BULGARIAN TELECOMMUNICATIONS COMPANY EAD

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
CONSOLIDATED AND SEPARATE ANNUAL ACTIVITIES REPORT
INDEPENDENT AUDITOR'S REPORT

31 December 2015

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Bulgarian Telecommunications Company EAD

CONSOLIDATED AND SEPARATE ANNUAL ACTIVITIES REPORT

2015

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

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

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

As at 31 December 2015 the group includes VIVACOM, the subsidiary entities BTC Net EOOD and NURTS Bulgaria EAD and its wholly owned subsidiary NURTS Digital EAD (the "Group" or "VIVACOM Group").

As at 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 year ended December 31, 2015. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+ technologies. As at December 31, 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 year ended December 31, 2015, we generated total consolidated revenue of BGN 847.9 million and had consolidated Adjusted EBITDA of BGN 331.7 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 3.024 million subscribers as at December 31, 2015, an increase of 6.0% from 2.853 million subscribers as at December 31, 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 December 31, 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 71.56% with download speed up to 42 Mbit/s. Speeds of up to 63 Mbit/s are also available with the acquisition of additional spectrum in UMTS 2100 MHz in the third quarter of 2015.

Our revenue share for the mobile services market is approximately 27% for the year ended December 31, 2015.

We are the incumbent in the fixed voice line market with 69% revenue share and 65% subscriber share as at December 31, 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.

We were the market leader in the fixed broadband market with a 24% subscriber market share as at December 31, 2015, prior to Mobiltel's acquisition of Blizoo (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). Following Mobiltel's acquisition of Blizoo, which has been fully consolidated as of October 1, 2015, Vivacom is the second largest fixed broadband operator. 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 1,034,000 fiber homes passed and 17% take-up rate as at December 31, 2015. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

Our market share on the pay-TV segment is growing, but still represents a small percentage from total revenues. VIVACOM is positioned as the third largest pay-TV provider and the largest IPTV operator, following Mobiltel's acquisition of Blizoo.

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 December 31, 2015 VIVACOM has 240 owned branded retail locations with an additional 53 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the financial year 2015 with a positive result of BGN 16.5 million (the Company - with a positive result of BGN 6.4 million), a decrease of BGN 9.8 million from BGN 26.3 million for the year ended December 31, 2014. Overall, the financial statements show increase in revenues and stable profitability.

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

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

REVENUES

Our total revenue was BGN 847.9 million for the year ended December 31, 2015, an increase of BGN 42.0 million, or 5.2%, from BGN 805.9 million for the year ended December 31, 2014.

The table below sets forth our revenue for the year ended December 31, 2015 as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Recurring charges	394.8	372.2	22.6	6.1
Outgoing traffic	110.3	131.2	(20.9)	(15.9)
Leased lines and data transmission	110.7	113.1	(2.5)	(2.2)
Interconnect	43.1	39.7	3.4	8.5
Radio and TV broadcasting	17.1	-	17.1	-
Other revenue	171.9	149.6	22.3	14.9
Total revenue	**847.9**	**805.9**	**42.0**	**5.2**

Revenue from recurring charges was BGN 394.8 million for the year ended December 31, 2015, an increase of BGN 22.6 million, or 6.1%, from BGN 372.2 million for the year ended December 31, 2014 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue from outgoing traffic was BGN 110.3 million for the year ended December 31, 2015, a decrease of BGN 20.9 million, or 15.9%, from BGN 131.2 million for the year ended December 31, 2014 mainly due to lower mobile 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 110.7 million for the year ended December 31, 2015, a decrease of BGN 2.5 million, or 2.2% from BGN 113.1 for the year ended December 31, 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 43.1 million for the year ended December 31, 2015, an increase of BGN 3.4 million, or 8.5%, from BGN 39.7 million for the year ended December 31, 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 17.1 million for the year ended December 31, 2015, which consisted of terrestrial broadcasting of television and radio provided by NURTS Group. The acquisition of NURTS business has been fully consolidated as of July 1, 2015.

Other revenue was BGN 171.9 million for the year ended December 31, 2015 an increase of BGN 22.3 million, or 14.9% from BGN 149.6 million for the year ended December 31, 2014 mainly due to increased revenue from provision of pay-TV services (both DTH and IPTV) and sales of handsets as well as colocation services provided by NURTS Group.

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

	For the year ended December 31,		Change	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Fixed-line revenue	341.1	361.9	(20.7)	(5.7)
Mobile revenue	483.3	444.0	39.3	8.8
NURTS revenue	28.2	-	28.2	-
Eliminations	(4.7)	-	(4.7)	-
Total revenue	**847.9**	**805.9**	**42.0**	**5.2**

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 341.1 million for the year ended December 31, 2015, a decrease of BGN 20.7 million, or 5.7%, from BGN 361.9 million for the year ended December 31, 2014. The decrease was mainly attributable to the ongoing fixed-to-mobile substitution trend and competitive pressure from other alternative operators with low ARPUs.

Our mobile revenue was BGN 483.3 million for the year ended December 31, 2015, an increase of BGN 39.3 million, or 8.8%, from BGN 444.0 million for the year ended December 31, 2014. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base and increased data usage, which can be attributed to our competitive offers and the superior quality of our network.

Our NURTS revenue was BGN 28.2 million for the year ended December 31, 2015, mainly attributable to terrestrial broadcasting of television and radio programs, transmission and colocation services provided by NURTS Group.

Principal Factors Affecting Mobile Revenues

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

	For the year ended December 31,		Change	
	2015	**2014**	**(amount)**	**(%)**
Number of mobile subscribers at period end (in thousands)	3 024	2 853	171.0	6.0
% post-paid at period end	87	85	1.6	1.9
% pre-paid at period end	13	15	(1.6)	(10.7)
Blended mobile ARPU (BGN)	11.4	11.2	0.2	1.7
Post-paid ARPU (BGN)	12.6	12.5	0.1	0.8
Pre-paid ARPU (BGN)	4.1	4.4	(0.3)	(6.8)
AMOU (minutes)	156	141	14.7	10.4

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 December 31, 2015, 87% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.9 million subscribers as at December 31, 2014 to 3.0 million subscribers as at December 31, 2015. We attribute this growth over the periods under review to a number of factors, including what we believe is our superior network quality, offering value for bundled services, cross-selling and up-selling to existing customers.

Blended mobile ARPU increased by 1.7% to BGN 11.4 for the year ended December 31, 2015 from BGN 11.2 for the year ended December 31, 2014 mainly as a result of increased monthly recurring fees, inbound traffic 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 10.4% to 156 minutes for the year ended December 31, 2015, from 141 minutes for the year ended December 31, 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 year ended December 31,		Change	
	2015	**2014**	**(amount)**	**(%)**
Fixed telephony subscribers at period end (in thousands)	1 051	1 195	(143.9)	(12.0)
Fixed telephony ARPU (BGN)	11.4	12.0	(0.6)	(5.1)
AMOU (minutes)	104	107	(3.2)	(3.0)
Fixed broadband subscribers at period end (in thousands)	390	356	33.7	9.5
% FTTx at period end	44	35	9.3	26.6
Fixed broadband ARPU (BGN)	10.7	11.2	(0.5)	(4.5)
Number of fiber homes passed (in thousands)	1 034	883	151.4	17.1
Fixed pay-TV subscribers at period end (in thousands)	369	322	47.5	14.8
% IPTV at period end	38	32	5.3	16.4
Fixed pay-TV ARPU (BGN)	12.6	11.9	0.7	5.8

Fixed Telephony

Our total fixed telephony subscribers decreased by 12.0% to 1.1 million as at December 31, 2015, from 1.2 million as at December 31, 2014. The decrease in fixed telephony subscribers was primarily due to the strong price competition surrounding fixed telephony services, where such services are being offered as a low price addition to our competitors' mobile, fixed broadband and pay-TV services, as well as the ongoing fixed-to mobile-substitution.

Total fixed telephony ARPU decreased by 5.1% to BGN 11.4 for the year ended December 31, 2015, from BGN 12.0 for the year ended December 31, 2014. The decrease in total fixed telephony ARPU was primarily due to a decrease in the outgoing traffic volume as well as lower monthly recurring fees.

Fixed telephony AMOU decreased by 3.0% to 104 minutes for the year ended December 31, 2015, from 107 minutes for the year ended December 31, 2014. The decrease was primarily due to ongoing fixed-to-mobile substitution, which resulted in a decrease in outgoing volume of calls made by our customers.

Fixed Broadband

Our total fixed broadband subscribers increased by 9.5% to 390 thousand as at December 31, 2015, from 356 thousand as at December 31, 2014. The increase was due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 4.5% to BGN 10.7 for the year ended December 31, 2015, from BGN 11.2 for the year ended December 31, 2014. The decrease was primarily due to bundling discounts and intense price competition.

Fixed Pay-TV

Our total fixed pay-TV subscribers increased by 14.8% to 369 thousand as at December 31, 2015, from 322 thousand as at December 31, 2014. This was mainly due to the increased demand for high quality services with superior user experience, rich content and high-definition (HD) channels.

Total fixed pay-TV ARPU increased by 5.8% to BGN 12.6 for the year ended December 31, 2015, from BGN 11.9 for the year ended December 31, 2014. The increase was mainly attributable to the growing share of tariffs with higher monthly recurring fees and additional packages with rich content.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 46.2 million for the year ended December 31, 2015, an increase of BGN 7.2 million, or 18.5%, from BGN 39.0 million for the year ended December 31, 2014. This was mainly due to increase in mobile outbound traffic to other national mobile operators, resulted from more calls made by our subscribers to other networks.

Other Operating Expenses

Our other operating expenses were BGN 258.9 million for the year ended December 31, 2015, an increase of BGN 53.4 million, or 26.0%, from BGN 205.5 million for the year ended December 31, 2014.

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

	For the year ended December 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Advertising, customer service, billing and collection	60.7	59.7	1.0	1.6
Facilities	42.9	45.4	(2.5)	(5.5)
Maintenance and repairs	33.9	32.3	1.6	4.9
License fees	13.9	13.3	0.5	4.0
Vehicles and transport	9.4	9.0	0.4	4.9
Administrative expenses	14.6	10.3	4.3	41.9
Leased lines and data transmission	5.8	3.1	2.8	91.5
Professional fees	3.2	3.6	(0.4)	(11.2)
Other, net	74.4	28.7	45.6	158.9
Total operating expenses	**258.9**	**205.5**	**53.4**	**26.0**

Other operating expenses increase was driven mainly by higher administrative expenses and higher maintenance and repairs expenses, as well as higher leased lines and data transmission expenses and other, net expenses. These increases were partially offset by lower facilities expenses and professional fees.
Increase in administrative expenses was mainly related with a tax assessment acts from June 5, 2015 and December 22, 2015. The tax assessment acts have been appealed in front of the court and the decisions are pending. Increase in maintenance and repairs was mainly related with maintenance of our mobile core and access network, customer care and billing systems. Leased lines and data transmission increased primarily in relation to the satellite transmission business of NURTS Group. Other, net expenses increase was mainly driven by impairment of receivables related to the assigned cash in Corporate Commercial Bank (CCB).

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 158.9 million for the year ended December 31, 2015, an increase of BGN 18.0 million, or 12.8%, from BGN 140.9 million for the year ended December 31, 2014 attributable mainly to the higher subsidies of mobile handsets to support the increased demand for smartphones and increased utilities expenses.

Staff Costs

Our staff costs were BGN 121.7 million for the year ended December 31, 2015, an increase of BGN 11.1 million, or 10.0%, from BGN 110.6 million for the year ended December 31, 2014, mainly due to increase in the average salary and higher number of commercial headcount as well as the result of NURTS Group acquisition as of July 1, 2015.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 223.4 million for the year ended December 31, 2015, a decrease of BGN 32.4 million, or 12.7%, from BGN 255.8 million for the year ended December 31, 2014, mainly as a result of decreased net book value of our fixed assets as a result of expired useful life of assets acquired in prior years. The decrease was partially offset by the increase in depreciation and amortization costs related to NURTS Group acquisition as of July 1, 2015.

Finance Costs

Our finance costs were BGN 57.7 million for the year ended December 31, 2015, a decrease of BGN 1.4 million, or 2.4%, from BGN 59.1 million for the year ended December 31, 2014, primarily due to decrease in interest expenses under the RCF which has been kept a lower level of utilization compared to prior year.

Finance Income

Our finance income was BGN 25.9 million for the year ended December 31, 2015, an increase of BGN 1.6 million, or 6.5%, from BGN 24.4 million for the year ended December 31, 2014, mainly due to other finance income recognized as a result from the cancelled assignments, as disclosed in note 6 to the present consolidated and separate financial statements.

Other gains, net

Other gains, net were BGN 18.5 million for the year ended December 31, 2015, an increase of BGN 8.8 million, or 91.6%, from BGN 9.6 million for the year ended December 31, 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 year ended December 31, 2015 as compared to the year ended December 31, 2014.

	For the year ended December 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Current income tax charge	17.4	6.3	11.1	177.3
Deferred tax credit to comprehensive income	(8.3)	(3.5)	(4.8)	135.5
Income tax expense/(benefit)	**9.1**	**2.7**	**6.4**	**231.1**

Income tax expenses were BGN 9.1 million for the year ended December 31, 2015, an increase of BGN 6.4 million, from BGN 2.7 million for the year ended December 31, 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. On December 22, 2015 a tax assessment act has been issued for a tax audit, covering the period January 2010 – December 2013. Both tax assessment acts have been appealed and the decisions are pending.

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the year ended December 31, 2015 was BGN 16.5 million, a decrease of BGN 9.8 million, or 37.2% from BGN 26.3 million for the year ended December 31, 2014.

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

	For the year ended December 31,		**Change**	
(BGN in millions)	**2015**	**2014**	**(amount)**	**(%)**
Profit / (loss) for the period	**16.5**	**26.3**	**(9.8)**	**(37.2)**
Income tax expense	9.1	2.7	6.4	231.1
Finance expenses, net	31.7	34.7	(3.0)	(8.6)
Depreciation and amortization	223.4	255.8	(32.4)	(12.7)
EBITDA	**280.8**	**319.6**	**(38.8)**	**(12.1)**
Other gains, net	(18.5)	(9.6)	(8.8)	91.6
Asset impairment and write off	60.7	19.5	41.2	211.8
Provisions and penalties	4.7	2.4	2.3	94.3
Other exceptional items	4.0	3.1	1.0	31.0
Adjusted EBITDA	**331.7**	**334.9**	**(3.2)**	**(1.0)**

CASH FLOW

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

	For the year ended December 31,		**Change**	
BGN in millions, except percentages	**2015**	**2014**	**(amount)**	**(%)**
Net cash from operating activities	215.3	143.1	72.2	50.5
Net cash used in investing activities	(171.6)	(116.7)	(54.9)	47.0
Net cash used in financing activities	(15.2)	(53.8)	38.6	(71.7)
Net increase / (decrease) in cash and cash equivalents	**28.5**	**(27.4)**	**55.9**	**(204.0)**

Net Cash from Operating Activities

For the year ended December 31, 2015, net cash flows from operating activities increased by BGN 72.2 million to BGN 215.3 million, from BGN 143.1 million for the year ended December 31, 2014. Trade receivables increased mainly in relation to higher NURTS receivables as well as higher finance lease receivables stemming from the increased sales of mobile handsets on instalments. Decrease in other receivables compared to prior year was mainly as a result of the assigned to third parties receivables on reclassified cash deposits in 2014.

