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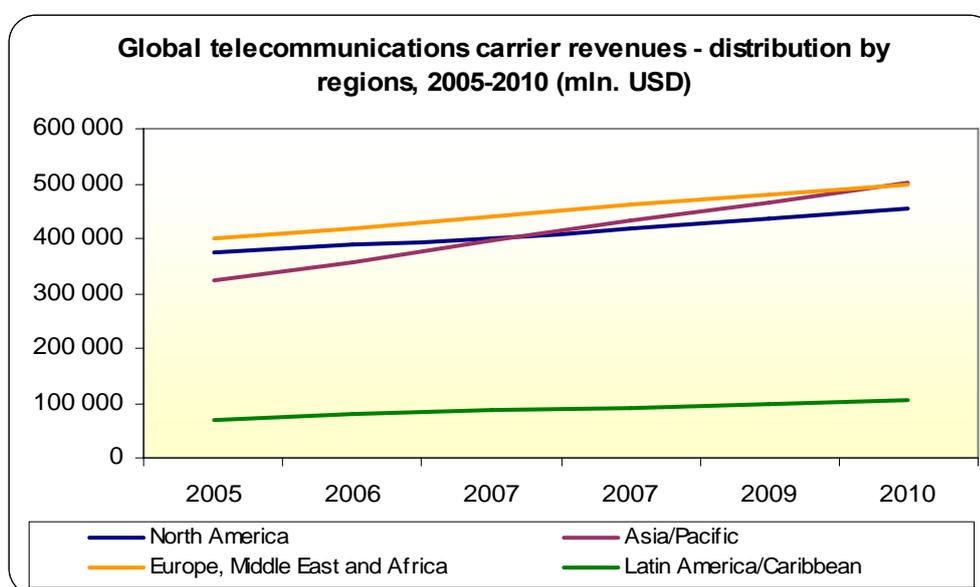
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I. STATE, DEVELOPMENT AND PROSPECTS FOR THE TELECOMMUNICATIONS MARKET

1. Characteristics of the telecommunication services market

1.1. Global development

In 2005 the telecommunications sector continued its dynamic development under conditions of strong competition and technological changes. At a global scale, in 2005 the revenues from provision of telecommunication services amount to 1,2 trillion USD¹, and EITO² and INSIGHT predict that they are expected to reach 1,6 trillion USD in 2010. The expected average annual growth rate of the global telecommunications market for the next five years is nearly 6%, varying strongly by regions – from 3,9% for North America to 9,3% for the Asia Pacific region. (Figure 1).



Source: The Insight Research Corp.

Figure 1

A serious source of growth for the telecommunication operators and telecommunication equipment manufacturers is offered by the markets of South-Eastern Europe, Africa and Latin America because of the lower penetration of telecommunication services and under-developed infrastructure.

The strong economic development of Japan, South Korea and Taiwan, and the size of markets such as China and India, will place the Asia Pacific region at the top in 2010 with a share of 32% in the total revenues from telecommunications.

According to information from Deloitte Touche Tohmatsu, by the end of next year the subscribers of fixed and mobile telephone services, broadband access and VoIP services will reach 4 bn.³ worldwide.

The Growth in telecommunications is unevenly distributed by market segments. In 2005 *mobile communications* continue to be the most dynamically developing market segment. In the last three years the number of subscribers to mobile services worldwide

¹ The Insight Research Corp. The 2006 Telecommunications Industry Review, 2006, <http://insight-corp.com>

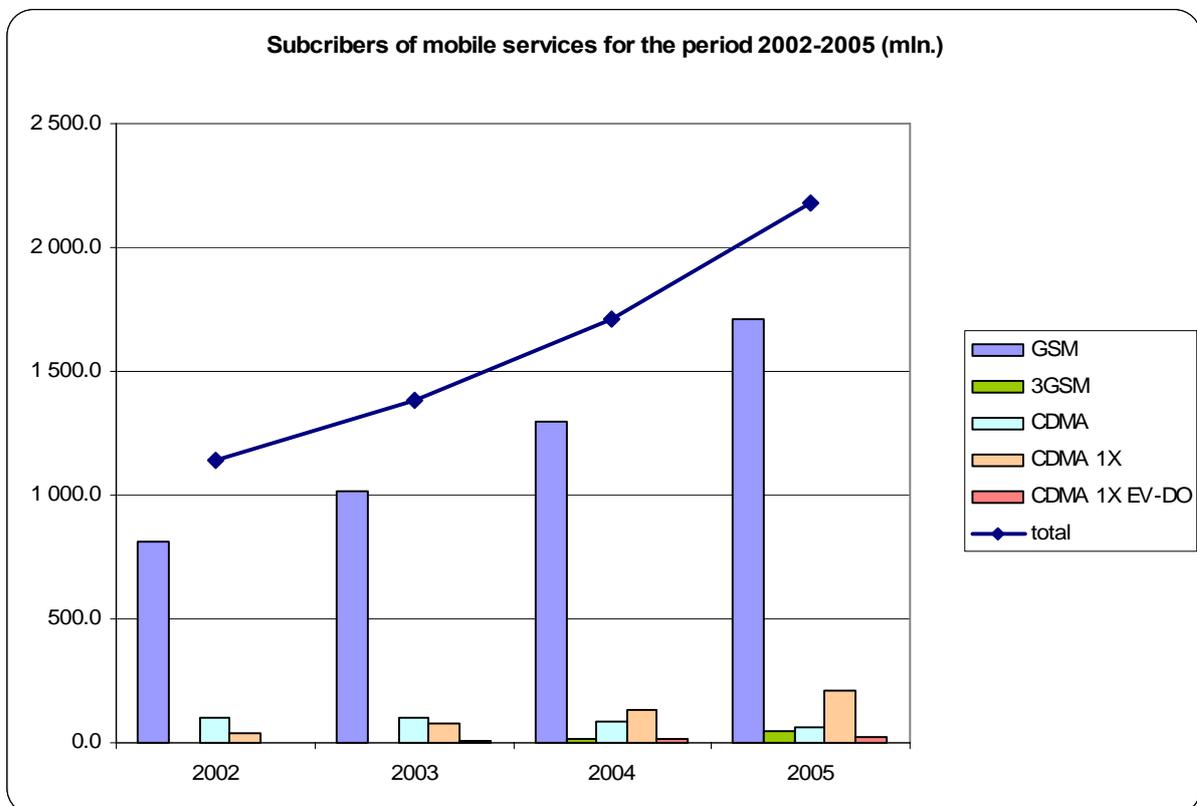
² European Information Technology Observatory 2006, ITC markets, March 2006 (www.eito.com)

³ Deloitte Touche Tohmatsu, TMT Trends: Predictions 2006. A focus on the telecommunications sector, 2006, <http://www.deloitte.com/>

increases around 24%⁴ in the average per year, reaching 2 177 mln. in the end of 2005. According to the predictions, in 2006 the mobile telephony will add some nearly half a billion of new subscribers, the majority of which will be from the developing countries⁵.

The trend of fixed-to-mobile substitution will also remain during the following years, bearing in mind the possibility of access to mobile services anywhere and any time and the diversity of additional services offered. This trend will be spurred on additionally by the reduction in the prices of mobile calls and of mobile handsets. According to some predictions,⁶ in 2009 70% of the telephone calls globally will be over wireless networks. In 2010 mobile operators are expected to have over 3 bn subscribers. In the meanwhile, the offers of bundled packages of both types of telephony will increase.

