BULGARIAN TELECOMMUNICATIONS COMPANY EAD

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

31 March 2015

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CONSOLIDATED AND SEPARATE ACTIVITIES REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2015

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BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT
For the three months ended 31 March 2015

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

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

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

As at March 31, 2015 the group includes VIVACOM and its subsidiary entity BTC Net EOOD (the “Group” or “VIVACOM Group”).

We are the leading telecommunications operator in Bulgaria, based on revenue for the three months ended March 31, 2015. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+ technologies. As at March 31, 2015, we served 2.9 million mobile subscribers, 1.2 million fixed telephony subscribers and 0.4 million fixed broadband subscribers. For the three months ended March 31, 2015, we generated total revenue of BGN 201.3 million and had Adjusted EBITDA of BGN 83.1 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 2.9 million subscribers as at March 31, 2015, an increase of 11.7% from 2.6 million subscribers as at March 31, 2014. This is primarily due to the implementation of an ongoing successful market challenger strategy in the mobile market, which has led us to achieve an increase in our mobile market share and to develop a solid market share position. A central part of the market challenger strategy has been our focus on features that allow us to differentiate ourselves from our competitors, such as integrated IT systems and what we believe to be our “best in class” mobile network, which provides market leading coverage among the major network operators in Bulgaria. As at December 31, 2014 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.85% of the Bulgarian population.
Our revenue share for the mobile services market is approximately 27% as at March 31, 2015.

We are the incumbent in the fixed voice line market with 71% revenue share and 68% subscriber share as at December 31, 2014 (Source: Analysys Mason’s Telecoms Market Matrix and European Core Forecasts). We offer fixed telephony, fixed broadband and pay-TV services to our residential and business customers.

We are the market leader in the fixed broadband market with a 24% subscriber market share as at December 31, 2014. (Source: Analysys Mason’s Telecoms Market Matrix and European Core Forecasts). Our ongoing FTTx network build out enables us to benefit from the ongoing shift to FTTx from other broadband technologies as customers demand services at higher speeds. We began our FTTx roll out in 2011 and we have since achieved significant progress, with 902,000 fiber homes passed as at March 31, 2015. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

We sell our services and products through direct channels, such as VIVACOM owned stores, which are strategically located, and indirect channels, such as a smaller number of third party retail distributors. Our distribution network is further supported by remote channels such as telemarketing. As at March 31, 2015 VIVACOM has 241 owned branded retail locations with an additional 105 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first three months of 2015 with a positive result of BGN 13.6 million, (the Company - with a positive result of BGN 13.7 million), an increase of BGN 5.7 million from BGN 8.0 million for the three months ended March 31, 2014. Overall, the financial statements show stable increase in revenue and profitability.

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

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

REVENUES

Our total revenue was BGN 201.3 million for the three months ended March 31, 2015, an increase of BGN 6.9 million, or 3.6%, from BGN 194.4 million for the three months ended March 31, 2014.

The table below sets forth our revenue for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

	For the three months ended March 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Recurring charges	98.2	90.8	7.5	8.2
Outgoing traffic	27.0	31.7	(4.7)	(14.9)
Leased lines and data transmission	28.4	28.3	0.1	0.4
Interconnect	9.5	9.1	0.4	3.6
Other revenue	38.2	34.4	3.7	10.9
Total revenue	**201.3**	**194.4**	**6.9**	**3.6**

Revenue from recurring charges was BGN 98.2 million for the three months ended March 31, 2015, an increase of BGN 7.5 million, or 8.2%, from BGN 90.8 million for the three months ended March 31, 2014 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue for outgoing traffic was BGN 27.0 million for the three months ended March 31, 2015, a decrease of BGN 4.7 million, or 14.9%, from BGN 31.7 million for the three months ended March 31, 2014 mainly due to lower termination rates and competitive pressure leading to decline in prices per minute and more included minutes in tariffs offered to customers.

Revenue for leased lines and data transmissions was BGN 28.4 million for three months ended March 31, 2015, an increase of BGN 0.1 million, or 0.4% from BGN 28.3 for the three months ended March 31, 2014, mainly due to higher revenue from wholesale customers using dedicated capacity on our data network.

Interconnect revenue was BGN 9.5 million for the three months ended March 31, 2015, an increase of BGN 0.4 million, or 3.6%, from BGN 9.1 million for the three months ended March 31, 2014. The increase was primarily due to higher inbound traffic in our mobile network generated by other operators.

Other revenue was BGN 38.2 million for the three months ended March 31, 2015 an increase of BGN 3.7 million, or 10.9% from BGN 34.4 million for the three months ended March 31, 2014 mainly due to increased revenue from provision of pay-TV services (both DTH and IPTV).

The following table sets forth a breakdown of our revenue by segment for the three months ended March 31, 2015, as compared to the three months ended March 31, 2014.

	For the three months ended March 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Fixed-line revenue	87.8	92.6	(4.6)	(5.2)
Mobile revenue	113.5	101.8	11.7	11.5
Total revenue	**201.3**	**194.4**	**7.0**	**3.6**

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 87.8 million for the three months ended March 31, 2015, a decrease of BGN 4.6 million, or 5.2%, from BGN 92.6 million for the three months ended March 31, 2014. The decrease was mainly attributable to the ongoing fixed to mobile substitution trend and competitive pressure from other alternative operators with low ARPUs.

Our mobile revenue was BGN 113.5 million for the three months ended March 31, 2015, an increase of BGN 11.7 million, or 11.5%, from BGN 101.8 million for the three months ended March 31, 2014. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base, which can be attributed to our competitive offers and the superior quality of our network.

Principal Factors Affecting Mobile Revenues

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

	For the three months ended March 31,		Change	
	2015	**2014**	**(amount)**	**(%)**
Number of mobile subscribers at period end (in thousands)	**2 896**	**2 594**	**302**	**11.7**
% post-paid at period end	85	85	0.3	0.3
% pre-paid at period end	15	15	(0.3)	(1.8)
Blended mobile ARPU (BGN)	**11.1**	**10.9**	0.2	2.3
Post-paid ARPU (BGN)	12.4	12.1	0.2	1.9
Pre-paid ARPU (BGN)	3.7	3.9	**(0.2)**	**(6.0)**
AMOU (minutes)	**146**	**136**	**9.6**	**7.1**

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 March 31, 2015, 85% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.6 million subscribers as at March 31, 2014 to 2.9 million subscribers as at March 31, 2015. We attribute this growth over the periods under review to a number of factors, including what we believe is our superior network quality, offering value for bundled services, cross-selling and up-selling to existing customers.

Blended mobile ARPU increased by 2.3% to BGN 11.1 for the three months ended March 31, 2015 from BGN 10.9 for the three months ended March 31, 2014 mainly as a result of increased data usage. The increasing popularity of Android smartphones boosted the smartphone penetration rate and, in turn, mobile data usage by customers and mobile data ARPU.

Mobile AMOU increased by 7.1% to 146 minutes for the three months ended March 31, 2015, from 136 minutes for the three months ended March 31, 2014 mainly due increased inbound traffic from other mobile operators.

Principal Factors Affecting Fixed-line Revenue

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

	For the three months ended March 31,		Change	
	2015	**2014**	**(amount)**	**(%)**
Fixed telephony subscribers at period end (in thousands)	1 162	1 290	(128)	(9.9)
Fixed telephony ARPU (BGN)	11.6	12.3	(0.7)	(5.5)
AMOU (minutes)	112	113	(1.0)	(0.9)
Fixed broadband subscribers at period end (in thousands)	362	329	33	9.9
% FTTx at period end	38	25	12.6	50.5
Fixed broadband ARPU (BGN)	10.8	11.5	(0.7)	(6.1)
Number of fiber homes passed (in thousands)	902	737	165.0	22.4
Fixed pay-TV subscribers at period end (in thousands)	333	268	65	24.3
% IPTV at period end	34	27	7.3	27.5
Fixed pay-TV ARPU (BGN)	12.2	11.7	0.5	4.6

Fixed Telephony

Our total fixed telephony subscribers decreased by 9.9% to 1.2 million as at March 31, 2015, from 1.3 million as at March 31, 2014. The decrease in fixed telephony subscribers was primarily due to the strong price competition surrounding fixed telephony services, where such services are being offered as a low price addition to our competitors' mobile, fixed broadband and pay-TV services, as well as ongoing fixed to mobile substitution.

Total fixed telephony ARPU decreased by 5.5% to BGN 11.6 for the three months ended March 31, 2015, from BGN 12.3 for the three months ended March 31, 2014. The decrease in total fixed telephony ARPU was primarily due to a decrease in the outgoing traffic volume as well as lower monthly recurring fees.

Fixed telephony AMOU decreased by 0.9% to 112 minutes for the three months ended March 31, 2015, from 113 minutes for the three months ended March 31, 2014. The decrease was primarily due to ongoing fixed-to-mobile substitution, which resulted in a decrease in outgoing volume of calls made by our customers.

