BULGARIAN TELECOMMUNICATIONS COMPANY EAD

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

30 September 2014

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CONSOLIDATED AND SEPARATE ACTIVITIES REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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BULGARIAN TELECOMMUNICATIONS COMPANY EAD
QUARTERLY ACTIVITIES REPORT
For the nine months ended 30 September 2014

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

OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

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

As at September, 30 2014 the group includes VIVACOM and its subsidiary entity BTC Net EOOD (the "Group" or "VIVACOM Group").

We are the leading telecommunications operator in Bulgaria, based on revenue for the nine months ended September 30, 2014. We are fully integrated operator that provides mobile, fixed telephony, fixed broadband and pay TV (both DTH and IPTV) services nationwide to both residential and business customers. We provide our fixed line services through our own fixed line network and our mobile services through our own mobile network based on GSM/GPRS/EDGE and UMTS/HSPA+ technologies. As at September 30, 2014, we served 2.8 million mobile subscribers, 1.2 million fixed telephony subscribers and 0.3 million fixed broadband subscribers. For the nine months ended September 30, 2014, we generated total revenue of BGN 600.7 million and had Adjusted EBITDA of BGN 263.9 million.

We are currently the third largest mobile operator in Bulgaria, based on number of subscribers, with 2.8 million subscribers as at September 30, 2014, an increase of 11.3% from 2.5 million subscribers as at September 30, 2013. This is primarily due to the implementation of an ongoing successful market challenger strategy in the mobile market, which has led us to achieve an increase in our mobile market share and to develop a solid market share position. A central part of the market challenger strategy has been our focus on features that allow us to differentiate ourselves from our competitors, such as what we believe to be our "best in class" mobile network, which provides market leading coverage among the major network operators in Bulgaria. As at December 31, 2013 our GSM mobile network covered 99.99% of the Bulgarian population, and our UMTS mobile network covered 99.81% of the Bulgarian population (Source: CRC).
Our revenue market share for the mobile market is approximately 25% as at September 30, 2014.

We are the incumbent in the fixed voice line market with 84% subscription revenue share (excluding VoBB revenue) and 66% subscriber share as at June 30, 2014 (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). We offer fixed telephony, fixed broadband and pay TV services to our residential and business customers.

We are the market leader in the fixed broadband market with a 23% subscriber market share as at June 30, 2014. (Source: Analysys Mason's Telecoms Market Matrix and European Core Forecasts). Our ongoing FTTx network build out enables us to benefit from the ongoing shift to FTTx from other broadband technologies as customers demand services at higher speeds. We began our FTTx roll out in 2011 and we have since achieved significant progress, with 831,000 fiber homes passed as at September 30, 2014. We also operate our own scalable fiber backbone network which allows us to deliver complex corporate data solutions to business customers.

We sell our services and products through direct channels, such as VIVACOM owned stores, which are strategically located, and indirect channels, such as a smaller number of third party retail distributors. Our distribution network is further supported by remote channels such as telemarketing. As at September 30, 2014 VIVACOM had 237 owned branded retail locations with an additional 110 alternative sale points.

FINANCIAL CONDITION AND RESULTS OF OPERATION

The Group ended the first nine months of 2014 with a positive result of BGN 16.0 million, (the Company - with a positive result of BGN 23.5 million), an increase of BGN 5.7 million from BGN 10.3 million for the nine months ended September 30, 2013. Overall, the financial statements show stable increase in profitability with minimal decrease in revenues and an adequate optimization of operating expenses despite the impairment related to the receivables representing cash at CCB amounting to BGN 24.8 million for the Group and BGN 24.3 million for the Company, recognised in other operating expenses.

On 22 November 2013 VIVACOM successfully completed its bond offering of EUR 400 (BGN 782.3) million 6⅝% Senior Secured Notes due 2018 (the "Notes"). The maturity date of the Notes is November 15, 2018. The Company will pay interest on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014.

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

REVENUES

Our total revenue was BGN 600.7 million for the nine months ended September 30, 2014, a decrease of BGN 4.9 million, or 0.8%, from BGN 605.6 million for the nine months ended September 30, 2013.

The table below sets forth our revenue for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

	For the nine months ended September 30,		Change	
BGN in millions, except percentages	**2014**	**2013**	**(amount)**	**(%)**
Recurring charges	276.4	262.3	14.1	5.4
Outgoing traffic	100.1	107.2	(7.1)	(6.6)
Leased lines and data transmission	84.8	90.4	(5.6)	(6.2)
Interconnect	31.2	49.5	(18.3)	(37.0)
Other revenue	108.2	96.3	11.9	12.4
Total revenue	**600.7**	**605.6**	(4.9)	(0.8)

Revenue from recurring charges was BGN 276.4 million for the nine months ended September 30, 2014, an increase of BGN 14.1 million, or 5.4%, from BGN 262.3 million for the nine months ended September 30, 2013 primarily due to increased bundling and more services provided to customers in their monthly charges, as well as from net subscriber gains.

Revenue for outgoing traffic was BGN 100.1 million for nine months ended September 30, 2014, a decrease of BGN 7.1 million, or 6.6%, from BGN 107.2 million for the nine months ended September 30, 2013 mainly due to lower termination rates and competitive pressure leading to a decline in prices per minute and more included minutes in tariffs offered to customers.

Revenue for leased lines and data transmissions was BGN 84.8 million for nine months ended September 30, 2014, a decrease of BGN 5.6 million, or 6.2% from BGN 90.4 million for the nine months ended September 30, 2013, 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 31.2 million for the nine months ended September 30, 2014, a decrease of BGN 18.3 million, or 37.0%, from BGN 49.5 million for the nine months ended September 30, 2013. The decrease in revenue was mainly a result of lower termination rates as mandated by the CRC. MTRs were reduced in January 2013 to reach BGN 0.046 in accordance with the glide path. Further decreases were implemented in July 2013, with MTR lowered to BGN 0.023 and from January 2014 the MTR is set at BGN 0.02. FTRs were reduced in July 2013 to BGN 0.005 compared to BGN 0.0085 in January 2013.

Other revenue was BGN 108.2 million for the nine months ended September 30, 2014, an increase of BGN 11.9 million, or 12.4% from BGN 96.3 million for the nine months ended September 30, 2013 mainly due to increased revenue from pay TV (both DTH and IPTV) and increased sales of mobile handsets and tablets.

The following table sets forth a breakdown of our revenue by segment for the nine months ended September 30, 2014:

	For the nine months ended September 30,		**Change**	
BGN in millions, except percentages	**2014**	**2013**	**(amount)**	**(%)**
Fixed-line revenue	274.3	300.9	(26.6)	(8.8)
Mobile revenue	326.4	304.7	21.7	7.1
Total revenue	**600.7**	**605.6**	**(4.9)**	**(0.8)**

Our fixed-line revenue, which is comprised of fixed voice (fixed telephony and other), fixed data (fixed broadband and other) and other fixed line services was BGN 274.3 million for the nine months ended September 30, 2014, a decrease of BGN 26.6 million, or 8.8%, from BGN 300.9 million for the nine months ended September 30, 2013. The decrease was mainly attributable to the ongoing fixed to mobile substitution trend, competition from other operators and a decrease in interconnect revenues stemming from the regulatory effect.

Our mobile revenue was BGN 326.4 million for the nine months ended September 30, 2014, an increase of BGN 21.7 million, or 7.1%, from BGN 304.7 million for the nine months ended September 30, 2013. The increase in mobile revenue was primarily due to the growth of our mobile subscriber base, which can be attributed to our competitive offers and the quality of our network that offset the decrease in mobile ARPU from competition and the regulatory effect.

Principal Factors Affecting Mobile Revenues

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

	For the nine months ended September 30,		Change	
	2014	**2013**	**(amount)**	**(%)**
Number of mobile subscribers at period end (in thousands)	**2 809**	**2 524**	**285.0**	**11.3**
% post-paid at period end	84	82	2.0	2.4
% pre-paid at period end	16	18	(2.0)	(11.1)
Blended mobile ARPU (BGN)	**11.2**	**11.5**	(0.3)	(2.4)
Post-paid ARPU (BGN)	12.5	12.9	(0.4)	(3.1)
Pre-paid ARPU (BGN)	4.5	4.7	(0.2)	(3.9)
AMOU (minutes)	**141**	**137**	**4.0**	**2.9**

Our mobile subscriber base consists primarily of residential subscribers and, in line with the Bulgarian mobile telecommunications market, the vast majority of our subscribers are post-paid. As at September 30, 2014, 84% of our total mobile subscriber base consisted of post-paid subscribers.

Our mobile subscriber base has increased, from 2.5 million subscribers as at September 30, 2013 to 2.8 million subscribers as at September 30, 2014. 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 decreased by 2.4% to BGN 11.2 for the nine months ended September 30, 2014 from BGN 11.5 for the nine months ended September 30, 2013 primarily as a result of the continued reduction in termination rates mandated by the CRC and reduced tariffs for our offerings. The increasing popularity of Android smartphones boosted the smartphone penetration rate and, in turn, mobile data usage by customers and mobile data ARPU. The gain in mobile data ARPU partially compensated for the falling ARPU from voice services.

Mobile AMOU increased by 2.9% to 141 minutes for the nine months ended September 30, 2014, from 137 minutes for the nine months ended September 30, 2013. The increase is due to our strategy for offering more added services and tariff plans with a high number of included minutes, providing our subscribers with flexible solutions to match their consumption patterns.

Principal Factors Affecting Fixed-line Revenue

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

	For the nine months ended September 30,		Change	
	2014	**2013**	**(amount)**	**(%)**
Fixed telephony subscribers at period end (in thousands)	1 227	1 358	(131.0)	(9.6)
Fixed telephony ARPU (BGN)	12.1	12.4	(0.3)	(1.9)
AMOU (minutes)	106	110	(4.0)	(3.6)
Fixed broadband subscribers at period end (in thousands)	346	323	23.0	7.1
% FTTx at period end	32	18	14.0	77.8
Fixed broadband ARPU (BGN)	11.3	12.1	(0.8)	(6.6)
Number of fiber homes passed (in thousands)	831	570	261.0	45.8

Fixed Telephony

Our total fixed telephony subscribers decreased by 9.6% to 1.2 million as at September 30, 2014, from 1.4 million as at September 30, 2013. The decrease in fixed telephony subscribers was primarily due to the strong price competition surrounding fixed telephony services, where such services are being offered as a low price addition to our competitors’ mobile, fixed broadband and pay TV services, as well as ongoing fixed to mobile substitution.

Total fixed telephony ARPU decreased by 1.9% to BGN 12.1 for the nine months ended September 30, 2014, from BGN 12.4 for the nine months ended September 30, 2013. The decrease in total fixed telephony ARPU is primarily due to the decrease in monthly recurring fees as the proportion of tariffs with lower MRC increased as well as a decrease in AMOU.

Fixed telephony AMOU decreased by 3.6% to 106 minutes for nine months ended September 30, 2014, from 110 minutes for the nine months ended September 30, 2013. The decrease is 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 7.1% to 346 thousand as at September 30, 2014, from 323 thousand as at September, 2013. The increase is due to the increase in FTTx connections driven by the growing demand for high speed bandwidth capacity.

