

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

**31-Dec-2012**

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

As at 31 December 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	4.	63 886	141 664	59 352	141 355
Trade receivables	5.	82 430	159 488	76 482	159 497
Current income tax receivables		600	-	600	-
Inventories	6.	31 987	25 734	31 987	25 734
Other assets	8.	15 627	16 970	15 482	16 969
Assets of disposal group held for sale	7.	2 127	1 892	2 127	1 892
<b>Total current assets</b>		<b>196 657</b>	<b>345 748</b>	<b>186 030</b>	<b>345 447</b>
<b>Non-current assets</b>					
Goodwill		3 706	3 706	3 706	3 706
Property, plant and equipment	9.	939 100	1 007 369	939 100	1 007 369
Intangible assets	10.	285 458	304 922	285 450	304 913
Investments		335	335	1 134	1 134
Trade receivables	5.	5 121	4 642	5 121	4 642
Deferred tax assets, net	16.	14	73	-	-
<b>Total non-current assets, net</b>		<b>1 233 734</b>	<b>1 321 047</b>	<b>1 234 511</b>	<b>1 321 764</b>
<b>TOTAL ASSETS</b>		<b>1 430 391</b>	<b>1 666 795</b>	<b>1 420 541</b>	<b>1 667 211</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Dividends payable	18.	10	158 092	10	158 092
Trade payables	12.	92 169	75 921	88 117	75 921
Other payables	13.	48 150	41 392	48 121	41 392
Current income tax liabilities		182	404	-	404
Provisions for other liabilities and charges	14.	7 483	12 460	7 483	12 460
Borrowings	15.	19 037	994 925	19 037	994 925
<b>Total current liabilities</b>		<b>167 031</b>	<b>1 283 194</b>	<b>162 768</b>	<b>1 283 194</b>
<b>Non current liabilities</b>					
Borrowings	15.	867 883	3 393	867 883	3 393
Deferred tax liabilities, net	16.	23 067	27 210	23 067	27 210
Retirement benefit obligations	17.	1 674	1 610	1 674	1 610
Provisions for other liabilities and charges	14.	8 662	7 329	8 662	7 329
Trade and other payables		5 735	4 926	5 735	4 926
<b>Total non current liabilities</b>		<b>907 021</b>	<b>44 468</b>	<b>907 021</b>	<b>44 468</b>
<b>Equity</b>					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves		37 319	39 810	37 319	39 810
Retained earnings		30 255	10 558	24 668	10 974
<b>Total equity</b>		<b>356 339</b>	<b>339 133</b>	<b>350 752</b>	<b>339 549</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 430 391</b>	<b>1 666 795</b>	<b>1 420 541</b>	<b>1 667 211</b>

These financial statements were approved on 24.01.2013

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 year ended 31 December 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Year ended		Three months ended	
		31.12.2012	31.12.2011 (restated)	31.12.2012	31.12.2011 (restated)
Revenue	19.	857 997	888 301	207 564	233 930
Interconnect expenses		(112 796)	(133 475)	(19 168)	(35 578)
Other operating expenses	20.	(250 459)	(279 320)	(75 989)	(92 324)
Materials and consumables expenses		(109 254)	(104 167)	(33 759)	(27 871)
Staff costs	21.	(69 427)	(65 051)	(18 614)	(17 724)
Depreciation and amortization	9., 10.	(277 960)	(276 585)	(68 643)	(74 578)
Finance costs	22.	(33 776)	(41 304)	(9 769)	(10 275)
Finance income	22.	8 200	9 094	1 137	3 097
Other gains, net	23.	10 192	8 271	3 301	2 009
Share of profit of joint ventures		-	2 272	-	-
<b>Profit before tax</b>		<b>22 717</b>	<b>8 036</b>	<b>(13 940)</b>	<b>(19 314)</b>
Income tax expenses	24.	(2 430)	(856)	1 306	1 851
<b>Profit for the period</b>		<b>20 287</b>	<b>7 180</b>	<b>(12 634)</b>	<b>(17 463)</b>
<b>Other comprehensive income/(loss)</b>					
Currency forward		(657)	629	(62)	261
Loss on revaluation of land		(2 767)	(559)	(2 730)	(559)
Income tax effect		341	(7)	278	30
<b>Other comprehensive income for the period, net of tax</b>		<b>(3 083)</b>	<b>63</b>	<b>(2 514)</b>	<b>(268)</b>
<b>Total comprehensive income for the period</b>		<b>17 204</b>	<b>7 243</b>	<b>(15 148)</b>	<b>(17 731)</b>
Earnings per share (basic and diluted)		0,07	0,02	(0,04)	(0,06)
<b>Separate financial statements</b>	<b>Notes</b>	<b>Year ended</b>		<b>Three months ended</b>	
		<b>31.12.2012</b>	<b>31.12.2011</b> (restated)	<b>31.12.2012</b>	<b>31.12.2011</b> (restated)
Revenue	19.	841 964	888 319	199 178	233 902
Interconnect expenses		(103 436)	(133 466)	(12 587)	(35 575)
Other operating expenses	20.	(250 447)	(277 962)	(75 931)	(92 321)
Materials and consumables expenses		(109 247)	(104 145)	(33 758)	(27 865)
Staff costs	21.	(69 423)	(65 048)	(18 613)	(17 724)
Depreciation and amortization	9., 10.	(277 959)	(276 582)	(68 643)	(74 578)
Finance costs	22.	(33 772)	(41 303)	(9 765)	(10 275)
Finance income	22.	8 187	12 014	1 131	3 094
Other gains, net	23.	10 192	8 271	3 301	2 009
<b>Profit/(loss) before tax</b>		<b>16 059</b>	<b>10 098</b>	<b>(15 687)</b>	<b>(19 333)</b>
Income tax (expenses)/credit	24.	(1 774)	(850)	1 480	1 864
<b>Profit for the period</b>		<b>14 285</b>	<b>9 248</b>	<b>(14 207)</b>	<b>(17 469)</b>
<b>Other comprehensive income/(loss)</b>					
Currency forward		(657)	629	(62)	261
Loss on revaluation of land		(2 767)	(559)	(2 730)	(559)
Income tax effect		341	(7)	278	30
<b>Other comprehensive income for the period, net of tax</b>		<b>(3 083)</b>	<b>63</b>	<b>(2 514)</b>	<b>(268)</b>
<b>Total comprehensive income for the period</b>		<b>11 202</b>	<b>9 311</b>	<b>(16 721)</b>	<b>(17 737)</b>
Earnings per share (basic and diluted)		0,05	0,03	(0,05)	(0,06)

