

**BULGARIAN TELECOMMUNICATIONS COMPANY AD
INTERIM SEPARATE AND CONSOLIDATED
CONDENSED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34**

31-Dec-2011

**BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE BALANCE SHEET**

As at 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
ASSETS					
Current assets					
Cash and cash equivalents	4.	142,107	154,523	141,798	154,163
Trade receivables	5.	159,705	95,979	159,714	96,007
Current income tax receivables		-	6	-	-
Inventories	6.	25,734	34,630	25,734	34,630
Other assets	8.	16,303	28,810	16,302	28,804
Assets of disposal group held for sale	7.	1,892	6,648	1,892	6,648
Total current assets		345,741	320,596	345,440	320,252
Non-current assets					
Goodwill		3,706	3,706	3,706	3,706
Property, plant and equipment	9.	1,008,400	1,089,094	1,008,400	1,089,091
Intangible assets	10.	305,290	330,113	305,281	330,103
Investments		335	58,093	1,134	56,875
Trade receivables	5.	4,641	18,013	4,641	18,013
Deferred tax assets, net	16.	73	79	-	-
Total non-current assets, net		1,322,445	1,499,098	1,323,162	1,497,788
TOTAL ASSETS		1,668,186	1,819,694	1,668,602	1,818,040
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	158,092	142,728	158,092	142,728
Trade payables	12.	75,769	77,965	75,768	77,964
Other payables	13.	41,370	37,575	41,371	37,575
Current income tax liabilities		231	5,201	231	5,201
Provisions for other liabilities and charges	14.	12,460	3,572	12,460	3,572
Borrowings	15.	994,924	996,754	994,924	996,754
Total current liabilities		1,282,846	1,263,795	1,282,846	1,263,794
Non current liabilities					
Borrowings	15.	3,393	1,145	3,393	1,145
Deferred tax liabilities, net	16.	27,539	32,998	27,539	32,998
Retirement benefit obligations	17.	1,610	1,917	1,610	1,917
Provisions for other liabilities and charges	14.	7,329	6,242	7,329	6,242
Trade and other payables		4,927	5,559	4,927	5,559
Total non current liabilities		44,798	47,861	44,798	47,861
Equity					
Share capital	18.	288,765	288,765	288,765	288,765
Reserves		39,982	40,403	39,982	40,403
Retained earnings		11,795	178,870	12,211	177,217
Total equity		340,542	508,038	340,958	506,385
TOTAL LIABILITIES AND EQUITY		1,668,186	1,819,694	1,668,602	1,818,040

These financial statements were approved on 30.01.2012

Bernard Moscheni

CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 32 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Year ended		Three months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
Continuing operations					
Revenue	19.	885,931	896,387	226,629	225,646
Interconnect expenses		(133,427)	(119,488)	(35,530)	(26,664)
Other operating expenses	20.	(275,630)	(253,926)	(83,703)	(71,718)
Materials and consumables expenses		(104,139)	(118,146)	(27,843)	(34,190)
Staff costs	21.	(65,051)	(72,487)	(17,724)	(16,965)
Depreciation and amortization	9., 10.	(276,598)	(261,462)	(74,591)	(69,366)
Financial expenses, net	22.	(32,221)	(23,778)	(7,189)	(4,052)
Other gains, net	23.	8,271	37,371	2,009	4,136
Share of profit of joint ventures		2,272	2,017	-	2,017
Profit/(loss) before tax		9,408	86,488	(17,942)	8,844
Income tax expenses/(credit)	24.	(992)	(11,466)	1,715	(721)
Profit/(loss) for the period from continuing operations		8,416	75,022	(16,227)	8,123
Discontinued operations					
Profit after tax for the period from discontinued operations		-	40,728	-	936
Profit/(loss) for the period		8,416	115,750	(16,227)	9,059
Other comprehensive income/(loss)					
Currency forward		629	(22)	261	153
Loss on revaluation of land		(368)	(1,084)	(368)	(607)
Income tax effect		(26)	111	11	46
Other comprehensive income for the period, net of tax		235	(995)	(96)	(408)
Total comprehensive income for the period		8,651	114,755	(16,323)	8,651
Earnings per share (basic and diluted)		0.03	0.40		0.03
Earnings per share from continuing operations		0.03	0.26		0.03

Separate financial statements	Notes	Year ended		Three months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
Continuing operations					
Revenue	19.	885,949	896,383	226,601	225,607
Interconnect expenses		(133,418)	(119,480)	(35,527)	(26,662)
Other operating expenses	20.	(274,271)	(253,889)	(83,699)	(71,695)
Materials and consumables expenses		(104,117)	(118,125)	(27,837)	(34,184)
Staff costs	21.	(65,048)	(72,483)	(17,724)	(16,964)
Depreciation and amortization	9., 10.	(276,595)	(261,443)	(74,591)	(69,364)
Financial expenses, net	22.	(29,300)	(23,885)	(7,192)	(4,114)
Other gains, net	23.	8,271	37,371	2,009	4,136
Profit/(loss) before tax		11,471	84,449	(17,960)	6,760
Income tax expenses	24.	(987)	(11,501)	1,727	(714)
Profit/(loss) for the period from continuing operations		10,484	72,948	(16,233)	6,046
Discontinued operations					
Profit after tax for the period from discontinued operations		-	40,728	-	936
Profit/(loss) for the period		10,484	113,676	(16,233)	6,982
Other comprehensive income/(loss)					
Currency forward		629	(22)	261	153
Loss on revaluation of land		(368)	(1,084)	(368)	(607)
Income tax effect		(26)	111	11	46
Other comprehensive income for the period, net of tax		235	(995)	(96)	(408)
Total comprehensive income for the period		10,719	112,681	(16,329)	6,574
Earnings per share (basic and diluted)		0.04	0.39		0.02
Earnings per share from continuing operations		0.04	0.25		0.02

These financial statements were approved on 30.01.2012

Bernard Moscheni

CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 32 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Discontinued operation	Retained earnings /(deficit)	Total
Balance as at 1 January 2010	288,765	28,876	12,849	19,016	43,778	393,284
Loss on revaluation of land	-	-	(976)	-	-	(976)
Loss on currency forward	-	-	-	-	(20)	(20)
Net income for the period	-	-	-	-	115,750	115,750
Total comprehensive income	-	-	(976)	-	115,730	114,754
Transactions with owners	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Transfer to retained earnings	-	-	(346)	(19,016)	19,362	-
Balance as at 31 December 2010	288,765	28,876	11,527	-	178,870	508,038
Balance as at 1 January 2011	288,765	28,876	11,527	-	178,870	508,038
Loss on revaluation of land	-	-	(331)	-	-	(331)
Loss on currency forward	-	-	-	-	565	565
Net income for the period	-	-	-	-	8,416	8,416
Total comprehensive income	-	-	(331)	-	8,981	8,650
Transactions with owners	-	-	-	-	-	-
Dividends	-	-	-	-	(176,146)	(176,146)
Total transactions with owners	-	-	-	-	(176,146)	(176,146)
Transfer to retained earnings	-	-	(90)	-	90	-
Balance as at 31 December 2011	288,765	28,876	11,106	-	11,795	340,542

