

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

**31-Mar-2013**

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

As at 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.3.2013	31.12.2012	31.3.2013	31.12.2012
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	4.	105,294	63,886	100,365	59,352
Trade receivables	5.	68,664	79,252	67,476	73,304
Current income tax receivables		423	423	423	423
Inventories	6.	28,429	31,987	28,429	31,987
Other assets	8.	14,811	14,687	14,794	14,542
Assets of disposal group held for sale	7.	2,143	2,127	2,143	2,127
<b>Total current assets</b>		<b>219,764</b>	<b>192,362</b>	<b>213,630</b>	<b>181,735</b>
<b>Non-current assets</b>					
Goodwill		2,049	2,049	2,049	2,049
Property, plant and equipment	9.	866,577	884,609	866,577	884,609
Intangible assets	10.	274,477	285,050	274,469	285,042
Investments		335	335	1,134	1,134
Trade receivables	5.	6,835	6,161	6,835	6,161
Deferred tax assets, net	16.	45	14	-	-
<b>Total non-current assets, net</b>		<b>1,150,318</b>	<b>1,178,218</b>	<b>1,151,064</b>	<b>1,178,995</b>
<b>TOTAL ASSETS</b>		<b>1,370,082</b>	<b>1,370,580</b>	<b>1,364,694</b>	<b>1,360,730</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Dividends payable	18.	10	10	10	10
Trade payables	12.	83,064	89,970	85,118	86,049
Other payables	13.	47,070	42,735	47,048	42,705
Current income tax liabilities		373	194	-	-
Provisions for other liabilities and charges	14.	7,004	7,483	7,004	7,483
Borrowings	15.	42,500	31,629	42,500	31,629
<b>Total current liabilities</b>		<b>180,021</b>	<b>172,021</b>	<b>181,680</b>	<b>167,876</b>
<b>Non current liabilities</b>					
Borrowings	15.	849,728	862,567	849,728	862,567
Deferred tax liabilities, net	16.	17,472	17,111	17,472	17,111
Retirement benefit obligations	17.	1,717	1,674	1,717	1,674
Provisions for other liabilities and charges	14.	8,823	8,662	8,823	8,662
Trade and other payables		5,619	5,734	5,619	5,734
<b>Total non current liabilities</b>		<b>883,359</b>	<b>895,748</b>	<b>883,359</b>	<b>895,748</b>
<b>Equity</b>					
Share capital	18.	288,765	288,765	288,765	288,765
Reserves		37,319	37,319	37,319	37,319
Accumulated loss		(19,382)	(23,273)	(26,429)	(28,978)
<b>Total equity</b>		<b>306,702</b>	<b>302,811</b>	<b>299,655</b>	<b>297,106</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,370,082</b>	<b>1,370,580</b>	<b>1,364,694</b>	<b>1,360,730</b>

These financial statements were approved on 29.04.2013

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 three months ended 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Three months ended	
		31.3.2013	31.3.2012
Revenue	19.	195,353	218,684
Interconnect expenses		(16,063)	(35,648)
Other operating expenses	20.	(56,948)	(61,840)
Materials and consumables expenses		(27,571)	(21,106)
Staff costs	21.	(17,185)	(16,337)
Depreciation and amortization	9., 10.	(62,927)	(67,814)
Finance costs	22.	(12,991)	(8,916)
Finance income	22.	1,151	2,631
Other gains, net	23.	1,428	1,754
<b>Profit before tax</b>		<b>4,247</b>	<b>11,408</b>
Income tax expenses	24.	(495)	(1,171)
<b>Profit for the period</b>		<b>3,752</b>	<b>10,237</b>
<b>Other comprehensive income</b>			
Currency forward		155	(426)
Income tax effect		(16)	42
<b>Other comprehensive income for the period, net of tax</b>		<b>139</b>	<b>(384)</b>
<b>Total comprehensive income for the period</b>		<b>3,891</b>	<b>9,853</b>
Earnings per share (basic and diluted)		0.01	0.04

Separate financial statements	Notes	Three months ended	
		31.3.2013	31.3.2012
Revenue	19.	189,793	218,716
Interconnect expenses		(12,258)	(35,646)
Other operating expenses	20.	(56,650)	(61,863)
Materials and consumables expenses		(27,570)	(21,100)
Staff costs	21.	(17,184)	(16,336)
Depreciation and amortization	9., 10.	(62,927)	(67,814)
Finance costs	22.	(12,989)	(8,916)
Finance income	22.	1,113	2,628
Other gains, net	23.	1,428	1,754
<b>Profit before tax</b>		<b>2,756</b>	<b>11,423</b>
Income tax expenses	24.	(346)	(1,170)
<b>Profit for the period</b>		<b>2,410</b>	<b>10,253</b>
<b>Other comprehensive income/(loss)</b>			
Currency forward		155	(426)
Income tax effect		(16)	42
<b>Other comprehensive income for the period, net of tax</b>		<b>139</b>	<b>(384)</b>
<b>Total comprehensive income for the period</b>		<b>2,549</b>	<b>9,869</b>
Earnings per share (basic and diluted)		0.01	0.04

These financial statements were approved on 29.04.2013

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**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

