

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

31-Mar-2012

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

As at 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.03.2012	31.12.2011	31.03.2012	31.12.2011
ASSETS					
Current assets					
Cash and cash equivalents	4.	151,606	141,664	151,331	141,355
Trade receivables	5.	95,096	159,488	95,122	159,497
Inventories	6.	28,023	25,734	28,023	25,734
Other assets	8.	25,050	16,970	25,044	16,969
Assets of disposal group held for sale	7.	1,899	1,892	1,899	1,892
Total current assets		301,674	345,748	301,419	345,447
Non-current assets					
Goodwill		3,706	3,706	3,706	3,706
Property, plant and equipment	9.	976,209	1,007,369	976,209	1,007,369
Intangible assets	10.	292,702	304,922	292,693	304,913
Investments		335	335	1,134	1,134
Trade receivables	5.	4,244	4,642	4,244	4,642
Deferred tax assets, net	16.	73	73	-	-
Total non-current assets, net		1,277,269	1,321,047	1,277,986	1,321,764
TOTAL ASSETS		1,578,943	1,666,795	1,579,405	1,667,211
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	90,030	158,092	90,030	158,092
Trade payables	12.	69,595	75,921	69,625	75,921
Other payables	13.	44,658	41,392	44,659	41,392
Current income tax liabilities		20	404	20	404
Provisions for other liabilities and charges	14.	16,147	12,460	16,147	12,460
Borrowings	15.	967,018	994,925	967,018	994,925
Total current liabilities		1,187,468	1,283,194	1,187,499	1,283,194
Non current liabilities					
Borrowings	15.	1,712	3,393	1,712	3,393
Deferred tax liabilities, net	16.	26,818	27,210	26,818	27,210
Retirement benefit obligations	17.	1,634	1,610	1,634	1,610
Provisions for other liabilities and charges	14.	7,493	7,329	7,493	7,329
Trade and other payables		4,830	4,926	4,830	4,926
Total non current liabilities		42,487	44,468	42,487	44,468
Equity					
Share capital	18.	288,765	288,765	288,765	288,765
Reserves		39,810	39,810	39,810	39,810
Retained earnings		20,413	10,558	20,844	10,974
Total equity		348,988	339,133	349,419	339,549
TOTAL LIABILITIES AND EQUITY		1,578,943	1,666,795	1,579,405	1,667,211

These financial statements were approved on 19.04.2012

Michaela Kalajjieva

Proxy of the CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 31 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 three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Three months ended	
		31.03.2012	31.03.2011
Revenue	19.	218,684	213,837
Interconnect expenses		(35,648)	(28,884)
Other operating expenses	20.	(61,840)	(59,588)
Materials and consumables expenses		(21,106)	(26,199)
Staff costs	21.	(16,337)	(15,426)
Depreciation and amortization	9., 10.	(67,814)	(65,897)
Finance costs	22.	(8,916)	(8,930)
Finance income	22.	2,631	2,258
Other gains, net	23.	1,754	39
Share of profit of joint ventures		-	327
Profit before tax		11,408	11,537
Income tax expenses	24.	(1,171)	(854)
Profit for the period		10,237	10,683
Other comprehensive income/(loss)			
Currency forward		(426)	(205)
Income tax effect		42	21
Other comprehensive income for the period, net of tax		(384)	(184)
Total comprehensive income for the period		9,853	10,499
Earnings per share (basic and diluted)		0.04	0.04
Separate financial statements	Notes	Three months ended	
		31.03.2012	31.03.2011
Revenue	19.	218,716	213,865
Interconnect expenses		(35,646)	(28,882)
Other operating expenses	20.	(61,863)	(59,590)
Materials and consumables expenses		(21,100)	(26,194)
Staff costs	21.	(16,336)	(15,425)
Depreciation and amortization	9., 10.	(67,814)	(65,896)
Finance costs	22.	(8,916)	(8,930)
Finance income	22.	2,628	2,253
Other gains, net	23.	1,754	39
Profit/(loss) before tax		11,423	11,240
Income tax expenses	24.	(1,170)	(857)
Profit for the period		10,253	10,383
Other comprehensive income/(loss)			
Currency forward		(426)	(205)
Income tax effect		42	21
Other comprehensive income for the period, net of tax		(384)	(184)
Total comprehensive income for the period		9,869	10,199
Earnings per share (basic and diluted)		0.04	0.04