Total fixed broadband ARPU decreased by 6.6% to BGN 11.3 for the nine months ended September 30, 2014, from BGN 12.1 for the nine months ended September 30, 2013. The decrease was primarily due to the falling ARPUs of lower speed ADSL.

EXPENSES

Interconnect Expense

Our interconnect expense was BGN 29.0 million for the nine months ended September 30, 2014, a decrease of BGN 15.5 million, or 34.8%, from BGN 44.5 million for the nine months ended September 30, 2013. This was mainly due to lower termination rates for calls made by our subscribers to other networks, as a result of regulation.

Other Operating Expenses

Our other operating expenses were BGN 159.2 million for the nine months ended September 30, 2014, a decrease of BGN 17.8 million, or 10.1%, from BGN 177.0 million for the nine months ended September 30, 2013.

The table below sets forth our other operating expenses for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

	For the nine months ended September 30,		Change	
BGN in millions, except percentages	**2014**	**2013**	**(amount)**	**(%)**
Advertising, customer service, billing and collection	(41.5)	(40.7)	(0.8)	2.0
Facilities	(33.3)	(33.1)	(0.2)	0.6
Maintenance and repairs	(23.9)	(61.1)	37.2	(60.9)
License fees	(10.0)	(10.2)	0.2	(2.0)
Administrative expenses	(6.8)	(11.6)	4.8	(41.4)
Vehicles and transport	(6.7)	(2.6)	(4.1)	157.7
Leased Lines & Data Transmission	(2.3)	(2.4)	0.1	(4.2)
Professional fees	(2.0)	(2.0)	-	-
Other, net	(32.7)	(13.2)	(19.5)	147.7
Total other operating expenses	**(159.2)**	**(177.0)**	**17.8**	**(10.1)**

The decrease in other operating expenses was driven mainly by lower maintenance and repairs expenses reflecting the termination of the outsourcing agreement with Alcatel-Lucent Bulgaria EOOD (“Alcatel Lucent agreement”) as well as lower administrative expenses. The services that were outsourced to Alcatel Lucent include among others, the maintenance of our fiber and copper access network, service provisioning and assurance, mobile sites field maintenance, active equipment and service platforms maintenance, and the operation of a network operation center. The Company transferred the outsourced activities and 2 156 employees back as of 1 January 2014. Decrease in other, net expenses is mainly due to lower impairment of trade and other receivables as a result of improved collectability. Administrative expenses decreased mainly due to less accrued costs on administrative procedures.
These decreases were partially offset by the higher vehicles and transport expenses as well as higher cost of advertising, customer service, billing and collection and facilities expenses. Higher vehicles and transport expenses were driven by the transfer of employees and related vehicles following the termination of Alcatel Lucent agreement. Advertising, customer service, billing and collection expenses increased mainly due to more promotional activities and higher costs for pay TV content as we increased our subscriber numbers. Increase in other, net expenses is due to impairment of other receivables representing cash and cash equivalents deposited in Corporate Commercial Bank (CCB) as disclosed in Note 4 to the present consolidated and separate financial statement.

Materials and Consumables Expenses

Our materials and consumables expenses were BGN 99.2 million for the nine months ended September 30, 2014, an increase of BGN 3.8 million, or 4.0%, from BGN 95.4 million for the nine months ended September 30, 2013 attributable mainly to increased costs related to the higher sales of mobile handsets to support the increased demand for smartphones.

Staff Costs

Our staff costs were BGN 79.8 million for the nine months ended September 30, 2014, an increase of BGN 28.2 million, or 54.7%, from BGN 51.6 million for the nine months ended September 30, 2013, mainly due to the increase in the number of employees following the termination of Alcatel Lucent agreement and insourcing of our network operation and maintenance activities.

Depreciation and Amortization

Our depreciation and amortization costs were BGN 191.6 million for the nine months ended September 30, 2014, a decrease of BGN 1.8 million, or 0.9%, from BGN 193.4 million for the nine months ended September 30, 2013.

Finance Costs

Our finance costs were BGN 44.5 million for nine months ended September 30, 2014, an increase of BGN 5.5 million, or 13.9%, from BGN 39.0 million for the nine months ended September 30, 2013, primarily as a result of the higher coupon (6⅝% fixed) on the EUR 400m Notes compared to floating interest rate (EURIBOR + 5.5%) on the old EUR 452m syndicated loan.

Finance Income

Our finance income was BGN 14.2 million for the nine months ended September 30, 2014, an increase of BGN 9.8 million, or 222.7%, from BGN 4.4 million for the nine months ended September 30, 2013, due to the proceeds from sale of equity securities as well as due to the higher interest income from finance leases on mobile devices whereby customers pay us for mobile handsets and tablets in installments.

Other Gains, Net

Our other gains, net were BGN 5.6 million for the nine months ended September 30, 2014, an increase of BGN 3.0 million, or 113.9%, from BGN 2.6 million for the nine months ended September 30, 2013 as gains from sales of non-current assets increased, mainly due to the increase in sales of our dismantled copper cables.

Income Tax Expenses

The following table sets forth our income tax expense for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

	For the nine months ended September 30,		Change	
BGN in millions, except percentages	**2014**	**2013**	**(amount)**	**(%)**
Current income tax charge	4.6	1.4	3.2	232.8
Deferred tax credit to comprehensive income	(3.3)	0.1	(3.5)	(2 138.7)
Income tax expense	**1.3**	**1.5**	**(0.2)**	**(13.3)**

Income tax expenses were BGN 1.3 million for the nine months ended September 30, 2014, an decrease of BGN 0.2 million, or 13.3%, from BGN 1.5 million for the nine months ended September 30, 2013 mainly due to lower effective tax rate for the first nine months of 2014.

ADJUSTED EBITDA AND PROFIT FOR THE PERIOD

As a result of the foregoing, our profit for the nine months ended September 30, 2014 was BGN 16.0 million, an increase of BGN 5.7 million, or 56% from BGN 10.3 million for the nine months ended September 30, 2013.

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

	For the nine months ended September 30,		Change	
(BGN in millions)	**2014**	**2013**	**(amount)**	**(%)**
Profit / (loss) for the period	**16.0**	**10.3**	**5.7**	**56.0**
Income tax expense	1.3	1.5	(0.3)	(18.5)
Finance expenses, net	30.2	34.6	(4.4)	(12.8)
Depreciation and amortization	191.6	193.4	(1.8)	(0.9)
EBITDA	**239.1**	**239.8**	**(0.7)**	**(0.3)**
Other gains, net	(5.6)	(2.6)	(3.0)	113.9
Asset impairment and write off	2.5	3.7	(1.1)	(30.7)
Provisions and penalties	26.5	7.5	19.0	252.4
Other exceptional items	1.4	2.1	(0.7)	(34.0)
Adjusted EBITDA	**263.9**	**250.5**	**13.4**	**5.3**

CASH FLOW

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

	For the nine months ended September 30,		Change	
BGN in millions, except percentages	**2014**	**2013**	**(amount)**	**(%)**
Net cash from operating activities	81.0	183.0	(102.0)	(55.7)
Net cash used in investing activities	(74.1)	(102.7)	28.6	(27.9)
Net cash used in financing activities	(51.5)	(10.4)	(41.1)	394.9
Net increase / (decrease) in cash and cash equivalents	**(44.6)**	**69.9**	**(114.5)**	**(163.8)**

Net Cash from Operating Activities

For the nine months ended September 30, 2014, net cash flows from operating activities decreased by BGN 102.0 million to BGN 81.0 million, from BGN 183.0 million for the nine months ended September 30, 2013. Trade and other receivables increased mainly due to cash and cash equivalents deposited in Corporate Commercial Bank (CCB) which was under special supervision from June, 2014. On November, 6 the Bulgarian National Bank revoked the banking license of CCB. Other payables increased mainly due to the increase in VAT and employees related payables which were partially offset by the decrease in trade payables.

Net Cash Used in Investing Activities

For the nine months ended September 30, 2014, net cash flows used in investing activities decreased by BGN 28.6 million, or 27.9%, to BGN 74.1 million, from BGN 102.7 million for the nine months ended September 30, 2013, mainly due to the sale of corporate debt and equity securities which fully offset the acquisition of investments during the period. The decrease in payments for purchases of fixed assets reflects the timing differences in our roll-out projects.

Net Cash Used in Financing Activities

For the nine months ended September 30, 2014, net cash flows used in financing activities increased by BGN 41.1 million or 394.9%, to BGN 51.5 million, from BGN 10.4 million for the nine months ended September 30, 2013. The increase is mainly attributable to repayments under the RCF and higher payments of finance lease liabilities. The RCF has BGN 48.9 million unutilized amount as at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

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

During the first nine months of 2014 VIVACOM maintained a structure of assets and liabilities that allowed its smooth operation. In order to control the threat of liquidity risk, the Company applied planning techniques, including daily liquidity reports, short-term and medium-term cash flow forecasts.

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

CAPITAL EXPENDITURES AND INVESTMENTS

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

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

	For the nine months ended September 30,	
(BGN in millions)	**2014**	**2013**
Network	50.9	65.8
IT	7.4	4.5
Commercial and other	27.3	27.7
Licenses	-	-
Total capital expenditures	**85.6**	**97.9**

For the nine months ended September 30, 2014, capital expenditures amounted to BGN 85.6 million, which consisted of:

- BGN 50.9 million of capital expenditures relating to network activities, mainly for investment in optical infrastructure and our mobile network;
- BGN 7.4 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 27.3 million of capital expenditures relating to IT activities, mainly for IT infrastructure and network driven projects.

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 June 13, 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 'BBB-/A-3' from 'BBB/A-2'. The outlook remains stable. The downgrade reflects the structural impediments facing Bulgaria which constrain institutional effectiveness and impede economic growth.
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.
Bulgarian government resigned in July and new parliamentary elections took place on October 5, 2014. The elections resulted in fragmented parliament, constituted of 8 political parties. The new government was elected by the National Assembly on November, 7 2014.

Specific Company risks

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

Regulatory risk

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

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

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

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

EU Telecom Single Market Regulation

The European Parliament has voted on first reading the proposal for new EU Regulation. The new regulation mandates EU roaming charges at national level by the end of 2015 and net neutrality (not discriminating traffic to different services). It is expected the new regulation to be finally voted by the new EU Parliament and approved by the Council of the European Union later this year. The proposed regulation and the associated change in wholesale rates are expected to have a material impact on the EU telecom sector.

Unfair competition

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

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.

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

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

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

Liquidity risks

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

Currency risk

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

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

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

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

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

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

Other specific risks

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 17 October 2014 BTC assigned BGN 26.703 thousand from the cash and cash equivalents at CCB. The Company acquired property, plant and equipment with a fair value of BGN 8.761 thousand, corresponding to the carrying amount of the assigned receivable at the date of transfer and recognized loan amounting to BGN 17.633 thousand, provided to InterV Investment S.a.r.l., which is the parent company of Viva Telecom Bulgaria.

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

EXPECTED DEVELOPMENT

In 2014 the activity of the Group will continue to be carried out in accordance with the main objectives of the Company:

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

INFORMATION ABOUT THE COMPANY'S BOARD OF DIRECTORS AND SUPERVISORY BOARD.