The GSM technology remains most common for access to mobile services: in the end of 2005 the number of GSM network subscribers is 1 709⁷ mln., or 79% of all users of mobile phones (Figure 2). In one year the subscribers to GSM operators in the world have increased by 400 mln., which constitutes a 32% growth relative to 2004.



Source: GSM Association, Statistics Q4 2005, Wireless Intelligence

Figure 2

This growth is unevenly distributed between the different world regions: the fastest developing markets in the year are South and Central America, where the growth is 106%, Africa (61%) and Eastern Europe (52%). With the saturation of the markets of mobile services in Western and Central Europe and in the developed economies of the Asia Pacific region the

⁴ GSM Association statistics Q4 2005, www.gsmworld.com; Wireless Intelligence

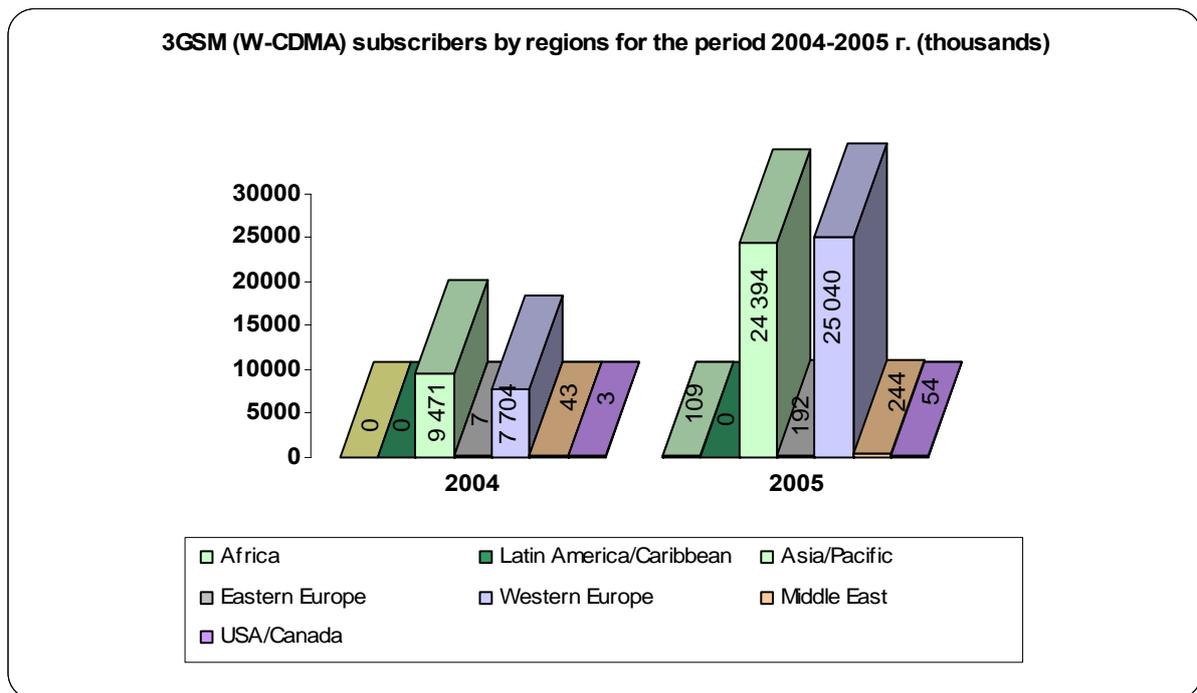
⁵ Deloitte Touche-Tohmatu, TMT Trend Predictions 2006; Ovum Forecasts Global Wireless Markets 2004 - 2008.

⁶ Gartner Inc., <http://www.gartner.com/>

⁷ GSM Association statistics Q4 2005, www.gsmworld.com; Wireless Intelligence

growth rates slow down. In the European Union the average penetration of second-generation networks subscribers exceeds 90%, and in eight countries the penetration is already over 100%.⁸ Since the potential for additional increase in the number of GSM subscribers is almost exhausted, the companies, operating on these markets, endeavour primarily to increase the average monthly revenues from the already attracted subscribers and from the provision of new types of services.

The third-generation mobile services (3G) find an increasingly serious reception among users. In recent years these services feature the highest growth rates in the number of subscribers, overtaking those of the GSM subscribers in the beginning of the 90-ies of the last century. At the end of 2005 the total number of users of third-generation mobile services in the world reached 50 mln.⁹



Source: GSM Association

Figure 3

By the number of 3G users, Western Europe already overtakes the developed Asian countries. According to information from the Europe Commission, as of September 2005, the number of subscribers, connected to 3G networks in the EU member-states, is nearly 15 mln, the greatest European markets of those services being Italy and Great Britain.¹⁰

Voice telephony remains the most important component of the revenues from mobile communications. Worldwide, with small exceptions, non-voice services still account for less than one-fifth of the operators' revenues.¹¹ Nevertheless, high-speed Internet and data transmission services are expected to drive the market forward. This makes operators, providing voice services (both fixed and mobile), plan deployment of next-generation networks (NGN) and provision of new telecommunication services, including high-speed Internet and data transmission.

One of the indicators of future changes in the telecommunications sector and of the growing division between the service segment and the infrastructure segment is the increase in

⁹ GSM Association statistics Q4 2005, www.gsmworld.com; Wireless Intelligence

^{8, 10} EC, 11th Report on the Implementation of the Telecommunications Regulatory Package, 2006

¹¹ Informa Telecoms and Media, <http://www.informatm.com/>

the number of Mobile Virtual Network Operators (MVNO¹²) and service providers (SP¹³). MVNO-segment covers services for mobile transmission of voice and data, supported by companies that do not possess cellular networks, but use the mobile infrastructure and frequencies of existing operators, reselling their services under a proprietary trademark. It is expected that the interest in the provision of services by the so-called mobile virtual networks will continue to grow, both on the part of new companies and on the part of traditionally strong operators that have failed to gain licenses on some of the national markets. In 2005 79 network operators and 214 service providers (MVNO and SP) operate in the EU, while in 2004 their number was 166. Worldwide, the segment of the providers is most developed in Great Britain, The Netherlands, Finland, Belgium, Australia and the USA.