These financial statements were approved on 19.04.2012

Michaela Kalajieva

Proxy of the CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 31 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 three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2011	288,765	28,876	11,527	178,870	508,038
Loss on currency forward	-	-	-	(184)	(184)
Net income for the period	-	-	-	10,683	10,683
Total comprehensive income	-	-	-	10,499	10,499
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 31 March 2011	288,765	28,876	11,437	189,459	518,537
Balance as at 1 January 2012	288,765	28,876	10,932	10,560	339,133
Loss on currency forward	-	-	-	(384)	(384)
Net income for the period	-	-	-	10,237	10,237
Total comprehensive income	-	-	-	9,853	9,853
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2012	288,765	28,876	10,932	20,413	348,986

Separate Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2011	288,765	28,876	11,527	177,217	506,385
Loss on currency forward	-	-	-	(184)	(184)
Net income for the period	-	-	-	10,383	10,383
Total comprehensive income	-	-	-	10,199	10,199
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 31 March 2011	288,765	28,876	11,437	187,506	516,584
Balance as at 1 January 2012	288,765	28,876	10,934	10,975	339,550
Loss on currency forward	-	-	-	(384)	(384)
Net income for the period	-	-	-	10,253	10,253
Total comprehensive income	-	-	-	9,869	9,869
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31 March 2012	288,765	28,876	10,934	20,844	349,419

These financial statements were approved on 19.04.2012

Michaela Kalajjieva

Proxy of the CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 31 are an integral part of these interim consolidated and separate financial statements.

BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Three months ended		Three months ended	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
Cash flows from operating activities					
Profit before tax		11,408	11,537	11,423	11,240
Adjustment for:					
Depreciation and amortization	9., 10.	67,814	65,897	67,814	65,896
Impairment and write off of receivables		4,509	5,686	4,508	5,681
Impairment of assets		-	193	-	193
Interest expenses, net		6,138	6,679	6,141	6,684
(Profit)/Loss from operations with non-current asset		(779)	1,664	(779)	1,664
Carrying amount of inventories written-off		32	7	32	7
Income from operations with financial instruments		(9)	(29)	(9)	(29)
Income from investment operations		-	(364)	-	(37)
Increase in provisions for other liabilities and charges		4,864	860	4,864	860
Changes in operating assets and liabilities					
Increase in operating assets		(5,870)	(17,456)	(5,883)	(17,608)
Increase in operating liabilities		7,130	7,599	7,161	7,778
Cash generated from operations		95,237	82,273	95,272	82,329
Interest received		2,154	1,957	2,152	1,952
Interest paid		(8,333)	(8,700)	(8,333)	(8,700)
Corporate income tax paid		(1,904)	(8,230)	(1,904)	(8,230)
Net cash from operating activities		87,154	67,300	87,187	67,351
Proceeds from sale of property, plant and equipment		2,163	1,474	2,163	1,474
Purchase of property, plant and equipment		(29,809)	(26,593)	(29,809)	(26,593)
Purchase of other non-current assets		(6,397)	(6,386)	(6,397)	(6,386)
Dividends received		31	37	31	37
Cash deposits with maturity greater than three months		54,463	-	54,463	-
Net cash used in investing activities		20,451	(31,468)	20,451	(31,468)
Repayments of long-term borrowings		(29,585)	-	(29,585)	-
Dividend paid		(68,062)	(56,719)	(68,062)	(56,719)
Payments of obligations under finance lease		(5)	(1,493)	(5)	(1,493)
Net cash used in financing activities		(97,652)	(58,212)	(97,652)	(58,212)
Net increase/(decrease) in cash and cash equivalents		9,953	(22,380)	9,986	(22,329)
Exchange gain on cash		(10)	(38)	(10)	(38)
Cash and cash equivalents at the beginning of the year		141,663	154,523	141,355	154,163
Cash and cash equivalents at the end of the period		151,606	132,105	151,331	131,796

These financial statements were approved on 19.04.2012

Michaela Kalajjeva

Proxy of the CEO

Atanas Dobrev

CFO

The accompanying notes from pages 5 to 31 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 three months ended 31 March 2012

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 March 2012 and 31 December 2011 the Group includes the subsidiary entity BTC Net EOOD.

As at 31 March 2011 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 three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

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 2011.