Separate Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Discontinued operation	Retained earnings /(deficit)	Total
Balance as at 1 January 2010	288,765	28,876	12,849	19,016	44,199	393,705
Loss on revaluation of land	-	-	(976)	-	-	(976)
Loss on currency forward	-	-	-	-	(20)	(20)
Net income for the period	-	-	-	-	113,676	113,676
Total comprehensive income	-	-	(976)	-	113,656	112,680
Transactions with owners	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Transfer to retained earnings	-	-	(346)	(19,016)	19,362	-
Balance as at 31 December 2010	288,765	28,876	11,527	-	177,217	506,385
Balance as at 1 January 2011	288,765	28,876	11,527	-	177,217	506,385
Loss on revaluation of land	-	-	(331)	-	-	(331)
Loss on currency forward	-	-	-	-	566	566
Net income for the period	-	-	-	-	10,484	10,484
Total comprehensive income	-	-	(331)	-	11,050	10,719
Transactions with owners	-	-	-	-	-	-
Dividends	-	-	-	-	(176,146)	(176,146)
Total transactions with owners	-	-	-	-	(176,146)	(176,146)
Transfer to retained earnings	-	-	(90)	-	90	-
Balance as at 31 December 2011	288,765	28,876	11,106	-	12,211	340,958

These financial statements were approved on 30.01.2012

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BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Year ended		Year ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
Cash flows from operating activities					
Profit before tax from continuing operations		9,408	86,488	11,471	84,449
Profit before tax from discontinued operations	7.	-	42,072	-	42,072
Total profit before tax		9,408	128,560	11,471	126,521
Adjustment for:					
Depreciation and amortization	9., 10.	276,598	261,462	276,595	261,443
Impairment and write off of receivables		21,199	21,625	21,186	21,572
Impairment of assets		14,323	5,834	12,969	5,834
Interest expenses, net		30,220	25,955	30,235	26,063
Profit from operations with non-current asset		5,045	(59,452)	5,044	(59,452)
Carrying amount of inventories written-off		446	359	446	359
Expenses from financial instruments transactions		2,131	-	2,131	-
Income from investment operations		(2,595)	(2,225)	(3,258)	(208)
Increase in provisions for other liabilities and charges		11,747	3,316	11,747	3,316
Changes in operating assets and liabilities					
Increase in operating assets		(9,415)	(59,181)	(9,105)	(58,530)
Decrease in operating liabilities		(7,222)	(18,542)	(7,510)	(18,561)
Cash generated from operations		351,885	307,711	351,951	308,357
Interest received		5,767	6,868	5,752	6,290
Interest paid		(37,682)	(32,521)	(37,682)	(32,050)
Corporate income tax paid		(11,730)	(14,998)	(11,730)	(14,998)
Net cash from operating activities		308,240	267,060	308,291	267,599
Proceeds from sale of property, plant and equipment					
Purchase of property, plant and equipment		(119,191)	(124,288)	(119,191)	(124,288)
Purchase of other non-current assets		(53,232)	(42,258)	(53,232)	(42,258)
Dividends received		293	208	293	208
Sale of investments		58,675	-	58,675	-
Acquisition of investment in subsidiaries		-	(55,255)	-	(55,255)
Sale of operations		-	92,018	-	92,018
Net cash used in investing activities		(104,460)	(83,068)	(104,460)	(83,068)
Proceeds from long-term borrowings					
Repayments of long-term borrowings		-	(25,346)	-	(85,346)
Dividend paid		(160,265)	(140,820)	(160,265)	(140,820)
Deposits		(54,507)	-	(54,507)	-
Payments of obligations under finance lease		(1,846)	(1,578)	(1,846)	(1,578)
Net cash used in financing activities		(216,618)	(167,744)	(216,618)	(167,744)
Net decrease in cash and cash equivalents		(12,838)	16,248	(12,787)	16,787
Exchange gain on cash		422	3	422	2
Cash and cash equivalents at the beginning of the year		154,523	138,272	154,163	137,374
Cash and cash equivalents at the end of the period		142,107	154,523	141,798	154,163
Less restricted cash		443	124	443	124
Unrestricted cash and cash equivalents at the period end		141,664	154,399	141,355	154,039

These financial statements were approved on 30.01.2012

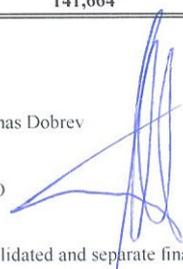
Bernard Moscheni

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The accompanying notes from pages 5 to 32 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

1. General information

The Parent Company – Bulgarian Telecommunications Company AD

Bulgarian Telecommunications Company AD (“BTC”, the “Parent Company” or the “Company”) is a public joint stock company, domiciled in Bulgaria, with its registration address: 115 I, Tzarigradsko shausse Blvd, Hermes park, building A, 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 PineBridge Investments Limited (“PIL”). PineBridge Investments Partners LLC (“PineBridge”) is a wholly-owned subsidiary of PIL. PineBridge holds its interest with third party investors in the Company through PineBridge Black Sea Holdings, L.P., (formerly AIG Black Sea Holdings, L.P.) and related funds (the "Entities"). The Entities’ general partners are controlled by PineBridge. PineBridge has less than 1% of the economic interest in the Entities.

The Group

As at 31 December 2011 the Group includes the subsidiary entity BTC Net EOOD.

As at 31 December 2010 the Group includes the subsidiary entity BTC Net EOOD and the joint venture NURTS Bulgaria AD.

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.

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 automatically as of that date. On October 16, 2009 the successor BTC Security was renamed to BTC Net.

BULGARIAN TELECOMMUNICATIONS COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

1. General information(continued)

NURTS Bulgaria AD

NURTS Bulgaria AD is a commercial company established in April 2010 with registered subject of business activity: development, operation and maintenance of public electronic communication networks and data systems, as well as providing telecommunication services through them, including terrestrial broadcasting of radio and TV, collocation services and other commercial activities. The registered share capital amounts to BGN 111,482,310 comprising of shares with nominal value of BGN 1 each. NURTS Bulgaria acquired the National Unit "Radio and Television Stations" (NURTS), an internal division of BTC as per agreement dated 12 August 2010 and registered in the Commercial Register on 20 August 2010. According to an agreement dated 19 March 2010 and finalized on 12 August 2010, BTC acquired 50% of NURTS Bulgaria's shares.

