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 2016

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Bulgarian Telecommunications Company EAD

CONSOLIDATED AND SEPARATE ACTIVITIES REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

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

As at June 30, 2016 the group includes VIVACOM, the subsidiary entities BTC Net EOOD, NURTS Bulgaria EAD and its wholly owned subsidiary NURTS Digital EAD (the "Group" or "VIVACOM Group").

As at June 30, 2015 the Group includes VIVACOM and its subsidiary entity BTC Net EOOD.

On July 1, 2015 VIVACOM became the sole owner of NURTS Bulgaria EAD and its wholly owned subsidiary NURTS Digital EAD ("NURTS Group" or "NURTS").

NURTS Group is the leading provider of radio and television broadcasting and signal transmission services (both terrestrial and satellite) in Bulgaria. The NURTS Group owns and operates a network of nearly 700 radio and television stations throughout the country. NURTS has invested and successfully completed technical digitalization of terrestrial radio and television broadcasts complying with requirements for broadcasting digital terrestrial signal.

VIVACOM is the leading telecommunications operator in Bulgaria, based on revenue for the six months ended June 30, 2016. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay-TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+/LTE technologies. As at June 30, 2016, we served 3.063 million mobile subscribers, 987 thousand fixed telephony subscribers, 411 thousand fixed broadband subscribers and 390 thousand fixed pay-TV subscribers. For the six months ended June 30, 2016, we generated total consolidated revenue of BGN 429.6 million and had consolidated Adjusted EBITDA of BGN 157.2 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 3.063 million subscribers as at June 30, 2016, an increase of 3.6% from 2.957 million subscribers as at June 30, 2015. This is primarily due to the implementation of an ongoing successful "value for money" 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 our strategy has been our focus on features that allow us to differentiate ourselves from our competitors, such as generous tariff plans, flexible bundles, integrated IT systems and our quality mobile network. As at June 30, 2016 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.95% of the Bulgarian population. In May 2016 VIVACOM started its LTE mobile network with 39.48% coverage by population as at June 30, 2016.

Our revenue share for the mobile services market is approximately 28% for the six months ended June 30, 2016.

We are the incumbent in the fixed voice line market with 69% revenue share as at March 31, 2016 (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts).

Following Mobiltel's acquisition of Blizoo, which has been fully consolidated as of October 1, 2015, VIVACOM is the second largest fixed broadband operator with a 25% subscriber market share as at March 31, 2016. 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 1,062,000 fiber homes passed and 18% take-up rate as at

June 30, 2016. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

Our market share on the pay-TV segment is growing, but still represents a small percentage from total revenues. As end of 2015, VIVACOM is positioned as the third largest pay-TV provider and the largest IPTV operator with 59% subscriber share (Source: CRC Annual Report 2015).

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, 2016 VIVACOM has 244 owned branded retail locations with an additional 53 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first half of 2016 with a profit of BGN 0.8 million (the Company - with a loss of BGN 4.5 million), compared to loss of BGN 6.8 million for same period in 2015.

On November 22, 2013 VIVACOM successfully completed its bond offering of EUR 400 (BGN 782.3) million 6⅝% Senior Secured Notes due 2018 (the "Notes"). The maturity date of the Notes is November 15, 2018. The Company will pay interest on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of 'B1' by Moody's Investors Service and 'BB-' by Standard & Poor's Ratings Services. Standard & Poor's lowered the company’s credit rating to 'B' on April 2, 2015 and subsequently to 'B-' on July 8, 2015. On October 22, 2015 Standard & Poor's revised its CreditWatch listing on its 'B-' long-term corporate credit rating of VIVACOM to negative from developing. On December 20, 2015 Moody’s reaffirmed its 'B1' credit rating of the Company with stable outlook.

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

REVENUES

Our total revenue was BGN 429.6 million for the six months ended June 30, 2016, an increase of BGN 24.8 million, or 6.1%, from BGN 404.8 million for the six months ended June 30, 2015.

The table below sets forth our revenue for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015.

	For the six months ended June 30,		Change	
BGN in millions, except percentages	**2016**	**2015**	**(amount)**	**(%)**
Recurring charges	198.9	197.1	1.8	0.9
Outgoing traffic	42.2	55.2	(13.0)	(23.5)
Leased lines and data transmission	54.5	56.8	(2.2)	(4.0)
Interconnect	26.2	20.0	6.2	31.2
Radio and TV broadcasting	15.5	-	15.5	-
Other revenue	92.3	75.8	16.5	21.8
Total revenue	**429.6**	**404.8**	**24.8**	**6.1**

Revenue from recurring charges was BGN 198.9 million for the six months ended June 30, 2016, an increase of BGN 1.8 million, or 0.9%, from BGN 197.1 million for the six months ended June 30, 2015 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue from outgoing traffic was BGN 42.2 million for the six months ended June 30, 2016, a decrease of BGN 13.0 million, or 23.5%, from BGN 55.2 million for the six months ended June 30, 2015 mainly due to competitive pressure leading to decline in prices per minute and less chargeable traffic as a result of the generous offerings with more included minutes.

Revenue from leased lines and data transmissions was BGN 54.5 million for the six months ended June 30, 2016, a decrease of BGN 2.2 million, or 4.0% from BGN 56.8 for the six months ended June 30, 2015, 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 26.2 million for the six months ended June 30, 2016, an increase of BGN 6.2 million, or 31.2%, from BGN 20.0 million for the six months ended June 30, 2015. The increase was primarily due to higher inbound traffic in our mobile network generated by other operators as a results of more calls terminated in our network.

Revenue from radio and TV broadcasting was BGN 15.5 million for the six months ended June 30, 2016, which consisted of terrestrial broadcasting of television, satellite transmission and radio provided by NURTS Group. The acquisition of NURTS business has been fully consolidated as of July 1, 2015.

Other revenue was BGN 92.3 million for the six months ended June 30, 2016 an increase of BGN 16.5 million, or 21.8% from BGN 75.8 million for the six months ended June 30, 2015 mainly due to increased revenue from provision of pay-TV services (both DTH and IPTV) and sales of handsets as well as colocation services provided by NURTS Group.

The following table sets forth a breakdown of our revenue by segment for the six months ended June 30, 2016, as compared to the six months ended June 30, 2015.

	For the six months ended June 30,		Change	
BGN in millions, except percentages	**2016**	**2015**	**(amount)**	**(%)**
Fixed-line revenue	164.8	174.2	(9.4)	(5.4)
Mobile revenue	246.0	230.6	15.3	6.6
NURTS revenue	22.6	-	22.6	-
Eliminations	(3.7)	-	(3.7)	-
Total revenue	**429.6**	**404.8**	**24.8**	**6.1**

Our fixed-line revenue, which is comprised of fixed voice (fixed telephony and other), fixed data (fixed broadband and other), fixed pay-TV and other fixed line services was BGN 164.8 million for the six months ended June 30, 2016, a decrease of BGN 9.4 million, or 5.4%, from BGN 174.2 million for the six months ended June 30, 2015. The decrease was mainly attributable to the ongoing fixed-to-mobile substitution trend and competitive pressure from other alternative operators with low ARPUs.

Our mobile revenue was BGN 246.0 million for the six months ended June 30, 2016, an increase of BGN 15.3 million, or 6.6%, from BGN 230.6 million for the six months ended June 30, 2015. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base and increased data usage, which can be attributed to our competitive offers and the quality of our network as well as from higher handsets sales.

Our NURTS revenue was BGN 22.6 million for the six months ended June 30, 2016, mainly attributable to terrestrial broadcasting of television and radio programs, satellite transmission and colocation services provided by NURTS Group.

Principal Factors Affecting Mobile Revenues

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

	For the six months ended June 30,		Change	
	2016	**2015**	**(amount)**	**(%)**
Number of mobile subscribers at period end (in thousands)	3 063	2 957	106.2	3.6
% post-paid at period end	86	85	1.6	1.9
% pre-paid at period end	14	15	(1.6)	(10.4)
Blended mobile ARPU (BGN)	11.2	11.2	(0.1)	(0.6)
Post-paid ARPU (BGN)	12.3	12.5	(0.2)	(1.8)
Pre-paid ARPU (BGN)	3.7	3.9	(0.2)	(4.4)
AMOU (minutes)	174	151	22.8	15.1

Our mobile subscriber base consists primarily of residential subscribers and, in line with the Bulgarian mobile telecommunications market, the vast majority of our subscribers are post-paid. As at June 30, 2016, 86% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.957 million subscribers as at June 30, 2015 to 3.063 million subscribers as at June 30, 2016. We attribute this growth over the periods under review to a number of factors, including the quality of our network, the ability to offer additional value with wide profile of bundled services, as well as cross-selling and up-selling to existing customers.

Blended mobile ARPU remained at BGN 11.2 for the six months ended June 30, 2016 in comparison to the same period last year with increase in data usage and, in turn, data share in ARPU as a result of the growing smartphone penetration.

Mobile AMOU increased 15.1% to 174 minutes for the six months ended June 30, 2016, from 151 minutes for the six months ended June 30, 2015 mainly as a result of the increased inbound traffic from other mobile operators as well as from increased outbound calls to other mobile networks.

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, fixed broadband and fixed pay-TV subscribers.

	For the six months ended June 30,		Change	
	2016	**2015**	**(amount)**	**(%)**
Fixed telephony subscribers at period end (in thousands)	987	1 124	(136.5)	(12.1)
Fixed telephony ARPU (BGN)	11.0	11.5	(0.6)	(4.8)
AMOU (minutes)	103	107	(3.6)	(3.4)
Fixed broadband subscribers at period end (in thousands)	411	370	41.0	11.1
% FTTx at period end	48	40	8.0	20.1
Fixed broadband ARPU (BGN)	10.2	10.8	(0.6)	(5.9)
Number of fiber homes passed (in thousands)	1 062	964	98.2	10.2
Fixed pay-TV subscribers at period end (in thousands)	390	337	53.2	15.8
% IPTV at period end	40	35	4.8	13.7
Fixed pay-TV ARPU (BGN)	12.8	12.4	0.3	2.5

Fixed Telephony

Our total fixed telephony subscribers decreased by 12.1% to 987 thousand as at June 30, 2016, from 1.124 million as at June 30, 2015. 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 the ongoing fixed-to-mobile substitution.

Total fixed telephony ARPU decreased by 4.8% to BGN 11.0 for the six months ended June 30, 2016, from BGN 11.5 for the six months ended June 30, 2015. The decrease in total fixed telephony ARPU was primarily due to a decrease in the outgoing traffic volume and price per minute as well as the lower monthly recurring fees.

Fixed telephony AMOU decreased by 3.4% to 103 minutes for the six months ended June 30, 2016, from 107 minutes for the six months ended June 30, 2015. The decrease was primarily due to ongoing fixed-to-mobile substitution, which resulted in a decrease in outgoing volume of calls made by our customers.

Fixed Broadband

Our total fixed broadband subscribers increased by 11.1% to 411 thousand as at June 30, 2016, from 370 thousand as at June 30, 2015. The increase was due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity and reliable broadband service.

Total fixed broadband ARPU decreased by 5.9% to BGN 10.2 for the six months ended June 30, 2016, from BGN 10.8 for the six months ended June 30, 2015. The decrease was primarily due to bundling discounts and intense price competition from other operators.

Fixed Pay-TV

Our total fixed pay-TV subscribers increased by 15.8% to 390 thousand as at June 30, 2016, from 337 thousand as at June 30, 2015. This was mainly due to the increased demand for high quality services with superior user experience, rich content and high-definition (HD) channels.

Total fixed pay-TV ARPU increased by 2.5% to BGN 12.8 for the six months ended June 30, 2016, from BGN 12.4 for the six months ended June 30, 2015. The increase was mainly attributable to the growing share of tariffs with higher monthly recurring fees and additional packages with rich content.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 27.7 million for the six months ended June 30, 2016, an increase of BGN 6.4 million, or 29.9%, from BGN 21.3 million for the six months ended June 30, 2015. This was mainly due to increase in mobile outbound traffic to other national mobile operators, resulted from more calls made by our subscribers to other networks.

Other Operating Expenses

Our other operating expenses were BGN 105.8 million for the six months ended June 30, 2016, a decrease of BGN 15.8 million, or 13.0%, from BGN 121.6 million for the six months ended June 30, 2015.