4. Cash and cash equivalents

As at 31 March 2012 and 31 December 2011 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Current accounts and cash in hand				
Held in BGN	2,898	3,914	2,894	3,911
Held in EUR	1,329	1,559	1,329	1,559
Held in foreign currencies other than EUR	537	364	536	363
Total current accounts and cash in hand	4,764	5,837	4,759	5,833
Term deposits				
Held in BGN	146,842	135,827	146,572	135,522
Held in EUR	-	-	-	-
Total term deposits	146,842	135,827	146,572	135,522
Total cash and cash equivalents	151,606	141,664	151,331	141,355

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 three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables

As at 31 March 2012 and 31 December 2011 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Trade receivables	158,264	164,714	158,073	164,354
<i>incl. international settlement receivables</i>	19,018	30,009	19,018	30,009
Intercompany receivables	372	371	509	656
Other receivables	5,713	63,242	5,710	63,239
Total	164,349	228,327	164,292	228,249
Provision for impairment of receivables	(65,009)	(64,197)	(64,926)	(64,110)
Total Trade receivables	99,340	164,130	99,366	164,139
Incl:				
Non-current portion: trade receivables	4,521	4,953	4,521	4,953
Provision for impairment of receivables	(277)	(311)	(277)	(311)
Total non-current portion: trade receivables	4,244	4,642	4,244	4,642
Current portion trade receivables	159,828	223,374	159,771	223,296
Provision for impairment of receivables	(64,732)	(63,886)	(64,649)	(63,799)
Total current portion: trade receivables	95,096	159,488	95,122	159,497

Other receivables for 2012 and 2011 include respectively BGN 45 thousand and 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 and relate to sales of mobile phone sets on finance lease agreements with customers. The net investment in finance leases for the Group and BTC may be analyzed as follows:

	Gross receivables from finance leases		Net investment in finance leases	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Finance leases receivables with maturity:				
Within one year	12,137	13,805	11,519	13,088
In the second to fifth years inclusive	2,855	3,201	2,770	3,109
Total receivables	14,992	17,006	14,289	16,197
Less: unearned finance income	(703)	(809)		-
Provision for impairment of receivables	(1,429)	(1,620)	(1,429)	(1,620)
Net investment in finance leases	12,860	14,577	12,860	14,577

Movement of the provision for impairment of accounts receivables as at 31 March 2012 and 31 December 2011 is as follows:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Balance at the beginning of the period	64,197	78,744	64,110	78,609
Accrued impairment	4,503	21,420	4,502	21,407
Impairment of receivables written off	(3,691)	(35,967)	(3,686)	(35,906)
Balance at the end of the period	65,009	64,197	64,926	64,110

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

For the three months ended 31 March 2012

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	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Balance at the beginning of the period	19,364	30,748	19,277	30,613
Accrued impairment	836	(373)	835	(386)
Impairment of receivables written off	(1,663)	(11,011)	(1,658)	(10,950)
Balance at the end of the period	18,537	19,364	18,454	19,277

Residential customers	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Balance at the beginning of the period	44,833	47,996	44,833	47,996
Accrued impairment	3,667	21,793	3,667	21,793
Impairment of receivables written off	(2,028)	(24,956)	(2,028)	(24,956)
Balance at the end of the period	46,472	44,833	46,472	44,833

Related parties balances are shown in note 26.

As of 31 March 2012 and 31 December 2011 receivables of the Group and the Company at the amount of BGN 4,029 and 4,589 thousand were assessed individually and the impairment amounts to 3,511 and 4,297 thousand.

As of 31 March 2012 and 31 December 2011 the age structure of overdue receivables not impaired is as follows:

	Consolidated and Separate financial statements	
	31.03.2012	31.12.2011
From 60 to 90 days	3,182	5,808
From 91 to 180 days	340	343
From 181 to 360 days	145	93
Above 1 year	154	143
Total	3,821	6,387

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	
	31.03.2012	31.12.2010
Outside the country	4,839	420
Outside the country	4,549	10,622
Outside the country	1,449	6,886
In the country	1,438	1,110
In the country	1,394	73

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 31 March 2012 and 31 December 2011 are as follows:

	Consolidated and Separate financial statements	
	31.03.2012	31.12.2011
Materials and supplies, net	5,846	5,999
Merchandise and other, net	22,177	19,735
Total materials and supplies	28,023	25,734

7. Assets classified as held for sale

	31.03.2012	31.12.2011
Real estates, held for sale	1,899	1,892
Total assets held for sale	1,899	1,892

As of 31 March 2012 and 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 March 2012 and 31 December 2011 other current assets are as follows:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Prepayments	21,445	12,332	21,444	12,333
Other current assets	3,605	4,638	3,600	4,636
Total other current assets	25,050	16,970	25,044	16,969