Fixed Broadband

Our total fixed broadband subscribers increased by 9.9% to 362 thousand as at March 31, 2015, from 329 thousand as at March 31, 2014. The increase was due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 6.1% to BGN 10.8 for the three months ended March 31, 2015, from BGN 11.5 for the three months ended March 31, 2014. The decrease was primarily due to the increased bundling.

Fixed Pay-TV

Our total fixed pay-TV subscribers increased by 24.3% to 333 thousand as at March 31, 2015, from 268 thousand as at March 31, 2014. This was mainly due to the increased demand for high quality services with superior user experience, rich content and HD channels.

Total fixed pay-TV ARPU increased by 4.6% to BGN 12.2 for the three months ended March 31, 2015, from BGN 11.7 for the three months ended March 31, 2014. The increase was mainly attributable to the increasing share of tariffs with higher MRC.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 10.3 million for the three months ended March 31, 2015, an increase of BGN 1.2 million, or 13.2%, from BGN 9.1 million for the three months ended March 31, 2014. This was mainly due to increase in outbound traffic to another national mobile operators, resulted from more calls made by our subscribers to other networks.

Other Operating Expenses

Our other operating expenses were BGN 44.6 million for the three months ended March 31, 2015, an increase of BGN 0.1 million, or 0.2%, from BGN 44.5 million for the three months ended March 31, 2014.

The table below sets forth our other operating expenses for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

	For the three months ended March 31,		Change	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Advertising, customer service, billing and collection	13.1	13.3	(0.2)	(1.5)
Facilities	11.1	11.1	(0.0)	(0.3)
Maintenance and repairs	8.3	7.8	0.5	6.7
License fees	3.3	3.4	(0.1)	(1.8)
Vehicles and transport	2.2	2.2	0.1	3.3
Administrative expenses	2.0	2.5	(0.5)	(19.9)
Leased Lines & Data Transmission	0.7	0.7	(0.0)	(5.6)
Professional fees	0.6	0.4	0.2	56.8
Other, net	3.3	3.1	0.1	3.5
Total operating expenses	**44.6**	**44.5**	**0.1**	**0.2**

Other operating expenses increase was driven mainly by higher maintenance and repairs expenses, as well as higher professional fees and other, net expenses. Increase in maintenance and repairs is mainly related with maintenance of our mobile network, customer care & billing systems and higher costs for dismantling copper cables. Increase in professional fees was driven by higher legal and consulting fees. Other, net expenses increase was mainly due to written-off scrap of tangible assets.

These increases were partially offset by lower administrative expenses and lower advertising, customer services, billing and collection expenses. Administrative expenses decreased mainly due to less accrued costs on administrative procedures. Decrease in advertising, customer services, billing and collection expenses is primarily due to lower advertising and collection costs, as well as savings from bill printing and customer mailing.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 36.0 million for the three months ended March 31, 2015, an increase of BGN 5.7 million, or 18.8%, from BGN 30.3 million for the three months ended March 31, 2014 attributable mainly to the higher subsidies of mobile handsets to support the increased demand for smartphones and increased utilities expenses.

Staff Costs

Our staff costs were BGN 30.1 million for the three months ended March 31, 2015, an increase of BGN 3.7 million, or 14.0%, from BGN 26.4 million for the three months ended March 31, 2014, mainly due to selling commissions to employees and increase in the overall staff cost per employee.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 57.9 million for the three months ended March 31, 2015, a decrease of BGN 5.8 million, or 9.1%, from BGN 63.7 million for the three months ended March 31, 2014.

Finance Costs

Our finance costs were BGN 14.4 million for the three months ended March 31, 2015, a decrease of BGN 0.6 million, or 4.0%, from BGN 15.0 million for the three months ended March 31, 2014, primarily due to decrease in interest expenses under the RCF which has lower level of utilization.

Finance Income

Our finance income was BGN 3.4 million for the three months ended March 31, 2015, an increase of BGN 1.1 million, or 47.8%, from BGN 2.3 million for the three months ended March 31, 2014, mainly due to interest income from granted loans.

Gains on sale of non-current assets and materials

Our gains on sale of non-current assets and materials were BGN 3.9 million for the three months ended March 31, 2015, an increase of BGN 2.6 million, or 200%, from BGN 1.3 million for the three months ended March 31, 2014 as gains from sales of non-current assets increased, mainly due to higher sales of our dismantled copper cables and non-operational buildings.

Income Tax Expenses

The following table sets forth our income tax expense for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

	For the three months ended March 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Current income tax charge	2.6	2.0	0.6	30.5
Deferred tax credit to comprehensive income	(1.0)	(0.9)	(0.0)	5.3
Income tax expense	**1.6**	**1.1**	**0.6**	**52.4**

Income tax expenses were BGN 1.6 million for the three months ended March 31, 2015, an increase of BGN 0.6 million, or 52.4%, from BGN 1.1 million for the three months ended March 31, 2014, mainly due to higher operating profit for the first quarter of 2015.

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the three months ended March 31, 2015 was BGN 13.6 million, an increase of BGN 5.7 million, or 71.0% from BGN 8.0 million for the three months ended March 31, 2014.

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

	For the three months ended March 31,		**Change**	
(BGN in millions)	**2015**	**2014**	**(amount)**	**(%)**
Profit / (loss) for the period	**13.6**	**8.0**	**5.7**	**71.0**
Income tax expense	1.6	1.1	0.6	52.4
Finance expenses, net	11.0	12.7	(1.7)	(13.1)
Depreciation and amortization	57.9	63.7	(5.9)	(9.2)
EBITDA	**84.1**	**85.4**	**(1.3)**	**(1.5)**
Gains on sale of non-current assets and materials	(3.9)	(1.3)	(2.5)	186.8
Asset impairment and write off	1.3	0.6	0.7	111.1
Provisions and penalties	(0.1)	0.5	(0.6)	(117.4)
Other exceptional items	1.6	0.5	1.1	208.5
Adjusted EBITDA	**83.1**	**85.7**	**(2.7)**	**(3.1)**

CASH FLOW

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

	For the three months ended March 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Net cash from operating activities	63.5	70.1	(6.6)	(9.4)
Net cash used in investing activities	(52.8)	(38.3)	(14.5)	37.9
Net cash used in financing activities	(10.7)	(1.2)	(9.5)	791.7
Net increase / (decrease) in cash and cash equivalents	**-**	**30.6**	**(30.6)**	**(100.0)**

Net Cash from Operating Activities

For the three months ended March 31, 2015, net cash flows from operating activities decreased by BGN 6.6 million to BGN 63.5 million, from BGN 70.1 million for the three months ended March 31, 2014. Trade receivables increased mainly due to higher receivables from national and international operators. Change in other current and non-current assets is driven by license fee prepayments to CRC and prepayments to suppliers. Other payables increased mainly due to the increase in VAT and employees related payables.

Net Cash Used in Investing Activities

For the three months ended March 31, 2015, net cash flows used in investing activities increased by BGN 14.5 million, or 37.9%, to BGN 52.8 million, from BGN 38.3 million mainly due to payments to suppliers of non-current assets.

Net Cash Used in Financing Activities

For the three months ended March 31, 2015, net cash flows used in financing activities increased by BGN 9.5 million to BGN 10.7 million, from BGN 1.2 million for the three months ended March 31, 2014. The increase is mainly attributable to repayments under the RCF which has BGN 58.7 million unutilized amount as at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

CAPITAL EXPENDITURES AND INVESTMENTS

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

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

	For the three months ended March 31,	
(BGN in millions)	**2015**	**2014**
Network	10.8	13.2
IT	2.5	2.8
Commercial and other	7.7	8.4
Licenses	-	-
Total capital expenditures	**21.0**	**24.4**

For the three months ended March 31, 2015, capital expenditures amounted to BGN 21.0 million, which consisted of:

- BGN 10.8 million of capital expenditures relating to network activities, mainly for investment in our mobile network and FTTx roll-out;
- BGN 2.5 million of capital expenditures relating to IT activities, mainly due to customer relation management and network driven projects.
- BGN 7.7 million of capital expenditures relating to commercial and other activities, mainly for CPEs to support our growing pay-TV and fiber subscriber base, as well as sales commissions related to long term contracts;

MAIN RISKS

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

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

General risk

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

Macroeconomic risks

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

Inflation risk

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

Market risk

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

Political risks

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

Specific Company risks

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

Regulatory risk

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

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

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

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

EU Telecom Single Market Regulation

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

Unfair competition

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

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

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

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

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

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

Credit risks

Credit risks or the risk of counterparty defaulting is reduced partly by the application of monthly subscription, credit limits and monitoring procedures. The Company has a policy of obtaining collateral from its retail customers where risk is perceived and from distributors. Credit risk is managed on VIVACOM Group level. The credit exposure of VIVACOM consists of the total value of trade and other receivables and short-term deposits.
As a result of the assigned receivables on cash deposits in CCB in 2014 the VIVACOM has recognized loans and other receivables. The receivables are due by several counterparties, one economic group of which represents more than 30% of the total balance of other receivables. The total amount of this individual exposure is fully secured by enterprise and assets pledges. Apart from this BTC Group is not exposed to credit risk from an individual partner or group of partners with similar profile.
According to Treasury policy, applicable to VIVACOM and its subsidiaries, transactions are carried out predominantly with financial institutions and banks with credit standing between B+ and A. Credit exposure is controlled by individual credit limits of counterparties, which are regularly revised and appropriately approved. The limit for each third party is determined according to its size in terms of assets and equity as well as its long-term credit rating from S&P, Moody's or Fitch. The Treasury policy also defines the financial instruments, allowed to the Treasury Department, as well as the maximum maturity.

