

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

30-Jun-2012

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

As at 30 June 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.6.2012	31.12.2011	30.6.2012	31.12.2011
ASSETS					
Current assets					
Cash and cash equivalents	4.	187 651	141 664	187 371	141 355
Trade receivables	5.	106 359	159 488	106 342	159 497
Inventories	6.	26 897	25 734	26 897	25 734
Other assets	8.	21 379	16 970	21 376	16 969
Assets of disposal group held for sale	7.	1 899	1 892	1 899	1 892
Total current assets		344 185	345 748	343 885	345 447
Non-current assets					
Goodwill		3 706	3 706	3 706	3 706
Property, plant and equipment	9.	954 632	1 007 369	954 632	1 007 369
Intangible assets	10.	285 626	304 922	285 617	304 913
Investments		335	335	1 134	1 134
Trade receivables	5.	4 414	4 642	4 414	4 642
Deferred tax assets, net	16.	72	73	-	-
Total non-current assets, net		1 248 785	1 321 047	1 249 503	1 321 764
TOTAL ASSETS		1 592 970	1 666 795	1 593 388	1 667 211
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	90 030	158 092	90 030	158 092
Trade payables	12.	76 986	75 921	76 987	75 921
Other payables	13.	44 091	41 392	44 088	41 392
Current income tax liabilities		233	404	233	404
Provisions for other liabilities and charges	14.	5 156	12 460	5 156	12 460
Borrowings	15.	967 014	994 925	967 014	994 925
Total current liabilities		1 183 510	1 283 194	1 183 508	1 283 194
Non current liabilities					
Borrowings	15.	1 712	3 393	1 712	3 393
Deferred tax liabilities, net	16.	27 273	27 210	27 273	27 210
Retirement benefit obligations	17.	1 658	1 610	1 658	1 610
Provisions for other liabilities and charges	14.	7 688	7 329	7 688	7 329
Trade and other payables		4 734	4 926	4 734	4 926
Total non current liabilities		43 065	44 468	43 065	44 468
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves		39 776	39 810	39 776	39 810
Retained earnings		37 854	10 558	38 274	10 974
Total equity		366 395	339 133	366 815	339 549
TOTAL LIABILITIES AND EQUITY		1 592 970	1 666 795	1 593 388	1 667 211

These financial statements were approved on 16.07.2012

Bernard Moscheni
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 six months ended 30 June 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Six months ended		Three months ended	
		30.6.2012	30.6.2011	30.6.2012	30.6.2011
Revenue	19.	444 269	427 986	225 585	214 149
Interconnect expenses		(74 410)	(55 689)	(38 762)	(26 805)
Other operating expenses	20.	(116 784)	(122 539)	(54 944)	(62 951)
Materials and consumables expenses		(46 673)	(51 797)	(25 567)	(25 598)
Staff costs	21.	(33 339)	(31 477)	(17 002)	(16 051)
Depreciation and amortization	9., 10.	(135 033)	(133 739)	(67 219)	(67 842)
Finance costs	22.	(16 676)	(18 742)	(7 760)	(9 812)
Finance income	22.	5 034	4 262	2 403	2 004
Other gains, net	23.	4 496	265	2 742	226
Share of profit of joint ventures		-	2 272	-	1 945
Profit before tax		30 884	20 802	19 476	9 265
Income tax expenses	24.	(3 329)	(1 589)	(2 158)	(735)
Profit for the period		27 555	19 213	17 318	8 530
Other comprehensive income/(loss)					
Currency forward		(289)	(132)	137	73
Loss on revaluation of land		(37)	-	(37)	-
Income tax effect		33	13	(10)	(7)
Other comprehensive income for the period, net of tax		(293)	(119)	90	66
Total comprehensive income for the period		27 262	19 094	17 408	8 596
Earnings per share (basic and diluted)		0,10	0,07	0,06	0,03