The table below sets forth our other operating expenses for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015.

	For the six months ended June 30,		Change	
BGN in millions, except percentages	**2016**	**2015**	**(amount)**	**(%)**
Advertising, customer service, billing and collection	33.1	27.6	5.5	19.8
Facilities	20.2	22.4	(2.2)	(9.7)
Maintenance and repairs	16.8	16.5	0.3	2.1
License fees	7.7	6.6	1.0	15.8
Vehicles and transport	4.8	4.5	0.3	6.6
Administrative expenses	4.5	8.0	(3.5)	(43.8)
Leased lines and data transmission	4.0	1.4	2.5	174.7
Professional fees	2.6	1.4	1.2	85.4
Other, net	12.1	33.1	(21.0)	(63.5)
Total operating expenses	**105.8**	**121.6**	**(15.8)**	**(13.0)**

Other operating expenses decrease was driven mainly by the lower other, net expenses which carry a one-off effect related to impairment of trade and other receivables in 2015. Overall decrease was also driven by lower administrative expenses and facilities expenses. These are partially offset by higher advertising, customer service, billing and collection expenses, license fees and leased lines and data transmission expenses as well as professional fees.
Increase in advertising, customer service, billing and collection expenses was mainly related with promotions, advertising activities and higher expenses for television rights. Leased lines and data transmission increased primarily in relation to the satellite transmission business of NURTS Group. Professional fees increased mainly due to higher expenses for hired services.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 80.0 million for the six months ended June 30, 2016, an increase of BGN 9.8 million, or 14.0%, from BGN 70.2 million for the six months ended June 30, 2015 attributable mainly to the higher expenses for mobile handsets to support the increased demand for smartphones and increased utilities expenses.

Staff Costs

Our staff costs were BGN 64.2 million for the six months ended June 30, 2016, an increase of BGN 5.1 million, or 8.7%, from BGN 59.1 million for the six months ended June 30, 2015, mainly as a result of NURTS Group acquisition as of July 1, 2015 as well as due to increase in the average salaries.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 127.3 million for the six months ended June 30, 2016, an increase of 10.9 million, or 9.3%, from BGN 116.5 million for the six months ended June 30, 2015, mainly as a result of accelerated depreciation of assets subject to swap as well as the effect of NURTS Group acquisition, consolidated from July 1, 2015.

Finance Costs

Our finance costs were BGN 29.0 million for the six months ended June 30, 2016, an increase of BGN 0.2 million, or 0.6%, from BGN 28.8 million for the six months ended June 30, 2015, primarily due to slightly higher expenses on foreign exchange transactions.

Finance Income

Our finance income was BGN 3.2 million for the six months ended June 30, 2016, a decrease of BGN 3.1 million, or 49.8%, from BGN 6.3 million for the six months ended June 30, 2015, mainly as a result from lower other finance income from assignments.

Other gains, net

Other gains, net were BGN 2.3 million for the six months ended June 30, 2016, a decrease of BGN 4.3 million, or 64.8%, from BGN 6.6 million for the six months ended June 30, 2015, mainly as a results from lower gains from sale of non-operating fixed assets.

Income Tax Expenses

The following table sets forth our income tax expense for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015.

	For the six months ended June 30,		**Change**	
BGN in millions, except percentages	**2016**	**2015**	**(amount)**	**(%)**
Current income tax charge	3.8	11.5	(7.7)	(67.1)
Deferred tax credit to comprehensive income	(3.7)	(4.6)	0.9	(20.0)
Income tax expense/(benefit)	**0.1**	**6.9**	**(6.8)**	**(98.8)**

Income tax expenses were BGN 0.1 million for the six months ended June 30, 2016, a decrease of BGN 6.8 million, from BGN 6.9 million for the six months ended June 30, 2015. The effect of the current tax from previous periods, accounted in 2015, amounted to BGN 6.3 million.

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the six months ended June 30, 2016 was BGN 0.8 million, an increase of BGN 7.6 million compared to loss of BGN 6.8 million for the six months ended June 30, 2015.

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)	**2016**	**2015**	**(amount)**	**(%)**
Profit / (loss) for the period	**0.8**	**(6.8)**	**7.6**	**(112.5)**
Income tax expense				
Finance expenses, net	0.1	6.9	(6.8)	(98.8)
Depreciation and amortization	25.9	22.6	3.3	14.7
EBITDA	127.3	116.5	10.9	9.3
Other gains, net	(2.3)	(6.6)	4.3	(64.8)
Asset impairment and write off	3.5	29.0	(25.4)	(87.8)
Provisions and penalties	1.4	4.0	(2.6)	(64.6)
Other exceptional items	0.4	2.6	(2.2)	(84.2)
Adjusted EBITDA	**157.2**	**168.2**	**(11.0)**	**(6.5)**

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	**2016**	**2015**	**(amount)**	**(%)**
Net cash from operating activities	94.5	89.5	5.0	5.6
Net cash used in investing activities	(87.7)	(79.0)	(8.7)	11.0
Net cash used in financing activities	(11.7)	(11.7)	0.1	(0.4)
Net increase / (decrease) in cash and cash equivalents	**(4.8)**	**(1.2)**	**(3.6)**	**308.5**

Net Cash from Operating Activities

For the six months ended June 30, 2016, net cash flows from operating activities increased by BGN 5.0 million to BGN 94.5 million, compared to BGN 89.5 million for the six months ended June 30, 2015 mainly due to lower corporate income tax paid for the current period. The combined positive effect in trade receivables and payables as a result of timing differences in settlement of roaming discounts is fully offset by the increased inventory during the current period.

Net Cash Used in Investing Activities

For the six months ended June 30, 2016, net cash flows used in investing activities increased by BGN 8.7 million to BGN 87.7 million, from BGN 79.0 million mainly due to higher payments to suppliers of non-current assets following the level of capital expenditures.

Net Cash Used in Financing Activities

For the six months ended June 30, 2016, net cash flows used in financing activities were BGN 11.7 million, compared to the same level of BGN 11.7 million for the six months ended June 30, 2015.

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 period under review, 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 and 4G technology) as well as deployment of fixed and mobile network backup solutions and spectrum acquisition. 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 optical network terminals. Our capital expenditure plans are subject to change depending, among other things, on the evolution of market conditions and the cost and availability of funds.

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

	For the six months ended June 30,	
(BGN in millions)	**2015**	**2014**
Network	80.3	36.2
IT	2.9	5.5
Commercial and other	15.5	15.8
Licenses	12.1	-
NURTS	0.2	-
Total capital expenditures	**111.0**	**57.5**

For the six months ended June 30, 2016, capital expenditures amounted to BGN 111.0 million, which consisted of:

- BGN 80.3 million of capital expenditures relating to network activities, mainly for investment in our radio access network, fixed core network, TV platform and FTTx roll-out projects;
- BGN 2.9 million of capital expenditures relating to IT activities, mainly related to enterprise management systems and infrastructure;
- BGN 15.5 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;
- BGN 12.1 million of capital expenditures resulting from acquisition of licenses for additional spectrum in the 1800 MHz band;
- BGN 0.2 million of capital expenditures relating to maintenance of NURTS infrastructure.

MAIN RISKS

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

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

General risk

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

Macroeconomic risks

Many European countries have faced or are facing an economic slowdown, which includes a general contraction in consumer spending resulting from, among other factors, reduced consumer confidence, falling gross domestic product, rising unemployment rates and uncertainty in the macroeconomic environment. Although the economic climate in Bulgaria has also been negatively affected by the global economic downturn, keeping unemployment at high levels, the Bulgarian economy has demonstrated some resilience and fiscal stability with low levels of government debt.
On December 12, 2014 Standard & Poor's Ratings Services lowered its long- and short-term foreign and local currency sovereign credit ratings of Bulgaria by one notch to 'BB+/B' from 'BBB-/A-3' with stable outlook.. The downgrade reflects the liquidity support to weakened domestic banks which has pushed up Bulgarian government debt. The stable outlook balances the risks from potential vulnerabilities mounting in the financial sector against still-low levels of government indebtedness. On June 12, 2015 Standard & Poor's Ratings Services affirmed its 'BB+/B' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable. On December 11, 2015 and subsequently on June 3, 2016 Standard & Poor's reaffirmed its 'BB+/B' sovereign credit rating on Bulgaria with stable outlook.

We operate in the telecommunications sector, for which underlying customer demand has proven to be less cyclical than other aspects of consumer spending during the ongoing global financial and economic crisis. However, the general macroeconomic environment still has an adverse effect on consumer spending. Consumers could spend less on an incremental basis, such as by placing fewer calls, sending fewer SMS, or opting for flat rate or lower tariff price plans. In poor economic conditions, consumers are likely to delay the replacement of their existing mobile handsets or be more likely to disconnect or cancel their services. Generally, weak economic conditions may deteriorate the growth prospects of the telecommunications market in Bulgaria, which in turn may impact our number of subscribers and ARPU.

Inflation risk

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

Market risk

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

Political risks

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

Specific Company risks

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

Regulatory risk

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

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

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

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

In February 2013 CRC approved a cost-oriented fixed and mobile termination rates based on a Pure BULRIC models. Further reduction of the termination rates are currently expected by the end of Q3 2016 with the amended BULRIC models.

EU Telecom Single Market Regulation

The European Parliament decided on the Regulation of the European Parliament and of the Council laying down measures concerning the EU single market. The new regulation mandates EU roaming charges at national level from June 2017 and net neutrality (not discriminating traffic to different services). The new regulation was promulgated at the end of 2015. The regulation is expected to have a material impact on the EU telecom sector.

Electronic Communications Act

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

Unfair competition

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

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

It is important to emphasize the particularly active policy of CPC to investigate specific inquiries regarding possible anticompetitive behaviour of VIVACOM in the field of sales of communications devices. Such in-depth studies have resulted in to a competition risk.

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.

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

Credit risks

Credit risks or the risk of counterparty defaulting is reduced partly by the application of monthly subscription, credit limits and monitoring procedures. The Company has a policy of obtaining collateral from its retail customers where risk is perceived and from distributors. Credit risk is managed on VIVACOM Group level. The credit exposure of VIVACOM consists of the total value of trade and other receivables and short-term deposits.

VIVACOM has recognized loans and other receivables which are due by several counterparties, one economic group of which represents more than 50% of the total balance of other receivables. The total amount of this individual exposure is fully secured by enterprise and assets pledges. Apart from this BTC Group is not exposed to credit risk from an individual partner or group of partners with similar profile.
According to Treasury policy, applicable to VIVACOM and its subsidiaries, transactions are carried out predominantly with financial institutions and banks with credit standing between BBB and A. Credit exposure is controlled by individual credit limits of counterparties, which are regularly revised and appropriately approved. The limit for each third party is determined according to its size in terms of assets and equity as well as its long-term credit rating from S&P, Moody's or Fitch. The Treasury policy also defines the financial instruments, allowed to the Treasury Department, as well as the maximum maturity.

Liquidity risks

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

Currency risk

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

Due to the fact that the companies within VIVACOM Group use mainly BGN and EUR as operating currencies they are not significantly exposed to currency risk. Most of the income is generated in BGN while long term borrowings, interest expenses and part of the capital expenses are in EUR. This mismatch has not been a problem 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 behaviour 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

There are no important events after the end of the reporting period that need to be disclosed.

EXPECTED DEVELOPMENT

In 2016 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, including optimization of infrastructure with deployment of single radio access network technology and LTE upgrade;
- VIVACOM will further expand its fibre-optic network coverage in order to support today's growing demands for high speed bandwidth capacity;
- VIVACOM will continue to increase its network capacity and stability in response to customers' expectations;
- VIVACOM plans to continue the investments in its high quality digital television services.

INNOVATION PROCESSES AND PRODUCT DEVELOPMENT

Throughout the period under review, VIVACOM has been consistently engaged in innovation processes and product development. Such activities ultimately benefit our customers as innovative technology enables us to deliver complex solutions and offer innovative products and services.