Liquidity risks

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

Currency risk

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

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

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

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

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

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

Other specific risks

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 14 April 2015 a tax audit report has been issued for the tax audit covering the period January 2007 - December 2009, as disclosed in note 17, assessing BGN 10.1 thousand corporate income tax and interest due. A written objection to the tax audit report is to be submitted by 19 May 2015.
On 9 April 2015 a tax audit was opened to BTC Net with initial term of 3 moths and covering Corporate income tax for the period January 2009 – December 2014. With a ruling dated 16 April 2015, preliminary securing measures were imposed over cash in bank accounts amounting to BGN 425 thousand. The ruling has been appealed.

On 4 May 2015, being a central billing party (CBP) of MECMA 2014 agreement and acting in good faith, Vivacom entered into agreement with the members of MECMA in relation to the cash of MECMA blocked in CCB. As per the agreed terms, all affected MECMA members assign to Vivacom their receivables from CCB amounting to EUR 6.0 thousand, along with all accrued interest, and Vivacom pays 50% of the assigned amount in cash. The agreement is full and final settlement of all potential disputes regarding MECMA's cash blocked in CCB.

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

EXPECTED DEVELOPMENT

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

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

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

Members of the Company’s Managing Board and Supervisory Board at 31 March 2015

a) At 31 March 2015 the members of the Managing Board of VIVACOM are:

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

b) At 31 March 2015 the members of the Supervisory Board of VIVACOM are:

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

As per the available information the members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares and bonds of VIVACOM in the first three months of 2015. The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM pursuant to any existing financial instrument or agreement.

Remuneration amounting to BGN 2,201 thousand relating to the members of the Managing Board and the Supervisory Board has been accrued as of 31 March 2015 (31 March 2014: BGN 1,078 thousand).

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 Commerce Act and the Public Offering of Securities Act.

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

INFORMATION ABOUT THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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

Internal control

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

ADDITIONAL INFORMATION

The Company has no branches in the country or abroad.

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

Data about the Investor Relations:

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Atanas Dobrev
CEO
Sofia
11.05.2015

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ABBREVIATIONS AND TERMS

AMOU

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

ARPU

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

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

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

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

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

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

EBITDA and Adjusted EBITDA

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

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

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

Market Share

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

Subscribers

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

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

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

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 31 March 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.3.2015	31.12.2014	31.3.2015	31.12.2014
ASSETS					
Current assets					
Cash and cash equivalents	4.	60 190	60 080	60 020	60 026
Trade and other receivables	5.	114 827	149 952	115 251	150 141
Current income tax receivables		56	56	-	-
Inventories	6.	32 506	34 741	32 506	34 741
Investments	11.	1 700	271	1 700	271
Other current assets	8.	21 815	9 497	21 812	9 497
Assets classified as held for sale	7.	406	1 852	406	1 852
Total current assets		**231 500**	**256 449**	**231 695**	**256 528**
Non-current assets					
Goodwill		2 049	2 049	2 049	2 049
Property, plant and equipment	9.	787 729	812 336	787 721	812 327
Intangible assets	10.	203 038	215 392	203 031	215 385
Investments	11.	382	382	1 181	1 181
Trade and other receivables	5.	125 443	84 391	125 000	83 953
Other non-current assets	8.	2 270	1 990	2 270	1 990
Deferred tax assets, net	16.	14	7	-	-
Total non-current assets		**1 120 925**	**1 116 547**	**1 121 252**	**1 116 885**
TOTAL ASSETS		**1 352 425**	**1 372 996**	**1 352 947**	**1 373 413**
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	3	3	3	3
Trade payables	12.	73 765	121 246	74 710	122 140
Other payables	13.	38 986	31 504	38 930	31 452
Deferred income/revenue		20 568	20 282	20 568	20 282
Current income tax liabilities		2 582	18	2 582	18
Provisions	14.	4 589	5 499	4 589	5 499
Borrowings	15.	25 301	12 517	25 301	12 517
Total current liabilities		**165 794**	**191 069**	**166 683**	**191 911**
Non current liabilities					
Borrowings	15.	782 726	792 450	782 726	792 450
Deferred tax liabilities, net	16.	14 316	15 140	14 316	15 140
Retirement benefit obligations	17.	3 202	3 095	3 202	3 095
Provisions	14.	8 843	8 717	8 843	8 717
Trade payables	12.	3 658	3 748	3 658	3 748
Deferred income/revenue		1 502	1 280	1 502	1 280
Total non current liabilities		**814 247**	**824 430**	**814 247**	**824 430**
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves	18.	37 011	36 196	37 011	36 196
Retained earnings		46 608	32 536	46 241	32 111
Total equity		**372 384**	**357 497**	**372 017**	**357 072**
TOTAL LIABILITIES AND EQUITY		**1 352 425**	**1 372 996**	**1 352 947**	**1 373 413**

These financial statements were approved on 11.05.2015

Atanas Dobrev
CEO

Asen Velikov
Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 31 March 2015
All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	**Notes**	**Three months ended**	
		31.3.2015	**31.3.2014**
Revenue	19.	201 264	194 354
Interconnect expenses		(10 323)	(9 071)
Other operating expenses	20.	(44 606)	(44 515)
Materials and consumables expenses		(36 038)	(30 278)
Staff costs	21.	(30 050)	(26 428)
Depreciation and amortization	8.; 9., 10.	(57 867)	(63 717)
Finance costs	22.	(14 430)	(14 963)
Finance income	22.	3 414	2 288
Gains on sale of non-current assets, assets held for sale and materials	23.	3 858	1 346
Profit before tax		**15 222**	**9 016**
Income tax expenses	24.	(1 611)	(1 057)
Profit for the period		**13 611**	**7 959**
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		1 417	69
Valuation of financial assets available for sale		-	665
Related tax	24.	(142)	(7)
		1 275	**727**
Other comprehensive income for the period, net of tax		**1 275**	**727**
Total comprehensive income for the period		**14 886**	**8 686**
Earnings per share (basic and diluted)		0.05	0.03

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

All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	**Notes**	**Three months ended**	
		31.3.2015	**31.3.2014**
Revenue	19.	200 596	192 959
Interconnect expenses		(9 601)	(8 216)
Other operating expenses	20.	(44 624)	(44 535)
Materials and consumables expenses		(36 037)	(30 277)
Staff costs	21.	(30 049)	(26 426)
Depreciation and amortization	8.; 9., 10.	(57 866)	(63 716)
Finance costs	22.	(14 396)	(14 962)
Finance income	22.	3 406	10 472
Gains on sale of non-current assets, assets held for sale and materials	23.	3 858	1 346
Profit before tax		**15 287**	**16 645**
Income tax expenses/(benefit)	24.	(1 617)	(995)
Profit for the period		**13 670**	**15 650**
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		1 417	69
Valuation of financial assets available for sale		-	665
Related tax	24.	(142)	(7)
		1 275	**727**
Other comprehensive income for the period, net of tax		**1 275**	**727**
Total comprehensive income for the period		**14 945**	**16 377**
Earnings per share (basic and diluted)		0.05	0.05

These financial statements were approved on 11.05.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2015
All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2014		288 765	28 876	8 113	7 452	(143)	6 763	339 826
Comprehensive income								
Profit for the period		-	-	-	-	-	7 959	7 959
Total other comprehensive income	24.	-	-	-	665	62	-	727
Total comprehensive income		-	-	-	665	62	7 959	8 686
Balance as at 31 March 2014		288 765	28 876	8 113	8 117	(81)	14 722	348 512
Balance as at 1 January 2015		288 765	28 876	7 047	-	273	32 536	357 497
Comprehensive income								
Profit for the period		-	-	-	-	-	13 611	13 611
Total other comprehensive income	24.	-	-	-	-	1 275	-	1 275
Total comprehensive income		-	-	-	-	1 275	13 611	14 886
Transfer to retained earnings - land disposal		-	-	(460)	-	-	460	-
Balance as at 31 March 2015		288 765	28 876	6 587	-	1 548	46 607	372 383