Net Cash Used in Investing Activities

For the year ended December 31, 2015, net cash flows used in investing activities increased by BGN 54.9 million to BGN 171.6 million, from BGN 116.7 million mainly due to payments to suppliers of non-current assets, reflecting the level of capital expenditures which was partially compensated from proceeds from sales of property, plant and equipment. 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 year ended December 31, 2015, net cash flows used in financing activities decreased by BGN 38.6 million to BGN 15.2 million, from BGN 53.8 million for the year ended December 31, 2014. The decrease was mainly attributable to the lower level of utilization of the RCF compared to prior year.

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 year ended December 31, 2015 VIVACOM maintained a structure of assets and liabilities that allowed its smooth operation. In order to control the threat of liquidity risk, the Company applied planning techniques, including daily liquidity reports, short-term and medium-term cash flow forecasts.

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

CAPITAL EXPENDITURES AND INVESTMENTS

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

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

	For the year ended December 31,	
(BGN in millions)	**2015**	**2014**
Network	113.5	107.1
IT	12.1	13.3
Commercial and other	33.0	48.0
Licenses	4.4	-
NURTS	0.4	-
Total capital expenditures	**163.4**	**168.4**

For the year ended December 31, 2015, capital expenditures amounted to BGN 163.4 million, which consisted of:

- BGN 113.5 million of capital expenditures relating to network activities, mainly for investment in our mobile network, FTTx roll-out and fixed core network;
- BGN 12.1 million of capital expenditures relating to IT activities, mainly due to customer relation management projects and IT infrastructure acquisition.
- BGN 33.0 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, comprised of 5 MHz line in the 2100 MHz spectrum;
- BGN 0.4 million of capital expenditures relating to maintenance of NURTS infrastructure.

MAIN RISKS

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

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

General risk

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

Macroeconomic risks

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

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

Inflation risk

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

Market risk

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

Political risks

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

Specific Company risks

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

Regulatory risk

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

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

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

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

EU Telecom Single Market Regulation

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

Electronic Communications Act

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

Unfair competition

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

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

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

Liquidity risks

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

Currency risk

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

Due to the fact that the companies within VIVACOM Group use mainly BGN and EUR as operating currencies they are not significantly exposed to currency risk. Most of the income is generated in BGN while long term borrowings, interest expenses and part of the capital expenses are in EUR. This mismatch has not been a problem for the past 16 years as the Bulgarian lev is pegged to the euro. At the same time the stability of the currency board needs to be monitored closely, since a potential free floating of the local currency and devaluation of the Lev will significantly affect the financial situation of the Group.

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

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

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

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

Other specific risks

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

EXPECTED DEVELOPMENT

In 2016 the activity of the Group will continue to be carried out in accordance with the main objectives of the Company:

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

INNOVATION PROCESSES AND PRODUCT DEVELOPMENT

Throughout the period under review, VIVACOM has been consistently engaged in innovation processes and product development. Such activities ultimately benefit our customers as innovative technology enables us to deliver complex solutions and offer innovative products and services. We believe that continuous interaction between innovation capacity and core business activities represents the basis for development of our future products and services.

INFORMATION ABOUT THE COMPANY'S MANAGING BOARD AND SUPERVISORY BOARD

Members of the Company's Managing Board and Supervisory Board at 31 December 2015

a) At 31 December 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 31 December 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

As per the available information the member of the Managing Board and CEO Atanas Dobrev holds bonds of VIVACOM at a nominal value of EUR 200 thousand. With the exception of the disclosure under the previous sentence the members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares and bonds of VIVACOM for the year ended December 31, 2015. 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 4,902 thousand relating to the members of the Managing and Supervisory Boards has been accrued for the year ended December 31, 2015 from which BGN 1,130 thousand is payable as of December 31, 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 year ended December 31, 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
11.04.2016

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ABBREVIATIONS AND TERMS

AMOU

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

ARPU

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

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

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

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

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

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

EBITDA and Adjusted EBITDA

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

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

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

Market Share

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

Subscribers

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

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

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

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

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

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

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

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

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

"**HSPA**" or "**High Speed Packet Access**"	A mix of two mobile telephony protocols, high speed download Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.
"**HSPA+**" or "**evolved high speed packet access**" or	A set of 3G / UMTS technology enhancements allowing for very fast data transmission between network and mobile devices. Supports speeds of up to 42 Mbps from network to mobile devices and up to 11 Mbps from mobile devices to network.
"**interconnection**"	The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another.
"**Internet Protocol**" or "**IP**"	Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.
"**IPTV**" or "**Internet Protocol Television**"	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
"**ISDN**" or "**Integrated Services Data Network**"	A set of communication standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network.
"**ISDN BRA/PRA**"	Integrated Service for Digital Network, Basic Rate Access/Primary Rate Access
"**ISP**"	An ISP is a company that provides individuals and companies access to the internet.
"**Kbps**"	Kilobits per second.
"**LAN**" or "**Local Area Network**"	A computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building using network media.
"**LLU**" or "**local loop unbundling**"	Local loop unbundling, is where the incumbent grants access to third- party operators of the part of the communications circuit between the subscriber's equipment and the equipment of the local exchange (known as the local loop). Where such access is granted by the incumbent, the incumbent may charge the third-party operator a regulated fee for the interconnection service.
"**LTE**" or "**Long Term Evolution**"	LTE refers to a new mobile telephony technology that succeeds 3G. 3GPP (Third Generation Partnership Project) Long Term Evolution, is a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the fourth generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.
"**M2M**" or "**Machine-to-Machine**"	M2M refers to the data communication between wireless and wired systems and other wireless and wired systems.
"**MAN**" or "**Metropolitan Area Network**"	A computer network in which two or more computers or communicating devices or networks which are geographically separated but in same metropolitan city.
"**MB**"	A megabit.
"**Mbps**"	Megabits per second.
"**MHz**"	Megahertz; a unit of frequency equal to 1 million Hertz.
"**MMS**" or "**Multimedia Messaging Service**"	An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
"**MPLS**" or "**Multi Protocol Label Switching**"	A method used to speed up data communication over combined IP / ATM networks.
"**MRC**"	Monthly Recurring Charges.

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
As at 31 December 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements 31.12.2015	Consolidated Financial Statements 31.12.2014	Separate Financial Statements 31.12.2015	Separate Financial Statements 31.12.2014
ASSETS					
Current assets					
Cash and cash equivalents	5	89,555	60,080	85,665	60,026
Trade and other receivables	6	118,468	149,952	141,093	150,141
Current income tax receivables		995	56	-	-
Inventories	7	37,063	34,741	35,399	34,741
Investments	12	137	271	137	271
Other current assets	9	11,184	9,497	10,311	9,497
Assets classified as held for sale	8	2,609	1,852	364	1,852
Total current assets		260,011	256,449	272,969	256,528
Non-current assets					
Goodwill		2,049	2,049	2,049	2,049
Property, plant and equipment	10	823,711	812,336	768,560	812,327
Intangible assets	11	198,801	215,392	198,551	215,385
Investments	12	382	382	41,103	1,181
Trade and other receivables	6	48,531	84,391	44,927	83,953
Other non-current assets	9	2,404	1,990	2,404	1,990
Deferred tax assets, net	17	9,549	7	-	-
Total non-current assets, net		1,085,427	1,116,547	1,057,594	1,116,885
TOTAL ASSETS		1,345,438	1,372,996	1,330,563	1,373,413

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	19	3	3	3	3
Trade payables	13	90,073	121,246	88,746	122,140
Other payables	14	36,408	31,504	34,087	31,452
Deferred income/revenue		20,954	20,282	20,946	20,282
Current income tax liabilities		390	18	390	18
Provisions	15	3,472	5,499	3,325	5,499
Borrowings	16	20,182	12,517	20,135	12,517
Total current liabilities		171,482	191,069	167,632	191,911
Non-current liabilities					
Borrowings	16	773,975	792,450	773,975	792,450
Deferred tax liabilities, net	17	7,744	15,140	7,744	15,140
Retirement benefit obligations	18	5,249	3,095	4,551	3,095
Provisions	15	9,977	8,717	9,977	8,717
Trade payables	13	3,373	3,748	3,373	3,748
Deferred income/revenue		1,535	1,280	1,535	1,280
Total non-current liabilities, net		801,853	824,430	801,155	824,430
Equity					
Share capital	19	288,765	288,765	288,765	288,765
Reserves	19	34,966	36,196	34,966	36,196
Retained earnings		48,372	32,536	38,045	32,111
Total equity		372,103	357,497	361,776	357,072
TOTAL LIABILITIES AND EQUITY		1,345,438	1,372,996	1,330,563	1,373,413

These financial statements were approved on 11.04.2016.

Atanas Dobrev
CEO

Asen Velikov
Finance Director

Initialled for identification purposes in reference to the auditor's report:

Assen Dimov
Registered Auditor
Date: 11.04.2016

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statements Year ended 31.12.2015	Consolidated financial statements Year ended 31.12.2014	Separate financial statements Year ended 31.12.2015	Separate financial statements Year ended 31.12.2014
Revenue	20	847,932	805,912	822,558	801,895
Interconnect expenses		(46,207)	(39,003)	(43,902)	(36,229)
Other operating expenses	21	(258,879)	(205,481)	(248,990)	(204,926)
Materials and consumables expenses		(158,880)	(140,884)	(155,459)	(140,881)
Staff costs	22	(121,678)	(110,606)	(117,962)	(110,599)
Depreciation and amortization	9,10,11	(223,426)	(255,807)	(219,567)	(255,803)
Finance costs	23	(57,666)	(59,087)	(57,585)	(59,057)
Finance income	23	25,937	24,365	27,329	32,378
Other gains, net	24	18,481	9,646	10,057	9,646
Profit before tax		**25,614**	**29,055**	**16,479**	**36,424**
Income tax expense	25	(9,098)	(2,748)	(10,100)	(2,660)
Profit for the year		**16,516**	**26,307**	**6,379**	**33,764**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Cash flow hedges – effective portion of changes in fair value		(304)	462	(304)	462
Valuation of financial assets available for sale		-	1,315	-	1,315
Available-for-sale financial assets – reclassified to profit or loss		-	(8,767)	-	(8,767)
Related tax	25	31	(46)	31	(46)
		(273)	(7,036)	(273)	(7,036)
Items that will never be reclassified to profit or loss:					
Revaluation of land		(503)	(764)	(503)	(764)
Remeasurements of defined benefit liability		(1,184)	(912)	(949)	(912)
Related tax	25	50	76	50	76
		(1,637)	(1,600)	(1,402)	(1,600)
Other comprehensive income for the year, net of tax		**(1,910)**	**(8,636)**	**(1,675)**	**(8,636)**
Total comprehensive income for the year		**14,606**	**17,671**	**4,704**	**25,128**
Earnings per share (basic and diluted)	19	0.06	0.09	0.02	0.12

These financial statements were approved on 11.04.2016.

Atanas Dobrev
CEO

Asen Velikov
Finance Director

Initialled for identification purposes in reference to the auditors' report:

Assen Dimov
Registered Auditor
Date: 11.04.2016

The notes on pages 34 to 94 are an integral part of these financial statements.

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 for the year								
Profit for the year		-	-	-	-	-	26,307	**26,307**
Total other comprehensive income	25	-	-	(688)	(7,452)	416	(912)	**(8,636)**
Total comprehensive income for the year		**-**	**-**	**(688)**	**(7,452)**	**416**	**25,395**	**17,671**
Transfer to retained earnings - land disposal		-	-	(378)	-	-	378	-
Balance as at 31 December 2014		**288,765**	**28,876**	**7,047**	**-**	**273**	**32,536**	**357,497**
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	16,516	**16,516**
Total other comprehensive income	25	-	-	(453)	-	(273)	(1,184)	**(1,910)**
Total comprehensive income for the year		**-**	**-**	**(453)**	**-**	**(273)**	**15,332**	**14,606**
Transfer to retained earnings - land disposal		-	-	(504)	-	-	504	-
Balance as at 31 December 2015		**288,765**	**28,876**	**6,090**	**-**	**-**	**48,372**	**372,103**

The notes on pages 34 to 94 are an integral part of these financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2015
All amounts are in thousand BGN, unless otherwise stated

Separate Financial Statements

	Notes	Share capital	Legal reserve	Revaluation reserve	Fair value reserve	Hedging reserve	Retained earnings/ (accumulated loss)	Total
Balance as at 1 January 2014		288,765	28,876	8,113	7,452	(143)	(1,119)	331,944
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	33,764	33,764
Total other comprehensive income	25	-	-	(688)	(7,452)	416	(912)	(8,636)
Total comprehensive income for the year		-	-	(688)	(7,452)	416	32,852	25,128
Transfer to retained earnings - land disposal		-	-	(378)	-	-	378	-
Balance as at 31 December 2014		288,765	28,876	7,047	-	273	32,111	357,072
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	6,379	6,379
Total other comprehensive income	25	-	-	(453)	-	(273)	(949)	(1,675)
Total comprehensive income for the year		-	-	(453)	-	(273)	5,430	4,704
Transfer to retained earnings - land disposal		-	-	(504)	-	-	504	-
Balance as at 31 December 2015		288,765	28,876	6,090	-	-	38,045	361,776

These financial statements were approved on 11.04.2016.

