

**BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED SEPARATE AND CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34
QUARTERLY CONSOLIDATED AND SEPARATE ACTIVITIES REPORT**

30 September 2015

TABLE OF CONTENTS

	Page
Quarterly activities report	3
Condensed consolidated and separate statement of financial position	28
Condensed consolidated and separate statement of profit or loss and other comprehensive income	29
Condensed consolidated and separate statement of changes in equity	31
Condensed consolidated and separate cash flow statement	32
Notes to the interim consolidated and separate condensed financial statements	33



Bulgarian Telecommunications Company EAD

**CONSOLIDATED AND SEPARATE ACTIVITIES
REPORT FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2015**

CONTENTS

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP	3
FINANCIAL CONDITION AND RESULTS OF OPERATION	4
REVENUES	5
EXPENSES	9
ADJUSTED EBITDA AND PROFIT FOR THE PERIOD.....	11
CASH FLOW.....	11
LIQUIDITY AND CAPITAL RESOURCES	12
CAPITAL EXPENDITURES AND INVESTMENTS	13
MAIN RISKS.....	14
IMPORTANT EVENTS AFTER THE REPORTING PERIOD.....	18
EXPECTED DEVELOPMENT	18
INFORMATION ABOUT THE COMPANY'S MANAGING BOARD AND SUPERVISORY BOARD.	19
INFORMATION ABOUT THE COMPANY'S SHARES	20
CORPORATE GOVERNANCE.....	20
ADDITIONAL INFORMATION	20
ABBREVIATIONS AND TERMS.....	22

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 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 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 30 September 2015 the group includes VIVACOM, the subsidiary entity BTC Net EOOD and NURTS Bulgaria EAD and its wholly owned subsidiary NURTS Digital EAD (the “Group” or “VIVACOM Group”).

As at 30 September 2014 and 31 December 2014 the Group includes VIVACOM and its subsidiary entity BTC Net EOOD.

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

NURTS Bulgaria EAD is a commercial company registered in the Commercial Register in 1 April 2010 which owns and operates a unique broadcasting infrastructure of over 700 sites with national coverage and is one of the largest providers of transmission and collocation services.

NURTS Digital EAD is a joint stock company registered in the Commercial Register on 15 April 2009 with principal activity terrestrial broadcasting of television and radio programs.

We are the leading telecommunications operator in Bulgaria, based on revenue for the nine months ended September 30, 2015. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+ technologies. As at September 30, 2015, we served 3.0 million mobile subscribers, 1.1 million fixed telephony subscribers, 0.4 million fixed broadband subscribers and 0.4 million fixed pay-TV subscribers. For the nine months ended September 30, 2015, we generated total consolidated revenue of BGN 624.8 million and had consolidated Adjusted EBITDA of BGN 258.1 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 3.0 million subscribers as at September 30, 2015, an increase of 7.5% from 2.8 million subscribers as at September 30, 2014. This is primarily due to the implementation of an ongoing successful “value for money” strategy in the mobile market, which has led us to achieve an increase in our mobile market share and to develop a solid market share position. A central part of our strategy has been our focus on features that allow us to differentiate ourselves from our competitors, such as generous tariff plans, integrated IT systems and what we believe to be our “best in class” mobile network. As at September 30, 2015 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.92% of the Bulgarian population of which 69.08% with download speed up to 42.2 Mbit/s.

Our revenue share for the mobile services market is approximately 28% as at September 30, 2015.

We are the incumbent in the fixed voice line market with 71% revenue share and 68% subscriber share as at June 30, 2015 (Source: Analysys Mason’s Telecoms Market Matrix and European Core Forecasts). We offer fixed telephony, fixed broadband and pay-TV services to our residential and business customers.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

We are the market leader in the fixed broadband market with a 24% subscriber market share as at June 30, 2015. (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). Our ongoing FTTx network build out enables us to benefit from the ongoing shift to FTTx from other broadband technologies as customers demand services at higher speeds. We began our FTTx roll out in 2011 and we have since achieved significant progress, with 1,005,000 fiber homes passed as at September 30, 2015. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

We sell our services and products through direct channels, such as VIVACOM owned stores, which are strategically located, and indirect channels, such as a smaller number of third party retail distributors. Our distribution network is further supported by remote channels such as telemarketing. As at September 30, 2015 VIVACOM has 239 owned branded retail locations with an additional 53 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first nine months of 2015 with a positive result of BGN 12.5 million (the Company - with a positive result of BGN 5.9 million), a decrease of BGN 3.5 million from BGN 16.0 million for the nine months ended September 30, 2014. Overall, the financial statements show increase in revenue and stable profitability.

On November 22, 2013 VIVACOM successfully completed its bond offering of EUR 400 (BGN 782.3) million 6% Senior Secured Notes due 2018 (the "Notes"). The maturity date of the Notes is November 15, 2018. The Company will pay interest on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of B1 by Moody's and BB- by Standard & Poor's Ratings Services. Standard & Poor's lowered the company's credit rating to 'B' on April 2, 2015 and subsequently to 'B-' on July 8, 2015. On October 24, 2015 Standard & Poor's revised its CreditWatch listing on its 'B-' long-term corporate credit rating of VIVACOM to negative from developing.

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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

REVENUES

Our total revenue was BGN 624.8 million for the nine months ended September 30, 2015, an increase of BGN 24.1 million, or 4.0%, from BGN 600.7 million for the nine months ended September 30, 2014.

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

BGN in millions, except percentages	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Recurring charges	296.0	276.4	19.7	7.1
Outgoing traffic	83.8	84.8	(1.0)	(1.1)
Leased lines and data transmission	84.6	100.1	(15.5)	(15.5)
Interconnect	32.8	31.2	1.7	5.4
Radio and TV broadcasting	8.7	-	8.7	-
Other revenue	118.8	108.2	10.6	9.8
Total revenue	624.8	600.7	24.1	4.0

Revenue from recurring charges was BGN 296.0 million for the nine months ended September 30, 2015, an increase of BGN 19.7 million, or 7.1%, from BGN 276.4 million for the nine months ended September 30, 2014 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue from outgoing traffic was BGN 83.8 million for the nine months ended September 30, 2015, a decrease of BGN 1.0 million, or 1.1%, from BGN 84.8 million for the nine months ended September 30, 2014 mainly due to lower termination rates and competitive pressure leading to decline in prices per minute and more included minutes in tariffs offered to customers.

Revenue from leased lines and data transmissions was BGN 84.6 million for nine months ended September 30, 2015, an increase of BGN 15.5 million, or 15.5% from BGN 100.1 for the nine months ended September 30, 2014, primarily due to the migration of customers to alternative data services where such services are being offered as a low price substitute to the traditional lines.

Interconnect revenue was BGN 32.8 million for the nine months ended September 30, 2015, an increase of BGN 1.7 million, or 5.4%, from BGN 31.2 million for the nine months ended September 30, 2014. The increase was primarily due to higher inbound traffic in our mobile network generated by other operators.

Revenue from Radio and TV broadcasting was BGN 8.7 million for the three months ended September 30, 2015, which consisted of terrestrial broadcasting of television and radio provided by NURTS Group operations.

Other revenue was BGN 118.8 million for the nine months ended September 30, 2015 an increase of BGN 10.6 million, or 9.8% from BGN 108.2 million for the nine months ended September 30, 2014 mainly due to increased revenue from provision of pay-TV services (both DTH and IPTV) and colocation services provided by NURTS group.

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

BGN in millions, except percentages	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Fixed-line revenue	258.9	274.3	(15.4)	(5.6)
Mobile revenue	355.2	326.3	28.8	8.8
NURTS revenue	13.7	-	13.7	-
Eliminations	(3.0)	-	(3.0)	-
Total revenue	624.8	600.7	24.1	4.0

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 258.9 million for the nine months ended September 30, 2015, a decrease of BGN 15.4 million, or 5.6%, from BGN 274.3 million for the nine months ended September 30, 2014. The decrease was mainly attributable to the ongoing fixed to mobile substitution trend and competitive pressure from other alternative operators with low ARPUs.

Our mobile revenue was BGN 355.2 million for the nine months ended September 30, 2015, an increase of BGN 28.8 million, or 8.8%, from BGN 326.3 million for the nine months ended September 30, 2014. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base, which can be attributed to our competitive offers and the superior quality of our network.

NURTS revenue was BGN 13.7 million for the three months ended September 30, 2015, mainly attributable to terrestrial broadcasting of television and radio programs, transmission and colocation services.

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 nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Number of mobile subscribers at period end (in thousands)	3 020	2 809	211.0	7.5
% post-paid at period end	85	84	0.9	1.1
% pre-paid at period end	15	16	(0.9)	(5.6)
Blended mobile ARPU (BGN)	11.3	11.2	0.1	1.0
Post-paid ARPU (BGN)	12.6	12.5	0.1	1.1
Pre-paid ARPU (BGN)	4.1	4.5	(0.4)	(8.5)
AMOU (minutes)	154	141	12.7	9.0

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

Our mobile subscriber base has increased, from 2.8 million subscribers as at September 30, 2014 to 3.0 million subscribers as at September 30, 2015. We attribute this growth over the periods under review to a number of factors, including what we believe is our superior network quality, offering value for bundled services, cross-selling and up-selling to existing customers.

Blended mobile ARPU increased by 1.0% to BGN 11.3 for the nine months ended September 30, 2015 from BGN 11.2 for the nine months ended September 30, 2014 mainly as a result of increased MRC, inbound and data usage. The increasing popularity of Android smartphones boosted the smartphone penetration rate and, in turn, mobile data usage by customers and mobile data ARPU.

Mobile AMOU increased by 9.0% to 154 minutes for the nine months ended September 30, 2015, from 141 minutes for the nine months ended September 30, 2014 mainly as a result of more minutes included in monthly subscriptions and increased inbound traffic from other mobile operators.