The agreement stipulates joint management of the entity whereas the joint venture partners have equal representatives in the Board of Directors, the entity is jointly represented by two Executive Directors each nominated by the respective joint venture partner and any matter concerning the entity requires joint decision of the partners. Based on that BTC treats its investment in NURTS Bulgaria as a jointly controlled entity.

On 20 September 2011 BTC finalized an agreement with Bluesat Partners Ltd. For the sale of 50% of the shares of NURTS Bulgaria AD. In August 2011 the transaction was approved by the Commission on Protection of Competition (CPC).

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.

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

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 2010.

4. Cash and cash equivalents

As at 31 December 2011 and 2010 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Current accounts and cash in hand				
Held in BGN	3,914	2,324	3,911	2,265
Held in EUR	364	848	363	848
Held in foreign currencies other than EUR	1,559	133	1,559	132
Total current accounts and cash in hand	5,837	3,305	5,833	3,245
Term deposits				
Held in BGN	135,827	148,903	135,522	148,603
Held in EUR	-	2,191	-	2,191
Total term deposits	135,827	151,094	135,522	150,794
Restricted cash	443	124	443	124
Total cash and cash equivalents	142,107	154,523	141,798	154,163

As disclosed in note 15 on 14 November 2007 BTC signed agreements to secure payments related to Company's liabilities under the new agreement loan by establishing a pledge on the receivables on bank accounts and from its insurers of the Group.

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables

As at 31 December 2011 and 2010 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Trade receivables	169,275	178,757	168,915	177,993
<i>incl. international settlement receivables</i>	29,619	19,357	29,619	19,357
Intercompany receivables	371	11,382	656	12,041
Other receivables	58,537	2,597	58,534	2,595
Total	228,183	192,736	228,105	192,629
Provision for impairment of receivables	(63,837)	(78,744)	(63,750)	(78,609)
Total Trade receivables	164,346	113,992	164,355	114,020
Incl:				
Non-current portion: trade receivables	4,952	18,386	4,952	18,386
Provision for impairment of receivables	(311)	(373)	(311)	(373)
Total non-current portion: trade receivables	4,641	18,013	4,641	18,013
Current portion trade receivables	223,231	174,350	223,153	174,243
Provision for impairment of receivables	(63,526)	(78,371)	(63,439)	(78,236)
Total current portion: trade receivables	159,705	95,979	159,714	96,007

Other receivables for 2011 include BGN 54,507 thousand term cash deposits with maturity greater than three months. All non-current receivables are due within two years from the end of the reporting period. Part of the amount (as at 31 December 2010) relates to the sale of the discontinued operation and the rest – to sales of mobile phone sets on finance lease agreements with customers. The net investment in finance leases for the Group and BTC may be analyzed as follows:

	Gross receivables from finance leases		Net investment in finance leases	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Finance leases receivables with maturity:				
Within one year	13,805	15,727	13,088	14,572
In the second to fifth years inclusive	3,201	7,713	3,109	7,469
Total receivables	17,006	23,440	16,197	22,041
Less: unearned finance income	(809)	(1,399)	-	-
Provision for impairment of receivables	(1,620)	(1,102)	(1,620)	(1,102)
Net investment in finance leases	14,577	20,939	14,577	20,939

Movement of the provision for impairment of accounts receivables as at 31 December 2011 and 2010 is as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Balance at the beginning of the period	78,744	62,236	78,609	62,111
Discontinued operations balance	-	540	-	540
Accrued impairment	21,060	21,480	21,047	21,428
Impairment of receivables written off	(35,967)	(5,512)	(35,906)	(5,470)
Balance at the end of the period	63,837	78,744	63,750	78,609

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables (continued)

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

Business customers	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Balance at the beginning of the period	30,748	22,168	30,613	22,043
Discontinued operations balance	-	540	-	540
Accrued impairment	(733)	9,972	(746)	9,920
Impairment of receivables written off	(11,011)	(1,932)	(10,950)	(1,890)
Balance at the end of the period	19,004	30,748	18,917	30,613

Residential customers	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Balance at the beginning of the period	47,996	40,068	47,996	40,068
Accrued impairment	21,793	11,508	21,793	11,508
Impairment of receivables written off	(24,956)	(3,580)	(24,956)	(3,580)
Balance at the end of the period	44,833	47,996	44,833	47,996

Related parties balances are shown in note 27.

As of 31 December 2011 and 2010 receivables of the Group and the Company at the amount of BGN 6,415 and 11,934 thousand were assessed individually and the impairment amounts to 6,123 and 10,757 thousand.

As of 31 December 2011 and 2010 the age structure of overdue receivables not impaired is as follows:

	Consolidated and Separate financial statements	
	31.12.2011	31.12.2010
From 60 to 90 days	5,808	4,483
From 91 to 180 days	343	1,591
From 181 to 360 days	93	1,039
Above 1 year	143	636
Total	6,387	7,749

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

Type	Carrying amount of the receivable as of	
	31.12.2011	31.12.2010
Outside the country	10,233	287
Outside the country	6,886	6,839
Outside the country	1,745	294
In the country	1,340	1,375
Outside the country	1,180	216

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 31 December 2011 and 2010 are as follows:

	Consolidated and Separate financial statements	
	31.12.2011	31.12.2010
Materials and supplies, net	5,999	9,038
Merchandise and other, net	19,735	25,592
Total materials and supplies	<u>25,734</u>	<u>34,630</u>

Impairment charges related to the inventory items for the reporting period were BGN 4,588 thousand for the group and the company which were recognized as other operating expenses.

7. Assets classified as held for sale

	31.12.2011	31.12.2010
Real estates, held for sale	1,892	6,648
Total assets held for sale	<u>1,892</u>	<u>6,648</u>

As of 31 December 2011 BTC has signed several preliminary agreements for the sale of real estates reported in the balance sheet by their net asset value, excluding a few properties stated on the lower than their carrying value contracted price.

8. Other current assets

As of 31 December 2011 and 2010 other current assets are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Prepayments	12,352	21,111	12,352	21,110
Other current assets	3,951	7,699	3,950	7,694
Total other current assets	<u>16,303</u>	<u>28,810</u>	<u>16,302</u>	<u>28,804</u>

Subscriber acquisition cost, representing mainly fees paid to distributors, are included in other assets above, which for the Group and the Company are BGN 3,950 thousand as of 31 December 2011. For 2010 they amount to BGN 5,437 thousand.