Separate financial statements	Notes	Six months ended		Three months ended	
		30.6.2012	30.6.2011	30.6.2012	30.6.2011
Revenue	19.	444 309	428 039	225 593	214 174
Interconnect expenses		(74 406)	(55 685)	(38 760)	(26 803)
Other operating expenses	20.	(116 826)	(122 536)	(54 963)	(62 946)
Materials and consumables expenses		(46 668)	(51 787)	(25 568)	(25 593)
Staff costs	21.	(33 336)	(31 475)	(17 000)	(16 050)
Depreciation and amortization	9., 10.	(135 033)	(133 737)	(67 219)	(67 841)
Finance costs	22.	(16 675)	(18 741)	(7 759)	(9 811)
Finance income	22.	5 027	4 254	2 399	2 001
Other gains, net	23.	4 496	265	2 742	226
Profit/(loss) before tax		30 888	18 597	19 465	7 357
Income tax expenses	24.	(3 328)	(1 596)	(2 158)	(739)
Profit for the period		27 560	17 001	17 307	6 618
Other comprehensive income/(loss)					
Currency forward		(289)	(132)	137	73
Loss on revaluation of land		(37)	-	(37)	-
Income tax effect		33	13	(10)	(7)
Other comprehensive income for the period, net of tax		(293)	(119)	90	66
Total comprehensive income for the period		27 267	16 882	17 397	6 684
Earnings per share (basic and diluted)		0,10	0,06	0,06	0,02

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Bernard Moscheni

CEO

Atanas Dobrev

CEO

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

For the six months ended 30 June 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	-	-	-	(119)	(119)
Net income for the period	-	-	-	19 213	19 213
Total comprehensive income	-	-	-	19 094	19 094
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 30 June 2011	288 765	28 876	11 437	198 054	527 132
Balance as at 1 January 2012	288 765	28 876	10 932	10 560	339 133
Loss on revaluation of land	-	-	(34)	-	(34)
Loss on currency forward	-	-	-	(260)	(260)
Net income for the period	-	-	-	27 555	27 555
Total comprehensive income	-	-	(34)	27 295	27 261
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2012	288 765	28 876	10 898	37 855	366 394

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	-	-	-	(119)	(119)
Net income for the period	-	-	-	17 001	17 001
Total comprehensive income	-	-	-	16 882	16 882
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 30 June 2011	288 765	28 876	11 437	194 189	523 267
Balance as at 1 January 2012	288 765	28 876	10 934	10 975	339 550
Loss on revaluation of land	-	-	(34)	-	(34)
Loss on currency forward	-	-	-	(260)	(260)
Net income for the period	-	-	-	27 560	27 560
Total comprehensive income	-	-	(34)	27 300	27 266
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 June 2012	288 765	28 876	10 900	38 275	366 816

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BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the six months ended 30 June 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Six months ended		Six months ended	
		30.6.2012	30.06.2011	30.6.2012	30.06.2011
Cash flows from operating activities					
Profit before tax		30 884	20 802	30 888	18 597
Adjustment for:					
Depreciation and amortization	9., 10.	135 033	133 739	135 033	133 737
Impairment and write off of receivables		8 379	11 603	8 377	11 593
Impairment of assets		584	2 921	584	2 921
Interest expenses, net		11 440	14 399	11 446	14 407
(Profit)/Loss from operations with non-current asset		(1 949)	2 531	(1 949)	2 531
Carrying amount of inventories written-off		58	41	58	41
Income from operations with financial instruments		(17)	(64)	(17)	(64)
Income from investment operations		-	(2 308)	-	(37)
Increase/(Decrease) in provisions for other liabilities and charges		(5 368)	1 063	(5 368)	1 063
Changes in operating assets and liabilities					
Increase in operating assets		(11 627)	(18 791)	(11 599)	(18 479)
Increase/(Decrease) in operating liabilities		10 695	266	10 692	(23)
Cash generated from operations		178 112	166 202	178 145	166 287
Interest received		5 368	3 443	5 363	3 437
Interest paid		(15 615)	(18 024)	(15 615)	(18 024)
Corporate income tax paid		(3 404)	(8 530)	(3 404)	(8 530)
Net cash from operating activities		164 461	143 091	164 489	143 170
Proceeds from sale of property, plant and equipment		6 042	2 567	6 042	2 567
Purchase of property, plant and equipment		(55 576)	(54 203)	(55 576)	(54 203)
Purchase of other non-current assets		(18 342)	(12 439)	(18 342)	(12 439)
Dividends received		31	37	31	37
Cash deposits with maturity greater than three months		47 009	-	47 009	-
Net cash used in investing activities		(20 836)	(64 038)	(20 836)	(64 038)
Repayments of long-term borrowings		(29 585)	-	(29 585)	-
Dividend paid		(68 062)	(87 633)	(68 062)	(87 633)
Payments of obligations under finance lease		(9)	(1 497)	(9)	(1 497)
Net cash used in financing activities		(97 656)	(89 130)	(97 656)	(89 130)
Net increase/(decrease) in cash and cash equivalents		45 969	(10 077)	45 997	(9 998)
Exchange gain/(loss) on cash		19	(29)	19	(29)
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		187 651	144 417	187 371	144 136