These financial statements were approved on 24.01.2013

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 CHANGES IN EQUITY**

For the year ended 31 December 2012

All amounts are in thousand BGN, unless otherwise stated

**Consolidated Financial Statements**

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 January 2011</b>	<b>288 765</b>	<b>28 876</b>	<b>11 527</b>	<b>178 870</b>	<b>508 038</b>
Loss on revaluation of land	-	-	(503)	-	(503)
Loss on currency forward	-	-	-	566	566
Net income for the period	-	-	-	7 180	7 180
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(503)</b>	<b>7 746</b>	<b>7 243</b>
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends	-	-	-	(176 146)	(176 146)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(176 146)</b>	<b>(176 146)</b>
Transfer to retained earnings	-	-	(90)	90	-
<b>Balance as at 31 December 2011</b>	<b>288 765</b>	<b>28 876</b>	<b>10 934</b>	<b>10 560</b>	<b>339 135</b>
<b>Balance as at 1 January 2012</b>	<b>288 765</b>	<b>28 876</b>	<b>10 934</b>	<b>10 560</b>	<b>339 135</b>
Loss on revaluation of land	-	-	(2 491)	-	(2 491)
Loss on currency forward	-	-	-	(592)	(592)
Net income for the period	-	-	-	20 287	20 287
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2 491)</b>	<b>19 695</b>	<b>17 204</b>
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2012</b>	<b>288 765</b>	<b>28 876</b>	<b>8 443</b>	<b>30 255</b>	<b>356 339</b>

**Separate Financial Statements**

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1 January 2011</b>	<b>288 765</b>	<b>28 876</b>	<b>11 527</b>	<b>177 217</b>	<b>506 385</b>
Loss on revaluation of land	-	-	(503)	-	(503)
Loss on currency forward	-	-	-	566	566
Net income for the period	-	-	-	9 248	9 248
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(503)</b>	<b>9 814</b>	<b>9 311</b>
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends	-	-	-	(176 146)	(176 146)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(176 146)</b>	<b>(176 146)</b>
Transfer to retained earnings	-	-	(90)	90	-
<b>Balance as at 31 December 2011</b>	<b>288 765</b>	<b>28 876</b>	<b>10 934</b>	<b>10 975</b>	<b>339 550</b>
<b>Balance as at 1 January 2012</b>	<b>288 765</b>	<b>28 876</b>	<b>10 934</b>	<b>10 975</b>	<b>339 550</b>
Loss on revaluation of land	-	-	(2 491)	-	(2 491)
Loss on currency forward	-	-	-	(592)	(592)
Net income for the period	-	-	-	14 285	14 285
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2 491)</b>	<b>13 693</b>	<b>11 202</b>
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2012</b>	<b>288 765</b>	<b>28 876</b>	<b>8 443</b>	<b>24 668</b>	<b>350 752</b>

These financial statements were approved on 24.01.2013

Bernard Moscheni

CEO

Atanas Dobrev

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**BULGARIAN TELECOMMUNICATIONS COMPANY AD  
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT**

For the year ended 31 December 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Year ended		Year ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Cash flows from operating activities</b>					
Profit before tax		22 717	8 036	16 059	10 098
Adjustment for:					
Depreciation and amortization	9., 10.	277 960	276 585	277 959	276 582
Impairment and write off of receivables		16 836	21 559	16 753	21 546
Impairment of assets		5 814	15 247	5 814	13 893
Interest expenses, net		25 458	30 210	25 471	30 225
Profit from operations with non-current asset		4 611	6 456	4 612	6 455
Carrying amount of inventories written-off		135	446	135	446
Income/(loss) from operations with financial instruments		(27)	2 131	(27)	2 131
Income from investment operations		(286)	(2 595)	(286)	(3 258)
Increase/(Decrease) in provisions for other liabilities and charges		(2 954)	11 747	(2 954)	11 747
Changes in operating assets and liabilities					
Increase in operating assets		(10 288)	(10 246)	(4 138)	(9 935)
Increase/(Decrease) in operating liabilities		17 839	(6 917)	13 756	(7 205)
<b>Cash generated from operations</b>		<b>357 815</b>	<b>352 659</b>	<b>353 154</b>	<b>352 725</b>
Interest received		7 880	5 767	7 869	5 752
Interest paid		(24 670)	(37 682)	(24 670)	(37 682)
Corporate income tax paid		(6 995)	(11 730)	(6 579)	(11 730)
<b>Net cash from operating activities</b>		<b>334 030</b>	<b>309 014</b>	<b>329 774</b>	<b>309 065</b>
Proceeds from sale of property, plant and equipment		11 607	8 995	11 607	8 995
Purchase of property, plant and equipment		(143 142)	(118 484)	(143 142)	(118 484)
Purchase of other non-current assets		(65 453)	(54 805)	(65 454)	(54 805)
Dividends received		267	293	267	293
Cash deposits with maturity greater than three months		54 430	(54 507)	54 460	(54 507)
Sale of investments		-	58 675	-	58 675
<b>Net cash used in investing activities</b>		<b>(142 291)</b>	<b>(159 833)</b>	<b>(142 262)</b>	<b>(159 833)</b>
Repayments of long-term borrowings		(110 679)	-	(110 679)	-
Dividend paid		(158 087)	(160 265)	(158 087)	(160 265)
Payments of obligations under finance lease		(752)	(2 197)	(752)	(2 197)
<b>Net cash used in financing activities</b>		<b>(269 518)</b>	<b>(162 462)</b>	<b>(269 518)</b>	<b>(162 462)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(77 779)</b>	<b>(13 281)</b>	<b>(82 006)</b>	<b>(13 230)</b>
Exchange gain on cash		1	422	3	422
Cash and cash equivalents at the beginning of the year		141 664	154 523	141 355	154 163
<b>Cash and cash equivalents at the end of the period</b>		<b>63 886</b>	<b>141 664</b>	<b>59 352</b>	<b>141 355</b>

These financial statements were approved on 24.01.2013

Bernard Moscheni

CEO

Atanas Dobrev

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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 year ended 31 December 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 V Telecom Investment S.C.A. (“V Telecom”) which indirectly owns 100% of the shares of Viva Telecom Bulgaria EAD. There are two shareholders which own more than 5% of the share capital of V Telecom: Bromak EOOD (wholly owned by Mr Tsvetan Radoev Vasilev) and Crusher Investment Limited (indirectly wholly owned by JSC VTB Bank), and a number of shareholders holding less than 5% share.

As a result of the approval of a comprehensive scheme for the sale and restructuring of BTC group with its creditors on 9 November 2012 Viva Telecom Bulgaria EAD acquired 93.99% from BTC shares following the receipt of relevant EC and other regulatory approvals.

**The Group**

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

**BTC Security EOOD/ Renamed to BTC Net EOOD**

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

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

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

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

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

For the year ended 31 December 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.

As disclosed in note 19 as of 31 December 2012 the Company adopted policy to recognize revenue from value added services net of cost of value added services (VAS). The comparative data are restated accordingly.