Separate Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings/(accumulated loss)	Total
Balance as at 1 January 2014		288 765	28 876	8 113	7 452	(143)	(1 119)	331 944
Comprehensive income								
Profit for the period		-	-	-	-	-	15 650	15 650
Total other comprehensive income	24.	-	-	-	665	62	-	727
Total comprehensive income		-	-	-	665	62	15 650	16 377
Balance as at 31 March 2014		288 765	28 876	8 113	8 117	(81)	14 531	348 321
Balance as at 1 January 2015		288 765	28 876	7 047	-	273	32 111	357 072
Comprehensive income								
Profit for the period		-	-	-	-	-	13 670	13 670
Total other comprehensive income	24.	-	-	-	-	1 275	-	1 275
Total comprehensive income		-	-	-	-	1 275	13 670	14 945
Transactions with owners								
Transfer to retained earnings - land disposal		-	-	(460)	-	-	460	-
Balance as at 31 March 2015		288 765	28 876	6 587	-	1 548	46 241	372 017

These financial statements were approved on 11.05.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
For the three months ended 31 March 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Three months ended		Three months ended	
		31.3.2015	31.03.2014	31.3.2015	31.03.2014
Cash flows from operating activities					
Profit before tax		15 222	9 016	15 287	16 645
Adjustment for:					
Depreciation and amortization	8., 9., 10.	57 867	63 717	57 866	63 716
Gain on sale of non current assets and assets held for sale	23.	(3 858)	(1 345)	(3 858)	(1 345)
Impairment loss and write off of non-current assets	9., 10.	1 103	500	1 103	500
Interest expenses, net of interest income	22.	10 768	12 563	10 776	12 629
Impairment loss on trade receivables	5.	2 062	2 157	2 060	2 158
Impairment loss and write off of current assets		99	381	99	381
Income from investment operations and other finance income	22.	-	-	-	(8 250)
Gain from operations with cash flow hedges	22.	(1)	(5)	(1)	(5)
Accruals and provisions charged to profit and loss		2 235	1 333	2 235	1 333
Changes in:					
-inventories		2 219	(4 912)	2 219	(4 912)
-trade and other receivables		(6 842)	(7 059)	(7 075)	(7 685)
-other current and non-current assets		(12 290)	(9 955)	(12 286)	(9 951)
-trade and other payables		(2 855)	5 233	(2 809)	4 277
-provisions and employee benefits		(2 456)	(1 738)	(2 456)	(1 738)
-deferred income/revenue		508	217	508	217
Cash generated from operations		**63 781**	**70 103**	**63 668**	**67 970**
Interest received		34	1 031	32	961
Interest paid		(287)	(1 027)	(287)	(1 027)
Corporate income tax paid		(18)	(13)	(18)	(8)
Net cash from operating activities		**63 510**	**70 094**	**63 395**	**67 896**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		5 094	1 760	5 094	1 760
Acquisition of property, plant, equipment and intangible assets		(57 658)	(39 991)	(57 658)	(39 991)
Acquisition of investments		-	2	-	2
Cash deposits with maturity greater than three months, net		(227)	(91)	(227)	(91)
Dividends received		-	-	-	8 250
Net cash used in investing activities		**(52 791)**	**(38 320)**	**(52 791)**	**(30 070)**
Cash flows from financing activities					
Proceeds from new borrowings		(19 558)	-	(19 558)	-
Repayments of borrowings		9 779	-	9 779	-
Payment of finance lease liabilities		(944)	(1 233)	(944)	(1 233)
Net cash used in financing activities		**(10 723)**	**(1 233)**	**(10 723)**	**(1 233)**
Net (decrease)/increase in cash and cash equivalents		**(4)**	**30 541**	**(119)**	**36 593**
Effect of exchange rate fluctuations on cash held		114	(4)	113	(3)
Cash and cash equivalents at the beginning of the year		60 080	87 333	60 026	79 508
Cash and cash equivalents at the end of the period		**60 190**	**117 870**	**60 020**	**116 098**

These financial statements were approved on 11.05.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

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

The Ultimate Parent Company is V Telecom Investment S.C.A. (“V Telecom”) which indirectly owns 100% of the equity of Viva Telecom Bulgaria EOOD which is the Parent of the Company as at 31 March 2015. There are two shareholders which own more than 5% of the share capital of V Telecom none of which exercise control over V Telecom: Mr Tzvetan Radoev Vassilev is holding indirectly 43,3% of the share capital of V Telecom and Crusher Investment Limited (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) is holding 33,3% of the share capital of V Telecom. A number of shareholders are holding less than 5% share individually.

In the beginning of 2015, LIC33, a Luxembourg company owned by Mr. Louvrier, has entered into irrevocable agreement to buy the economic stake of Mr. Vassilev in BTC. The transaction is subject to approval by the relevant regulatory bodies.

In September 2014 BTC submitted notification to the Commission for Protection of Competition (CPC) of its plans to acquire the NURTS Bulgaria Group (NURTS). According to the agreed terms the transaction will be cancelled in case CPC prohibits the acquisition. As of the date of the approval of these financial statements CPC is still carrying out a profound investigation procedure according to the applicable Protection of Competition Act and no decision has been pronounced yet.

The Group

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

BTC Security EOOD/ Renamed to BTC Net EOOD

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

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

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

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

2. Functional and Presentation Currency

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

3. Summary of significant accounting policies

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

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

4. Cash and cash equivalents

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

	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Current accounts and cash in hand				
Held in BGN	47 995	48 571	47 933	48 538
Held in EUR	11 574	11 272	11 475	11 263
Held in foreign currencies other than EUR	621	233	612	221
Total current accounts and cash in hand	**60 190**	**60 076**	**60 020**	**60 022**
Deposits				
Held in BGN	-	4	-	4
Total deposits	**-**	**4**	**-**	**4**
Total cash and cash equivalents	**60 190**	**60 080**	**60 020**	**60 026**

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

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

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

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables

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

	Consolidated financial statements		**Separate financial statements**	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Trade receivables	116 191	112 918	115 285	111 864
incl. international settlement receivables	*2 631*	*2 374*	*1 960*	*1 574*
Intercompany receivables (Note 26)	19 669	18 943	20 968	20 167
Other receivables	128 969	126 968	128 471	126 465
incl. loans	*121 839*	*105 564*	*121 435*	*105 156*
Total	**264 829**	**258 829**	**264 724**	**258 496**
Allowance for impairment of receivables	(24 559)	(24 486)	(24 473)	(24 402)
Total Trade and other receivables	**240 270**	**234 343**	**240 251**	**234 094**
Incl:				
Non-current portion: trade and other receivables	127 306	86 260	126 790	85 752
Allowance for impairment of receivables	(1 863)	(1 869)	(1 790)	(1 799)
Total non-current portion: trade and other receivables	**125 443**	**84 391**	**125 000**	**83 953**
Current portion trade and other receivables	137 523	172 569	137 934	172 744
Allowance for impairment of receivables	(22 696)	(22 617)	(22 683)	(22 603)
Total current portion: trade and other receivables	**114 827**	**149 952**	**115 251**	**150 141**

Other receivables as of 31 March 2015 and 31 December 2014 include respectively BGN 768 thousand and BGN 541 thousand term cash deposits with maturity greater than three months for the consolidated and BGN 678 thousand and BGN 451 thousand for the separate financial statements.

As disclosed in note 4 other receivables for the consolidated and for the separate financial statements as of 31 March 2015 include respectively BGN 920 thousand and BGN 818 thousand representing the remaining cash and cash equivalents at CCB after the assignment of receivables on cash deposits of the Group and the Company in 2014.

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

	Gross receivables from finance leases		**Net investment in finance leases**	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Finance leases receivables with maturity:				
Within one year	34 455	34 497	32 388	32 368
Within two years	12 384	13 390	12 034	13 002
Total receivables	**46 839**	**47 887**	**44 422**	**45 370**
Less: unearned finance income	(2 417)	(2 517)		
Allowance for impairment of receivables	(4 442)	(4 537)	(4 442)	(4 537)
Net investment in finance leases	**39 980**	**40 833**	**39 980**	**40 833**

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

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

	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Balance at the beginning of the period	24 486	54 960	24 402	54 946
Accrued impairment	2 063	31 025	2 060	30 392
Impairment of receivables written off	(1 990)	(61 499)	(1 989)	(60 936)
Balance at the end of the period	**24 559**	**24 486**	**24 473**	**24 402**

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

Business customers	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Balance at the beginning of the period	9 040	14 274	8 956	14 260
Accrued impairment	859	26 835	856	26 202
Impairment of receivables written off	(340)	(32 069)	(339)	(31 506)
Balance at the end of the period	**9 559**	**9 040**	**9 473**	**8 956**

Residential customers	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Balance at the beginning of the period	15 446	40 686	15 446	40 686
Accrued impairment	1 204	4 190	1 204	4 190
Impairment of receivables written off	(1 650)	(29 430)	(1 650)	(29 430)
Balance at the end of the period	**15 000**	**15 446**	**15 000**	**15 446**

Related parties balances are shown in note 26.