**Consolidated Financial Statements**

	Share capital	Legal reserve	Revaluation reserve	Retained earnings/(accumulated loss)	Total
<b>Balance as at 1 January 2012</b>	288,765	28,876	10,932	10,560	339,133
Loss on currency forward	-	-	-	(384)	(384)
Net income for the period	-	-	-	10,237	10,237
<b>Total comprehensive income</b>	-	-	-	9,853	9,853
<b>Balance as at 31 March 2012</b>	288,765	28,876	10,932	20,413	348,986
<b>Balance as at 1 January 2013</b>	288,765	28,876	8,443	(23,273)	302,811
Loss on currency forward	-	-	-	139	139
Net income for the period	-	-	-	3,752	3,752
<b>Total comprehensive income</b>	-	-	-	3,891	3,891
<b>Balance as at 31 March 2013</b>	288,765	28,876	8,443	(19,382)	306,702

**Separate Financial Statements**

	Share capital	Legal reserve	Revaluation reserve	Retained earnings/(accumulated loss)	Total
<b>Balance as at 1 January 2012</b>	288,765	28,876	10,934	10,975	339,550
Loss on currency forward	-	-	-	(384)	(384)
Net income for the period	-	-	-	10,253	10,253
<b>Balance as at 31 March 2012</b>	288,765	28,876	10,934	20,844	349,419
<b>Balance as at 1 January 2013</b>	288,765	28,876	8,443	(28,978)	297,106
Loss on currency forward	-	-	-	139	139
Net income for the period	-	-	-	2,410	2,410
<b>Total comprehensive income</b>	-	-	-	2,549	2,549
<b>Balance as at 31 March 2013</b>	288,765	28,876	8,443	(26,429)	299,655

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

For the three months ended 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Three months ended		Three months ended	
		31.3.2013	31.03.2012	31.3.2013	31.03.2012
<b>Cash flows from operating activities</b>					
Profit before tax		4,247	11,408	2,756	11,423
Adjustment for:					
Depreciation and amortization	9., 10.	62,927	67,814	62,927	67,814
Impairment and write off of receivables		3,398	4,509	3,086	4,508
Impairment of assets		184	-	184	-
Interest expenses, net		11,675	6,138	11,709	6,141
Profit from operations with non-current asset		(548)	(779)	(548)	(779)
Carrying amount of inventories written-off		42	32	42	32
Loss/(income) from operations with financial instruments		2	(9)	2	(9)
Increase in provisions for other liabilities and charges		732	4,864	732	4,864
Changes in operating assets and liabilities					
Increase/(decrease) in operating assets		520	(5,870)	(4,019)	(5,883)
Increase in operating liabilities		6,571	7,130	12,555	7,161
<b>Cash generated from operations</b>		<b>89,750</b>	<b>95,237</b>	<b>89,426</b>	<b>95,272</b>
Interest received		117	2,154	81	2,152
Interest paid		(12,848)	(8,333)	(12,848)	(8,333)
Corporate income tax paid		-	(1,904)	-	(1,904)
<b>Net cash from operating activities</b>		<b>77,019</b>	<b>87,154</b>	<b>76,659</b>	<b>87,187</b>
Proceeds from sale of property, plant and equipment		9,457	2,163	9,457	2,163
Purchase of property, plant and equipment		(34,051)	(29,809)	(34,051)	(29,809)
Purchase of other non-current assets		(9,868)	(6,397)	(9,868)	(6,397)
Dividends received		-	31	-	31
Cash deposits with maturity greater than three months		40	54,463	10	54,463
<b>Net cash used in investing activities</b>		<b>(34,422)</b>	<b>20,451</b>	<b>(34,452)</b>	<b>20,451</b>
Repayments of long-term borrowings		-	(29,585)	-	(29,585)
Dividend paid		-	(68,062)	-	(68,062)
Payments of obligations under finance lease		(1,211)	(5)	(1,211)	(5)
<b>Net cash used in financing activities</b>		<b>(1,211)</b>	<b>(97,652)</b>	<b>(1,211)</b>	<b>(97,652)</b>
<b>Net increase in cash and cash equivalents</b>		<b>41,386</b>	<b>9,953</b>	<b>40,996</b>	<b>9,986</b>
Exchange gain on cash		22	(10)	17	(10)
Cash and cash equivalents at the beginning of the year		63,886	141,663	59,352	141,355
<b>Cash and cash equivalents at the end of the period</b>		<b>105,294</b>	<b>151,606</b>	<b>100,365</b>	<b>151,331</b>

These financial statements were approved on 29.04.2013

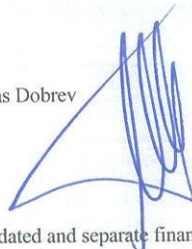
Bernard Moscheni

CEO



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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 three months ended 31 March 2013

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 which is the Parent of the Company as at 31 March 2013. As per the publicly disclosed tender offer documentation published by Viva Telecom Bulgaria EAD on 28 January 2013 there are two shareholders which own more than 5% of the share capital of V Telecom none of which exercise control over V Telecom: Bromak EOOD (wholly owned by Mr Tsvetan Radoev Vasilev) holding 43,264% of the share capital of V Telecom and Crusher Investment Limited (indirectly wholly owned by OJSC VTB Bank which is majority owned by the Russian Federation) holding 33,307% of the share capital of V Telecom, and a number of shareholders (being lenders of the present and/or previous owners of the Company’s group companies) holding less than 5% share individually.

