health and unemployment fund contributions	7 604	4 535	3 838	2 256
Other benefits	2 213	1 315	1 080	644
Other staff costs	999	706	792	431
Total staff costs	53 841	34 366	27 415	17 182

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 2014 and 2013 are respectively BGN 143 thousand and BGN 58 thousand.

22. Finance income and costs

Financial income and costs for the six months ended 30 June 2014 and 2013 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Finance costs				
Interest expense:	29 450	25 775	14 604	12 953
-Bond issues	27 606	-	13 802	-
-Bank borrowings	1 222	25 518	499	12 828
-Finance lease	91	38	43	16
-Provisions	208	219	103	109
-Other	323	-	157	-
Foreign exchange loss	36	19	15	-
Loss on cash flow hedges - ineffective portion of changes in fair value	-	-	2	-
Other finance costs	246	137	150	71
Total finance cost	29 732	25 949	14 771	13 040
Finance income				
Interest income:	4 266	2 583	1 983	1 436
-Bank deposits	2 228	1 829	1 257	1 035
-Finance lease	1 358	705	694	376
-Other	680	49	32	25
Gains on cash flow hedges - ineffective portion of changes in fair value	3	-	-	-
Foreign exchange gains	-	1	-	79
Equity investments income	2 541	25	2 541	25
Other finance income	14	-	14	-
Total finance income	6 824	2 609	4 538	1 540
Net finance costs	22 908	23 340	10 233	11 500

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22. Finance income and costs(continued)

Separate financial statements	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Finance costs				
Interest expense:	29 450	25 775	14 604	12 953
-Bond issues	27 606	-	13 802	-
-Bank borrowings	1 222	25 518	499	12 828
-Finance lease	91	38	43	16
-Provisions	208	219	103	109
-Other	323	-	157	-
Foreign exchange loss	33	19	12	-
Loss on cash flow hedges - ineffective portion of changes in fair value	-	-	2	-
Other finance costs	-	18	-	16
	242	134	147	70
Total finance cost	29 725	25 946	14 765	13 039
Finance income				
Interest income:	4 188	2 526	1 971	1 413
-Bank deposits	2 150	1 772	1 245	1 012
-Finance lease	1 358	705	694	376
-Other	680	49	32	25
Gains on cash flow hedges - ineffective portion of changes in fair value	3	-	-	-
Foreign exchange gains	-	-	-	82
Equity investments income	10 791	6 125	2 541	6 125
Other finance income	14	-	14	-
Total finance income	14 996	8 651	4 526	7 620
Net finance costs	14 729	17 295	10 239	5 419

Dividend distributed from the subsidiary of the Company amounting to BGN 8,250 thousand is included in Equity investment income for the six months ended 30 June 2014 in the separate financial statements.

23. Other gains, net

Other gains, net for the six months ended 30 June 2014 and 2013 consist of:

Consolidated and Separate financial statements	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Gains from sales of non-current assets	2 632	1 465	1 287	38
incl.: income	2 724	2 067	1 341	642
net book value	(92)	(602)	(54)	(604)
Gain from sales of materials	2	1	1	-
incl.: income	3	2	2	1
net book value	(1)	(1)	(1)	(1)
Total other gains, net	2 634	1 466	1 288	38

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24. Tax expense

Income tax expenses for the six months ended 30 June 2014 and 2013 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Current income tax charge	2 943	531	964	351
Deferred tax	(784)	634	138	319
Total tax expense	2 159	1 165	1 102	670

Separate financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Current income tax charge	2 821	145	904	145
Deferred tax	(784)	640	138	294
Total income tax (expense)/benefit	2 037	785	1 042	439

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

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Profit before tax	21 209	8 471	12 193	4 224
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2 121	847	1 219	422
Non-deductible expenses	102	140	24	85
Tax exempt income	(247)	(3)	(247)	(3)
Change in recognised deductible temporary differences	183	181	106	166
Income tax expense	2 159	1 165	1 102	670
Effective tax rate	10.18%	13.75%	9.04%	15.86%
Income tax expense in the profit or loss	2 159	1 165	1 102	670

Separate financial statements

	Six months ended		Three months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Profit/(loss) before tax	28 241	10 769	11 596	8 013
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2 824	1 077	1 159	801
Non-deductible expenses	102	140	24	85
Tax exempt income	(1 072)	(613)	(247)	(613)
Change in recognised deductible temporary differences	183	181	106	166
Income tax expense	2 037	785	1 042	439
Effective tax rate	7.21%	7.29%	8.99%	5.48%
Income tax expense in the profit or loss	2 037	785	1 042	439

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24. Tax expense(continued)

b) amounts recognized in other comprehensive income

Consolidated and separate financial statements	Six months ended 30.6.2014			Six months ended 30.6.2013		
	Before tax	Tax (expense) 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	153	(15)	138	147	(15)	132
Valuation of financial assets available for sale	(1 531)	-	(1 531)	7 165	-	7 165
Total tax benefit	(1 932)	40	(1 892)	7 312	(15)	7 297

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25. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors 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 Board of Directors assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Board of directors for the six months ended 30 June 2014 and 2013 is presented below.