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

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All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 31 December 2011 and 2010 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2009	1,298,300	896,911	270,335	46,872	2,512,418
Revaluation	-	-	(1,084)	-	(1,084)
Additions	6,878	-	2,447	120,702	130,027
Transfers	95,091	12,200	20,281	(127,572)	-
Reclassification	(442)	2	88	-	(352)
Impairment	-	-	-	(356)	(356)
Assets held for sale	427	1	14,283	403	15,114
Disposals	(52,336)	(12,532)	(24,033)	(228)	(89,129)
At 31 December 2010	1,347,918	896,582	282,317	39,821	2,566,638
Revaluation	-	-	(368)	-	(368)
Additions	4,011	-	87	121,271	125,369
Transfers	101,446	9,852	12,719	(124,017)	-
Impairment	-	-	-	(2,413)	(2,413)
Assets held for sale	-	-	5,024	-	5,024
Disposals	(64,231)	(11,014)	(15,274)	(639)	(91,158)
At 31 December 2011	1,389,144	895,420	284,505	34,023	2,603,092
<i>Accumulated depreciation</i>					
At 31 December 2009	654,725	571,790	138,587	-	1,365,102
Depreciation charged	124,440	23,699	28,509	-	176,648
Reclassification	(91)	-	18	-	(73)
Impairment	872	-	640	-	1,512
Assets held for sale	290	-	4,371	-	4,661
Disposals	(38,847)	(11,975)	(19,484)	-	(70,306)
At 31 December 2010	741,389	583,514	152,641	-	1,477,544
Depreciation charged	135,164	24,068	27,926	-	187,158
Impairment	4,172	4	(238)	-	3,938
Assets held for sale	-	-	542	-	542
Disposals	(50,701)	(9,956)	(13,833)	-	(74,490)
At 31 December 2011	830,024	597,630	167,038	-	1,594,692
<i>Net book value</i>					
At 31 December 2010	606,529	313,068	129,676	39,821	1,089,094
At 31 December 2011	559,120	297,790	117,467	34,023	1,008,400

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All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 31 December 2011 and 2010 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2009	1,298,153	896,911	270,752	46,872	2,512,688
Revaluation	-	-	(1,084)	-	(1,084)
Additions	6,878	-	2,447	120,702	130,027
Transfers	95,091	12,200	20,281	(127,572)	-
Reclassification	(442)	2	88	-	(352)
Impairment	-	-	-	(356)	(356)
Assets held for sale	427	1	14,283	403	15,114
Disposals	(52,336)	(12,532)	(23,967)	(228)	(89,063)
At 31 December 2010	1,347,771	896,582	282,800	39,821	2,566,974
Revaluation	-	-	(368)	-	(368)
Additions	4,011	-	87	121,271	125,369
Transfers	101,446	9,852	12,719	(124,017)	-
Impairment	-	-	-	(2,413)	(2,413)
Assets held for sale	-	-	5,024	-	5,024
Disposals	(64,084)	(11,014)	(15,221)	(639)	(90,958)
At 31 December 2011	1,389,144	895,420	285,041	34,023	2,603,628
<i>Accumulated depreciation</i>					
At 31 December 2009	654,587	571,790	139,009	-	1,365,386
Depreciation charged	124,433	23,699	28,504	-	176,636
Reclassification	(91)	-	18	-	(73)
Impairment	872	-	640	-	1,512
Assets held for sale	290	-	4,371	-	4,661
Disposals	(38,846)	(11,975)	(19,418)	-	(70,239)
At 31 December 2010	741,245	583,514	153,124	-	1,477,883
Depreciation charged	135,162	24,068	27,926	-	187,156
Impairment	4,172	4	(238)	-	3,938
Assets held for sale	-	-	542	-	542
Disposals	(50,555)	(9,956)	(13,780)	-	(74,291)
At 31 December 2011	830,024	597,630	167,574	-	1,595,228
<i>Net book value</i>					
At 31 December 2010	606,526	313,068	129,676	39,821	1,089,091
At 31 December 2011	559,120	297,790	117,467	34,023	1,008,400

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 688 properties of BTC with a net book value as of 31 December 2011 amounting to BGN 22,951 thousand(BGN 24,851 for 2010).

As disclosed in note 15 on November 14, 2007 BTC signed agreements to secure payments related to Parent company's liabilities under the new loan agreement by establishing a pledge on real estate property, which net book value as of 31 December 2011 amounted to BGN 18,680 thousand, and as of 31 December 2010 their net book value was BGN 19,937 thousand.

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All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets

As of 31 December 2011 and 2010 intangible assets of the Group are as follows

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2009	122,986	474,589	14,711	14,979	627,265
Additions(Transfers)	203	55,200	-	(9,579)	45,824
Reclassification	-	351	-	-	351
Assets held for sale	448	9	-	-	457
Disposals	(4,593)	(20,461)	-	(13)	(25,067)
At 31 December 2010	119,044	509,688	14,711	5,387	648,830
Additions(Transfers)	726	53,116	5,751	(2,026)	57,567
Assets held for sale	-	-	-	-	-
Disposals	-	(19,384)	(53)	-	(19,437)
At 31 December 2011	119,770	543,420	20,409	3,361	686,960
<i>Accumulated amortization</i>					
At 31 December 2009	30,475	231,144	991	-	262,610
Amortization charge	7,224	67,408	1,497	-	76,129
Reclassification	-	73	-	-	73
Assets held for sale	135	6	-	-	141
Disposals	(4,131)	(16,105)	-	-	(20,236)
At 31 December 2010	33,703	282,526	2,488	-	318,717
Amortization charge	7,256	70,215	2,856	-	80,327
Impairment	-	1,932	-	-	1,932
Disposals	-	(19,291)	(15)	-	(19,306)
At 31 December 2011	40,959	335,382	5,329	-	381,670
<i>Net book value</i>					
At 31 December 2010	85,341	227,162	12,223	5,387	330,113
At 31 December 2011	78,811	208,038	15,080	3,361	305,290

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NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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10. Intangible assets (continued)