##### **The Group**

As at 31 March 2013 and 2012 and 31 December 2012 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 three months ended 31 March 2013

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 2012.

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 2012.

**4. Cash and cash equivalents**

As at 31 March 2013 and 31 December 2012 the components of the cash and cash equivalents are:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.3.2013</b>	<b>31.12.2012</b>	<b>31.3.2013</b>	<b>31.12.2012</b>
<b>Current accounts and cash in hand</b>				
Held in BGN	20,154	9,351	16,010	5,499
Held in EUR	2,318	3,427	2,148	3,426
Held in foreign currencies other than EUR	590	426	65	285
<b>Total current accounts and cash in hand</b>	<b>23,062</b>	<b>13,204</b>	<b>18,223</b>	<b>9,210</b>
<b>Term deposits</b>				
Held in BGN	82,232	50,682	82,142	50,142
<b>Total term deposits</b>	<b>82,232</b>	<b>50,682</b>	<b>82,142</b>	<b>50,142</b>
<b>Total cash and cash equivalents</b>	<b>105,294</b>	<b>63,886</b>	<b>100,365</b>	<b>59,352</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.

BGN 79,000 thousand (for the consolidated and for the separate financial statements) from the cash and cash equivalents as of 31 March 2013 are deposited in a bank, a member of the Bromak EOOD Group.(31 December 2012: BGN 49,979 thousand and BGN 46,145 thousand)

**BULGARIAN TELECOMMUNICATIONS COMPANY AD**

**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

For the three months ended 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

**5. Trade receivables**

As at 31 March 2013 and 31 December 2012 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Trade receivables	133,841	142,779	128,579	136,215
<i>incl. international settlement receivables</i>	5,488	6,600	1,686	1,651
Intercompany receivables	1	9	3,629	516
Other receivables	4,312	8,513	4,310	8,479
<b>Total</b>	<b>138,154</b>	<b>151,301</b>	<b>136,518</b>	<b>145,210</b>
Provision for impairment of receivables	(62,655)	(65,888)	(62,207)	(65,745)
<b>Total Trade receivables</b>	<b>75,499</b>	<b>85,413</b>	<b>74,311</b>	<b>79,465</b>
Incl:				
Non-current portion: trade receivables	7,432	6,705	7,432	6,705
Provision for impairment of receivables	(597)	(544)	(597)	(544)
<b>Total non-current portion: trade receivables</b>	<b>6,835</b>	<b>6,161</b>	<b>6,835</b>	<b>6,161</b>
Current portion trade receivables	130,722	144,596	129,086	138,505
Provision for impairment of receivables	(62,058)	(65,344)	(61,610)	(65,201)
<b>Total current portion: trade receivables</b>	<b>68,664</b>	<b>79,252</b>	<b>67,476</b>	<b>73,304</b>

Other receivables as of 31 March 2013 and 31 December 2012 include respectively BGN 37 thousand and BGN 77 thousand term cash deposits with maturity greater than three months for the consolidated financial statements and BGN 37 thousand and BGN 47 thousand for the separate financial statements.

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	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Finance leases receivables with maturity:				
Within one year	13,289	12,176	12,346	11,324
In the second to fifth years inclusive	6,152	5,627	5,962	5,440
<b>Total receivables</b>	<b>19,441</b>	<b>17,803</b>	<b>18,308</b>	<b>16,764</b>
Less: unearned finance income	(1,133)	(1,039)	-	-
Provision for impairment of receivables	(1,831)	(1,676)	(1,831)	(1,676)
<b>Net investment in finance leases</b>	<b>16,477</b>	<b>15,088</b>	<b>16,477</b>	<b>15,088</b>

Movement of the provision for impairment of accounts receivables as at 31 March 2013 and 31 December 2012 is as follows:

	Consolidated financial statements		Separate financial statements	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Balance at the beginning of the period	65,888	64,197	65,745	64,110
Accrued impairment	3,328	19,351	3,016	19,268
Impairment of receivables written off	(6,561)	(17,660)	(6,555)	(17,633)
<b>Balance at the end of the period</b>	<b>62,655</b>	<b>65,888</b>	<b>62,206</b>	<b>65,745</b>



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

For the three months ended 31 March 2013

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>31.3.2013</b>	<b>31.12.2012</b>	<b>31.3.2013</b>	<b>31.12.2012</b>
Balance at the beginning of the period	20,078	19,364	19,935	19,277
Accrued impairment	1,963	8,679	1,651	8,596
Impairment of receivables written off	(3,778)	(7,965)	(3,770)	(7,938)
<b>Balance at the end of the period</b>	<b>18,263</b>	<b>20,078</b>	<b>17,816</b>	<b>19,935</b>

<b>Residential customers</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.3.2013</b>	<b>31.12.2012</b>	<b>31.3.2013</b>	<b>31.12.2012</b>
Balance at the beginning of the period	45,810	44,833	45,810	44,833
Accrued impairment	1,365	10,672	1,365	10,672
Impairment of receivables written off	(2,783)	(9,695)	(2,785)	(9,695)
<b>Balance at the end of the period</b>	<b>44,392</b>	<b>45,810</b>	<b>44,390</b>	<b>45,810</b>

Related parties balances are shown in note 26.