These financial statements were approved on 16.07.2012

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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 six months ended 30 June 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 30 June 2012 and 31 December 2011 the Group includes the subsidiary entity BTC Net EOOD.

As at 30 June 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 six months ended 30 June 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 30 June 2012 and 31 December 2011 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Current accounts and cash in hand				
Held in BGN	16 037	3 914	16 024	3 911
Held in EUR	1 190	1 559	1 190	1 559
Held in foreign currencies other than EUR	262	364	262	363
Total current accounts and cash in hand	17 489	5 837	17 476	5 833
Term deposits				
Held in BGN	164 874	135 827	164 607	135 522
Held in EUR	5 288	-	5 288	-
Total term deposits	170 162	135 827	169 895	135 522
Total cash and cash equivalents	187 651	141 664	187 371	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 six months ended 30 June 2012

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables

As at 30 June 2012 and 31 December 2011 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Trade receivables	162 477	164 714	162 188	164 354
<i>incl. international settlement receivables</i>	23 867	30 009	23 867	30 009
Intercompany receivables	412	371	611	656
Other receivables	11 154	63 242	11 151	63 239
Total	174 043	228 327	173 950	228 249
Provision for impairment of receivables	(63 270)	(64 197)	(63 194)	(64 110)
Total Trade receivables	110 773	164 130	110 756	164 139
Incl:				
Non-current portion: trade receivables	4 707	4 953	4 707	4 953
Provision for impairment of receivables	(293)	(311)	(293)	(311)
Total non-current portion: trade receivables	4 414	4 642	4 414	4 642
Current portion trade receivables	169 336	223 374	169 243	223 296
Provision for impairment of receivables	(62 977)	(63 886)	(62 901)	(63 799)
Total current portion: trade receivables	106 359	159 488	106 342	159 497

Other receivables for 2012 and 2011 include respectively BGN 7,498 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	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Finance leases receivables with maturity:				
Within one year	10 860	13 805	10 280	13 088
In the second to fifth years inclusive	3 024	3 201	2 932	3 109
Total receivables	13 884	17 006	13 212	16 197
Less: unearned finance income	(672)	(809)		-
Provision for impairment of receivables	(1 321)	(1 620)	(1 321)	(1 620)
Net investment in finance leases	11 891	14 577	11 891	14 577

Movement of the provision for impairment of accounts receivables as at 30 June 2012 and 31 December 2011 is as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Balance at the beginning of the period	64 197	78 744	64 110	78 609
Accrued impairment	8 350	21 420	8 348	21 407
Impairment of receivables written off	(9 277)	(35 967)	(9 264)	(35 906)
Balance at the end of the period	63 270	64 197	63 194	64 110

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

For the six months ended 30 June 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	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Balance at the beginning of the period	19 364	30 748	19 277	30 613
Accrued impairment	1 037	(373)	1 035	(386)
Impairment of receivables written off	(4 220)	(11 011)	(4 207)	(10 950)
Balance at the end of the period	16 181	19 364	16 105	19 277

Residential customers	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Balance at the beginning of the period	44 833	47 996	44 833	47 996
Accrued impairment	7 313	21 793	7 313	21 793
Impairment of receivables written off	(5 057)	(24 956)	(5 057)	(24 956)
Balance at the end of the period	47 089	44 833	47 089	44 833

Related parties balances are shown in note 26.

As of 30 June 2012 and 31 December 2011 receivables of the Group and the Company at the amount of BGN 3,336 and 4,589 thousand were assessed individually and the impairment amounts to 2,996 and 4,297 thousand.