Members of the Company's Managing Board and Supervisory Board at 30 September 2014

a) At 30 September 2014 the members of the Managing Board of VIVACOM are:

Mr. Zlatozar Sourlekov - Chairman of the Managing Board
Mr. Atanas Dobrev - Member of the Managing Board and Chief Executive Officer
Mr. Alexander Grancharov – Deputy Chairman of the Managing Board
Mr. Rusin Yordanov - Member of the Managing Board
Mr. Ivailo Bachiyski - Member of the Managing Board

b) At 30 September 2014 the members of the Supervisory Board of VIVACOM are:

Mr. Vladimir Penkov - Chairman of the Supervisory Board
Mr. Olksandr Moroz - Member of the Supervisory Board
Mr. Philip Grose - Member of the Supervisory Board
Mr. Stefano Zuppet - Member of the Supervisory Board
Mr. Vladimir Rangelov - Member of the Supervisory Board

Mr. Tzvetan Vassilev has resigned as member of the Supervisory Board of BTC and pursuant to a resolution of the sole owner of BTC dated 30 July 2014 Vladimir Penkov succeeded the resigning director. This change has taken effect from its entry into the Bulgarian commercial register on 6 August 2014.

The members of the Managing Board, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares of VIVACOM in the first nine months of 2014. The members of the Managing Board and the Supervisory Board are not entitled to acquire shares or bonds of VIVACOM pursuant to any existing financial instrument or agreement.

Remuneration amounting to BGN 2,085 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 30 September 2014 (30 September 2013: BGN 3,827 thousand).

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

The contracts referred to in Article 240b of the Commerce Act were concluded during the first nine months of 2014 after the due authorization by the Managing Board of VIVACOM.

INFORMATION ABOUT THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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

Internal control

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

ADDITIONAL INFORMATION

The Company has no branches in the country or abroad.

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

Data about the Investor Relations:

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Atanas Dobrev
CEO
Sofia
07.11.2014

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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/, other gains, net, provisions and penalties and other exceptional items which we believe are not indicative of our underlying operating performance.

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

Market Share

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

Subscribers

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

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

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

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

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

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

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

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

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
As at 30 September 2014
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
ASSETS					
Current assets					
Cash and cash equivalents	4.	42 792	87 333	42 637	79 508
Trade and other receivables	5.	101 287	72 814	101 324	72 079
Inventories	6.	35 156	37 262	35 156	37 262
Investments	11.	9 196	145	9 196	145
Other current assets	8.	13 186	11 066	13 185	11 066
Assets classified as held for sale	7.	1 505	1 533	1 505	1 533
Total current assets		**203 122**	**210 153**	**203 003**	**201 593**
Non-current assets					
Goodwill		2 049	2 049	2 049	2 049
Property, plant and equipment	9.	785 764	853 402	785 754	853 390
Intangible assets	10.	215 468	252 215	215 461	252 207
Investments	11.	19 090	44 992	19 889	45 791
Trade and other receivables	5.	103 955	10 115	103 730	10 115
Other non-current assets	8.	1 751	1 583	1 751	1 583
Deferred tax assets	16.	50	1	-	-
Total non-current assets		**1 128 127**	**1 164 357**	**1 128 634**	**1 165 135**
TOTAL ASSETS		**1 331 249**	**1 374 510**	**1 331 637**	**1 366 728**
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	6	6	6	6
Trade payables	12.	69 515	92 664	70 444	92 843
Other payables	13.	33 518	25 476	33 442	25 402
Deferred income/revenue		20 073	18 882	20 073	18 882
Current income tax liabilities		4 475	13	4 365	8
Provisions	14.	5 794	10 247	5 794	10 247
Borrowings	15.	24 889	10 975	24 889	10 975
Total current liabilities		**158 270**	**158 263**	**159 013**	**158 363**
Non current liabilities					
Borrowings	15.	792 674	841 583	792 674	841 583
Deferred tax liabilities, net	16.	15 436	18 696	15 436	18 696
Retirement benefit obligations	17.	2 120	1 956	2 120	1 956
Provisions	14.	9 109	8 668	9 109	8 668
Trade payables	12.	3 845	4 130	3 845	4 130
Deferred income/revenue		1 306	1 388	1 306	1 388
Total non current liabilities		**824 490**	**876 421**	**824 490**	**876 421**
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves	18.	36 967	44 298	36 967	44 298
Retained earnings/(accumulated loss)		22 757	6 763	22 402	(1 119)
Total equity		**348 489**	**339 826**	**348 134**	**331 944**
TOTAL LIABILITIES AND EQUITY		**1 331 249**	**1 374 510**	**1 331 637**	**1 366 728**

These financial statements were approved on 07.11.2014

Atanas Dobrev
CEO

Asen Velikov
Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD

CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Nine months ended 30.9.2014	Nine months ended 30.9.2013	Three months ended 30.9.2014	Three months ended 30.9.2013
Revenue	19.	600 656	605 646	208 025	206 679
Interconnect expenses		(29 021)	(44 450)	(10 058)	(11 320)
Other operating expenses	20.	(159 194)	(176 971)	(68 554)	(63 748)
Materials and consumables expenses		(99 165)	(95 394)	(39 326)	(35 524)
Staff costs	21.	(79 837)	(51 642)	(25 993)	(17 273)
Depreciation and amortization	8.; 9., 10.	(191 620)	(193 386)	(63 758)	(65 356)
Finance costs	22.	(44 454)	(39 012)	(14 723)	(13 093)
Finance income	22.	14 245	4 362	7 422	1 783
Gains on sale of non-current assets and materials	23.	5 637	2 635	3 003	1 169
Profit/(loss) before tax		**17 247**	**11 788**	**(3 962)**	**3 317**
Income tax expenses	24.	(1 253)	(1 538)	906	(373)
Profit/(loss) for the period		**15 994**	**10 250**	**(3 056)**	**2 944**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		381	(39)	228	(186)
Valuation of financial assets available for sale		1 254	7 713	354	523
Available-for-sale financial assets – reclassified to profit or loss	22.	(8 399)	(25)	(5 968)	-
Related tax	24.	(69)	4	(54)	19
		(6 833)	**7 653**	**(5 440)**	**356**
Items that will never be reclassified to profit or loss:					
Revaluation of land		(554)	-	-	-
Related tax	24.	55	-	-	-
		(499)	-	-	-
Other comprehensive income for the period, net of tax		**(7 332)**	**7 653**	**(5 440)**	**356**
Total comprehensive income for the period		**8 662**	**17 903**	**(8 496)**	**3 300**
Earnings per share (basic and diluted)		0.06	0.04	(0.01)	0.01

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the nine months ended 30 September 2014
All amounts are in thousand BGN, unless otherwise stated

Separate financial statements	**Notes**	**Nine months ended**		**Three months ended**	
		30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Revenue	19.	597 299	589 461	207 452	201 438
Interconnect expenses		(26 854)	(35 680)	(9 555)	(9 844)
Other operating expenses	20.	(158 756)	(177 090)	(68 083)	(63 765)
Materials and consumables expenses		(99 163)	(95 392)	(39 325)	(35 524)
Staff costs	21.	(79 832)	(51 637)	(25 991)	(17 271)
Depreciation and amortization	8.; 9., 10.	(191 617)	(193 385)	(63 757)	(65 355)
Finance costs	22.	(44 432)	(39 007)	(14 715)	(13 091)
Finance income	22.	22 412	10 354	7 424	1 733
Gains on sale of non-current assets and materials	23.	5 637	2 635	3 003	1 169
Profit/(loss) before tax		**24 694**	**10 259**	**(3 547)**	**(510)**
Income tax expenses/(benefit)	24.	(1 173)	(775)	864	10
Profit/(loss) for the period		**23 521**	**9 484**	**(2 683)**	**(500)**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or los:					
Cash flow hedges – effective portion of changes in fair value		381	(39)	228	(186)
Valuation of financial assets available for sale		1 254	7 713	354	523
Available-for-sale financial assets – reclassified to profit or loss	22.	(8 399)	(25)	(5 968)	-
Related tax	24.	(69)	4	(54)	19
		(6 833)	**7 653**	**(5 440)**	**356**
Items that will never be reclassified to profit or loss:					
Revaluation of land		(554)	-	-	-
Related tax	24.	55	-	-	-
		(499)	-	-	-
Other comprehensive income for the period, net of tax		**(7 332)**	**7 653**	**(5 440)**	**356**
Total comprehensive income for the period		**16 189**	**17 137**	**(8 123)**	**(144)**
Earnings per share (basic and diluted)		0.08	0.03	(0.01)	(0.00)

These financial statements were approved on 07.11.2014

Atanas Dobrev
CEO

Asen Velikov
Finance Director

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

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/(accumulated loss)	Total
Balance as at 1 January 2013		**288 765**	**28 876**	**8 443**	**-**	**(45)**	**(22 546)**	**303 493**
Comprehensive income								
Profit for the period		-	-	-	-	-	10 250	10 250
Total other comprehensive income	24.	-	-	-	7 688	(35)	-	7 653
Total comprehensive income		**-**	**-**	**-**	**7 688**	**(35)**	**10 250**	**17 903**
Transfer to retained earnings - land disposal		-	-	**(188)**	-	-	**188**	-
Balance as at 30 September 2013		**288 765**	**28 876**	**8 255**	**7 688**	**(80)**	**(12 108)**	**321 396**
Balance as at 1 January 2014		**288 765**	**28 876**	**8 113**	**7 453**	**(143)**	**6 763**	**339 827**
Comprehensive income								
Profit for the period		-	-	-	-	-	15 994	15 994
Total other comprehensive income	24.	-	-	(499)	(7 176)	343	-	(7 332)
Total comprehensive income		**-**	**-**	**(499)**	**(7 176)**	**343**	**15 994**	**8 662**
Balance as at 30 September 2014		**288 765**	**28 876**	**7 614**	**277**	**200**	**22 757**	**348 489**

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 2013		**288 765**	**28 876**	**8 443**	**-**	**(45)**	**(28 251)**	**297 788**
Comprehensive income								
Profit for the period		-	-	-	-	-	9 484	9 484
Total other comprehensive income	24.	-	-	-	7 688	(35)	-	7 653
Total comprehensive income		**-**	**-**	**-**	**7 688**	**(35)**	**9 484**	**17 137**
Transfer to retained earnings - land disposal		-	-	**(188)**	-	-	**188**	-
Balance as at 30 September 2013		**288 765**	**28 876**	**8 255**	**7 688**	**(80)**	**(18 579)**	**314 925**
Balance as at 1 January 2014		**288 765**	**28 876**	**8 113**	**7 453**	**(143)**	**(1 119)**	**331 945**
Comprehensive income								
Profit for the period		-	-	-	-	-	23 521	23 521
Total other comprehensive income	24.	-	-	(499)	(7 176)	343	-	(7 332)
Total comprehensive income		**-**	**-**	**(499)**	**(7 176)**	**343**	**23 521**	**16 189**
Balance as at 30 September 2014		**288 765**	**28 876**	**7 614**	**277**	**200**	**22 402**	**348 134**