Atanas Dobrev
CEO

Asen Velikov
Finance Director

Initialled for identification purposes in reference to the auditors' report:

Assen Dimov
Registered Auditor
Date: 11.04.2016

The notes on pages 34 to 94 are an integral part of these financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement Year ended 31.12.2015	Consolidated financial statement Year ended 31.12.2014	Separate financial statement Year ended 31.12.2015	Separate financial statement Year ended 31.12.2014
Cash flows from operating activities					
Profit before tax		25,614	29,055	16,479	36,424
Adjustment for:					
Depreciation and amortization	9,10, 11	223,427	255,807	219,567	255,803
Gain on sale of non-current assets and assets held for sale	24	(9,817)	(9,643)	(10,055)	(9,643)
Impairment (reversal)/loss and write off of non-current asset	10,11	9,038	(6,030)	8,366	(6,030)
Interest expenses, net of interest income	23	48,773	49,666	47,455	49,753
Impairment loss on trade receivables	6	61,201	31,025	55,632	30,392
Impairment loss and write off of current asset		2,482	1,850	1,583	1,850
Income from investment operations and other finance income	23	(17,849)	(15,676)	(17,944)	(23,776)
Loss/(gain) from operations with cash flow hedges	23	(1)	30	(1)	30
Gain on bargain purchase	24, 31	(8,812)	-	-	-
Accruals and provisions charged to profit and loss		3,634	3,051	3,460	3,051
Changes in:					
-inventories		(1,365)	898	(1,896)	898
-trade and other receivables		(35,392)	(148,436)	(23,114)	(148,513)
-other current and non-current assets		(4,325)	1,064	(4,877)	1,064
-trade and other payables		(6,825)	12,492	(8,953)	13,228
-provisions and employee benefits		(5,681)	(7,262)	(5,540)	(7,262)
-deferred income/revenue		919	1,292	919	1,292
Cash generated from operations		**285,021**	**199,183**	**281,081**	**198,561**
Interest received		52	3,786	631	3,689
Interest paid		(52,821)	(53,550)	(52,821)	(53,550)
Corporate income tax paid		(16,990)	(6,331)	(17,043)	(6,176)
Net cash from operating activities		**215,262**	**143,088**	**211,848**	**142,524**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		12,512	10,120	12,311	10,120
Acquisition of PPE and intangible assets		(184,658)	(144,832)	(184,214)	(144,832)
Acquisition of investments		1,148	(28,289)	(60)	(28,289)
Cash deposits with maturity greater than three months		(581)	(408)	(551)	(318)
Dividends received		-	302	500	8,552
Proceeds from sales of investments		-	46,439	-	46,439
Net cash used in investing activities		**(171,579)**	**(116,668)**	**(172,014)**	**(108,328)**
Cash flows from financing activities					
Proceeds from new borrowings		39,117	97,792	39,117	97,792
Repayment of borrowings		(48,896)	(146,687)	(48,896)	(146,687)
Payment of finance lease liabilities		(5,377)	(4,897)	(5,363)	(4,897)
Net cash used in financing activities		**(15,156)**	**(53,792)**	**(15,142)**	**(53,792)**
Net increase/(decrease) in cash and cash equivalents		28,527	(27,372)	24,692	(19,596)
Effect of exchange rate fluctuations on cash held		948	119	947	114
Cash and cash equivalents at the beginning of the year	5	60,080	87,333	60,026	79,508
Cash and cash equivalents at the end of the year	5	89,555	60,080	85,665	60,026

These financial statements were approved on 11.04.2016.

Atanas Dobrev
CEO

Asen Velikov
Finance Director

Initialled for identification purposes in reference to the auditors' report:

Assen Dimov
Registered Auditor
Date: 11.04.2016

The notes on pages 34 to 94 are an integral part of these financial statements.

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

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

The Ultimate Parent Company is V Telecom Investment S.C.A. ("V Telecom") which indirectly through InterV Investment S.à r.l. owns 100% of the equity of Viva Telecom Bulgaria EOOD which is the Parent of the Company as at 31 December 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.

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

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

As of 31 December, 2015 and 2014 the Parent company had 5,896 and 5,851 employees, respectively.

The Group

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

1. General information (continued)

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. 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.

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.

Regulations

Regulatory framework

- **Fixed line telecommunications**

In December 2011 a new Law Amendment of Electronic Communications Act (ECA) was adopted, which implemented the new EU 2009 regulatory framework in the field of electronic communications.

According to the procedures set out in ECA and the Methodology for market definition and analysis as at the reporting date the Communications Regulation Commission (CRC) has sent notifications to the European Commission for the following market analyses:

- Access to fixed voice telephony services and markets of local, long distance and international calls (first and second round);
- Markets for origination and termination in fixed networks (first and second round);
- Market for termination in mobile networks (first and second round);
- Market for termination in mobile networks (first round);
- Markets for wholesale trunk segment and terminating segment of leased lines (first round);
- Market for retail leased lines (first round);
- Markets for wholesale local access and wholesale central access provided at a fixed location (first and second round)
- Market for transit services in public telephone network (first round).

1. General information (continued)

Regulations (continued)

In 2015 the following secondary legislation acts were modified:
- Amendment of ordinance № 1 of 22 July 2010 for distribution rules and procedures for primary and secondary provision for use, reservation and withdrawal of numbers, addresses and names;
- Functional specifications for portability of fixed, mobile and non-geographic numbers.

In 2015 CRC opened public consultations on the following draft market analyses:
- Market for wholesale local access at a fixed location (second round of consultations);
- Market for wholesale central access for mass-market product (second round of consultations);
- Markets for origination and termination in fixed networks Market for termination in mobile networks.

Licenses
- **Fixed line communications**

On 28 January 2005 the CRC re-issued BTC's license for usage and development of telecommunications network on the territory of Bulgaria and rendering of telecommunication services through the network. The term of the license is until February 2019.

An annual license fee, calculated on the base of the annual revenue from telecommunication services billed to subscribers is payable quarterly in arrears. During 2015 and 2014 the annual fee is 0.2% of nominal annual revenue from provision of electronic communications networks and/or services without VAT included and after deduction of transferring payments to other companies for interconnection of networks and access, transit, roaming, valuated services, as well as expenses for settling copyrights and related rights for radio and television programs.

An annual fee is to be paid to the CRC for access to limited frequency resources such as the radio-frequency spectrum. This fee is calculated on the basis of technical data and is payable quarterly in arrears as well. During 2015 and 2014 the fee was BGN 2,207 thousand and BGN 2,241 thousand, respectively. The fees are regulated by the CRC and relevant Council of Ministers Ordinances.

- **Mobile telecommunications**

In June 2004 the Communications Regulation Commission (CRC) granted BTC the license for building, exploitation and maintenance of a cellular mobile telecommunications network under the GSM standard with national coverage. The issued license is valid for the period of 20 years and granted the right of using radio frequency 900 and 1 800 MHz. BTC paid BGN 54,160 thousand for the GSM license.

In April 2005 CRC granted BTC EAD the license for building cellular mobile telecommunication network under the UMTS standard with national coverage. The issued license is valid for 20 years and gives the right to use the following radio frequencies:
- 1930 – 1935 MHZ (total of 5 MHz) for the territory of Bulgaria for transmitting from end mobile devices to base stations;
- 2120 – 2125 MHz (total of 5 MHz) for the territory of Bulgaria for transmitting from base stations to end mobile devices; and
- 2015 – 2020 MHz (total of 5 MHz) for the territory of Bulgaria.

1. General information (continued)

Regulations (continued)

In 2012 CRC granted BTC AD an additional spectrum of 5 MHz and exchanged the position of previously submitted spectrum. According to the amendment BTC had the right to use the following spectrum:

- 1945 – 1955 MHZ (total of 10 MHz) for the territory of Bulgaria for transmitting from end mobile devices to base stations;
- 2135 – 2145 MHz (total of 10 MHz) for the territory of Bulgaria for transmitting from base stations to end mobile devices; and
- 2015 – 2020 MHz (total of 5 MHz) for the territory of Bulgaria.

At the end of July, 2015 BTC's permission was amended again after replacing the assigned frequency bands and providing additional spectrum. At present BTC has the right to use the following spectrum:

- 1965-1980 MHz (total of 15 MHz)
- 2155-2170 MHz (total of 15 MHz)

An annual fee, calculated based on the annual revenue from telecommunication services provided to the subscribers is paid quarterly. In 2015 and 2014 the annual fee is 0.2% from the annual gross revenue from providing electronic communication networks and/or services, VAT excluded after subtracting the transfer payments to other companies for interconnection of networks and access, transit, roaming, value-added services, as well as costs for authority and related rights for radio and television programmes.

For 2015 and 2014 the fees paid for frequency bands for the GSM license were BGN 4,028 thousand and for the UMTS license – respectively BGN 2,595 thousand and BGN 2,375 thousand.

- **TV broadcasting**

In 2009 CRC has granted NURTS Digital permission for use of resource from radio frequency spectrum via two networks for digital terrestrial broadcasting (DVB-T) which is mandatory for the operation of its core activity. As per decision of the European Court of Justice dated 23 April 2015, the Republic of Bulgaria is found in breach of certain provisions of European directives in relation to the provision of the digital terrestrial broadcasting permission, which has to be remedied. NURTS Digital has complied with all statutory requirements in this regard. However, any potential state actions might negatively affect the activity of the entity.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated and separate financial statements of BTC have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and available-for-sale financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and defined benefit plan at the present value of the obligation.
Consolidated financial information, including subsidiaries, has been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

The presentation of the financial statements requires management to make the critical accounting estimates, accruals and assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates (Note 4).

- **Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period**

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015)
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in these financial statements.

- **Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 11.04.2016 (the effective dates stated below is for IFRS in full):

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after January 1, 2018). The Group is currently assessing the impact of the standard on its financial statements.
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the standard on its financial statements,
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016)

Unless otherwise described above, the Group and the Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group’s/Company’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

2. Summary of significant accounting policies (continued)

2.2. Consolidation

Subsidiaries
A subsidiary is an entity that is directly or indirectly controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

For consolidation purposes, the separate financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company transactions and resulting profits or losses as of 31 December, 2015 and 2014, including unrealized profits at the year end, have been eliminated in full.

2.3. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Board who make strategic decisions.

2.4. Functional and Presentation Currency

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 these financial statements.

Effective from 1 January 1999, the Bulgarian Lev was fixed to the EUR at a rate BGN 1.95583 = EUR 1.00. The Bulgarian National Bank ("BNB") determines the exchange rate of the BGN to the other currencies using the rate of the EUR to the respective currency, quoted at the international markets.

2. Summary of significant accounting policies (continued)

2.4. Functional and Presentation Currency (continued)

Transactions and balances
Foreign currency transactions are accounted for in BGN at the exchange rate at the date of the transaction. Monetary assets and liabilities, denominated in foreign currency at 31 December, are translated at the closing exchange rate of BNB as at that date.

The foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of comprehensive income as "finance income/costs" at the moment when they arise, except when deferred in equity as qualifying cash flow hedges. Financial instruments, denominated in foreign currency as at 31 December are reported in these financial statements at the closing exchange rate of BNB.

Non-monetary reporting items in the statement of financial position, which have been denominated in a foreign currency on initial recognition, are recorded in the functional currency by applying the historical exchange rate of BNB at the date of the transaction and are not subsequently revalued at closing exchange rate.

2.5. Property, plant and equipment

Initial measurement
Upon their initial acquisition property, plant and equipment are valued at acquisition cost, which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to a suitable condition for its intended use. Directly attributable costs comprise mainly the costs of site preparation, initial delivery and handling costs, installation costs, professional fees for people related to the project, non-refundable taxes, etc.

As disclosed in Note 15 a provision for decommissioning costs associated with mobile sites is capitalized in the cost of the sites at the amount of the present value of the estimated decommissioning costs.

Subsequent measurement
The chosen approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value. Land is an exception to this rule and is revalued at fair value.

Revaluation of land is performed by independent certified appraisers usually every three years. When there is an indication of material changes in their fair value in shorter intervals, the revaluation may be performed at shorter intervals.

Increases in the carrying amount arising on revaluation of land are credited to revaluation reserves in shareholders' equity. As disclosed in Note 2.8 decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity. All other decreases are charged to the profit or loss for the period as other operating expenses.

Subsequent costs
Repair and maintenance costs are recognized as current expenses as incurred. Subsequent expenses incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalized in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of replacement.

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.5. Property, plant and equipment (continued)

Upon sale or disposal of property, plant and equipment, the cost and related accumulated depreciation is removed from the accounts.

Gains or losses on sale (disposal) are determined as the difference between the amounts received and the carrying amount of the asset and are presented net under "Other gains, net" in the statement of comprehensive income. When revalued assets are sold, the amount of the revaluation reserve is transferred to "Retained earnings".

Depreciation
Property, plant and equipment are depreciated by using the straight-line method over the estimated useful life of the asset. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life of the classes of assets is determined in accordance with their physical wear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence.

The estimated useful lives of the major classes of property, plant and equipment are as follows:

Class	**Useful life**
Switches	4–12 years
Transmission, distribution and remote switching	15–25 years
Optic cables	15–25 years
Mobile network	6–15 years
General support*	2–25 years

*General support represents mainly administrative buildings, furniture and other IT environment

The useful life, set for any tangible fixed asset, is reviewed at each year-end and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

2.6. Intangible assets and goodwill

Software and licenses
Software and licenses are the main items comprising intangible assets. Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be reliably measured. After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The useful life of licenses is from 5 years to 20 years. The useful life of software is from 2 years to 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group/Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

2. Summary of significant accounting policies (continued)

2.6. Intangible assets and goodwill (continued)

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

BTC considers its operations as comprising four cash generating units – fixed business, mobile business, collocation business and radio and TV broadcasting business.

Distribution network
Distribution network acquired in a business combination is recognized at fair value at the acquisition date. The distribution network has a finite useful life and is carried at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the expected useful life, estimated to be 10 years.

Subscriber acquisition/retention costs
Customer acquisition and retention expenses are capitalized and amortized over the minimum enforceable contractual period, using the straight line method.

2.7 Investments

In the separate financial statements investments in subsidiaries are accounted for at cost of acquisition, less impairment, if any. The cost of an acquisition is measured at the fair value of the consideration given, the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Under the cost method of accounting the investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

2. Summary of significant accounting policies (continued)

2.8. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the profit or loss for the period as other operating expenses, except for land previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses of assets may no longer exist or may have decreased. If such indication exists, the Group/Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income as reduction of other operating expenses unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.10. Financial instruments

Financial assets
The Group classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables', including cash and cash equivalents, and 'available-for-sale assets'. The classification depends on the substance and purpose (designation) of the financial assets at the date of their acquisition. The management of each Group company determines the classification of its financial assets at the date of their initial recognition in the statement of financial position.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2. Summary of significant accounting policies (continued)

2.10. Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Group/Company while the remaining ones are carried as non-current assets.

Loans and receivables are carried at amortised cost, or cost if no maturity, less an allowance for uncollectability with changes in carrying value (amortisation of discount/ premium and transactions costs) recognised in the statement of comprehensive income under finance income or finance costs. They are included in current assets, except for maturities greater than 12 months after the reporting date. Loans and receivables are included in Trade and other receivables in the statement of financial position.

Loans and receivables are recognised at the date, at which the asset is delivered to or by us. Thus, a loan is recognised at the moment the cash is transferred to the borrower, redemptions of a loan are recognised at the date the payment is received.