Subscriber acquisition cost, representing mainly fees paid to distributors, are included in other assets above, which for the Group and the Company are BGN 3,456 thousand as of 31 March 2012. As of 31 December 2011 they amount to BGN 3,950 thousand.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 31 March 2012 and 31 December 2011 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2010	1,347,918	896,582	282,317	39,821	2,566,638
Revaluation	-	-	(559)	-	(559)
Additions	4,011	-	87	122,531	126,629
Transfers	101,717	9,973	12,720	(124,410)	-
Impairment	-	-	-	(2,411)	(2,411)
Assets held for sale	-	-	5,024	-	5,024
Disposals	(64,232)	(11,014)	(15,274)	(2,049)	(92,569)
At 31 December 2011	1,389,414	895,541	284,315	33,482	2,602,752
Revaluation	-	-	-	-	-
Additions	82	-	-	17,454	17,536
Transfers	14,100	1,882	1,642	(17,624)	-
Impairment	-	-	-	72	72
Assets held for sale	-	-	(57)	-	(57)
Disposals	(14,187)	(1,060)	(913)	(59)	(16,219)
At 31 March 2012	1,389,409	896,363	284,987	33,325	2,604,084
<i>Accumulated depreciation</i>					
At 31 December 2010	741,389	583,514	152,641	-	1,477,544
Depreciation charged	135,146	24,069	27,927	-	187,142
Impairment	4,878	5	(238)	-	4,645
Assets held for sale	-	-	542	-	542
Disposals	(50,701)	(9,956)	(13,833)	-	(74,490)
At 31 December 2011	830,712	597,632	167,039	-	1,595,383
Depreciation charged	34,396	6,047	6,862	-	47,305
Impairment	43	-	29	-	72
Assets held for sale	-	-	(34)	-	(34)
Disposals	(12,935)	(1,060)	(856)	-	(14,851)
At 31 March 2012	852,216	602,619	173,040	-	1,627,875
<i>Net book value</i>					
At 31 December 2011	558,702	297,909	117,276	33,482	1,007,369
At 31 March 2012	537,193	293,744	111,947	33,325	976,209

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 31 March 2012 and 31 December 2011 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2010	1,347,771	896,582	282,800	39,821	2,566,974
Revaluation	-	-	(559)	-	(559)
Additions	4,011	-	87	122,531	126,629
Transfers	101,717	9,973	12,720	(124,410)	-
Impairment	-	-	-	(2,411)	(2,411)
Assets held for sale	-	-	5,024	-	5,024
Disposals	(64,085)	(11,014)	(15,221)	(2,049)	(92,369)
At 31 December 2011	1,389,414	895,541	284,851	33,482	2,603,288
Additions	82	-	-	17,454	17,536
Transfers	14,100	1,882	1,642	(17,624)	-
Impairment	-	-	-	72	72
Assets held for sale	-	-	(57)	-	(57)
Disposals	(14,187)	(1,060)	(913)	(59)	(16,219)
At 31 March 2012	1,389,409	896,363	285,523	33,325	2,604,620
<i>Accumulated depreciation</i>					
At 31 December 2010	741,245	583,514	153,124	-	1,477,883
Depreciation charged	135,144	24,069	27,927	-	187,140
Impairment	4,878	5	(238)	-	4,645
Assets held for sale	-	-	542	-	542
Disposals	(50,555)	(9,956)	(13,780)	-	(74,291)
At 31 December 2011	830,712	597,632	167,575	-	1,595,919
Depreciation charged	34,396	6,047	6,862	-	47,305
Impairment	43	-	29	-	72
Assets held for sale	-	-	(34)	-	(34)
Disposals	(12,935)	(1,060)	(856)	-	(14,851)
At 31 March 2012	852,216	602,619	173,576	-	1,628,411
<i>Net book value</i>					
At 31 December 2011	558,702	297,909	117,276	33,482	1,007,369
At 31 March 2012	537,193	293,744	111,947	33,325	976,209

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 22,397 thousand(BGN 22,951 as of 31 December 2011).

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 March 2012 amounted to BGN 18,268 thousand, and as of 31 December 2011 their net book value was BGN 18,680 thousand.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets

As of 31 March 2012 and 31 December 2011 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 2010	119,044	509,687	14,711	5,387	648,829
Additions(Transfers)	726	53,116	5,604	(2,025)	57,421
Disposals	-	(19,384)	(52)	-	(19,436)
At 31 December 2011	119,770	543,419	20,263	3,362	686,814
Additions(Transfers)	220	6,396	1,089	(1,308)	6,397
Disposals	-	(15,110)	(46)	-	(15,156)
At 31 March 2012	119,990	534,705	21,306	2,054	678,055
<i>Accumulated amortization</i>					
At 31 December 2010	33,702	282,526	2,488	-	318,716
Amortization charge	7,252	70,215	2,862	-	80,329
Impairment	-	2,151	-	-	2,151
Disposals	-	(19,291)	(13)	-	(19,304)
At 31 December 2011	40,954	335,601	5,337	-	381,892
Amortization charge	1,811	15,640	1,128	-	18,579
Disposals	-	(15,102)	(16)	-	(15,118)
At 31 March 2012	42,765	336,139	6,449	-	385,353
<i>Net book value</i>					
At 31 December 2011	78,816	207,818	14,926	3,362	304,922
At 31 March 2012	77,225	198,566	14,857	2,054	292,702