INFORMATION ABOUT THE COMPANY'S MANAGING BOARD AND SUPERVISORY BOARD

Members of the Company's Managing Board and Supervisory Board at June 30, 2016

a) At June 30, 2016 the members of the Managing Board of VIVACOM are:

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

b) At June 30, 2016 the members of the Supervisory Board of VIVACOM are:

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

As per the available information, the member of the Managing Board and CEO Atanas Dobrev holds bonds of VIVACOM at a nominal value of EUR 200 thousand. With the exception of the disclosure under the previous sentence the members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares and bonds of VIVACOM for the six months ended June 30, 2016. The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM on special terms pursuant to any existing financial instrument or agreement.

Remuneration amounting to BGN 1,114 thousand relating to the members of the Managing Board and to key management personnel has been accrued for the six months ended June 30, 2016.

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

No contracts under Article 240b of the Commerce Act were concluded for the six months ended June 30, 2016.

INFORMATION ABOUT THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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

Internal control

The Managing Board of VIVACOM exercises independent supervision over the activities and the internal control established by the Company including via the established Internal Audit Department. The objective of the internal control system is to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable, but not absolute, assurance against possible misstatements and losses. The Managing Board of VIVACOM ensured ongoing identification, evaluation and management of the material risks faced by the business. The Audit Committee was established in 2009 with liabilities and responsibilities according to the Independent Financial Audit Act.

ADDITIONAL INFORMATION

The Company has no branches in the country or abroad.

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

Data about the Investor Relations:

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Atanas Dobrev
CEO
Sofia
01.08.2016

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ABBREVIATIONS AND TERMS

AMOU

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

ARPU

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

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

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

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

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

We define fixed broadband ARPU as the sum of the monthly fixed broadband revenue in the period divided by the average number of fixed broadband subscribers in the period, divided by the number of months in that period.

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

EBITDA and Adjusted EBITDA

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

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

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

Market Share

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

Subscribers

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

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

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

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

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

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

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

"**EDGE**"	Enhanced Data rates for GSM Evolution; EDGE is a technology, which elevates GPRS download speeds to above 100 kbps.
"**fiber optic cable**"	Fiber-optic cable is a transmission medium composed of extremely pure and uniform glass. Digital signals are transmitted across fiber optic cable as pulses of light. While signals transmitted over fiber optic cable travel at the same speed as those transmitted over traditional copper cable, fiber optic cable benefits from greater transmission capacity and lower distortion of signals transmitted..
"**fixed-line**"	A physical line connecting the subscriber to the telephone exchange. In addition, fixed-line includes fixed wireless systems, in which the users are in fixed locations using a wireless connection (*i.e.,* cordless telephones) to the telephone exchange.
"**frequency**"	The rate at which an electrical current alternates, usually measured in Hertz (Hz). Also the way to note a description of a general location on the radio frequency spectrum such as 800 MHz, 900 MHz or 1900 MHz.
"**FTR**" or "**fixed termination rates**"	A voice termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The FTR is usually subject to regulatory limits.
"**FTTB**" or "**fiber to the building**"	FTTB is an access network architecture in which the final part of the connection goes to a point on a shared property and other cabling provides the connection to homes, offices or other spaces.
"**FTTH**" or "**fiber to the home**"	FTTH is an access network architecture in which the final part of the connection to the home is optical fiber.
"**FTTx**" or "**fiber to the x**"	A generic term for any broadband network architecture using optical fiber to provide all or part of the local loop used for last mile telecommunications. The term is a generalization for several configurations of fiber deployment.
"**GB**"	A gigabyte, equal to 1 billion bytes.
"**GPRS**" or "**General Packet Radio Services**"	A packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that allows continuous connection to the Internet for mobile phone and computer users. GPRS is a specification for data transfer over GSM networks.
"**GPS**" or "**Global Positioning System**"	A space-based satellite navigation system that provides location and time information in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to 4 or more GPS satellites
"**GSM**" or "**Global System for Mobile Communications**"	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
"**GSM 1800**" or "**GSM 900**"	GSM operating at a frequency of 1800 MHz or 900 MHz. Used in Europe, the Middle East, Africa, much of Asia and certain South American countries.
"**Hertz**"	A unit of frequency of one cycle per second.
"**Homes passed**"	The number of homes that a service provider has capability to connect in a service area through fiber.
"**HSDPA**" or "**High Speed Downlink Packet Access**"	A 3G mobile telephone protocol which allows networks based Universal Mobile Telecommunication System to have higher data transfer speeds and capacity.
"**HSPA**" or "**High Speed Packet Access**"	A mix of two mobile telephony protocols, high speed download Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.
"**HSPA+**" or "**evolved high speed packet access**" or	A set of 3G / UMTS technology enhancements allowing for very fast data transmission between network and mobile devices. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.

“**interconnection**”	The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another.
“**Internet Protocol**” or “**IP**”	Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.
“**IPTV**” or “**Internet Protocol Television**”	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
“**ISDN**” or “**Integrated Services Data Network**”	A set of communication standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network.
“**ISDN BRA/PRA**”	Integrated Service for Digital Network, Basic Rate Access/Primary Rate Access
“**ISP**”	An ISP is a company that provides individuals and companies access to the internet.
“**Kbps**”	Kilobits per second.
“**LAN**” or “**Local Area Network**”	A computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building using network media.
“**LLU**” or “**local loop unbundling**”	Local loop unbundling, is where the incumbent grants access to third- party operators of the part of the communications circuit between the subscriber’s equipment and the equipment of the local exchange (known as the local loop). Where such access is granted by the incumbent, the incumbent may charge the third-party operator a regulated fee for the interconnection service.
“**LTE**” or “**Long Term Evolution**”	LTE refers to a new mobile telephony technology that succeeds 3G. 3GPP (Third Generation Partnership Project) Long Term Evolution, is a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the fourth generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.
“**M2M**” or “**Machine-to-Machine**”	M2M refers to the data communication between wireless and wired systems and other wireless and wired systems.
“**MAN**” or “**Metropolitan Area Network**”	A computer network in which two or more computers or communicating devices or networks which are geographically separated but in same metropolitan city.
“**MB**”	A megabit.
“**Mbps**”	Megabits per second.
“**MHz**”	Megahertz; a unit of frequency equal to 1 million Hertz.
“**MMS**” or “**Multimedia Messaging Service**”	An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
“**MPLS**” or “**Multi Protocol Label Switching**”	A method used to speed up data communication over combined IP / ATM networks.
“**MRC**”	Monthly Recurring Charges.
“**MTR**” or “**mobile termination rates**”	A voice, or SMS or MMS, as applicable termination charge levied against the origination network by the receiving network at a rate that is agreed between the two networks. The MTR is usually subject to regulatory limits.
“**MVNO**” or “**mobile virtual network operator**”	A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use for sale to their own subscribers.

"**network**"	An interconnected collection of telecom components consisting of switches connect to each other and to customer equipment by real or virtual transmission links. Transmission links may be based on fiber optic or metallic cable or point-to-point radio connections.
"**number portability**"	A facility provided by telecommunications operators that enables customers to keep their full telephone numbers when they change operators.
"**operator**"	A term for any company engaged in the business of building and running its own network facilities.
"**penetration**"	A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100.
"**roaming**"	Roaming is the transfer of mobile traffic from one network to another, referring to the exchange of mobile international traffic.
"**R2D**"	Register to Digital signalization via 2 Mbit/s subscriber line.
"**smartphone**"	A smartphone is a mobile phone built on a mobile computing platform and includes high-resolution (touch) screens, web browsers that can access and properly display standard web pages and high speed data access via Wi-Fi and mobile broadband.
"**SMS**" or "**Short Message Service**"	A text message service which enables users to send short messages (160 characters or less) to other users.
"**spectrum**"	A continuous range of frequencies, usually wide in extent within which waves have some certain common characteristics.
"**Subscriber Identity Module card**" or "**SIM card**"	A SIM is a chip card inserted into a mobile phone, which contains information such as telephone numbers and memory for storing a directory.
"**subscriber**"	A person or entity who is party to a contract with the provider of telecommunications services for the supply of such services.
"**termination rate**"	The tariff chargeable by operators for terminating calls on their networks as set forth by the CRC.
"**Universal Mobile Telecommunications System**" or "**UMTS**"	UMTS is one of the major third generation mobile communications systems being developed. UMTS is suited to deliver voice, text, music and animated images. Data can be sent via UMTS at approximately 6 times the speed of ISDN.
"**VoBB**" or "**Voice over Broadband**"	A telephone service via Internet, or via transmission control/Internet Protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
"**VPN**" or "**Virtual Private Network**"	A VPN is a virtual network constructed from logic connections that are separated from other users
"**Wi-Fi**"	Wi-Fi is a technology that allows an electronic device to exchange data wirelessly over a computer network, including broadband internet connections. Wi-Fi is a trademark of the Wi-Fi Alliance.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
As at 30 June 2016
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
ASSETS					
Current assets					
Cash and cash equivalents	4.	84,568	89,555	81,198	85,665
Trade and other receivables	5.	124,098	118,468	135,181	141,093
Current income tax receivables		584	995	-	-
Inventories	6.	44,854	37,063	43,202	35,399
Investments	11.	77	137	77	137
Other current assets	8.	20,010	11,184	18,918	10,311
Assets classified as held for sale	7.	192	2,609	13	364
Total current assets		**274,383**	**260,011**	**278,589**	**272,969**
Non-current assets					
Goodwill		2,049	2,049	2,049	2,049
Property, plant and equipment	9.	794,040	823,711	742,811	768,560
Intangible assets	10.	209,654	198,801	209,399	198,551
Investments	11.	382	382	41,103	41,103
Trade and other receivables	5.	49,055	48,531	46,278	44,927
Other non-current assets	8.	2,441	2,404	2,441	2,404
Deferred tax assets, net	16.	9,267	9,549	-	-
Total non-current assets		**1,066,888**	**1,085,427**	**1,044,081**	**1,057,594**
TOTAL ASSETS		**1,341,271**	**1,345,438**	**1,322,670**	**1,330,563**
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	3	3	3	3
Trade payables	12.	102,984	90,073	102,860	88,746
Other payables	13.	30,466	36,408	28,609	34,087
Deferred income/revenue		21,146	20,954	21,146	20,946
Current income tax liabilities		2,285	390	2,261	390
Provisions	14.	3,042	3,472	2,909	3,325
Borrowings	15.	10,407	20,182	10,371	20,135
Total current liabilities		**170,333**	**171,482**	**168,159**	**167,632**
Non current liabilities					
Borrowings	15.	774,004	773,975	774,004	773,975
Deferred tax liabilities, net	16.	3,754	7,744	3,541	7,744
Retirement benefit obligations	17.	5,424	5,249	4,788	4,551
Provisions	14.	10,234	9,977	10,234	9,977
Trade payables	12.	3,185	3,373	3,185	3,373
Deferred income/revenue		1,470	1,535	1,470	1,535
Total non current liabilities		**798,071**	**801,853**	**797,222**	**801,155**
Equity					
Share capital	18.	288,765	288,765	288,765	288,765
Reserves	18.	34,885	34,966	34,885	34,966
Retained earnings		49,217	48,372	33,639	38,045
Total equity		**372,867**	**372,103**	**357,289**	**361,776**
TOTAL LIABILITIES AND EQUITY		**1,341,271**	**1,345,438**	**1,322,670**	**1,330,563**

These financial statements were approved on 01.08.2016

Atanas Dobrev
CEO

Asen Velikov
Finance Director

The accompanying notes from pages 33 to 69 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

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

For the six months ended 30 June 2016

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	**Notes**	**Six months ended**		**Three months ended**	
		30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Revenue	19.	429,616	404,792	217,886	203,528
Interconnect expenses		(27,728)	(21,339)	(14,576)	(11,016)
Other operating expenses	20.	(105,846)	(121,645)	(56,335)	(77,039)
Materials and consumables expenses		(80,016)	(70,207)	(41,860)	(34,169)
Staff costs	21.	(64,215)	(59,078)	(32,219)	(29,028)
Depreciation and amortization	8.; 9., 10.	(127,345)	(116,465)	(62,580)	(58,598)
Finance costs	22.	(29,015)	(28,832)	(14,465)	(14,402)
Finance income	22.	3,153	6,276	1,511	2,862
Other gains, net	23.	2,326	6,605	639	2,747
Profit/(loss) before tax		**930**	**107**	**(1,999)**	**(15,115)**
Income tax expense/(benefit)	24.	(85)	(6,884)	166	(5,273)
Profit/(loss) for the period		**845**	**(6,777)**	**(1,833)**	**(20,388)**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		(90)	388	325	(1,029)
Related tax	24.	9	(39)	(33)	103
		(81)	**349**	**292**	**(926)**
Other comprehensive income for the period, net of tax		**(81)**	**349**	**292**	**(926)**
Total comprehensive income for the period		**764**	**(6,428)**	**(1,541)**	**(21,314)**
Earnings per share (basic and diluted)		0.00	(0.02)	(0.01)	(0.07)