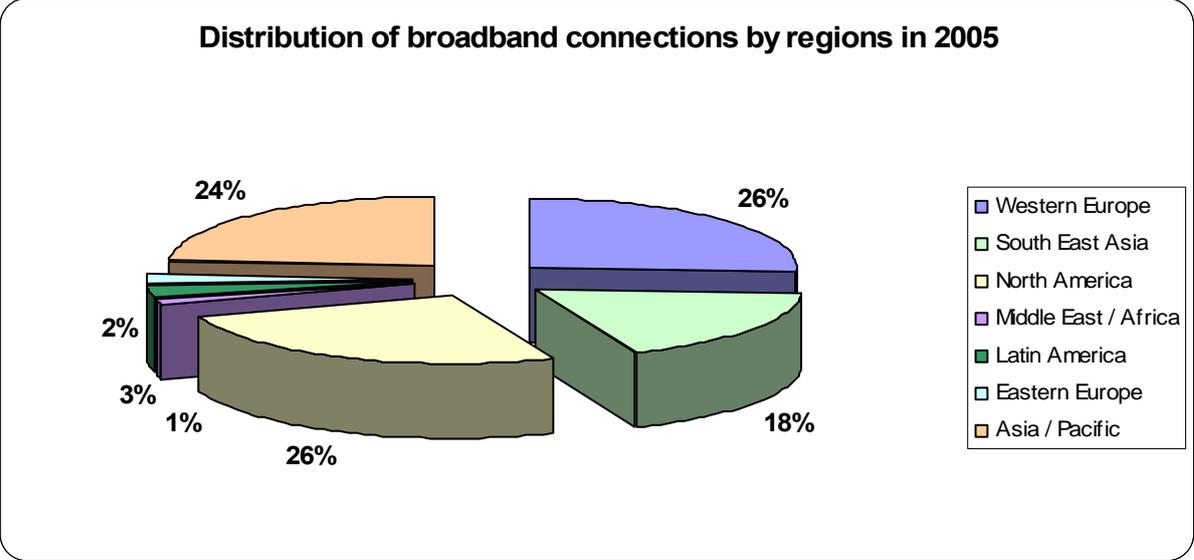
The development of mobile services is accompanied by a sharp reduction in prices, especially for domestic calls. It is recognised that international roaming is still expensive and there is no clear and sufficient information on its retail tariffing. In 2005 the prices of the European mobile operators remained in the focus of attention of the European Commission (EC). With the lack of regulation and given the weak competition in that market segment, operators often charge roaming subscribers of their counterparts by tariffs, exceeding substantially those for national calls. During the year, EC, together with European Regulatory Group (ERG) and the national regulatory authorities took the initiative to publish the various tariffs in Internet, together with all conditions in pricing that usually remain hidden for the users, suggesting options for removal of the tariffs for incoming calls within the single European market and for reduction of the prices for trans-border calls. Possible price regulation of roaming calls in the EU member-states is expected to bring about price reduction of 30 to 60 per cent in the following years. Since the end of 2004 mobile operators in Europe have been discussing unification of the roaming tariffs, which process, however, still being in its initial phase. Like airline companies, mobile operators start to establish alliances that offer preferential conditions to their members. The European mobile market is likely to become consolidated with a domination of several big operators.

The year witnessed the intensive introduction and spreading of *broadband access* technologies. Their importance for the development of the global telecommunications market is substantial because of the possibilities the different broadband technologies offer for a considerable improvement of the conventional services for voice and data transmission and for diversification of the range of telecommunication services and applications for the end users. In 2005 the total number of broadband lines in the world is 209.3 mln, with an increase of 37% over the end of 2004.¹⁴ The distribution of the lines deployed for broadband access by geographical regions is illustrated in Figure 4.

¹² MVNO - Mobile Virtual Network Operators

¹³ SP – Service Providers

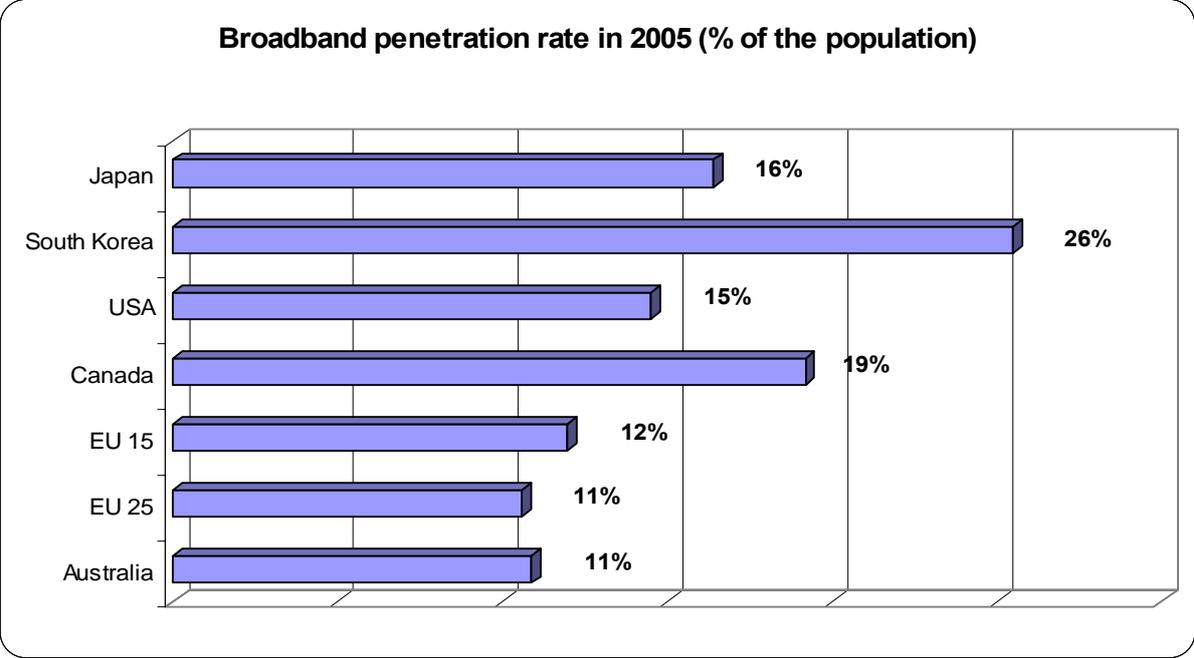
¹⁴ Mueller, Katja, World Broadband Statistics Q4 2005, March 2006, Point Topic Ltd., <http://point-topic.com>



Source: Point Topic Ltd., World Broadband Statistics Q4 2005, 2006

Figure 4

During the year the number of broadband lines has increased most dynamically in Western Europe, most of all in the Scandinavian countries and in the Netherlands (7% on the average), and by its installed broadband infrastructure Western Europe already overtakes North America and outstrips the Asia Pacific region. By the indicator “penetration of broadband services among the population”, South Korea ranks first with 26%, followed by Canada with 19,5% and Japan with 16,1%.¹⁵

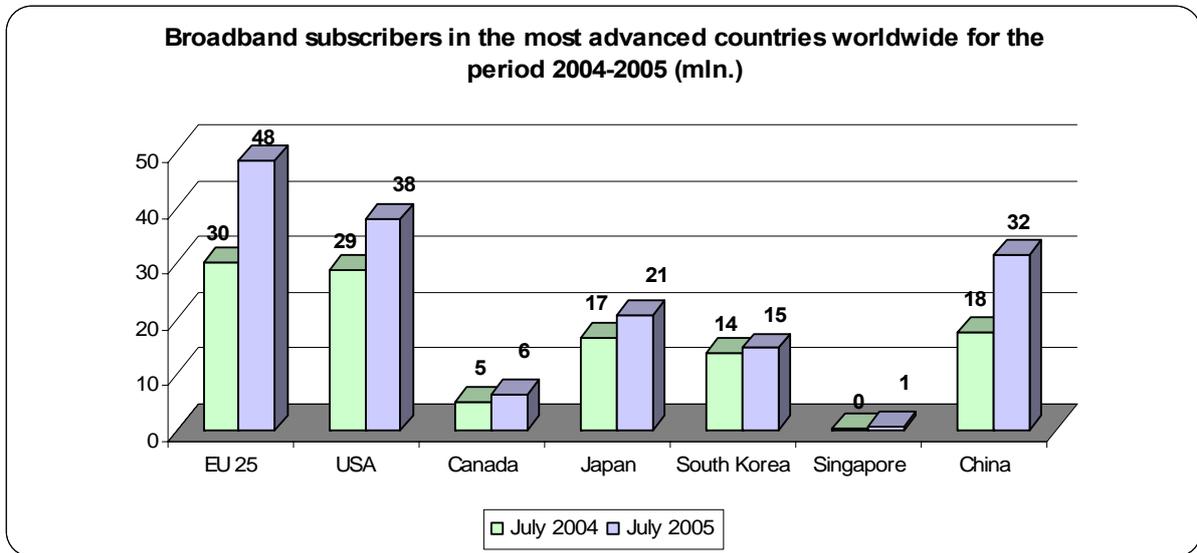


Source: EC, Information Society Benchmarking Report, 2005

Figure 5

¹⁵ European Commission Information Society Benchmarking Report 2005, May 2006, http://europa.eu.int/information_society/eeurope/i2010/docs/benchmarking