As of 30 June 2012 and 31 December 2011 the age structure of overdue receivables not impaired is as follows:

	Consolidated and Separate financial statements	
	30.6.2012	31.12.2011
From 60 to 90 days	44	5 808
From 91 to 180 days	329	343
From 181 to 360 days	559	93
Above 1 year	139	143
Total	1 070	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	
	30.6.2012	31.12.2010
Outside the country	11 771	10 622
In the country	1 309	1 110
Outside the country	1 281	1 091
Outside the country	1 215	411
Outside the country	1 189	1 745

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

For the six months ended 30 June 2012

All amounts are in thousand BGN, unless otherwise stated

6. Inventories

The materials and supplies as of 30 June 2012 and 31 December 2011 are as follows:

	Consolidated and Separate financial statements	
	30.6.2012	31.12.2011
Materials and supplies, net	5 984	5 999
Merchandise and other, net	20 913	19 735
Total materials and supplies	26 897	25 734

7. Assets classified as held for sale

	30.6.2012	31.12.2011
Real estates, held for sale	1 899	1 892
Total assets held for sale	1 899	1 892

As of 30 June 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 30 June 2012 and 31 December 2011 other current assets are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Prepayments	17 409	12 332	17 408	12 333
Other current assets	3 970	4 638	3 968	4 636
Total other current assets	21 379	16 970	21 376	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 3,633 thousand as of 30 June 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 six months ended 30 June 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 30 June 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	-	-	(37)	-	(37)
Additions	186	-	3	45 353	45 542
Transfers	27 820	5 083	4 444	(37 347)	-
Impairment	-	-	-	121	121
Assets held for sale	-	-	(60)	-	(60)
Disposals	(20 452)	(3 995)	(3 344)	(196)	(27 987)
At 30 June 2012	1 396 968	896 629	285 321	41 413	2 620 331
<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	68 235	12 189	13 168	-	93 592
Impairment	647	7	51	-	705
Assets held for sale	-	-	(36)	-	(36)
Disposals	(17 239)	(3 946)	(2 760)	-	(23 945)
At 30 June 2012	882 355	605 882	177 462	-	1 665 699
<i>Net book value</i>					
At 31 December 2011	558 702	297 909	117 276	33 482	1 007 369
At 30 June 2012	514 613	290 747	107 859	41 413	954 632

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

For the six months ended 30 June 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 30 June 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
Revaluation	-	-	(37)	-	(37)
Additions	186	-	3	45 353	45 542
Transfers	27 820	5 083	4 444	(37 347)	-
Impairment	-	-	-	121	121
Assets held for sale	-	-	(60)	-	(60)
Disposals	(20 452)	(3 995)	(3 344)	(196)	(27 987)
At 30 June 2012	1 396 968	896 629	285 857	41 413	2 620 867
<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	68 235	12 189	13 168	-	93 592
Impairment	647	7	51	-	705
Assets held for sale	-	-	(36)	-	(36)
Disposals	(17 239)	(3 946)	(2 760)	-	(23 945)
At 30 June 2012	882 355	605 882	177 998	-	1 666 235
<i>Net book value</i>					
At 31 December 2011	558 702	297 909	117 276	33 482	1 007 369
At 30 June 2012	514 613	290 747	107 859	41 413	954 632

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 694 properties of BTC with a net book value as of 30 June 2012 amounting to BGN 18,268 thousand(BGN 22,951 for 688 properties 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 30 June 2012 amounted to BGN 17,861 thousand, and as of 31 December 2011 their net book value was BGN 18,680 thousand.