As of 31 March 2015 and 31 December 2014 receivables of the Group at the amount of BGN 8,250 and 6,683 thousand were assessed individually and the impairment amounts to BGN 5,442 and BGN 5,284 thousand, which is included above. For the Company these amounts are respectively BGN 8,138 thousand and BGN 6,571 thousand and BGN 5,358 thousand and BGN 5,203 thousand.

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

	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
From 60 to 90 days	425	210	39	109
From 91 to 180 days	763	205	255	388
From 181 to 360 days	231	20	381	127
Above 1 year	316	467	1 000	860
Total	**1 735**	**902**	**1 675**	**1 484**

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

Consolidated and separate financial statements	**Gross book value of the receivable as of**	
Type	**31.3.2015**	**31.12.2014**
In the country	4 239	1 987
In the country	1 398	964
In the country	1 052	615
Outside/in the country	772	569
In the country	656	545

BGN 43,165 thousand from the other receivables balance as at the reporting date are due from one debtor. There are no other debtors who represent more than 15% of the total balance of other receivables.

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

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

	Consolidated and Separate financial statements	
	31.3.2015	**31.12.2014**
Materials and supplies, net	4 682	5 003
Merchandise and other, net	27 824	29 738
Total materials and supplies	**32 506**	**34 741**

For the three months ended 31 March 2015 there was no write-down of inventories to net realisable value (for the three months ended 31 March 2014: BGN 310 thousand). The reversal of write-downs amounted to BGN 9 thousand (for the three months ended 31 March 2014: BGN 1 thousand). The write-downs and reversals are included in Other operating expenses.

7. Assets classified as held for sale

	Consolidated and Separate financial statements	
	31.3.2015	**31.12.2014**
Real estates, held for sale	406	1 852
Total assets held for sale	**406**	**1 852**

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

8. Other assets

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

	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Prepayments and deferred expenses	22 319	9 505	22 316	9 505
Subscriber acquisition costs and other	1 766	1 982	1 766	1 982
Total other assets	**24 085**	**11 487**	**24 082**	**11 487**
Incl.				
Other current assets	**21 815**	**9 497**	**21 812**	**9 497**
Other non-current assets	**2 270**	**1 990**	**2 270**	**1 990**

Subscriber acquisition costs, representing mainly fees paid to distributors for the Group and the Company are amounting to BGN 1,764 thousand as of 31 March 2015. As of 31 December 2014 they amount to BGN 1,960 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 1,012 thousand and BGN 1,483 thousand for the three months ended 31 March 2015 and 2014.

Other assets include also intellectual rights, amounting to BGN 2 thousand as of 31 March 2015 (31 December 2014 : BGN 22 thousand), for which amortization expense amounting to BGN 20 thousand for the three months ended 31 March 2015 has been recognised in profit or loss (for the three months ended 31 March 2014 : BGN 38 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 31 March 2015 and 31 December 2014 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1 432 119**	**860 923**	**266 829**	**9 023**	**43 210**	**2 612 104**
Revaluation	-	-	-	(666)	-	(666)
Additions	(288)	-	4	-	120 483	120 199
Transfers	73 679	26 557	23 740	-	(123 976)	-
Impairment	-	-	(4)	-	1	(3)
Assets held for sale	-	-	(942)	(430)	-	(1 372)
Disposals	(63 955)	(46 593)	(10 428)	(47)	(493)	(121 516)
At 31 December 2014	**1 441 555**	**840 887**	**279 199**	**7 880**	**39 225**	**2 608 746**
Additions	58	-	-	-	12 728	12 786
Transfers	9 594	3 564	2 880	-	(16 038)	-
Impairment	-	-	-	-	11	11
Assets held for sale	-	-	(98)	(26)	-	(124)
Disposals	(7 929)	(3 479)	(284)	-	(44)	(11 736)
At 31 March 2015	**1 443 278**	**840 972**	**281 697**	**7 854**	**35 882**	**2 609 683**
Accumulated depreciation and impairment						
At 1 January 2014	**996 019**	**577 351**	**185 332**	**-**	**-**	**1 758 702**
Depreciation charged	123 820	21 259	21 430	-	-	166 509
Impairment	(3 760)	(7 149)	(75)	-	-	(10 984)
Assets held for sale	-	-	(436)	-	-	(436)
Disposals	(61 343)	(45 955)	(10 083)	-	-	(117 381)
At 31 December 2014	**1 054 736**	**545 506**	**196 168**	**-**	**-**	**1 796 410**
Depreciation charged	25 536	5 535	5 323	-	-	36 394
Assets held for sale	-	-	(78)	-	-	(78)
Disposals	(7 079)	(3 439)	(254)	-	-	(10 772)
At 31 March 2015	**1 073 193**	**547 602**	**201 159**	**-**	**-**	**1 821 954**
Net book value						
At 31 December 2014	**386 819**	**295 381**	**83 031**	**7 880**	**39 225**	**812 336**
At 31 March 2015	**370 085**	**293 370**	**80 538**	**7 854**	**35 882**	**787 729**

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 31 March 2015 and 31 December 2014 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1 432 119**	**860 923**	**266 756**	**9 023**	**43 210**	**2 612 031**
Revaluation	-	-		(666)	-	(666)
Additions	(288)	-	4	-	120 483	120 199
Transfers	73 679	26 557	23 740	-	(123 976)	-
Impairment	-	-	(4)	-	1	(3)
Assets held for sale	-	-	(942)	(430)	-	(1 372)
Disposals	(63 955)	(46 593)	(10 428)	(47)	(493)	(121 516)
At 31 December 2014	**1 441 555**	**840 887**	**279 126**	**7 880**	**39 225**	**2 608 673**
Additions	58	-	-	-	12 728	12 786
Transfers	9 594	3 564	2 880	-	(16 038)	-
Impairment	-	-	-	-	11	11
Assets held for sale	-	-	(98)	(26)	-	(124)
Disposals	(7 929)	(3 479)	(284)	-	(44)	(11 736)
At 31 March 2015	**1 443 278**	**840 972**	**281 624**	**7 854**	**35 882**	**2 609 610**
Accumulated depreciation and impairment						
At 1 January 2014	**996 019**	**577 350**	**185 272**	**-**	**-**	**1 758 641**
Depreciation charged	123 820	21 259	21 427	-	-	166 506
Impairment	(3 760)	(7 149)	(75)	-	-	(10 984)
Assets held for sale	-	-	(436)	-	-	(436)
Disposals	(61 343)	(45 955)	(10 083)	-	-	(117 381)
At 31 December 2014	**1 054 736**	**545 505**	**196 105**	**-**	**-**	**1 796 346**
Depreciation charged	25 536	5 535	5 322	-	-	36 393
Assets held for sale	-	-	(78)	-	-	(78)
Disposals	(7 079)	(3 439)	(254)	-	-	(10 772)
At 31 March 2015	**1 073 193**	**547 601**	**201 095**	**-**	**-**	**1 821 889**
Net book value						
At 31 December 2014	**386 819**	**295 382**	**83 021**	**7 880**	**39 225**	**812 327**
At 31 March 2015	**370 085**	**293 371**	**80 529**	**7 854**	**35 882**	**787 721**

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 122 properties of BTC with a net book value as of 31 March 2015 amounting to BGN 537 thousand (BGN 560 thousand for for 122 properties as of 31 December 2014). They are included in General support above except for 1 property with net book value as of 31 March 2015 amounting to BGN 13 thousand which is included in Assets classified as held for sale (BGN 15 thousand for for 2 properties as of 31 December 2014).

In January 2015 in relation with one of the open tax audits, as disclosed in note 16, the tax authorities imposed preliminary securing measures over 236 real estates and certain other non-current assets, amounting to BGN 10,148 thousand. BTC appealed the ruling in court and the decision is pending.

As disclosed in note 15 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the bond offering by establishing a pledge on real estate property, which net book value as of 31 March 2015 amounted to BGN 7,961 thousand, and as of 31 December 2014 their net book value was BGN 8,192 thousand.