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets (continued)

As of 31 March 2012 and 31 December 2011 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 2010	118,989	509,459	14,711	5,387	648,546
Additions(Transfers)	726	53,116	5,604	(2,026)	57,420
Disposals	-	(19,311)	(52)	-	(19,363)
At 31 December 2011	119,715	543,264	20,263	3,361	686,603
Additions(Transfers)	220	6,396	1,089	(1,308)	6,397
Disposals	-	(15,013)	(46)	-	(15,059)
At 31 March 2012	119,935	534,647	21,306	2,053	677,941
<i>Accumulated amortization</i>					
At 31 December 2010	33,657	282,298	2,488	-	318,443
Amortization charge	7,251	70,215	2,862	-	80,328
Impairment	-	2,151	-	-	2,151
Disposals	-	(19,218)	(14)	-	(19,232)
At 31 December 2011	40,908	335,446	5,336	-	381,690
Amortization charge	1,811	15,640	1,128	-	18,579
Disposals	-	(15,005)	(16)	-	(15,021)
At 31 March 2012	42,719	336,081	6,448	-	385,248
<i>Net book value</i>					
At 31 December 2011	78,807	207,818	14,927	3,361	304,913
At 31 March 2012	77,216	198,566	14,858	2,053	292,693

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 31 March 2012 is respectively BGN 10,351 thousand and BGN 4,211 thousand.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

11. Investments

Investments available for sale on the Group level as of 31 March 2012 and 31 December 2011 are as follows:

Entity	31.03.2012	31.12.2011
Intersputnik	178	178
Satbird	143	143
Sofia Commodity Exchange	14	14
Total investment	335	335

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

	31.03.2012	31.12.2011
Subsidiaries		
BTC Net	799	799
Total investments in subsidiaries	799	799
Other investments	335	335
Total investments	1,134	1,134

12. Trade payables

The payables to suppliers as of 31 March 2012 and 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Payables to suppliers of non current assets	26,297	38,473	26,297	38,473
Payables to international accounts	12,008	8,813	12,008	8,813
Payables to telecom operators	3,770	3,066	3,770	3,066
Payables to suppliers of network maintenance	2,811	1,688	2,811	1,688
Payables to related parties (Note 27)	-	-	31	-
Others	24,709	23,881	24,708	23,881
Total trade payables	69,595	75,921	69,625	75,921

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 three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

Other payables as of 31 March 2012 and 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Deferred income	18,150	17,098	18,151	17,098
Payables to employees	11,888	12,811	11,888	12,811
VAT	5,499	1,060	5,499	1,060
Social securities	1,757	1,878	1,757	1,878
Advances from clients	883	965	883	965
Personal income tax payable	754	835	754	835
Cable project MECMA	652	1,169	652	1,169
Payables for license fee	482	459	482	459
Withholding and other taxes	306	332	306	332
Interest payable	177	150	177	150
Others	4,110	4,635	4,110	4,635
Total other payables	44,658	41,392	44,659	41,392

The liabilities under Cable projects MECMA amounting to BGN 652 and 1,169 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	Restructuring	Legal claims	Total
At 1 January 2012	7,329	1,100	11,360	19,789
Charged to the comprehensive income	-	-	3,967	3,967
Included in the balance sheet	82	-	-	82
Used during the year	(21)	(262)	(18)	(301)
Discount rate adjustment	103	-	-	103
At 31 March 2012	7,493	838	15,309	23,640

Analysis of provision in consolidated financial statements

	31.03.2012	31.12.2011
Non-current (decommissioning costs)	7,493	7,329
Current	16,147	12,460
Total	23,640	19,789

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

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 discount rate used for 2012 and 2011 is 5.7%.

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:

	31.03.2012	31.12.2011
New Syndicated credit facility	965,323	994,907
Trade credits	2,672	2,677
Financial lease	735	734
Short-term portion	(967,018)	(994,925)
Total borrowings	1,712	3,393

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 together with NEF Telecom Bulgaria OOD and it's parent NEF Telecom Company B.V. The loan is 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 March 2012 at the amount of BGN 18,268 thousand, and a pledge on the receivables from the Company's bank accounts, and from its insurers.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

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 April 2012. According to information provided by the major shareholder there are expectations that the waiver will be reissued.