The accompanying notes from pages 33 to 69 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

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

For the six months ended 30 June 2016

All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	**Notes**	**Six months ended**		**Three months ended**	
		30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Revenue	19.	408,917	403,902	206,746	203,306
Interconnect expenses		(26,135)	(20,301)	(13,697)	(10,700)
Other operating expenses	20.	(102,251)	(121,480)	(54,358)	(76,856)
Materials and consumables expenses		(76,642)	(70,206)	(40,195)	(34,169)
Staff costs	21.	(60,852)	(59,075)	(30,389)	(29,026)
Depreciation and amortization	8.; 9., 10.	(124,291)	(116,463)	(61,101)	(58,597)
Finance costs	22.	(28,897)	(28,817)	(14,447)	(14,421)
Finance income	22.	3,974	6,769	1,950	3,363
Other gains, net	23.	1,338	6,605	614	2,747
Profit/(loss) before tax		**(4,839)**	**934**	**(4,877)**	**(14,353)**
Income tax expenses/(benefit)	24.	434	(6,917)	466	(5,300)
Loss for the period		**(4,405)**	**(5,983)**	**(4,411)**	**(19,653)**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		(90)	388	325	(1,029)
Related tax	24.	9	(39)	(33)	103
		(81)	**349**	**292**	**(926)**
Other comprehensive income for the period, net of tax		**(81)**	**349**	**292**	**(926)**
Total comprehensive income for the period		**(4,486)**	**(5,634)**	**(4,119)**	**(20,579)**
Earnings per share (basic and diluted)		(0.02)	(0.02)	(0.02)	(0.07)

These financial statements were approved on 01.08.2016

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 33 to 69 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 2016
All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2015		288,765	28,876	7,047	273	32,536	357,497
Comprehensive income							
Loss for the period		-	-	-	-	(6,777)	(6,777)
Total other comprehensive income		-	-	-	349	-	349
Total comprehensive income		-	-	-	349	(6,777)	(6,428)
Transfer to retained earnings - land disposal		-	-	(460)	-	460	-
Balance as at 30 June 2015		288,765	28,876	6,587	622	26,219	351,069
Balance as at 1 January 2016		288,765	28,876	6,090	-	48,372	372,103
Comprehensive income							
Profit for the period		-	-	-	-	845	845
Total other comprehensive income		-	-	-	(81)	-	(81)
Total comprehensive income		-	-	-	(81)	845	764
Balance as at 30 June 2016		288,765	28,876	6,090	(81)	49,217	372,867

Separate Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2015	288,765	28,876	7,047	273	32,111	357,072
Comprehensive income						
Loss for the period	-	-	-	-	(5,983)	(5,983)
Total other comprehensive income	-	-	-	349	-	349
Total comprehensive income	-	-	-	349	(5,983)	(5,634)
Transfer to retained earnings - land disposal	-	-	(460)	-	460	-
Balance as at 30 June 2015	288,765	28,876	6,587	622	26,588	351,438
Balance as at 1 January 2016	288,765	28,876	6,090	-	38,045	361,776
Comprehensive income						
Loss for the period	-	-	-	-	(4,405)	(4,405)
Total other comprehensive income	-	-	-	(81)	-	(81)
Total comprehensive income	-	-	-	(81)	(4,405)	(4,486)
Transactions with owners						
Balance as at 30 June 2016	288,765	28,876	6,090	(81)	33,640	357,290

These financial statements were approved on 01.08.2016

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 33 to 69 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 2016
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Six months ended		Six months ended	
		30.6.2016	30.06.2015	30.6.2016	30.06.2015
Cash flows from operating activities					
Profit/(loss) before tax		930	107	(4,839)	934
Adjustment for:					
Depreciation and amortization	8., 9., 10.	127,344	116,465	124,291	116,463
Gain on sale of non current assets and assets held for sale	23.	(2,326)	(6,604)	(1,338)	(6,604)
Impairment loss and write off of non-current assets	9., 10.	3,377	3,374	3,268	3,374
Interest expenses, net of interest income	22.	25,367	22,261	24,438	22,268
Impairment loss on trade receivables	5.	6,780	29,056	5,147	28,855
Impairment loss and write off of current assets		997	312	952	312
Income from investment operations and other finance income	22.	-	(98)	-	(598)
Gain from operations with cash flow hedges	22.	(49)	(15)	(49)	(15)
Accruals and provisions charged to profit and loss		3,346	3,358	3,287	3,358
Changes in:					
-inventories		(8,595)	(1,534)	(8,587)	(1,534)
-trade and other receivables		(10,140)	(23,575)	2,588	(23,390)
-other current and non-current assets		(10,438)	(10,463)	(10,218)	(10,460)
-trade and other payables		(12,234)	(5,851)	(10,660)	(6,693)
-provisions and employee benefits		(2,286)	(3,921)	(1,957)	(3,921)
-deferred income/revenue		127	934	135	934
Cash generated from operations		**122,200**	**123,806**	**126,458**	**123,283**
Interest received		88	10	557	9
Interest paid		(26,302)	(26,376)	(26,302)	(26,376)
Corporate income tax paid		(1,479)	(7,934)	(1,890)	(7,932)
Net cash from operating activities		**94,507**	**89,506**	**98,823**	**88,984**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		5,644	8,343	1,702	8,343
Acquisition of property, plant, equipment and intangible assets		(93,287)	(86,858)	(93,141)	(86,858)
Cash deposits with maturity greater than three months, net		(61)	(446)	(61)	(415)
Dividends received		51	-	51	500
Net cash used in investing activities		**(87,653)**	**(78,961)**	**(91,449)**	**(78,430)**
Cash flows from financing activities					
Proceeds from new borrowings		-	19,558	-	19,558
Repayments of borrowings		(9,779)	(29,337)	(9,779)	(29,337)
Payment of finance lease liabilities		(1,894)	(1,946)	(1,894)	(1,946)
Net cash used in financing activities		**(11,673)**	**(11,725)**	**(11,673)**	**(11,725)**
Net decrease in cash and cash equivalents		**(4,819)**	**(1,180)**	**(4,299)**	**(1,171)**
Effect of exchange rate fluctuations on cash held		(168)	106	(168)	105
Cash and cash equivalents at the beginning of the year		89,555	60,080	85,665	60,026
Cash and cash equivalents at the end of the period		**84,568**	**59,006**	**81,198**	**58,960**

These financial statements were approved on 01.08.2016

Atanas Dobrev

CEO

Asen Velikov

Finance Director

The accompanying notes from pages 35 to 69 are an integral part of these interim consolidated and separate financial statements.

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

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

The Ultimate Parent Company is V Telecom Investment S.C.A. ("V Telecom") which indirectly through InterV Investment S.à r.l. owns 100% of the equity of Viva Telecom Bulgaria EOOD which is the Parent of the Company as at 30 June 2016. There are two shareholders which own more than 20% of the share capital of V Telecom none of which exercise control over V Telecom: (a) LIC Telecommunications S.à r.l., Luxembourg (which according to a letter received by the Company, dated 21 July 2016 signed by a legal representative of LIC Telecommunications S.à r.l., is indirectly wholly owned by Empreno Ventures Ltd, British Virgin Islands, whose ultimate beneficial owner is Mr. Dmitry Kosarev, a Russian citizen) is holding 43.3% of the share capital of V Telecom; and (b) Crusher Investment Limited, Guernsey (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) is holding 33.3% of the share capital of V Telecom.

On 22 December 2015 the Bulgarian Commission for Protection of Competition (CPC) approved the acquisition of control by Viva Telecom (Luxembourg) S.A. over InterV Investment S.à r.l. and its subsidiary companies, including BTC. The Company has not been notified about the completion of such transaction as of the date these financial statements were authorised for issue.

On 8 June 2015 CPC approved a resolution, which gives an authorization to BTC to acquire control of NURTS Bulgaria Group (NURTS). On 1 July 2015 all shares of NURTS Bulgaria AD were transferred to BTC. Thus BTC became the sole owner of the company and its wholly owned subsidiary NURTS Digital EAD.

The Group

As at 30 June 2016 and 31 December 2015 the Group includes the subsidiary entities BTC Net EOOD and NURTS Bulgaria EAD.

As at 30 June 2015 the Group includes the subsidiary entity BTC Net EOOD.

BTC Security EOOD/ Renamed to BTC Net EOOD

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

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

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

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

1. General information(continued)

NURTS Bulgaria EAD

NURTS Bulgaria EAD is a commercial company registered in the Commercial Register in 1 April 2010 with subject of business activity: development, operation and maintenance of public electronic communication networks and data systems in Bulgaria, as well as providing telecommunication services through them, including terrestrial broadcasting of television and radio programs, analogue radio-relay and satellite transmission services, collocation services and other commercial activities. The registered share capital amounts to BGN 151,482,310 comprising of shares with nominal value of BGN 1 each.

NURTS Bulgaria EAD owns 100 % of the share capital of NURTS Digital EAD, which is a joint stock company registered in the Commercial Register on 15 April 2009 with principal activity construction, operation and maintenance of public electronic communication networks, equipment and information systems in Bulgaria, as well as providing electronic communications services through them, including terrestrial broadcasting of television and radio programs. The registered share capital amounts to BGN 120,00,000 comprising of shares with nominal value of BGN 500 each.

2. Functional and Presentation Currency

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

3. Summary of significant accounting policies

This condensed interim consolidated and separate financial report has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

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 2015.

4. Cash and cash equivalents

As at 30 June 2016 and 31 December 2015 the components of the cash and cash equivalents are:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Current accounts and cash in hand				
Held in BGN	54,154	50,055	50,953	46,401
Held in EUR	29,457	36,176	29,301	36,092
Held in foreign currencies other than EUR	957	3,324	944	3,172
Total current accounts and cash in hand	**84,568**	**89,555**	**81,198**	**85,665**
Total cash and cash equivalents	**84,568**	**89,555**	**81,198**	**85,665**

All amounts are in thousand BGN, unless otherwise stated

4. Cash and cash equivalents (continued)

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

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

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

5. Trade and other receivables

As at 30 June 2016 and 31 December 2015 trade and other receivables include:

	Consolidated financial statements		**Separate financial statements**	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Trade receivables	219,905	216,397	188,282	188,476
incl. international settlement receivables	*21,809*	*21,809*	*12,112*	*21,419*
Intercompany receivables (Note 26)	3,241	3,114	32,339	39,198
Other receivables	35,402	31,542	34,068	29,545
incl. loans	*24,870*	*24,810*	*24,096*	*23,333*
Total	**258,548**	**251,053**	**254,689**	**257,219**
Allowance for impairment of receivables	(85,395)	(84,054)	(73,230)	(71,199)
Total Trade and other receivables	**173,153**	**166,999**	**181,459**	**186,020**
Incl:				
Non-current portion: trade and other receivables	97,289	97,828	93,774	92,393
Allowance for impairment of receivables	(48,234)	(49,297)	(47,496)	(47,466)
Total non-current portion: trade and other receivables	**49,055**	**48,531**	**46,278**	**44,927**
Current portion trade and other receivables	161,259	153,225	160,915	164,826
Allowance for impairment of receivables	(37,161)	(34,757)	(25,734)	(23,733)
Total current portion: trade and other receivables	**124,098**	**118,468**	**135,181**	**141,093**

Other receivables as of 30 June 2016 and 31 December 2015 include respectively BGN 1,183 thousand and BGN 1,122 thousand term cash deposits with maturity greater than three months for the consolidated and BGN 1,063 thousand and BGN 1,002 thousand for the separate financial statements.