As of 31 December 2011 and 2010 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2009	122,926	474,334	14,711	14,979	626,950
Additions(Transfers)	203	55,200	-	(9,579)	45,824
Reclassification	-	351	-	-	351
Assets held for sale	448	9	-	-	457
Disposals	(4,588)	(20,435)	-	(13)	(25,036)
At 31 December 2010	118,989	509,459	14,711	5,387	648,546
Additions(Transfers)	726	53,116	5,751	(2,026)	57,567
Assets held for sale	-	-	-	-	-
Disposals	-	(19,311)	(53)	-	(19,364)
At 31 December 2011	119,715	543,264	20,409	3,361	686,749
<i>Accumulated amortization</i>					
At 31 December 2009	30,426	230,895	991	-	262,312
Amortization charge	7,223	67,402	1,497	-	76,122
Reclassification	-	73	-	-	73
Assets held for sale	135	6	-	-	141
Disposals	(4,127)	(16,078)	-	-	(20,205)
At 31 December 2010	33,657	282,298	2,488	-	318,443
Amortization charge	7,255	70,215	2,856	-	80,326
Impairment	-	1,932	-	-	1,932
Disposals	-	(19,218)	(15)	-	(19,233)
At 31 December 2011	40,912	335,227	5,329	-	381,468
<i>Net book value</i>					
At 31 December 2010	85,332	227,161	12,223	5,387	330,103
At 31 December 2011	78,803	208,037	15,080	3,361	305,281

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD. Its net book value as of 31 December 2011 is BGN 10,723 thousand.

BULGARIAN TELECOMMUNICATIONS COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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11. Investments

Investments available for sale on the Group level as of 31 December 2011 and 2010 are as follows:

Entity	31.12.2011	31.12.2010
NURTS Bulgaria Plc.	-	57,758
Intersputnik	178	178
Satbird	143	143
Sofia Commodity Exchange	14	14
Total investment	335	58,093

The jointly controlled entity NURTS Bulgaria Plc. is presented in the consolidated financial statements using the equity method.

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

	31.12.2011	31.12.2010
Subsidiaries		
BTC Net	799	799
Total investments in subsidiaries	<u>799</u>	<u>799</u>
Joint ventures		
NURTS Bulgaria Plc.		55,741
Total investments in JV	<u>-</u>	<u>55,741</u>
Other investments	335	335
Total investments	<u>1,134</u>	<u>56,875</u>

12. Trade payables

The payables to suppliers as of 31 December 2011 and 2010 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Payables to suppliers of non current assets	38,596	36,279	38,596	36,279
Payables to international accounts	8,813	8,232	8,813	8,232
Payables to telecom operators	3,074	5,181	3,074	5,181
Payables to suppliers of network maintenance	1,666	3,245	1,666	3,245
Payables to related parties (Note 27)	-	458		458
Others	23,620	24,570	23,619	24,569
Total trade payables	<u>75,769</u>	<u>77,965</u>	<u>75,768</u>	<u>77,964</u>

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

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the year ended 31 December 2011

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

Other payables as of 31 December 2011 and 2010 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Deferred income	17,082	17,282	17,083	17,283
Payables to employees	12,811	11,603	12,811	11,602
Social securities	1,878	1,782	1,878	1,782
Cable project MECMA	1,169	163	1,169	163
VAT	1,060	-	1,060	-
Advances from clients	965	1,320	965	1,320
Personal income tax payable	835	787	835	787
Payables for license fee	440	324	440	324
Withholding and other taxes	332	257	332	257
Interest payable	160	266	160	266
Others	4,638	3,791	4,638	3,791
Total other payables	41,370	37,575	41,371	37,575

The liabilities under Cable projects MECMA amounting to BGN 1,169 and 163 thousand originated as a result of BTC's role as a Central Billing Party in the MECMA 2004 Agreement for maintenance of submarine cables in the Mediterranean Sea, Red Sea and Black Sea area.

14. Provisions for other liabilities and charges**Consolidated and Separate financial statements**

	Decommissioning			
	ning	Restructuring	Legal claims	Total
At 1 January 2011	6,242	1,577	1,995	9,814
Charged to the comprehensive income	-	470	10,128	10,598
Included in the balance sheet	1,107	-	-	1,107
Used during the year	(51)	(947)	(763)	(1,761)
Discount rate adjustment	31	-	-	31
At 31 December 2011	7,329	1,100	11,360	19,789

Analysis of provision in consolidated financial statements

	31.12.2011	31.12.2010
Non-current (decommissioning costs)	7,329	6,242
Current	12,460	3,572
Total	19,789	9,814

BULGARIAN TELECOMMUNICATIONS COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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14. Provisions for other liabilities and charges(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 decommissioning obligation after ceasing operation. The respective discount rate used for 2011 is 6.5% and for 2010 is 4.85%.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2011 and is recognised as staff cost in the profit or loss for the period.

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 long-term debts in the consolidated and separate financial statements are as follows:

	31.12.2011	31.12.2010
New Syndicated credit facility	994,907	994,907
Trade credits	733	1,425
Financial lease	2,677	1,567
Short-term portion	(994,924)	(996,754)
Total borrowings	3,393	1,145

On August 21, 2007 BTC refinanced its debt under the existing syndicated credit facility amounting to EUR 350 million. On August 17, 2007 BTC became a party to a new loan agreement organized by Royal Bank of Scotland, Deutsche Bank AG, London branch, UBS Limited and Bank Austria Creditanstalt AG with a mandate to organize syndicated financing.

Under the new loan agreement BTC has two term facilities and revolving facility. The first term loan which matures after 8 years can be used to pay existing financial liabilities. The second term loan which matures in 7 years can be used to finance capital expenses of BTC and its subsidiaries. The third facility is on a revolving basis and it can be utilized for working capital, as well as for other needs of the companies in the Group. Interest rate accrued for each interest period is calculated based on the respective value of EURIBOR plus margin.

The margin is calculated depending on the ratio of the consolidated total net debt to the consolidated pro forma profit before interest, taxes and amortization. As of October 31, 2007 the loan margins of BTC were changed and varied between 2,25% and 2,75% for the first facility and between 1,5% and 2,25% for the second and the revolving facility. On November 14, 2007 BTC signed agreement to secure the payments of Company's liabilities under the new loan agreement. The agreement established a special pledge of BTC, including the shares held in the subsidiaries, real estate property with net book value as of 31 December, 2011 at the amount of BGN 18,680 thousand, and a pledge on the receivables from the Company's bank accounts, and from its insurers.

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NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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15. Borrowings (continued)

Along with other securities, there is a pledge over the shares of BTC owned by NEF Telecom Bulgaria OOD.

The loan agreement includes provisions for certain financial covenants calculated based on the consolidated financial statements of NEF Telecom Company B.V. According to the information received from the parent company there has been a breach of the leverage ratio covenant since the second quarter of 2010. Any breaching of the requirements of the financial covenants if not remedied or waived, constitutes an Event of Default. Such a waiver has been provided by the lenders and expires on 23 February 2011.