In addition to the above covenants breach the loan agreement provides that certain events represent a technical Event of Default. Such an event is the garnishment (freezing order) imposed on 6 January 2010 over 10,230,187 common registered book entry shares from the share capital of BTC. The shares are held by NEF Telecom Bulgaria OOD and represent 3.54% of total BTC shares. The garnishment is 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 11 of the present financial statements. This Event of Default has been waived by the lenders in the waiver letter disclosed above.

Taking into account the validity of the waiver BTC classified the outstanding facilities of the syndicated loan as current liabilities at the balance sheet date in accordance with IAS 1.

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	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Finance lease payables with maturity:				
Within one year	1,463	19	1,396	17
In the second to fifth years inclusive	1,405	2,855	1,276	2,660
Total payables	2,868	2,874	2,672	2,677
Less: future finance charges	(196)	(197)	-	-
Present value of lease obligations	2,672	2,677	2,672	2,677

The net book value of the assets acquired under finance lease arrangements as of 31 March 2012 is BGN 3,788 thousand.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 31 March 2012 and 2011 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 01.01.2011	65	14	-	-	79
Charged/(credited) to the profit/(loss) for the period	3	-	-	-	3
At 31 March 2011	68	14	-	-	82
At 01.01.2012	64	9	-	-	73
Charged/(credited) to the profit/(loss) for the period	-	-	-	-	-
At 31 March 2012	64	9	-	-	73

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 01.01.2011	(158)	(7,860)	43,800	(2,784)	32,998
Charged/(credited) to the profit/(loss) for the period	(1)	(383)	(956)	49	(1,291)
Charged to other comprehensive income for the period	-	-	-	(21)	(21)
At 31 March 2011	(159)	(8,243)	42,844	(2,756)	31,686
At 01.01.2012	(161)	(6,405)	38,553	(4,777)	27,210
Charged/(credited) to the profit/(loss) for the period	(2)	(82)	(738)	472	(350)
Charged to other comprehensive income for the period	-	-	-	(42)	(42)
At 31 March 2012	(163)	(6,487)	37,815	(4,347)	26,818

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

	Three months ended	
	31.03.2012	31.03.2011
Deferred tax liabilities	350	1,291
Deferred tax assets	-	3
Total charged to the profit/(loss) for the period	350	1,294

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

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 01.01.2011	(158)	(7,860)	43,800	(2,784)	32,998
Charged/(credited) to the profit/(loss) for the period	(1)	(383)	(956)	49	(1,291)
Charged to other comprehensive income for the period	-	-	-	(21)	(21)
Discontinued operations					-
At 31 March 2011	(159)	(8,243)	42,844	(2,756)	31,686
At 01.01.2012	(161)	(6,405)	38,553	(4,777)	27,210
Charged/(credited) to the profit/(loss) for the period	(2)	(82)	(738)	472	(350)
Charged to other comprehensive income for the period	-	-	-	(42)	(42)
At 31 March 2012	(163)	(6,487)	37,815	(4,347)	26,818

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

	Three months ended	
	31.03.2012	31.03.2011
Deferred tax liabilities	350	1,291
Total charged to the profit/(loss) for the period	350	1,291

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 31 March 2012 and 31 December 2011 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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated and Separate financial statements	
	31.03.2012	31.12.2011
Liability at the beginning of the period	1,610	1,917
<i>Past service cost</i>	-	(96)
<i>Current service cost</i>	17	(153)
<i>Interest cost</i>	7	74
Total cost recognized in the comprehensive income	24	(175)
Payments to retirees	-	(132)
Liability at the end of the period	1,634	1,610

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

	31.03.2012	31.12.2011
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

	31.03.2012	31.12.2011
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

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

18. Share capital and dividends (continued)

Structure of the share capital:	31.03.2012	%
<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.

As of 31 March 2012, the share capital of BTC comprises 288,764,839 ordinary registered shares and a single preference share, held by the Government through the Ministry of Transport and Communications. The nominal share value is BGN 1.