## 4. Cash and cash equivalents

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

	Consolidated financial statements		Separate financial statements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Current accounts and cash in hand</b>				
Held in BGN	9 351	3 914	5 499	3 911
Held in EUR	3 427	1 559	3 426	1 559
Held in foreign currencies other than EUR	426	364	285	363
<b>Total current accounts and cash in hand</b>	<b>13 204</b>	<b>5 837</b>	<b>9 210</b>	<b>5 833</b>
<b>Term deposits</b>				
Held in BGN	50 682	135 827	50 142	135 522
Held in EUR	-	-	-	-
<b>Total term deposits</b>	<b>50 682</b>	<b>135 827</b>	<b>50 142</b>	<b>135 522</b>
<b>Total cash and cash equivalents</b>	<b>63 886</b>	<b>141 664</b>	<b>59 352</b>	<b>141 355</b>

As disclosed in note 15 BTC secured the payments related to Company's liabilities under the amended loan agreement by establishing a pledge on the receivables on bank accounts and from its insurers of the Group.

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

For the year ended 31 December 2012

All amounts are in thousand BGN, unless otherwise stated

**5. Trade receivables**

As at 31 December 2012 and 2011 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Trade receivables	143 060	164 714	136 496	164 354
<i>incl. international settlement receivables</i>	6 600	30 009	1 651	30 009
Intercompany receivables	9	371	516	656
Other receivables	3 973	63 242	3 939	63 239
<b>Total</b>	<b>147 042</b>	<b>228 327</b>	<b>140 951</b>	<b>228 249</b>
Provision for impairment of receivables	(59 491)	(64 197)	(59 348)	(64 110)
<b>Total Trade receivables</b>	<b>87 551</b>	<b>164 130</b>	<b>81 603</b>	<b>164 139</b>
Incl:				
Non-current portion: trade receivables	5 665	4 953	5 665	4 953
Provision for impairment of receivables	(544)	(311)	(544)	(311)
<b>Total non-current portion: trade receivables</b>	<b>5 121</b>	<b>4 642</b>	<b>5 121</b>	<b>4 642</b>
Current portion trade receivables	141 377	223 374	135 286	223 296
Provision for impairment of receivables	(58 947)	(63 886)	(58 804)	(63 799)
<b>Total current portion: trade receivables</b>	<b>82 430</b>	<b>159 488</b>	<b>76 482</b>	<b>159 497</b>

Other receivables as at 31 December 2012 and 2011 include respectively BGN 77 thousand (for the consolidated financial statements), 47 thousand (for the separate financial statements) 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Finance leases receivables with maturity:				
Within one year	12 176	13 805	11 324	13 088
In the second to fifth years inclusive	5 627	3 201	5 440	3 109
<b>Total receivables</b>	<b>17 803</b>	<b>17 006</b>	<b>16 764</b>	<b>16 197</b>
Less: unearned finance income	(1 039)	(809)	-	-
Provision for impairment of receivables	(1 676)	(1 620)	(1 676)	(1 620)
<b>Net investment in finance leases</b>	<b>15 088</b>	<b>14 577</b>	<b>15 088</b>	<b>14 577</b>

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

	Consolidated financial statements		Separate financial statements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Balance at the beginning of the period	64 197	78 744	64 110	78 609
Accrued impairment	12 983	21 420	12 870	21 407
Impairment of receivables written off	(17 689)	(35 967)	(17 632)	(35 906)
<b>Balance at the end of the period</b>	<b>59 491</b>	<b>64 197</b>	<b>59 348</b>	<b>64 110</b>



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

For the year ended 31 December 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:

<b>Business customers</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Balance at the beginning of the period	19 364	30 748	19 277	30 613
Accrued impairment	2 311	(373)	2 198	(386)
Impairment of receivables written off	(7 995)	(11 011)	(7 938)	(10 950)
<b>Balance at the end of the period</b>	<b>13 680</b>	<b>19 364</b>	<b>13 537</b>	<b>19 277</b>

  

<b>Residential customers</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Balance at the beginning of the period	44 833	47 996	44 833	47 996
Accrued impairment	10 672	21 793	10 672	21 793
Impairment of receivables written off	(9 694)	(24 956)	(9 694)	(24 956)
<b>Balance at the end of the period</b>	<b>45 811</b>	<b>44 833</b>	<b>45 811</b>	<b>44 833</b>

Related parties balances are shown in note 26.

As of 31 December 2012 and 2011 receivables of the Group and the Company at the amount of BGN 6,342 and 4,589 thousand were assessed individually and the impairment amounts to 6,286 and 4,297 thousand.

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
From 60 to 90 days	544	5 808	196	5 808
From 91 to 180 days	177	343	177	343
From 181 to 360 days	330	93	330	93
Above 1 year	165	143	165	143
<b>Total</b>	<b>1 216</b>	<b>6 387</b>	<b>868</b>	<b>6 387</b>

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:

**Consolidated financial statements**

<b>Type</b>	<b>Carrying amount of the receivable as of</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>
In the country	1 570	1 110
In the country	1 471	380
Outside the country	1 232	450
Outside the country	1 141	-
Outside the country	966	-

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**5. Trade receivables (continued)**

**Separate financial statements**

Type	Carrying amount of the receivable as of	
	31.12.2012	31.12.2011
In the country	1 570	1 110
In the country	1 471	380
Outside the country	1 232	450
In the country	1 070	824
In the country	854	-

**6. Inventories**

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

	Consolidated and Separate financial statements	
	31.12.2012	31.12.2011
Materials and supplies, net	5 199	5 999
Merchandise and other, net	26 788	19 735
<b>Total materials and supplies</b>	<b>31 987</b>	<b>25 734</b>

**7. Assets classified as held for sale**

	31.12.2012	31.12.2011
Real estates, held for sale	2 127	1 892
<b>Total assets held for sale</b>	<b>2 127</b>	<b>1 892</b>

As of 31 December 2012 BTC has signed several preliminary agreements for the sale of real estates reported in the balance sheet by their net asset value, excluding a few properties stated on the lower than their carrying value contracted price.

**8. Other current assets**

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

	Consolidated financial statements		Separate financial statements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Prepayments	10 480	12 332	10 480	12 333
Other current assets	5 147	4 638	5 002	4 636
<b>Total other current assets</b>	<b>15 627</b>	<b>16 970</b>	<b>15 482</b>	<b>16 969</b>

Subscriber acquisition cost, representing mainly fees paid to distributors, are included in other assets above, which for the Group and the Company are BGN 4,199 thousand as of 31 December 2012. As of 31 December 2011 they amount to BGN 3,950 thousand.