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10. Intangible assets

As of 30 June 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)	273	15 309	2 764	(4)	18 342
Disposals	-	(15 664)	(99)	-	(15 763)
At 30 June 2012	120 043	543 064	22 928	3 358	689 393
<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	3 625	31 511	2 435	-	37 571
Disposals	-	(15 656)	(40)	-	(15 696)
At 30 June 2012	44 579	351 456	7 732	-	403 767
<i>Net book value</i>					
At 31 December 2011	78 816	207 818	14 926	3 362	304 922
At 30 June 2012	75 464	191 608	15 196	3 358	285 626

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10. Intangible assets (continued)

As of 30 June 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)	273	15 309	2 764	(4)	18 342
Disposals	-	(15 509)	(99)	-	(15 608)
At 30 June 2012	119 988	543 064	22 928	3 357	689 337
<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	3 625	31 511	2 435	-	37 571
Disposals	-	(15 501)	(40)	-	(15 541)
At 30 June 2012	44 533	351 456	7 731	-	403 720
<i>Net book value</i>					
At 31 December 2011	78 807	207 818	14 927	3 361	304 913
At 30 June 2012	75 455	191 608	15 197	3 357	285 617

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 30 June 2012 is respectively BGN 9,979 thousand and BGN 4,944 thousand.

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11. Investments

Investments available for sale on the Group level as of 30 June 2012 and 31 December 2011 are as follows:

Entity	30.6.2012	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.

	30.6.2012	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 30 June 2012 and 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Payables to suppliers of non current assets	28 539	38 473	28 539	38 473
Payables to international accounts	11 061	8 813	11 061	8 813
Payables to telecom operators	4 838	3 066	4 838	3 066
Payables to suppliers of network maintenance	3 459	1 688	3 459	1 688
Payables to related parties (Note 27)	-	-	19	-
Others	29 089	23 881	29 071	23 881
Total trade payables	76 986	75 921	76 987	75 921

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

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13. Other payables

Other payables as of 30 June 2012 and 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Deferred income	19 073	17 098	19 073	17 098
Payables to employees	10 529	12 811	10 529	12 811
VAT	5 438	1 060	5 435	1 060
Social securities	1 898	1 878	1 898	1 878
Advances from clients	903	965	903	965
Personal income tax payable	838	835	838	835
Payables for license fee	332	459	332	459
Withholding and other taxes	291	332	291	332
Cable project MECMA	231	1 169	231	1 169
Interest payable	214	150	214	150
Others	4 344	4 635	4 344	4 635
Total other payables	44 091	41 392	44 088	41 392

The liabilities under Cable projects MECMA amounting to BGN 231 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	-	-	(6 793)	(6 793)
Included in the balance sheet	186	-	-	186
Used during the year	(35)	(477)	(34)	(546)
Discount rate adjustment	208	-	-	208
At 30 June 2012	7 688	623	4 533	12 844

Analysis of provision in consolidated financial statements

	30.6.2012	31.12.2011
Non-current (decommissioning costs)	7 688	7 329
Current	5 156	12 460
Total	12 844	19 789

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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 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:

	30.6.2012	31.12.2011
New Syndicated credit facility	965 323	994 907
Trade credits	2 668	2 677
Financial lease	735	734
Short-term portion	(967 014)	(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 30 June 2012 at the amount of BGN 17,861 thousand, and a pledge on the receivables from the Company's bank accounts, and from its insurers.

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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 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). On 9 May 2012 the arbitration court rejected all the claims of PPCA and based on this the freezing order over the shares is cancelled with a final decision of the Sofia Court of Appeals, dated 11 July 2012. In relation to the arbitration claim the PPCA imposed statutory mortgages on some of the properties of BTC during the period of June – August 2010 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	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Finance lease payables with maturity:				
Within one year	1 459	19	1 392	17
In the second to fifth years inclusive	1 405	2 855	1 276	2 660
Total payables	2 864	2 874	2 668	2 677
Less: future finance charges	(196)	(197)	-	-
Present value of lease obligations	2 668	2 677	2 668	2 677

The net book value of the assets acquired under finance lease arrangements as of 30 June 2012 is BGN 3,788 thousand.

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16. Deferred tax assets and liabilities

As of 30 June 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	8	(1)	-	-	7
At 30 June 2011	73	13	-	-	86
At 01.01.2012	64	9	-	-	73
Charged/(credited) to the profit/(loss) for the period	-	(1)	-	-	(1)
At 30 June 2012	64	8	-	-	72

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	(4)	(569)	(2 084)	188	(2 469)
Charged to other comprehensive income for the period	-	-	-	(15)	(15)
At 30 June 2011	(162)	(8 429)	41 716	(2 611)	30 514
At 01.01.2012	(161)	(6 405)	38 553	(4 777)	27 210
Charged/(credited) to the profit/(loss) for the period	(5)	91	(1 874)	1 884	96
Charged to other comprehensive income for the period	-	-	(4)	(29)	(33)
At 30 June 2012	(166)	(6 314)	36 675	(2 922)	27 273