These financial statements were approved on 07.11.2014

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

BULGARIAN TELECOMMUNICATIONS COMPANY EAD
CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
For the nine months ended 30 September 2014
All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Nine months ended		Nine months ended	
		30.9.2014	30.09.2013	30.9.2014	30.09.2013
Cash flows from operating activities					
Profit before tax		17 247	11 788	24 694	10 259
Adjustment for:					
Depreciation and amortization	8., 9., 10.	191 620	193 386	191 617	193 385
Gain on sale of non current assets	23.	(5 634)	(2 603)	(5 634)	(2 603)
Impairment loss and write off of non-current assets	9., 10.	2 258	3 174	2 258	3 174
Interest expenses, net of interest income	22.	38 330	34 521	38 413	34 626
Impairment loss on trade receivables	5.	28 281	7 958	27 783	8 032
Impairment loss and write off of current assets		603	554	603	554
Income from investment operations	22.	(8 523)	(25)	(16 773)	(6 125)
Loss/(gain) from operations with cash flow hedges	22.	(2)	7	(2)	7
Provisions charged to profit and loss		1 673	1 655	1 673	1 655
Changes in:					
-inventories		1 621	(9 452)	1 621	(9 452)
-trade and other receivables		(155 104)	(17 040)	(155 223)	(19 052)
-trade and other payables		(2 758)	(5 662)	(2 012)	(1 607)
-provisions and employee benefits		(5 975)	(2 285)	(5 975)	(2 285)
-deferred income/revenue		1 110	1 152	1 110	1 152
Cash generated from operations		**104 747**	**217 128**	**104 153**	**211 720**
Interest received		3 552	2 635	3 456	2 564
Interest paid		(27 230)	(36 913)	(27 230)	(36 913)
Corporate income tax paid		(114)	162	(90)	423
Net cash from operating activities		**80 955**	**183 012**	**80 289**	**177 794**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		5 917	11 018	5 917	11 018
Acquisition of property, plant, equipment and intangible assets		(97 995)	(113 771)	(97 995)	(113 758)
Acquisition of investments		(28 095)	-	(28 095)	-
Cash deposits with maturity greater than three months, net		(412)	(56)	(322)	(86)
Dividends received		69	50	8 319	6 150
Proceeds from sales of investments	11.	46 439	25	46 439	25
Net cash used in investing activities		**(74 077)**	**(102 734)**	**(65 737)**	**(96 651)**
Cash flows from financing activities					
Proceeds from new borrowings		88 012	-	88 012	-
Repayments of borrowings		(136 908)	(9 185)	(136 908)	(9 185)
Payment of finance lease liabilities		(2 595)	(1 220)	(2 595)	(1 220)
Net cash used in financing activities		**(51 491)**	**(10 405)**	**(51 491)**	**(10 405)**
Net (decrease)/increase in cash and cash equivalents		**(44 613)**	**69 873**	**(36 939)**	**70 738**
Effect of exchange rate fluctuations on cash held		72	(59)	68	(59)
Cash and cash equivalents at the beginning of the year		87 333	63 886	79 508	59 352
Cash and cash equivalents at the end of the period		**42 792**	**133 700**	**42 637**	**130 031**

These financial statements were approved on 07.11.2014

Atanas Dobrev

CEO

Asen Velikov

Finance Director

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

1. General information

The Parent Company – Bulgarian Telecommunications Company EAD

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

The Ultimate Parent Company is V Telecom Investment S.C.A. ("V Telecom") which indirectly owns 100% of the equity of Viva Telecom Bulgaria EOOD which is the Parent of the Company as at 30 September 2014. There are two shareholders which own more than 5% of the share capital of V Telecom none of which exercise control over V Telecom: Mr Tzvetan Radoev Vassilev is holding indirectly 43,264% of the share capital of V Telecom and Crusher Investment Limited (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) is holding 33,307% of the share capital of V Telecom. A number of shareholders are holding less than 5% share individually.

In 2010 BTC and Alcatel-Lucent Bulgaria EOOD has signed a master service agreement whereby BTC outsourced various aspects of its network implementation, provisioning operations, field service, maintenance and other business. The parties have jointly decided to terminate the outsourcing agreement prior to its initially agreed term without any penalty for either party and to transfer the outsourced activities and staff back to BTC effective as of 1 January 2014. As a result as of the beginning of 2014 BTC assumed 2171 employees, tools, inventory, spare and consumables, and third party contracts with subcontractors related to the network operation activities.

On 5 September 2014 BTC submitted notification to the Commission for Protection of Competition (CPC) of its plans to acquire the NURTS Bulgaria Group (NURTS). NURTS has invested and successfully completed the digitalization of terrestrial radio and television broadcasting. The transaction is pending decision by CPC.

The Group

As at 30 September 2014 and 2013 and 31 December 2013 the Group includes the subsidiary entity BTC Net EOOD.

BTC Security EOOD/ Renamed to BTC Net EOOD

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

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

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

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

2. Functional and Presentation Currency

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

3. Summary of significant accounting policies

This condensed interim consolidated and separate financial report has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

The same accounting policies and methods of calculation are applied in the present interim separate and consolidated financial statement, as in the annual consolidated financial statements of the Group for the year ended 31 December 2013. The significant judgements made by management in applying the Company's and Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate and consolidated financial statements as at and for the year ended 31 December 2013 with the exception of certain estimates and judgements made in respect of cash held in banks placed under special supervision during 2014 which are disclosed in notes 4 and 5.

4. Cash and cash equivalents

As at 30 September 2014 and 31 December 2013 the components of the cash and cash equivalents are:

	Consolidated financial statements		**Separate financial statements**	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Current accounts and cash in hand				
Held in BGN	35 213	15 680	35 118	14 183
Held in EUR	5 145	2 530	5 093	2 462
Held in foreign currencies other than EUR	186	785	178	615
Total current accounts and cash in hand	**40 544**	**18 995**	**40 389**	**17 260**
Deposits				
Held in BGN	2 248	68 338	2 248	62 248
Total deposits	**2 248**	**68 338**	**2 248**	**62 248**
Total cash and cash equivalents	**42 792**	**87 333**	**42 637**	**79 508**

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

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

On 20.06.2014 the Bulgarian National Bank (BNB) placed one of the servicing banks of the Group - Corporate Commercial Bank (CCB) - under special supervision for a period of three months. On 22.06.2014 the Governing Council of the Bulgarian National Bank, after a detailed analysis of the situation created by the lack of liquidity of CCB and its subsidiary CB Victoria EAD - the former Credit Agricole - Bulgaria EAD (part of CCB banking group), also placed CB Victoria under special supervision for three months. On 16.09.2014 the BNB Governing Council made a decision to extend the term of special supervision of CCB and CB Victoria by another two months to 20 and 22 November, respectively. On these grounds the cash available in current and deposit accounts at CCB in the total amount of BGN 130,930 thousand for the Group and BGN 130,020 thousand for the Company as at the reporting date has been presented as receivables, as disclosed in note 5.

The CCB banking group is part of a group of companies related to Mr Tzvetan Radoev Vassilev (Mr Vassilev's Group of Companies). BGN 65,000 thousand and BGN 59,000 thousand (for the consolidated and for the separate financial statements) from the cash and cash equivalents as of 31 December 2013 were deposited in CCB.

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables

As at 30 September 2014 and 31 December 2013 trade and other receivables include:

	Consolidated financial statements		**Separate financial statements**	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Trade receivables	117 479	131 203	116 593	129 607
incl. international settlement receivables	*3 205*	*2 900*	*2 446*	*1 508*
Intercompany receivables (Note 26)	871	1	2 068	864
Other receivables	138 010	6 685	137 007	6 669
incl. loans	*53 879*	*-*	*53 879*	*-*
Total	**256 360**	**137 889**	**255 668**	**137 140**
Allowance for impairment of receivables	(51 118)	(54 960)	(50 614)	(54 946)
Total Trade and other receivables	**205 242**	**82 929**	**205 054**	**82 194**
Incl:				
Non-current portion: trade and other receivables	130 056	11 237	129 342	11 237
Allowance for impairment of receivables	(26 101)	(1 122)	(25 612)	(1 122)
Total non-current portion: trade and other receivables	**103 955**	**10 115**	**103 730**	**10 115**
Current portion trade and other receivables	126 304	126 652	126 326	125 903
Allowance for impairment of receivables	(25 017)	(53 838)	(25 002)	(53 824)
Total current portion: trade and other receivables	**101 287**	**72 814**	**101 324**	**72 079**

Other receivables as of 30 September 2014 and 31 December 2013 include respectively BGN 545 thousand and BGN 133 thousand term cash deposits with maturity greater than three months for the consolidated and BGN 455 thousand and BGN 133 thousand for the separate financial statements.

As disclosed in note 4 other receivables for the consolidated and for the separate financial statements as of 30 September 2014 include respectively BGN 63,241 thousand and BGN 62,331 thousand representing the remaining cash and cash equivalents at CCB after the assignment of receivables on cash deposits of BTC amounting to BGN 67,689 thousand (total before assignment: BGN 130,930 thousand for the Group and BGN 130,020 thousand for the Company).

As a result of the assigned to third parties receivables on cash deposits the Company has recognized loans amounting to BGN 53,879 thousand and other receivables amounting to BGN 14,097 thousand. The loans have maturity dates ranging between 3 and 6 years and interest rates ranging between 7% and 12% p.a.

On 6 November 2014 BNB Governing Council anounced 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 and based on the data disclosed by BNB for the financial position of CCB as of 30 September 2014 the management has made an assessment of the collectibility of the cash in CCB. As a result impairment related to the receivables representing cash at CCB amounting to BGN 24,792 thousand for the Group and BGN 24,302 thousand for the Company has been included in the table above.

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

	Gross receivables from finance leases		**Net investment in finance leases**	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Finance leases receivables with maturity:				
Within one year	32 542	24 253	30 513	22 486
Within two years	13 480	11 590	13 099	11 222
Total receivables	**46 022**	**35 843**	**43 612**	**33 708**
Less: unearned finance income	(2 410)	(2 135)	-	-
Allowance for impairment of receivables	(4 361)	(3 371)	(4 361)	(3 371)
Net investment in finance leases	**39 251**	**30 337**	**39 251**	**30 337**

All amounts are in thousand BGN, unless otherwise stated

5. Trade and other receivables (continued)

Movement of the allowance for impairment of accounts receivables as at 30 September 2014 and 31 December 2013 is as follows:

	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Balance at the beginning of the period	54 960	65 888	54 946	65 745
Accrued impairment	28 281	8 571	27 783	8 647
Impairment of receivables written off	(32 123)	(19 499)	(32 115)	(19 446)
Balance at the end of the period	**51 118**	**54 960**	**50 614**	**54 946**

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

Business customers	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Balance at the beginning of the period	14 274	20 077	14 260	19 934
Accrued impairment	26 948	1 331	26 450	1 407
Impairment of receivables written off	(5 282)	(7 134)	(5 273)	(7 081)
Balance at the end of the period	**35 940**	**14 274**	**35 437**	**14 260**

Residential customers	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Balance at the beginning of the period	40 686	45 811	40 686	45 811
Accrued impairment	1 333	7 240	1 333	7 240
Impairment of receivables written off	(26 841)	(12 365)	(26 842)	(12 365)
Balance at the end of the period	**15 178**	**40 686**	**15 177**	**40 686**

Related parties balances are shown in note 26.
As of 30 September 2014 and 31 December 2013 receivables of the Group at the amount of BGN 72,001 and 7,307 thousand were assessed individually and the impairment amounts to BGN 31,433 and BGN 5,773 thousand, which is included above. For the Company these amounts are respectively BGN 71,276 thousand and BGN 7,307 thousand and BGN 30,932 thousand and BGN 5,773 thousand.