Trade receivables for the consolidated and for the separate financial statements as of 30 June 2016 include respectively BGN 60,505 thousand and BGN 59,583 thousand representing the remaining cash and cash equivalents at CCB. The nominal value of the cash accounts at CCB as of 30 June 2016 is respectively BGN 65,973 thousand and BGN 65,062 thousand for the Group and the Company. The receivables representing the remaining cash and cash equivalents at CCB are presented as non-current. Their net book value as of 30 June 2016 amounts to BGN 13,273 thousand and BGN 13,090 thousand for the consolidated and for the separate financial statements, respectively, and the accumulated impairment is respectively BGN 47,232 thousand and BGN 46,493 thousand.

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

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

	Gross receivables from finance leases		Net investment in finance leases	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Finance leases receivables with maturity:				
Within one year	37,733	36,214	35,279	33,871
Within two years	14,748	14,344	14,324	13,897
Total receivables	**52,481**	**50,558**	**49,603**	**47,768**
Less: unearned finance income	(2,878)	(2,790)	-	-
Allowance for impairment of receivables	(3,472)	(3,344)	(3,472)	(3,344)
Net investment in finance leases	**46,131**	**44,424**	**46,131**	**44,424**

Movement of the allowance for impairment of accounts receivables as at 30 June 2016 and 31 December 2015 is as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Balance at the beginning of the period	84,054	24,486	71,199	24,402
Accrued impairment	6,780	61,201	5,147	55,632
Subsidiary acquisition	-	11,669	-	-
Impairment of receivables written off	(5,439)	(13,302)	(3,116)	(8,835)
Balance at the end of the period	**85,395**	**84,054**	**73,230**	**71,199**

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

Business customers	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Balance at the beginning of the period	70,710	9,040	57,855	8,956
Accrued impairment	2,054	56,431	420	50,862
Subsidiary acquisition	-	11,669	-	-
Impairment of receivables written off	(2,977)	(6,430)	(653)	(1,963)
Balance at the end of the period	**69,787**	**70,710**	**57,622**	**57,855**

Residential customers	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Balance at the beginning of the period	13,344	15,446	13,344	15,446
Accrued impairment	4,726	4,770	4,727	4,770
Impairment of receivables written off	(2,462)	(6,872)	(2,463)	(6,872)
Balance at the end of the period	**15,608**	**13,344**	**15,608**	**13,344**

Related parties balances are shown in note 26.

As of 30 June 2016 and 31 December 2015 receivables of the Group at the amount of BGN 86,273 and 83,788 thousand were assessed individually and the accumulated impairment amounts to BGN 66,153 and BGN 66,961 thousand, which is included above. For the Company these amounts are respectively BGN 70,164 thousand and BGN 68,364 thousand and BGN 53,988 thousand and BGN 54,107 thousand.

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

As of 30 June 2016 and 31 December 2015 the age structure of overdue receivables not impaired is as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
From 60 to 90 days	106	354	44	145
From 91 to 180 days	1,117	828	823	710
From 181 to 360 days	530	249	118	178
Above 1 year	453	526	411	526
Total	**2,206**	**1,956**	**1,396**	**1,559**

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 financial statements	**Gross book value of the receivable as of**	
Type	**30.6.2016**	**31.12.2015**
In the country	11,700	10,156
Outside/in the country	9,843	19,723
In the country	5,533	5,533
In the country	3,546	3,546
In the country	3,325	2,151

Separate financial statements	**Gross book value of the receivable as of**	
Type	**30.6.2016**	**31.12.2015**
Outside/in the country	9,843	19,723
In the country	1,867	516
In the country	920	381
In the country	597	503
In the country	493	402

BGN 19,867 thousand from the other receivables balance as at the reporting date are due from one debtor. There are no other debtors who represent more than 15% of the total balance of other receivables.

6. Inventories

The materials and supplies as of 30 June 2016 and 31 December 2015 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Materials and supplies, net	6,375	6,545	4,723	4,881
Merchandise and other, net	38,479	30,518	38,479	30,518
Total materials and supplies	**44,854**	**37,063**	**43,202**	**35,399**

Impairment charges related to the inventory items for the six months ended 30 June 2016 and for the six months ended 30 June 2015 were respectively BGN 776 thousand and BGN 15 thousand. The reversal of write-downs amounted to BGN 140 thousand for the Company (for the six months ended 30 June 2015: BGN 35 thousand). The write-downs and reversals are included in Other operating expenses.

All amounts are in thousand BGN, unless otherwise stated

7. Assets classified as held for sale

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Real estates, held for sale	192	2,609	13	364
Total assets held for sale	**192**	**2,609**	**13**	**364**

As of 30 June 2016 and 31 December 2015 the Group companies have 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 2016 and 31 December 2015 other assets are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Prepayments and deferred expenses	21,103	12,216	20,011	11,343
Subscriber acquisition costs and other	1,348	1,372	1,348	1,372
Total other assets	**22,451**	**13,588**	**21,359**	**12,715**
Incl.				
Other current assets	**20,010**	**11,184**	**18,918**	**10,311**
Other non-current assets	**2,441**	**2,404**	**2,441**	**2,404**

Subscriber acquisition costs, representing mainly fees paid to distributors for the Group and the Company are amounting to BGN 1,181 thousand as of 30 June 2016. As of 31 December 2015 they amount to BGN 1,279 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 1,325 thousand and BGN 1,935 thousand for the six months ended 30 June 2016 and 2015.

Other assets include also intellectual rights, amounting to BGN 167 thousand as of 30 June 2016 (31 December 2015 : BGN 93 thousand), for which amortization expense amounting to BGN 246 thousand for the six months ended 30 June 2016 has been recognised in profit or loss (for the six months ended 30 June 2015 : BGN 72 thousand).

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 30 June 2016 and 31 December 2015 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2015	**1,441,555**	**840,887**	**279,199**	**7,880**	**39,225**	**2,608,746**
Revaluation	-	-	-	(503)	-	(503)
Additions	2,411	-	-	-	109,255	111,666
Acquisitions trough business combinations	5,716	11,595	38,564	5,269	761	61,905
Transfers	64,337	19,166	19,979	-	(103,482)	-
Impairment	-	-	-	14	68	82
Assets held for sale	-	-	(849)	(1,710)	-	(2,559)
Disposals	(76,463)	(11,930)	(9,892)	(126)	(1,129)	(99,540)
At 31 December 2015	**1,437,556**	**859,718**	**327,001**	**10,824**	**44,698**	**2,679,797**
Additions	135	-	-	-	59,076	59,211
Transfers	26,144	9,099	11,690	-	(46,933)	-
Impairment	-	-	4	-	(923)	(919)
Assets held for sale	-	-	192	(121)	-	71
Disposals	(31,933)	(1,517)	(5,211)	(203)	(45)	(38,909)
At 30 June 2016	**1,431,902**	**867,300**	**333,676**	**10,500**	**55,873**	**2,699,251**
Accumulated depreciation and impairment						
At 1 January 2015	**1,054,736**	**545,506**	**196,168**	**-**	**-**	**1,796,410**
Depreciation charged	102,104	23,265	24,010	-	-	149,379
Impairment	365	-	432	-	-	797
Assets held for sale	-	-	(209)	-	-	(209)
Disposals	(71,310)	(10,706)	(8,275)	-	-	(90,291)
At 31 December 2015	**1,085,895**	**558,065**	**212,126**	**-**	**-**	**1,856,086**
Depreciation charged	60,120	12,068	13,095	-	-	85,283
Impairment	-	-	(66)	-	-	(66)
Assets held for sale	-	-	-	-	-	-
Disposals	(30,473)	(1,215)	(4,404)	-	-	(36,092)
At 30 June 2016	**1,115,542**	**568,918**	**220,751**	**-**	**-**	**1,905,211**
Net book value						
At 31 December 2015	**351,661**	**301,653**	**114,875**	**10,824**	**44,698**	**823,711**
At 30 June 2016	**316,360**	**298,382**	**112,925**	**10,500**	**55,873**	**794,040**

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 30 June 2016 and 31 December 2015 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2015	**1,441,555**	**840,887**	**279,126**	**7,880**	**39,225**	**2,608,673**
Revaluation	-	-	-	(503)	-	(503)
Additions	2,411	-	-	-	108,830	111,241
Transfers	64,264	19,166	19,690	-	(103,120)	-
Impairment	-	-	-	14	68	82
Assets held for sale	-	-	(246)	(56)	-	(302)
Disposals	(76,309)	(11,919)	(9,398)	-	(1,126)	(98,752)
At 31 December 2015	**1,431,921**	**848,134**	**289,172**	**7,335**	**43,877**	**2,620,439**
Additions	135	-	-	-	58,894	59,029
Transfers	26,093	9,099	11,507	-	(46,699)	-
Impairment	-	-	4	-	(923)	(919)
Assets held for sale	-	-	336	(77)	-	259
Disposals	(31,900)	(1,425)	(4,111)		(45)	(37,481)
At 30 June 2016	**1,426,249**	**855,808**	**296,908**	**7,258**	**55,104**	**2,641,327**
Accumulated depreciation and impairment						
At 1 January 2015	**1,054,736**	**545,505**	**196,105**	**-**	**-**	**1,796,346**
Depreciation charged	101,215	22,709	21,623	-	-	145,547
Impairment	365	-	-	-	-	365
Assets held for sale	-	-	(198)	-	-	(198)
Disposals	(71,255)	(10,704)	(8,222)	-	-	(90,181)
At 31 December 2015	**1,085,061**	**557,510**	**209,308**	**-**	**-**	**1,851,879**
Depreciation charged	59,461	11,520	11,275	-	-	82,256
Impairment	-	-	(66)	-	-	(66)
Assets held for sale	-	-	6	-	-	6
Disposals	(30,458)	(1,207)	(3,894)	-	-	(35,559)
At 30 June 2016	**1,114,064**	**567,823**	**216,629**	**-**	**-**	**1,898,516**
Net book value						
At 31 December 2015	**346,860**	**290,624**	**79,864**	**7,335**	**43,877**	**768,560**
At 30 June 2016	**312,185**	**287,985**	**80,279**	**7,258**	**55,104**	**742,811**

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

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:

-93 properties of BTC with a net book value as of 30 June 2016 amounting to BGN 264 thousand (BGN 469 thousand for 121 properties as of 31 December 2015). They are included in General support above as of 30 June 2016 (as of 31 December 2015: 1 property is included in Assets classified as held for sale with a net book value amounting to BGN 13 thousand for).

-21 properties of NURTS Bulgaria EAD with a net book value as of 30 June 2016 amounting to BGN 1,333 thousand (BGN 1,122 thousand for 21 properties as of 31 December 2015).

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 properties, which net book value as of 30 June 2016 amounted to BGN 6,813 thousand, and as of 31 December 2015 their net book value was BGN 7,279 thousand.

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 2015 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 10,500 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 2016	10,824
Disposals	(203)
Transfers out of Level 3	(121)
Balance at 30 June 2016	**10,500**

In 2016 the Group has signed preliminary agreements for the sale of a land plots, which have been transferred to Assets classified as held for sale.