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**9. Property, plant and equipment**

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

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
<b>At 31 December 2010</b>	<b>1 347 918</b>	<b>896 582</b>	<b>282 317</b>	<b>39 821</b>	<b>2 566 638</b>
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)
<b>At 31 December 2011</b>	<b>1 389 414</b>	<b>895 541</b>	<b>284 315</b>	<b>33 482</b>	<b>2 602 752</b>
Revaluation	-	-	(2 767)	-	(2 767)
Additions	964	-	3	138 116	139 083
Transfers	89 594	16 709	13 212	(119 515)	-
Impairment	-	-	(173)	2 242	2 069
Assets held for sale	-	-	(303)	-	(303)
Disposals	(85 392)	(46 091)	(24 185)	(386)	(156 054)
<b>At 31 December 2012</b>	<b>1 394 580</b>	<b>866 159</b>	<b>270 102</b>	<b>53 939</b>	<b>2 584 780</b>
<i>Accumulated depreciation</i>					
<b>At 31 December 2010</b>	<b>741 389</b>	<b>583 514</b>	<b>152 641</b>	<b>-</b>	<b>1 477 544</b>
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)
<b>At 31 December 2011</b>	<b>830 712</b>	<b>597 632</b>	<b>167 039</b>	<b>-</b>	<b>1 595 383</b>
Depreciation charged	137 058	24 434	24 839	-	186 331
Impairment	2 355	1 365	460	-	4 180
Assets held for sale	-	-	(42)	-	(42)
Disposals	(75 080)	(42 153)	(22 939)	-	(140 172)
<b>At 31 December 2012</b>	<b>895 045</b>	<b>581 278</b>	<b>169 357</b>	<b>-</b>	<b>1 645 680</b>
<i>Net book value</i>					
<b>At 31 December 2011</b>	<b>558 702</b>	<b>297 909</b>	<b>117 276</b>	<b>33 482</b>	<b>1 007 369</b>
<b>At 31 December 2012</b>	<b>499 535</b>	<b>284 881</b>	<b>100 745</b>	<b>53 939</b>	<b>939 100</b>

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**9. Property, plant and equipment (continued)**

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

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
<b>At 31 December 2010</b>	<b>1 347 771</b>	<b>896 582</b>	<b>282 800</b>	<b>39 821</b>	<b>2 566 974</b>
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)
<b>At 31 December 2011</b>	<b>1 389 414</b>	<b>895 541</b>	<b>284 851</b>	<b>33 482</b>	<b>2 603 288</b>
Revaluation	-	-	(2 767)	-	(2 767)
Additions	964	-	3	138 116	139 083
Transfers	89 594	16 709	13 212	(119 515)	-
Impairment	-	-	(173)	2 242	2 069
Assets held for sale	-	-	(303)	-	(303)
Disposals	(85 392)	(46 091)	(24 185)	(386)	(156 054)
<b>At 31 December 2012</b>	<b>1 394 580</b>	<b>866 159</b>	<b>270 638</b>	<b>53 939</b>	<b>2 585 316</b>
<i>Accumulated depreciation</i>					
<b>At 31 December 2010</b>	<b>741 245</b>	<b>583 514</b>	<b>153 124</b>	-	<b>1 477 883</b>
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)
<b>At 31 December 2011</b>	<b>830 712</b>	<b>597 632</b>	<b>167 575</b>	-	<b>1 595 919</b>
Depreciation charged	137 058	24 434	24 839	-	186 331
Impairment	2 355	1 365	460	-	4 180
Assets held for sale	-	-	(42)	-	(42)
Disposals	(75 080)	(42 153)	(22 939)	-	(140 172)
<b>At 31 December 2012</b>	<b>895 045</b>	<b>581 278</b>	<b>169 893</b>	-	<b>1 646 216</b>
<i>Net book value</i>					
<b>At 31 December 2011</b>	<b>558 702</b>	<b>297 909</b>	<b>117 276</b>	<b>33 482</b>	<b>1 007 369</b>
<b>At 31 December 2012</b>	<b>499 535</b>	<b>284 881</b>	<b>100 745</b>	<b>53 939</b>	<b>939 100</b>

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 31 December 2012 amounting to BGN 24,464 thousand( BGN 22,951 for 688 properties as of 31 December 2011).

As disclosed in note 15 BTC has signed agreement to secure payments related to Parent company's liabilities under the ammended loan agreement by establishing a pledge on real estate property, which net book value as of 31 December 2012 amounted to BGN 15,385 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 31 December 2012 and 2011 intangible assets of the Group are as follows

	<b>Licenses</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Intangible assets under construction</b>	<b>Total</b>
<i>Gross book value</i>					
<b>At 31 December 2010</b>	<b>119 044</b>	<b>509 687</b>	<b>14 711</b>	<b>5 387</b>	<b>648 829</b>
Additions(Transfers)	726	53 116	5 604	(2 025)	57 421
Disposals	-	(19 384)	(52)	-	(19 436)
<b>At 31 December 2011</b>	<b>119 770</b>	<b>543 419</b>	<b>20 263</b>	<b>3 362</b>	<b>686 814</b>
Additions(Transfers)	14 266	43 097	9 748	(1 658)	65 453
Disposals	(7 658)	(25 326)	(366)	-	(33 350)
<b>At 31 December 2012</b>	<b>126 378</b>	<b>561 190</b>	<b>29 645</b>	<b>1 704</b>	<b>718 917</b>
<i>Accumulated amortization</i>					
<b>At 31 December 2010</b>	<b>33 702</b>	<b>282 526</b>	<b>2 488</b>	-	<b>318 716</b>
Amortization charge	7 252	70 215	2 862	-	80 329
Impairment	-	2 151	-	-	2 151
Disposals	-	(19 291)	(13)	-	(19 304)
<b>At 31 December 2011</b>	<b>40 954</b>	<b>335 601</b>	<b>5 337</b>	-	<b>381 892</b>
Amortization charge	7 388	70 278	6 067	-	83 733
Impairment	-	846	-	-	846
Disposals	(7 658)	(25 156)	(198)	-	(33 012)
<b>At 31 December 2012</b>	<b>40 684</b>	<b>381 569</b>	<b>11 206</b>	-	<b>433 459</b>
<i>Net book value</i>					
<b>At 31 December 2011</b>	<b>78 816</b>	<b>207 818</b>	<b>14 926</b>	<b>3 362</b>	<b>304 922</b>
<b>At 31 December 2012</b>	<b>85 694</b>	<b>179 621</b>	<b>18 439</b>	<b>1 704</b>	<b>285 458</b>

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**10. Intangible assets (continued)**

As of 31 December 2012 and 2011 intangible assets on BTC stand alone bases are as follows:

	<b>Licenses</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Intangible assets under construction</b>	<b>Total</b>
<i>Gross book value</i>					
<b>At 31 December 2010</b>	<b>118 989</b>	<b>509 459</b>	<b>14 711</b>	<b>5 387</b>	<b>648 546</b>
Additions(Transfers)	726	53 116	5 604	(2 026)	57 420
Disposals	-	(19 311)	(52)	-	(19 363)
<b>At 31 December 2011</b>	<b>119 715</b>	<b>543 264</b>	<b>20 263</b>	<b>3 361</b>	<b>686 603</b>
Additions(Transfers)	14 266	43 097	9 748	(1 657)	65 454
Disposals	(7 658)	(25 171)	(366)	-	(33 195)
<b>At 31 December 2012</b>	<b>126 323</b>	<b>561 190</b>	<b>29 645</b>	<b>1 704</b>	<b>718 862</b>
<i>Accumulated amortization</i>					
<b>At 31 December 2010</b>	<b>33 657</b>	<b>282 298</b>	<b>2 488</b>	-	<b>318 443</b>
Amortization charge	7 251	70 215	2 862	-	80 328
Impairment	-	2 151	-	-	2 151
Disposals	-	(19 218)	(14)	-	(19 232)
<b>At 31 December 2011</b>	<b>40 908</b>	<b>335 446</b>	<b>5 336</b>	-	<b>381 690</b>
Amortization charge	7 387	70 278	6 067	-	83 732
Impairment	-	846	-	-	846
Disposals	(7 658)	(25 001)	(197)	-	(32 856)
<b>At 31 December 2012</b>	<b>40 637</b>	<b>381 569</b>	<b>11 206</b>	-	<b>433 412</b>
<i>Net book value</i>					
<b>At 31 December 2011</b>	<b>78 807</b>	<b>207 818</b>	<b>14 927</b>	<b>3 361</b>	<b>304 913</b>
<b>At 31 December 2012</b>	<b>85 686</b>	<b>179 621</b>	<b>18 439</b>	<b>1 704</b>	<b>285 450</b>

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 December 2012 is respectively BGN 9,227 thousand and BGN 6,260 thousand.

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**11. Investments**

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

<b>Entity</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Intersputnik	178	178
Satbird	143	143
Sofia Commodity Exchange	14	14
<b>Total investment</b>	<b>335</b>	<b>335</b>

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

	<b>31.12.2012</b>	<b>31.12.2011</b>
Subsidiaries		
BTC Net	799	799
Total investments in subsidiaries	799	799
Other investments	335	335
<b>Total investments</b>	<b>1 134</b>	<b>1 134</b>

**12. Trade payables**

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Payables to suppliers of non current assets	33 715	38 473	33 715	38 473
Payables to international accounts	20 003	8 813	16 995	8 813
Payables to suppliers of network maintenance	4 807	1 688	4 807	1 688
Payables to telecom operators	2 555	3 066	355	3 066
Payables to related parties (Note 27)	2 119	-	3 280	-
Others	28 970	23 881	28 965	23 881
<b>Total trade payables</b>	<b>92 169</b>	<b>75 921</b>	<b>88 117</b>	<b>75 921</b>

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 31 December 2012 and 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Deferred income	18 056	17 098	18 056	17 098
Payables to employees	14 234	12 811	14 234	12 811
Interest payable	5 276	150	5 276	150
Cable project MECMA	2 211	1 169	2 211	1 169
Social securities	2 008	1 878	2 008	1 878
Advances from clients	1 116	965	1 091	965
Personal income tax payable	940	835	940	835
Withholding and other taxes	446	332	446	332
Payables for license fee	320	459	316	459
VAT	-	1 060	-	1 060
Others	3 543	4 635	3 543	4 635
<b>Total other payables</b>	<b>48 150</b>	<b>41 392</b>	<b>48 121</b>	<b>41 392</b>

The liabilities under Cable projects MECMA amounting to BGN 2,211 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
<b>At 1 January 2012</b>	<b>7 329</b>	<b>1 100</b>	<b>11 360</b>	<b>19 789</b>
Charged to the comprehensive income	-	647	(4 794)	(4 147)
Included in the balance sheet	964	-	-	964
Used during the year	(56)	(742)	(88)	(886)
Discount rate adjustment	425	-	-	425
<b>At 31 December 2012</b>	<b>8 662</b>	<b>1 005</b>	<b>6 478</b>	<b>16 145</b>

Analysis of provision in consolidated financial statements

	31.12.2012	31.12.2011
Non-current (decommissioning costs)	8 662	7 329
Current	7 483	12 460
<b>Total</b>	<b>16 145</b>	<b>19 789</b>



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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 4.5% and 5.7% respectively.

**Restructuring**

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2012/2013 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:

	<b>31.12.2012</b>	<b>31.12.2011</b>
Syndicated credit facility	884 261	994 907
Financial lease	2 659	2 677
Trade credits	-	734
Short-term portion	(19 037)	(994 925)
<b>Total borrowings</b>	<b>867 883</b>	<b>3 393</b>

On 17 August 2007 BTC became a party to a loan agreement together with (but not limited to) NEF Telecom Bulgaria OOD and its 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.

On the extraordinary general meeting of the Company held on 8 October 2012 the shareholders approved the proposed amendments to the loan agreement for the fulfillment of certain actions for restructuring of the existing debt. As a result of the proposed restructuring the total bank loans of NEF group (including BTC) were reduced from approximately EUR 1.7 billion to EUR 588 million through a combination of debt repayment, equity conversion and an outright debt write off, as well as in a change of the control over BTC.

The existing credit facilities of BTC under the loan agreement consolidated into a single facility, whereas the aggregate principal amount of the Company's borrowings was reduced to EUR 452,099 thousand following a prepayment in the amount of EUR 26,337 thousand. The new facility shall be repayable by the Company in instalments, the first one of which is due 9 months as of the date of coming into effect of the amendment of the loan agreement (the "amendment date") with a final maturity date for full repayment of all borrowings of the Company under the amended loan agreement being 5 years as of the amendment date (the "termination date"). In addition, the amended loan agreement provides the Company and its holding company to borrow a revolving credit facility in the amount of up to EUR 20,000,000, under which the Company may borrow funds for its working capital purposes and which shall be available up to the date falling one month prior the termination date. The Company shall have the right to select interest periods which can be of the duration of 3 months for the new facility and 3 or 6 months for the revolving credit facility.

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**15. Borrowings (continued)**

The interest on the principal amounts owing by the Company under the amended loan agreement shall be payable at the end of each interest period and shall be the aggregate of EURIBOR for the respective interest period, plus mandatory costs, plus a margin not exceeding 5.50% per year. The liabilities of the Company under the amended loan agreement are secured by the same scope and type of security provided by the Company to secure its obligations to the lenders under the loan agreement, namely a first ranking non-possessory pledge in accordance with the Special Pledges Act on the going concern of the Company, which includes among other assets the shares of the Company in BTC Net and certain real estates, and a first ranking pledge in accordance with the Agreements on Financial Collateral Act on receivables of the Company under certain bank accounts and insurance policies, as well as an additional security provided by BTC Net in a form of a first ranking non-possessory pledge in accordance with the Special Pledges Act over its going concern.

**Obligations under Finance lease**

Certain part of BTC's software is leased under the terms of finance lease. The average lease term is 3 years and the average effective borrowing rate is 4.95%.

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

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Finance lease payables with maturity:				
Within one year	1 449	19	1 383	17
In the second to fifth years inclusive	1 405	2 855	1 276	2 660
<b>Total payables</b>	<b>2 854</b>	<b>2 874</b>	<b>2 659</b>	<b>2 677</b>
Less: future finance charges	(195)	(197)	-	-
<b>Present value of lease obligations</b>	<b>2 659</b>	<b>2 677</b>	<b>2 659</b>	<b>2 677</b>

The net book value of the assets acquired under finance lease arrangements as of 31 December 2012 is BGN 2,801 thousand.