As of 31 March 2013 and 31 December 2012 receivables of the Group and the Company at the amount of BGN 7,571 and 9,241 thousand were assessed individually and the impairment amounts to 7,351 and 9,185 thousand.

As of 31 March 2013 and 31 December 2012 the age structure of overdue receivables not impaired is as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.3.2013</b>	<b>31.12.2012</b>	<b>31.3.2013</b>	<b>31.12.2012</b>
From 60 to 90 days	529	544	180	196
From 91 to 180 days	263	177	261	177
From 181 to 360 days	100	330	100	330
Above 1 year	149	165	149	165
<b>Total</b>	<b>1,041</b>	<b>1,216</b>	<b>691</b>	<b>868</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:

<b>Consolidated financial statements</b>	<b>Carrying amount of the receivable as of</b>	
	<b>31.3.2013</b>	<b>31.12.2010</b>
<b>Type</b>		
Outside the country	2,495	1,471
Outside the country	1,068	1,070
Outside the country	1,005	1,570
In the country	873	873
In the country	708	572

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

For the three months ended 31 March 2013

All amounts are in thousand BGN, unless otherwise stated

**5. Trade receivables (continued)**

Separate financial statements Type	Carrying amount of the receivable as of	
	31.3.2013	31.12.2010
Outside the country	2,495	1,471
Outside the country	1,068	1,070
Outside the country	1,005	1,570
In the country	481	368
In the country	318	217

**6. Inventories**

The materials and supplies as of 31 March 2013 and 31 December 2012 are as follows:

	Consolidated and Separate financial statements	
	31.3.2013	31.12.2012
Materials and supplies, net	5,716	5,199
Merchandise and other, net	22,713	26,788
<b>Total materials and supplies</b>	<b>28,429</b>	<b>31,987</b>

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

	31.3.2013	31.12.2012
Real estates, held for sale	2,143	2,127
<b>Total assets held for sale</b>	<b>2,143</b>	<b>2,127</b>

As of 31 March 2013 and 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 March 2013 and 31 December 2012 other current assets are as follows:

	Consolidated financial statements		Separate financial statements	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Prepayments	10,757	9,540	10,757	9,540
Other current assets	4,054	5,147	4,037	5,002
<b>Total other current assets</b>	<b>14,811</b>	<b>14,687</b>	<b>14,794</b>	<b>14,542</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 3,934 thousand as of 31 March 2013. As of 31 December 2012 they amount to BGN 4,199 thousand. The amortization expense related to these subscriber acquisition costs is amounting to BGN 2,114 thousand for 2013 and BGN 7,896 thousand for 2012.

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**9. Property, plant and equipment**

The composition of property, plant and equipment for the Group as of 31 March 2013 and 31 December 2012 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
<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)	-
Transfer of impairment	-	-	-	1,619	1,619
Impairment	-	-	(173)	623	450
Assets held for sale	-	-	(303)	-	(303)
Disposals	(85,811)	(46,091)	(24,185)	(386)	(156,473)
<b>At 31 December 2012</b>	<b>1,394,161</b>	<b>866,159</b>	<b>270,102</b>	<b>53,939</b>	<b>2,584,361</b>
Additions	80	-	-	23,353	23,433
Transfers	19,465	2,632	3,212	(25,309)	-
Transfer of impairment	-	-	-	24	24
Assets held for sale	-	-	(72)	-	(72)
Disposals	(4,430)	(8,440)	(1,780)	(64)	(14,714)
<b>At 31 March 2013</b>	<b>1,409,276</b>	<b>860,351</b>	<b>271,462</b>	<b>51,943</b>	<b>2,593,032</b>
<i>Accumulated depreciation and impairment</i>					
<b>At 31 December 2011</b>	<b>830,712</b>	<b>597,632</b>	<b>167,039</b>	-	<b>1,595,383</b>
Depreciation charged	136,800	24,404	24,817	-	186,021
Transfer of impairment	1,501	18	100	-	1,619
Impairment	28,754	27,120	1,175	-	57,049
Assets held for sale	-	-	(42)	-	(42)
Disposals	(75,186)	(42,153)	(22,939)	-	(140,278)
<b>At 31 December 2012</b>	<b>922,581</b>	<b>607,021</b>	<b>170,150</b>	-	<b>1,699,752</b>
Depreciation charged	29,826	4,845	5,855	-	40,526
Transfer of impairment	23	1	-	-	24
Impairment	123	-	-	-	123
Assets held for sale	-	-	(48)	-	(48)
Disposals	(3,852)	(8,382)	(1,688)	-	(13,922)
<b>At 31 March 2013</b>	<b>948,701</b>	<b>603,485</b>	<b>174,269</b>	-	<b>1,726,455</b>
<i>Net book value</i>					
<b>At 31 December 2012</b>	<b>471,580</b>	<b>259,138</b>	<b>99,952</b>	<b>53,939</b>	<b>884,609</b>
<b>At 31 March 2013</b>	<b>460,575</b>	<b>256,866</b>	<b>97,193</b>	<b>51,943</b>	<b>866,577</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 March 2013 and 31 December 2012 is as follows:

	<b>Switching</b>	<b>Transmission</b>	<b>General support</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Gross Book Value</i>					
<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)	-
Transfer of impairment	-	-	-	1,619	1,619
Impairment	-	-	(173)	623	450
Assets held for sale	-	-	(303)	-	(303)
Disposals	(85,811)	(46,091)	(24,185)	(386)	(156,473)
<b>At 31 December 2012</b>	<b>1,394,161</b>	<b>866,159</b>	<b>270,638</b>	<b>53,939</b>	<b>2,584,897</b>
Additions	80	-	-	23,353	23,433
Transfers	19,465	2,632	3,212	(25,309)	-
Transfer of impairment	-	-	-	24	24
Assets held for sale	-	-	(72)	-	(72)
Disposals	(4,430)	(8,440)	(1,780)	(64)	(14,714)
<b>At 31 March 2013</b>	<b>1,409,276</b>	<b>860,351</b>	<b>271,998</b>	<b>51,943</b>	<b>2,593,568</b>
<i>Accumulated depreciation and impairment</i>					
<b>At 31 December 2011</b>	<b>830,712</b>	<b>597,632</b>	<b>167,575</b>	<b>-</b>	<b>1,595,919</b>
Depreciation charged	136,800	24,404	24,817	-	186,021
Transfer of impairment	1,501	18	100	-	1,619
Impairment	28,754	27,120	1,175	-	57,049
Assets held for sale	-	-	(42)	-	(42)
Disposals	(75,186)	(42,153)	(22,939)	-	(140,278)
<b>At 31 December 2012</b>	<b>922,581</b>	<b>607,021</b>	<b>170,686</b>	<b>-</b>	<b>1,700,288</b>
Depreciation charged	29,826	4,845	5,855	-	40,526
Transfer of impairment	23	1	-	-	24
Impairment	123	-	-	-	123
Assets held for sale	-	-	(48)	-	(48)
Disposals	(3,852)	(8,382)	(1,688)	-	(13,922)
<b>At 31 March 2013</b>	<b>948,701</b>	<b>603,485</b>	<b>174,805</b>	<b>-</b>	<b>1,726,991</b>
<i>Net book value</i>					
<b>At 31 December 2012</b>	<b>471,580</b>	<b>259,138</b>	<b>99,952</b>	<b>53,939</b>	<b>884,609</b>
<b>At 31 March 2013</b>	<b>460,575</b>	<b>256,866</b>	<b>97,193</b>	<b>51,943</b>	<b>866,577</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 706 properties of BTC with a net book value as of 31 March 2013 amounting to BGN 24,003 thousand( BGN 24,464 thousand for for 694 properties as of 31 December 2012).

As disclosed in note 15 BTC has signed an agreement to secure payments related to the Parent company's liabilities under the amended loan agreement by establishing a pledge on real estate property, which net book value as of 31 March 2013 amounted to BGN 14,969 thousand, and as of 31 December 2012 their net book value was BGN 15,385 thousand.

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**10. Intangible assets**

As of 31 March 2013 and 31 December 2012 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 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>
Additions(Transfers)	51	7,766	1,944	38	9,799
Disposals	-	(4,145)	(327)	-	(4,472)
<b>At 31 March 2013</b>	<b>126,429</b>	<b>564,811</b>	<b>31,262</b>	<b>1,742</b>	<b>724,244</b>
<i>Accumulated depreciation and impairment</i>					
<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	70,276	6,016	-	83,680
Impairment	-	990	317	-	1,307
Disposals	(7,658)	(25,156)	(198)	-	(33,012)
<b>At 31 December 2012</b>	<b>40,684</b>	<b>381,711</b>	<b>11,472</b>	-	<b>433,867</b>
Amortization charge	1,802	16,472	2,013	-	20,287
Disposals	-	(4,145)	(242)	-	(4,387)
<b>At 31 March 2013</b>	<b>42,486</b>	<b>394,038</b>	<b>13,243</b>	-	<b>449,767</b>
<i>Net book value</i>					
<b>At 31 December 2012</b>	<b>85,694</b>	<b>179,479</b>	<b>18,173</b>	<b>1,704</b>	<b>285,050</b>
<b>At 31 March 2013</b>	<b>83,943</b>	<b>170,773</b>	<b>18,019</b>	<b>1,742</b>	<b>274,477</b>

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**10. Intangible assets (continued)**