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

Measurement of fair value

Fair value hierarchy

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

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

Balance at 1 January 2015	7 880
Transfers out of Level 3	(26)
Balance at 31 March 2015	**7 854**

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

Valuation technique and significant unobservable inputs

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

10. Intangible assets and goodwill

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

	Licenses	**Software**	**Other intangible assets**	**Intangible assets under construction**	**Total**
Gross book value					
At 1 January 2014	**126 544**	**569 243**	**34 480**	**2 387**	**732 654**
Additions(Transfers)	159	32 357	13 860	1 499	47 875
Disposals	-	(37 167)	(7 053)	-	(44 220)
At 31 December 2014	**126 703**	**564 433**	**41 287**	**3 886**	**736 309**
Additions(Transfers)	49	2 534	3 038	2 669	8 290
Disposals	-	(4 097)	(1 934)	-	(6 031)
At 31 March 2015	**126 752**	**562 870**	**42 391**	**6 555**	**738 568**
Accumulated depreciation and impairment					
At 1 January 2014	**48 001**	**417 260**	**15 178**	**-**	**480 439**
Amortization charge	7 335	64 326	12 154	-	83 815
Impairment	-	(4)	-	-	(4)
Disposals	-	(36 791)	(6 542)	-	(43 333)
At 31 December 2014	**55 336**	**444 791**	**20 790**	**-**	**520 917**
Amortization charge	1 811	15 107	3 523	-	20 441
Disposals	-	(4 097)	(1 731)	-	(5 828)
At 31 March 2015	**57 147**	**455 801**	**22 582**	**-**	**535 530**
Net book value					
At 31 December 2014	**71 367**	**119 642**	**20 497**	**3 886**	**215 392**
At 31 March 2015	**69 605**	**107 069**	**19 809**	**6 555**	**203 038**

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill(continued)

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

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 1 January 2014	**126 489**	**569 243**	**34 480**	**2 387**	**732 599**
Additions(Transfers)	159	32 357	13 860	1 499	47 875
Disposals	-	(37 167)	(7 053)	-	(44 220)
At 31 December 2014	**126 648**	**564 433**	**41 287**	**3 886**	**736 254**
Additions(Transfers)	49	2 534	3 038	2 669	8 290
Disposals	-	(4 097)	(1 934)	-	(6 031)
At 31 March 2015	**126 697**	**562 870**	**42 391**	**6 555**	**738 513**
Accumulated depreciation and impairment					
At 1 January 2014	**47 953**	**417 261**	**15 178**	**-**	**480 392**
Amortization charge	7 335	64 325	12 154	-	83 814
Impairment	-	(4)	-	-	(4)
Disposals	-	(36 791)	(6 542)	-	(43 333)
At 31 December 2014	**55 288**	**444 791**	**20 790**	**-**	**520 869**
Amortization charge	1 811	15 107	3 523	-	20 441
Disposals	-	(4 097)	(1 731)	-	(5 828)
At 31 March 2015	**57 099**	**455 801**	**22 582**	**-**	**535 482**
Net book value					
At 31 December 2014	**71 360**	**119 642**	**20 497**	**3 886**	**215 385**
At 31 March 2015	**69 598**	**107 069**	**19 809**	**6 555**	**203 031**

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 31 March 2015 is respectively BGN 5,864 thousand and BGN 12,822 thousand (31 December 2014: BGN 6,233 thousand and BGN 12,910 thousand).

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

All amounts are in thousand BGN, unless otherwise stated

11. Investments

Investments as of 31 March 2015 and 31 December 2014 are as follows:

		Consolidated financial statements		Separate financial statements	
Investments	**Share**	**31.3.2015**	**31.12.2014**	**31.3.2015**	**31.12.2014**
Equity securities – available-for-sale					
Intersputnik	4.79%	369	369	369	369
Sofia Commodity Exchange	5%	13	13	13	13
Total equity securities available for sale		382	382	382	382
Forward exchange contracts for hedging		1 700	271	1 700	271
Subsidiaries					
BTC Net		-	-	799	799
Total investments in subsidiaries		-	-	799	799
Total investments		**2 082**	**653**	**2 881**	**1 452**
Incl.					
Current investments		**1 700**	**271**	**1 700**	**271**
Non-current investments		**382**	**382**	**1 181**	**1 181**

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

12. Trade payables

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

	Consolidated financial statements		Separate financial statements	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Payables to international telecom operators - interconnect	26 202	21 361	25 040	19 854
Payables to suppliers of non current assets	19 138	55 470	19 138	55 470
Payables to suppliers of network maintenance	3 107	3 377	3 107	3 377
Payables to domestic telecom operators	897	1 067	646	881
Payables to suppliers of equipment and goods for customers	(594)	472	(594)	472
Payables to related parties (Note 26)	-	-	2 358	2 587
Other payables to suppliers	28 673	43 247	28 673	43 247
Total trade payables	**77 423**	**124 994**	**78 368**	**125 888**
Incl.				
Non-current portion	**3 658**	**3 748**	**3 658**	**3 748**
Current portion	**73 765**	**121 246**	**74 710**	**122 140**

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

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

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

	Consolidated financial statements		**Separate financial statements**	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Payables to employees	19 456	18 449	19 456	18 449
VAT	8 460	1 018	8 425	986
Social securities	3 578	3 738	3 578	3 738
Personal income tax payable	1 578	1 522	1 578	1 522
Advances from clients	764	916	764	916
Payables for license fee	495	347	491	347
Withholding and other taxes	128	76	128	76
Forward exchange contracts used for hedging	1	-	1	-
Others	4 526	5 438	4 509	5 418
Total other payables	**38 986**	**31 504**	**38 930**	**31 452**

14. Provisions

Consolidated and Separate financial statements

	Decommissioning	**Restructuring**	**Legal claims**	**Total**
At 1 January 2015	**8 717**	**1 018**	**4 481**	**14 216**
Charged to profit and loss		-	(304)	(304)
Recognised in the statement of financial position	58			58
Used during the year	(14)	(61)	(545)	(620)
Unwinding of discount	82		-	82
At 31 March 2015	**8 843**	**957**	**3 632**	**13 432**

Analysis of provision in consolidated financial statements

	31.3.2015	**31.12.2014**
Non-current (decommissioning costs)	8 843	8 717
Current	4 589	5 499
Total	**13 432**	**14 216**

All amounts are in thousand BGN, unless otherwise stated

14. Provisions(continued)

Decommissioning

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

Restructuring

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

Legal claims

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

15. Borrowings

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

	31.3.2015	**31.12.2014**
Secured bond issue	787 156	773 356
Revolving credit	9 779	19 597
Trade credits	9 556	10 499
Financial lease	1 536	1 515
Total borrowings	**808 027**	**804 967**
including:		
Current borrowings	**25 301**	**12 517**
Non current borrowings	**782 726**	**792 450**

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

In November 2013 BTC announced the successful completion of its debut bond offering of €400 million 6⅝ % Senior Secured Notes due 2018 on the Irish Stock Exchange pursuant to Rule 144A / Regulation S (the "Notes"). The proceeds from the bond offering were used by the Company to repay its existing indebtedness under the amended and restated loan agreement in full. The interest on the Notes is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of B1 by Moody's and BB- by Standard & Poor's Ratings Services. On April 2, 2015, Standard & Poor's lowered its long-term corporate credit rating on BTC to 'B'.

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

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

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

Trade credits

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

Obligations under Finance lease

Certain part of BTC’s software is leased under the terms of finance lease. The average lease term is 3 years and the average effective borrowing rate is 5.798%.

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

	Minimum lease payments		Present value of minimum lease payments	
	31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Finance lease payables with maturity:				
Within one year	1 595	1 595	1 536	1 515
In the second to fifth years inclusive	-	-	-	-
Total payables	**1 595**	**1 595**	**1 536**	**1 515**
Less: future finance charges	(59)	(80)	-	-
Present value of lease obligations	**1 536**	**1 515**	**1 536**	**1 515**

The net book value of the assets acquired under finance lease arrangements as of 31 March 2015 is BGN 1,769 thousand. (31 December 2014: BGN 2,144 thousnad)

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 31 March 2015 and 2014 the deferred tax assets and liabilities are as it follows:

Consolidated financial statements

Deferred tax assets	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2014	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**
Charged/(credited) to the profit/(loss) for the period	-	-	-	-	-	-	-	-
At 31 March 2014	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**
At 1 January 2015			**(1)**	**8**	**-**	**-**	**-**	**7**
Charged/(credited) to the profit/(loss) for the period	6	-	-	-	-	-	-	6
At 31 March 2015	**6**	**-**	**(1)**	**8**	**-**	**-**	**-**	**13**

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2014	**-**	**(187)**	**30 382**	**(5 488)**	**(5 996)**	**-**	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(5)	(1 197)	239	40	-	-	(923)
Charged to other comprehensive income for the period	-	-	-	-	-	-	7	7
At 31 March 2014	**-**	**(192)**	**29 185**	**(5 249)**	**(5 956)**	**-**	**(8)**	**17 780**
At 1 January 2015	**-**	**(209)**	**22 219**	**(2 438)**	**(4 463)**	**-**	**31**	**15 140**
Charged/(credited) to the profit/(loss) for the period	-	(11)	(984)	(8)	38	-	-	(965)
Charged to other comprehensive income for the period	-	-	-	-	-	-	142	142
At 31 March 2015	**-**	**(220)**	**21 235**	**(2 446)**	**(4 425)**	**-**	**173**	**14 317**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Three months ended**	
	31.3.2015	**31.3.2014**
Deferred tax liabilities	965	923
Deferred tax assets	6	-
Total (charged)/credited to the profit/(loss) for the year	971	923

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities(continued)

Separate financial statements

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2014	**-**	**(187)**	**30 382**	**(5 488)**	**(5 996)**	**-**	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(5)	(1 197)	239	40	-	-	(923)
Charged to other comprehensive income for the period	-	-	-	-	-	-	7	7
At 31 March 2014	**-**	**(192)**	**29 185**	**(5 249)**	**(5 956)**	**-**	**(8)**	**17 780**
At 1 January 2015	**-**	**(209)**	**22 219**	**(2 438)**	**(4 463)**	**-**	**31**	**15 140**
Charged/(credited) to the profit/(loss) for the period	-	(11)	(984)	(8)	38	-	-	(965)
Charged to other comprehensive income for the period	-	-	-	-	-	-	142	142
At 31 March 2015	**-**	**(220)**	**21 235**	**(2 446)**	**(4 425)**	**-**	**173**	**14 317**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Three months ended 31.3.2015**	**Three months ended 31.3.2014**
Deferred tax liabilities	965	923
Total (charged)/credited to the profit/(loss) for the year	965	923

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 31 March 2015 and 31 December 2014 are calculated in these financial statements at 10% tax rate which has been effective since 1 January 2007.