Valuation technique and significant unobservable inputs

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

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill

As of 30 June 2016 and 31 December 2015 intangible assets of the Group are as follows

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 1 January 2015	**126,703**	**564,433**	**41,287**	**3,886**	**736,309**
Additions(Transfers)	4,559	38,594	15,398	(1,899)	56,652
Acquisitions trough business combinations	99	172	-	-	271
Disposals	-	(17,855)	(10,788)	-	(28,643)
At 31 December 2015	**131,361**	**585,344**	**45,897**	**1,987**	**764,589**
Additions(Transfers)	12,629	31,442	7,449	421	51,941
Disposals	-	(2,405)	(6,033)	(7)	(8,445)
At 30 June 2016	**143,990**	**614,381**	**47,313**	**2,401**	**808,085**
Accumulated depreciation and impairment					
At 1 January 2015	**55,336**	**444,791**	**20,790**	**-**	**520,917**
Amortization charge	7,547	47,821	14,953	-	70,321
Impairment	-	-	-	-	-
Disposals	-	(15,491)	(9,959)	-	(25,450)
At 31 December 2015	**62,883**	**477,121**	**25,784**	**-**	**565,788**
Amortization charge	4,121	28,152	8,217	-	40,490
Impairment	-	-	-	-	-
Disposals	-	(2,396)	(5,451)	-	(7,847)
At 30 June 2016	**67,004**	**502,877**	**28,550**	**-**	**598,431**
Net book value					
At 31 December 2015	**68,478**	**108,223**	**20,113**	**1,987**	**198,801**
At 30 June 2016	**76,986**	**111,504**	**18,763**	**2,401**	**209,654**

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill(continued)

As of 30 June 2016 and 31 December 2015 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 1 January 2015	**126,648**	**564,433**	**41,287**	**3,886**	**736,254**
Additions(Transfers)	4,559	38,594	15,398	(1,899)	56,652
Disposals	-	(17,855)	(10,788)	-	(28,643)
At 31 December 2015	**131,207**	**585,172**	**45,897**	**1,987**	**764,263**
Additions(Transfers)	12,629	31,411	7,449	421	51,910
Disposals	-	(2,405)	(6,033)	(7)	(8,445)
At 30 June 2016	**143,836**	**614,178**	**47,313**	**2,401**	**807,728**
Accumulated depreciation and impairment					
At 1 January 2015	**55,288**	**444,791**	**20,790**	**-**	**520,869**
Amortization charge	7,541	47,799	14,953	-	70,293
Disposals	-	(15,491)	(9,959)	-	(25,450)
At 31 December 2015	**62,829**	**477,099**	**25,784**	**-**	**565,712**
Amortization charge	4,115	28,132	8,217	-	40,464
Disposals	-	(2,396)	(5,451)	-	(7,847)
At 30 June 2016	**66,944**	**502,835**	**28,550**	**-**	**598,329**
Net book value					
At 31 December 2015	**68,378**	**108,073**	**20,113**	**1,987**	**198,551**
At 30 June 2016	**76,892**	**111,343**	**18,763**	**2,401**	**209,399**

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 2016 is respectively BGN 3,992 thousand and BGN 14,480 thousand (31 December 2015: BGN 4,736 thousand and BGN 14,775 thousand).

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

All amounts are in thousand BGN, unless otherwise stated

11. Investments

Investments as of 30 June 2016 and 31 December 2015 are as follows:

		Consolidated financial statements		Separate financial statements	
Investments	**Share**	**30.6.2016**	**31.12.2015**	**30.6.2016**	**31.12.2015**
Equity securities – available-for-sale					
Intersputnik	4.79%	369	369	369	369
Sofia Commodity Exchange	5%	13	13	13	13
Total equity securities available for sale		382	382	382	382
Forward exchange contracts for hedging		77	137	77	137
Subsidiaries					
BTC Net		-	-	799	799
NURTS Bulgaria		-	-	39,922	39,922
Total investments in subsidiaries		-	-	40,721	40,721
Total investments		**459**	**519**	**41,180**	**41,240**
Incl.					
Current investments		**77**	**137**	**77**	**137**
Non-current investments		**382**	**382**	**41,103**	**41,103**

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

The investments in equity securities are measured at cost less accumulated impairment (if any) since these securities are not listed and their fair value cannot be reliably estimated.

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

12. Trade payables

The payables to suppliers as of 30 June 2016 and 31 December 2015 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Payables to suppliers of non current assets	51,132	33,548	51,132	33,548
Payables to international telecom operators - interconnect	6,191	14,785	4,963	13,381
Payables to suppliers of equipment and goods for customers	5,722	2,571	5,722	2,571
Payables to suppliers of network maintenance	2,724	2,350	2,724	2,350
Payables to domestic telecom operators	872	1,013	667	892
Payables to related parties (Note 26)	-	-	3,129	1,627
Other payables to suppliers	39,528	39,179	37,708	37,750
Total trade payables	**106,169**	**93,446**	**106,045**	**92,119**
Incl.				
Non-current portion	**3,185**	**3,373**	**3,185**	**3,373**
Current portion	**102,984**	**90,073**	**102,860**	**88,746**

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

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

Other payables as of 30 June 2016 and 31 December 2015 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Payables to employees	18,428	20,173	17,635	19,579
Social securities	3,855	4,226	3,740	3,997
Personal income tax payable	1,749	1,607	1,640	1,535
VAT	802	3,217	122	2,213
Advances from clients	669	1,134	652	813
Payables for license fee	195	364	194	364
Forward exchange contracts used for hedging	151	206	151	206
Withholding and other taxes	119	38	119	38
Others	4,498	5,443	4,356	5,342
Total other payables	**30,466**	**36,408**	**28,609**	**34,087**

14. Provisions

Consolidated financial statements

	Decommissio ning	Restructuring	Legal claims	Total
At 1 January 2016	**9,977**	**919**	**2,553**	**13,449**
Charged to profit and loss	-	-	(62)	(62)
Recognised in the statement of financial position	135	-	-	135
Used during the year	(15)	(182)	(186)	(383)
Unwinding of discount	137	-	-	137
At 30 June 2016	**10,234**	**737**	**2,305**	**13,276**

Analysis of provision in consolidated financial statements

	30.6.2016	31.12.2015
Non-current (decommissioning costs)	10,234	9,977
Current	3,042	3,472
Total	**13,276**	**13,449**

Separate financial statements

	Decommissio ning	Restructuring	Legal claims	Total
At 1 January 2016	**9,977**	**839**	**2,486**	**13,302**
Charged to profit and loss	-	-	(62)	(62)
Recognised in the statement of financial position	135	-	-	135
Used during the year	(15)	(168)	(186)	(369)
Unwinding of discount	137	-	-	137
At 30 June 2016	**10,234**	**671**	**2,238**	**13,143**

All amounts are in thousand BGN, unless otherwise stated

14. Provisions(continued)

Analysis of provision in separate financial statements

	30.6.2016	31.12.2015
Non-current (decommissioning costs)	10,234	9,977
Current	2,909	3,325
Total	**13,143**	**13,302**

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 2016 and 2015 was 2.8%.

Restructuring
The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2016 and was recognized as staff cost in the profit or loss for the year ended 2015.

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:

	Consolidated financial statements		Separate financial statements	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Secured bond issue	778,853	776,960	778,853	776,960
Trade credits	5,127	6,644	5,127	6,644
Financial lease	431	772	395	725
Revolving credit	-	9,781	-	9,781
Total borrowings	**784,411**	**794,157**	**784,375**	**794,110**
including:				
Current borrowings	**10,407**	**20,182**	**10,371**	**20,135**
Non current borrowings	**774,004**	**773,975**	**774,004**	**773,975**

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

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

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 EOOD are also pledged in favour of the bondholders in accordance with the Agreements on Financial Collateral Act.

BTC underwent a consent solicitation procedure for a waiver of the existing change of control provisions and amendment of certain definitions and ratios applicable to the Notes. The procedure was initiated in relation to the acquisition by Viva Telecom (Luxembourg) S.A. of 100% of the shares of InterV Investment S.a.r.l. upon the enforcement sale by VTB Capital plc under an agreement for a loan granted to InterV Investment S.a.r.l. arranged by VTB Capital plc. On 13 June 2016, Vivacom obtained the necessary consent of 87.43% of bondholders.

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

Trade credits

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

Obligations under Finance lease

Certain part of BTC’s software and the Group’s fleet are leased under the terms of finance lease. The average lease term is 3 years and the effective borrowing rates are in the range of 4% and 11%. The fair value of Group’s and Company’s lease obligations approximates their carrying amount.

Consolidated financial statements	Minimum lease payments		Present value of minimum lease payments	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Finance lease payables with maturity:				
Within one year	386	398	373	398
In the second to fifth years inclusive	60	401	58	374
Total payables	**446**	**799**	**431**	**772**
Less: future finance charges	(15)	(27)	-	-
Present value of lease obligations	**431**	**772**	**431**	**772**

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

Separate financial statements	Minimum lease payments		Present value of minimum lease payments	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Finance lease payables with maturity:				
Within one year	349	349	337	351
In the second to fifth years inclusive	60	401	58	374
Total payables	**409**	**750**	**395**	**725**
Less: future finance charges	(14)	(25)	-	-
Present value of lease obligations	**395**	**725**	**395**	**725**

The net book value of the assets acquired under finance lease arrangements as of 30 June 2016 is BGN 1,107 thousand for the Group and BGN 1,068 thousand for the Company.(31 December 2015: BGN 1,909 thousnad and BGN 1,808 thousand)

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 30 June 2016 and 2015 the deferred tax assets and liabilities are as it follows:

Consolidated financial statements

Deferred tax assets	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2015	-	-	(1)	**8**	**-**	**-**	**-**	**7**
Credited to the profit/(loss) for the period	12	-	-	20	-	-	-	32
At 30 June 2015	**12**	**-**	**(1)**	**28**	**-**	**-**	**-**	**39**
At 1 January 2016	**82**	**45**	**8,284**	**1,300**	**(162)**	**-**	**-**	**9,549**
(Charged)/credited to the profit/(loss) for the period	-	(6)	(436)	(30)	(23)	-	-	(495)
Transferred to deferred tax liabilities	(80)	(39)	547	(172)	(43)	-	-	213
At 30 June 2016	**2**	**-**	**8,395**	**1,098**	**(228)**	**-**	**-**	**9,267**

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2015	**-**	**(209)**	**22,219**	**(2,438)**	**(4,463)**	**-**	**31**	**15,140**
Charged/(credited) to the profit/(loss) for the period	-	(19)	(2,097)	(2,518)	43	-	-	(4,591)
Charged to other comprehensive income for the period	-	-	-	-	-	-	39	39
At 30 June 2015	**-**	**(228)**	**20,122**	**(4,956)**	**(4,420)**	**-**	**70**	**10,588**
At 1 January 2016	**-**	**(260)**	**19,245**	**(7,118)**	**(4,123)**	**-**	**-**	**7,744**
Credited to the profit/(loss) for the period	-	(24)	(3,159)	(208)	(804)	-	-	(4,195)
Credited to other comprehensive income for the period	-	-	-	-	-	-	(9)	(9)
Transferred from deferred tax liabilities	(80)	(39)	547	(172)	(43)		-	213
At 30 June 2016	**(80)**	**(323)**	**16,633**	**(7,498)**	**(4,970)**	**-**	**(9)**	**3,753**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Six months ended 30.6.2016**	**Six months ended 30.6.2015**
Deferred tax liabilities	4,195	4,591
Deferred tax assets	(495)	32
Total credited to the profit/(loss) for the year	3,700	4,623

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities(continued)

Separate financial statements

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2015	**-**	**(209)**	**22,219**	**(2,438)**	**(4,463)**	**-**	**31**	**15,140**
Charged/(credited) to the profit/(loss) for the period	-	(19)	(2,097)	(2,518)	43	-	-	(4,591)
Charged to other comprehensive income for the period	-	-	-	-	-	-	39	39
At 30 June 2015	**-**	**(228)**	**20,122**	**(4,956)**	**(4,420)**	**-**	**70**	**10,588**
At 1 January 2016	**-**	**(260)**	**19,245**	**(7,118)**	**(4,123)**	**-**	**-**	**7,744**
Credited to the profit/(loss) for the period	-	(24)	(3,159)	(208)	(804)	-	-	(4,195)
Credited to other comprehensive income for the period	-	-	-	-	-	-	(9)	(9)
At 30 June 2016	**-**	**(284)**	**16,086**	**(7,326)**	**(4,927)**	**-**	**(9)**	**3,540**

Deferred taxcredit to the profit/(loss) for the year	**Six months ended 30.6.2016**	**30.6.2015**
Deferred tax liabilities	4,195	4,591
Total credited to the profit/(loss) for the year	4,195	4,591

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 2016 and 31 December 2015 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. On 05 June 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009, assessing BGN 10,235 thousand corporate income tax and interest due. On 22 December 2015 a tax assessment act has been issued for a tax audit, covering the period January 2010 – December 2013, assessing BGN 2,278 thousand corporate income tax and interest due The tax assessment acts have been appealed and the decisions are pending.
The last period audited by the tax authorities for BTC Net is 2014.
The last period audited by the tax authorities for NURTS Digital is 2013.
On 26 July 2016 a tax assessment act has been issued for a tax audit of NURTS Bulgaria, covering the period April 2010 – December 2013, assessing BGN 37 thousand corporate income tax and interest due. In March 2015 an order, related to this tax audit has been issued by the National Revenue Agency for imposition of preliminary security measure in the form of an attachment over all shares of NURTS Digital EAD held by NURTS Bulgaria EAD.