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)
Other gains, net			2 634
Profit before tax			21 209
Income tax expense			(2 159)
Net profit for the year			19 050

Six months ended 30 June 2013

	Consolidated financial statements		
	Fixed line of business	Mobile line of business	Total
Revenue	202 639	196 328	398 967
Cost of sales	(31 413)	(64 178)	(95 591)
Gross margin	171 226	132 150	303 376
Operating expenses			(110 632)
Staff costs			(34 369)
Depreciation and amortization			(128 030)
Financial expenses, net			(23 340)
Other gains, net			1 466
Profit before tax			8 471
Income tax expense			(1 165)
Net profit for the year			7 306

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

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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 subsidiaries and associates of these 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;
- joint ventures in which the Company is a venturer

For the stand alone statements as a 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 2014 and 31 December 2013:

For the Group	Note	Receivables		Payables	
		30.6.2014	31.12.2013	30.6.2014	31.12.2013
Members of Bromak Telecom Invest AD Group	Other RP	17	1	-	-
Total for BTC group		17	1	-	-

For BTC	Note	Receivables		Payables	
		30.6.2014	31.12.2013	30.6.2014	31.12.2013
BTC Net EOOD	Subsidiary	1 055	863	2 325	1 452
Members of Bromak Telecom Invest AD Group	Other RP	17	1	-	-
Total for BTC		1 072	864	2 325	1 452

Transactions

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

For the Group	Note	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
Members of Bromak Telecom Invest AD Group	Other RP	52	-	49	-
Total for BTC group		52	-	49	-

For BTC	Note	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
BTC Net EOOD	Subsidiary	4 577	5 430	2 497	2 761
Members of Bromak Telecom Invest AD Group	Other RP	52	-	49	-
Total for BTC		4 629	5 430	2 546	2 761

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26. Related parties(continued)

The realised revenue from related parties is as follows:

For the Group	Note	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
Members of					
Bromak Telecom Invest AD Group	Other RP	308	265	168	136
Viva Telecom Bulgaria EOOD	Parent	4	5	4	5
Total for BTC group		312	270	172	141
For BTC	Note	Six months ended		Three months ended	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
BTC Net EOOD	Subsidiary	2 042	3 943	1 067	1 841
Members of					
Bromak Telecom Invest AD Group	Other RP	308	265	168	136
Viva Telecom Bulgaria EOOD	Parent	4	5	4	5
Total for BTC		2 354	4 213	1 239	1 982

Borrowings

Members of Bromak Telecom Invest AD Group and VTB Bank OJSC Group participate in the amended syndicated loan facility as disclosed in note 15. The amounts related to them are shown below:

		Loan principal	Interest expense	Interest payable
Members of	For the six months ended 30 June 2013		5 034	
VTB Bank OJSC Group	As of 31 December 2013	-		-
	For the six months ended 30 June 2014		-	
	As of 30 June 2014	-		-
Members of	For the six months ended 30 June 2013		1 194	
Bromak Telecom Invest AD Group	As of 31 December 2013	-		-
	For the six months ended 30 June 2014		-	
	As of 30 June 2014	-		-

Loans

As per Loan Agreement dated 22 April 2014 BTC provided to Viva Telecom Bulgaria EOOD a revolving credit facility for the amount of up to EUR 2,000 thousand. The applicable 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 2013		-	
Bulgaria EAD	As of 31 December 2013	-		-
	For the six months ended 30 June 2014		3	
	As of 30 June 2014	470	-	3

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26. Related parties(continued)

Interest income

Part of the cash availability of the Group and the Company is deposited in a bank, member of Bromak Telecom Invest AD Group as disclosed in Note 4. Interest income from such bank deposits for the six months ended 30 June 2014 is BGN 1,938 thousand and BGN 1,871 thousand respectively in the consolidated and separate financial statements.

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 30 June 2013. Remuneration amounting to BGN 1,763 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 30 June 2014 (30 June 2013: BGN 1,991 thousand).

27. Commitments and contingencies

Contractual commitments for the acquisition of property, plant and equipment

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 2014, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 30.06.2014	Commitments outstanding
Hardware and software	12 011	4 610	7 401
Construction and assembly works of the network of BTC	17 698	4 340	13 358
Network equipment	90 268	66 675	23 593
Total	119 977	75 625	44 352

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 712 thousand as of 30 June 2014 (31 December 2013: BGN 833 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	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Minimum lease payments	6 806	4 745	3 418	2 522

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

	30.6.2014	31.12.2013
Within one year	13 114	11 841
In the second to fifth years inclusive	37 021	35 943
Later than five years	79 167	81 597
Total commitments	129 302	129 381

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.