Interest income on loans and receivables is recognised by applying the effective interest method. It is presented in the statement of comprehensive income under ‘Finance income’. (Note 23)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either designated as available-for-sale or are not classified in any other category. These are usually unlisted or not actively traded shares or shares in other companies, acquired for investment purposes, and are included within non-current assets, except where the Group/Company intends to sell them in the following 12 months.

Available-for-sale financial assets are carried at fair value with unrealised gains and losses (except for impairment losses) recognised in other comprehensive income. When derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Purchases and sales of investments are recognised on trade date, the date on which the Group/Company commit to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership.

Dividends on shares, classified as available-for-sale financial assets, are recognised in the statement of comprehensive income as Finance income when the Group’s/Company’s right to receive the dividends is established.

The Group/Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in other comprehensive income on equity instruments are not reversed through the profit or loss for the period.

2. Summary of significant accounting policies (continued)

2.10. Financial instruments (continued)

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group/Company designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group/Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss for the period under ‘finance income/costs.’

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a nonfinancial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss for the period. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss for the period under ‘finance income/costs’.

2.11. Inventories

Inventories are principally composed of handsets, network establishment and maintenance materials, valued at the lower of cost or net realizable value. Materials and supplies are expensed when utilized, using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. BTC sells handsets separately and in connection with service contracts. As part of the strategy to acquire new customers, it sells handsets, in connection with a service contract, at below its acquisition cost. The loss on the sale of handsets is recognized at the time of the sale and the cost of the handsets is presented as “Materials and consumables expenses” in the profit or loss for the period.

2.12. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than thirty days), and historical evidence of collectability are considered indicators that trade receivables are impaired.

2. Summary of significant accounting policies (continued)

2.12. Trade and other receivables (continued)

Certain receivables are assessed and impaired individually if it is known that it will not be collected in full. All other receivables are impaired on a group basis according to their aging structure and taking into consideration historical data on collectability.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within 'Other operating expenses'. The resulting carrying amount approximates the present value of estimated future cash flows. When a trade receivable is uncollectible and the relevant legal grounds are present, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Other operating expenses' in the profit or loss for the period.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances of current bank deposits, term deposits with original maturity up to 3 months and all other amounts that are readily convertible into cash.

2.14. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Where any BTC Group company purchases BTC's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the BTC Group equity holders.

2.15. Trade and other payables

Payables to suppliers and other current amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognised at fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest rate method. The amortised cost is calculated by taking into consideration all types of charges, commissions and other costs, including any discount or premium associated with these loans.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

2. 17. Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

2. Summary of significant accounting policies (continued)

2. 17. Current and deferred income taxes (continued)

The current income tax charge is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18. Employee benefits

Defined contribution plans
According to the Bulgarian legislation, the Group is obliged to pay contributions to Social Security Funds. This obligation relates to full-time employees and provides for paying contributions to state pension fund by the employer and by the employee in the amount of certain percentages determined in the Social Security Code. These contributions are charged to the profit or loss in the period to which they relate.

Short-term employee benefits
Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or have met the required terms and requirements) are recognized as an expense in the statement of comprehensive income in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Group’s obligations for social security and health insurance are recognized as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At each reporting date, the Group measures the expected costs of the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee’s remunerations and the statutory social security contributions due by the employer thereon.

Retirement benefit obligations
In accordance with the requirements of the Labour Code, the employer is obliged to pay an indemnity to its personnel upon coming of age for retirement, which depending on the length of service with the Group/Company, varies between 2 and 6 gross monthly salaries as at the termination date of the employment. In their nature these are defined benefit plans.

2. Summary of significant accounting policies (continued)

2.18. Employee benefits (continued)

The calculation of the amount of these retirement benefit obligations necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, which is included in the statement of financial position, and respectively, the change in their value, which is included in the statement of comprehensive income. For this purpose, they apply the Projected Unit Credit Method.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and are recognised in other comprehensive income (OCI). Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Termination benefits
The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2.19. Provisions for other liabilities and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. Restructuring provisions comprise employee termination payments.

The measurement of provisions is based on the best estimate, made by the management at the reporting date, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation maturity is long-term.

When part of the resources required to settle the obligation is expected to be recovered from a third party, the Group recognises a receivable if it is virtually certain that reimbursement will be received and its amount can be reliably measured. Income is recognised in the same category of the profit or loss for the period where the creations of the provision is charged.

2.20. Revenue recognition

a) Sales of services
Revenue comprises in the ordinary course of business the fair value of consideration received or receivable from the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group for consolidation purposes.
All streams of revenue are recognized on a monthly accrual basis and to the extent that it is probable that the economic benefits will flow to the Group/Company and as far as the revenue can be reliably measured.

Revenue streams
The Group's/Company's revenue is derived from the following telecommunication and Information and communications technology (ICT) services and products:

- Outgoing traffic;
- Recurring charges;
- Leased lines and Data transmission;
- Interconnect;
- Radio and TV Broadcasting
- Other sales.

2. Summary of significant accounting policies (continued)

2.20. Revenue recognition (continued)

Outgoing traffic fees for both post-paid and pre-paid customers are charged at an agreed tariff for a fixed duration of time and are recognised as revenue based upon provided services on a monthly basis. Recognition of revenue from pre-paid cards is based on actual airtime usage or the expiration of the obligation to provide service. The unused balance of the valid pre-paid cards is presented as deferred income in the statement of financial position.

Recurring charges consist of monthly subscription fees and are recognised as revenue over the associated period.

Leased lines and Data transmission fees are charged at an agreed rate in accordance with dedicated capacity of BTC's data network and are recognized as revenue over the associated subscription period.

Interconnect revenue include charges to other telecommunications providers when they terminate or transit calls on BTC's network or when their customers use BTC's mobile network when in roaming. The revenues are recognised gross in the statement of comprehensive income based on real network usage and settled on a net basis, after deducting the cost of interconnection for the Company's customers calls that are routed via or terminated in other networks.

Radio and TV broadcasting revenue comprise charges for broadcasting and transmission of content of radio and TV operators and is recognized based upon airtime usage.

Other sales, comprise revenue generated from services not included in the streams above, which is recognised in the statement of comprehensive income when services are rendered. Revenues from premium rate services (Voice and non-voice) are recognized on a gross basis when the delivery of the service over the Group's network is the responsibility of the Group, the Group establishes the prices of these services and bears substantial risks of these services, otherwise these revenues are presented on a net basis.

For multiple-element arrangements (sales of phones & service under 1-2 year contracts with post-paid subscribers, including subscription fees), revenue recognition for each of the units of accounting (elements) identified must be determined separately. Revenue is recognized on the basis of the fair value of the individual elements by determining the fair value of undelivered components (residual method).

Arrangements involving the delivery of bundled products or services (a package of different services is sold in bundle to customers i.e. Internet + TV + Mobile/Fixed telephony) are separated into individual elements. Total arrangement consideration relating to the bundled contract is allocated among the different elements based on their relative fair values.

b) Sale of goods
Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled Group's/Company's obligations that affect the customer's final acceptance of the arrangement.

c)Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group/Company reduces the carrying value to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

d)Dividend Income
Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.21. Expenses recognition

Operating expenses are recognized as they are incurred, following the accrual and matching concepts. Financial costs are recorded in the profit or loss for the period when incurred and comprise of: interest expense, using the effective interest method, including bank charges and other direct expenses on loans and bank guarantees, and exchange differences on loans denominated in foreign currency (net).

2.22. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Finance lease
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as Borrowings / finance lease obligation/.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred. Assets acquired under the terms of finance lease are depreciated on the basis of the useful life of the asset over the lease term.

Operating lease
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Group as lessor

Finance lease
When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating lease
When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognized over the term of the lease on a straight-line basis.

2.23. Dividends Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1. Financial risk factors

In the ordinary course of business, the Group can be exposed to a variety of financial risks the most important of which are market risk that includes currency risk and interest risk, credit risk, and liquidity risk. The financial risks are currently identified, measured and monitored by the Treasury Department and the Managing Directors of each company within the Group through various control mechanisms in order to establish adequate prices for the services, provided by the company, to appropriately assess the market circumstances related to its investments and the forms for maintenance of free liquid funds through preventing undue concentration of a particular risk.

Below are presented the various types of risks to which the companies of the Group are exposed upon performing their business activities as well as the adopted approach for managing these risks.

a) Credit risk

Credit risks or the risk of counter-parties defaulting, is controlled by the application of limits and monitoring procedures. The Group has a policy of obtaining collateral from its retail customers who use mobile services and from distributors. Credit risk is managed at a BTC Group level. It arises from cash and cash equivalents, derivative financial instruments and deposits at banks, as well as from credit exposures to business and households, including overdue receivables and commitments. The carrying amount of financial assets represents the maximum credit exposure.

Deposits at banks

According to Treasury policy, applicable to BTC and its subsidiaries, transactions are carried out predominantly with financial institutions and banks with credit standing between BBB and A. Credit exposure is controlled by individual credit limits of counterparties, which are regularly revised and appropriately approved. The limit for each third party is determined according to its size in terms of assets and equity as well as its long-term credit rating from S&P, Moody's or Fitch. The Treasury policy also defines the financial instruments, allowed to the Treasury Department, as well as the maximum maturity.

Receivables and commitments

Trade receivables consist of a large number of customers, distributed by industries. The fixed net business of BTC follows the approved by CRC “General Rules of Contracts between BTC and Subscribers”. The management of risk of non-payment of retail customers is carried out through a policy of suspension and termination of services, based on credit risk segmentation. The retail subscribers’ contracts termination follows the General Conditions.

BTC has adopted a policy for mutual connection with operators and wholesale with partners with good credit ratings by applying of respective guarantees for risk management.

The credit risk related to international accounts is managed through the availability of net arrangement between the contractual parties and by directing traffic through chosen routes in order to decrease existing exposures. There is no significant risk concentration in receivables.

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

a) Credit risk (continued)

The creditworthiness of the customers is evaluated according to their financial status, payment history and other factors. On the basis of the credit score individual credit limits are set in compliance with the credit policy. The levels of the credit limits and their daily observation are monitored. Most of the payments from customers of mobile services are in cash.

As a result of the assigned receivables on cash deposits in CCB in 2014 and the subsequent cancellation of transactions as disclosed in note 6 below the Group has recognized loans and other receivables representing the majority of the balance of "Other receivables" as of 31 December 2015 which amounts to BGN 31,542 thousand. The receivables are due by several counterparties, one economic group of which represents more than 50% of the total balance. 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. Trade relations with related parties are similar to those with third parties.

b) Liquidity risk

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

Maturity analysis
The table below presents the financial liabilities of the Group, grouped by remaining term to maturity, determined against the contractual maturity at the reporting date. The table is prepared on the basis of contracted undiscounted cash flows and the earliest date on which the liability becomes due for payment. The amounts include principal and interest.

For 2015 the financial liabilities are as follows:

For the Group:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Trade payables	30,783	29,852	29,438	934	2,439	93,446
Borrowings	31	1,281	64,487	889,921	-	955,720
Total financial liabilities	**30,814**	**31,133**	**93,925**	**890,855**	**2,439**	**1,049,166**

For BTC

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Trade payables	30,736	29,064	28,946	934	2,439	92,119
Borrowings	25	1,267	64,459	889,921	-	955,672
Total financial liabilities	**30,761**	**30,331**	**93,405**	**890,855**	**2,439**	**1,047,791**

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

For 2014 the financial liabilities are as follows:

For the Group:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Trade payables	45,263	50,062	25,921	534	3,214	124,994
Borrowings	63	1,208	57,248	965,851	-	1,024,370
Total financial liabilities	**45,326**	**51,270**	**83,169**	**966,385**	**3,214**	**1,149,364**

For BTC

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Trade payables	47,166	49,977	24,997	534	3,214	125,888
Borrowings	63	1,208	57,248	965,851	-	1,024,370
Total financial liabilities	**47,229**	**51,185**	**82,245**	**966,385**	**3,214**	**1,150,258**

c) Market risk

Currency risk

The main objective of Group's/Company's currency risk management is to minimise any adverse effects of market volatility on exchange rates so as to provide the maximum value of foreign currency net income and under pre-determined and approved risk level.

Due to the fact that the companies within BTC 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 and revolving financing, interest and coupon payments and part of the capital expenses are in EUR. This mismatch has not been a problem for the past 16 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 BGN will significantly affect the financial situation of the Group.

Due to forecasted purchases of equipment during 2015 the Group/Company identified currency risk, arising as a result of significant exposure to the USD. According to the Treasury policy of the Group/Company and in compliance with its foreign exchange risk management strategy, the foreign exchange risk arising from these highly probable forecasted purchases is hedged. The hedges are cash flow hedges and are classified as financial assets/liabilities at fair value through profit or loss.

When significant foreign currency exposure arises, the Group/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 Group/Company financial results
- cost of foreign exchange exposure hedging

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

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

c) Market risk (continued)

Interest rate risk

During 2014 the Group/Company has maintained the low level of its interest rate risk exposure, which was achieved in 2013 through a successful refinancing of the senior syndicated loan through a senior secured notes offering due 2018 with a fixed coupon of $6^5/_8$%, as disclosed in note 16. Liabilities of BTC sensitive to interest rates amount to BGN 9,779 thousand and the interest payments are based on EURIBOR. As of 31 December, 2015 the Parent company has used no instruments to hedge possible changes in the EURIBOR levels. However, potential hedging transactions are periodically measured based on the possible interest rate levels, as well as in accordance with the market risk policy and if necessary are performed as such.

If the interest rate on borrowings were 0.1% higher, that would have resulted in an increase of interest expenses for 2015 and 2014 respectively by BGN 1 thousand and BGN 45 thousand therefore, the consolidated profit after taxation would have been BGN 16,515 thousand for 2015 and BGN 26,267 thousand for 2014. If the interest on long-term borrowings were 0.1% lower, that would result in lower interest expenses for 2015 and 2014 amounting respectively to BGN 1 thousand and BGN 45 thousand and therefore, the profit after taxation would have been BGN 16,517 thousand for 2015 and BGN 26,348 thousand for 2014.

3.2. Capital risk management

The Group manages its equity in order to perform its activity as a going concern and to balance the return on equity of shareholders by optimizing the debt to equity ratio in the medium term. The equity structure of the Group/Company consists of long-term borrowings (Note 16), cash and cash equivalents (Note 5) and equity, including share capital, retained earnings and reserves.
In accordance with the Bulgarian Commercial Act as a joint-stock company BTC is required to maintain equity at an amount which is higher than its registered share capital and legal reserves at an amount of minimum 10% of the registered share capital. As at 31 December 2015, the Company's equity is in excess of its registered share capital by BGN 73,011 thousand.