Principal Factors Affecting Fixed-line Revenue

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

	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Fixed telephony subscribers at period end (in thousands)	1 088	1 227	(139.1)	(11.3)
Fixed telephony ARPU (BGN)	11.5	12.1	(0.7)	(5.7)
AMOU (minutes)	103	106	(2.8)	(2.6)
Fixed broadband subscribers at period end (in thousands)	377	346	31.8	9.2
% FTTx at period end	42	32	10.0	31.3
Fixed broadband ARPU (BGN)	10.7	11.3	(0.5)	(4.6)
Number of fiber homes passed (in thousands)	1 005	831	173.8	20.9
Fixed pay-TV subscribers at period end (in thousands)	352	298	53.8	18.0
% IPTV at period end	36	30	5.7	18.8
Fixed pay-TV ARPU (BGN)	12.5	11.8	0.7	5.8

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

Fixed Telephony

Our total fixed telephony subscribers decreased by 11.3% to 1.1 million as at September 30, 2015, from 1.2 million as at September 30, 2014. The decrease in fixed telephony subscribers was primarily due to the strong price competition surrounding fixed telephony services, where such services are being offered as a low price addition to our competitors' mobile, fixed broadband and pay-TV services, as well as ongoing fixed to mobile substitution.

Total fixed telephony ARPU decreased by 5.7% to BGN 11.5 for the nine months ended September 30, 2015, from BGN 12.1 for the nine months ended September 30, 2014. The decrease in total fixed telephony ARPU was primarily due to a decrease in the outgoing traffic volume as well as lower monthly recurring fees.

Fixed telephony AMOU decreased by 2.6% to 103 minutes for the nine months ended September 30, 2015, from 106 minutes for the nine months ended September 30, 2014. The decrease was primarily due to ongoing fixed-to-mobile substitution, which resulted in a decrease in outgoing volume of calls made by our customers.

Fixed Broadband

Our total fixed broadband subscribers increased by 9.2% to 377 thousand as at September 30, 2015, from 346 thousand as at September 30, 2014. The increase was due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 4.6% to BGN 10.7 for the nine months ended September 30, 2015, from BGN 11.3 for the nine months ended September 30, 2014. The decrease was primarily due to bundling discounts and intense price competition.

Fixed Pay-TV

Our total fixed pay-TV subscribers increased by 18.0% to 352 thousand as at September 30, 2015, from 298 thousand as at September 30, 2014. This was mainly due to the increased demand for high quality services with superior user experience, rich content and HD channels.

Total fixed pay-TV ARPU increased by 5.8% to BGN 12.5 for the nine months ended September 30, 2015, from BGN 11.8 for the nine months ended September 30, 2014. The increase was mainly attributable to the increasing share of tariffs with higher monthly recurring fees.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 33.8 million for the nine months ended September 30, 2015, an increase of BGN 4.8 million, or 16.4%, from BGN 29.0 million for the nine months ended September 30, 2014. This was mainly due to increase in outbound traffic to another national mobile operators, resulted from more calls made by our subscribers to other networks.

Other Operating Expenses

Our other operating expenses were BGN 190.5 million for the nine months ended September 30, 2015, an increase of BGN 31.3 million, or 19.7%, from BGN 159.2 million for the nine months ended September 30, 2014.

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

BGN in millions, except percentages	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Advertising, customer service, billing and collection	42.9	41.5	1.4	3.2
Facilities	32.6	33.3	(0.7)	(2.1)
Maintenance and repairs	25.3	23.9	1.4	5.9
License fees	10.3	10.0	0.2	2.1
Vehicles and transport	6.9	6.7	0.3	4.1
Administrative expenses	10.3	6.8	3.6	53.3
Leased Lines & Data Transmission	3.5	2.3	1.3	55.1
Professional fees	2.2	2.0	0.2	11.4
Other, net	56.5	32.7	23.7	72.5
Total operating expenses	190.5	159.2	31.3	19.7

Other operating expenses increase was driven mainly by higher administrative expenses and higher maintenance and repairs expenses, as well as higher professional fees and other, net expenses. Administrative expenses increase is mainly related with a tax assessment act from June 5, 2015. The tax assessment act has been appealed in front of the court and the decision is pending.

Increase in maintenance and repairs is mainly related with maintenance of our mobile core and access network, customer care & billing systems and higher costs for dismantling copper cables. Increase in professional fees was driven by higher legal and consulting fees. Other, net expenses increase was mainly driven by impairment of receivables related to the assigned cash in CCB.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 109.2 million for the nine months ended September 30, 2015, an increase of BGN 10.1 million, or 10.2%, from BGN 99.2 million for the nine months ended September 30, 2014 attributable mainly to the higher subsidies of mobile handsets to support the increased demand for smartphones and increased utilities expenses.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

Staff Costs

Our staff costs were BGN 87.9 million for the nine months ended September 30, 2015, an increase of BGN 8.1 million, or 10.1%, from BGN 79.8 million for the nine months ended September 30, 2014, mainly due to increase in the commercial headcount as well as the result of NURTS acquisition as of July 1, 2015.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 177.8 million for the nine months ended September 30, 2015, a decrease of BGN 13.8 million, or 7.2%, from BGN 191.6 million for the nine months ended September 30, 2014.

Finance Costs

Our finance costs were BGN 43.3 million for the nine months ended September 30, 2015, a decrease of BGN 1.2 million, or 2.6%, from BGN 44.5 million for the nine months ended September 30, 2014, primarily due to decrease in interest expenses under the RCF which has lower level of utilization.

Finance Income

Our finance income was BGN 24.4 million for the nine months ended September 30, 2015, an increase of BGN 10.1 million, or 71.1%, from BGN 14.2 million for the nine months ended September 30, 2014, mainly due to other finance income recognized as a result from the cancelled assignments, as disclosed in note 5 to the present consolidated and separate financial statements.

Other gains, net

Other gains, net were BGN 16.2 million for the nine months ended September 30, 2015, an increase of BGN 10.6 million, or 189.3%, from BGN 5.6 million for the nine months ended September 30, 2014, mainly as a result of a recognized gain on bargain purchase from NURTS Group acquisition.

Income Tax Expenses

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

BGN in millions, except percentages	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Current income tax charge	15.0	4.6	10.4	226.9
Deferred tax credit to comprehensive income	(4.7)	(3.3)	(1.3)	40.1
Income tax expense/(benefit)	10.3	1.3	9.1	722.3

Income tax expenses were BGN 10.3 million for the nine months ended September 30, 2015, an increase of BGN 9.1 million, from BGN 1.3 million for the nine months ended September 30, 2014, mainly due to effect of current tax from previous periods accounted during the year. On June 5, 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the nine months ended September 30, 2015 was BGN 12.5 million, a decrease of BGN 3.5 million, or 21.6% from BGN 16.0 million for the nine months ended September 30, 2014.

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

(BGN in millions)	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Profit / (loss) for the period	12.5	16.0	(3.5)	(21.6)
Income tax expense	10.3	1.3	9.1	722.0
Finance expenses, net	18.9	30.2	(11.3)	(37.4)
Depreciation and amortization	177.8	191.6	(13.8)	(7.2)
EBITDA	219.5	239.1	(19.5)	(8.2)
Other gains, net	(16.2)	(5.6)	(10.6)	187.3
Asset impairment and write off	48.0	27.3	20.7	75.6
Provisions and penalties	4.0	1.7	2.3	136.6
Other exceptional items	2.8	1.4	1.4	96.6
Adjusted EBITDA	258.1	263.9	(5.7)	(2.2)

CASH FLOW

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

BGN in millions, except percentages	For the nine months ended September 30,		Change	
	2015	2014	(amount)	(%)
Net cash from operating activities	179.5	81.0	98.5	121.6
Net cash used in investing activities	(122.6)	(74.1)	(48.5)	65.5
Net cash used in financing activities	(12.7)	(51.5)	38.8	(75.3)
Net increase / (decrease) in cash and cash equivalents	44.2	(44.6)	88.8	(199.1)

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

Net Cash from Operating Activities

For the nine months ended September 30, 2015, net cash flows from operating activities increased by BGN 98.5 million to BGN 179.5 million, from BGN 81.0 million for the nine months ended September 30, 2014.

In 2014, the increase in trade receivables was a result of the assigned to third parties receivables on cash deposits in Corporate Commercial Bank (CCB)

Net Cash Used in Investing Activities

For the nine months ended September 30, 2015, net cash flows used in investing activities increased by BGN 48.5 million to BGN 122.6 million, from BGN 74.1 million mainly due to payments to suppliers of non-current assets, reflecting the level of capital expenditures. In 2014, cash flows used in investing activities were offset by proceeds from the sale of corporate debt and equity securities.

Net Cash Used in Financing Activities

For the nine months ended September 30, 2015, net cash flows used in financing activities decreased by BGN 38.8 million to BGN 12.7 million, from BGN 51.5 million for the nine months ended September 30, 2014. The decrease is mainly attributable to the utilization of the RCF which has BGN 58.7 million undrawn 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 nine 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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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:

(BGN in millions)	For the nine months ended September 30,	
	2015	2014
Network	70.1	50.9
IT	6.9	7.4
Commercial and other	22.8	27.3
Licenses	4.4	-
NURTS	0.2	-
Total capital expenditures	104.4	85.6

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

- BGN 70.1 million of capital expenditures relating to network activities, mainly for investment in our mobile network and FTTx roll-out;
- BGN 6.9 million of capital expenditures relating to IT activities, mainly due to customer relation management and network driven projects.
- BGN 22.8 million of capital expenditures relating to commercial and other activities, mainly for CPEs to support our growing pay-TV and fiber subscriber base, as well as sales commissions related to long term contracts;
- BGN 4.4 million of capital expenditures relating to acquisition of licenses, 2x5MHz lines in the 2100 spectrum;
- BGN 0.2 million of capital expenditures relating to maintenance of NURTS infrastructure.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

MAIN RISKS

Investment in securities involves different types of risks, including the risks described below and elsewhere in this report. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also materially and adversely affect our business, results of operations or financial condition.

This document contains certain projections and estimates which refer to future uncertain events. The projections are made on the basis of the current information available to the authors of this document and on the estimates they consider justifiable. Actual results may differ, even materially, from the estimates stated in this document, as they depend on a number of risk factors described in the paragraphs below. Not all risk factors can be predicted or described and some of these risk factors are outside the abilities of the issuer to counteract.