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**16. Deferred tax assets and liabilities**

As of 31 December 2012 and 2011 the deferred tax, are as it follows:

**For the Group:**

<b>Deferred tax assets</b>	<b>Tax loss carried forward</b>	<b>Allowance for impairment of receivables</b>	<b>Property, plant and equipment</b>	<b>Expense accruals</b>	<b>Total</b>
<b>At 1 January 2011</b>	<b>65</b>	<b>14</b>	-	-	<b>79</b>
Charged/(credited) to the profit/(loss) for the period	(1)	(5)	-	-	(6)
<b>At 31 December 2011</b>	<b>64</b>	<b>9</b>	-	-	<b>73</b>
<b>At 1 January 2012</b>	<b>64</b>	<b>9</b>	-	-	<b>73</b>
Charged/(credited) to the profit/(loss) for the period	(64)	5	-	-	(59)
<b>At 31 December 2012</b>	<b>-</b>	<b>14</b>	-	-	<b>14</b>

<b>Deferred tax liabilities</b>	<b>Retirement benefit obligations</b>	<b>Allowance for impairment of receivables</b>	<b>Property, plant and equipment</b>	<b>Expense accruals</b>	<b>Total</b>
<b>At 1 January 2011</b>	<b>(158)</b>	<b>(7 860)</b>	<b>43 800</b>	<b>(2 784)</b>	<b>32 998</b>
Charged/(credited) to the profit/(loss) for the period	(3)	1 455	(5 191)	(2 056)	(5 795)
Charged to other comprehensive income for the period	-	-	(56)	63	7
<b>At 31 December 2011</b>	<b>(161)</b>	<b>(6 405)</b>	<b>38 553</b>	<b>(4 777)</b>	<b>27 210</b>
<b>At 1 January 2012</b>	<b>(161)</b>	<b>(6 405)</b>	<b>38 553</b>	<b>(4 777)</b>	<b>27 210</b>
Charged/(credited) to the profit/(loss) for the period	(6)	126	(4 907)	986	(3 801)
Charged to other comprehensive income for the period	-	-	(277)	(65)	(342)
<b>At 31 December 2012</b>	<b>(167)</b>	<b>(6 279)</b>	<b>33 369</b>	<b>(3 856)</b>	<b>23 067</b>

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

	<b>31.12.2012</b>	<b>Year ended 31.12.2011</b>
Deferred tax liabilities	3 801	5 795
Deferred tax assets	(59)	(6)
<b>Total charged to the profit/(loss) for the period</b>	<b>3 742</b>	<b>5 789</b>

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**16. Deferred tax assets and liabilities(continued)**

**For BTC:**

<b>Deferred tax liabilities</b>	<b>Retirement benefit obligations</b>	<b>Allowance for impairment of receivables</b>	<b>Property, plant and equipment</b>	<b>Expense accruals</b>	<b>Total</b>
<b>At 1 January 2011</b>	<b>(158)</b>	<b>(7 860)</b>	<b>43 800</b>	<b>(2 784)</b>	<b>32 998</b>
Charged/(credited) to the profit/(loss) for the period	(3)	1 455	(5 191)	(2 056)	(5 795)
Charged to other comprehensive income for the period	-	-	(56)	63	7
<b>At 31 December 2011</b>	<b>(161)</b>	<b>(6 405)</b>	<b>38 553</b>	<b>(4 777)</b>	<b>27 210</b>
<b>At 1 January 2012</b>	<b>(161)</b>	<b>(6 405)</b>	<b>38 553</b>	<b>(4 777)</b>	<b>27 210</b>
Charged/(credited) to the profit/(loss) for the period	(6)	126	(4 907)	986	(3 801)
Charged to other comprehensive income for the period	-	-	(277)	(65)	(342)
<b>At 31 December 2012</b>	<b>(167)</b>	<b>(6 279)</b>	<b>33 369</b>	<b>(3 856)</b>	<b>23 067</b>

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

	<b>31.12.2012</b>	<b>Year ended 31.12.2011</b>
Deferred tax liabilities	3 801	5 795
<b>Total charged to the profit/(loss) for the period</b>	<b>3 801</b>	<b>5 795</b>

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 December 2012 and 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:

	<b>Consolidated and Separate financial statements</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>
Liability at the beginning of the period	1 610	1 917
<i>Past service cost</i>	(95)	(96)
<i>Current service cost</i>	116	(153)
<i>Interest cost</i>	54	74
Total cost recognized in the comprehensive income	75	(175)
Payments to retirees	(11)	(132)
<b>Liability at the end of the period</b>	<b>1 674</b>	<b>1 610</b>

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

	<b>31.12.2012</b>	<b>31.12.2011</b>
Discount rate	4,50%	5,70%
Future salary increases per year	From 2.5% to 3%	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 2009 – 2010.

**18. Share capital and dividends**

	<b>31.12.2012</b>	<b>31.12.2011</b>
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
<b>Share capital</b>	<b>288 765</b>	<b>288 765</b>

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**18. Share capital and dividends (continued)**

Structure of the share capital:	<b>31.12.2012</b>	<b>%</b>
<i>Number of ordinary shares:</i>		
Viva Telecom Bulgaria EAD	271 712 216	94%
Other shareholders	17 052 623	6%
<b>Total ordinary shares</b>	<b>288 764 839</b>	<b>100%</b>
<i>Number of preference shares:</i>		
The Republic of Bulgaria	1	100%
<b>Total number of shares</b>	<b>288 764 840</b>	<b>100%</b>

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 December 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.

<b>Earnings per share</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Profit for the period	20 287	7 180	14 285	9 248
<b>Total profit for distribution</b>	<b>20 287</b>	<b>7 180</b>	<b>14 285</b>	<b>9 248</b>
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN)	0,07	0,02	0,05	0,03

**Dividends payable**

	<b>31.12.2012</b>	<b>31.12.2011</b>
Dividend approved by the General shareholders' meeting	-	176 147
Non-distributed dividends for prior years	158 092	142 728
Tax on dividend	5	(518)
Net dividends paid	(158 087)	(160 265)
<b>Total dividend payable</b>	<b>10</b>	<b>158 092</b>

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**19. Revenue**

Revenue of the Group and the Company for the year ended 31 December 2012 and 2011 consist of:

**Consolidated financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Recurring charges	336 044	334 786	84 719	85 273
Outgoing traffic	169 072	180 008	39 380	46 438
Interconnect	129 676	157 060	20 149	40 532
Leased lines and data transmission	128 947	139 624	31 651	35 739
Other revenue	94 258	76 823	31 665	25 948
<b>Total revenue</b>	<b>857 997</b>	<b>888 301</b>	<b>207 564</b>	<b>233 930</b>

**Separate financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Recurring charges	336 051	334 824	84 719	85 280
Outgoing traffic	169 072	179 833	39 381	46 435
Leased lines and data transmission	129 271	139 668	31 809	35 751
Interconnect	112 613	157 160	11 254	40 486
Other revenue	94 957	76 834	32 015	25 950
<b>Total revenue</b>	<b>841 964</b>	<b>888 319</b>	<b>199 178</b>	<b>233 902</b>

Revenue from sale of value added services are presented net of cost of value added services (VAS) in the Income Statement. As a result for the year ended 31 December 2011 Other operating expenses amounting BGN 7,569 thousand are reclassified and netted in Outgoing traffic and Leased lines and data transmission respectively amounting to BGN 665 and 6,904 thousand for the Group and the Company.