Group's management reviews its equity structure on an annual basis. The gearing ratios as of 31 December 2015 and 2014 are as follows:

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Total borrowings	794,157	804,967	794,110	804,967
Cash and cash equivalents	(89,555)	(60,080)	(85,665)	(60,026)
Cash deposits with maturity greater than three months	(1,122)	(541)	(1,002)	(451)
Net debt	**703,480**	**744,346**	**707,443**	**744,490**
Equity	372,103	357,497	361,776	357,072
Total capital	**372,103**	**357,497**	**361,776**	**357,072**
Gearing ratio	189%	208%	196%	208%

During the period gearing has improved as a result of the partial repayment of the borrowings. The management believes that higher gearing will result in more efficient capital structure and higher returns to the shareholders but aims to keep the ratio below 300%.

All amounts are in thousand BGN, unless otherwise stated

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates could differ from the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a) Impairment of goodwill, tangible and intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The ability of a tangible and intangible asset to generate sufficient future economic benefits to recover its carrying amount is usually subject to greater uncertainty. In performing these assessments of recoverable amount a significant number of estimates and judgments are required including but not limited to:

– An estimate of future cash flows expected to derive from these assets,
– Expectations about possible variations in the amount or timing of those future cash flows,
– The designation of the cash generating unit for which future cash flows are derived. The cash generating units identified are fixed business, mobile business, collocation business and radio and TV broadcasting business
– The time value of money represented by weighted average cost of capital (WACC). The respective long term pre-tax WAAC rates used are: 8.3% for Fixed and 9.7% for Mobile for 2015 (8.8% and 10.2% for 2014), and 9.5% for Collocation and 9.7% for TV broadcasting
– Perpetual growth rate (PGR). The respective PGR values used are: 0% for Fixed and 1% for Mobile for 2015 (0% and 1% for 2014), and 1% for Collocation and 0% for TV broadcasting.

As at 31 December 2015 the Group performed impairment testing of its assets and as a result no need for impairment was identified. If estimated cash flows were 10% lower or WACC/PGR were 1%/0.5% higher/lower there would still be no need for impairment. These sensitivities are calculated on an individual basis as follows:

Mobile business	**Change (%)**	**Effect on value in use – no impairment**
Estimate		
EBITDA margin absolute decrease	(1%)	(19,901)
WACC absolute increase	0.5%	(80,248)
PGR absolute decrease	(0.5%)	(58,764)

Fixed business	**Change (%)**	**Effect on value in use – no impairment**
Estimate		
EBITDA margin absolute decrease	(1%)	(36,237)
WACC absolute increase	0.5%	(33,118)
PGR absolute decrease	(0.5%)	(24,203)

Collocation business	**Change (%)**	**Effect on value in use – no impairment**
Estimate		
EBITDA margin absolute decrease	(1%)	(3,970)
WACC absolute increase	0.5%	(3,236)
PGR absolute decrease	(0.5%)	(2,113)

All amounts are in thousand BGN, unless otherwise stated

4. Critical accounting estimates and judgments (continued)

TV broadcasting business	**Change (%)**	**Effect on value in use – no impairment**
Estimate		
EBITDA margin absolute decrease	(1%)	(1,516)
WACC absolute increase	0.5%	(1,283)
PGR absolute decrease	(0.5%)	(853)

b) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that the accounting estimate related to the determination of the useful lives of assets is a critical accounting estimate since it involves assumptions about technological development in an innovative industry. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations.

Were the actual useful lives of the assets to differ by 10% from management's estimates, the carrying value of the plant and equipment and respectively depreciation and amortization charges would be estimated BGN 21,970 thousand higher/lower.

c) Provisions, decommissioning costs and contingent liabilities

As set out in Note 28 the Group is a participant in several lawsuits and administrative proceedings. The Group's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive).

A provision is recognized when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs.

d) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. In 2015 the Group realized a profit of BGN 16,516 thousand (2014 – BGN 26,307 thousand). The Group's net current assets as at 31 December 2015 is amounting to BGN 88,529 thousand (as at 31 December 2014 – BGN 65,380 thousand). The future viability of the Group depends upon the business environment as well as upon the continuing support of the owners and providers of finance. If this risk is not mitigated and if the business of the Group was to be wound down and its assets sold, adjustments would have to be made to reduce the statement of financial position value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify property, plant and equipment and long term liabilities as current assets and liabilities. The directors, in light of their assessment of expected future cash flows, are satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

4. Critical accounting estimates and judgments (continued)

e) Subscriber acquisition costs

Costs to acquire telecommunication customers are capitalized and amortized over the minimum enforceable contractual period as these will be recovered from the future revenue generated from the customers. In the event that a customer terminates a service contract prior to the expiration of the minimum enforceable contractual period, any unamortized customer acquisition costs are written off.

f) Purchase price accounting

The Group assesses the initial accounting for business combinations by identifying and determining the fair value to be assigned to the acquired identifiable assets, liabilities, contingent liabilities, and the cost of the combination. The initial accounting for business combinations is determined provisionally by the end of the period in which the combination is affected. Either the fair valued to be assigned to the acquired liabilities or contingent liabilities or the cost of combination can be determined only provisionally. The Group recognizes any adjustments to those provisional values as a result of concluding the initial accounting within twelve months of the acquisition date.

g) Allowance for impairment of trade and other receivables

An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments (more than thirty days), and historical evidence of collectability are considered indicators that trade receivables are impaired. Certain receivables are assessed and impaired individually if it's known that it will not be collected in full. All other receivables are impaired on a group basis according to their aging structure and taking into consideration historical data on collectability.

h) Income tax provision

The Group is subject to income taxes in the Bulgarian tax jurisdiction. Significant judgment is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax due based on management estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

i) Assignment of receivables on cash deposits

The transactions for assignment of receivables on cash deposits in Corporate Commercial Bank AD – in bankruptcy (CCB), refer also to notes 5 and 6, were executed in 2014 as per the provisions of the applicable law. The critical judgments related to these transactions are summarized below.

One of the assigned receivables was utilised by NURTS Bulgaria EAD in order to set-off its obligations to CCB under a bond issued by NURTS Bulgaria EAD in 2013. CCB held 25,723 bonds with a nominal of EUR 1,000 each and in September 2014 NURTS Bulgaria EAD has set-off the principal in the amount of BGN 50,310 and applicable interest due to CCB in the amount of BGN 1,350 thousand against its own cash held in CCB accounts and assigned CCB cash receivables from third parties, including BTC. Despite of the validly executed transactions, the receivers of CCB have recognized only partially the set-off from NURTS Bulgaria EAD (BGN 1,543 thousand) where the remaining amount of BGN 50,117 thousand and other owned cash in CCB of BGN 116 thousand is included in the list of accepted receivables of CCB creditors. No financial assets or liabilities were recognized in these financial statements.

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 (BGN 10,512 thousand, net of impairment as of 31 December 2015). Despite of the validly executed transactions, the receivers of CCB have not included the cancelled assignments in the list of accepted receivables of CCB creditors.

All amounts are in thousand BGN, unless otherwise stated

4. Critical accounting estimates and judgments (continued)

These issues are expected to be resolved by the competent court after considering all arguments set out by BTC Group companies. The final court resolutions may have an impact on the value of the recognized assets and liabilities by the Group and respectively affect the profit or loss.

5. Cash and cash equivalents

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

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Current accounts and cash in hand				
Held in BGN	50,055	48,571	46,401	48,538
Held in EUR	36,176	11,272	36,092	11,263
Held in foreign currencies other than EUR	3,324	233	3,172	221
Total current accounts and cash in hand	89,555	60,076	85,665	60,022
Deposits				
Held in BGN	-	4	-	4
Total deposits	-	4	-	4
Total cash and cash equivalents	**89,555**	**60,080**	**85,665**	**60,026**

As disclosed in Note 16 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.

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 6.

The CCB banking group was part of a group of companies related to Mr Tzvetan Radoev Vassilev (Mr Vassilev's Group of Companies).

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.

The availability of cash in current accounts and short term deposits is allocated in banks with long term credit ratings from S&P as follows:

All amounts are in thousand BGN, unless otherwise stated

5. Cash and cash equivalents (continued)

Rating	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
A+		-		-
A	60,195	12,545	60,163	12,544
BBB+	20,076	45,318	20,062	45,303
BBB-	214	-	214	-
BB+	479	53	469	14
BB	-	136	-	136
B	-	83	-	83
B-	95	-	95	-
Not rated banks	6,838	73	3,012	73
Total cash at current accounts and term deposits	**87,897**	**58,208**	**84,015**	**58,153**

The exposure to banks with long term credit rating in the upper medium investment grade segment has significantly increased as of 31 December 2015 compared to 31 December 2014.

6. Trade and other receivables

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Trade receivables	216,397	112,918	188,476	111,864
incl. international settlement receivables	*21,809*	*2,374*	*21,419*	*1,574*
Intercompany receivables	3,114	18,943	39,198	20,167
Other receivables	31,542	126,968	29,545	126,465
incl. loans	*24,810*	*105,564*	*23,333*	*105,156*
Total	**251,053**	**258,829**	**257,219**	**258,496**
Provision for impairment of receivables	(84,054)	(24,486)	(71,199)	(24,402)
Total Trade and other receivables	**166,999**	**234,343**	**186,020**	**234,094**
Incl:				
Non-current portion: trade and other receivables	97,828	86,260	92,393	85,752
Provision for impairment of receivables	(49,297)	(1,869)	(47,466)	(1,799)
Total non-current portion:	**48,531**	**84,391**	**44,927**	**83,953**
Current portion trade and other receivables	153,225	172,569	164,826	172,744
Provision for impairment of receivables	(34,757)	(22,617)	(23,733)	(22,603)
Total current portion:	**118,468**	**149,952**	**141,093**	**150,141**

Other receivables as at 31 December 2015 include BGN 1,122 thousand and BGN 1,002 thousand for the consolidated and for the separate financial statements term cash deposits with maturity greater than three months (as at 31 December 2014: BGN 541 thousand and BGN 451 thousand).

All amounts are in thousand BGN, unless otherwise stated

6. Trade and other receivables (continued)

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 BGN 11,819 thousand (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 (BGN 10,512 thousand, net of impairment as of 31 December 2015). As of 31 December 2014 the loan receivables recognized as a result of the above referred assignments amounted to BGN 35,734 thousand.

Trade receivables for the consolidated and for the separate financial statements as of 31 December 2015 include respectively BGN 60,309 thousand and BGN 59,390 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). The nominal value of the cash accounts at CCB as of 31 December 2015 is respectively BGN 65,973 thousand and BGN 65,062 thousand for the Group and the Company. The receivables representing the remaining cash and cash equivalents at CCB are presented as non-current. Their net book value as of 31 December 2015 amounts to BGN 13,077 thousand and BGN 12,897 thousand for the consolidated and for the separate financial statements, respectively, and the accumulated impairment is respectively BGN 47,232 thousand and BGN 46,493 thousand.

Based on the data disclosed by Bulgarian Deposit Insurance Fund the management has made an assessment of the collectability of the cash in CCB as at the reporting date, which was estimated to approximate 20% (30% as of 31 December 2014). As a result impairment related to the receivables representing cash at CCB amounting to BGN 46,663 thousand for the Group and BGN 45,995 thousand for the Company has been recognized and included under other operating expenses for 2015 (note 21).

In 2015 one of the loans granted by the Company has not been repaid on the due date and as of the reporting date was impaired in full, with impairment of BGN 4,229 thousand recognized and included under other operating expenses.

Related parties balances are shown in Note 27.

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

	Gross receivables from finance leases		**Net investment in finance leases**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Finance leases receivables with maturity:				
Within one year	36,214	34,497	33,871	32,368
In the second to fifth years inclusive	14,344	13,390	13,897	13,002
Total receivables	**50,558**	**47,887**	**47,768**	**45,370**
Less: unearned finance income	(2,790)	(2,517)		-
Provision for impairment of receivables	(3,344)	(4,537)	(3,344)	(4,537)
Net investment in finance leases	**44,424**	**40,833**	**44,424**	**40,833**

All amounts are in thousand BGN, unless otherwise stated

6. Trade and other receivables (continued)

Movement of the allowance for impairment of accounts receivables in 2015 and 2014 is as follows:

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Balance at the beginning of the period	24,486	54,960	24,402	54,946
Accrued impairment	61,201	31,025	55,632	30,392
Subsidiary acquisition	11,669	-	-	-
Impairment of receivables written off	(13,302)	(61,499)	(8,835)	(60,936)
Balance at the end of the period	**84,054**	**24,486**	**71,199**	**24,402**

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

Business customers

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Balance at the beginning of the period	9,040	14,274	8,956	14,260
Accrued impairment	56,431	26,835	50,862	26,202
Subsidiary acquisition	11,669	-	-	-
Impairment of receivables written off	(6,430)	(32,069)	(1,963)	(31,506)
Balance at the end of the period	**70,710**	**9,040**	**57,855**	**8,956**

Residential customers

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Balance at the beginning of the period	15,446	40,686	15,446	40,686
Accrued impairment	4,770	4,190	4,770	4,190
Impairment of receivables written off	(6,872)	(29,430)	(6,872)	(29,430)
Balance at the end of the period	**13,344**	**15,446**	**13,344**	**15,446**

Accrued impairment for the business customers for 2015 includes BGN 46,663 thousand for the Group and BGN 45,995 thousand for the Company related to the receivables on cash deposits in CCB.

Impairment of receivables written off for the business customers for 2014 includes BGN 24,393 thousand and BGN 23,838 for the Group and the Company related to the assigned receivables on cash deposits in CCB.

Expenses for receivables written off are recognised in Other operating expenses of the profit or loss for the period. For 2015 they amount to BGN 1,033 thousand for the consolidated BGN 267 thousand for the separate financial statements (2014: BGN 120 thousand for both the consolidated and the separate financial statements)

As of 31 December, 2015 and 31 December, 2014 receivables of the Group at the amount of BGN 83,788 thousand and BGN 6,683 thousand, respectively, were assessed individually and the accumulated impairment amounts to 66,961 thousand and 5,284 thousand.

As of 31 December, 2015 and 31 December, 2014 receivables of the Company at the amount of BGN 68,364 thousand and BGN 6,571 thousand, respectively, were assessed individually and the accumulated impairment amounts to 54,107 thousand and 5,203 thousand.

All amounts are in thousand BGN, unless otherwise stated

6. Trade and other receivables (continued)

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
From 60 to 90 days	354	210	145	109
From 91 to 180 days	828	205	710	388
From 181 to 360 days	249	20	178	127
Above 1 year	526	467	526	860
Total	**1,957**	**902**	**1,559**	**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:

Type	**Consolidated financial statements**	**Carrying amount of the receivable as of**	
		31.12.2015	**31.12.2014**
Outside the country		19,723	615
In the country		10,156	-
In the country		5,533	-
In the country		3,546	-
In the country		2,151	-

Type	**Separate financial statements**	**Carrying amount of the receivable as of**	
		31.12.2015	**31.12.2014**
Outside the country		19,723	615
In the country		604	964
In the country		526	545
In the country		516	1,987
In the country		503	518

BGN 19,105 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.