As of 30 September 2014 and 31 December 2013 the age structure of overdue receivables not impaired is as follows:

	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
From 60 to 90 days	252	231	282	248
From 91 to 180 days	153	411	223	419
From 181 to 360 days	161	396	240	132
Above 1 year	494	728	845	727
Total	**1 060**	**1 766**	**1 590**	**1 526**

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

Consolidated and separate financial statements	**Gross book value of the receivable as of**	
Type	**30.9.2014**	**31.12.2013**
In the country	3 285	1 637
In the country	636	957
In the country	483	603
In the country	479	600
In the country	455	433

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 30 September 2014 and 31 December 2013 are as follows:

	Consolidated and Separate financial statements	
	30.9.2014	**31.12.2013**
Materials and supplies, net	5 315	5 035
Merchandise and other, net	29 841	32 227
Total materials and supplies	**35 156**	**37 262**

For the nine months ended 30 September 2014 the write-down of inventories to net realisable value amounted to BGN 435 thousand (for the nine months ended 30 September 2013: BGN 100 thousand). The reversal of write-downs amounted to BGN 21 thousand (for the nine months ended 30 September 2013: BGN 5 thousand). The write-downs and reversals are included in Other operating expenses.

7. Assets classified as held for sale

	Consolidated and Separate financial statements	
	30.9.2014	**31.12.2013**
Real estates, held for sale	1 505	1 533
Total assets held for sale	**1 505**	**1 533**

As of 30 September 2014 and 31 December 2013 BTC has signed several preliminary agreements for the sale of real estates. Their net book value is reported in the statement of financial position as Assets classified as held for sale.

8. Other assets

As of 30 September 2014 and 31 December 2013 other assets are as follows:

	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Deferred expenses and prepayments	12 890	9 163	12 889	9 163
VAT and other current assets	2 047	3 486	2 047	3 486
Total other assets	**14 937**	**12 649**	**14 936**	**12 649**
Incl.				
Other current assets	**13 186**	**11 066**	**13 185**	**11 066**
Other non-current assets	**1 751**	**1 583**	**1 751**	**1 583**

Subscriber acquisition costs, representing mainly fees paid to distributors, are included in other current assets above, which for the Group and the Company are BGN 1,990 thousand as of 30 September 2014. As of 31 December 2013 they amount to BGN 2,943 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 4,203 thousand and BGN 6,019 thousand for the nine months ended 30 September 2014 and 2013.

Other assets include also intellectual rights, amounting to BGN 57 thousand as of 30 September 2014 (31 December 2013 : BGN 27 thousand), for which amortization expense amounting to BGN 104 thousand for the nine months ended 30 September 2014 has been recognised in profit or loss (for the nine months ended 30 September 2013 : nil).

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 30 September 2014 and 31 December 2013 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 31 December 2012	**1 394 161**	**866 159**	**260 921**	**9 181**	**53 939**	**2 584 361**
Revaluation	-	-		(158)	-	(158)
Additions	(366)	-	65	-	113 473	113 172
Transfers	79 457	28 639	15 453	-	(123 549)	-
Transfer of impairment	-	-	-	-	30	30
Impairment	-	-	-	-	(137)	(137)
Assets held for sale	-	-	30	-	-	30
Disposals	(41 133)	(33 875)	(9 640)	-	(546)	(85 194)
At 31 December 2013	**1 432 119**	**860 923**	**266 829**	**9 023**	**43 210**	**2 612 104**
Revaluation	-		-	(554)	-	(554)
Additions	208	-	-	-	59 223	59 431
Transfers	37 412	13 968	9 646	-	(61 026)	-
Impairment	-	-	-	-	(79)	(79)
Assets held for sale	-	-	(153)	-	-	(153)
Disposals	(34 483)	(8 802)	(3 293)	(47)	(143)	(46 768)
At 30 September 2014	**1 435 256**	**866 089**	**273 029**	**8 422**	**41 185**	**2 623 981**
Accumulated depreciation and impairment						
At 31 December 2012	**922 581**	**607 021**	**170 150**	**-**	**-**	**1 699 752**
Depreciation charged	123 288	19 340	24 893	-	-	167 521
Transfer of impairment	13	11	-	-	-	24
Impairment	(12 676)	(15 306)	(459)	-	-	(28 441)
Assets held for sale	-	-	(11)	-	-	(11)
Disposals	(37 187)	(33 715)	(9 241)	-	-	(80 143)
At 31 December 2013	**996 019**	**577 351**	**185 332**	**-**	**-**	**1 758 702**
Depreciation charged	92 673	15 807	16 103	-	-	124 583
Impairment	27	-	-	-	-	27
Assets held for sale	-	-	(126)	-	-	(126)
Disposals	(33 173)	(8 708)	(3 088)	-	-	(44 969)
At 30 September 2014	**1 055 546**	**584 450**	**198 221**	**-**	**-**	**1 838 217**
Net book value						
At 31 December 2013	**436 100**	**283 572**	**81 497**	**9 023**	**43 210**	**853 402**
At 30 September 2014	**379 710**	**281 639**	**74 808**	**8 422**	**41 185**	**785 764**

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 30 September 2014 and 31 December 2013 is as follows:

	Switching	Transmission	General support	Land	Construction in progress	Total
Gross Book Value						
At 31 December 2012	**1 394 161**	**866 159**	**261 457**	**9 181**	**53 939**	**2 584 897**
Revaluation	-	-		(158)	-	(158)
Additions	(366)	-	65	-	113 459	113 158
Transfers	79 457	28 639	15 439	-	(123 535)	-
Transfer of impairment	-	-	-	-	30	30
Impairment	-	-	-	-	(137)	(137)
Assets held for sale	-	-	30	-	-	30
Disposals	(41 133)	(33 875)	(10 235)	-	(546)	(85 789)
At 31 December 2013	**1 432 119**	**860 923**	**266 756**	**9 023**	**43 210**	**2 612 031**
Revaluation	-		-	(554)	-	(554)
Additions	208	-	-	-	59 223	59 431
Transfers	37 412	13 968	9 646	-	(61 026)	-
Impairment	-	-	-	-	(79)	(79)
Assets held for sale	-	-	(153)	-	-	(153)
Disposals	(34 483)	(8 802)	(3 293)	(47)	(143)	(46 768)
At 30 September 2014	**1 435 256**	**866 089**	**272 956**	**8 422**	**41 185**	**2 623 908**
Accumulated depreciation and impairment						
At 31 December 2012	**922 581**	**607 021**	**170 686**	**-**	**-**	**1 700 288**
Depreciation charged	123 288	19 340	24 892	-	-	167 520
Transfer of impairment	13	11	-	-	-	24
Impairment	(12 676)	(15 306)	(459)	-	-	(28 441)
Assets held for sale	-	-	(11)	-	-	(11)
Disposals	(37 187)	(33 716)	(9 836)	-	-	(80 739)
At 31 December 2013	**996 019**	**577 350**	**185 272**	**-**	**-**	**1 758 641**
Depreciation charged	92 673	15 807	16 101	-	-	124 581
Impairment	27	-	-	-	-	27
Assets held for sale	-	-	(126)	-	-	(126)
Disposals	(33 173)	(8 708)	(3 088)	-	-	(44 969)
At 30 September 2014	**1 055 546**	**584 449**	**198 159**	**-**	**-**	**1 838 154**
Net book value						
At 31 December 2013	**436 100**	**283 573**	**81 484**	**9 023**	**43 210**	**853 390**
At 30 September 2014	**379 710**	**281 640**	**74 797**	**8 422**	**41 185**	**785 754**

On the base of § 8 Para 1 of Transitional and concluding provisions to the Law for amendment and supplement of the law for privatization and post-privatization control the Agency for Privatization and Post-privatization Control imposed statutory mortgage on 122 properties of BTC with a net book value as of 30 September 2014 amounting to BGN 583 thousand (BGN 3,972 thousand for for 369 properties as of 31 December 2013). They are included in General support above except for 2 properties with net book value as of 30 September 2014 amounting to BGN 15 thousand which are included in Assets classified as held for sale (BGN 1,533 thousand for for 5 properties as of 31 December 2013).

As disclosed in note 15 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the bond offering by establishing a pledge on real estate property, which net book value as of 30 September 2014 amounted to BGN 8,428 thousand, and as of 31 December 2013 their net book value was BGN 9,189 thousand.

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

Measurement of fair value

Fair value hierarchy

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

The fair value measurement for land of BGN 8,422 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 2014	9 023
Disposals	(47)
Loss included in other comprehensive income	
Changes in fair value (unrealised)	(554)
Balance at 30 September 2014	**8 422**

Valuation technique and significant unobservable inputs

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

10. Intangible assets and goodwill

As of 30 September 2014 and 31 December 2013 intangible assets of the Group are as follows

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 31 December 2012	**126 378**	**561 190**	**29 645**	**1 704**	**718 917**
Additions(Transfers)	166	39 896	10 372	683	51 117
Disposals	-	(31 843)	(5 537)	-	(37 380)
At 31 December 2013	**126 544**	**569 243**	**34 480**	**2 387**	**732 654**
Additions(Transfers)	127	15 313	9 272	1 680	26 392
Disposals	-	(10 846)	(4 858)	-	(15 704)
At 30 September 2014	**126 671**	**573 710**	**38 894**	**4 067**	**743 342**
Accumulated depreciation and impairment					
At 31 December 2012	**40 684**	**381 711**	**11 472**	**-**	**433 867**
Amortization charge	7 317	67 351	8 941	-	83 609
Impairment	-	(25)	(56)	-	(81)
Disposals	-	(31 777)	(5 179)	-	(36 956)
At 31 December 2013	**48 001**	**417 260**	**15 178**	**-**	**480 439**
Amortization charge	5 485	48 510	8 734	-	62 729
Disposals	-	(10 819)	(4 475)	-	(15 294)
At 30 September 2014	**53 486**	**454 951**	**19 437**	**-**	**527 874**
Net book value					
At 31 December 2013	**78 543**	**151 983**	**19 302**	**2 387**	**252 215**
At 30 September 2014	**73 185**	**118 759**	**19 457**	**4 067**	**215 468**

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets and goodwill(continued)

As of 30 September 2014 and 31 December 2013 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
Gross book value					
At 31 December 2012	**126 323**	**561 190**	**29 645**	**1 704**	**718 862**
Additions(Transfers)	166	39 896	10 372	683	51 117
Disposals	-	(31 843)	(5 537)	-	(37 380)
At 31 December 2013	**126 489**	**569 243**	**34 480**	**2 387**	**732 599**
Additions(Transfers)	127	15 313	9 272	1 680	26 392
Disposals	-	(10 846)	(4 858)	-	(15 704)
At 30 September 2014	**126 616**	**573 710**	**38 894**	**4 067**	**743 287**
Accumulated depreciation and impairment					
At 31 December 2012	**40 637**	**381 711**	**11 472**	**-**	**433 820**
Amortization charge	7 316	67 351	8 941	-	83 608
Impairment	-	(25)	(56)	-	(81)
Disposals	-	(31 776)	(5 179)	-	(36 955)
At 31 December 2013	**47 953**	**417 261**	**15 178**	**-**	**480 392**
Amortization charge	5 485	48 510	8 734	-	62 729
Disposals	-	(10 820)	(4 475)	-	(15 295)
At 30 September 2014	**53 438**	**454 951**	**19 437**	**-**	**527 826**
Net book value					
At 31 December 2013	**78 536**	**151 982**	**19 302**	**2 387**	**252 207**
At 30 September 2014	**73 178**	**118 759**	**19 457**	**4 067**	**215 461**

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 30 September 2014 is respectively BGN 6,610 thousand and BGN 11,258 thousand (31 December 2013: BGN 7,730 thousand and BGN 9,298 thousand).