The last period audited by the tax authorities for BTC is 2006. As of the reporting date two open tax audits are ongoing, covering respectively the periods January 2007 – December 2009 and January 2010 – December 2013.

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated and Separate financial statements	
	31.3.2015	**31.12.2014**
Liability at the beginning of the period	3 095	1 956
Past service cost	*-*	*39*
Current service cost	*79*	*287*
Interest cost	*28*	*75*
Total cost recognized in profit or loss	107	401
Payments to retirees	-	(174)
Remeasurements – actuarial loss recognised in OCI	-	912
Liability at the end of the period	**3 202**	**3 095**

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

	31.3.2015	**31.12.2014**
Discount rate	3.80%	3.80%
Future salary increases per year	from 3% to 4%	from 3% to 4%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

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

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

18. Share capital, reserves and dividends

	31.3.2015	**31.12.2014**
Number of shares	288 764 840	288 764 840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288 765	288 765
Share capital	288 765	288 765

Structure of the share capital:	**31.3.2015**	**%**	**31.12.2014**	**%**
Number of ordinary shares:				
Viva Telecom Bulgaria EOOD	288 764 840	100.00%	288 764 840	100.00%
Total ordinary shares	**288 764 840**	**100%**	**288 764 840**	**100%**
Total number of shares	**288 764 840**	**100%**	**288 764 840**	**100%**

All amounts are in thousand BGN, unless otherwise stated

18. Share capital, reserves and dividends (continued)

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

Earnings per share	**Consolidated financial statements**		**Separate financial statements**	
	Three months ended		**Three months ended**	
	31.3.2015	**31.3.2014**	**31.3.2015**	**31.3.2014**
Profit for the period	13 611	7 959	13 670	15 650
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN (basic and diluted))	0.05	0.03	0.05	0.05

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

	31.3.2015	**31.12.2014**
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	3	6
Tax on dividend	-	-
Net dividends paid	-	(3)
Total dividend payable	3	3

19. Revenue

Revenue of the Group and the Company for the three months ended 31 March 2015 and 2014 consist of:

Consolidated financial statements	**Three months ended**	
	31.3.2015	**31.3.2014**
Recurring charges	98 235	90 779
Outgoing traffic	27 023	31 744
Leased lines and data transmission	28 372	28 269
Interconnect	9 456	9 123
Other revenue	38 178	34 439
Total revenue	**201 264**	**194 354**

Separate financial statements	**Three months ended**	
	31.3.2015	**31.3.2014**
Recurring charges	98 229	90 779
Outgoing traffic	27 023	31 744
Leased lines and data transmission	28 533	28 429
Interconnect	8 314	7 214
Other revenue	38 497	34 793
Total revenue	**200 596**	**192 959**

Revenue from sales of mobile handsets is included in Other revenue above, which for the three months ended 31 March 2015 amount to BGN 14,122 thousand for the Group and the Company (for the three months ended 31 March 2014: BGN 14,092 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses

Other operating expenses for the three months ended 31 March 2015 and 2014 consist of:

Consolidated financial statements

	Three months ended	
	31.3.2015	**31.3.2014**
Advertising, customer service, billing and collection	13 148	13 342
Facilities	11 089	11 127
Maintenance and repairs	8 319	7 797
License fees	3 313	3 373
Vehicles and transport	2 238	2 167
Administrative expenses	1 962	2 450
Leased lines and data transmission	703	745
Professional fees	580	370
Other, net	3 254	3 144
including		
Impairment of trade and other receivables	*2 062*	*2 157*
Scrap of assets	*901*	*386*
Impairment of other current assets	*(9)*	*309*
Impairment of non-current assets	*(11)*	*(23)*
Provisions	*(304)*	*(242)*
Other/other	*615*	*557*
Total other operating expenses	**44 606**	**44 515**

Separate financial statements

	Three months ended	
	31.3.2015	**31.3.2014**
Advertising, customer service, billing and collection	13 172	13 365
Facilities	11 089	11 127
Maintenance and repairs	8 319	7 797
License fees	3 312	3 370
Vehicles and transport	2 238	2 167
Administrative expenses	1 961	2 449
Leased lines and data transmission	701	745
Professional fees	580	370
Other, net	3 252	3 145
including		
Impairment of trade and other receivables	*2 060*	*2 158*
Scrap of assets	*901*	*386*
Impairment of other current assets	*(9)*	*309*
Impairment of non-current assets	*(11)*	*(23)*
Provisions	*(304)*	*(242)*
Other/other	*615*	*557*
Total other operating expenses	**44 624**	**44 535**

All amounts are in thousand BGN, unless otherwise stated

21. Staff costs

Staff costs for the three months ended 31 March 2015 and 2014 consist of:

Consolidated financial statements

	Three months ended	
	31.3.2015	**31.3.2014**
Salaries and wages	24 431	21 322
Pension, health and unemployment fund contributions	4 130	3 766
Other benefits	1 171	1 133
Other staff costs	318	207
Total staff costs	**30 050**	**26 428**

Separate financial statements

	Three months ended	
	31.3.2015	**31.3.2014**
Salaries and wages	24 430	21 320
Pension, health and unemployment fund contributions	4 130	3 766
Other benefits	1 171	1 133
Other staff costs	318	207
Total staff costs	**30 049**	**26 426**

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 three months ended 31 March 2015 and 2014 are respectively BGN 79 thousand and BGN 72 thousand.

22. Finance income and costs

Financial income and costs for the three months ended 31 March 2015 and 2014 consist of:

Consolidated financial statements

	Three months ended	
	31.3.2015	**31.3.2014**
Finance costs		
Interest expense:	14 181	14 846
-Bond issues	*13 801*	*13 804*
-Bank borrowings	*105*	*723*
-Finance lease	*22*	*48*
-Provisions	*110*	*105*
-Other	*143*	*166*
Foreign exchange loss	73	21
Other finance costs	176	96
Total finance cost	**14 430**	**14 963**
Finance income		
Interest income:	3 413	2 283
-Bank deposits	*33*	*971*
-Finance lease	*834*	*664*
-Other	*2 546*	*648*
Gains on cash flow hedges - ineffective portion of changes in fair value	1	5
Total finance income	**3 414**	**2 288**
Net finance costs	**11 016**	**12 675**

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Three months ended	
	31.3.2015	**31.3.2014**
Finance costs		
Interest expense:	14 181	14 846
-Bond issues	*13 801*	*13 804*
-Bank borrowings	*105*	*723*
-Finance lease	*22*	*48*
-Provisions	*110*	*105*
-Other	*143*	*166*
Foreign exchange loss	41	21
Other finance costs	174	95
Total finance cost	**14 396**	**14 962**
Finance income		
Interest income:	3 405	2 217
-Bank deposits	*32*	*905*
-Finance lease	*834*	*664*
-Other	*2 539*	*648*
Gains on cash flow hedges - ineffective portion of changes in fair value	1	5
Dividend income from investments in subsidiaries	-	8 250
Total finance income	**3 406**	**10 472**
Net finance costs	**10 990**	**4 490**

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

Other gains, net for the three months ended 31 March 2015 and 2014 consist of:

Consolidated and Separate financial statements	Three months ended	
	31.3.2015	**31.3.2014**
Gains from sales of non-current assets and assets held for sale	**3 857**	**1 345**
incl.: income	5 434	1 383
net book value	(1 577)	(38)
Gain from sales of materials	**1**	**1**
incl.: income	1	1
net book value	-	-
Total gains on sale of non-current assets, assets held for sale and materials	**3 858**	**1 346**

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the three months ended 31 March 2015 and 2014 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	Three months ended	
	31.3.2015	31.3.2014
Current income tax charge	2 582	1 979
Deferred tax	(971)	(922)
Total income tax expense	**1 611**	**1 057**