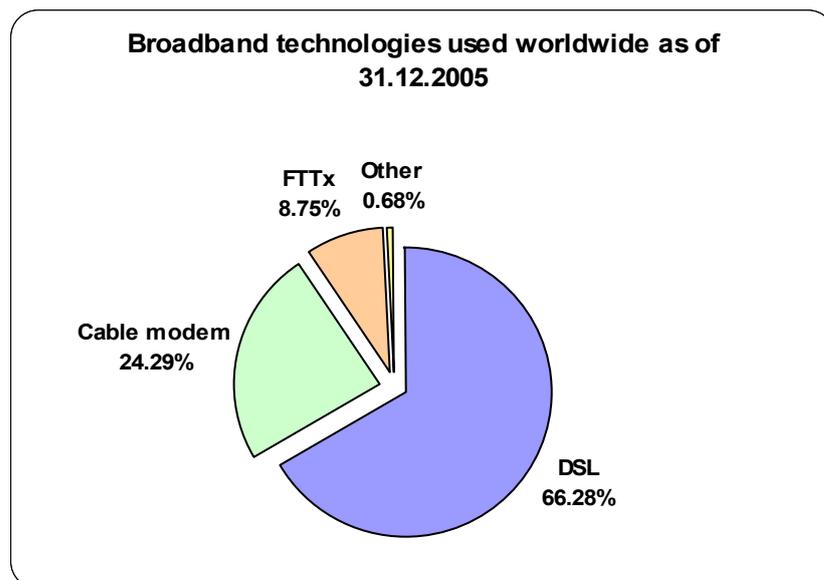
According to TeleGeography,¹⁶ in 2005 the total number of broadband subscribers in the world has reached 221 mln. According to information from the EC, as of the end of the first half of the year the number of broadband subscribers in the EU member-states is 48 mln, or 11% of the population of the region, that constitutes a 60 per cent growth for a one-year period.



Source: EC, Information Society Benchmarking Report 2005

Figure 6

DSL remains the prevailing technology for broadband transmission. Its share in the total volume of broadband connections in the world increased to 66% in 2005, the cable modem is the next most common option for access (24%), and optical lines (FTTx) represent around 9% of all broadband lines.

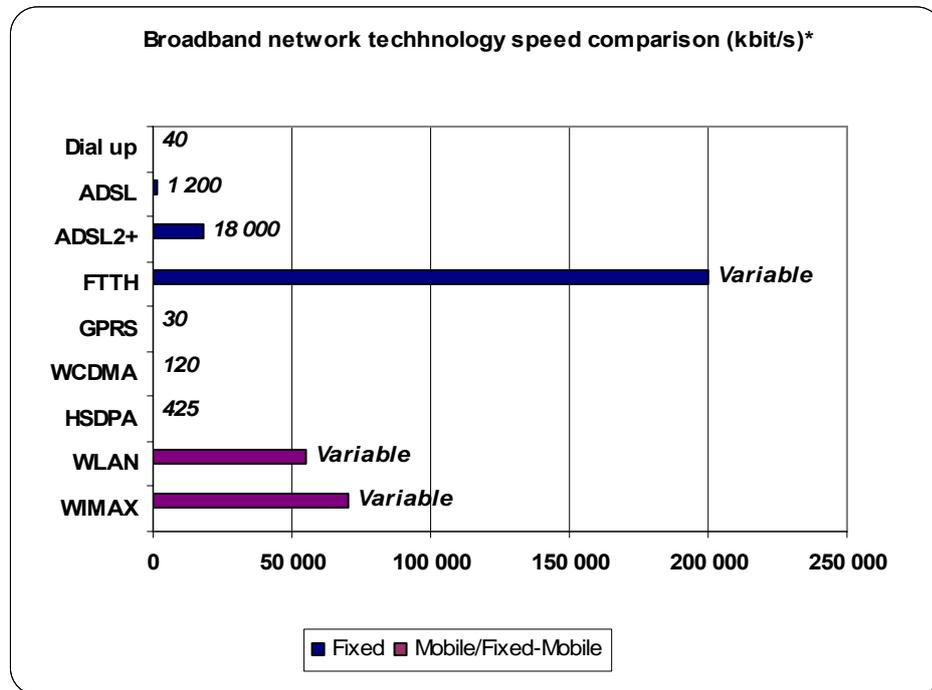


Source: Point Topic Ltd, World Broadband Statistics Q4 2005

Figure 7

¹⁶ TeleGeography, World Broadband Yearbook 2006, <http://www.telegeography.com/>

The interest in wireless technologies as a reliable and economically profitable option for high-speed data transmission has grown. The networks of the “point-to-multipoint” type, based on wireless protocol WiMAX¹⁷, allow voice and data transmission with rates much higher than those of DSL and coverage of areas with no deployed fixed infrastructure.



* Bandwidth achievable by 90 per cent of users, according to 3G Datacards, Enders Analyses, 2005; GPON for Fibre to the Home, Flexilight Networks/FTTH Council, 2003

Source: Deloitte Touche Tohmatsu, TMT Tends: Predictions, 2006

Figure 8

So far, at a global scale the WiMAX technology is still not very common. It has been deployed and commercially launched just in a few countries and regions. The reason for this is the lack of clarity on WiMAX standards that makes equipment manufactures wary in investment in WiMAX components. Still very often the products of different vendors are incompatible and the terminal user handsets are bulky. Bearing in mind the potential of WiMAX networks to provide both fixed (fixed telephony, residential Internet) and mobile services (mobile telephony and Internet wireless access), as well as the possibility of integrating WiMAX components in mobile devices for the end user, such as mobile phones and laptops, in the next years this wireless technology is expected to become more popular. According to forecasts of Juniper Research, the number of subscribers of fixed WiMAX services will increase from 1.3 mln in 2006 to 8.5 mln in 2011, or more than six times in a five-year period. Fixed WiMAX is expected to serve primarily for the provision of connectivity for the so-called “last mile” and will probably be used as a backhaul solution for mobile and WiFi networks. According to the forecasts, the market of equipment for fixed WiMAX services will increase from 597 mln USD in 2006 to 1.4 bn USD in 2011, and the market of equipment for mobile WiMAX – to 2.53 bn USD in 2012. Just 11% of the fixed services will fall to voice transmission, and the better part will fall to data transmission.¹⁸

The following years will also witness consolidation of the trend of gradual approximation and mixing of telecommunications, information technologies and electronic

¹⁷ WiMAX – Worldwide Interoperability for Microwave Access

¹⁸ Information from a study of Juniper Research, referred to in <http://mobilebulgaria.com/>

media, leading to convergence of infrastructures, services and terminal equipment.¹⁹ One of the driving forces in that direction is the Internet Protocol (IP) standard, making possible the transport of any information in digital format (audio, video, text documents, etc.) over data transmission networks. In recent years voice over IP (VoIP) establishes itself as a more efficient and much cheaper type of telephony. According to Point Topic, in 2005 the revenues from IP telephony have increased by nearly 90% compared to 2004.²⁰

With the increasing capacity for mobile data transmission thanks to the emergence of new technologies and 3G networks, the users could benefit from the high-speed data transmission for launching VoIP applications by mobile phone (mobile VoIP). At the same time, some mobile operators in Europe (E-Plus) provide calls by the popular software Skype through a mobile 3G phone.