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

General risk

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

Macroeconomic risks

Many European countries have faced or are facing an economic slowdown, which includes a general contraction in consumer spending resulting from, among other factors, reduced consumer confidence, falling gross domestic product, rising unemployment rates and uncertainty in the macroeconomic environment. Although the economic climate in Bulgaria has also been negatively affected by the global economic downturn, keeping unemployment at high levels, the Bulgarian economy has demonstrated some resilience and fiscal stability with low levels of government debt.

On December 12, 2014, Standard & Poor's Ratings Services lowered its long- and short-term foreign and local currency sovereign credit ratings of Bulgaria by one notch to 'BB+/B' from 'BBB-/A-3' with stable outlook.. The downgrade reflects the liquidity support to weakened domestic banks which has pushed up Bulgarian government debt. The stable outlook balances the risks from potential vulnerabilities mounting in the financial sector against still-low levels of government indebtedness. On June 13, 2015 Standard & Poor's Ratings Services affirmed its 'BB+/B' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable.

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

Inflation risk

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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 and leased lines.

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

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

EU Telecom Single Market Regulation

The Council of the European Union decided on the Regulation of the European Parliament and of the Council laying down measures concerning the EU single market. The new regulation mandates EU roaming charges at national level and net neutrality (not discriminating traffic to different services). In October 2015 the European Parliament plenary voted in favour to end roaming charges by June, 2017. The new regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Union. The regulation is expected to have a material impact on the EU telecom sector.

Electronic Communications Act

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

Unfair competition

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

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

It is important to emphasize the particularly active policy of CPC to investigate specific inquiries regarding possible antitrust behaviour of VIVACOM in the field of access to the duct network. Such in-depth studies have resulted in to a competition risk.

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

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

Credit risks

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

EXPECTED DEVELOPMENT

In 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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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

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

a) At 30 September 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 – Deputy Chairman and Member of the Managing Board
Mr. Rusin Yordanov - Member of the Managing Board
Mr. Asen Velikov - Member of the Managing Board

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

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

The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM on special terms pursuant to any existing financial instrument or agreement.

Remuneration amounting to BGN 4 214 thousand relating to the members of the Managing and Supervisory Boards has been accrued for the nine months ended 30 September 2015.

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

No contracts under Article 240b of the Commerce Act were concluded for the nine months ended September 30, 2015.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 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

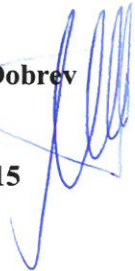
The Company has no branches in the country or abroad.

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:

115I Tsarigradsko Shose blvd.
Hermes Park – Sofia, Building A,
1784 Sofia,
Bulgaria
Tel.: +359 2 949 4331
E-mail: ir@vivacom.bg

Atanas Dobrev
CEO
Sofia
02.11.2015



BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

ANALYSYS MASON LTD. DISCLAIMER

Figures, projections and market analysis from Analysys Mason which are contained in this document are based on publicly available information only and are produced and published by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed in the Analysys Mason material cited herein are those of the relevant Analysys Mason report authors only. Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of the publications and figures provided by Analysys Mason's Research Division and cited in this document. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of Analysys Mason publications, figures, projections or market analysis in this document, by Vivacom, its servants, agents, or any recipient of this document or any other third party. The Analysys Mason figures and projections cited in this report are provided for information purposes only and are not a complete analysis of every material fact respecting any company, industry, security or investment. Analysys Mason figures and projections in this document are not to be relied upon in substitution for the exercise of independent judgment. Analysys Mason may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the Analysys Mason material cited in this document. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and Analysys Mason is under no obligation to ensure that such other communications are brought to the attention of any recipient of this document. The Analysys Mason material presented in this document may not be reproduced, distributed or published by any recipient for any purpose without the written permission of Analysys Mason Ltd.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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

EBITDA and Adjusted EBITDA

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

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

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

Market Share

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

Subscribers

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

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

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

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

Our subscriber data includes the number of main products in use by our residential and business customer units.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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

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

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

<p>“HSPA+” or “evolved high speed packet access” or “interconnection”</p>	<p>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.</p> <p>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.</p>
<p>“Internet Protocol” or “IP”</p>	<p>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.</p>
<p>“IPTV” or “Internet Protocol Television”</p>	<p>IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.</p>
<p>“ISDN” or “Integrated Services Data Network”</p>	<p>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.</p>
<p>“ISDN BRA/PRA”</p>	<p>Integrated Service for Digital Network, Basic Rate Access/Primary Rate Access</p>
<p>“ISP”</p>	<p>An ISP is a company that provides individuals and companies access to the internet.</p>
<p>“Kbps”</p>	<p>Kilobits per second.</p>
<p>“LAN” or “Local Area Network”</p>	<p>A computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building using network media.</p>
<p>“LLU” or “local loop unbundling”</p>	<p>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.</p>
<p>“LTE” or “Long Term Evolution”</p>	<p>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.</p>
<p>“M2M” or “Machine-to-Machine”</p>	<p>M2M refers to the data communication between wireless and wired systems and other wireless and wired systems.</p>
<p>“MAN” or “Metropolitan Area Network”</p>	<p>A computer network in which two or more computers or communicating devices or networks which are geographically separated but in same metropolitan city.</p>
<p>“MB”</p>	<p>A megabit.</p>
<p>“Mbps”</p>	<p>Megabits per second.</p>
<p>“MHz”</p>	<p>Megahertz; a unit of frequency equal to 1 million Hertz.</p>
<p>“MMS” or “Multimedia Messaging Service”</p>	<p>An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.</p>
<p>“MPLS” or “Multi Protocol Label Switching”</p>	<p>A method used to speed up data communication over combined IP / ATM networks.</p>
<p>“MRC”</p>	<p>Monthly Recurring Charges.</p>
<p>“MTR” or “mobile termination rates”</p>	<p>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.</p>

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT (Continued)

For the nine months ended 30 September 2015

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.9.2015	31.12.2014	30.9.2015	31.12.2014
ASSETS					
Current assets					
Cash and cash equivalents	4.	104 311	60 080	102 609	60 026
Trade and other receivables	5.	129 031	149 952	154 297	150 141
Current income tax receivables		1 048	56	-	-
Inventories	6.	33 729	34 741	31 508	34 741
Investments	11.	401	271	401	271
Other current assets	8.	15 828	9 497	14 479	9 497
Assets classified as held for sale	7.	431	1 852	431	1 852
Total current assets		284 779	256 449	303 725	256 528
Non-current assets					
Goodwill		2 049	2 049	2 049	2 049
Property, plant and equipment	9.	821 371	812 336	761 347	812 327
Intangible assets	10.	191 766	215 392	191 502	215 385
Investments	11.	382	382	41 103	1 181
Trade and other receivables	5.	47 113	84 391	46 028	83 953
Other non-current assets	8.	2 069	1 990	2 069	1 990
Deferred tax assets, net	16.	5 563	7	-	-
Total non-current assets		1 070 313	1 116 547	1 044 098	1 116 885
TOTAL ASSETS		1 355 092	1 372 996	1 347 823	1 373 413
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	3	3	3	3
Trade payables	12.	82 611	121 246	84 800	122 140
Other payables	13.	37 406	31 504	35 506	31 452
Deferred income/revenue		21 069	20 282	21 061	20 282
Current income tax liabilities		6 232	18	6 216	18
Provisions	14.	2 880	5 499	2 876	5 499
Borrowings	15.	25 132	12 517	25 074	12 517
Total current liabilities		175 333	191 069	175 536	191 911
Non current liabilities					
Borrowings	15.	783 550	792 450	783 543	792 450
Deferred tax liabilities, net	16.	8 488	15 140	8 488	15 140
Retirement benefit obligations	17.	3 753	3 095	3 343	3 095
Provisions	14.	9 070	8 717	9 070	8 717
Trade payables	12.	3 466	3 748	3 466	3 748
Deferred income/revenue		1 441	1 280	1 441	1 280
Total non current liabilities		809 768	824 430	809 351	824 430
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves	18.	35 689	36 196	35 689	36 196
Retained earnings		45 537	32 536	38 482	32 111
Total equity		369 991	357 497	362 936	357 072
TOTAL LIABILITIES AND EQUITY		1 355 092	1 372 996	1 347 823	1 373 413

These financial statements were approved on 02.11.2015

Atanas Dobrev
CEO

Asen Velikov
Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
Revenue	19.	624 805	600 656	220 013	208 025
Interconnect expenses		(33 792)	(29 021)	(12 453)	(10 058)
Other operating expenses	20.	(190 537)	(159 194)	(68 892)	(68 554)
Materials and consumables expenses		(109 252)	(99 165)	(39 045)	(39 326)
Staff costs	21.	(87 887)	(79 837)	(28 809)	(25 993)
Depreciation and amortization	8.; 9., 10	(177 770)	(191 620)	(61 305)	(63 758)
Finance costs	22.	(43 288)	(44 454)	(14 471)	(14 723)
Finance income	22.	24 374	14 245	18 113	7 422
Other gains, net	23.	16 193	5 637	9 588	3 003
Profit/(loss) before tax		22 846	17 247	22 739	(3 962)
Income tax (expenses)/benefit	24.	(10 304)	(1 253)	(3 420)	906
Profit/(loss) for the period		12 542	15 994	19 319	(3 056)
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Cash flow hedges – effective portion of changes in fair value		(52)	381	(440)	228
Valuation of financial assets available for sale		-	1 254	-	355
Available-for-sale financial assets – reclassified to profit or loss	22.	-	(8 399)	-	(5 969)
Related tax	24.	5	(69)	44	(54)
		(47)	(6 833)	(396)	(5 440)
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of land		-	(554)	-	-
Related tax	24.	-	55	-	-
		-	(499)	-	-
Other comprehensive income for the period, net of tax		(47)	(7 332)	(396)	(5 440)
Total comprehensive income for the period		12 495	8 662	18 923	(8 496)
(Loss)/earnings per share (basic and diluted)		0.04	0.06	0.07	(0.01)

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME(CONTINUED)