Separate financial statements	Three months ended	
	31.3.2015	31.3.2014
Current income tax charge	2 582	1 917
Deferred tax	(965)	(922)
Total income tax expense	**1 617**	**995**

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

Consolidated financial statements	Three months ended	
	31.3.2015	31.3.2014
Profit before tax	15 222	9 016
Tax rate	10%	10%
Tax at the applicable tax rate	1 522	902
Non-deductible expenses	30	78
Tax exempt income	(1)	-
Change in recognised deductible temporary differences	60	77
Income tax expense	**1 611**	**1 057**
Effective tax rate	10.58%	11.72%
Income tax expense in the profit or loss	1 611	1 057

Separate financial statements	Three months ended	
	31.3.2015	31.3.2014
Profit before tax	15 287	16 645
Tax rate	10%	10%
Tax at the applicable tax rate	1 528	1 665
Non-deductible expenses	30	78
Tax exempt income	(1)	(825)
Change in recognised deductible temporary differences	60	77
Income tax expense	**1 617**	**995**
Effective tax rate	10.58%	5.98%
Income tax expense in the profit or loss	1 617	995

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	Three months ended		31.3.2015	Three months ended		31.3.2014
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Cash flow hedges – effective portion of changes in fair value	1 417	(142)	1 275	69	(7)	62
Valuation of financial assets available for sale	-	-	-	665	-	665
	1 417	**(142)**	**1 275**	**734**	**(7)**	**727**

All amounts are in thousand BGN, unless otherwise stated

25. Segment information

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

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

The Managing Board assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Managing Board for the three months ended 31 March 2015 and 2014 is presented below.

Three months ended 31 March 2015	**Consolidated financial statements**		
	Fixed line of business	**Mobile line of business**	**Total**
Revenue	87 779	113 485	201 264
Cost of sales	(12 935)	(35 171)	(48 106)
Gross margin	**74 844**	**78 314**	**153 158**
Operating expenses			(42 861)
Staff costs			(30 050)
Depreciation and amortization			(57 867)
Financial expenses, net			(11 016)
Gains on sale of non-current assets, assets held for sale and materials			3 858
Profit before tax			**15 222**
Income tax expense			(1 611)
Net profit for the year			**13 611**

Three months ended 31 March 2014	**Consolidated financial statements**		
	Fixed line of business	**Mobile line of business**	**Total**
Revenue	92 548	101 806	194 354
Cost of sales	(11 764)	(28 995)	(40 759)
Gross margin	**80 784**	**72 811**	**153 595**
Operating expenses			(43 105)
Staff costs			(26 428)
Depreciation and amortization			(63 717)
Financial expenses, net			(12 675)
Gains on sale of non-current assets, assets held for sale and materials			1 346
Profit before tax			**9 016**
Income tax expense			(1 057)
Net profit for the year			**7 959**

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 31 March 2015 and 31 December 2014:

For the Group	**Relationship**	**Receivables**		**Payables**	
		31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
Members of Mr Vassilev's Group of Companies	Other RP	83	88	-	-
Total for BTC group		**83**	**88**	**-**	**-**

For BTC	**Relationship**	**Receivables**		**Payables**	
		31.3.2015	**31.12.2014**	**31.3.2015**	**31.12.2014**
BTC Net EOOD	Subsidiary	1 299	1 224	2 358	2 587
Members of Mr Vassilev's Group of Companies	Other RP	83	88	-	-
Total for BTC		**1 382**	**1 312**	**2 358**	**2 587**

Transactions

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

For the Group	**Relationship**	**Three months ended**	
		31.3.2015	**31.3.2014**
Members of Mr Vassilev's Group of Companies	Other RP	-	3
Total for BTC group		**-**	**3**

For BTC	**Relationship**	**Three months ended**	
		31.3.2015	**31.3.2014**
BTC Net EOOD	Subsidiary	2 162	2 080
Members of Mr Vassilev's Group of Companies	Other RP	-	3
Total for BTC		**2 162**	**2 083**

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	Three months ended 31.3.2015	Three months ended 31.3.2014
Members of Mr Vassilev's Group of Companies	Other RP	4	140
Viva Telecom Bulgaria EOOD	Parent	2	-
Total for BTC group		**6**	**140**

For BTC	Relationship	Three months ended 31.3.2015	Three months ended 31.3.2014
BTC Net EOOD	Subsidiary	1 253	975
Members of Mr Vassilev's Group of Companies	Other RP	4	140
Viva Telecom Bulgaria EOOD	Parent	2	-
Total for BTC		**1 259**	**1 115**

Loans

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

		Loan principal	Interest income	Interest receivable
Viva Telecom	For the three months ended 31 March 2014		-	
Bulgaria EAD	As of 31 December 2014	925		10
	For the three months ended 31 March 2015		18	
	As of 31 March 2015	1 301	-	27

On 17 October 2014 BTC assigned BGN 17,633 thousand from the cash and cash equivalents at CCB. The Company recognized loan amounting to BGN 17,633 thousand, provided to Inter V Investment Sarl., which is the parent company of Viva Telecom Bulgaria. The aplicable interest rate shall be the aggregate of 6M Euribor plus a margin of 7.5% p.a. The total outstanding principal amount and accumulated interest shal be fully repaid on 22 May 2015.
The amounts related to the loan are shown below:

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

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

Key management remunerations

Remuneration amounting to BGN 2,201 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 31 March 2015 (31 March 2014: BGN 1,078 thousand).

27. Commitments and contingencies

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 31 March 2015, for the Group and the Company is presented in the table below:

Equipment description	**Aggregate contracted amount**	**Delivered till 31.03.2015**	**Commitments outstanding**
Hardware and software	14 834	7 098	7 736
Construction and assembly works of the network of BTC	16 054	3 932	12 122
Network equipment	96 966	65 642	31 324
Total	**127 854**	**76 672**	**51 182**

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 578 thousand as of 31 March 2015 (31 December 2014: BGN 615 thousand).

28. Operating lease

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

Consolidated and Separate financial statements	**Three months ended**	
	31.3.2015	**31.3.2014**
Minimum lease payments	3 437	3 388

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

	31.3.2015	**31.12.2014**
Within one year	13 410	13 445
In the second to fifth years inclusive	35 355	36 574
Later than five years	73 686	75 513
Total commitments	**122 451**	**125 532**

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

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

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments

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

Consolidated financial statements

31 March 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.	1 700				**1 700**		1 700		**1 700**
Total financial assets measured at fair value		**1 700**	**-**	**-**	**-**	**1 700**				
Financial assets not measured at fair value										
Trade receivables	5.		240 270			**240 270**				**-**
Cash and cash equivalents	4.		60 190			**60 190**				**-**
Total financial assets not measured at fair value		**-**	**300 460**	**-**	**-**	**300 460**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	1				**1**		1		**1**
Total financial liabilities measured at fair value		**1**	**-**	**-**	**-**	**1**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				787 156	**787 156**	836 023			**836 023**
Secured bank loans	15.				9 779	**9 779**			9 779	**9 779**
Trade credits	15.				9 556	**9 556**			9 556	**9 556**
Finance lease liabilities	15.				1 536	**1 536**			1 536	**1 536**
Trade payables	12.				77 423	**77 423**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**885 450**	**885 450**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Consolidated financial statements

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

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

31 March 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.	1 700				**1 700**		1 700		**1 700**
Total financial assets measured at fair value		**1 700**	**-**	**-**	**-**	**1 700**				
						-				**-**
Financial assets not measured at fair value										
Trade receivables	5.		240 251			**240 251**				**-**
Cash and cash equivalents	4.		60 020			**60 020**				**-**
Total financial assets not measured at fair value		**-**	**300 271**	**-**	**-**	**300 271**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	1				**1**		1		**1**
Total financial liabilities measured at fair value		**1**	**-**	**-**	**-**	**1**				
Financial liabilities not measured at fair value						**-**				**-**
Secured bond issues	15.				787 156	**787 156**	836 023			**836 023**
Secured bank loans	15.				9 779	**9 779**			9 779	**9 779**
Trade credits	15.				9 556	**9 556**			9 556	**9 556**
Finance lease liabilities	15.				1 536	**1 536**			1 536	**1 536**
Trade payables	12.				78 368	**78 368**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**886 395**	**886 395**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

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

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

Other financial liabilities include secured bank loans and finance lease liabilities

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

30. Subsequent events

On 14 April 2015 a tax audit report has been issued for the tax audit covering the period January 2007 - December 2009, as disclosed in note 17, assessing BGN 10,142 thousand corporate income tax and interest due. A written objection to the tax audit report is to be submitted by 19 May 2015.

On 9 April 2015 a tax audit was opened to BTC Net with initial term of 3 moths and covering Corporate income tax for the period January 2009 – December 2014. With a ruling dated 16 April 2015, preliminary securing measures were imposed over cash in bank accounts amounting to BGN 425 thousand. The ruling has been appealed.

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

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