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

All amounts are in thousand BGN, unless otherwise stated

11. Investments

Investments as of 30 September 2014 and 31 December 2013 are as follows:

		Consolidated financial statements		**Separate financial statements**	
Investments	**Share**	**30.9.2014**	**31.12.2013**	**30.9.2014**	**31.12.2013**
Equity securities – available-for-sale					
Intersputnik	4.79%	178	178	178	178
Sofia Commodity Exchange	5%	13	13	13	13
Eutelsat	0%	-	7 595	-	7 595
Total equity securities available for sale		191	7 786	191	7 786
Corporate debt securities – available for sale		27 873	-	27 873	-
Corporate debt securities – loans and receivables			37 351		37 351
Forward exchange contracts for hedging		222	-	222	-
Subsidiaries					
BTC Net		-	-	799	799
Total investments in subsidiaries		-	-	799	799
Total investments		**28 286**	**45 137**	**29 085**	**45 936**
Incl.					
Current investments		**9 196**	**145**	**9 196**	**145**
Non-current investments		**19 090**	**44 992**	**19 889**	**45 791**

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

The investment in Eutelsat as of 31 December 2013 is presented at fair value based on the market price of the shares at the reporting date. The other investments in equity securities are measured at cost less accumulated impairment (if any) since these securities are not listed and their fair value cannot be reliably estimated.

On 4 April 2014 BTC sold 100% of its corporate debt securities available as of 31 December 2013. The total proceeds from the sale amounted to EUR 19,450 thousand (BGN 38,040 thousand).

In May and July 2014 BTC sold 100% of its shares in Eutelsat. The total proceeds from the sale amounted to EUR 4,367 thousand (BGN 8,542 thousand).

Corporate debt securities classified as available for sale as of 30 September 2014 were acquired in September 2014. They have stated interest rate of 6.0 percent and mature in 3 years. The interest is receivable semi-annually.

12. Trade payables

The payables to suppliers as of 30 September 2014 and 31 December 2013 are as follows:

	Consolidated financial statements		**Separate financial statements**	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Payables to suppliers of non current assets	21 558	33 869	21 558	33 869
Payables to international telecom operators - interconnect	10 341	14 105	8 449	12 899
Payables to suppliers of equipment and goods for customers	4 879	3 185	4 879	3 185
Payables to suppliers of network maintenance	3 226	3 433	3 226	3 433
Payables to domestic telecom operators	1 013	546	888	480
Payables to related parties (Note 26)	-	-	2 946	1 452
Other payables to suppliers	32 343	41 656	32 343	41 655
Total trade payables	**73 360**	**96 794**	**74 289**	**96 973**
Incl.				
Non-current portion	**3 845**	**4 130**	**3 845**	**4 130**
Current portion	**69 515**	**92 664**	**70 444**	**92 843**

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

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

Other payables as of 30 September 2014 and 31 December 2013 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Payables to employees	16 521	13 841	16 521	13 841
VAT	7 248	71	7 172	-
Social securities	3 166	2 355	3 166	2 355
Personal income tax payable	1 526	984	1 526	984
Advances from clients	662	770	662	770
Payables for license fee	255	747	255	744
Withholding and other taxes	57	764	57	764
Cable project MECMA	-	1 114	-	1 114
Forward exchange contracts used for hedging	-	162	-	162
Others	4 083	4 668	4 083	4 668
Total other payables	**33 518**	**25 476**	**33 442**	**25 402**

The liabilities under Cable projects MECMA as of 31 December 2013 amounting to BGN 1,114 thousand originated as a result of BTC's role as a Central Billing Party (CBP) in the MECMA 2010 Agreement for maintenance of submarine cables in the Mediterranean Sea, Red Sea and Black Sea area. During 2014 BTC was appointed as CBP in the MECMA 2014 Agreement. According to the terms of the agreement the Company acts as an agent of the MECMA members and the respective payables and cash availability are booked as off-balance sheet items. BGN 11,820 thousand of the cash related to MECMA as of 30 September 2014 is in bank account at CCB.

14. Provisions

Consolidated and Separate financial statements

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2014	**8 668**	**1 407**	**8 840**	**18 915**
Charged to profit and loss	-	(500)	606	106
Recognised in the statement of financial position	208	-	-	208
Used during the year	(34)	(240)	(4 319)	(4 593)
Unwinding of discount	267	-	-	267
At 30 September 2014	**9 109**	**667**	**5 127**	**14 903**

Analysis of provision in consolidated financial statements

	30.9.2014	**31.12.2013**
Non-current (decommissioning costs)	9 109	8 668
Current	5 794	10 247
Total	**14 903**	**18 915**

All amounts are in thousand BGN, unless otherwise stated

14. Provisions(continued)

Decommissioning

A provision has been recognised for decommissioning costs associated with mobile sites. The provision has been capitalized to the cost of the sites with the amount of the present value of the expected decommissioning obligation after ceasing operation. The discount rate used for 2014 and 2013 was 4%.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2014 and was recognized as staff cost in the profit or loss for the year ended 2013.

Legal claims

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

15. Borrowings

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

	30.9.2014	**31.12.2013**
Secured bond issue	785 470	768 970
Revolving credit	19 558	68 586
Trade credits	9 464	11 768
Financial lease	3 071	3 234
Total borrowings	**817 563**	**852 558**
including:		
Current borrowings	**24 889**	**10 975**
Non current borrowings	**792 674**	**841 583**

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.

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

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

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

Trade credits

Certain assets of the mobile network of the Company have been purchased under a trade credit agreement. The contracted term is four years and the installments are payable quarterly.

Obligations under Finance lease

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

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

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2014	**31.12.2013**	**30.9.2014**	**31.12.2013**
Finance lease payables with maturity:				
Within one year	1 592	1 888	1 640	1 803
In the second to fifth years inclusive	1 595	1 595	1 431	1 431
Total payables	**3 187**	**3 483**	**3 071**	**3 234**
Less: future finance charges	(116)	(249)	-	-
Present value of lease obligations	**3 071**	**3 234**	**3 071**	**3 234**

The net book value of the assets acquired under finance lease arrangements as of 30 September 2014 is BGN 2,695 thousand. (31 December 2013: BGN 4,475 thousnad)

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 30 September 2014 and 2013 the deferred tax assets and liabilities are as it follows:

Consolidated financial statements

Deferred tax assets	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2013	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**14**
Charged/(credited) to the profit/(loss) for the period	-	-	-	(12)	-	-	-	(12)
At 30 September 2013	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**
At 1 January 2014				**1**	**-**	**-**	**-**	**1**
Charged/(credited) to the profit/(loss) for the period	-	-	(1)	50	-	-	-	49
At 30 September 2014	**-**	**-**	**(1)**	**51**	**-**	**-**	**-**	**50**

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2013	**-**	**(92)**	**33 405**	**(6 568)**	**(9 554)**	**-**	**(5)**	**17 186**
Charged/(credited) to the profit/(loss) for the period	-	(10)	(1 734)	685	1 210	-	-	151
Charged to other comprehensive income for the period	-	-	-	-	-	-	(4)	(4)
At 30 September 2013	**-**	**(102)**	**31 671**	**(5 883)**	**(8 344)**	**-**	**(9)**	**17 333**
At 1 January 2014	**-**	**(187)**	**30 382**	**(5 488)**	**(5 996)**	**-**	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(16)	(4 230)	433	539	-	-	(3 274)
Charged to other comprehensive income for the period	-	-	(55)	-	-	31	38	14
At 30 September 2014	**-**	**(203)**	**26 097**	**(5 055)**	**(5 457)**	**31**	**23**	**15 436**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Nine months ended 30.9.2014**	**Nine months ended 30.9.2013**
Deferred tax liabilities	3 274	(151)
Deferred tax assets	49	(12)
Total (charged)/credited to the profit/(loss) for the year	3 323	(163)

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities(continued)

Separate financial statements

Deferred tax liabilities	**Tax loss carried forward**	**Long-term employee benefits**	**Property, plant, equipment and intangible assets**	**Allowance for impairment of receivables**	**Expense accruals**	**Available-for-sale financial assets**	**Cash flow hedges**	**Total**
At 1 January 2013	**-**	**(92)**	**33 405**	**(6 568)**	**(9 554)**	**-**	**(5)**	**17 186**
Charged/(credited) to the profit/(loss) for the period	-	(10)	(1 734)	685	1 210	-	-	151
Charged to other comprehensive income for the period	-	-	-	-	-	-	(4)	(4)
At 30 September 2013	**-**	**(102)**	**31 671**	**(5 883)**	**(8 344)**	**-**	**(9)**	**17 333**
At 1 January 2014	**-**	**(187)**	**30 382**	**(5 488)**	**(5 996)**	**-**	**(15)**	**18 696**
Charged/(credited) to the profit/(loss) for the period	-	(16)	(4 230)	433	539	-	-	(3 274)
Charged to other comprehensive income for the period	-	-	(55)	-	-	31	38	14
At 30 September 2014	**-**	**(203)**	**26 097**	**(5 055)**	**(5 457)**	**31**	**23**	**15 436**

Deferred tax (charge)/credit to the profit/(loss) for the year	**Nine months ended**	
	30.9.2014	**30.9.2013**
Deferred tax liabilities	3 274	(151)
Total (charged)/credited to the profit/(loss) for the year	3 274	(151)

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 30 September 2014 and 31 December 2013 are calculated in these financial statements at 10% tax rate which has been effective since 1 January 2007.

The last period audited by the tax authorities for BTC is 2006.

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated and Separate financial statements	
	30.9.2014	**31.12.2013**
Liability at the beginning of the period	1 956	917
Past service cost	-	*871*
Current service cost	*215*	*98*
Interest cost	*57*	*40*
Total cost recognized in profit or loss	272	1 009
Payments to retirees	(108)	(58)
Remeasurements – actuarial (gain)/loss recognised in OCI	-	88
Liability at the end of the period	**2 120**	**1 956**

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

	30.9.2014	**31.12.2013**
Discount rate	4.00%	4.00%
Future salary increases per year	from 3% to 4.5%	from 3% to 4.5%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

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

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the statistical information, provided by the National Statistical Institute for the total mortality of the population in Bulgaria for the period 2010 – 2012.