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

	Three months ended	
	30.6.2012	30.6.2011
Deferred tax liabilities	(96)	2 469
Deferred tax assets	(1)	7
Total charged to the profit/(loss) for the period	(97)	2 476

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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 01.01.2011	(158)	(7 860)	43 800	(2 784)	32 998
Charged/(credited) to the profit/(loss) for the period	(4)	(569)	(2 084)	188	(2 469)
Charged to other comprehensive income for the period	-	-	-	(15)	(15)
At 30 June 2011	(162)	(8 429)	41 716	(2 611)	30 514
At 01.01.2012	(161)	(6 405)	38 553	(4 777)	27 210
Charged/(credited) to the profit/(loss) for the period	(5)	91	(1 874)	1 884	96
Charged to other comprehensive income for the period	-	-	(4)	(29)	(33)
At 30 June 2012	(166)	(6 314)	36 675	(2 922)	27 273

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

	Three months ended	
	30.6.2012	30.6.2011
Deferred tax liabilities	(96)	2 469
Total charged to the profit/(loss) for the period	(96)	2 469

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 30 June 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.

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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	
	30.6.2012	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>	34	(153)
<i>Interest cost</i>	14	74
Total cost recognized in the comprehensive income	48	(175)
Payments to retirees	-	(132)
Liability at the end of the period	1 658	1 610

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

	30.6.2012	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

	30.6.2012	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

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18. Share capital and dividends (continued)

Structure of the share capital:	30.6.2012	%
<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 30 June 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	
	Six months ended		Six months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Profit for the period	27 555	19 213	27 560	17 001
Total profit for distribution	27 555	19 213	27 560	17 001
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN)	0,10	0,07	0,10	0,06

Dividends payable

	30.6.2012	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.

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19. Revenue

Revenue of the Group and the Company for the six months ended 30 June 2012 and 2011 consist of:

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Recurring charges	167 103	166 923	83 578	83 373
Outgoing traffic	86 234	86 766	43 728	44 496
Interconnect	85 855	65 736	44 765	32 616
Leased lines and data transmission	67 438	73 209	33 447	36 767
Other revenue	37 639	35 352	20 067	16 897
Total revenue	444 269	427 986	225 585	214 149

Separate financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Recurring charges	167 123	166 975	83 588	83 398
Outgoing traffic	86 233	86 626	43 728	44 426
Interconnect	85 863	65 851	44 763	32 673
Leased lines and data transmission	67 447	73 231	33 446	36 779
Other revenue	37 643	35 356	20 068	16 898
Total revenue	444 309	428 039	225 593	214 174

20. Other operating expenses

Other operating expenses for the six months ended 30 June 2012 and 2011 consist of:

Consolidated financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Maintenance and repairs	43 108	43 452	22 409	21 307
Advertising, customer service, billing and collectio	24 793	22 560	12 691	11 936
Facilities	19 843	18 988	9 961	9 412
Administrative expenses	7 336	3 041	5 499	1 770
License fees	6 462	6 473	3 229	3 250
Professional fees	3 504	2 597	2 337	1 367
Cost of value added services (VAS)	2 799	3 895	1 428	2 149
Vehicles and transport	1 810	1 838	924	888
Leased lines and data transmission	1 799	2 019	866	989
Other	5 330	17 676	(4 400)	9 883
Total other operating expenses	116 784	122 539	54 944	62 951

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

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Maintenance and repairs	43 107	43 452	22 408	21 307
Advertising, customer service, billing and collectio	24 842	22 565	12 714	11 936
Facilities	19 843	18 988	9 961	9 412
Administrative expenses	7 335	3 048	5 498	1 773
License fees	6 459	6 471	3 227	3 249
Professional fees	3 504	2 597	2 337	1 367
Cost of value added services (VAS)	2 799	3 895	1 428	2 149
Vehicles and transport	1 810	1 838	924	888
Leased lines and data transmission	1 799	2 019	867	990
Other	5 328	17 663	(4 401)	9 875
Total other operating expenses	116 826	122 536	54 963	62 946