As of 31 March 2013 and 31 December 2012 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 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>
Additions(Transfers)	51	7,766	1,944	38	9,799
Disposals	-	(4,145)	(327)	-	(4,472)
<b>At 31 March 2013</b>	<b>126,374</b>	<b>564,811</b>	<b>31,262</b>	<b>1,742</b>	<b>724,189</b>
<i>Accumulated depreciation and impairment</i>					
<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	70,276	6,016	-	83,679
Impairment	-	990	317	-	1,307
Disposals	(7,658)	(25,001)	(197)	-	(32,856)
<b>At 31 December 2012</b>	<b>40,637</b>	<b>381,711</b>	<b>11,472</b>	-	<b>433,820</b>
Amortization charge	1,802	16,472	2,013	-	20,287
Disposals	-	(4,145)	(242)	-	(4,387)
<b>At 31 March 2013</b>	<b>42,439</b>	<b>394,038</b>	<b>13,243</b>	-	<b>449,720</b>
<i>Net book value</i>					
<b>At 31 December 2012</b>	<b>85,686</b>	<b>179,479</b>	<b>18,173</b>	<b>1,704</b>	<b>285,042</b>
<b>At 31 March 2013</b>	<b>83,935</b>	<b>170,773</b>	<b>18,019</b>	<b>1,742</b>	<b>274,469</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 March 2013 is respectively BGN 8,858 thousand and BGN 6,196 thousand.

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**11. Investments**

Investments available for sale on the Group level as of 31 March 2013 and 31 December 2012 are as follows:

<b>Entity</b>	<b>31.3.2013</b>	<b>31.12.2012</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>31.3.2013</b>	<b>31.12.2012</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 March 2013 and 31 December 2012 are as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>31.3.2013</b>	<b>31.12.2012</b>	<b>31.3.2013</b>	<b>31.12.2012</b>
Payables to suppliers of non current assets	22,850	33,715	22,850	33,715
Payables to international accounts	20,451	20,003	17,953	16,995
Payables to suppliers of network maintenance	5,054	4,807	5,054	4,807
Payables to telecom operators	1,443	2,424	582	355
Payables to related parties (Note 27)	-	-	5,438	1,161
Others	33,266	29,021	33,241	29,016
<b>Total trade payables</b>	<b>83,064</b>	<b>89,970</b>	<b>85,118</b>	<b>86,049</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 March 2013 and 31 December 2012 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Deferred income	18,366	18,056	18,366	18,056
Payables to employees	15,225	14,234	15,225	14,234
VAT	4,674	-	4,669	-
Social securities	1,979	2,008	1,979	2,008
Advances from clients	954	1,116	954	1,091
Personal income tax payable	930	940	930	940
Withholding and other taxes	736	187	736	187
Cable project MECMA	684	2,211	684	2,211
Payables for license fee	592	321	584	316
Interest payable	11	119	11	119
Others	2,919	3,543	2,910	3,543
<b>Total other payables</b>	<b>47,070</b>	<b>42,735</b>	<b>47,048</b>	<b>42,705</b>

The liabilities under Cable projects MECMA amounting to BGN 684 and 2,211 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 2013</b>	<b>8,662</b>	<b>1,005</b>	<b>6,478</b>	<b>16,145</b>
Charged to the comprehensive income	-	-	(108)	(108)
Included in the balance sheet	81	-	-	81
Used during the year	(16)	(226)	(145)	(387)
Discount rate adjustment	96	-	-	96
<b>At 31 March 2013</b>	<b>8,823</b>	<b>779</b>	<b>6,225</b>	<b>15,827</b>

Analysis of provision in consolidated financial statements

	31.3.2013	31.12.2012
Non-current (decommissioning costs)	8,823	8,662
Current	7,004	7,483
<b>Total</b>	<b>15,827</b>	<b>16,145</b>



## BULGARIAN TELECOMMUNICATIONS COMPANY AD

### NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT

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#### 14. Provisions for other liabilities and charges(continued)

##### Decommissioning

A provision has been recognised for decommissioning costs associated with mobile sites.. The provision has been capitalized to the cost of the sites with the amount of the present value of the decommissioning obligation after ceasing operation. The discount rate used for 2013 and 2012 is 4.5%.

##### Restructuring

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

	31.3.2013	31.12.2012
New Syndicated credit facility	890,849	891,537
Trade credits	-	-
Financial lease	1,379	2,659
Short-term portion	(42,500)	(31,629)
<b>Total borrowings</b>	<b>849,728</b>	<b>862,567</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 fulfilment 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 EUR 1,784 million 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 ownership of BTC.

The existing credit facilities of BTC under the loan agreement were consolidated into a single facility, whereas the aggregate principal amount of the Company's borrowings was reduced to EUR 452,099 thousand following a prepayment in the amount of EUR 26,337 thousand on 5 November 2012. The new facility is repayable by the Company in instalments, the first one of which amounting to EUR 5,880 thousand is due 9 months as of the date of coming into effect of the amendment of the loan agreement dated 31 October 2012 (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").

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**15. Borrowings (continued)**

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 thousand, 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 has 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.

The interest on the principal amounts owing by the Company under the amended loan agreement is 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 original 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, certain real estates and receivables of the Company under certain insurance policies, 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 which includes among other assets the receivables of BTC Net under certain bank accounts. The shares of the Company owned by Viva Telecom Bulgaria EAD are pledged to secure the obligations of the majority shareholder and the Company to the lenders under the loan agreement in accordance with the Agreements on Financial Collateral Act.