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	Notes	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
Revenue	19.	612 596	597 299	208 694	207 452
Interconnect expenses		(32 111)	(26 854)	(11 810)	(9 555)
Other operating expenses	20.	(186 242)	(158 756)	(64 762)	(68 083)
Materials and consumables expenses		(108 184)	(99 163)	(37 978)	(39 325)
Staff costs	21.	(86 250)	(79 832)	(27 175)	(25 991)
Depreciation and amortization	8.; 9., 10.	(176 111)	(191 617)	(59 648)	(63 757)
Finance costs	22.	(43 254)	(44 432)	(14 452)	(14 715)
Finance income	22.	25 136	22 412	18 382	7 424
Other gains, net	23.	8 623	5 637	2 018	3 003
Profit/(loss) before tax		14 203	24 694	13 269	(3 547)
Income tax (expenses)/benefit	24.	(8 292)	(1 173)	(1 375)	864
Profit(loss) for the period		5 911	23 521	11 894	(2 683)
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Cash flow hedges – effective portion of changes in fair value		(52)	381	(440)	228
Valuation of financial assets available for sale		-	1 254	-	355
Available-for-sale financial assets – reclassified to profit or loss	22.	-	(8 399)	-	(5 969)
Related tax	24.	5	(69)	44	(54)
		(47)	(6 833)	(396)	(5 440)
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of land		-	(554)	-	-
Related tax	24.	-	55	-	-
		-	(499)	-	-
Other comprehensive income for the period, net of tax		(47)	(7 332)	(396)	(5 440)
Total comprehensive income for the period		5 864	16 189	11 498	(8 123)
(Loss)/earnings per share (basic and diluted)		0.02	0.08	0.04	(0.01)

These financial statements were approved on 02.11.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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		-	-	-	-	-	15 994	15 994
Total other comprehensive income	24.	-	-	(499)	(7 176)	343	-	(7 332)
Total comprehensive income		-	-	(499)	(7 176)	343	15 994	8 662
Balance as at 30 September 2014		288 765	28 876	7 614	276	200	22 757	348 488
Balance as at 1 January 2015		288 765	28 876	7 047	-	273	32 536	357 497
Comprehensive income								
Profit for the period		-	-	-	-	-	12 542	12 542
Total other comprehensive income	24.	-	-	-	-	(47)	-	(47)
Total comprehensive income		-	-	-	-	(47)	12 542	12 495
Transfer to retained earnings - land disposal		-	-	(460)	-	-	460	-
Balance as at 30 September 2015		288 765	28 876	6 587	-	226	45 538	369 992

Separate Financial Statements

		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		-	-	-	-	-	23 521	23 521
Total other comprehensive income	24.	-	-	(499)	(7 176)	343	-	(7 332)
Total comprehensive income		-	-	(499)	(7 176)	343	23 521	16 189
Balance as at 30 September 2014		288 765	28 876	7 614	276	200	22 402	348 133
Balance as at 1 January 2015		288 765	28 876	7 047	-	273	32 111	357 072
Comprehensive income								
Profit for the period		-	-	-	-	-	5 911	5 911
Total other comprehensive income	24.	-	-	-	-	(47)	-	(47)
Total comprehensive income		-	-	-	-	(47)	5 911	5 864
Transactions with owners								
Transfer to retained earnings - land disposal		-	-	(460)	-	-	460	-
Balance as at 30 September 2015		288 765	28 876	6 587	-	226	38 482	362 936

These financial statements were approved on 02.11.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Nine months ended		Nine months ended	
		30.9.2015	30.09.2014	30.9.2015	30.09.2014
Cash flows from operating activities					
Profit before tax		22 846	17 247	14 203	24 694
Adjustment for:					
Depreciation and amortization	8., 9., 10.	177 770	191 620	176 111	191 617
Gain on sale of non current assets and assets held for sale	23.	(8 383)	(5 634)	(8 623)	(5 634)
Impairment loss and write off of non-current assets	9., 10.	5 634	2 258	5 588	2 258
Interest expenses, net of interest income	22.	36 051	38 330	35 382	38 413
Impairment loss on trade receivables	5.	49 534	28 281	46 525	27 783
Impairment loss and write off of current assets		404	603	356	603
Income from investment operations and other finance income	22.	(17 798)	(8 523)	(17 893)	(16 773)
Gain/(loss) from operations with cash flow hedges	22.	3	(2)	3	(2)
Gain from bargain purchase	30.	(7 870)	-	-	-
Accruals and provisions charged to profit and loss		2 091	1 673	2 023	1 673
Changes in:					
-inventories		3 127	1 621	3 057	1 621
-trade and other receivables		(32 553)	(148 357)	(28 796)	(148 477)
-other current and non-current assets		(7 669)	(6 747)	(7 744)	(6 746)
-trade and other payables		(4 133)	(2 758)	(2 225)	(2 012)
-provisions and employee benefits		(5 221)	(5 975)	(5 106)	(5 975)
-deferred income/revenue		940	1 110	940	1 110
Cash generated from operations		214 773	104 747	213 801	104 153
Interest received		20	3 552	16	3 456
Interest paid		(26 549)	(27 230)	(26 549)	(27 230)
Corporate income tax paid		(8 743)	(114)	(8 740)	(90)
Net cash from operating activities		179 501	80 955	178 528	80 289
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		10 729	5 917	10 529	5 917
Acquisition of property, plant, equipment and intangible assets		(134 219)	(97 995)	(133 961)	(97 995)
Acquisition of investments		1 208	(28 095)	(60)	(28 095)
Cash deposits with maturity greater than three months, net		(344)	(412)	(314)	(322)
Dividends received		-	69	500	8 319
Proceeds from sales of investments	11.	-	46 439	-	46 439
Net cash used in investing activities		(122 626)	(74 077)	(123 306)	(65 737)
Cash flows from financing activities					
Proceeds from new borrowings		29 337	88 012	29 337	88 012
Repayments of borrowings		(39 117)	(136 908)	(39 117)	(136 908)
Payment of finance lease liabilities		(2 955)	(2 595)	(2 949)	(2 595)
Net cash used in financing activities		(12 735)	(51 491)	(12 729)	(51 491)
Net decrease in cash and cash equivalents		44 140	(44 613)	42 493	(36 939)
Effect of exchange rate fluctuations on cash held		91	72	90	68
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		104 311	42 792	102 609	42 637

These financial statements were approved on 02.11.2015

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

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

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

In September 2014 BTC submitted notification to the Commission for Protection of Competition (CPC) of its plans to acquire the NURTS Bulgaria Group (NURTS). After carrying out a profound investigation procedure according to the applicable Protection of Competition Act, on 8 June 2015 CPC approved a resolution, which gives an authorization to BTC to acquire control of NURTS. On 1 July 2015 all shares of NURTS Bulgaria AD were transferred to BTC. Thus BTC became the sole owner of the company and its wholly owned subsidiary NURTS Digital EAD.

The Group

As at 30 September 2015 the Group includes the subsidiary entities BTC Net EOOD and NURTS Bulgaria EAD. As at 30 September 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.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

1. General information(continued)

NURTS Bulgaria EAD

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

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

2. Functional and Presentation Currency

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

3. Summary of significant accounting policies

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

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

4. Cash and cash equivalents

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Current accounts and cash in hand				
Held in BGN	46 834	48 571	45 278	48 538
Held in EUR	40 679	11 272	40 556	11 263
Held in foreign currencies other than EUR	16 798	233	16775	221
Total current accounts and cash in hand	104 311	60 076	102 609	60 022
Deposits				
Held in BGN	-	4	-	4
Total deposits	-	4	-	4
Total cash and cash equivalents	104 311	60 080	102 609	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.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

4. Cash and cash equivalents(continued)

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

5. Trade and other receivables

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Trade receivables	221 836	112 918	188 031	111 864
<i>incl. international settlement receivables</i>	12 632	2 374	12 064	1 574
Intercompany receivables (Note 26)	2 464	18 943	48 277	20 167
Other receivables	31 889	126 968	29 304	126 465
<i>incl. loans</i>	24 111	105 564	22 913	105 156
Total	256 189	258 829	265 612	258 496
Allowance for impairment of receivables	(80 045)	(24 486)	(65 287)	(24 402)
Total Trade and other receivables	176 144	234 343	200 325	234 094
Incl:				
Non-current portion: trade and other receivables	90 869	86 260	88 754	85 752
Allowance for impairment of receivables	(43 756)	(1 869)	(42 726)	(1 799)
Total non-current portion: trade and other receivables	47 113	84 391	46 028	83 953
Current portion trade and other receivables	165 320	172 569	176 858	172 744
Allowance for impairment of receivables	(36 289)	(22 617)	(22 561)	(22 603)
Total current portion: trade and other receivables	129 031	149 952	154 297	150 141

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

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 assigned to BTC their receivables from CCB amounting to EUR 6,043 thousand, along with all accrued interest, and BTC paid 50% of the assigned amount in cash. The agreement is full and final settlement of all potential disputes regarding MECMA's cash blocked in CCB. The assigned receivables from CCB are included in trade receivables.

In August 2015 two of the transactions concluded in 2014 for the assignment of cash deposits in CCB were terminated and as a result the assignments were cancelled with retroactive effect where BTC became a titleholder of the assigned receivables in the amount of BGN 53,033 thousand. As of 31 December 2014 the loan receivables recognized as a result of the above referred assignments amounted to BGN 35,734 thousand.

As disclosed in note 4 trade receivables for the consolidated and for the separate financial statements as of 30 September 2015 include respectively BGN 60,176 thousand and BGN 59,259 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 and the above mentioned transactions.