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 six months ended 30 June 2012 and 2011 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Salaries and wages	27 196	25 142	13 802	12 706
Pension, health and unemployment fund contributi	4 273	4 451	2 169	2 281
Other benefits	1 270	1 210	617	584
Other staff costs	600	674	414	480
Total staff costs	33 339	31 477	17 002	16 051

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21. Staff costs(continued)

Separate financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Salaries and wages	27 193	25 140	13 800	12 705
Pension, health and unemployment fund contributi	4 273	4 451	2 169	2 281
Other benefits	1 270	1 210	617	584
Other staff costs	600	674	414	480
Total staff costs	33 336	31 475	17 000	16 050

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 six months ended 30 June 2012 and 2011 are respectively BGN 34 thousand and BGN 123 thousand.

22. Finance income and costs

Financial income and costs for the six months ended 30 June 2012 and 2011 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Finance costs				
Interest expense:	16 456	18 564	7 696	9 690
-Bank borrowings	16 168	18 391	7 546	9 607
-Provisions	222	150	112	76
-Finance lease	55	7	32	-
-Other	11	16	6	8
Foreign exchange loss	103	58	5	45
Other finance costs	117	120	59	76
Total finance cost	16 676	18 742	7 760	9 812
Finance income				
Interest income:	5 017	4 165	2 395	1 970
-Bank deposits	4 285	3 181	2 047	1 483
-Finance lease	553	854	259	422
-Other	179	130	89	65
Gains on financial instruments	17	60	8	34
Equity investments income	-	37	-	-
Total finance income	5 034	4 262	2 403	2 004
Net finance costs	11 642	14 480	5 357	7 808

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22. Finance income and costs(continued)

Separate financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Finance costs				
Interest expense:	16 456	18 564	7 696	9 691
-Bank borrowings	16 168	18 391	7 546	9 607
-Provisions	222	150	112	76
-Finance lease	55	7	32	-
-Other	11	16	6	8
Foreign exchange loss	103	58	5	45
Other finance costs	116	119	58	75
Total finance cost	16 675	18 741	7 759	9 811
Finance income				
Interest income:	5 010	4 157	2 391	1 967
-Bank deposits	4 278	3 172	2 043	1 479
-Finance lease	553	854	259	422
-Other	179	131	89	66
Gains on financial instruments	17	60	8	34
Equity investments income	-	37	-	-
Total finance income	5 027	4 254	2 399	2 001
Net finance costs	11 648	14 487	5 360	7 810

23. Other gains, net

Other gains, net for the six months ended 30 June 2012 and 2011 consist of:

Consolidated and Separate financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Gains from sales of non-current assets	4 485	384	2 734	357
Gain from sales of materials	11	(119)	8	(131)
Total other gains, net	4 496	265	2 742	226

In the Consolidated and the Separate financial statements the income from sales of PPE and assets held for sale for the six months ended 30 June 2012 was BGN 6,061 thousand and their net book value was BGN 1,576 thousand. For the six months ended 30 June 2011 these figures are respectively BGN 1,284 thousand and BGN 900 thousand. The income from sales of materials for the six months ended 30 June 2012 was BGN 24 thousand and cost of sales was BGN 13 thousand. For the six months ended 30 June 2011 these figures were BGN 51 thousand and BGN 170 thousand respectively.

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24. Tax expense

Income tax expenses for the six months ended 30 June 2012 and 2011 consist of:

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Current income tax charge	3 233	4 066	1 713	1 918
Deferred tax expense/(credit) to comprehensive inc	96	(2 477)	445	(1 183)
Total tax expense	3 329	1 589	2 158	735

Separate financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Current income tax charge	3 233	4 066	1 713	1 918
Deferred tax expense/(credit) to comprehensive inc	95	(2 470)	445	(1 179)
Total tax expense/(credit)	3 328	1 596	2 158	739