**20. Other operating expenses**

Other operating expenses for the year ended 31 December 2012 and 2011 consist of:

**Consolidated financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Maintenance and repairs	86 789	89 043	21 416	23 484
Advertising, customer service, billing and collectio	52 358	50 479	14 139	14 538
Facilities	42 138	38 847	11 979	10 136
License fees	13 227	12 871	3 499	3 196
Administrative expenses	8 307	12 067	2 689	7 416
Professional fees	6 131	5 482	1 013	2 085
Leased lines and data transmission	3 856	3 817	985	928
Vehicles and transport	3 685	3 717	969	940
Other	33 968	62 997	19 300	29 601
<b>Total other operating expenses</b>	<b>250 459</b>	<b>279 320</b>	<b>75 989</b>	<b>92 324</b>

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**20. Other operating expenses(continued)**

**Separate financial statements**

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Maintenance and repairs	86 788	89 040	21 416	23 483
Advertising, customer service, billing and collectio	52 451	50 487	14 161	14 542
Facilities	42 138	38 847	11 979	10 136
License fees	13 209	12 866	3 495	3 195
Administrative expenses	8 304	12 077	2 688	7 414
Professional fees	6 131	5 482	1 013	2 085
Leased lines and data transmission	3 856	3 817	985	928
Vehicles and transport	3 685	3 717	969	940
Other	33 885	61 629	19 225	29 598
<b>Total other operating expenses</b>	<b>250 447</b>	<b>277 962</b>	<b>75 931</b>	<b>92 321</b>

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

**21. Staff costs**

Staff costs for the year ended 31 December 2012 and 2011 consist of:

**Consolidated financial statements**

	<b>Year ended</b>		<b>Three months ended</b>	
	<b>31.12.2012</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
Salaries and wages	56 730	52 738	15 117	14 800
Pension, health and unemployment fund contributi	8 561	8 187	2 229	1 532
Other benefits	2 549	2 408	661	619
Other staff costs	1 587	1 718	607	773
<b>Total staff costs</b>	<b>69 427</b>	<b>65 051</b>	<b>18 614</b>	<b>17 724</b>



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**21. Staff costs(continued)**

**Separate financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Salaries and wages	56 726	52 735	15 116	14 800
Pension, health and unemployment fund contributi	8 561	8 187	2 229	1 532
Other benefits	2 549	2 408	661	619
Other staff costs	1 587	1 718	607	773
<b>Total staff costs</b>	<b>69 423</b>	<b>65 048</b>	<b>18 613</b>	<b>17 724</b>

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 year ended 31 December 2012 and 2011 are respectively BGN 21 thousand and BGN (249) thousand.

**22. Finance income and costs**

Financial income and costs for the year ended 31 December 2012 and 2011 consist of:

**Consolidated financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Finance costs</b>				
Interest expense:	33 345	38 937	9 655	10 236
-Bank borrowings	32 726	38 789	9 481	10 098
-Provisions	479	109	142	130
-Finance lease	120	7	32	-
-Other	20	32	-	8
Loss on financial instruments	-	2 135	-	(22)
Foreign exchange loss	176	-	38	-
Other finance costs	255	232	76	61
<b>Total finance cost</b>	<b>33 776</b>	<b>41 304</b>	<b>9 769</b>	<b>10 275</b>
<b>Finance income</b>				
Interest income:	7 887	8 726	847	2 725
-Bank deposits	6 555	6 878	555	2 313
-Finance lease	1 068	1 562	267	322
-Other	264	286	25	90
Foreign exchange gains	-	44	-	84
Gains on financial instruments	27	-	4	-
Equity investments income	286	324	286	288
<b>Total finance income</b>	<b>8 200</b>	<b>9 094</b>	<b>1 137</b>	<b>3 097</b>
<b>Net finance costs</b>	<b>25 576</b>	<b>32 210</b>	<b>8 632</b>	<b>7 178</b>

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**22. Finance income and costs(continued)**

Separate financial statements	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Finance costs</b>				
Interest expense:	33 345	38 937	9 655	10 236
-Bank borrowings	32 726	38 789	9 481	10 098
-Provisions	479	109	142	130
-Finance lease	120	7	32	-
-Other	20	32	-	8
Loss on financial instruments	-	2 135	-	(22)
Foreign exchange loss	177	-	39	-
Other finance costs	250	231	71	61
<b>Total finance cost</b>	<b>33 772</b>	<b>41 303</b>	<b>9 765</b>	<b>10 275</b>
<b>Finance income</b>				
Interest income:	7 874	8 712	841	2 723
-Bank deposits	6 542	6 864	549	2 311
-Finance lease	1 068	1 562	267	322
-Other	264	286	25	90
Foreign exchange gains	-	44	-	84
Gains on financial instruments	27	-	4	-
Equity investments income	286	3 258	286	287
<b>Total finance income</b>	<b>8 187</b>	<b>12 014</b>	<b>1 131</b>	<b>3 094</b>
<b>Net finance costs</b>	<b>25 585</b>	<b>29 289</b>	<b>8 634</b>	<b>7 181</b>

**23. Other gains, net**

Other gains, net for the year ended 31 December 2012 and 2011 consist of:

Consolidated and Separate financial statements	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Gains from sales of non-current assets	10 178	8 380	3 299	2 008
Gain from sales of materials	14	(109)	2	1
<b>Total other gains, net</b>	<b>10 192</b>	<b>8 271</b>	<b>3 301</b>	<b>2 009</b>

In the Consolidated and the Separate financial statements the income from sales of PPE and assets held for sale for the year ended 31 December 2012 was BGN 11,614 thousand and their net book value was BGN 1,436 thousand. For the year ended 31 December 2011 these figures are respectively BGN 11,770 thousand and BGN 3,390 thousand. The income from sales of materials for the year ended 31 December 2012 was BGN 27 thousand and cost of sales was BGN 13 thousand. For the year ended 31 December 2011 these figures were BGN 59 thousand and BGN 168 thousand respectively.