Based on the data disclosed by BNB for the financial position of CCB the management has made an assessment of the collectibility of the cash in CCB. As a result impairment related to the receivables representing cash at CCB amounting to BGN 41,856 thousand for the Group and BGN 41,259 thousand for the Company has been recognized and included under other operating expenses for the nine months ended 30 September 2015 (note 20).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

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

	Gross receivables from finance leases		Net investment in finance leases	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Finance leases receivables with maturity:				
Within one year	33 340	34 497	31 362	32 368
Within two years	11 084	13 390	10 763	13 002
Total receivables	44 424	47 887	42 125	45 370
Less: unearned finance income	(2 299)	(2 517)		
Allowance for impairment of receivables	(3 791)	(4 537)	(3 791)	(4 537)
Net investment in finance leases	38 334	40 833	38 334	40 833

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Balance at the beginning of the period	24 486	54 960	24 402	54 946
Subsidiary acquisition	8 974	-	-	-
Accrued impairment	52 225	31 025	46 525	30 392
Impairment of receivables written off	(5 640)	(61 499)	(5 640)	(60 936)
Balance at the end of the period	80 045	24 486	65 287	24 402

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

Business customers	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Balance at the beginning of the period	9 040	14 274	8 956	14 260
Subsidiary acquisition	8 974	-	-	-
Accrued impairment	48 742	26 835	43 042	26 202
Impairment of receivables written off	(1 241)	(32 069)	(1 241)	(31 506)
Balance at the end of the period	65 515	9 040	50 757	8 956

Residential customers	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Balance at the beginning of the period	15 446	40 686	15 446	40 686
Accrued impairment	3 483	4 190	3 483	4 190
Impairment of receivables written off	(4 399)	(29 430)	(4 399)	(29 430)
Balance at the end of the period	14 530	15 446	14 530	15 446

Related parties balances are shown in note 26.

As of 30 September 2015 and 31 December 2014 receivables of the Group at the amount of BGN 100,962 and 6,683 thousand were assessed individually and the impairment amounts to BGN 62,233 and BGN 5,284 thousand, which is included above. For the Company these amounts are respectively BGN 72,080 thousand and BGN 6,571 thousand and BGN 47,477 thousand and BGN 5,203 thousand.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
From 60 to 90 days	508	210	29	109
From 91 to 180 days	200	205	99	388
From 181 to 360 days	606	20	530	127
Above 1 year	699	467	939	860
Total	2 013	902	1 597	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 financial statements	Gross book value of the receivable as of	
	30.9.2015	31.12.2014
Type		
In the country	16 437	-
Outside the country	10 241	615
In the country	6 407	1 987
In the country	4 655	-
In the country	3 546	-
Separate financial statements	Carrying amount of the receivable as of	
Type	30.9.2015	31.12.2014
Outside the country	10 241	615
In the country	6 407	1 987
In the country	637	518
In the country	583	964
In the country	400	545

BGN 18,726 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.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Materials and supplies, net	7 302	5 003	5 081	5 003
Merchandise and other, net	26 427	29 738	26 427	29 738
Total materials and supplies	33 729	34 741	31 508	34 741

For the nine months ended 30 September 2015 the write-down of inventories to net realisable value amounted to BGN 15 thousand (for the nine months ended 30 September 2014: BGN 435 thousand). The reversal of write-downs amounted to BGN 55 thousand (for the nine months ended 30 September 2014: BGN 21 thousand). The write-downs and reversals are included in Other operating expenses.

7. Assets classified as held for sale**Consolidated and Separate financial statements**

	30.9.2015	31.12.2014
	Real estates, held for sale	431
Total assets held for sale	431	1 852

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

8. Other assets

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Prepayments and deferred expenses	16 224	9 505	15 172	9 505
Subscriber acquisition costs and other	1 673	1 982	1 376	1 982
Total other assets	17 897	11 487	16 548	11 487
<i>Incl.</i>				
Other current assets	15 828	9 497	14 479	9 497
Other non-current assets	2 069	1 990	2 069	1 990

Subscriber acquisition costs, representing mainly fees paid to distributors for the Group and the Company are amounting to BGN 1242 thousand as of 30 September 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 2,751 thousand and BGN 4,203 thousand for the nine months ended 30 September 2015 and 2014.

Other assets include also intellectual rights, amounting to BGN 134 thousand as of 30 September 2015 (31 December 2014 : BGN 22 thousand), for which amortization expense amounting to BGN 135 thousand for the nine months ended 30 September 2015 has been recognised in profit or loss (for the nine months ended 30 September 2014 : BGN 104 thousand).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

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

	Switching	Transmission	General support	Land	Construction in progress	Total
<i>Gross Book Value</i>						
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	1 588	-	-	-	64 125	65 713
Acquisitions through business combinations	4 985	16 604	34 278	5 269	761	61 897
Transfers	43 462	13 224	10 444	-	(67 130)	-
Impairment	-	-	-	-	68	68
Assets held for sale	-	-	(232)	(56)	-	(288)
Disposals	(48 965)	(9 235)	(5 723)	(126)	(639)	(64 688)
At 30 September 2015	1 442 625	861 480	317 966	12 967	36 410	2 671 448
<i>Accumulated depreciation and impairment</i>						
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	77 389	17 291	17 037	-	-	111 717
Assets held for sale	-	-	(189)	-	-	(189)
Disposals	(44 827)	(8 666)	(4 368)	-	-	(57 861)
At 30 September 2015	1 087 298	554 131	208 648	-	-	1 850 077
<i>Net book value</i>						
At 31 December 2014	386 819	295 381	83 031	7 880	39 225	812 336
At 30 September 2015	355 327	307 349	109 318	12 967	36 410	821 371

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

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

	Switching	Transmission	General support	Land	Construction in progress	Total
<i>Gross Book Value</i>						
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	1 588	-	-	-	63 875	65 463
Transfers	43 412	13 224	10 290	-	(66 926)	-
Impairment	-	-	-	-	68	68
Assets held for sale	-	-	(232)	(56)	-	(288)
Disposals	(48 957)	(9 226)	(5 371)	-	(639)	(64 193)
At 30 September 2015	1 437 598	844 885	283 813	7 824	35 603	2 609 723
<i>Accumulated depreciation and impairment</i>						
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	76 935	16 921	16 215	-	-	110 071
Assets held for sale	-	-	(189)	-	-	(189)
Disposals	(44 826)	(8 665)	(4 361)	-	-	(57 852)
At 30 September 2015	1 086 845	553 761	207 770	-	-	1 848 376
<i>Net book value</i>						
At 31 December 2014	386 819	295 382	83 021	7 880	39 225	812 327
At 30 September 2015	350 753	291 124	76 043	7 824	35 603	761 347

On the base of § 8 Para 1 of Transitional and concluding provisions to the Law for amendment and supplement of the law for privatization and post-privatization control the Agency for Privatization and Post-privatization Control imposed statutory mortgage on 121 properties of BTC with a net book value as of 30 September 2015 amounting to BGN 493 thousand (BGN 560 thousand for 122 properties as of 31 December 2014). They are included in General support above except for 1 property with net book value as of 30 September 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).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

As disclosed in note 15 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the bond offering by establishing a pledge on real estate property, which net book value as of 30 September 2015 amounted to BGN 7,491 thousand, and as of 31 December 2014 their net book value was BGN 8,192 thousand.

Measurement of fair value*Fair value hierarchy*

Land is measured at fair value, in accordance with the revaluation model of IAS 16. The fair value of land was determined as at 31 December 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
Acquisitions through business combination	5 269
Transfers out of Level 3	(182)
Balance at 30 September 2015	<u>12 967</u>

In 2015 the Company has sold and signed preliminary agreements for the sale of land plots, 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).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill

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

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
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)	4 518	27 572	9 812	358	42 260
Acquisitions trough business combinations	99	172	-	-	271
Disposals	-	(14 393)	(7 089)	-	(21 482)
At 30 September 2015	131 320	577 784	44 010	4 244	757 358
<i>Accumulated depreciation and impairment</i>					
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	5 576	46 581	11 010	-	63 167
Disposals	-	(12 029)	(6 463)	-	(18 492)
At 30 September 2015	60 912	479 343	25 337	-	565 592
<i>Net book value</i>					
At 31 December 2014	71 367	119 642	20 497	3 886	215 392
At 30 September 2015	70 408	98 441	18 673	4 244	191 766

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill(continued)

As of 30 September 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
<i>Gross book value</i>					
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)	4 518	27 572	9 812	358	42 260
Disposals	-	(14 393)	(7 089)	-	(21 482)
At 30 September 2015	131 166	577 612	44 010	4 244	757 032
<i>Accumulated depreciation and impairment</i>					
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	5 573	46 570	11 010	-	63 153
Disposals	-	(12 029)	(6 463)	-	(18 492)
At 30 September 2015	60 861	479 332	25 337	-	565 530
<i>Net book value</i>					
At 31 December 2014	71 360	119 642	20 497	3 886	215 385
At 30 September 2015	70 305	98 280	18 673	4 244	191 502

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 30 September 2015 is respectively BGN 5,114 thousand and BGN 12,740 thousand (31 December 2014: BGN 6,233 thousand and BGN 12,910 thousand).