In the long term, all kinds of communications are expected to be transmitted by a common IP-based network. However, according to Forrester Research, fixed telephony is not expected to convert completely to VoIP technology before 2020. The new Internet-based operators, such as the popular company Skype, providing free PC-to-PC calls and paid calls to fixed and mobile networks (at much lower prices), do not have infrastructure to the end user and frequently reach him through the traditional telephone companies that can raise barriers to any potential rival. Thus, for example, in 2005 the Chinese operator China Telecom blocked the access to Skype.

In 2005 the number of *mergers and acquisitions* in the telecommunications sector increased considerably – over 3000. The market pressure in this direction is related both to the realisation of economies of scale, and to the necessity for the operators to offer bundled packages of diverse services and content. Multi-billion transactions were concluded in the USA – Verizon acquired MCI for 7,6 bn USD, and SCB – the former monopolist AT&T for 16 bn USD. Skype was acquired by the biggest Internet auction for 2,6 bn USD. In Europe the Spanish company Telefonica, that has been operating its business in Latin America for years, began extending its activity on the European market as well. Telefonica acquired the control share (51% of the stocks) of the leading Czech operator of fixed, mobile and broadband services Cesky Telecom, as well as the ownership over the British mobile operator O₂ Plc, operating on two of the biggest mobile markets in Europe – the British and the German ones. According to information from the EC, in 2005 the European telecommunication companies have conducted mergers and acquisitions at the value of more than 70 bn Euro that is the highest value reached for the last five years. Many of the big telecommunication operators are present on more than one national market. The relatively low penetration and, until recently, the weak competition on the markets of Eastern and South-Eastern Europe are prerequisites for the big operators to turn their attention to that region. During the year, the Turkish government gave up its control share in Turk Telekom; in Bulgaria „MOBILTEL” EAD joined the group of Telekom Austria, and „ORBITEL” AD – the group of Deutsche Telekom.

1.2. Volume and structure of the Bulgarian telecommunications market

Two approaches have been used for assessing the volume of the Bulgarian telecommunications market for the last three years.

¹⁹ Deloitte Touche Tohmatsu, The Trillion Dollar Challenge: Principles for Proliferate, 2006 Convergence, <http://www.deloitte.com/>

²⁰ Point Topic Ltd, Broadband Analysis: Value-added revenues up 74% in 2005, 2006, <http://www.point-topic.com/content/dslanalysis/banacbvvas060524.htm>

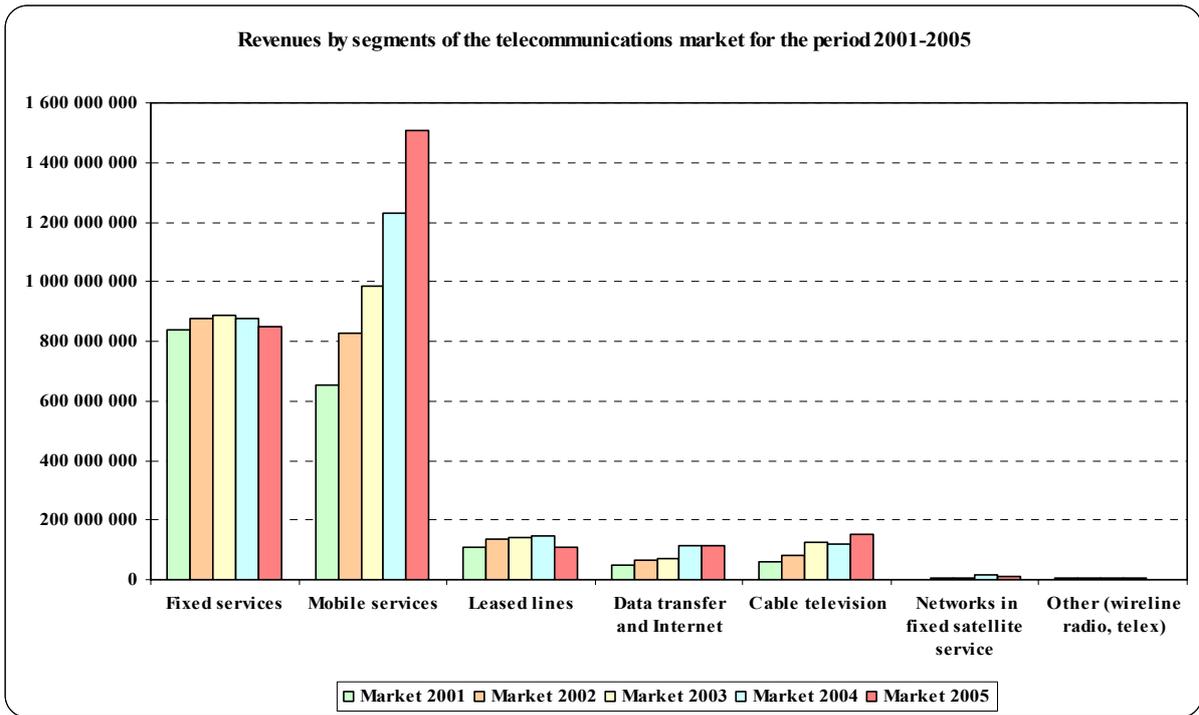
The first approach follows the methodology within the monitoring project of the EU accession and candidate countries from South-Eastern Europe (SEE)²¹, according to which the telecommunications market comprises five segments: fixed services, mobile services, data transmission over the fixed network, cable television and other telecommunication services. Presently within the project, the definitions of the market segments are being finalised with the aim of making them in line with the methodology for market analysis in the EU member-states. There is no data available on the volume of the revenues by the end of 2005. That is why, within the present analysis, no comparison is possible between Bulgaria and the SEE accession and candidate countries with regard to the volume and growth of the telecommunications market.

The second, more detailed approach comprises the following market segments: fixed services, mobile services, leased lines, data transmission and Internet access, cable TV, networks in the fixed satellite service and other telecommunication services.

In 2005 the volume of the Bulgarian telecommunications market, estimated on the basis of the revenues from the market segments included in the second approach amounts to 2,744 bn BGN. or 1,403 bn Euro, which constitutes a 10% increase with respect to the preceding year. For the sake of comparison, the increase in 2004 with respect to 2003 was 13% and that shows that despite of the continuing growth, the Bulgarian telecommunications market holds its development rate. For a second consecutive year the volume of the telecommunications market constitutes around 7% of the total Gross Domestic Product (GDP) of the country, and that is an indicator that the telecommunications sector preserves its importance for the economy.