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

Consolidated financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Profit before tax	30 884	20 802	19 476	9 265
Total profit before tax	30 884	20 802	19 476	9 265
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	3 088	2 080	1 948	927
Effect of permanent tax differences	236	(214)	208	(194)
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	5	13	2	2
Income tax expense	3 329	1 589	2 158	735
Effective tax rate	10,78%	7,64%	11,08%	7,93%
Income tax expense in the comprehensive income	3 329	1 589	2 158	735
Total income tax expense	3 329	2 933	2 158	735

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24. Tax expense(continued)

Separate financial statements

	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Profit before tax	30 888	18 597	19 465	7 357
Total profit before tax	30 888	18 597	19 465	7 357
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	3 089	1 860	1 947	736
Effect of permanent tax differences	236	13	209	1
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	13	2	2
Income tax expense/(credit)	3 328	1 596	2 158	739
Effective tax rate	10,77%	8,58%	11,09%	10,04%
Income tax expense in the comprehensive income	3 328	1 596	2 158	739
Total income tax expense	3 328	2 940	2 158	739

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 30 June 2012 and 2011 is presented below.

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25. Segment information(continued)

Six months ended 30 June 2012

	Fixed line of business	Mobile line of business	Total
Revenue	245 911	198 358	444 269
Cost of sales	(58 781)	(65 304)	(124 085)
Gross margin	187 130	133 054	320 184
Operating expenses			(282 154)
Financial expenses, net			(11 642)
Other gains, net			4 496
Profit before tax			30 884
Income tax expense			(3 329)
Net profit for the year			27 555

Six months ended 30 June 2011

	Fixed line of business	Mobile line of business	Total
Revenue	256 544	171 442	427 986
Cost of sales	(45 636)	(61 309)	(106 945)
Gross margin	210 908	110 133	321 041
Operating expenses			(288 296)
Financial expenses, net			(14 480)
Other gains, net			265
Share of profit of JV			2 272
Profit before tax			20 802
Income tax expense			(1 589)
Net profit for the year			19 213

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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 30 June 2012 and 31 December 2011:

For the Group	Note	Receivables		Payables	
		30.6.2012	31.12.2011	30.6.2012	31.12.2011
NEF Telecom Company BV	Parent	412	370	-	-
NEF Telecom Bulgaria OOD	Parent	-	1	89 561	157 624
Total for BTC group		412	371	89 561	157 624

For BTC	Note	Receivables		Payables	
		30.6.2012	31.12.2011	30.6.2012	31.12.2011
NEF Telecom Company BV	Parent	412	370	-	-
BTC Net EOOD	Subsidiary	198	285	19	-
NEF Telecom Bulgaria OOD	Parent	-	1	89 561	157 624
Total for BTC		610	656	89 580	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	Six months ended		Three months ended	
		30.6.2012	30.6.2011	30.6.2012	30.6.2011
NURTS Bulgaria AD	JV	-	3 208	-	1 584
Total for BTC group		-	3 208	-	1 584

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26. Related parties(continued)

For BTC	Note	Six months ended		Three months ended	
		30.6.2012	30.6.2011	30.6.2012	30.6.2011
BTC Net EOOD	Subsidiary	49	17	23	6
NURTS Bulgaria AD	JV	-	3 208	-	1 584
Total for BTC		49	3 225	23	1 590

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

	Note	Six months ended		Three months ended	
		30.6.2012	30.6.2011	30.6.2012	30.6.2011
BTC Net EOOD	Subsidiary	48	203	9	101
NEF Telecom Bulgaria OOD	Parent	6	9	4	4
NURTS Bulgaria AD	JV	-	3 193	-	1 596
Total for BTC group		54	3 405	13	1 701

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 30 June 2012 and 2011. Remuneration amounting to BGN 2,746 thousand relating to key management personnel has been accrued as of 30 June 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 30 June 2012, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 30.06.2012	Commitments outstanding
Hardware and software	23 061	11 364	11 697
Construction and assembly works of the BTC	41 353	10 698	30 655
Network equipment	106 821	63 931	42 890
Total	171 235	85 993	85 242

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.

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28. Operating lease

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

Consolidated and Separate financial statements	Six months ended		Three months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Minimum lease payments	1 361	1 320	694	668

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

	30.6.2012	31.12.2011
Within one year	9 420	9 530
In the second to fifth years inclusive	30 040	29 526
Later than five years	90 055	90 751
Total commitments	129 515	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.