Earnings per share	Consolidated financial statements		Separate financial statements	
	Three months ended		Three months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Profit for the period	10,237	10,683	10,253	10,383
Total profit for distribution	10,237	10,683	10,253	10,383
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN)	0.04	0.04	0.04	0.04

Dividends payable

	31.03.2012	31.12.2011
Dividend approved by the General shareholders' meeting	-	176,147
Non-distributed dividends for prior years	158,092	142,728
Tax on dividend	-	(518)
Net dividends paid	(68,062)	(160,265)
Total dividend payable	90,030	158,092

As shown in Note 26, dividends payable outstanding as at 31 December 2011 includes the amount of BGN 89,561 thousand – dividends to NEF Telecom Bulgaria OOD.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

19. Revenue

Revenue of the Group and the Company for the three months ended 31 March 2012 and 2011 consist of:

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Recurring charges	83,525	83,550
Outgoing traffic	42,506	42,270
Interconnect	41,090	33,120
Leased lines and data transmission	33,991	36,442
Other revenue	17,572	18,455
Total revenue	218,684	213,837

Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Recurring charges	83,535	83,577
Outgoing traffic	42,505	42,200
Interconnect	41,100	33,178
Leased lines and data transmission	34,001	36,452
Other revenue	17,575	18,458
Total revenue	218,716	213,865

20. Other operating expenses

Other operating expenses for the three months ended 31 March 2012 and 2011 consist of:

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Maintenance and repairs	20,699	22,145
Advertising, customer service, billing and collectio	12,102	10,624
Facilities	9,882	9,576
License fees	3,233	3,223
Administrative expenses	1,837	1,271
Cost of value added services (VAS)	1,371	1,746
Professional fees	1,167	1,230
Leased lines and data transmission	933	1,030
Vehicles and transport	886	950
Other	9,730	7,793
Total other operating expenses	61,840	59,588

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses(continued)

Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Maintenance and repairs	20,699	22,145
Advertising, customer service, billing and collectio	12,128	10,629
Facilities	9,882	9,576
License fees	3,232	3,222
Administrative expenses	1,837	1,275
Cost of value added services (VAS)	1,371	1,746
Professional fees	1,167	1,230
Leased lines and data transmission	932	1,029
Vehicles and transport	886	950
Other	9,729	7,788
Total other operating expenses	61,863	59,590

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 three months ended 31 March 2012 and 2011 consist of:

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Salaries and wages	13,394	12,436
Pension, health and unemployment fund contributi	2,104	2,170
Other benefits	653	626
Other staff costs	186	194
Total staff costs	16,337	15,426

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

21. Staff costs(continued)

Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Salaries and wages	13,393	12,435
Pension, health and unemployment fund contributi	2,104	2,170
Other benefits	653	626
Other staff costs	186	194
Total staff costs	16,336	15,425

As stated in note 17 the amounts of post employment termination benefits included in salaries and wages above for the consolidated and separate financial statements for the three months ended 31 March 2012 and 2011 are respectively BGN 17 thousand and BGN 62 thousand.

22. Finance income and costs

Financial income and costs for the three months ended 31 March 2012 and 2011 consist of:

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Finance costs		
Interest expense:	8,760	8,874
- <i>Bank borrowings</i>	8,622	8,784
- <i>Finance lease</i>	23	7
- <i>Provisions</i>	110	74
- <i>Other</i>	5	8
Loss on financial instruments	98	13
Other finance costs	58	44
Total finance cost	8,916	8,930
Finance income		
Interest income:	2,622	2,195
- <i>Bank deposits</i>	2,238	1,698
- <i>Finance lease</i>	294	432
- <i>Other</i>	90	65
Gains on financial instruments	9	26
Equity investments income	-	37
Total finance income	2,631	2,258
Net finance costs	6,285	6,672

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Three months ended	
	31.03.2012	31.03.2011
Finance costs		
Interest expense:	8,760	8,873
-Bank borrowings	8,622	8,784
-Finance lease	23	7
-Provisions	110	74
-Other	5	8
Loss on financial instruments	98	13
Other finance costs	58	44
Total finance cost	8,916	8,930
Finance income		
Interest income:	2,619	2,190
-Bank deposits	2,235	1,693
-Finance lease	294	432
-Other	90	65
Gains on financial instruments	9	26
Equity investments income	-	37
Total finance income	2,628	2,253
Net finance costs	6,288	6,677

23. Other gains, net

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

Consolidated and Separate financial statements	Three months ended	
	31.03.2012	31.03.2011
Gains from sales of non-current assets	1,751	27
Gain from sales of materials	3	12
Total other gains, net	1,754	39

In the Consolidated and the Separate financial statements the income from sales of PPE and assets held for sale for the three months ended 31 March 2012 was BGN 2,185 thousand and their net book value was BGN 434 thousand. For the three months ended 31 March 2011 these figures are respectively BGN 489 thousand and BGN 462 thousand. The income from sales of materials for the three months ended 31 March 2012 was BGN 7 thousand and cost of sales was BGN 4 thousand. For the three months ended 31 March 2011 these figures were BGN 28 thousand and BGN 16 thousand respectively.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the three months ended 31 March 2012 and 2011 consist of:

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Current income tax charge	1,520	2,148
Deferred tax credit to comprehensive income	(349)	(1,294)
Total tax expense	1,171	854

Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Current income tax charge	1,520	2,148
Deferred tax credit to comprehensive income	(350)	(1,291)
Total tax expense/(credit)	1,170	857

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

Consolidated financial statements

	Three months ended	
	31.03.2012	31.03.2011
Profit before tax	11,408	11,537
Total profit before tax	11,408	11,537
Tax rate	10%	10%
Tax at the applicable tax rate	1,141	1,154
Effect of permanent tax differences	27	(21)
Effect of current tax from previous periods, accounted during the year	-	(290)
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	3	11
Income tax expense	1,171	854
Effective tax rate	10.26%	7.40%
Income tax expense in the comprehensive income	1,171	854
Total income tax expense	1,171	854

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Profit before tax	11,423	11,240
Total profit before tax	11,423	11,240
Tax rate	10%	10%
Tax at the applicable tax rate	1,142	1,124
Effect of permanent tax differences	27	12
Effect of current tax from previous periods, accounted during the year	-	(290)
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	1	11
Income tax expense/(credit)	1,170	857
Effective tax rate	10.24%	7.62%
Income tax expense in the comprehensive income	1,170	857
Total income tax expense	1,170	857

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 31 March 2012 and 2011 is presented below.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

25. Segment information(continued)

Three months ended 31 March 2012

	Fixed line of business	Mobile line of business	Total
Revenue	124,493	94,191	218,684
Cost of sales	(28,333)	(29,702)	(58,035)
Gross margin	96,160	64,489	160,649
Operating expenses			(144,710)
Financial expenses, net			(6,285)
Other gains, net			1,754
Profit before tax			11,408
Income tax expense			(1,171)
Net profit for the year			10,237

Three months ended 31 March 2011

	Fixed line of business	Mobile line of business	Total
Revenue	131,825	82,012	213,837
Cost of sales	(24,256)	(30,233)	(54,489)
Gross margin	107,569	51,779	159,348
Operating expenses			(141,505)
Financial expenses, net			(6,672)
Other gains, net			39
Share of profit of JV			327
Profit before tax			11,537
Income tax expense			(854)
Net profit for the year			10,683

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

For the three months ended 31 March 2012

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 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 March 2012 and 31 December 2011:

For the Group	Note	Receivables		Payables	
		31.03.2012	31.12.2011	31.03.2012	31.12.2011
NEF Telecom Bulgaria OOD	Parent	3	1	89,561	157,624
NEF Telecom Company BV	Parent	369	370	-	-
Total for BTC group		372	371	89,561	157,624

For BTC	Note	Receivables		Payables	
		31.03.2012	31.12.2011	31.03.2012	31.12.2011
BTC Net EOOD	Subsidiary	136	285	31	-
NEF Telecom Bulgaria OOD	Parent	3	1	89,561	157,624
NEF Telecom Company BV	Parent	369	370	-	-
Total for BTC		508	656	89,592	157,624

The balance on NEF Telecom Bulgaria OOD payable represents outstanding dividend payable as of the balance sheet date.

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

For the Group	Note	Three months ended	
		31.03.2012	31.03.2011
NURTS Bulgaria AD	JV	-	1,624
Total for BTC group		-	1,624

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

For BTC	Note	Three months ended	
		31.03.2012	31.03.2011
NURTS Bulgaria AD	JV	-	1,624
BTC Net EOOD	Subsidiary	26	11
Total for BTC		26	1,635

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

	Note	Three months ended	
		31.03.2012	31.03.2011
NURTS Bulgaria AD	JV	-	1,597
BTC Net EOOD	Subsidiary	37	102
NEF Telecom Bulgaria OOD	Parent	2	5
Total for BTC group		39	1,704

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 31 March 2012 and 2011. Remuneration amounting to BGN 1,468 thousand relating to key management personnel has been accrued as of 31 March 2012.

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 March 2012, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 31.03.2012	Commitments outstanding
Hardware and software	19,507	11,090	8,417
Construction and assembly works of the BTC	37,978	9,125	28,853
Network equipment	82,473	57,133	25,340
Total	139,958	77,348	62,610

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.

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

For the three months ended 31 March 2012

All amounts are in thousand BGN, unless otherwise stated

28. Operating lease

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

Consolidated and Separate financial statements

	Three months ended	
	31.03.2012	31.03.2011
Minimum lease payments	667	652

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

	31.03.2012	31.12.2011
Within one year	9,264	9,530
In the second to fifth years inclusive	29,145	29,526
Later than five years	89,049	90,751
Total commitments	127,458	129,807

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.