On 6 January 2010 a garnishment (freezing order) was imposed over 10,230,187 common registered book entry shares from the share capital of BTC held by NEF Telecom Bulgaria OOD representing 3.54% of total BTC shares in relation to an arbitration claim launched by the Bulgarian Privatization and Post-Privatization Control Agency (PPCA) against the former owners of BTC (as primary respondents) and NEF Telecom Bulgaria OOD (as secondary respondent). NEF Telecom Bulgaria OOD continues to dispute the merits of the arbitration claim to which the freezing order relates. During the period of June – August 2010, the PPCA imposed statutory mortgages on some of the properties of BTC as disclosed in Note 9 of the present financial statements.

The above dispute represents a technical Event of Default and the lenders have provided a waiver which expires on 23 February 2011.

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 4.95%.

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

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Finance lease payables with maturity:				
Within one year	19	1,566	17	1,506
In the second to fifth years inclusive	2,855	63	2,660	61
Total payables	2,874	1,629	2,677	1,567
Less: future finance charges	(197)	(62)	-	-
Present value of lease obligations	2,677	1,567	2,677	1,567

The net book value of the assets acquired under finance lease arrangements as of 31 December 2011 is BGN 4,114 thousand.

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16. Deferred tax assets and liabilities

As of 31 December 2011 and 2010 the deferred tax, are as it follows:

For the Group:

Deferred tax assets	Tax loss carried forward	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 01.01.2010	32	12	(1)	1	44
Charged/(credited) to the profit/(loss) for the period	33	2	1	(1)	35
At 31 December 2010	65	14	-	-	79
At 01.01.2011	65	14	-	-	79
Charged/(credited) to the profit/(loss) for the period	(1)	(5)	-	-	(6)
At 31 December 2011	64	9	-	-	73

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 01.01.2010	157	6,211	(44,340)	2,988	(34,984)
Charged/(credited) to the profit/(loss) for the period	1	790	432	(254)	969
Charged to other comprehensive income for the period	-	-	108	2	110
Преустановени дейности	-	859	-	48	907
At 31 December 2010	158	7,860	(43,800)	2,784	(32,998)
At 01.01.2011	158	7,861	(43,801)	2,784	(32,998)
Charged/(credited) to the profit/(loss) for the period	3	(1,491)	4,860	2,113	5,485
Charged to other comprehensive income for the period	-	-	37	(63)	(26)
At 31 December 2011	161	6,370	(38,904)	4,834	(27,539)

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

	31.12.2011	Year ended 31.12.2010
Deferred tax liabilities	5,485	969
Deferred tax assets	(6)	35
Total charged to the profit/(loss) for the period	5,479	1,004
Deferred tax charge(credit) for discontinued operations	-	2,863
Deferred tax charge for continuing operations	5,479	1,004
Total charged to the profit/(loss) for the period	5,479	3,867

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NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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16. Deferred tax assets and liabilities(continued)

For BTC:

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 01.01.2010	157	6,211	(44,340)	2,988	(34,984)
Charged/(credited) to the profit/(loss) for the period	1	790	432	(254)	969
Charged to other comprehensive income for the period	-	-	108	2	110
Discontinued operations	-	859	-	48	907
At 31 December 2010	158	7,860	(43,800)	2,784	(32,998)
At 01.01.2011	158	7,861	(43,801)	2,784	(32,998)
Charged/(credited) to the profit/(loss) for the period	3	(1,491)	4,860	2,113	5,485
Charged to other comprehensive income for the period	-	-	37	(63)	(26)
At 31 December 2011	161	6,370	(38,904)	4,834	(27,539)

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

	31.12.2011	Year ended 31.12.2010
Deferred tax liabilities	5,485	969
Deferred tax assets	-	-
Total charged to the profit/(loss) for the period	5,485	969
Deferred tax charge(credit) for discontinued operations	-	2,863
Deferred tax charge for continuing operations	5,484	969
Total charged to the profit/(loss) for the period	5,484	3,832

basis and it is not expected that the assets will be realised and the liabilities will be settled simultaneously in the future.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 31 December 2011 and 2010 are calculated in these financial statements at 10% tax rate which is effective as of 1 January 2007.

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

BULGARIAN TELECOMMUNICATIONS COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

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17. Retirement benefit obligations

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

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

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

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

	Consolidated and Separate financial statements	
	31.12.2011	31.12.2010
Liability at the beginning of the period	1,917	1,570
<i>Past service cost</i>	(96)	(75)
<i>Current service cost</i>	(153)	532
<i>Interest cost</i>	74	79
Total cost recognized in the comprehensive income	(175)	536
Payments to retirees	(132)	(189)
Liability at the end of the period	1,610	1,917

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

	31.12.2011	31.12.2010
Discount rate	5.70%	6.50%
Future salary increases per year	From 3% to 6%	From 4% to 6%
Average age of retirement – male employees	65	63
Average age of retirement – female employees	63	60

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 2008 – 2010.

18. Share capital and dividends

	31.12.2011	31.12.2010
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

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18. Share capital and dividends (continued)

Structure of the share capital:	31.12.2011	%
<i>Number of ordinary shares:</i>		
NEF Telecom Bulgaria OOD	271,423,451	94%
Other shareholders	17,341,388	6%
Total ordinary shares	288,764,839	100%
<i>Number of preference shares:</i>		
The Republic of Bulgaria	1	100%
Total number of shares	288,764,840	100%

On 10 November 2004 BTC was registered as a public company. As part of the governmental project to privatize the remaining state-owned 35% of share capital of BTC, the Bulgarian government subsequently floated its nearly 35% stake on 27 January 2005 through a public offering on the Bulgarian Stock Exchange and since then the shares are freely traded on it.

preference share, held by the Government through the Ministry of Transport and Communications. The nominal share value is BGN 1. This preference share gives to the owner specific rights being mainly right to appoint one member of the supervisory board and the managing board and veto right in disposal of strategic telecommunication equipment.

On 6 January 2010 a garnishment (freezing order) was imposed over 10,230,187 common registered book entry shares from the share capital of BTC held by NEF Telecom Bulgaria OOD representing 3.54% of total BTC shares in relation to an arbitration claim launched by the Bulgarian Privatization and Post-Privatization Control Agency (PPCA) against the former owners of BTC (as primary respondents) and NEF Telecom Bulgaria OOD (as secondary respondent).