18. Share capital, reserves and dividends

	30.9.2014	**31.12.2013**
Number of shares	288 764 840	288 764 840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288 765	288 765
Share capital	288 765	288 765

Structure of the share capital:	**30.9.2014**	**%**	**31.12.2013**	**%**
Number of ordinary shares:				
Viva Telecom Bulgaria EOOD	288 764 840	100.00%	288 764 840	100.00%
Total ordinary shares	**288 764 840**	**100%**	**288 764 840**	**100%**
Total number of shares	**288 764 840**	**100%**	**288 764 840**	**100%**

All amounts are in thousand BGN, unless otherwise stated

18. Share capital, reserves and dividends (continued)

Earnings per share	**Consolidated financial statements**		**Separate financial statements**	
	Nine months ended		**Nine months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Profit for the period	15 994	10 250	23 521	9 484
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN (basic and diluted))	0.06	0.04	0.08	0.03

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.

Dividends payable

	30.9.2014	**31.12.2013**
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	6	10
Tax on dividend	-	-
Net dividends paid	-	(4)
Total dividend payable	6	6

19. Revenue

Revenue of the Group and the Company for the nine months ended 30 September 2014 and 2013 consist of:

Consolidated financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Recurring charges	276 361	262 264	93 519	88 410
Outgoing traffic	100 145	107 188	34 530	37 086
Leased lines and data transmission	84 757	90 365	28 230	29 302
Interconnect	31 176	49 543	11 988	15 322
Other revenue	108 217	96 286	39 758	36 559
Total revenue	**600 656**	**605 646**	**208 025**	**206 679**

Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Recurring charges	276 361	262 264	93 519	88 410
Outgoing traffic	100 145	107 188	34 530	37 086
Leased lines and data transmission	85 238	90 839	28 391	29 460
Interconnect	26 277	31 815	10 901	9 564
Other revenue	109 278	97 355	40 111	36 918
Total revenue	**597 299**	**589 461**	**207 452**	**201 438**

Revenue from sales of mobile handsets is included in Other revenue above, which for the nine months ended 30 September 2014 amount to BGN 44,144 thousand for the Group and the Company (for the nine months ended 30 September 2013: BGN 39,179 thousand). Revenue from rent of terrestrial network (ducts) and provision of pay TV services (DTH and IPTV) are also included in this category.

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses

Other operating expenses for the nine months ended 30 September 2014 and 2013 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Advertising, customer service, billing and collection	41 539	40 741	13 958	13 709
Facilities	33 337	33 128	11 239	10 978
Maintenance and repairs	23 857	61 101	8 236	20 761
License fees	10 038	10 162	3 320	3 372
Administrative expenses	6 751	11 591	2 153	7 294
Vehicles and transport	6 675	2 618	2 287	799
Leased lines and data transmission	2 280	2 378	785	765
Professional fees	1 970	2 030	1 261	511
Other, net	32 747	13 222	25 315	5 559
including				
Impairment of trade and other receivables	*28 281*	*7 958*	*24 072*	*2 090*
Scrap of assets	*1 765*	*2 982*	*591*	*1 487*
Provisions	*606*	*772*	*(136)*	*1 603*
Impairment of other current assets	*414*	*94*	*118*	*50*
Impairment of non-current assets	*106*	*35*	*153*	*(88)*
Other/other	*1 575*	*1 381*	*517*	*417*
Total other operating expenses	**159 194**	**176 971**	**68 554**	**63 748**

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Advertising, customer service, billing and collection	41 609	40 807	13 982	13 731
Facilities	33 337	33 128	11 238	10 978
Maintenance and repairs	23 857	61 101	8 236	20 761
License fees	10 031	10 143	3 318	3 363
Administrative expenses	6 750	11 589	2 153	7 293
Vehicles and transport	6 675	2 618	2 287	799
Leased lines and data transmission	2 279	2 378	784	765
Professional fees	1 970	2 030	1 261	511
Other, net	32 248	13 296	24 824	5 564
including				
Impairment of trade and other receivables	*27 783*	*8 032*	*23 582*	*2 093*
Scrap of assets	*1 765*	*2 982*	*591*	*1 487*
Provisions	*606*	*772*	*(136)*	*1 603*
Impairment of other current assets	*414*	*94*	*118*	*50*
Impairment of non-current assets	*106*	*35*	*153*	*(88)*
Other/other	*1 574*	*1 381*	*516*	*419*
Total other operating expenses	**158 756**	**177 090**	**68 083**	**63 765**

All amounts are in thousand BGN, unless otherwise stated

21. Staff costs

Staff costs for the nine months ended 30 September 2014 and 2013 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Salaries and wages	63 453	41 938	20 425	14 125
Pension, health and unemployment fund contributions	11 394	6 732	3 790	2 197
Other benefits	3 295	1 952	1 082	637
Other staff costs	1 695	1 020	696	314
Total staff costs	**79 837**	**51 642**	**25 993**	**17 273**

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Salaries and wages	63 449	41 934	20 424	14 124
Pension, health and unemployment fund contributions	11 393	6 731	3 789	2 196
Other benefits	3 295	1 952	1 082	637
Other staff costs	1 695	1 020	696	314
Total staff costs	**79 832**	**51 637**	**25 991**	**17 271**

As stated in note 17 the amounts of post employment benefits included in salaries and wages above for the consolidated and separate financial statements for the nine months ended 30 September 2014 and 2013 are respectively BGN 215 thousand and BGN 88 thousand.

22. Finance income and costs

Financial income and costs for the nine months ended 30 September 2014 and 2013 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Finance costs				
Interest expense:	44 050	38 799	14 599	13 024
-Bond issues	*41 407*	-	*13 801*	-
-Bank borrowings	*1 717*	*38 412*	*495*	*12 894*
-Finance lease	*133*	*55*	*42*	*17*
-Provisions	*324*	*332*	*116*	*113*
-Other	*469*		*145*	-
Foreign exchange loss	41	-	5	-
Loss on cash flow hedges - ineffective portion of changes in fair value	-	7	1	-
Other finance costs	363	206	118	69
Total finance cost	**44 454**	**39 012**	**14 723**	**13 093**
Finance income				
Interest income:	5 720	4 277	1 454	1 694
-Bank deposits	*2 456*	*3 014*	*228*	*1 185*
-Finance lease	*2 103*	*1 168*	*745*	*463*
-Other	*1 161*	*95*	*481*	*46*
Gains on cash flow hedges - ineffective portion of changes in fair value	2	-	-	11
Foreign exchange gains	-	60	-	78
Income on available-for-sale financial assets:				
-Reclassified from OCI	8 399	25	5 968	-
-Dividend income	110	-	-	-
Other finance income	14	-	-	-
Total finance income	**14 245**	**4 362**	**7 422**	**1 783**
Net finance costs	**30 209**	**34 650**	**7 301**	**11 310**

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Finance costs				
Interest expense:	44 050	38 799	14 599	13 024
-Bond issues	*41 407*	-	*13 801*	-
-Bank borrowings	*1 717*	*38 412*	*495*	*12 894*
-Finance lease	*133*	*55*	*42*	*17*
-Provisions	*324*	*332*	*116*	*113*
-Other	*469*		*145*	-
Foreign exchange loss	26	-	-	-
Loss on cash flow hedges - ineffective portion of changes in fair value	-	7	1	-
Other finance costs	356	201	115	67
Total finance cost	**44 432**	**39 007**	**14 715**	**13 091**
Finance income				
Interest income:	5 637	4 173	1 449	1 647
-Bank deposits	*2 373*	*2 932*	*223*	*1 160*
-Finance lease	*2 103*	*1 168*	*745*	*463*
-Other	*1 161*	*73*	*481*	*24*
Gains on cash flow hedges - ineffective portion of changes in fair value	2	-	-	11
Foreign exchange gains	-	56	7	75
Dividend income from investments in subsidiaries	8 250	6 100	-	-
Income on available-for-sale financial assets:				
-Reclassified from OCI	8 399	25	5 968	-
-Dividend income	110	-	-	-
Other finance income	14	-	-	-
Total finance income	**22 412**	**10 354**	**7 424**	**1 733**
Net finance costs	**22 020**	**28 653**	**7 291**	**11 358**

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

Other gains, net for the nine months ended 30 September 2014 and 2013 consist of:

Consolidated and Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Gains from sales of non-current assets	**5 634**	**2 603**	**3 002**	**1 138**
incl.: income	5 782	3 207	3 058	1 140
net book value	(148)	(604)	(56)	(2)
Gain from sales of materials	**3**	**32**	**1**	**31**
incl.: income	4	36	1	34
net book value	(1)	(4)	-	(3)
Total other gains, net	**5 637**	**2 635**	**3 003**	**1 169**

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the nine months ended 30 September 2014 and 2013 consist of:

a) amounts recognized in profit or loss

Consolidated financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Current income tax charge	4 576	1 375	1 633	844
Deferred tax	(3 323)	163	(2 539)	(471)
Total tax expense/(benefit)	**1 253**	**1 538**	**(906)**	**373**

Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Current income tax charge	4 447	624	1 626	479
Deferred tax	(3 274)	151	(2 490)	(489)
Total income tax expense/(benefit)	**1 173**	**775**	**(864)**	**(10)**

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

Consolidated financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Profit before tax	17 247	11 788	(3 962)	3 317
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	1 725	1 179	(396)	332
Non-deductible expenses	123	180	20	39
Tax exempt income	(845)	(4)	(598)	(1)
Change in recognised deductible temporary differences	250	183	68	3
Income tax expense/(benefit)	**1 253**	**1 538**	**(906)**	**373**
Effective tax rate	7.27%	13.05%	22.87%	11.25%
Income tax expense/(benefit) in the profit or loss	1 253	1 538	(906)	373

Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Profit/(loss) before tax	24 694	10 259	(3 547)	(510)
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2 469	1 026	(356)	(51)
Non-deductible expenses	123	180	20	40
Tax exempt income	(1 669)	(614)	(595)	(1)
Change in recognised deductible temporary differences	250	183	67	2
Income tax expense/(benefit)	**1 173**	**775**	**(864)**	**(10)**
Effective tax rate	4.75%	7.55%	24.36%	1.96%
Income tax expense/(benefit) in the profit or loss	1 173	775	(864)	(10)

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

b) amounts recognized in other comprehensive income

Consolidated and separate financial statements	**Nine months ended 30.9.2014**			**Nine months ended 30.9.2013**		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Revaluation of land	(554)	55	(499)	-	-	-
Cash flow hedges – effective portion of changes in fair value	381	(38)	343	(39)	4	(35)
Valuation of financial assets available for sale	(7 145)	(31)	(7 176)	7 688	-	7 688
Total tax benefit	**(7 318)**	**(14)**	**(7 332)**	**7 649**	**4**	**7 653**

	Three months ended 30.9.2014			**Three months ended 30.9.2013**		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Revaluation of land	-	0	0	-	0	0
Cash flow hedges – effective portion of changes in fair value	228	(23)	205	(186)	19	(167)
Valuation of financial assets available for sale	(5 614)	(31)	(5 645)	523	-	523
Defined benefit plan actuarial gains (losses)	-	-	-	-	-	-
Total tax benefit	**(5 386)**	**(54)**	**(5 440)**	**337**	**19**	**356**

All amounts are in thousand BGN, unless otherwise stated

25. Segment information

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

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

The Board of Directors assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Board of directors for the nine months ended 30 September 2014 and 2013 is presented below.