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

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

11. Investments

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

	Share	Consolidated financial statements		Separate financial statements	
		30.9.2015	31.12.2014	30.9.2015	31.12.2014
Investments					
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		401	271	401	271
Subsidiaries					
NURTS Bulgaria		-	-	39 922	-
BTC Net		-	-	799	799
Total investments in subsidiaries		-	-	40 721	799
Total investments		783	653	41 504	1 452
<i>Incl.</i>					
Current investments		401	271	401	271
Non-current investments		382	382	41 103	1 181

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

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

12. Trade payables

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Payables to suppliers of non current assets	24 661	55 470	24 661	55 470
Payables to international telecom operators - interconnect	23 726	21 361	22 266	19 854
Payables to suppliers of equipment and goods for customers	4 097	472	4 097	472
Payables to suppliers of network maintenance	1 540	3 377	1 540	3 377
Payables to domestic telecom operators	597	1 067	475	881
Payables to related parties (Note 26)	-	-	5 705	2 587
Other payables to suppliers	31 456	43 247	29 522	43 247
Total trade payables	86 077	124 994	88 266	125 888
<i>Incl.</i>				
Non-current portion	3 466	3 748	3 466	3 748
Current portion	82 611	121 246	84 800	122 140

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

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Payables to employees	17 257	18 449	16 597	18 449
VAT	8 564	1 018	7 952	986
Social securities	3 635	3 738	3 484	3 738
Personal income tax payable	1 586	1 522	1 545	1 522
Advances from clients	1 046	916	736	916
Payables for license fee	281	347	281	347
Forward exchange contracts used for hedging	135	-	135	-
Withholding and other taxes	49	76	49	76
Others	4 853	5 438	4 727	5 418
Total other payables	37 406	31 504	35 506	31 452

14. Provisions**Consolidated financial statements**

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2015	8 717	1 018	4 481	14 216
Charged to profit and loss		(532)	(464)	(996)
Assumed in business combination		4		4
Recognised in the statement of financial position	134			134
Used during the year	(26)	(278)	(1 349)	(1 653)
Unwinding of discount	245			245
At 30 September 2015	9 070	212	2 668	11 950

Analysis of provision in consolidated financial statements

	30.9.2015	31.12.2014
Non-current (decommissioning costs)	9 070	8 717
Current	2 880	5 499
Total	11 950	14 216

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		(532)	(464)	(996)
Recognised in the statement of financial position	134			134
Used during the year	(26)	(278)	(1 349)	(1 653)
Unwinding of discount	245			245
At 30 September 2015	9 070	208	2 668	11 946

Analysis of provision in consolidated financial statements

	30.9.2015	31.12.2014
Non-current (decommissioning costs)	9 070	8 717
Current	2 876	5 499
Total	11 946	14 216

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

For the nine months ended 30 September 2015

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:

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Secured bond issue	788 996	773 356	788 996	773 356
Revolving credit	9 780	19 597	9 780	19 597
Trade credits	7 628	10 499	7 628	10 499
Financial lease	2 278	1 515	2 213	1 515
Total borrowings	808 682	804 967	808 617	804 967
including:				
Current borrowings	25 132	12 517	25 074	12 517
Non current borrowings	783 550	792 450	783 543	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 6% % Senior Secured Notes due 2018 on the Irish Stock Exchange pursuant to Rule 144A / Regulation S (the "Notes"). The proceeds from the bond offering were used by the Company to repay its existing indebtedness under the amended and restated loan agreement in full. The interest on the Notes is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2014. In relation to the admission of the Notes the Company received a credit rating of B1 by Moody's and BB- by Standard & Poor's Ratings Services. Standard & Poor's lowered the company's credit rating to 'B' on April 2, 2015 and subsequently to 'B-' on July 8, 2015, as the refinancing of a bridge loan of a holding company of BTC, due on 22 May 2015, has not yet been finalized. On October 22, 2015 Standard & Poor revised its CreditWatch listing on its 'B-' long-term corporate credit rating to negative from developing.

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.

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

For the nine months ended 30 September 2015

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 instalments are payable quarterly. The future payments are discounted to their net present value at the reporting date using an effective borrowing rate of 5.56%.

Obligations under Finance lease

Certain part of BTC's software and the Group fleet are leased under the terms of finance lease. The average lease term is 3 years and the effective borrowing rates are in the range of 4% and 11%.

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

Consolidated financial statements

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Finance lease payables with maturity:				
Within one year	1 989	1 595	1 962	1 515
In the second to fifth years inclusive	339	-	316	-
Total payables	2 328	1 595	2 278	1 515
Less: future finance charges	(50)	(80)	-	-
Present value of lease obligations	2 278	1 515	2 278	1 515

Separate financial statements

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Finance lease payables with maturity:				
Within one year	1 927	1 595	1 904	1 515
In the second to fifth years inclusive	332	-	309	-
Total payables	2 259	1 595	2 213	1 515
Less: future finance charges	(46)	(80)	-	-
Present value of lease obligations	2 213	1 515	2 213	1 515

The net book value of the assets acquired under finance lease arrangements as of 30 September 2015 is BGN 2,166 thousand. (31 December 2014: BGN 2,144 thousand)

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 30 September 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	-	-	(1)	50	-	-	-	49
At 30 September 2014	-	-	(1)	51	-	-	-	50
At 1 January 2015			(1)	8	-	-	-	7
Charged/(credited) to the profit/(loss) for the period	37	(6)	(1 874)	(124)	(25)	-	-	(1 992)
Acquired in business combinations		46	6 927	658	(83)			7 548
At 30 September 2015	37	40	5 052	542	(108)	-	-	5 563

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	-	(16)	(4 230)	433	539	-	-	(3 274)
Charged to other comprehensive income for the period	-	-	(55)	-	-	31	38	14
At 30 September 2014	-	(203)	26 097	(5 055)	(5 457)	31	23	15 436
At 1 January 2015	-	(209)	22 219	(2 438)	(4 463)	-	31	15 140
Charged/(credited) to the profit/(loss) for the period	-	(25)	(3 179)	(4 090)	647	-	-	(6 647)
Charged to other comprehensive income for the period	-	-	-	-	-	-	(5)	(5)
At 30 September 2015	-	(234)	19 040	(6 528)	(3 816)	-	26	8 488

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

	Nine months ended	
	30.9.2015	30.9.2014
Deferred tax liabilities	6 647	3 274
Deferred tax assets	(1 992)	49
Total (charged)/credited to the profit/(loss) for the year	4 655	3 323

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

For the nine months ended 30 September 2015

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	-	(16)	(4 230)	433	539	-	-	(3 274)
Charged to other comprehensive income for the period	-	-	(55)	-	-	31	38	14
At 30 September 2014	-	(203)	26 097	(5 055)	(5 457)	31	23	15 436
At 1 January 2015	-	(209)	22 219	(2 438)	(4 463)	-	31	15 140
Charged/(credited) to the profit/(loss) for the period	-	(25)	(3 179)	(4 090)	647	-	-	(6 647)
Charged to other comprehensive income for the period	-	-	-	-	-	-	(5)	(5)
At 30 September 2015	-	(234)	19 040	(6 528)	(3 816)	-	26	8 488

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

Deferred tax liabilities

Total (charged)/credited to the profit/(loss) for the year

Nine months ended	
30.9.2015	30.9.2014
6 647	3 274
6 647	3 274

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

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

The last period audited by the tax authorities for BTC is 2006. As of the reporting date an open tax audit is ongoing, covering the period January 2010 – December 2013. On 05 June 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009, assessing BGN 10,235 thousand corporate income tax and interest due. The tax assessment act has been appealed and the decision is pending.

On 9 April 2015 a tax audit was opened to BTC Net with a term of 5 months, covering corporate income tax for the period January 2009 – December 2014. On 22 October 2015 a tax assessment act has been issued where no tax liabilities have been assessed.

The last period audited by the tax authorities for NURTS Digital is 2013.

As of the reporting date an open tax audit for NURTS Bulgaria is ongoing, covering the period April 2010 – December 2013. In March 2015 an order has been issued by the National Revenue Agency for imposition of preliminary security measure in the form of an attachment over all shares of NURTS Digital EAD held by NURTS Bulgaria EAD. The security was appealed by NURTS Bulgaria EAD in front of the court and the decision is currently pending.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated financial statements		Separate financial statements	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Liability at the beginning of the period	3 095	1 956	3 095	1 956
<i>Past service cost</i>	-	39	-	39
<i>Current service cost</i>	238	287	238	287
<i>Interest cost</i>	85	75	85	75
Total cost recognized in profit or loss	323	401	323	401
Assumed in business combination	427			
Payments to retirees	(92)	(174)	(75)	(174)
Remeasurements – actuarial loss recognised in OCI	-	912	-	912
Liability at the end of the period	3 753	3 095	3 343	3 095

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

	30.9.2015	31.12.2014
Discount rate	3.80%	3.80%
Future salary increases per year	from 3% to 4%	from 3% to 4%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

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

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

18. Share capital, reserves and dividends

	30.9.2015	31.12.2014
Number of shares	288 764 840	288 764 840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288 765	288 765
Share capital	288 765	288 765
Structure of the share capital:	30.9.2015	31.12.2014
	%	%
<i>Number of ordinary shares:</i>		
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%

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

18. Share capital, reserves and dividends (continued)

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

In relation to a tax audit of Viva Telecom Bulgaria EOOD initiated in December 2014 an order has been issued by the National Revenue Agency for imposition of preliminary security measure in the form of an attachment over all shares of the Company held by Viva Telecom Bulgaria EOOD. The security was appealed by Viva Telecom in front of the court and the decision is currently pending.

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	
	Nine months ended		Nine months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit/(loss) for the period	12 542	15 994	5 911	23 521
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
(Loss)/earnings per share (BGN (basic and diluted))	0.04	0.06	0.02	0.08

Legal reserve

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

Revaluation reserve

The revaluation reserve relates to the revaluation of Land.

Fair value reserve

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

Hedging reserve

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

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

Dividends payable

	30.9.2015	31.12.2014
Dividend approved by the Sole owner of the share capital	-	-
Non-distributed dividends for prior years	3	6
Tax on dividend	-	-
Net dividends paid	-	(3)
Total dividend payable	3	3

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

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

19. Revenue

Revenue of the Group and the Company for the nine months ended 30 September 2015 and 2014 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Recurring charges	296 029	276 361	98 916	93 519
Leased lines and data transmission	84 626	100 145	29 475	34 530
Outgoing traffic	83 804	84 757	27 047	28 230
Interconnect	32 849	31 176	12 888	11 988
Radio and TV Broadcasting	8 697	-	8 697	-
Other revenue	118 800	108 217	42 990	39 758
Total revenue	624 805	600 656	220 013	208 025

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Recurring charges	295 989	276 361	98 900	93 519
Leased lines and data transmission	84 629	100 145	29 478	34 530
Outgoing traffic	85 118	85 238	28 041	28 391
Interconnect	30 063	26 277	11 899	10 901
Other revenue	116 797	109 278	40 376	40 111
Total revenue	612 596	597 299	208 694	207 452

Revenue from sales of mobile handsets is included in Other revenue above, which for the nine months ended 30 September 2015 amount to BGN 42,025 thousand for the Group and the Company (for the nine months ended 30 September 2014: BGN 44,144 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses

Other operating expenses for the nine months ended 30 September 2015 and 2014 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Advertising, customer service, billing and collection	42 889	41 539	15 255	13 958
Facilities	32 626	33 337	10 224	11 239
Maintenance and repairs	25 258	23 857	8 786	8 236
Administrative expenses	10 349	6 751	2 342	2 153
License fees	10 252	10 038	3 614	3 320
Vehicles and transport	6 949	6 675	2 456	2 287
Leased lines and data transmission	3 537	2 280	2 093	785
Professional fees	2 194	1 970	765	1 261
Other, net	56 483	32 747	23 357	25 315
<i>including</i>				
<i>Impairment of trade and other receivables</i>	49 535	28 281	20 479	24 072
<i>Scrap of assets</i>	5 268	1 765	2 122	591
<i>Impairment of other current assets</i>	(41)	414	(21)	118
<i>Impairment of non-current assets</i>	(68)	106	(12)	153
<i>Provisions</i>	(464)	606	(131)	(136)
<i>Other/other</i>	2 253	1 575	920	517
Total other operating expenses	190 537	159 194	68 892	68 554

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Advertising, customer service, billing and collection	43 040	41 609	15 359	13 982
Facilities	33 755	33 337	11 353	11 238
Maintenance and repairs	24 958	23 857	8 486	8 236
License fees	10 066	10 031	3 430	3 318
Administrative expenses	9 985	6 750	1 979	2 153
Vehicles and transport	6 767	6 675	2 274	2 287
Leased lines and data transmission	2 181	2 279	745	784
Professional fees	2 176	1 970	747	1 261
Other, net	53 314	32 248	20 389	24 824
<i>including</i>				
<i>Impairment of trade and other receivables</i>	46 525	27 783	17 670	23 582
<i>Scrap of assets</i>	5 187	1 765	2 041	591
<i>Impairment of other current assets</i>	(41)	414	(21)	118
<i>Impairment of non-current assets</i>	(68)	106	(12)	153
<i>Provisions</i>	(464)	606	(131)	(136)
<i>Other/other</i>	2 175	1 574	842	516
Total other operating expenses	186 242	158 756	64 762	68 083

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

21. Staff costs

Staff costs for the nine months ended 30 September 2015 and 2014 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Salaries and wages	70 255	63 453	22 819	20 425
Pension, health and unemployment fund contributions	12 411	11 394	4 196	3 790
Other benefits	3 470	3 295	1 178	1 082
Other staff costs	1 751	1 695	616	696
Total staff costs	87 887	79 837	28 809	25 993

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Salaries and wages	68 887	63 449	21 454	20 424
Pension, health and unemployment fund contributions	12 205	11 393	3 990	3 789
Other benefits	3 414	3 295	1 122	1 082
Other staff costs	1 744	1 695	609	696
Total staff costs	86 250	79 832	27 175	25 991

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 nine months ended 30 September 2015 and 2014 are respectively BGN 238 thousand and BGN 215 thousand.

22. Finance income and costs

Financial income and costs for the nine months ended 30 September 2015 and 2014 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Finance costs				
Interest expense:	42 626	44 049	14 201	14 599
-Bond issues	41 555	41 407	13 862	13 801
-Provisions	330	324	111	116
-Bank borrowings	283	1 717	88	495
-Finance lease	67	133	23	42
-Other	391	468	117	145
Foreign exchange loss	107	41	58	5
Loss on cash flow hedges - ineffective portion of changes in fair value	3	-	18	1
Other finance costs	552	364	194	118
Total finance cost	43 288	44 454	14 471	14 723
Finance income				
Interest income:	6 576	5 720	413	1 454
-Finance lease	2 447	2 103	798	745
-Bank deposits	6	2 456	14	228
-Other	4 123	1 161	(399)	481
Gains on cash flow hedges - ineffective portion of changes in fair value	-	2	-	-
Income on available-for-sale financial assets:				
-Reclassified from OCI	-	8 399	-	5 968
-Dividend income	-	110	-	-
Other finance income	17 798	14	17 700	-
Total finance income	24 374	14 245	18 113	7 422
Net finance costs/(income)	18 914	30 209	(3 642)	7 301

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Finance costs				
Interest expense:	42 625	44 049	14 200	14 599
-Bond issues	41 555	41 407	13 862	13 801
-Provisions	330	324	111	116
-Bank borrowings	283	1 717	88	495
-Finance lease	66	133	22	42
-Other	391	468	117	145
Foreign exchange loss	87	26	48	-
Loss on cash flow hedges - ineffective portion of changes in fair value	3	-	18	1
Other finance costs	539	357	186	115
Total finance cost	43 254	44 432	14 452	14 715
Finance income				
Interest income:	7 243	5 637	1 087	1 449
-Finance lease	2 447	2 103	798	745
-Bank deposits	2	2 373	10	223
-Other	4 794	1 161	279	481
Gains on cash flow hedges - ineffective portion of changes in fair value	-	2	-	-
Foreign exchange gains	-	-	-	7
Dividend income from investments in subsidiaries	500	8 250		
Income on available-for-sale financial assets:				
-Reclassified from OCI	-	8 399	-	5 968
-Dividend income	-	110	-	-
Other finance income	17 393	14	17 295	-
Total finance income	25 136	22 412	18 382	7 424
Net finance costs/(income)	18 118	22 020	(3 930)	7 291

Other finance income for 2015 represents the result of the cancelled assignments, as disclosed in note 5.

23. Other gains, net

Other gains, net for the nine months ended 30 September 2015 and 2014 consist of:

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Gains from sales of non-current assets and assets held for sale	8 382	5 634	1 778	3 002
incl.: income	10 476	5 782	2 262	3 058
net book value	(2 094)	(148)	(484)	(56)
Gain from sales of materials	1	3	-	1
incl.: income	1	4	-	1
net book value	-	(1)	-	-
Gains on bargain purchase	7 810		7 810	
Total other gains, net	16 193	5 637	9 588	3 003

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

23. Other gains, net(continued)

Separate financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Gains from sales of non-current assets and assets held for sale	8 622	5 634	2 018	3 002
incl.: income	10 276	5 782	2 062	3 058
net book value	(1 654)	(148)	(44)	(56)
Gain from sales of materials	1	3	-	1
incl.: income	1	4	-	1
net book value	-	(1)	-	-
Total other gains, net	8 623	5 637	2 018	3 003

24. Tax expense

Income tax expenses for the nine months ended 30 September 2015 and 2014 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Current income tax charge	14 958	4 576	3 450	1 633
Deferred tax	(4 654)	(3 323)	(30)	(2 539)
Total income tax expense/(benefit)	10 304	1 253	3 420	(906)

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Current income tax charge	14 939	4 447	3 431	1 626
Deferred tax	(6 647)	(3 274)	(2 056)	(2 490)
Total income tax expense/(benefit)	8 292	1 173	1 375	(864)

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

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

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit/(loss) before tax	22 846	17 247	22 739	(3 962)
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2 285	1 725	2 274	(396)
Non-deductible expenses	2 532	123	2 066	20
Tax exempt income	(1 462)	(845)	(1 461)	(598)
Effect of current tax from previous periods, accounted during the year	6 298	-	-	-
Change in recognised deductible temporary differences	651	250	541	68
Income tax expense/(benefit)	10 304	1 253	3 420	(906)
Effective tax rate	45.10%	7.27%	15.04%	22.87%
Income tax expense/(benefit) in the profit or loss	10 304	1 253	3 420	(906)
Separate financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit/(loss) before tax	14 203	24 694	13 269	(3 547)
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	1 420	2 469	1 327	(356)
Non-deductible expenses	485	123	18	20
Tax exempt income	(51)	(1 669)	-	(595)
Effect of current tax from previous periods, accounted during the year	6 298	-	-	-
Change in recognised deductible temporary differences	140	250	30	67
Income tax expense/(benefit)	8 292	1 173	1 375	(864)
Effective tax rate	58.38%	4.75%	10.36%	24.36%
Income tax expense/(benefit) in the profit or loss	8 292	1 173	1 375	(864)

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

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	Nine months ended 30.9.2015			Nine months ended 30.9.2014		
	Before tax	Tax expense	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Revaluation of land	-	-	-	(554)	55	(499)
Cash flow hedges – effective portion of changes in fair value	(52)	5	(47)	381	(38)	343
Valuation of financial assets available for sale	-	-	-	(7 145)	(31)	(7 176)
Total tax (expense)/benefit	(52)	5	(47)	(7 318)	(14)	(7 332)

	Three months ended 30.9.2015			Three months ended 30.9.2014		
	Before tax	Tax benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Cash flow hedges – effective portion of changes in fair value	(440)	44	(396)	228	(23)	205
Valuation of financial assets available for sale	-	-	-	(5 614)	(31)	(5 645)
Total tax (expense)/benefit	(440)	44	(396)	(5 386)	(54)	(5 440)

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

25. Segment information

Management has determined the operating segments based on the reports reviewed by the Managing Board that are used to make strategic decisions. The business, considered on a product perspective is currently organized into three lines of business – Fixed line of business, Mobile line of business and NURTS business. NURTS business represents the acquired in July 2015 company NURTS Bulgaria EAD and its wholly own subsidiary NURTS Digital EAD. Principal activities are as follows:

- Fixed line of business – voice and data services over the fixed network;
- Mobile line of business – mobile services (GSM and UMTS Standards);
- NURTS business – TV and radio broadcasting, collocation services and maintenance of telecom infrastructure.