Earnings per share	Consolidated financial statements		Separate financial statements	
	Nine months ended		Nine months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit for distribution from continuing operations	8,416	75,022	10,484	72,948
Profit for distribution from discontinuing operation	-	40,728	-	40,728
Total profit for distribution	8,416	115,750	10,484	113,676
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN)	0.03	0.40	0.04	0.39

Dividends payable

The Annual General Meeting of Shareholders, held on July 29, 2011, voted to distribute out BTC's distributable reserves dividends, at the total amount of BGN 176,146 thousand.

	31.12.2011	31.12.2010
Dividend approved by the General shareholders' meeting	176,146	-
Non-distributed dividends for prior years	142,728	283,548
Tax on dividend	(517)	-
Net dividends paid	(160,265)	(140,820)
Total dividend payable	158,092	142,728

As shown in Note 26, dividends payable outstanding as at 31 December 2011 includes the amount of BGN 157,624 thousand – dividends to NEF Telecom Bulgaria OOD.

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19. Revenue

Revenue of the Group and the Company for the year ended 31 December 2011 and 2010 consist of:

Consolidated financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Recurring charges	334,786	338,693	85,273	84,353
Outgoing traffic	180,687	195,429	46,591	46,701
Interconnect	148,835	131,552	32,307	30,455
Leased lines and data transmission	146,526	148,911	38,236	37,955
Other revenue	75,097	81,802	24,222	26,182
Total revenue	885,931	896,387	226,629	225,646

Separate financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Recurring charges	334,824	338,800	85,280	84,380
Outgoing traffic	180,512	194,937	46,588	46,613
Interconnect	148,935	131,879	32,261	30,463
Leased lines and data transmission	146,570	148,954	38,248	37,966
Other revenue	75,108	81,813	24,224	26,185
Total revenue	885,949	896,383	226,601	225,607

20. Other operating expenses

Other operating expenses for the year ended 31 December 2011 and 2010 consist of:

Consolidated financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Maintenance and repairs	88,826	77,855	23,267	21,570
Advertising, customer service, billing and collectic	50,468	41,308	14,527	11,252
Facilities	38,819	31,156	10,108	9,456
License fees	12,851	13,153	3,176	3,223
Administrative expenses	12,067	8,840	7,416	2,855
Cost of value added services (VAS)	7,569	7,149	2,638	2,533
Professional fees	5,482	26,673	2,085	1,247
Leased lines and data transmission	3,817	5,371	928	974
Vehicles and transport	3,718	5,795	941	1,208
Other	52,013	36,626	18,617	17,400
Total other operating expenses	275,630	253,926	83,703	71,718

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20. Other operating expenses(continued)**Separate financial statements**

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Maintenance and repairs	88,823	77,852	23,266	21,570
Advertising, customer service, billing and collectic	50,476	41,320	14,531	11,254
Facilities	38,819	31,155	10,108	9,456
License fees	12,846	13,148	3,175	3,222
Administrative expenses	12,077	8,854	7,414	2,859
Cost of value added services (VAS)	7,569	7,149	2,638	2,533
Professional fees	5,482	26,673	2,085	1,247
Leased lines and data transmission	3,817	5,371	928	974
Vehicles and transport	3,718	5,795	941	1,208
Other	50,644	36,572	18,613	17,372
Total other operating expenses	274,271	253,889	83,699	71,695

Since June 2004, Professional fees include services in accordance with signed management and technical service agreements with related parties (Sycamore EOOD and Advent BTC UK Limited, replaced respectively in its rights and obligations under the management services contract and the contract for technical and professional services by “NEF Telecom Bulgaria” OOD, by virtue of the agreements, signed on 14 August 2007). Services provided include among others: commercial, technical and operative advice, analysis, selection and project management services, progressing modernization of the network and improving its quality, procuring material, equipment, software and supplies, related training, etc. The agreements are terminated as of 31 July 2010.

Other expenses comprise the charged provisions for impairment of assets and the net book value of the scrapped inventories and fixed assets.

21. Staff costs

Staff costs for the year ended 31 December 2011 and 2010 consist of:

Consolidated financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Salaries and wages	52,738	58,290	14,800	13,885
Pension, health and unemployment fund contributi	8,187	10,022	1,532	2,234
Other benefits	2,408	2,723	619	593
Other staff costs	1,718	1,452	773	253
Total staff costs	65,051	72,487	17,724	16,965

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21. Staff costs(continued)**Separate financial statements**

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Salaries and wages	52,735	58,286	14,800	13,884
Pension, health and unemployment fund contributi	8,187	10,022	1,532	2,234
Other benefits	2,408	2,723	619	593
Other staff costs	1,718	1,452	773	253
Total staff costs	65,048	72,483	17,724	16,964

As stated in note 17 the amounts of post employment termination benefits included/(reversed) in salaries and wages above for the consolidated and separate financial statements are respectively for the year ended 31 December 2011 BGN (249) thousand(2009: BGN 457 thousand).

22. Financial expense, net

Financial expenses, net for the year ended 31 December 2011 and 2010 consist of:

Consolidated financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Interest expenses	38,947	33,173	10,246	8,854
Interest income	(8,727)	(7,218)	(2,726)	(2,465)
Foreign exchange gain, net	(44)	(110)	(84)	(94)
Other (income)/expenses, net	2,045	(2,067)	(247)	(2,243)
Total financial expenses, net	32,221	23,778	7,189	4,052

Separate financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Interest expenses	38,947	33,173	10,246	8,854
Interest income	(8,712)	(7,110)	(2,723)	(2,403)
Foreign exchange gain, net	(44)	(109)	(84)	(94)
Other income, net	(891)	(2,069)	(247)	(2,243)
Total financial expenses, net	29,300	23,885	7,192	4,114

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NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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23. Other gains, net

Other gains, net for the year ended 31 December 2011 and 2010 consist of:

Consolidated and Separate financial statements	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Gains from sales of non-current assets	8,380	37,429	2,008	4,136
(Loss)/Gain from sales of materials	(109)	(58)	1	-
Total other gains, net	8,271	37,371	2,009	4,136

In the Consolidated and the Separate financial statements the income from sales of PPE and assets held for sale for the year ended 31 December 2011 was BGN 11,770 thousand and their net book value was BGN 3,390 thousand. For the year ended 31 December 2010 these figures are respectively BGN 50,983 thousand and BGN 13,554 thousand. The income from sales of materials for the year ended 31 December 2011 was BGN 59 thousand and cost of sales was BGN 168 thousand. For the year ended 31 December 2010 these figures were BGN 96 thousand and BGN 154 thousand respectively.