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

Nine months ended 30 September 2013	**Consolidated financial statements**		
	Fixed line of business	**Mobile line of business**	**Total**
Revenue	300 922	304 724	605 646
Cost of sales	(44 466)	(99 673)	(144 139)
Gross margin	**256 456**	**205 051**	**461 507**
Operating expenses			(172 676)
Staff costs			(51 642)
Depreciation and amortization			(193 386)
Financial expenses, net			(34 650)
Other gains, net			2 635
Profit before tax			**11 788**
Income tax expense			(1 538)
Net profit for the year			**10 250**

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

All amounts are in thousand BGN, unless otherwise stated

26. Related parties

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

• shareholders of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders;
• members of the Company's statutory and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties;
• joint ventures in which the Company is a venturer

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

Balances

The following table summarizes the balances of receivables and payables with related parties as of 30 September 2014 and 31 December 2013:

For the Group	Relationship	Receivables		Payables	
		30.9.2014	31.12.2013	30.9.2014	31.12.2013
Members of Mr Vassilev's Group of Companies	Other RP	180	1	-	-
Total for BTC group		**180**	**1**	**-**	**-**

For BTC	Relationship	Receivables		Payables	
		30.9.2014	31.12.2013	30.9.2014	31.12.2013
BTC Net EOOD	Subsidiary	1 197	863	2 946	1 452
Members of Mr Vassilev's Group of Companies	Other RP	180	1	-	-
Total for BTC		**1 377**	**864**	**2 946**	**1 452**

Transactions

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

For the Group	Relationship	Nine months ended		Three months ended	
		30.9.2014	30.9.2013	30.9.2014	30.9.2013
Members of Mr Vassilev's Group of Companies	Other RP	52	8	-	8
Total for BTC group		**52**	**8**	**-**	**8**

For BTC	Relationship	Nine months ended		Three months ended	
		30.9.2014	30.9.2013	30.9.2014	30.9.2013
BTC Net EOOD	Subsidiary	7 102	8 324	2 525	2 894
Members of Mr Vassilev's Group of Companies	Other RP	52	8	-	8
Total for BTC		**7 154**	**8 332**	**2 525**	**2 902**

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

The realised revenue from related parties is as follows:

For the Group	Relationship	Nine months ended		Three months ended	
		30.9.2014	30.9.2013	30.9.2014	30.9.2013
Members of Mr Vassilev's Group of Companies	Other RP	458	387	150	122
Viva Telecom Bulgaria EOOD	Parent	5	6	1	1
Total for BTC group		**463**	**393**	**151**	**123**

For BTC	Relationship	Nine months ended		Three months ended	
		30.9.2014	30.9.2013	30.9.2014	30.9.2013
BTC Net EOOD	Subsidiary	3 428	5 247	1 386	1 304
Members of Mr Vassilev's Group of Companies	Other RP	458	387	150	122
Viva Telecom Bulgaria EOOD	Parent	5	6	1	1
Total for BTC		**3 891**	**5 640**	**1 537**	**1 427**

Borrowings

Members of Mr Vassilev's Group of Companies and VTB Bank OJSC Group participate in the amended syndicated loan facility as disclosed in note 15. The amounts related to them are shown below:

		Loan principal	Interest expense	Interest payable
Members of	For the nine months ended 30 September 2013		7 477	
VTB Bank OJSC Group	As of 31 December 2013	-		-
	For the nine months ended 30 September 2014		-	
	As of 30 September 2014	-		-
Members of	For the nine months ended 30 September 2013		1 194	
Mr Vassilev's Group of Companies	As of 31 December 2013	-		-
	For the nine months ended 30 September 2014		-	
	As of 30 September 2014	-		-

Loans

As per Loan Agrement dated 22 April 2014 BTC provided to Viva Telecom Bulgaria EOOD a revolving credit facilty for the amount of up to EUR 2,000 thousnad. The aplicable interest rate shall be the aggregate of 6M Euribor plus a margin of 6.5% p.a. The total outstanding principal amount and accumulated interest shall be fully repaid on 22 April 2016.
As per Loan Agreement dated 08 August 2013 BTC Net provided to Viva Telecom Bulgaria EAD a revolving credit facility for the amount of up to EUR 3,000 thousand. The applicable interest rate was the aggregate of 3M Euribor plus a margin of 5.5% p.a. The drawn down principal amount and respective accumulated interest were fully repaid on 22 November 2013.
The amounts related to the loans are shown below:

		Loan principal	Interest income	Interest receivable
Viva Telecom	For the nine months ended 30 September 2013		22	
Bulgaria EAD	As of 31 December 2013	-		-
	For the nine months ended 30 September 2014	-	12	-
	As of 30 September 2014	679	-	12

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

Interest income

Part of the cash availability of the Group and the Company is deposited in a bank, member of Mr Vassilev's Group of Companies as disclosed in Note 4. Interest income from such bank deposits for the nine months ended 30 September 2014 is BGN 1,948 thousand and BGN 1,936 thousand respectively for the consolidated and separate financial statements.

Key management remunerations

Remuneration amounting to BGN 2,085 thousand relating to the members of the Board of Directors and to key management personnel has been accrued as of 30 September 2014 (30 September 2013: BGN 3,827 thousand).

27. Commitments and contingencies

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 30 September 2014, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 30.09.2014	Commitments outstanding
Hardware and software	11 173	4 899	6 274
Construction and assembly works of the network of BTC	19 229	5 386	13 843
Network equipment	90 699	68 601	22 098
Total	**121 101**	**78 886**	**42 215**

Contingencies

The Company is a participant in several lawsuits and administrative proceedings. Based on the information available, management is satisfied that there is no material unprovided liability arising from these lawsuits and administrative proceedings.

The Group has bank guarantees issued to third parties which amount to BGN 694 thousand as of 30 September 2014 (31 December 2013: BGN 833 thousand).

28. Operating lease

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

Consolidated and Separate financial statements	**Nine months ended**		**Three months ended**	
	30.9.2014	**30.9.2013**	**30.9.2014**	**30.9.2013**
Minimum lease payments	10 252	7 030	3 445	2 285

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

	30.9.2014	**31.12.2013**
Within one year	13 133	11 841
In the second to fifth years inclusive	36 505	35 943
Later than five years	77 340	81 597
Total commitments	**126 978**	**129 381**

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

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

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments

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

Consolidated financial statements

30 September 2014	Note	Carrying amount					Fair value			
		Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	222				**222**		222		**222**
Corporate debt securities	11.			27 873		**27 873**	27 873			**27 873**
Equity securities	11.			-		-	-			-
Total financial assets measured at fair value		**222**	**-**	**27 873**	**-**	**28 095**				
Financial assets not measured at fair value										
Trade receivables	5.		205 242			**205 242**				-
Cash and cash equivalents	4.		42 792			**42 792**				-
Total financial assets not measured at fair value		**-**	**248 034**	**-**	**-**	**248 034**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				785 470	**785 470**	804 253			**804 253**
Secured bank loans	15.				19 558	**19 558**			19 558	**19 558**
Trade credits	15.				9 464	**9 464**				
Finance lease liabilities	15.				3 071	**3 071**			3 071	**3 071**
Trade payables	12.				73 360	**73 360**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**890 923**	**890 923**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Consolidated financial statements

31 December 2013	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Equity securities	11.	-	-	7 595	-	**7 595**	7 595			**7 595**
Total financial assets measured at fair value		-	-	**7 595**	-	**7 595**				
Financial assets not measured at fair value										
Trade receivables	5.		82 929			**82 929**				-
Cash and cash equivalents	4.		87 333			**87 333**				-
Corporate debt securities	11.		37 351			**37 351**			37 351	**37 351**
Total financial assets not measured at fair value		-	**207 613**	-	-	**207 613**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	162				**162**		162		**162**
Total financial liabilities measured at fair value		**162**	-	-	-	**162**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				768 970	**768 970**	786 361			**786 361**
Secured bank loans	15.				68 586	**68 586**			68 586	**68 586**
Trade credits	15.				11 768	**11 768**				
Finance lease liabilities	15.				3 234	**3 234**			3 234	**3 234**
Trade payables	12.				96 794	**96 794**				
Total financial liabilities not measured at fair value		-	-	-	**949 352**	**949 352**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

30 September 2014	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Forward exchange contracts used for hedging	11.	222				**222**		222		**222**
Corporate debt securities	11.			27 873		**27 873**	27 873			**27 873**
Equity securities	11.			-		-	-			-
Total financial assets measured at fair value		**222**	**-**	**27 873**	**-**	**28 095**				
						-				-
Financial assets not measured at fair value										
Trade receivables	5.		205 054			**205 054**				-
Cash and cash equivalents	4.		42 637			**42 637**				-
Total financial assets not measured at fair value		**-**	**247 691**	**-**	**-**	**247 691**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				785 470	**785 470**	804 253			**804 253**
Secured bank loans	15.				19 558	**19 558**			19 558	**19 558**
Trade credits	15.				9 464	**9 464**				
Finance lease liabilities	15.				3 071	**3 071**			3 071	**3 071**
Trade payables	12.				74 289	**74 289**				
Total financial liabilities not measured at fair value		**-**	**-**	**-**	**891 852**	**891 852**				

All amounts are in thousand BGN, unless otherwise stated

29. Financial instruments(continued)

Separate financial statements

31 December 2013	**Note**	**Carrying amount**					**Fair value**			
		Fair value – hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Equity securities	11.			7 595		**7 595**	7 595			**7 595**
Total financial assets measured at fair value		-	-	**7 595**	-	**7 595**				
						-				-
Financial assets not measured at fair value										
Trade receivables	5.		82 194			**82 194**				-
Cash and cash equivalents	4.		79 508			**79 508**				-
Corporate debt securities	11.		37 351			**37 351**			37 351	**37 351**
Total financial assets not measured at fair value		-	**199 053**	-	-	**199 053**				
Financial liabilities measured at fair value										
Forward exchange contracts used for hedging	13.	162				**162**		162		**162**
Total financial liabilities measured at fair value		**162**	-	-	-	**162**				
Financial liabilities not measured at fair value						-				-
Secured bond issues	15.				768 970	**768 970**	786 361			**786 361**
Secured bank loans	15.				68 586	**68 586**			68 586	**68 586**
Trade credits	15.				11 768	**11 768**				
Finance lease liabilities	15.				3 234	**3 234**			3 234	**3 234**
Trade payables	12.				96 973	**96 973**				
Total financial liabilities not measured at fair value		-	-	-	**949 531**	**949 531**				

29. Financial instruments(continued)

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

Financial instruments measured at fair value

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

Financial instruments not measured at fair value

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

Other financial liabilities include secured bank loans and finance lease liabilities

Market interest rates applied for the valuation of the financial instruments are in the range of 4.22% and 7%.

30. Subsequent events

On 17 October 2014 BTC assigned BGN 26,703 thousand from the cash and cash equivalents at CCB. The Company acquired property, plant and equipment with a fair value of BGN 8,761 thousand, corresponding to the carrying amount of the assigned receivable at the date of transfer and recognized loan amounting to BGN 17,633 thousand, provided to Inter V Investment Sarl., which is the parent company of Viva Telecom Bulgaria.
Except as stated above, there are no other events since the reporting period end which would require adjustment of or disclosure in the financial statements now presented.