**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	
	31.3.2013	31.12.2012	31.3.2013	31.12.2012
Finance lease payables with maturity:				
Within one year	1,445	1,449	1,379	1,320
In the second to fifth years inclusive	-	1,405	-	1,339
<b>Total payables</b>	<b>1,445</b>	<b>2,854</b>	<b>1,379</b>	<b>2,659</b>
Less: future finance charges	(66)	(195)	-	-
<b>Present value of lease obligations</b>	<b>1,379</b>	<b>2,659</b>	<b>1,379</b>	<b>2,659</b>

The net book value of the assets acquired under finance lease arrangements as of 31 March 2013 is BGN 2,400 thousand.

**BULGARIAN TELECOMMUNICATIONS COMPANY AD**

**NOTES TO THE CONSOLIDATED AND SEPARATE CONDENSED FINANCIAL STATEMENT**

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**16. Deferred tax assets and liabilities**

As of 31 March 2013 and 2012 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
<b>At 01.01.2012</b>	<b>64</b>	<b>9</b>	-	-	<b>73</b>
Charged/(credited) to the profit/(loss) for the period	-	-	-	-	-
<b>At 31 March 2012</b>	<b>64</b>	<b>9</b>	-	-	<b>73</b>
<b>At 01.01.2013</b>	-	<b>14</b>	-	-	<b>14</b>
Charged/(credited) to the profit/(loss) for the period	-	31	-	-	31
<b>At 31 March 2013</b>	-	<b>45</b>	-	-	<b>45</b>

Deferred tax liabilities	Tax loss carried forward	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
<b>At 01.01.2012</b>	-	(161)	(6,406)	38,554	(4,777)	<b>27,210</b>
Charged/(credited) to the profit/(loss) for the period	-	(2)	(82)	(738)	472	(350)
Charged to other comprehensive income for the period	-	-	-	-	(42)	(42)
<b>At 31 March 2012</b>	-	(2)	(6,488)	<b>37,816</b>	<b>(4,347)</b>	<b>26,818</b>
<b>At 01.01.2013</b>	-	(167)	(6,569)	33,406	(9,559)	<b>17,111</b>
Charged/(credited) to the profit/(loss) for the period	(60)	(5)	356	(428)	483	346
Charged to other comprehensive income for the period	-	-	-	-	15	15
<b>At 31 March 2013</b>	-	<b>(232)</b>	<b>(6,213)</b>	<b>32,978</b>	<b>(9,061)</b>	<b>17,472</b>

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

	Three months ended	
	31.3.2013	31.3.2012
Deferred tax liabilities	(346)	350
Deferred tax assets	31	-
<b>Total charged to the profit/(loss) for the period</b>	<b>(315)</b>	<b>350</b>

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

For BTC:

Deferred tax liabilities	Tax loss carried forward	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
<b>At 01.01.2012</b>	-	(161)	(6,406)	38,554	(4,777)	27,210
Charged/(credited) to the profit/(loss) for the period	-	(2)	(82)	(738)	472	(350)
Charged to other comprehensive income for the period	-	-	-	-	(42)	(42)
Discontinued operations	-	-	-	-	-	-
<b>At 31 March 2012</b>	<b>-</b>	<b>(2)</b>	<b>(6,488)</b>	<b>37,816</b>	<b>(4,347)</b>	<b>26,818</b>
<b>At 01.01.2013</b>	-	(167)	(6,569)	33,406	(9,559)	17,111
Charged/(credited) to the profit/(loss) for the period	(60)	(5)	356	(428)	483	346
Charged to other comprehensive income for the period	-	-	-	-	15	15
<b>At 31 March 2013</b>	<b>(60)</b>	<b>(172)</b>	<b>(6,213)</b>	<b>32,978</b>	<b>(9,061)</b>	<b>17,472</b>

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

	Three months ended	
	31.3.2013	31.3.2012
Deferred tax liabilities	(346)	350
<b>Total charged to the profit/(loss) for the period</b>	<b>(346)</b>	<b>350</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 March 2013 and 31 December 2012 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>31.3.2013</b>	<b>31.12.2012</b>
Liability at the beginning of the period	1,674	1,610
<i>Past service cost</i>	-	(95)
<i>Current service cost</i>	29	116
<i>Interest cost</i>	14	54
Total cost recognized in the comprehensive income	43	75
Payments to retirees	-	(11)
<b>Liability at the end of the period</b>	<b>1,717</b>	<b>1,674</b>

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

	<b>31.3.2013</b>	<b>31.12.2012</b>
Discount rate	4.50%	4.50%
Future salary increases per year	от 2.5% до 3%	от 2.5% до 3%
Average age of retirement – male employees	65	65
Average age of retirement – female employees	63	63

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

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the statistical information, provided by the National Statistical Institute for the total mortality of the population in Bulgaria for the period 2009 – 2010.

**18. Share capital and dividends**

	<b>31.3.2013</b>	<b>31.12.2012</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>31.3.2013</b>	<b>%</b>
<i>Number of ordinary shares:</i>		
Viva Telecom Bulgaria EAD	287,959,856	99.72%
Other shareholders	804,983	0.28%
<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>

As of 31 March 2013, the share capital of BTC comprises 288,764,839 ordinary registered shares and a single preference share, held by the Government through the Ministry of Transport and Communications. The nominal share value is BGN 1.