24. Tax expense

Income tax expenses for the year ended 31 December 2011 and 2010 consist of:

Consolidated financial statements	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Current income tax charge/(credit)	6,471	12,470	(648)	1,624
Deferred tax credit to comprehensive income	(5,479)	(1,004)	(1,067)	(903)
Total tax expense	992	11,466	(1,715)	721

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24. Tax expense(continued)**Separate financial statements**

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Current income tax charge/(credit)	6,471	12,470	(648)	1,624
Deferred tax credit to comprehensive income	(5,484)	(969)	(1,079)	(910)
Total tax expense/(credit)	987	11,501	(1,727)	714

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

Consolidated financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit/(loss) before tax from continuing operations	9,408	86,488	(17,942)	13,753
Profit before tax from discontinued	-	42,072	-	1,040
Total profit/(loss) before tax	9,408	128,560	(17,942)	14,793
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	941	12,856	(1,794)	1,479
Effect of permanent tax differences	271	(41)	27	(176)
Effect of current tax from previous periods, accounted during the year	(290)	6	-	6
Effect of unrecognised tax losses and tax offsets from previous periods	-	-	-	-
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	70	(10)	52	7
Income tax expense/(credit)	992	12,811	(1,715)	1,316
Effective tax rate	10.54%	9.96%	9.56%	8.90%
Income tax expense in the comprehensive income	992	11,466	(1,715)	721
Income tax to a discontinued operation	-	1,344	-	104
Total income tax expense/(credit)	992	12,810	(1,715)	825

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24. Tax expense(continued)**Separate financial statements**

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit/(loss) before tax from continuing operations	11,471	84,449	(17,960)	6,760
Profit before tax from discontinued	-	42,072	-	1,040
Total profit before tax	11,471	126,521	(17,960)	7,800
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	1,147	12,652	(1,796)	780
Effect of permanent tax differences	69	160	26	25
Effect of current tax from previous periods, accounted during the year	(290)	6	-	6
Effect of unrecognised tax losses and tax offsets from previous periods	-	-	-	-
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	61	27	43	7
Income tax expense/(credit)	987	12,845	(1,727)	818
Effective tax rate	8.60%	10.15%	9.62%	10.49%
Income tax expense/(credit) in the comprehensive	987	11,501	(1,727)	714
Income tax to a discontinued operation	-	1,344	-	104
Total income tax expense/(credit)	987	12,845	(1,727)	818

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 periods ended year ended 31 December 2011 and 2010 is presented below.

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25. Segment information(continued)**Year ended 31 December 2011**

	Continuing operations		Total	Discontinued operations	Total operations
	Fixed line of business	Mobile line of business		NURTS	
Revenue	517,623	368,308	885,931	-	885,931
Cost of sales	(109,805)	(132,992)	(242,797)	-	(242,797)
Gross margin	407,818	235,316	643,134	-	643,134
Operating expenses			(612,048)	-	(612,048)
Financial expenses, net			(32,221)	-	(32,221)
Other gains, net			8,271	-	8,271
Share of profit of JV			2,272		2,272
Profit before tax			9,408	-	9,408
Income tax expense			(992)	-	(992)
Net profit for the year			8,416	-	8,416

Year ended 31 December 2010

	Continuing operations		Total	Discontinued operations	Total operations
	Fixed line of business	Mobile line of business		NURTS	
Revenue	563,625	332,762	896,387	29,536	925,923
Cost of sales	(93,583)	(140,180)	(233,763)	-	(233,763)
Gross margin	470,042	192,582	662,624	29,536	692,160
Operating expenses			(591,746)	(18,343)	(610,089)
Financial expenses, net			(23,778)	-	(23,778)
Other gains, net			37,371	30,879	68,250
Share of profit of JV			2,017		2,017
Profit before tax			86,488	42,072	128,560
Income tax expense			(11,466)	(1,344)	(12,810)
Net profit for the year			75,022	40,728	115,750

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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 a related parties are considered all consolidated subsidiaries as well.

The following table summarizes the balances of receivables and payables with related parties as of 31 December 2011 and 2010:

For the Group	Note	Receivables		Payables	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
NURTS Bulgaria AD	JV	-	10,425	-	458
NEF Telecom Bulgaria OOD	Parent	1	3	157,624	142,327
NEF Telecom Company BV	Parent	370	954	-	-
Total for BTC group		371	11,382	157,624	142,785

For BTC	Note	Receivables		Payables	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
NURTS Bulgaria AD	JV	-	10,425	-	458
BTC Net EOOD	Subsidiary	285	659	-	-
NEF Telecom Bulgaria OOD	Parent	1	3	157,624	142,327
NEF Telecom Company BV	Parent	370	954	-	-
Total for BTC		656	12,041	157,624	142,785

The balance on NEF Telecom Bulgaria OOD payable represents outstanding dividend payable for the years 2010 and 2008 as of the balance sheet date.

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

For the Group	Note	Year ended		Three months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
NURTS Bulgaria AD	JV	5,157	2,173	-	1,512
NEF Telecom Bulgaria OOD	Parent	-	21,279	-	-
Total for BTC group		5,157	23,452	-	1,512

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26. Related parties(continued)

For BTC	Note	Year ended		Three months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
NURTS Bulgaria AD	JV	5,157	2,173	-	1,512
BTC Net EOOD	Subsidiary	25	39	3	8
NEF Telecom Bulgaria OOD	Parent	-	21,279	-	-
Total for BTC		5,182	23,491	3	1,520

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

	Note	Year ended		Three months ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
NURTS Bulgaria AD	JV	4,625	2,339	-	1,644
BTC Net EOOD	Subsidiary	209	974	(21)	264
NEF Telecom Bulgaria OOD	Parent	13	9	1	4
Total for BTC group		4,847	3,322	(20)	1,912

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 31 December 2011 and 2010. Remuneration amounting to BGN 5,558 thousand relating to key management personnel has been accrued as of 31 December 2011.

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27. Commitments and contingencies**Contractual commitments for the acquisition of property, plant and equipment**

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 31 December 2011, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 31.12.2011	Commitments outstanding
Hardware and software	27,006	10,384	16,622
Construction and assembly works of the BTC	60,989	21,156	39,833
Network equipment	80,541	57,455	23,086
Total	168,536	88,995	79,541

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.

28. Operating lease

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

Consolidated and Separate financial statements

	Year ended		Three months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Minimum lease payments	2,677	4,125	660	661

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

	31.12.2011	31.12.2010
Within one year	9,530	9,429
In the second to fifth years inclusive	29,526	29,122
Later than five years	90,751	97,557
Total commitments	129,807	136,108

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.