The carrying amounts of the Group's receivables are denominated in the following currencies:

	31.12.2015	**31.12.2014**
BGN	111,588	108,096
EUR	65,160	126,229
SDR	-	3
USD	4	15
Total	**176,752**	**234,343**

All amounts are in thousand BGN, unless otherwise stated

7. Inventories

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Materials and supplies, net	6,545	5,003	4,881	5,003
Merchandise and other, net	30,518	29,738	30,518	29,738
Total materials and supplies	**37,063**	**34,741**	**35,399**	**34,741**

Impairment charges related to the inventory items for 2015 were BGN 990 thousand and BGN 902 thousand for the Group and the Company (2014 – BGN 1,407 thousand). The reversal of write-downs for the Company amounted to BGN 63 thousand (2014: BGN 21 thousand). The write-downs and reversals are included in Other operating expenses.

8. Assets classified as held for sale

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Real estate, held for sale	2,609	1,852	364	1,852
Total assets held for sale	**2,609**	**1,852**	**364**	**1,852**

As of 31 December 2015 the Group companies have signed several preliminary agreements for the sale of real estates. Their net book value is reported in the statement of financial position as Assets classified as held for sale.

9. Other assets

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Prepayments and deferred expenses	12,216	9,505	11,343	9,505
Subscriber acquisition costs and other	1,372	1,982	1,372	1,982
Total other assets	**13,588**	**11,487**	**12,715**	**11,487**
Incl.				
Other current assets	**11,184**	**9,497**	**10,311**	**9,497**
Other non-current assets	**2,404**	**1,990**	**2,404**	**1,990**

Subscriber acquisition cost, representing mainly fees paid to distributors for the Group and the Company are amounting to BGN 1,279 thousand as of 31 December 2015. For 2014 they amount to BGN 1,960 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 3,487 thousand for 2015 and BGN 5,354 thousand for 2014.
Subscriber acquisition costs and other assets include also intellectual rights, amounting to BGN 93 thousand as of 31 December 2015 (2014: BGN 22 thousand), for which amortisation expense amounting to BGN 240 thousand has been recognised in profit or loss for 2015 (2014: BGN 129 thousand).

All amounts are in thousand BGN, unless otherwise stated

10. Property, plant and equipment

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

	Switching	Transmission	Land	General support	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1,432,119**	**860,923**	**9,023**	**266,829**	**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	-	-	(430)	(942)	-	(1,372)
Disposals	(63,955)	(46,593)	(47)	(10,428)	(493)	(121,516)
At 31 December 2014	**1,441,555**	**840,887**	**7,880**	**279,199**	**39,225**	**2,608,746**
Revaluation	-	-	(503)	-	-	(503)
Additions	2,411	-	-	-	109,255	111,666
Acquisitions trough business combinations	5,716	11,595	5,269	38,564	761	61,905
Transfers	64,337	19,166	-	19,979	(103,482)	-
Impairment	-	-	14	-	68	82
Assets held for sale	-	-	(1,710)	(849)	-	(2,559)
Disposals	(76,463)	(11,930)	(126)	(9,892)	(1,129)	(99,540)
At 31 December 2015	**1,437,556**	**859,718**	**10,824**	**327,001**	**44,698**	**2,679,797**
Accumulated depreciation and impairment						
At 1 January 2014	**996,019**	**577,351**	**-**	**185,332**	**-**	**1,758,702**
Depreciation charged	123,820	21,259	-	21,430	-	166,509
Impairment reversal, net	(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	102,104	23,265	-	24,010	-	149,379
Impairment	365	-	-	432	-	797
Assets held for sale	-	-	-	(209)	-	(209)
Disposals	(71,310)	(10,706)	-	(8,275)	-	(90,291)
At 31 December 2015	**1,085,895**	**558,065**	**-**	**212,126**	**-**	**1,856,086**
Net book value						
At 31 December 2014	**386,819**	**295,381**	**7,880**	**83,031**	**39,225**	**812,336**
At 31 December 2015	**351,661**	**301,653**	**10,824**	**114,875**	**44,698**	**823,711**

All amounts are in thousand BGN, unless otherwise stated

10. Property, plant and equipment (continued)

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

	Switching	Transmission	Land	General support	Construction in progress	Total
Gross Book Value						
At 1 January 2014	**1,432,119**	**860,923**	**9,023**	**266,756**	**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	-	-	(430)	(942)	-	(1,372)
Disposals	(63,955)	(46,593)	(47)	(10,428)	(493)	(121,516)
At 31 December 2014	**1,441,555**	**840,887**	**7,880**	**279,126**	**39,225**	**2,608,673**
Revaluation	-	-	(503)	-	-	(503)
Additions	2,411	-	-	-	108,830	111,241
Transfers	64,264	19,166	-	19,690	(103,120)	-
Impairment	-	-	14	-	68	82
Assets held for sale	-	-	(56)	(246)	-	(302)
Disposals	(76,309)	(11,919)	-	(9,398)	(1,126)	(98,752)
At 31 December 2015	**1,431,921**	**848,134**	**7,335**	**289,172**	**43,877**	**2,620,439**
Accumulated depreciation and impairment						
At 1 January 2014	**996,019**	**577,350**	**-**	**185,272**	**-**	**1,758,641**
Depreciation charged	123,820	21,259	-	21,427	-	166,506
Impairment reversal, net	(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	101,215	22,709	-	21,623	-	145,547
Impairment	365	-	-	-	-	365
Assets held for sale	-	-	-	(198)	-	(198)
Disposals	(71,255)	(10,704)	-	(8,222)	-	(90,181)
At 31 December 2015	**1,085,061**	**557,510**	**-**	**209,308**	**-**	**1,851,879**
Net book value						
At 31 December 2014	**386,819**	**295,382**	**7,880**	**83,021**	**39,225**	**812,327**
At 31 December 2015	**346,860**	**290,624**	**7,335**	**79,864**	**43,877**	**768,560**

All amounts are in thousand BGN, unless otherwise stated

10. Property, plant and equipment (continued)

As disclosed in note 16 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the bond offering by establishing a pledge on real estate properties, which net book value as of 31 December 2015 amounted to BGN 7,279 thousand. As of 31 December 2014 their net book value amounted to BGN 8,192 thousand.

On the basis 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 mortgages on :

- 121 properties of BTC with a net book value as of 31 December 2015 amounting to BGN 469 thousand (BGN 3,972 thousand for 560 properties as of 31 December 2014). They are included in General support and Land above except for 1 property with net book value as of 31 December 2015 amounting to BGN 13 thousand which are included in Assets classified as held for sale (BGN 15 thousand for 2 properties as of 31 December 2014).
- 21 properties of NURTS Bulgaria with a net book value as of 31 December 2015 amounting to BGN 1,122 thousand

Measurement of fair value

Fair value hierarchy

Land is measured at fair value, in accordance with the revaluation model of IAS 16. The fair value of land was determined as at 31 December 2015 by external, independent property valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued.

The fair value measurement for land of BGN 10,824 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 trough business combinations	5,269
Disposals	(126)
Reversed impairment	14
Loss included in other comprehensive income	
• Changes in fair value (unrealised)	(503)
Transfers out of Level 3	(1,710)
Balance at 31 December 2015	10,824

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

All amounts are in thousand BGN, unless otherwise stated

10. Property, plant and equipment (continued)

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).

11. Intangible assets

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

	Licenses	**Software**	**Other intangible assets**	**Intangible assets under construction**	**Total**
Gross book value					
At 1 January 2014	**126,544**	**569,243**	**34,480**	**2,387**	**732,654**
Additions(Transfers)	159	32,357	13,860	1,499	47,875
Disposals	-	(37,167)	(7,053)	-	(44,220)
At 31 December 2014	**126,703**	**564,433**	**41,287**	**3,886**	**736,309**
Additions(Transfers)	4,559	38,594	15,398	(1,899)	56,652
Acquisitions trough business combinations	99	172	-	-	271
Disposals	-	(17,855)	(10,788)	-	(28,643)
At 31 December 2015	**131,361**	**585,344**	**45,897**	**1,987**	**764,589**
Accumulated amortization and impairment					
At 1 January 2014	**48,001**	**417,260**	**15,178**	**-**	**480,439**
Amortization charge	7,335	64,326	12,154	-	83,815
Impairment	-	(4)	-	-	(4)
Disposals	-	(36,791)	(6,542)	-	(43,333)
At 31 December 2014	**55,336**	**444,791**	**20,790**	**-**	**520,917**
Amortization charge	7,547	47,821	14,953	-	70,321
Impairment	-	-	-	-	-
Disposals	-	(15,491)	(9,959)	-	(25,450)
At 31 December 2015	**62,883**	**477,121**	**25,784**	**-**	**565,788**
Net book value					
At 31 December 2014	**71,367**	**119,642**	**20,497**	**3,886**	**215,392**
At 31 December 2015	**68,478**	**108,223**	**20,113**	**1,987**	**198,801**

All amounts are in thousand BGN, unless otherwise stated

11. Intangible assets (continued)

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

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 1 January 2014	**126,489**	**569,243**	**34,480**	**2,387**	**732,599**
Additions(Transfers)	159	32,357	13,860	1,499	47,875
Disposals	-	(37,167)	(7,053)	-	(44,220)
At 31 December 2014	**126,648**	**564,433**	**41,287**	**3,886**	**736,254**
Additions(Transfers)	4,559	38,594	15,398	(1,899)	56,652
Disposals	-	(17,855)	(10,788)	-	(28,643)
At 31 December 2015	**131,207**	**585,172**	**45,897**	**1,987**	**764,263**
Accumulated amortization and impairment					
At 1 January 2014	**47,953**	**417,261**	**15,178**	**-**	**480,392**
Amortization charge	7,335	64,325	12,154	-	83,814
Impairment	-	(4)	-	-	(4)
Disposals	-	(36,791)	(6,542)	-	(43,333)
At 31 December 2014	**55,288**	**444,791**	**20,790**	**-**	**520,869**
Amortization charge	7,541	47,799	14,953	-	70,293
Disposals	-	(15,491)	(9,959)	-	(25,450)
At 31 December 2015	**62,829**	**477,099**	**25,784**	**-**	**565,712**
Net book value					
At 31 December 2014	**71,360**	**119,642**	**20,497**	**3,886**	**215,385**
At 31 December 2015	**68,378**	**108,073**	**20,113**	**1,987**	**198,551**

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 periods longer than one year. Their net book value as of 31 December 2015 is respectively BGN 4,736 thousand and BGN 14,775 thousand (2014 - BGN 6,233 thousand and BGN 12,910 thousand).

All amounts are in thousand BGN, unless otherwise stated

12. Investments

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

		Consolidated financial statements		Separate financial statements	
	Share	**31.12.2015**	**31.12.2014**	**31.12.2015**	**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		137	271	137	271
Subsidiaries					
NURTS Bulgaria	100%			39,922	-
BTC Net	100%	-	-	799	799
Total investments in subsidiaries		-	-	**40,721**	**799**
Total investments		**519**	**653**	**41,240**	**1,452**
Incl.					
Current investments		**137**	**271**	**137**	**271**
Non-current investments		**382**	**382**	**41,103**	**1,181**

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

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.

All amounts are in thousand BGN, unless otherwise stated

13. Trade payables

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Payables to suppliers of non-current assets	33,548	55,470	33,548	55,470
Payables to international telecom operators - interconnect	14,785	21,361	13,381	19,854
Payables to suppliers of equipment and goods for customers	2,571	472	2,571	472
Payables to suppliers of network maintenance	2,350	3,377	2,350	3,377
Payables to domestic telecom operators	1,013	1,067	892	881
Payables to related parties (Note 27)	-	-	1,627	2,587
Others	39,179	43,247	37,750	43,247
Total trade payables	**93,446**	**124,994**	**92,119**	**125,888**
Incl.				
Non-current portion	**3,373**	**3,748**	**3,373**	**3,748**
Current portion	**90,073**	**121,246**	**88,746**	**122,140**

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

14. Other payables

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Payables to employees	20,173	18,449	19,579	18,449
Social securities	4,226	3,738	3,997	3,738
VAT	3,217	1,018	2,213	986
Personal income tax payable	1,607	1,522	1,535	1,522
Advances from clients	1,134	916	813	916
Payables for license fee	364	347	364	347
Forward exchange contracts used for hedging	206	-	206	-
Withholding and other taxes	38	76	38	76
Others	5,443	5,438	5,342	5,418
Total other payables	**36,408**	**31,504**	**34,087**	**31,452**

All amounts are in thousand BGN, unless otherwise stated

15. Provisions for other liabilities and charges

Consolidated financial statements

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2015	**8,717**	**1,018**	**4,481**	**14,216**
Charged to profit or loss	-	270	(430)	(163)
Recognised in the statement of financial position	957	-	-	957
Used during the year	(24)	(373)	(1,498)	(1,892)
Unwinding of discount	327	-	-	327
Acquisition of subsidiaries	-	4	-	4
At 31 December 2015	**9,977**	**919**	**2,553**	**13,449**

Analysis of provisions in consolidated financial statements

	31.12.2015	31.12.2014
Non-current (decommissioning costs)	9,977	8,717
Current	3,472	5,499
Total	**13,449**	**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 or loss	-	191	(497)	(306)
Recognised in the statement of financial position	957	-	-	957
Used during the year	(24)	(370)	(1,498)	(1,892)
Unwinding of discount	327	-	-	327
At 31 December 2015	**9,977**	**839**	**2,486**	**13,302**

Analysis of provisions in separate financial statements

	31.12.2015	31.12.2014
Non-current (decommissioning costs)	9,977	8,717
Current	3,325	5,499
Total	**13,302**	**14,216**

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 decommissioning obligation after ceasing operation. The respective discount rate used for 2015 and 2014 is 2.8% and 3.8%.

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

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

All amounts are in thousand BGN, unless otherwise stated

16. Borrowings

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

	Consolidated financial statements		Separate financial statements	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Secured bond issue	776,960	773,356	776,960	773,356
Revolving credit	9,781	19,597	9,781	19,597
Trade credits	6,644	10,499	6,644	10,499
Financial lease	772	1,515	725	1,515
Total borrowings	**794,157**	**804,967**	**794,110**	**804,967**
Including:				
Current borrowings	**20,182**	**12,517**	**20,135**	**12,517**
Non-current borrowings	**773,975**	**792,450**	**773,975**	**792,450**

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

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

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.