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated financial statements		Separate financial statements	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
Liability at the beginning of the period	5,249	3,095	4,551	3,095
Past service cost	-	*181*	-	*177*
Current service cost	*259*	*359*	*231*	*317*
Interest cost	*71*	*133*	*62*	*115*
Total cost recognized in profit or loss	330	673	293	609
Assumed in business combination	-	427		
Payments to retirees	(155)	(130)	(56)	(102)
Remeasurements – actuarial loss recognised in OCI	-	1,184	-	949
Liability at the end of the period	**5,424**	**5,249**	**4,788**	**4,551**

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

	30.6.2016	**31.12.2015**
Discount rate	2.80%	2.80%
Future salary increases per year	4%	4%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

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

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the statistical information, provided by the National Statistical Institute for the total mortality of the population in Bulgaria for the period 2012 – 2014.

18. Share capital, reserves and dividends

	30.6.2016	**31.12.2015**
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:	**30.6.2016**	**%**	**31.12.2015**	**%**
Number of ordinary shares:				
Viva Telecom Bulgaria EOOD	288,764,840	100.00%	288,764,840	100.00%
Total ordinary shares	**288,764,840**	**100%**	**288,764,840**	**100%**
Total number of shares	**288,764,840**	**100%**	**288,764,840**	**100%**

All amounts are in thousand BGN, unless otherwise stated

18. Share capital, reserves and dividends (continued)

On 2 June 2015 the Company was informed about an attachment over 43% of the shares of the Company imposed by the Commission for Forfeiture of Illegally Acquired Property. The attachment represents a preliminary securing measure in relation to a future claim of the Commission against third party.

In relation to a tax audit of Viva Telecom Bulgaria EOOD initiated in December 2014 an order has been issued by the National Revenue Agency for imposition of preliminary security measure in the form of an attachment over all shares of the Company held by Viva Telecom Bulgaria EOOD.

Earnings per share	**Consolidated financial statements**		**Separate financial statements**	
	Six months ended		**Six months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Profit for the period	845	(6,777)	(4,405)	(5,983)
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN (basic and diluted))	-	(0.02)	(0.02)	(0.02)

Legal reserve

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

Revaluation reserve

The revaluation reserve relates to the revaluation of Land.

Fair value reserve

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

Hedging reserve

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

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

Dividends payable

	30.6.2016	**31.12.2015**
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	3	3
Tax on dividend	-	-
Net dividends paid	-	
Total dividend payable	3	3

All amounts are in thousand BGN, unless otherwise stated

19. Revenue

Revenue of the Group and the Company for the six months ended 30 June 2016 and 2015 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Recurring charges	198,939	197,113	99,313	98,878
Leased lines and data transmission	54,514	56,757	27,579	28,385
Outgoing traffic	42,174	55,151	20,762	28,128
Interconnect	26,182	19,961	13,885	10,505
Radio and TV Broadcasting	15,506	-	7,716	-
Other revenue	92,301	75,810	48,631	37,632
Total revenue	**429,616**	**404,792**	**217,886**	**203,528**

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Recurring charges	199,013	197,089	99,352	98,860
Leased lines and data transmission	54,778	57,077	27,611	28,544
Outgoing traffic	42,179	55,151	20,765	28,128
Interconnect	23,927	18,164	12,578	9,850
Other revenue	89,020	76,421	46,440	37,924
Total revenue	**408,917**	**403,902**	**206,746**	**203,306**

Revenue from sales of mobile handsets is included in Other revenue above, which for the six months ended 30 June 2016 amount to BGN 33,699 thousand for the Group and the Company (for the six months ended 30 June 2015: BGN 26,982 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

20. Other operating expenses

Other operating expenses for the six months ended 30 June 2016 and 2015 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Advertising, customer service, billing and collection	33,114	27,634	17,256	14,486
Facilities	20,240	22,402	10,182	11,313
Maintenance and repairs	16,817	16,472	8,263	8,153
License fees	7,687	6,638	3,882	3,325
Vehicles and transport	4,789	4,493	2,367	2,255
Administrative expenses	4,501	8,007	2,400	6,045
Leased lines and data transmission	3,966	1,444	2,028	741
Professional fees	2,649	1,429	2,185	849
Other, net	12,083	33,126	7,772	29,872
including				
Impairment of trade and other receivables	*6,780*	*29,056*	*3,866*	*26,994*
Scrap of assets	*2,065*	*3,146*	*1,214*	*2,245*
Impairment of non-current assets	*853*	*(56)*	*901*	*(45)*
Impairment of other current assets	*636*	*(20)*	*741*	*(11)*
Provisions	*(62)*	*(333)*	*(33)*	*(29)*
Other/other	*1,811*	*1,333*	*1,083*	*718*
Total other operating expenses	**105,846**	**121,645**	**56,335**	**77,039**

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses (continued)

Separate financial statements

	Six months ended		Three months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Advertising, customer service, billing and collection	33,421	27,681	17,404	14,509
Facilities	22,281	22,402	11,223	11,313
Maintenance and repairs	16,475	16,472	8,050	8,153
License fees	7,023	6,636	3,600	3,324
Vehicles and transport	4,427	4,493	2,182	2,255
Administrative expenses	4,187	8,006	2,242	6,045
Professional fees	2,619	1,429	2,165	849
Leased lines and data transmission	1,526	1,436	759	735
Other, net	10,292	32,925	6,733	29,673
including				
Impairment of trade and other receivables	*5,147*	*28,855*	*2,957*	*26,795*
Scrap of assets	*1,952*	*3,146*	*1,103*	*2,245*
Impairment of non-current assets	*853*	*(56)*	*901*	*(45)*
Impairment of other current assets	*636*	*(20)*	*741*	*(11)*
Provisions	*(62)*	*(333)*	*(33)*	*(29)*
Other/other	*1,766*	*1,333*	*1,064*	*718*
Total other operating expenses	**102,251**	**121,480**	**54,358**	**76,856**

21. Staff costs

Staff costs for the six months ended 30 June 2016 and 2015 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Salaries and wages	51,288	47,436	25,505	23,005
Pension, health and unemployment fund contributions	8,976	8,215	4,444	4,085
Other benefits	2,418	2,292	1,165	1,121
Other staff costs	1,533	1,135	1,105	817
Total staff costs	**64,215**	**59,078**	**32,219**	**29,028**

Separate financial statements

	Six months ended		Three months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Salaries and wages	48,464	47,433	23,939	23,003
Pension, health and unemployment fund contributions	8,573	8,215	4,249	4,085
Other benefits	2,296	2,292	1,105	1,121
Other staff costs	1,519	1,135	1,096	817
Total staff costs	**60,852**	**59,075**	**30,389**	**29,026**

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 2016 and 2015 are respectively BGN 259 thousand and BGN 231 thousand.

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs

Financial income and costs for the six months ended 30 June 2016 and 2015 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Finance costs				
Interest expense:	28,464	28,425	14,189	14,244
-Bond issues	*27,807*	*27,693*	*13,912*	*13,892*
-Provisions	*208*	*219*	*108*	*109*
-Bank borrowings	*175*	*195*	*86*	*90*
-Finance lease	*10*	*44*	*3*	*22*
-Other	*264*	*274*	*80*	*131*
Foreign exchange loss	217	49	102	(24)
Other finance costs	334	358	174	182
Total finance cost	**29,015**	**28,832**	**14,465**	**14,402**
Finance income				
Interest income:	3,099	6,163	1,502	2,750
-Finance lease	*1,899*	*1,649*	*962*	*815*
-Bank deposits	*12*	*(8)*	*6*	*(41)*
-Other	*1,188*	*4,522*	*534*	*1,976*
Incl impaired financial assets:	*196*	*20*	*98*	*20*
Gains on cash flow hedges - ineffective portion of changes in fair value	49	15	21	14
Foreign exchange gains	5	-	(12)	-
Other finance income	-	98	-	98
Total finance income	**3,153**	**6,276**	**1,511**	**2,862**
Net finance costs	**25,862**	**22,556**	**12,954**	**11,540**

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Six months ended		Three months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Finance costs				
Interest expense:	28,362	28,425	14,181	14,244
-Bond issues	*27,807*	*27,693*	*13,912*	*13,892*
-Provisions	*199*	*219*	*99*	*109*
-Bank borrowings	*175*	*195*	*86*	*90*
-Finance lease	*10*	*44*	*3*	*22*
-Other	*171*	*274*	*81*	*131*
Foreign exchange loss	216	39	101	(2)
Other finance costs	319	353	165	179
Total finance cost	**28,897**	**28,817**	**14,447**	**14,421**
Finance income				
Interest income:	3,925	6,156	1,929	2,751
-Finance lease	*1,899*	*1,649*	*962*	*815*
-Bank deposits	*12*	*(8)*	*6*	*(40)*
-Other	*2,014*	*4,515*	*961*	*1,976*
Incl impaired financial assets:	*193*	*19*	*96*	*19*
Gains on cash flow hedges - ineffective portion of changes in fair value	49	15	21	14
Dividend income from investments in subsidiaries	-	500	-	500
Other finance income	-	98	-	98
Total finance income	**3,974**	**6,769**	**1,950**	**3,363**
Net finance costs	**24,923**	**22,048**	**12,497**	**11,058**

All amounts are in thousand BGN, unless otherwise stated

23. Other gains, net

Other gains, net for the six months ended 30 June 2016 and 2015 consist of:

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Gains from sales of non-current assets and assets held for sale	**2,326**	**6,604**	**639**	**2,747**
incl.: income	5,491	8,214	1,385	2,780
net book value	(3,165)	(1,610)	(746)	(33)
Gain from sales of materials	**-**	**1**	**-**	**-**
incl.: income	-	1	-	-
net book value	-	-	-	-
Total other gains, net	**2,326**	**6,605**	**639**	**2,747**

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Gains from sales of non-current assets and assets held for sale	**1,338**	**6,604**	**614**	**2,747**
incl.: income	1,549	8,214	651	2,780
net book value	(211)	(1,610)	(37)	(33)
Gain from sales of materials	**-**	**1**	**-**	**-**
incl.: income	-	1	-	-
net book value	-	-	-	-
Total other gains, net	**1,338**	**6,605**	**614**	**2,747**

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the six months ended 30 June 2016 and 2015 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Current income tax charge	3,785	11,508	1,459	8,926
Deferred tax	(3,700)	(4,624)	(1,625)	(3,653)
Total income tax expense/(benefit)	**85**	**6,884**	**(166)**	**5,273**

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Current income tax charge	3,761	11,508	1,435	8,926
Deferred tax	(4,195)	(4,591)	(1,901)	(3,626)
Total income tax expense/(benefit)	**(434)**	**6,917**	**(466)**	**5,300**

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

Consolidated financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Profit/(loss) before tax	930	107	(1,999)	(15,115)
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	93	11	(200)	(1,512)
Non-deductible expenses	34	466	16	437
Tax exempt income	(1)	(1)	(1)	
Effect of current tax from previous periods, accounted during the year	-	6,298	-	6,298
Effect of unrecognised tax losses and tax offsets from previous periods	(61)	-	(61)	-
Change in recognised deductible temporary differences	20	110	80	50
Income tax expense/(benefit)	**85**	**6,884**	**(166)**	**5,273**
Effective tax rate	9.14%	6433.64%	8.30%	-34.89%
Income tax expense/(benefit) in the profit or loss	85	6,884	(166)	5,273

Separate financial statements	**Six months ended**		**Three months ended**	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
Profit/(loss) before tax	(4,839)	934	(4,877)	(14,353)
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	(484)	94	(488)	(1,435)
Non-deductible expenses	31	466	14	437
Tax exempt income	(1)	(51)	(1)	(50)
Effect of current tax from previous periods, accounted during the year	-	6,298	-	6,298
Change in recognised deductible temporary differences	20	110	9	50
Income tax expense/(benefit)	**(434)**	**6,917**	**(466)**	**5,300**
Effective tax rate	8.97%	740.58%	9.56%	-36.93%
Income tax expense/(benefit) in the profit or loss	(434)	6,917	(466)	5,300

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

b) amounts recognized in other comprehensive income

Consolidated and separate financial statements	Six months ended 30.6.2016			Six months ended 30.6.2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Cash flow hedges – effective portion of changes in fair value	(90)	9	(81)	388	(39)	349
	(90)	**9**	**(81)**	**388**	**(39)**	**349**

	Three months ended 30.6.2016			Three months ended 30.6.2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Cash flow hedges – effective portion of changes in fair value	325	(33)	292	(1,029)	103	(926)
	325	**(33)**	**292**	**(1,029)**	**103**	**(926)**

All amounts are in thousand BGN, unless otherwise stated

25. Segment information

Management has determined the operating segments based on the reports reviewed by the Managing Board that are used to make strategic decisions. The business, considered on a product perspective is currently organized into three lines of business – Fixed line of business, Mobile line of business and NURTS business. NURTS business represents the acquired in July 2015 company NURTS Bulgaria EAD and its wholly own subsidiary NURTS Digital EAD. 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)
- NURTS business – TV and radio broadcasting, collocation services and maintenance of telecom infrastructure.