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**24. Tax expense**

Income tax expenses for the year ended 31 December 2012 and 2011 consist of:

**Consolidated financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Current income tax charge	6 172	6 644	479	(475)
Deferred tax expense	(3 742)	(5 788)	(1 785)	(1 376)
<b>Total tax expense</b>	<b>2 430</b>	<b>856</b>	<b>(1 306)</b>	<b>(1 851)</b>

**Separate financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Current income tax charge	5 575	6 644	298	(475)
Deferred tax expense	(3 801)	(5 794)	(1 778)	(1 389)
<b>Total tax expense/(credit)</b>	<b>1 774</b>	<b>850</b>	<b>(1 480)</b>	<b>(1 864)</b>

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

**Consolidated financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit before tax	22 717	8 036	(13 940)	(19 314)
<b>Total profit before tax</b>	<b>22 717</b>	<b>8 036</b>	<b>(13 940)</b>	<b>(19 314)</b>
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	2 272	804	(1 394)	(1 931)
Effect of permanent tax differences	127	271	51	27
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	31	71	37	53
<b>Income tax expense</b>	<b>2 430</b>	<b>856</b>	<b>(1 306)</b>	<b>(1 851)</b>
Effective tax rate	10,70%	10,65%	9,37%	9,58%
Income tax expense in the comprehensive income	2 430	856	(1 306)	(1 851)

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**24. Tax expense(continued)**

**Separate financial statements**

	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Profit before tax	16 059	10 098	(15 687)	(19 333)
<b>Total profit before tax</b>	<b>16 059</b>	<b>10 098</b>	<b>(15 687)</b>	<b>(19 333)</b>
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	1 606	1 010	(1 569)	(1 933)
Effect of permanent tax differences	127	69	51	27
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	41	61	38	42
<b>Income tax expense/(credit)</b>	<b>1 774</b>	<b>850</b>	<b>(1 480)</b>	<b>(1 864)</b>
Effective tax rate	11,05%	8,42%	9,43%	9,64%
Income tax expense(credit) in the comprehensive income	1 774	850	(1 480)	(1 864)

**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 December 2012 and 2011 is presented below.

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**25. Segment information(continued)**

**Year ended 31 December 2012**

	<b>Fixed line of business</b>	<b>Mobile line of business</b>	<b>Total</b>
Revenue	460 149	397 848	<b>857 997</b>
Cost of sales	(93 735)	(131 313)	<b>(225 048)</b>
<b>Gross margin</b>	<b>366 414</b>	<b>266 535</b>	<b>632 949</b>
Operating expenses			<b>(594 848)</b>
Financial expenses, net			<b>(25 576)</b>
Other gains, net			<b>10 192</b>
<b>Profit before tax</b>			<b>22 717</b>
Income tax expense			<b>(2 430)</b>
<b>Net profit for the year</b>			<b>20 287</b>

**Year ended 31 December 2011**

	<b>Fixed line of business</b>	<b>Mobile line of business</b>	<b>Total</b>
Revenue	519 135	369 166	<b>888 301</b>
Cost of sales	(109 161)	(126 093)	<b>(235 254)</b>
<b>Gross margin</b>	<b>409 974</b>	<b>243 073</b>	<b>653 047</b>
Operating expenses			<b>(623 344)</b>
Financial expenses, net			<b>(32 210)</b>
Other gains, net			<b>8 271</b>
Share of profit of JV			<b>2 272</b>
<b>Profit before tax</b>			<b>8 036</b>
Income tax expense			<b>(856)</b>
<b>Net profit for the year</b>			<b>7 180</b>

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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 December 2012 and 2011:

For the Group	Note	Receivables		Payables	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Members of Bromak EOOD Group	Parent	9	-	487	-
Members of VTB Bank JSC Group	Parent	-	-	1 632	-
NEF Telecom Company BV	Parent	-	370	-	-
NEF Telecom Bulgaria OOD	Parent	-	1	-	157 624
<b>Total for BTC group</b>		<b>9</b>	<b>371</b>	<b>2 119</b>	<b>157 624</b>

For BTC	Note	Receivables		Payables	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
BTC Net EOOD	Subsidiary	507	285	1 161	-
Members of Bromak EOOD Group	Parent	9	-	487	-
Members of VTB Bank JSC Group	Parent	-	-	1 632	-
NEF Telecom Company BV	Parent	-	370	-	-
NEF Telecom Bulgaria OOD	Parent	-	1	-	157 624
<b>Total for BTC</b>		<b>516</b>	<b>656</b>	<b>3 280</b>	<b>157 624</b>

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

For the Group	Note	Year ended		Three months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Members of VTB Bank JSC Group	Parent	1 632	-	1 632	-
Members of Bromak EOOD Group	Parent	487	-	487	-
NURTS Bulgaria AD	JV	-	5157	-	-
<b>Total for BTC group</b>		<b>2 119</b>	<b>5 157</b>	<b>2 119</b>	<b>-</b>

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**26. Related parties(continued)**

For BTC	Note	Year ended		Three months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
BTC Net EOOD	Subsidiary	6 653	25	2 929	3
Members of VTB Bank JSC Group	Parent	1 632	-	1 632	-
Members of Bromak EOOD Group	Parent	487	-	487	-
NURTS Bulgaria AD	JV	-	5157	-	-
<b>Total for BTC</b>		<b>8 772</b>	<b>5 182</b>	<b>5 048</b>	<b>3</b>

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

	Note	Year ended		Three months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
BTC Net EOOD	Subsidiary	5 471	209	1 909	(21)
NEF Telecom Bulgaria OOD	Parent	19	29	3	17
NEF Telecom Company BV	Parent	11	-	-	-
NURTS Bulgaria AD	JV	-	4 625	-	-
Members of Bromak EOOD Group	Parent	90	-	90	-
<b>Total for BTC group</b>		<b>5 591</b>	<b>4 863</b>	<b>2 002</b>	<b>(4)</b>

**Management remunerations**

There is no compensation paid by the company to the members of the Board of Directors as of 31 December 2012 and 2011. Remuneration amounting to BGN 6,785 thousand relating to key management personnel has been accrued as of 31 December 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 September 2012, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 31.12.2012	Commitments outstanding
Hardware and software	7 878	3 694	4 184
Construction and assembly works of the BTC	33 288	10 456	22 832
Network equipment	101 334	68 104	33 230
<b>Total</b>	<b>142 500</b>	<b>82 254</b>	<b>60 246</b>

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**27. Commitments and contingencies(continued)**

**Contingencies**

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

**28. Operating lease**

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

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	Year ended		Three months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Minimum lease payments	2 734	2 677	675	660

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

	31.12.2012	31.12.2011
Within one year	9 168	9 530
In the second to fifth years inclusive	29 653	29 526
Later than five years	86 546	90 751
<b>Total commitments</b>	<b>125 368</b>	<b>129 807</b>

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.

**29. Post balance sheet events**

On 16 January 2013 Viva Telecom Bulgaria EAD has submitted to the Financial Supervision Commission a corrected tender offer for the acquisition of all voting shares issued by BTC pursuant to Art. 149, Para 1, item 1, Para 6 and 7 of Public Offering of Securities Act. On 25 January 2013 the Financial Supervision Commission took a decision not to issue final ban for the publication of the corrected tender offer.