All amounts are in thousand BGN, unless otherwise stated

16. Borrowings (continued)

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

Consolidated financial statements	**Minimum lease payments**		**Present value of minimum lease payments**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Finance lease payables with maturity:				
Within one year	398	1,595	398	1,515
In the second to fifth years inclusive	401	-	374	-
Total payables	**799**	**1,595**	**772**	**1,515**
Less: future finance charges	(27)	(80)	-	-
Present value of lease obligations	**772**	**1,515**	**772**	**1,515**

Separate financial statements	**Minimum lease payments**		**Present value of minimum lease payments**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Finance lease payables with maturity:				
Within one year	349	1,595	351	1,515
In the second to fifth years inclusive	401	-	374	-
Total payables	**750**	**1,595**	**725**	**1,515**
Less: future finance charges	(25)	(80)	-	-
Present value of lease obligations	**725**	**1,515**	**725**	**1,515**

The net book value of the assets acquired under finance lease arrangements as of 31 December 2015 is BGN 1,909 thousand for the Group and BGN 1,808 thousand for the Company (2014: BGN 2,144 thousand).

All amounts are in thousand BGN, unless otherwise stated

17. Deferred tax assets and liabilities

As of 31 December, 2015 and 2014 the deferred tax, are as it follows:

Consolidated financial statements:

Deferred tax assets	Tax loss carried forward	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant, equipment and intangible assets	Expense accruals	Total
At 1 January 2014	**-**		**1**	**-**	**-**	**1**
(Charged)/credited to the profit/(loss) for the year	-		7	(1)	-	6
At 31 December 2014	**-**		**8**	**(1)**	**-**	**7**
(Charged)/credited to the profit/(loss) for the year	82	(1)	634	366	(79)	1,002
Acquired in business combination	-	46	658	7,919	(83)	8,540
At 31 December 2015	**82**	**45**	**1,300**	**8,284**	**(162)**	**9,549**

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant, equipment and intangible assets	Expense accruals	Cash flow hedges	Total
At 1 January 2014	**(187)**	**(5,488)**	**30,382**	**(5,996)**	**(15)**	**18,696**
Charged/(credited) to the profit/(loss) for the year	(22)	3,050	(8,087)	1,533	-	(3,526)
Charged/(credited) to other comprehensive income for the year	-	-	(76)	-	46	(30)
At 31 December 2014	**(209)**	**(2,438)**	**22,219**	**(4,463)**	**31**	**15,140**
Charged/(credited) to the profit/(loss) for the year	(51)	(4,680)	(2,924)	340	-	(7,315)
Charged/(credited) to other comprehensive income for the year	-	-	(50)	-	(31)	(81)
At 31 December 2015	**(260)**	**(7,118)**	**19,245**	**(4,123)**	**-**	**7,744**

Deferred tax (charge)/credit to the profit/(loss) for the year	2015	2014
Deferred tax liabilities	7,315	3,526
Deferred tax assets	1,002	6
Total (charged)/credited to the profit/(loss) for the year	**8,317**	**3,532**

All amounts are in thousand BGN, unless otherwise stated

17. Deferred tax assets and liabilities (continued)

Separate financial statements:

Deferred tax liabilities	**Retirement benefit obligations**	**Allowance for impairment of receivables**	**Property, plant, equipment and intangible assets**	**Expense accruals**	**Cash flow hedges**	**Total**
At 1 January 2014	**(187)**	**(5,488)**	**30,382**	**(5,996)**	**(15)**	**18,696**
Charged/(credited) to the profit/(loss) for the year	(22)	3,050	(8,087)	1,533	-	(3,526)
Charged/(credited) to other comprehensive income for the year	-	-	(76)	-	46	(30)
At 31 December 2014	**(209)**	**(2,438)**	**22,219**	**(4,463)**	**31**	**15,140**
Charged/(credited) to the profit/(loss) for the year	(51)	(4,680)	(2,924)	340	-	(7,315)
Charged/(credited) to other comprehensive income for the year	-	-	(50)	-	(31)	(81)
At 31 December 2015	**(260)**	**(7,118)**	**19,245**	**(4,123)**	**-**	**7,744**

Deferred tax credit to the profit/(loss) for the year	**2015**	**2014**
Deferred tax liabilities	7,315	3,526
Total (charged)/credited to the profit/(loss) for the year	**7,315**	**3,526**

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

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

The last period audited by the tax authorities for BTC is 2006. On 05 June 2015 a tax assessment act has been issued for a tax audit, covering the period January 2007 - December 2009, assessing BGN 10,235 thousand corporate income tax and interest due. On 22 December 2015 a tax assessment act has been issued for a tax audit, covering the period January 2010 – December 2013, assessing BGN 2,278 thousand corporate income tax and interest due The tax assessment acts have been appealed and the decisions are pending.
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.

All amounts are in thousand BGN, unless otherwise stated

18. Retirement benefit obligations

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

Currently no assets have been allocated for covering the long-term staff benefits 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 statement of financial position, is as follows:

	Consolidated financial statements		**Separate financial statements**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Liability at the beginning of the period	**3,095**	**1,956**	**3,095**	**1,956**
Past service cost	*181*	*39*	*177*	*39*
Current service cost	*359*	*287*	*317*	*287*
Interest cost	*133*	*75*	*115*	*75*
Total cost recognized in profit or loss	673	401	609	401
Assumed in business combination	427			
Remeasurements – actuarial loss recognised in OCI	1,184	912	949	912
Payments to retirees	(130)	(174)	(102)	(174)
Liability at the end of the period	**5,249**	**3,095**	**4,551**	**3,095**

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

	31.12.2015	**31.12.2014**
Discount rate at 31 December	2.8%	3.8%
Future salary increases per year	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.

18. Retirement benefit obligations (continued)

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

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact of the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

For the Group

	Defined benefit obligation		**Interest and current service costs**	
Effect in thousands of BGN	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (1% movement)	(521)	627	(21)	22
Future salary growth (1% movement)	617	(524)	83	(70)

For BTC

	Defined benefit obligation		**Interest and current service costs**	
Effect in thousands of BGN	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate (1% movement)	(487)	588	(22)	24
Future salary growth (1% movement)	579	(490)	78	(65)

19. Share capital, reserves and dividends

	31.12.2015	**31.12.2014**
Number of shares	288,764,840	288,764,840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288,765	288,765
Share capital	**288,765**	**288,765**

Structure of the share capital:	**31.12.2015**	**%**	**31.12.2014**	**%**
Number of ordinary shares:				
Viva Telecom Bulgaria EOOD	288,764,840	100%	288,764,840	100%
Other shareholders	-	-	-	-
Total ordinary shares	**288,764,840**	**100%**	**288,764,840**	**100%**

As of 31 December 2015, the share capital of BTC comprises 288,764,840 ordinary registered shares. The nominal share value is BGN 1.

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.

All amounts are in thousand BGN, unless otherwise stated

19. Share capital, reserves and dividends (continued)

Earnings per share	**Consolidated financial statements Year ended**		**Separate financial statements Year ended**	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Profit for distribution	16,516	26,307	6,379	33,764
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN (basic and diluted))	0.06	0.09	0.02	0.12

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

Revaluation reserve
The revaluation reserve relates to the revaluation of Land.

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

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

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

Dividends payable

	31.12.2015	**31.12.2014**
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	3	6
Tax on dividend	-	-
Net dividends paid	-	(3)
Total dividend payable	**3**	**3**

All amounts are in thousand BGN, unless otherwise stated

20. Revenue

Revenue of the Group and the Company for the years ended 31 December 2015 and 2014 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Recurring charges	394,835	372,212	394,828	372,212
Leased lines and data transmission	110,680	113,142	112,181	113,783
Outgoing traffic	110,295	131,214	110,302	131,214
Interconnect	43,093	39,717	39,396	33,737
Radio and TV Broadcasting	17,119	-	-	-
Other revenue	171,910	149,627	165,851	150,949
Total revenue	**847,932**	**805,912**	**822,558**	**801,895**

Revenues from sale of mobile handsets are included in Other revenue above, which for 2015 amount to BGN 63,811 thousand for the Group and the Company (2014: BGN 61,618 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

21. Other operating expenses

Other operating expenses for the years ended 31 December, 2015 and 2014 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Advertising, customer service, billing and collection	60,682	59,711	60,942	59,804
Facilities	42,896	45,379	44,895	45,379
Maintenance and repairs	33,923	32,340	33,452	32,340
Administrative expenses	14,645	10,319	14,138	10,317
License fees	13,876	13,346	13,512	13,338
Vehicles and transport	9,442	8,997	9,001	8,997
Leased lines and data transmission	5,847	3,053	3,162	3,049
Professional fees	3,213	3,617	2,809	3,617
Other, net	74,355	28,719	67,079	28,085
Including:				
Impairment of trade and other receivables	*61,201*	*31,025*	*55,632*	*30,392*
Scrap of assets	*7,871*	*4,615*	*7,588*	*4,615*
Impairment of other current assets	*927*	*1,386*	*839*	*1,386*
Impairment (reversal) of non-current assets	*716*	*(10,984)*	*283*	*(10,984)*
Provisions for legal claims	*(430)*	*488*	*(497)*	*488*
Other	*4,070*	*2,189*	*3,234*	*2,188*
Total other operating expenses	**258,879**	**205,481**	**248,990**	**204,926**

All amounts are in thousand BGN, unless otherwise stated

22. Staff costs

Staff costs for the years ended 31 December 2015 and 2014 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	**Year ended 31.12.2014**	**Year ended 31.12.2015**	**Year ended 31.12.2014**
Salaries and wages	96,964	87,610	93,875	87,604
Pension, health and unemployment fund contributions	16,841	15,620	16,385	15,619
Other benefits	4,721	4,446	4,582	4,446
Other staff costs	3,152	2,930	3,120	2,930
Total staff costs	**121,678**	**110,606**	**117,962**	**110,599**

As stated in Note 18 the amounts of post-employment termination benefits included in salaries and wages above for the consolidated and separate financial statements for 2015 are respectively BGN 540 thousand and BGN 494 thousand (2014: BGN 326 thousand).

All amounts are in thousand BGN, unless otherwise stated

23. Finance income and costs

Financial income and costs for the years ended 31 December 2015 and 2014 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Finance costs				
Interest expense:	(56,860)	(58,355)	(56,838)	(58,355)
-Bond issues	*(55,434)*	*(55,208)*	*(55,434)*	*(55,208)*
-Bank borrowings	*(372)*	*(1,946)*	*(372)*	*(1,946)*
-Provisions	*(461)*	*(430)*	*(443)*	*(430)*
-Finance lease	*(98)*	*(169)*	*(95)*	*(169)*
-Other	*(495)*	*(602)*	*(494)*	*(602)*
Loss on cash flow hedges - ineffective portion of changes in fair value	-	(30)	-	(30)
Foreign exchange loss	(67)	(54)	(30)	(34)
Other finance costs	(739)	(648)	(717)	(638)
Total finance cost	**(57,666)**	**(59,087)**	**(57,585)**	**(59,057)**
Finance income				
Interest income:	8,087	8,689	9,384	8,602
-Bank deposits	*42*	*2,578*	*37*	*2,494*
-Finance lease	*3,289*	*2,920*	*3,289*	*2,920*
-Other	*4,756*	*3,191*	*6,058*	*3,188*
Incl impaired financial assets:	*247*	*2*	*238*	*2*
Gains on cash flow hedges - ineffective portion of changes in fair value	1		1	
Income on available-for-sale financial assets:				
-Reclassified from OCI	-	8,767	-	8,767
-Dividend income	51	302	551	8,552
Other finance income	17,798	6,607	17,393	6,457
Total finance income	**25,937**	**24,365**	**27,329**	**32,378**
Net finance costs	**(31,729)**	**(34,722)**	**(30,256)**	**(26,679)**

Other finance income for 2015 represents the result of the cancelled assignments, as disclosed in note 6.

24. Other gains, net

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Gains from sales of non-current assets and assets held for sale	9,816	9,643	10,055	9,643
Incl.: income	11,993	10,309	11,792	10,309
net book value	(2,177)	(666)	(1,737)	(666)
Gain from sales of materials	(147)	3	2	3
Incl.: income	28	4	2	4
net book value	(175)	(1)	-	(1)
Gains on bargain purchase	8,812		-	
Total other gains, net	**18,481**	**9,646**	**10,057**	**9,646**

All amounts are in thousand BGN, unless otherwise stated

25. Tax expense

Income tax expenses for the years ended 31 December 2015 and 2014 consist of:

a) amounts recognised in profit or loss

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Current income tax charge	17,415	6,280	17,415	6,186
Deferred tax	(8,317)	(3,532)	(7,315)	(3,526)
Total income tax expense	**9,098**	**2,748**	**10,100**	**2,660**

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Profit before tax	25,614	29,055	16,479	36,424
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2,561	2,906	1,648	3,642
Non-deductible expenses	5,758	273	593	273
Tax exempt income	(6,752)	(854)	(60)	(1,678)
Effect of current tax from previous periods, accounted during the year	7,761	-	7,761	-
Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets	(473)	-	-	-
Change in recognised deductible temporary differences	243	423	158	423
Income tax expense	**9,098**	**2,748**	**10,100**	**2,660**
Effective tax rate	35.52%	9.46%	61,29%	7.30%
Income tax expense in the profit or loss	9,098	2,748	10,100	2,660

All amounts are in thousand BGN, unless otherwise stated

25. Tax expense (continued)

b) amounts recognised in other comprehensive income
Consolidated financial statements:

	Year ended 31.12.2015			Year ended 31.12.2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Revaluation of land	(503)	50	(453)	(764)	76	(688)
Cash flow hedges	(304)	31	(273)	462	(46)	416
Available-for-sale financial assets	-	-	-	(7,452)	-	(7,452)
Defined benefit plan actuarial gains (losses)	(1,184)	-	(1,184)	(912)	-	(912)
	(1,991)	81	(1,910)	(8,666)	30	(8,636)

Separate financial statements:

	Year ended 31.12.2015			Year ended 31.12.2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Revaluation of land	(503)	50	(453)	(764)	76	(688)
Cash flow hedges	(304)	31	(273)	462	(46)	416
Available-for-sale financial assets	-	-	-	(7,452)	-	(7,452)
Defined benefit plan actuarial gains (losses)	(949)	-	(949)	(912)	-	(912)
	(1,756)	81	(1,675)	(8,666)	30	(8,636)

26. 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 periods ended 31 December 2015 and 2014 is presented below.