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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 2014

	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	13				13		13		13
Equity securities			6 022		6 022	6 022			6 022
Total financial assets measured at fair value	13	-	6 022	-	6 035				
Financial assets not measured at fair value									
Trade receivables		234 497			234 497				-
Cash and cash equivalents		41 092			41 092				-
Corporate debt securities		-			-			-	-
Total financial assets not measured at fair value	-	275 589	-	-	275 589				
Financial liabilities measured at fair value									
Forward exchange contracts used for hedging	11				11		11		11
Total financial liabilities measured at fair value	11	-	-	-	11				
Financial liabilities not measured at fair value					-				-
Secured bond issues				771 670	771 670	823 444			823 444
Secured bank loans				68 454	68 454			68 454	68 454
Trade credits				10 242	10 242				
Finance lease liabilities				3 028	3 028			3 028	3 028
Trade payables				65 160	65 160				
Total financial liabilities not measured at fair value	-	-	-	918 554	918 554				

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29. Financial instruments(continued)
Consolidated financial statements

31 December 2013

	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									
Equity securities	-	-	7 595	-	7 595	7 595			7 595
Total financial assets measured at fair value	-	-	7 595	-	7 595				
Financial assets not measured at fair value									
Trade receivables		82 929			82 929				-
Cash and cash equivalents		87 333			87 333				-
Corporate debt securities		37 351			37 351			37 351	37 351
Total financial assets not measured at fair value	-	207 613	-	-	207 613				
Financial liabilities measured at fair value									
Forward exchange contracts used for hedging	162				162		162		162
Total financial liabilities measured at fair value	162	-	-	-	162				
Financial liabilities not measured at fair value					-				-
Secured bond issues				768 970	768 970	786 361			786 361
Secured bank loans				68 586	68 586			68 586	68 586
Trade credits				11 768	11 768				
Finance lease liabilities				3 234	3 234			3 234	3 234
Trade payables				96 794	96 794				
Total financial liabilities not measured at fair value	-	-	-	949 352	949 352				

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For the six months ended 30 June 2014

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29. Financial instruments(continued)
Separate financial statements

30 June 2014

	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	13				13		13		13
Equity securities			6 022		6 022	6 022			6 022
Total financial assets measured at fair value	13	-	6 022	-	6 035				
					-				-
Financial assets not measured at fair value									
Trade receivables		233 631			233 631				-
Cash and cash equivalents		40 783			40 783				-
Corporate debt securities		-			-			-	-
Total financial assets not measured at fair value	-	274 414	-	-	274 414				
Financial liabilities measured at fair value									
Forward exchange contracts used for hedging	11				11		11		11
Total financial liabilities measured at fair value	11	-	-	-	11				
Financial liabilities not measured at fair value					-				-
Secured bond issues				771 670	771 670	823 444			823 444
Secured bank loans				68 454	68 454			68 454	68 454
Trade credits				10 242	10 242				
Finance lease liabilities				3 028	3 028			3 028	3 028
Trade payables				65 676	65 676				
Total financial liabilities not measured at fair value	-	-	-	919 070	919 070				

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29. Financial instruments(continued)
Separate financial statements

31 December 2013

	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									
Equity securities			7 595		7 595	7 595			7 595
Total financial assets measured at fair value	-	-	7 595	-	7 595				
					-				-
Financial assets not measured at fair value									
Trade receivables		82 194			82 194				-
Cash and cash equivalents		79 508			79 508				-
Corporate debt securities		37 351			37 351			37 351	37 351
Total financial assets not measured at fair value	-	199 053	-	-	199 053				
Financial liabilities measured at fair value									
Forward exchange contracts used for hedging	162				162		162		162
Total financial liabilities measured at fair value	162	-	-	-	162				
Financial liabilities not measured at fair value					-				-
Secured bond issues				768 970	768 970	786 361			786 361
Secured bank loans				68 586	68 586			68 586	68 586
Trade credits				11 768	11 768				
Finance lease liabilities				3 234	3 234			3 234	3 234
Trade payables				96 973	96 973				
Total financial liabilities not measured at fair value	-	-	-	949 531	949 531				

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All amounts are in thousand BGN, unless otherwise stated

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
Corporate debt securities	Discounted cash flows	Interest rate
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 4.22% and 7%.

30. Subsequent events

During July 2014 BTC sold 100% of its shares in Eutelsat. The total proceeds from the sale amounted to EUR 3,104 thousand.

On July 11, 2014, Standard & Poor's Ratings Services revised its outlook on BTC to negative from positive. At the same time the long-term corporate credit rating on the company was affirmed at 'BB-'.

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