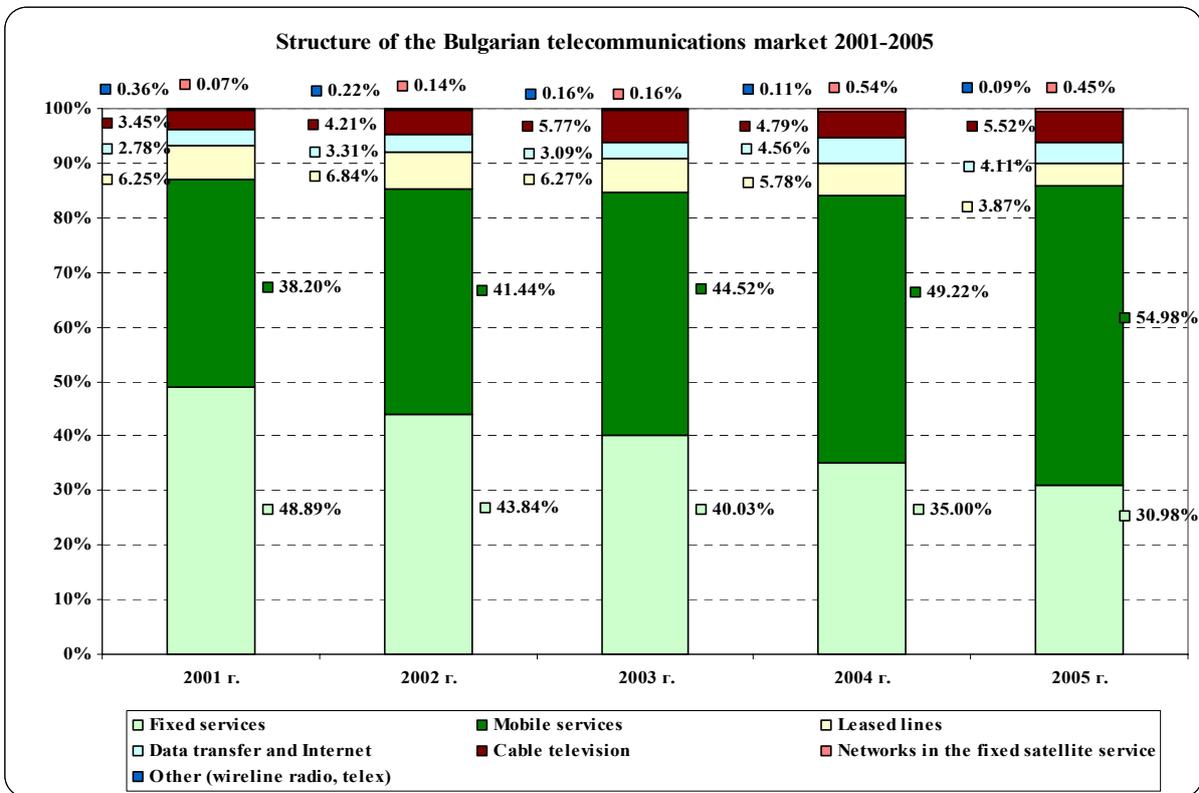
Figure 9 illustrates the change in the revenues volume by segments, Figure 10 – the structure of the telecommunications market, and Figure 11 – the growth of the telecommunications market in the country for the period 2001-2005.

²¹ The project SEE Observatory of the European Commission for assessment of the state and development of the telecommunication market in the EU accession and candidate countries from the SEE region is a continuation of the previous monitoring project with contractor IBM Business Consulting Services Prague. The project began in February 2005 and is commissioned by the EC to the consultancy company Cullen International. In the course of three years four monitoring reports on the telecommunication markets of the region shall be drawn up in nine-month periods. As of the preparation of the CRC Annual Report, the first two reports of the project have been issued.



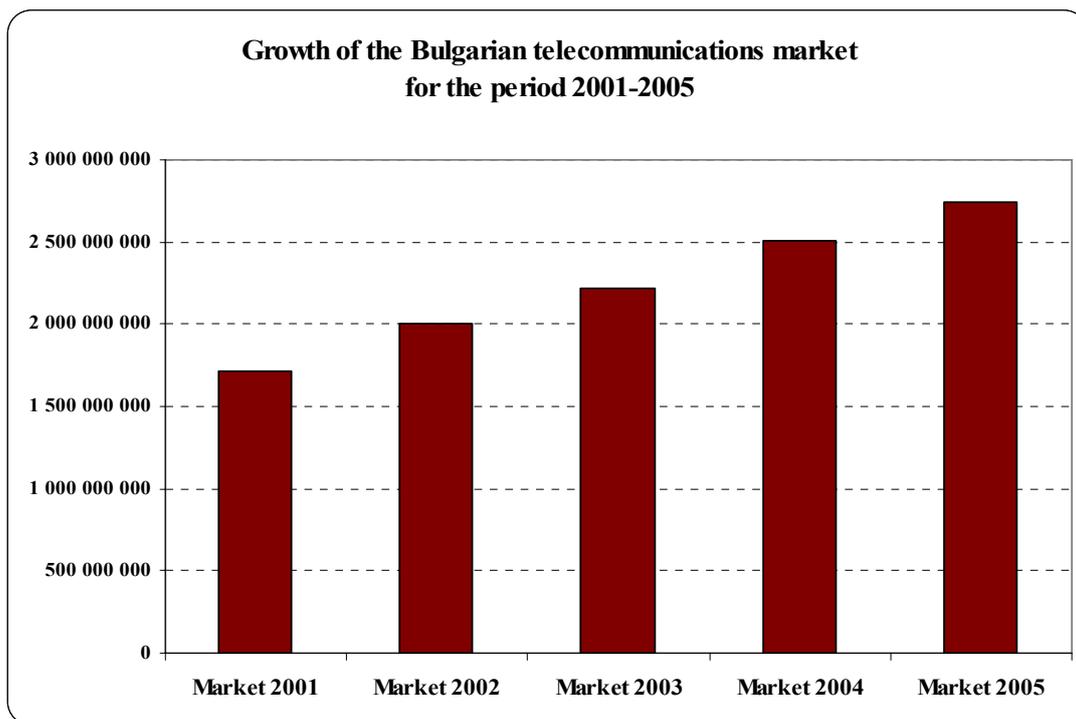
Source: Data submitted to CRC

Figure 9



Source: Data submitted to CRC

Figure 10



Source: Data submitted to CRC

Figure 11

The analysis of the data makes possible tracing and outlining the basic trends in the telecommunications market development in recent years:

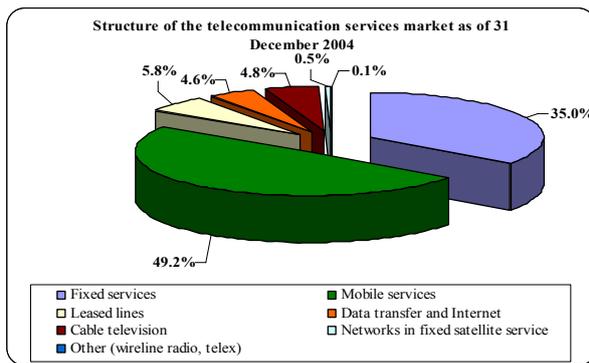
- There are two market segments, which have grown in 2005 compared to 2004: mobile networks and services and cable television. For all the remaining segments there is a hold or a slight reduction in the revenues from services provision.