All amounts are in thousand BGN, unless otherwise stated

26. Segment information (continued)

Year ended 31.12.2015	**Mobile line of business**	**Fixed line of business**	**NURTS business**	**Eliminations**	**Total**
Revenue	483,303	341,126	28,214	(4,711)	847,932
Incl. inter-segment revenue	*81*	*1,068*	*3,562*	*(4,711)*	-
Cost of sales	(159,497)	(51,057)	(3,478)	1,091	(212,941)
Gross margin	**323,806**	**290,069**	**24,736**	**(3,620)**	**634,991**
Operating expenses					(251,026)
Staff costs					(121,678)
Depreciation and amortization					(223,426)
Financial expenses, net					(31,729)
Other gains, net					18,481
Profit before tax					**25,614**
Income tax expense					(9,098)
Net profit for the year					**16,516**

Year ended 31.12.2014	**Fixed line of business**	**Mobile line of business**	**Total**
Revenue	361,868	444,044	805,912
Cost of sales	(49,318)	(136,562)	(185,880)
Gross margin	**312,550**	**307,482**	**620,032**
Operating expenses			(199,488)
Staff costs			(110,606)
Depreciation and amortization			(255,807)
Financial expenses, net			(34,722)
Other gains, net			9,646
Profit before tax			**29,055**
Income tax expense			(2,748)
Net profit for the year			**26,307**

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

27. 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 managing and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties.

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

All amounts are in thousand BGN, unless otherwise stated

27. Related parties (continued)

Balances

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

For the Group:	Note	Receivables		Payables	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Members of Mr Vassilev's Group of Companies	Other RP	-	88	-	-
Total for BTC group			**88**	**-**	**-**

For BTC:	Note	Receivables		Payables	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
BTC Net EOOD	Subsidiary	364	1,224	1,100	2,587
NURTS Bulgaria EAD	Subsidiary	35,485	-	527	-
NURTS Digital EAD	Other RP	235	-	-	-
Members of Mr Vassilev's Group of Companies	Other RP	-	88	-	-
Total for BTC group		**36,084**	**1,312**	**1,627**	**2,587**

The balance of the receivable from NURTS Bulgaria EAD represents mainly 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 loans are secured with first ranking non-possessory pledges in accordance with the Special Pledges Act on the going concerns of NURTS Bulgaria EAD and NURTS Digital EAD, which includes among other certain real estates and other assets of the companies. In November 2015 NURTS Bulgaria failed to repay one of the instalments due to BTC and as a result the Company has appointed a manager of the going concern of NURTS Digital EAD. The interest income recognised for the six months ended 31 December 2015 in the separate financial statements amounts to BGN 1,363 thousand.

Transactions

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

	Note	Consolidated financial statements		Separate financial statements	
		Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
BTC Net EOOD	Subs.	-	-	9,383	9,233
NURTS Bulgaria EAD	Subs.	-	-	3,501	-
Members of Mr Vassilev's Group of Companies	Other RP	58	75	58	75
Total for BTC		**58**	**75**	**12,942**	**9,308**

All amounts are in thousand BGN, unless otherwise stated

27. Related parties (continued)

The realised revenue for BTC from related parties is as follows:

	Note	Consolidated financial statements		Separate financial statements	
		Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
BTC Net EOOD	Subs.	-	-	7,576	4,747
NURTS Bulgaria EAD	Subs	-	-	1,132	
NURTS Digital EAD	Subs	-	-	17	
Members of Mr Vassilev's Group of Companies	Other RP	6	571	6	571
Viva Telecom Bulgaria EOOD	Parent	8	7	8	7
Total for BTC		**14**	**578**	**8,739**	**5,325**

Borrowings

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:

	Note	As of and for the year ended 31 December	Loan principal	Interest income	Interest receivable
Vivatelecom Bulgaria EOOD	Parent	2014	925	26	10
		2015	3,083	121	31

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 was the aggregate of 6M Euribor plus a margin of 7.5% p.a. The total outstanding principal amount and accumulated interest was agreed to 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 6 in August 2015 the assignment was cancelled with retroactive effect where BTC became a titleholder of the initially assigned receivable.

Management remuneration

Remuneration amounting to BGN 4,902 thousand relating to the members of the Managing Board and to key management personnel has been accrued as of 31 December 2015 (2014: BGN 3,017 thousand) from which BGN 1,130 thousand is payable as of 31 December 2015 (2014: BGN 1,430 thousand).

All amounts are in thousand BGN, unless otherwise stated

28. Commitments and contingencies

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

For the Group

Equipment description	Aggregate contracted amount	Delivered up to 31.12.2015	Commitments outstanding
Hardware and software	5,054	2,864	2,190
Construction and assembly works of the network of BTC	27,165	7,494	19,671
Network equipment	102,414	73,315	29,099
TOTAL	**134,633**	**83,673**	**50,960**

For BTC

Equipment description	Aggregate contracted amount	Delivered up to 31.12.2015	Commitments outstanding
Hardware and software	5,054	2,864	2,190
Construction and assembly works of the network of BTC	26,282	7,266	19,016
Network equipment	102,414	73,315	29,099
TOTAL	**133,750**	**83,445**	**50,305**

Contingencies
The Company is a participant in several lawsuits and administrative proceedings. In 2015 CPC issued a decision on an initiative of a local telecom operator for alleged abuse of a dominant position by the Company in relation to a termination of mobile network interconnection agreements and imposed a fine in the amount of BGN 3.74 million. The CPC decision was appealed. Based on the information available, management is satisfied that there is no unprovided liability arising from these lawsuits and administrative proceedings.

The Group has bank guarantees issued to third parties which amount to BGN 708 thousand as of 31 December 2015 (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 (BGN 24,057 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 at the date of the present financial statements no evidence was received for the existence of such liability, nor for its amount (if such liability exists). Respectively, no liability or provision has been recognized as at December 31, 2015, and contingent liability is disclosed. There are uncertainties related to the outcome of the matter that may have an impact on the value of the recognized liabilities and affect the profit and loss.

All amounts are in thousand BGN, unless otherwise stated

29. Operating lease

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Minimum lease payments	14,282	13,701	13,739	13,701

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2015	Year ended 31.12.2014	Year ended 31.12.2015	Year ended 31.12.2014
Within one year	13,326	13,445	13,089	13,445
In the second to fifth years inclusive	33,073	36,574	33,073	36,574
Later than five years	68,615	75,513	68,615	75,513
Total commitments	**115,014**	**125,532**	**114,777**	**125,532**

Operating lease payments represent rentals payable for certain part of the vehicles of the Group and the Company. Leases and rentals are negotiated for an average term of three years. In the amount of the non-cancellable operating lease payables are included payments related to contract for lease of administrative building that commenced in 2010 and the leasing term is above 5 years.

All amounts are in thousand BGN, unless otherwise stated

30. Financial instruments

The following table shows the carrying amounts and fair values of the 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

		Carrying amount					Fair value			
31 December 2015	***Note***	**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	*12*	137	-	-	-	137	-	137	-	137
		137	-	-	-	137				
Financial assets not measured at fair value										
Trade and other receivables	6	-	166,999	-	-	166,999				
Cash and cash equivalents	*5*	-	89,555	-	-	89,555				
		-	256,554	-	-	256,554				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging		206	-	-	-	206		206		206
		206	-	-	-	206				
Financial liabilities not measured at fair value										
Revolving credit	*16*	-	-	-	9,781	9,781	-	-	9,781	9,781
Secured bond issue	*16*	-	-	-	776,960	776,960	807,124	-	-	807,124
Finance lease liabilities	*16*	-	-	-	772	772	-	-	776	776
Trade credits	*16*	-	-	-	6,644	6,644			6,844	6,844
Trade payables	*13*	-	-	-	93,446	93,446				
		-	-	-	887,603	887,603				

All amounts are in thousand BGN, unless otherwise stated

30. Financial instruments (continued)

		Carrying amount					Fair value			
31 December 2014	***Note***	**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	*12*	271	-	-	-	271	-	271	-	271
		271	-	-	-	271				
Financial assets not measured at fair value										
Trade and other receivables	6	-	234,343	-	-	234,343				
Cash and cash equivalents	*5*	-	60,080	-	-	60,080				
		-	294,423	-	-	294,423				
Financial liabilities not measured at fair value										
Revolving credit	*16*	-	-	-	19,597	19,597	-	-	19,597	19,597
Secured bond issue	*16*	-	-	-	773,356	773,356	796,852	-	-	796,852
Finance lease liabilities	*16*	-	-	-	1,515	1,515	-	-	1,515	1,515
Trade credits	*16*	-	-	-	10,499	10,499			10,499	10,499
Trade payables	*13*	-	-	-	124,994	124,994				
		-	-	-	929,961	929,961				

Separate financial statements

		Carrying amount					Fair value			
31 December 2015	***Note***	**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	*12*	137	-	-	-	137	-	137	-	137
		137	-	-	-	137				
Financial assets not measured at fair value										
Trade and other receivables	6	-	186,020	-	-	186,020				
Cash and cash equivalents	*5*	-	85,665	-	-	85,665				
		-	271,685	-	-	271,685				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging		206	-	-	-	206		206		206
		206	-	-	-	206				
Financial liabilities not measured at fair value										
Revolving credit	*16*	-	-	-	9,781	9,781	-	-	9,781	9,781
Secured bond issue	*16*	-	-	-	776,960	776,960	807,124	-	-	807,124
Finance lease liabilities	*16*	-	-	-	725	725	-	-	731	731
Trade credits	*16*	-	-	-	6,644	6,644			6,844	6,844
Trade payables	*13*	-	-	-	92,119	92,119				
		-	-	-	886,229	886,229				

All amounts are in thousand BGN, unless otherwise stated

30. Financial instruments (continued)

		Carrying amount					Fair value			
31 December 2014	***Note***	**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	*12*	271	-	-	-	271	-	271	-	271
		271				271				
Financial assets not measured at fair value										
Trade and other receivables	6	-	234,094	-	-	234,094				
Cash and cash equivalents	*5*	-	60,026	-	-	60,026				
		-	294,120	-	-	294,120				
Financial liabilities not measured at fair value										
Revolving credit	*16*	-	-	-	19,597	19,597	-	-	19,597	19,597
Secured bond issue	*16*	-	-	-	773,356	773,356	796,852	-	-	796,852
Finance lease liabilities	*16*	-	-	-	1,515	1,515	-	-	1,515	1,515
Trade credits	*16*	-	-	-	10,499	10,499			10,499	10,499
Trade payables	*13*	-	-	-	125,888	125,888				
		-	-	-	930,855	930,855				

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.

Type	Valuation technique	Significant unobservable inputs
Financial instruments measured at fair value		
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		
Other financial liabilities	Discounted cash flows	Interest rate

Other financial liabilities above include secured bank loans and finance lease liabilities. Market interest rates applied for the valuation of the financial instruments are in the range of 2.8% and 3.8%.

All amounts are in thousand BGN, unless otherwise stated

31. 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 six months to 31 December 2015 NURTS contributed revenue of BGN 24,653 thousand and profit of BGN 1,447 thousand to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been BGN 864,128 thousand, and consolidated profit for the year ended 31 December 2015 would have been BGN 12,993 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.

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	61,907
Intangible assets	270
Deferred tax assets, net	8,540
Trade and other payables	(6,237)
Borrowings	(43,937)
Provisions	(4)
Retirement benefit obligations	(427)
Total identifiable net assets acquired	**48,674**

The fair value of assets acquired and liabilities assumed has been determined provisionally. 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.

31. Acquisition of subsidiary (continued)

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	(48,674)
Gain on bargain purchase	**(8,812)**

31. Subsequent events

Except as stated above, there are no other events that require adjustments or disclosures in these financial statements, which have occurred during the period from the reporting date to the date the consolidated and separate financial statements were authorised for issue by the Managing Board (11.04.2016).

Deloitte.

Deloitte Audit OOD
UIC 121145199
103, Al. Stambolijski Blvd.
1303 Sofia
Bulgaria

Делойт Одит ООД
ЕИК 121145199
бул. „Ал. Стамболийски" 103
София 1303
България

Tel: +359 (2) 80 23 300
Fax: +359 (2) 80 23 350
www.deloitte.bg

Тел: +359 (2) 80 23 300
Факс: +359 (2) 80 23 350

INDEPENDENT AUDITOR'S REPORT

To the sole shareholder of
Bulgarian Telecommunication Company EAD

Report on the Consolidated and Separate Financial Statements

We have audited the accompanying consolidated and separate financial statements of Bulgarian Telecommunication Company EAD (the "Company"), which comprise the consolidated and separate statement of financial position as of December 31, 2015, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The Company's consolidated financial statements include separate financial statements of the Company and its subsidiaries (together "the Group").

Management's Responsibility for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company as of December 31, 2015, and its separate and consolidated financial performance and its cash flows for the year then ended, in accordance with IFRS, as adopted by the European Union

Emphasis of Matter

We draw attention to the following:

a. As disclosed in note 4i to the accompanying financial statements in 2014 NURTS Bulgaria EAD set-off its payables to Corporate Commercial Bank AD – in bankruptcy (CCB) resulting from bonds owned by CCB at the amount of BGN 50,310 thousand principal and BGN 1,350 thousand accrued interests against receivables of NURTS Bulgaria EAD from CCB. Further, two assignments of cash deposits in CCB performed by the Company in 2014 were cancelled in 2015, resulting in recognized receivables from CCB at the amount of BGN 10,512 thousand, net of impairment, as at December 31, 2015.

   As disclosed in note 4i, despite of the validly executed transactions CCB have recognized only partially the set-off of bonds to the amount of BGN 1,543 thousand, and have not included the cancelled assignments in the list of accepted receivables. The Group's management expects these issues to be resolved in a court. There are uncertainties related to the future outcome of the above cases that may have an impact on the value of the recognized assets and liabilities and affect the profit and loss, respectively.

b. As disclosed in note 28, the subsidiary NURTS Bulgaria EAD is notified by CCB that it has an obligation according to signed agreement for stepping into debt under which NURTS Bulgaria EAD steps into debt of a third party at the amount of BGN 24,057 thousand. Management of the subsidiary and the Group has no documents or other information for such transaction and no liability has been recognized as at December 31, 2015. There are uncertainties related to the outcome of the matter that may have an impact on the value of the recognized liabilities and affect the profit and loss

c. As disclosed in note 1, section TV broadcasting, to the accompanying financial statements, which discloses uncertainty regarding the possible effect on the activity of the subsidiary NURTS Digital EAD as a result of the European court resolution.

Our opinion is not modified with respect to the above described matters.

Other matters

The consolidated and separate financial statements of the Company for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2015.

Report on Other Legal and Regulatory Requirements – Annual report on the activities of the Company, according to the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, we have read the accompanying Annual consolidated and separate report on the activities of the Company. The Annual report on the activities prepared by the management is not a part of the consolidated and separate financial statements. The historical financial information presented in the Annual report on the activities of the Company, prepared by the management is consistent, in all material respects, with the financial information disclosed in the consolidated and separate financial statements of the Company as of December 31, 2015, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual report on the activities of the Company dated April 11, 2016.

Deloitte Audit OOD

Deloitte Audit OOD

A. Dimov

Assen Dimov
Statutory Manager
Registered Auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

April 11, 2016
Sofia