The Managing Board assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Managing Board for the six months ended 30 June 2016 and 2015 is presented below.

Six months ended 30 June 2016			**Consolidated financial statements**		
	Mobile line of business	**Fixed line of business**	**NURTS business**	**Eliminations**	**Total**
Revenue	245,964	164,757	22,611	(3,716)	429,616
Incl. inter-segment revenue	*79*	*342*	*3,295*	*(3,716)*	-
Cost of sales	(83,410)	(30,110)	(2,425)	259	(115,686)
Gross margin	**162,554**	**134,647**	**20,186**	**(3,457)**	**313,930**
Operating expenses					(97,904)
Staff costs					(64,215)
Depreciation and amortization					(127,345)
Financial expenses, net					(25,862)
Gains on sale of non-current assets, assets held for sale and materials					2,326
Profit before tax					**930**
Income tax expense					(85)
Net profit for the year					**845**

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

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

All amounts are in thousand BGN, unless otherwise stated

26. Related parties

The Group's related parties are considered to be the following:
• shareholders of which the Company is a subsidiary or an associate, directly or indirectly, and companies under control by such shareholders;
• members of the Company's statutory and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties;
For the stand alone statements as related parties are considered all consolidated subsidiaries as well.

Balances
The following table summarizes the balances of receivables and payables with related parties as of 30 June 2016 and 31 December 2015:

For BTC	**Relationship**	**Receivables**		**Payables**	
		30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**
BTC Net EOOD	Subsidiary	20	364	905	1,100
NURTS Bulgaria EAD	Subsidiary	29,078	35,485	2,224	527
NURTS Digital EAD	Subsidiary	-	235	-	-
Total for BTC		**29,098**	**36,084**	**3,129**	**1,627**

The balance of the receivable from NURTS Bulgaria EAD represents mainly principal and interest on loan provided by BTC to the subsidiary entity. The applicable interest rate is 6.5% p.a. and the total outstanding principal amount and accumulated interest were agreed to be fully repaid on 20 May 2016. The loan is secured with first ranking non-possessory pledges in accordance with the Special Pledges Act on the going concerns of NURTS Bulgaria EAD and NURTS Digital EAD, which includes among other certain real estates and other assets of the companies. In November 2015 NURTS Bulgaria failed to repay one of the instalments due to BTC and as a result the Company has appointed a manager of the going concern of NURTS Digital EAD. The interest income recognised for the six months ended 30 June 2016 in the separate financial statements amounts to BGN 947 thousand. As of the date of issue of these financial statements the principal amount and the accumulated interest of the loan are still outstanding.

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

For BTC	**Relationship**	**Six months ended**		**Three months ended**	
		30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
BTC Net EOOD	Subsidiary	4,326	4,460	2,339	2,298
NURTS Bulgaria EAD	Subsidiary	3,295	-	1,646	-
Total for BTC		**7,621**	**4,460**	**3,985**	**2,298**

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

The realised revenue from related parties is as follows:

For the Group	Relationship	Six months ended 30.6.2016	Six months ended 30.6.2015	Three months ended 30.6.2016	Three months ended 30.6.2015
Members of Mr Vassilev's Group of Companies	Other RP	-	4	-	-
Viva Telecom Bulgaria EOOD	Parent	4	4	4	2
Total for BTC group		**4**	**8**	**4**	**2**

For BTC	Relationship	Six months ended 30.6.2016	Six months ended 30.6.2015	Three months ended 30.6.2016	Three months ended 30.6.2015
BTC Net EOOD	Subsidiary	2,406	2,858	1,046	1,605
NURTS Bulgaria EAD	Subsidiary	323	-	162	-
NURTS Digital EAD	Subsidiary	98	-	44	-
Members of Mr Vassilev's Group of Companies	Other RP	-	4	-	-
Viva Telecom Bulgaria EOOD	Parent	4	4	4	2
Total for BTC		**2,831**	**2,866**	**1,256**	**1,607**

Loans

As per Loan Agrement dated 22 April 2014 BTC provided to Viva Telecom Bulgaria EOOD a revolving credit facilty for the amount of up to EUR 2,000 thousnad. The aplicable interest rate shall be the aggregate of 6M Euribor plus a margin of 6.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on 22 April 2017.
The amounts related to the loan are shown below:

		Loan principal	Interest income	Interest receivable
Viva Telecom	For the six months ended 30 June 2015		41	
Bulgaria EAD	As of 31 December 2015	1,744	-	17
	For the six months ended 30 June 2016		104	
	As of 30 June 2016	3,307	-	37

Key management remunerations

Remuneration amounting to BGN 1,114 thousand relating to the members of the Managing Board and to key management personnel has been accrued as of 30 June 2016 (30 June 2015: BGN 3,582 thousand).

All amounts are in thousand BGN, unless otherwise stated

27. Commitments and contingencies

The Group companies have 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 2016, for the Group and the Company is presented in the table below:

For the Group

Equipment description	Aggregate contracted amount	Delivered till 30.06.2016	Commitments outstanding
Hardware and software	9,911	4,324	5,587
Construction and assembly works of the network of BTC	28,679	8,529	20,150
Network equipment	100,930	78,351	22,579
Total	**139,520**	**91,204**	**48,316**

For BTC

Equipment description	Aggregate contracted amount	Delivered till 30.06.2016	Commitments outstanding
Hardware and software	9,911	4,324	5,587
Construction and assembly works of the network of BTC	27,795	8,426	19,369
Network equipment	100,930	78,351	22,579
Total	**138,636**	**91,101**	**47,535**

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 803 thousand as of 30 June 2016 (31 December 2015: BGN 708 thousand).

NURTS Bulgaria EAD was notified by CCB that pursuant to a contract concluded on January 16,2013 the company has stepped in as co-debtor in third party's obligation in the amount of EUR 12,300 thousand. The management of the company underwent a process of confirmation of the relevant circumstances, including it has asked the receivers of CCB for provision of information, and as a result as per the date of the present financial statements no reliable and indisputable evidences were received for the existence of such contingent liability, nor for its exact amount (if such liability exists). Respectively, no liability or provision has been recognized as at June 30, 2016, and contingent liability is disclosed. There might be potential uncertainties related to the outcome of the matter that may have an impact on the value of the recognized liabilities and affect the profit and loss.

All amounts are in thousand BGN, unless otherwise stated

28. Operating lease

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

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Minimum lease payments	7,426	6,871	3,722	3,434

Separate financial statements	Six months ended		Three months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Minimum lease payments	6,901	6,871	3,449	3,434

The Group Companies have outstanding commitments under non-cancellable operating leases, which fall due as follows:

Consolidated financial statements	30.6.2016	31.12.2015
Within one year	11,913	13,326
In the second to fifth years inclusive	32,161	33,073
Later than five years	64,874	68,615
Total commitments	**108,949**	**115,014**

Separate financial statements	30.6.2016	31.12.2015
Within one year	11,626	13,089
In the second to fifth years inclusive	32,161	33,073
Later than five years	64,874	68,615
Total commitments	**108,662**	**114,777**

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

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

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments

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

Consolidated financial statements

30 June 2016	Note	Carrying amount					Fair value			
		Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value			-							
Forward exchange contracts used for hedging	11.	77	-	-	-	**77**		77		**77**
Total financial assets measured at fair value		**77**	**-**	**-**	**-**	**77**				
Financial assets not measured at fair value										
Trade receivables	5.		173,153			**173,153**				-
Cash and cash equivalents	4.		84,568			**84,568**				-
Total financial assets not measured at fair value		**-**	**257,721**	**-**	**-**	**257,721**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	151				**151**		151		**151**
Total financial liabilities measured at fair value		**151**	**-**	**-**	**-**	**151**				
Financial liabilities not measured at fair value										**-**
Secured bond issues	15.				778,853	**778,853**	809,894			**809,894**
Trade credits	15.				5,127	**5,127**			5,256	**5,256**
Finance lease liabilities	15.				431	**431**			424	**424**
Trade payables	12.				106,169	**106,169**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**890,580**	**890,580**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Consolidated financial statements

31 December 2015	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Forward exchange contracts used for hedging		137	-		-	**137**		137		**137**
Total financial assets measured at fair value		**137**	**-**	**-**	**-**	**137**				
Financial assets not measured at fair value										
Trade receivables	5.		166,999			**166,999**				-
Cash and cash equivalents	4.		89,555			**89,555**				-
Total financial assets not measured at fair value		**-**	**256,554**	**-**	**-**	**256,554**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	206				**206**		206		**206**
Total financial liabilities measured at fair value		**206**	**-**	**-**	**-**	**206**				
Financial liabilities not measured at fair value										-
Secured bond issues	15.				776,960	**776,960**	807,124			**807,124**
Secured bank loans	15.				9,781	**9,781**			9,781	**9,781**
Trade credits	15.				6,644	**6,644**			6,844	**6,844**
Finance lease liabilities	15.				772	**772**			776	**776**
Trade payables	12.				93,446	**93,446**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**887,603**	**887,603**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

30 June 2016	Note	Carrying amount					Fair value			
		Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	77				**77**		77		**77**
Total financial assets measured at fair value		**77**	**-**	**-**	**-**	**77**				
Financial assets not measured at fair value										
Trade receivables	5.		181,459			**181,459**				**-**
Cash and cash equivalents	4.		81,198			**81,198**				**-**
Total financial assets not measured at fair value		**-**	**262,657**	**-**	**-**	**262,657**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	151				**151**		151		**151**
Total financial liabilities measured at fair value		**151**	**-**	**-**	**-**	**151**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				778,853	**778,853**	809,894			**809,894**
Trade credits	15.				5,127	**5,127**			5,256	**5,256**
Finance lease liabilities	15.				395	**395**			398	**398**
Trade payables	12.				106,045	**106,045**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**890,420**	**890,420**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

31 December 2015	Note	Carrying amount					Fair value			
		Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	137				**137**		137		**137**
Total financial assets measured at fair value		**137**	-	-	-	**137**				
						-				-
Financial assets not measured at fair value										
Trade receivables	5.		186,020			**186,020**				-
Cash and cash equivalents	4.		85,665			**85,665**				-
Total financial assets not measured at fair value		-	**271,685**	-	-	**271,685**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	206				**206**		206		**206**
Total financial liabilities measured at fair value		**206**	-	-	-	**206**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				776,960	**776,960**	807,124			**807,124**
Secured bank loans	15.				9,781	**9,781**			9,781	**9,781**
Trade credits	15.				6,644	**6,644**			6,844	**6,844**
Finance lease liabilities	15.				725	**725**			731	**731**
Trade payables	12.				92,119	**92,119**				
Total financial liabilities not measured at fair value		-	-	-	**886,229**	**886,229**				

29. Financial instruments(continued)

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

Other financial liabilities include secured bank loans, trade credits and finance lease liabilities

Market interest rates applied for the valuation of the financial instruments are in the range of 2.8% and 3.8%.

30. Subsequent events

Except as stated above, there are no other events that require adjustments or disclosures in these financial statements, which have occurred during the period from the reporting date to the date the consolidated and separate financial statements were authorised for issue (01.08.2016).