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

Nine months ended 30 September 2015	Consolidated financial statements				
	Mobile line of business	Fixed line of business	NURTS business	Eliminations	Total
Revenue	355 154	258 889	13 749	(2 987)	624 805
<i>Incl. inter-segment revenue</i>	<i>40</i>	<i>938</i>	<i>2 009</i>	<i>(2 987)</i>	-
Cost of sales	(109 745)	(37 609)	(2 155)	961	(148 548)
Gross margin	245 409	296 498	11 594	(2 026)	476 257
Operating expenses					(185 033)
Staff costs					(87 887)
Depreciation and amortization					(177 770)
Financial expenses, net					(18 914)
Other gains, net					16 193
Profit before tax					22 846
Income tax expense					(10 304)
Net loss for the year					12 542

Nine months ended 30 September 2014	Consolidated financial statements		
	Fixed line of business	Mobile line of business	Total
Revenue	274 320	326 336	600 656
Cost of sales	(36 463)	(95 617)	(132 080)
Gross margin	237 857	230 719	468 576
Operating expenses			(155 300)
Staff costs			(79 837)
Depreciation and amortization			(191 620)
Financial expenses, net			(30 209)
Gains on sale of non-current assets, assets held for sale and materials			5 637
Profit before tax			17 247
Income tax expense			(1 253)
Net profit for the year			15 994

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

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

26. Related parties

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

- shareholders of which the Company is a subsidiary or an associate, directly or indirectly, and companies under control by such shareholders;
- members of the Company's statutory and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties;

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

Balances

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

For the Group	Relationship	Receivables		Payables	
		30.9.2015	31.12.2014	30.9.2015	31.12.2014
Members of Mr Vassilev's Group of Companies	Other RP	2	88	-	-
Total for BTC group		2	88	-	-
For BTC	Relationship	Receivables		Payables	
		30.9.2015	31.12.2014	30.9.2015	31.12.2014
BTC Net EOOD	Subsidiary	972	1 224	1 200	2 587
NURTS Bulgaria EAD	Subsidiary	44 841	-	4 505	-
Members of Mr Vassilev's Group of Companies	Other RP	2	88	-	-
Total for BTC		45 815	1 312	5 705	2 587

The balance of the receivable from NURTS Bulgaria EAD represents principal and interest on loans provided by BTC to the subsidiary entity. The applicable interest rate is 6.5% p.a. and the total outstanding principal amount and accumulated interest shall be fully repaid on 20 May 2016. The interest income recognised for the three months ended 30 September 2015 in the separate financial statements amounts to BGN 703 thousand.

Transactions

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

For the Group	Relationship	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
Members of Mr Vassilev's Group of Companies	Other RP	-	52	-	-
Total for BTC group		-	52	-	-
For BTC	Relationship	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
BTC Net EOOD	Subsidiary	7 244	7 102	2 784	2 525
NURTS Bulgaria EAD	Subsidiary	1 949	-	1 949	-
Members of Mr Vassilev's Group of Companies	Other RP	-	52	-	-
Total for BTC		9 193	7 154	4 733	2 525

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

For the nine months ended 30 September 2015

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	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
Members of Mr Vassilev's Group of Companies	Other RP	4	458	-	150
Viva Telecom Bulgaria EOOD	Parent	6	5	2	1
Total for BTC group		10	463	2	151

For BTC	Relationship	Nine months ended		Three months ended	
		30.9.2015	30.9.2014	30.9.2015	30.9.2014
BTC Net EOOD	Subsidiary	6 088	3 428	3 230	1 386
NURTS Bulgaria EAD	Subsidiary	969	-	969	-
Members of Mr Vassilev's Group of Companies	Other RP	4	458	-	150
Viva Telecom Bulgaria EOOD	Parent	6	5	2	1
Total for BTC		7 067	3 891	4 201	1 537

Loans

As per Loan Agreement dated 22 April 2014 BTC provided to Viva Telecom Bulgaria EOOD a revolving credit facility for the amount of up to EUR 2,000 thousand. The applicable interest rate shall be the aggregate of 6M Euribor plus a margin of 6.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on 22 April 2016.

The amounts related to the loan are shown below:

		Loan principal	Interest income	Interest receivable
Viva Telecom	For the nine months ended 30 September 2014		12	
Bulgaria EOOD	As of 31 December 2014	925		10
	For the nine months ended 30 September 2015		78	
	As of 30 September 2015	2 407	-	55

On 17 October 2014 BTC assigned BGN 17,633 thousand from the cash and cash equivalents at CCB. The Company recognized loan amounting to BGN 17,633 thousand, provided to Inter V Investment Sarl., which is the parent company of Viva Telecom Bulgaria. The applicable interest rate is the aggregate of 6M Euribor plus a margin of 7.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on the date of discharge of all liabilities of Inter V Investment Sarl under its loan facility agreement dated 6 November 2013. The discharge date was initially agreed to be 22 May 2015, but since the liabilities were not repaid the applicable margin of the interest rate was changed to 8.5% p.a. since 22 May 2015. As disclosed in note 5 in August 2015 the assignment was cancelled with retroactive effect where BTC became a titleholder of the initially assigned receivable.

Key management remunerations

Remuneration amounting to BGN 4,214 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 30 September 2015 (30 September 2014: BGN 2,085 thousand).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

27. Commitments and contingencies

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

For the Group

Equipment description	Aggregate contracted amount	Delivered till 30.09.2015	Commitments outstanding
Hardware and software	12 487	6 498	5 990
Construction and assembly works of the network of BTC	28 415	5 760	22 655
Network equipment	96 340	67 714	28 625
Total	137 242	79 972	57 270

For BTC

Equipment description	Aggregate contracted amount	Delivered till 30.09.2015	Commitments outstanding
Hardware and software	12 487	6 498	5 989
Construction and assembly works of the network of BTC	27 807	5 596	22 211
Network equipment	96 340	67 714	28 626
Total	136 634	79 808	56 826

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 and the Company have bank guarantees issued to third parties which amount to BGN 634 thousand as of 30 September 2015 (31 December 2014: BGN 615 thousand).

NURTS Bulgaria EAD was notified by CCB that pursuant to a contract concluded on January 16, 2013 the company has stepped in as co-debtor in third party's obligation in the amount of EUR 12,300 thousand. The management of the company does not possess any documents or other information for such transaction and is in a process of confirmation of the relevant circumstances, whereas as per the date of the present financial statements no evidences were received for the existence of such contingent liability, nor for its amount (if such liability exists).

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

28. Operating lease

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

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Minimum lease payments	10 543	10 252	3 672	3 445
Separate financial statements	Nine months ended		Three months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Minimum lease payments	10 301	10 252	3 430	3 455

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

For the Group	30.9.2015	31.12.2014
Within one year	13 462	13 445
In the second to fifth years inclusive	33 331	36 574
Later than five years	70 453	75 513
Total commitments	117 245	125 532
For BTC	30.9.2015	31.12.2014
Within one year	13 317	13 445
In the second to fifth years inclusive	33 331	36 574
Later than five years	70 453	75 513
Total commitments	117 100	125 532

Operating lease payments represent mainly 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.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments

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

Consolidated financial statements

30 September 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.	401				401		401		401
Total financial assets measured at fair value		401	-	-	-	401				
Financial assets not measured at fair value										
Trade receivables	5.		176 144			176 144				-
Cash and cash equivalents	4.		104 311			104 311				-
Total financial assets not measured at fair value		-	280 455	-	-	280 455				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	135				135		135		135
Total financial liabilities measured at fair value		135	-	-	-	135				
Financial liabilities not measured at fair value										
Secured bond issues	15.				788 996	788 996	786 267			786 267
Secured bank loans	15.				9 780	9 780			9 780	9 780
Trade credits	15.				7 628	7 628			7 628	7 628
Finance lease liabilities	15.				2 278	2 278			2 278	2 278
Trade payables	12.				86 077	86 077				
Total financial liabilities not measured at fair value		-	-	-	894 759	894 759				

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

For the nine months ended 30 September 2015

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				

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

NOTES TO THE INTERIM CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

30 September 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.	401				401		401		401
Total financial assets measured at fair value		401	-	-	-	401				
										-
Financial assets not measured at fair value										
Trade receivables	5.		200 325			200 325				-
Cash and cash equivalents	4.		102 609			102 609				-
Total financial assets not measured at fair value			302 934	-	-	302 934				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	135				135		135		135
Total financial liabilities measured at fair value		135	-	-	-	135				
Financial liabilities not measured at fair value										
Secured bond issues	15.				788 996	788 996	786 267			786 267
Secured bank loans	15.				9 780	9 780		9 780		9 780
Trade credits	15.				7 628	7 628		7 628		7 628
Finance lease liabilities	15.				2 278	2 278		2 278		2 278
Trade payables	12.				88 266	88 266				
Total financial liabilities not measured at fair value					896 948	896 948				

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

For the nine months ended 30 September 2015

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		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				

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

For the nine months ended 30 September 2015

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 11%.

30. Acquisition of subsidiary

On 1 July 2015 BTC acquired all shares of NURTS Bulgaria AD and became the sole owner of the company and its wholly owned subsidiary NURTS Digital EAD (NURTS Group/NURTS).

In the three months to 30 September 2015 NURTS contributed revenue of BGN 11,740 thousand and loss of BGN 586 thousand to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been BGN 641,001 thousand, and consolidated profit for the nine months to 30 September 2015 would have been BGN 9,380 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

Consideration transferred

As per the SPA, the purchase price was to be set-off against certain receivables/loans held by BTC from NURTS Bulgaria's previous shareholders. The carrying amount of the loans as of the acquisition date amounted to BGN 39,862 thousand. As per assessment of the management the carrying amount can be considered a reasonable estimate of the fair value of the loans.

Acquisition-related costs

The Group incurred acquisition-related costs of BGN 60 thousand related to the approval procedure of CPC. These costs have been included in the cost of the investment in the separate financial statements and recognised as expense under other operating expenses in the consolidated financial statements.

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

For the nine months ended 30 September 2015

All amounts are in thousand BGN, unless otherwise stated

30. Acquisition of subsidiary(continued)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date

Cash and cash equivalents	1 148
Trade and other receivables	22 672
Current income tax receivables	992
Inventories	2 326
Other current assets	1 424
Property, plant and equipment	61 896
Intangible assets	271
Deferred tax assets, net	7 549
Trade and other payables	(6 238)
Borrowings	(43 937)
Provisions	(4)
Retirement benefit obligations	(427)
Total identifiable net assets acquired	<u>47 672</u>

The fair value of assets acquired and liabilities assumed has been determined provisionally pending completion of an independent valuation. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Gain on bargain purchase

Gain on bargain purchase was recognised as a result of the acquisition as follows:

Total consideration transferred	39 862
Fair value of identifiable net assets	<u>(47 672)</u>
Gain on bargain purchase	<u>(7 810)</u>

31. Subsequent events

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