- In 2005 relative to the preceding year, the share of the revenues from mobile services continues to grow – with nearly 6 points for a one-year period, and the share of the fixed services continues to decline – with 4 points (Figure 12 and 13).

- Leased lines feature fluctuations: after revenue growth of 4% in 2004, in 2005 there is a reduction of nearly 27% and reaching the level of 2001.

- Following growth in the segment “data transfer and Internet” for the period 2001-2004, expert estimates by CRC show a hold of the volume for the last year. (Regarding the revenues from “data transmission and provision of services for Internet access”, a more conservative expert estimate has been applied relative to previous years.)

- In 2005 the revenues from networks in the fixed satellite service and other telecommunication services (wireline radio distribution and telex) decline with equal rates – by 9% relative to 2004.



Source: Data submitted to CRC

Figure 12

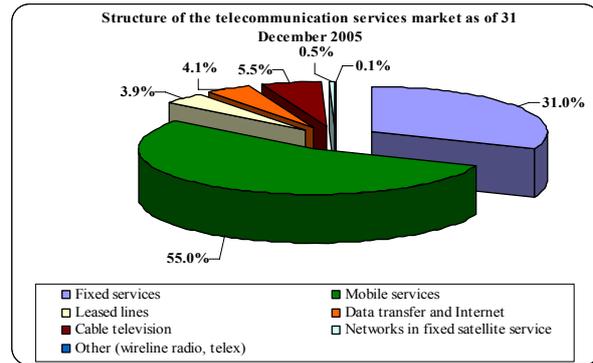
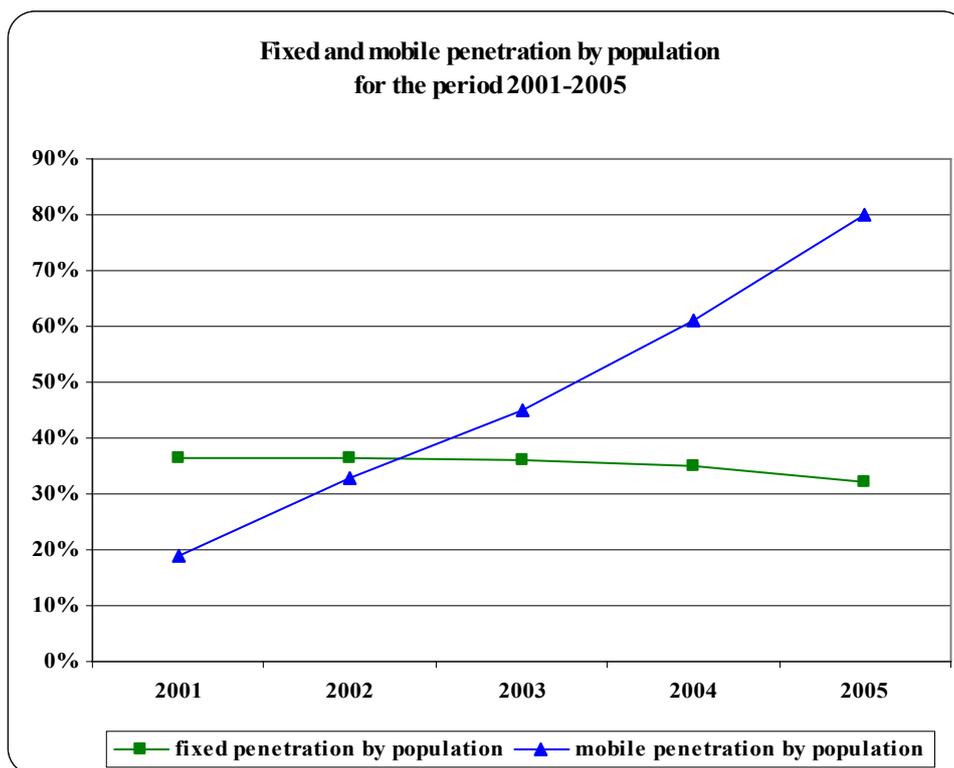


Figure 13

In 2005 the market of mobile networks and services in Bulgaria continued its rapid development. The revenues from that market segment have increased in absolute value by 22% and constitute more than half (55%) of the revenues from telecommunication services in the country as a whole. The increase in the revenues from mobile services keeps its level for a second consecutive year. Competition continues to develop mainly between the two operators of digital networks, with retention of the leading position of “MOBILTEL”, expanding presence of the second GSM operator – “COSMO BULGARIA MOBILE” EAD, and nearly subsiding market presence of the first mobile operator in the country – RTC OOD. In November 2005 a new player emerged on the market – „VIVATEL”, which is a prerequisite to expect dynamics and redistribution of the operators’ shares on this market in 2006. The market of pre-paid mobile services and value-added services continues to develop and the Bulgarian users’ interest in services like “mobile Internet” and “multimedia messaging” begins to grow.

Despite the 11 new licenses awarded to eight new operators during the year and the presence of nine active alternative operators on the market of fixed voice telephone networks and services, the relative share of BTC AD revenues from the provision of those services in 2005 remains too high (97,5%), which is an indicator of inefficient market competition. In 2005 the revenues from fixed telephone networks and provision of fixed voice telephone services decrease by 3% in absolute value and by 4% in relative value in the total market volume in comparison to the preceding year. This reduction results from the nearly 5% reduction in BTC AD revenues that is not compensated by the realized revenues of the alternative operators. The decrease in the revenues from fixed telephone networks and services can be attributed to the depopulation of the small settlements, migration to mobile operators, offering a wider portfolio of services and flexibility of their use, the provision of services by VoIP providers, the introduction of the ever more popular free PC-to-PC real-time transmission of voice over Internet, etc.

Figure 14 illustrates the recent trend of fixed-to-mobile substitution, expressed by the dynamics in the fixed and mobile penetration indicators. The popularity of mobile services among Bulgarian users continues to grow, causing smooth decline in the use of fixed services.



Source: Data submitted to CRC

Figure 14

In 2005 the Communications Regulation Commission (CRC) awarded two new individual licenses for carrying out telecommunications through telecommunications network for provision of the “leased lines” service to “NOVATEL” EOOD and “SOFIA COMMUNICATIONS” AD. Nonetheless, in 2005 the revenues from provision of the “leased lines” service have fallen by 27% relative to the preceding year. This decrease can be explained by the fact that the telecommunication operators prefer to invest in building up their own telecommunication networks and extending their transmission capacity. In spite of the reported decline of about 10% by the end of 2005, the relative share of the former monopolist in the structure of the market remains over 95%, while the share of the competitive operators has increased by just 2%.

In 2005 52 new operators of public cable telecommunication networks were registered, 104 supplements to existing registrations were issued, and the number of ceased registrations is 49. This demonstrates that this segment of the telecommunications market has been saturated and restructured in favour of the bigger operators. According to an expert estimate of the CRC, the volume of the total revenues from that market segment is around 156 mln BGN, which is 30% more in comparison with 2004. In comparison with the preceding year, the number of operators that have stated revenues from coded programmes has increased by 34%, and those from Internet – by 48%. The service „provision of Internet access over cable networks for distribution of radio and television programmes” becomes increasingly popular in recent years, since it offers good conditions for always-on access at lucrative prices. In 2005 the so-called “triple play” continued its establishment on the Bulgarian market, with price discounts of some cable operators reaching up to 27% in comparison with standard prices.

In the previous years “data transfer” and “Internet access” were examined as separate segments of the telecommunications market in the country. Due to the ever increasing number

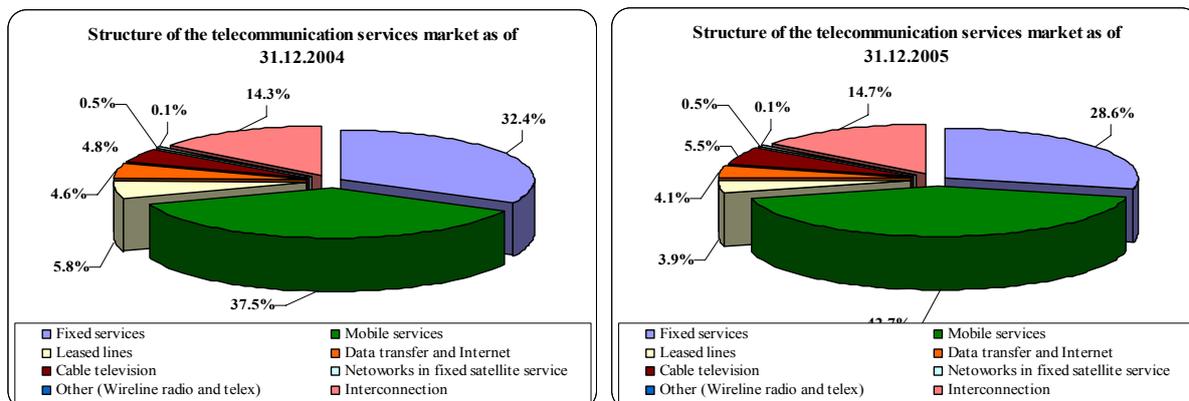
of newly registered service providers of Internet access (providing the service under free regime), in 2005 for the purpose of market analysis “data transfer and Internet” is considered as a common segment. It covers the provision of telecommunication services through public telecommunication data transmission networks, including those with individually assigned resource – numbers; through RLAN networks in the mobile service, through networks in the fixed service of the “point-to-point” type, as well as provision of Internet access under free regime by non-registered providers. According to an estimate of CRC, the volume of that segment has remained unchanged compared to the preceding year. Market logic suggests growth in the volumes, realized by networks for data transmission and Internet services, and the conservative estimate for 2005 is due primarily to a correction with respect to the estimates of previous years regarding the revenues of Internet service providers under free regime: it is difficult to assess what part of the market represent the providers that have not responded. In 2005 the trend of previous years of reduction in the number of Internet users of dial-up access continued, and presently, the most common technology for Internet access is cable, followed by LANs.

In 2005 the ADSL service of BTC AD, launched in 2004, gained great popularity. In just a year the number of subscribers to the service increased almost six times. Nevertheless, the demand and supply of broadband services is not widely spread. According to estimates of CRC, at the end of 2005 the penetration of that kind of services in Bulgaria was around 1%.

Since there is no independent segment “interconnection” in Bulgaria, the revenues, realised by fixed and mobile networks from interconnection, are included in the estimate of the volume of the fixed and mobile services segments.

On their entry on the telecommunication market, the newly-licensed operators have a limited number of own subscribers. The attraction of users would be strongly restricted if their connection with subscribers of other operators is not feasible, especially with subscribers of the incumbent operator. Ensuring conditions for interconnection of the networks of the newly-licensed operators with the networks of operators that are firmly established on the market is a prerequisite for the creation of a real competitive environment on the telecommunication market in Bulgaria.

The following figures illustrate the segment of interconnection within the general structure of the telecommunication market.



Note: When estimating the volume of the interconnection segment, the revenues from physical implementation of interconnection are taken into account (ports, lines and points of connection); traffic termination (generated by other fixed/mobile operators in Bulgaria and abroad, including SMS and MMS traffic), transit traffic and colocation.

Source: Data submitted to CRC Figure 15

Figure 16

Although the revenues from interconnection have increased by 13%²² in volume, their share in the general structure of the market has increased just by 0,4 points relative to 2004. The data confirm the trend of more and more traffic being confined within the mobile networks, established in recent years. It is becoming increasingly rare traffic generated in a fixed network to be terminated in a mobile network, and vice versa.

The investments in building and maintenance of networks and development of services, stated by the telecommunication operators, amount to around 945 mln BGN. The increase is over 60% relative to 2004 and is due primarily to investments made by the three mobile operators during the year, especially the new mobile operator "VIVATEL", by the alternative operators and by the bigger cable operators.

1.3. Prospects for development of the Bulgarian telecommunications market

The entry of new technologies and the provision of integrated services will result in expansion of the potential of the Bulgarian telecommunication market.

In 2005 tenders were organised and four licenses were awarded for networks of the type "point-to-multipoint". The winners "CABLENET" EOOD and "TRANS TELECOM" OOD were awarded Class A licenses (2×21 MHz), and the winners "NEXCOM BULGARIA" EOOD and "MOBILTEL" AD were awarded Class B licenses (2×10,5 MHz). The licenses are for a term of 10 years, and according to the license conditions, the operators are obliged to launch the service within a year since the issuance of the license, what gives grounds to expect a stir in the telecommunications market in Bulgaria in 2006. If based on the advanced broadband technology WiMAX, broadband networks of the PTMP type will allow fast transmission of large volumes of data and will be used for the provision of telecommunication services, such as voice transmission, high-speed Internet, multimedia applications, digital television, etc.

In 2006 intensive dynamics on the market of mobile communication may be expected. These expectations are based on the launch of the third digital operator at the end of 2005 and on the start-up of commercial activity of a TETRA operator. Following the issuance of three licenses for UMTS networks and services, in the next 1-2 years the Bulgarian user could benefit from 3G mobile services.

In 2006 the market of fixed telephone networks and provision of fixed voice telephone services is also expected to become more competitive. These expectations are based on interconnection agreements, concluded at the end of 2005 and in the beginning of 2006 with four of the alternative operators still no operating in 2005, the eight newly-licensed operators for the provision of fixed voice telephone services and carrier selection, and the investments of over 23 mln BGN planned for 2006 by the alternative operators. The new players are expected to develop their infrastructure and pose real competition in terms of the provision of fixed voice telephone services.

Strengthening of the positions of the big cable operators with deployed infrastructures and increased capacities, providing high-quality services and packages of integrated services, including television, high-speed Internet and voice telephony, is also expected. Following the European and global trends of convergence of networks and services, the bundled service „triple play” continues its extension on the Bulgarian market. The combined service is offered by "CABLETEL" AD and "EVROTUR SAT TV" AD. The mobile operators with licenses for the relevant telecommunication activities are expected to offer integrated packages of fixed

²² Gross revenues, exclusive of deduction of operators' payments

voice telephone service, mobile voice telephone service and data transmission on the telecommunications market.

In 2005, BTC AD conducted test of the signal quality of the first digital terrestrial television broadcasting on the territory of the city of Sofia. Digital television will offer high quality programmes to the viewers, as well as a range of additional interactive services (video-on-demand, electronic commerce and banking, Internet access, electronic mail, information services and so on).

The entry of new technologies and the provision of bundled services will result in a greater potential of the Bulgarian telecommunication market in the years to follow.