Earnings per share	Consolidated financial statements		Separate financial statements	
	Three months ended		Three months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
Profit for the period	3,752	10,237	2,410	10,253
<b>Total profit for distribution</b>	<b>3,752</b>	<b>10,237</b>	<b>2,410</b>	<b>10,253</b>
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN)	0.01	0.04	0.01	0.04

**Dividends payable**

	<b>31.3.2013</b>	<b>31.12.2012</b>
Dividend approved by the General shareholders' meeting	-	-
Non-distributed dividends for prior years	10	158,092
Tax on dividend	-	-
Net dividends paid	-	(158,082)
<b>Total dividend payable</b>	<b>10</b>	<b>10</b>

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**19. Revenue**

Revenue of the Group and the Company for the three months ended 31 March 2013 and 2012 consist of:

**Consolidated financial statements**

	Three months ended	
	31.3.2013	31.3.2012
Recurring charges	86,499	83,525
Outgoing traffic	34,056	42,506
Leased lines and data transmission	30,532	33,991
Interconnect	16,938	41,090
Other revenue	27,328	17,572
<b>Total revenue</b>	<b>195,353</b>	<b>218,684</b>

**Separate financial statements**

	Three months ended	
	31.3.2013	31.3.2012
Recurring charges	86,499	83,535
Outgoing traffic	34,056	42,505
Leased lines and data transmission	30,690	34,001
Interconnect	10,867	41,100
Other revenue	27,681	17,575
<b>Total revenue</b>	<b>189,793</b>	<b>218,716</b>

**20. Other operating expenses**

Other operating expenses for the three months ended 31 March 2013 and 2012 consist of:

**Consolidated financial statements**

	Three months ended	
	31.3.2013	31.3.2012
Maintenance and repairs	20,150	20,699
Advertising, customer service, billing and collection	13,074	12,102
Facilities	10,922	9,882
License fees	3,438	3,233
Administrative expenses	1,851	1,837
Professional fees	1,094	1,167
Vehicles and transport	913	886
Leased lines and data transmission	795	933
Other	4,711	11,101
<b>Total other operating expenses</b>	<b>56,948</b>	<b>61,840</b>

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

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Maintenance and repairs	20,150	20,699
Advertising, customer service, billing and collection	13,095	12,128
Facilities	10,922	9,882
License fees	3,432	3,232
Administrative expenses	1,850	1,837
Professional fees	1,094	1,167
Vehicles and transport	913	886
Leased lines and data transmission	796	932
Other	4,398	11,100
<b>Total other operating expenses</b>	<b>56,650</b>	<b>61,863</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 three months ended 31 March 2013 and 2012 consist of:

**Consolidated financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Salaries and wages	13,960	13,394
Pension, health and unemployment fund contributor	2,279	2,104
Other benefits	671	653
Other staff costs	275	186
<b>Total staff costs</b>	<b>17,185</b>	<b>16,337</b>



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

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Salaries and wages	13,959	13,393
Pension, health and unemployment fund contributor	2,279	2,104
Other benefits	671	653
Other staff costs	275	186
<b>Total staff costs</b>	<b>17,184</b>	<b>16,336</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 three months ended 31 March 2013 and 2012 are respectively BGN 29 thousand and BGN 17 thousand.

**22. Finance income and costs**

Financial income and costs for the three months ended 31 March 2013 and 2012 consist of:

**Consolidated financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
<b>Finance costs</b>		
Interest expense:	12,822	8,760
- <i>Bank borrowings</i>	12,690	8,622
- <i>Finance lease</i>	22	23
- <i>Provisions</i>	110	110
- <i>Other</i>	-	5
Foreign exchange loss	101	98
Loss on financial instruments	2	-
Other finance costs	66	58
<b>Total finance cost</b>	<b>12,991</b>	<b>8,916</b>
<b>Finance income</b>		
Interest income:	1,147	2,622
- <i>Bank deposits</i>	794	2,238
- <i>Finance lease</i>	329	294
- <i>Other</i>	24	90
Gains on financial instruments	-	9
Foreign exchange gains	4	-
<b>Total finance income</b>	<b>1,151</b>	<b>2,631</b>
<b>Net finance costs</b>	<b>11,840</b>	<b>6,285</b>

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**22. Finance income and costs(continued)****Separate financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
<b>Finance costs</b>		
Interest expense:	12,822	8,760
-Bank borrowings	12,690	8,622
-Finance lease	22	23
-Provisions	110	110
-Other	-	5
Foreign exchange loss	101	98
Loss on financial instruments	2	-
Other finance costs	64	58
<b>Total finance cost</b>	<b>12,989</b>	<b>8,916</b>
<b>Finance income</b>		
Interest income:	1,113	2,619
-Bank deposits	760	2,235
-Finance lease	329	294
-Other	24	90
Gains on financial instruments	-	9
<b>Total finance income</b>	<b>1,113</b>	<b>2,628</b>
<b>Net finance costs</b>	<b>11,876</b>	<b>6,288</b>

**23. Other gains, net**

Other gains, net for the three months ended 31 March 2013 and 2012 consist of:

**Consolidated and Separate financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Gains from sales of non-current assets	<b>1,427</b>	<b>1,751</b>
incl.: income	1,425	2,185
net book value	2	(434)
Gain from sales of materials	<b>1</b>	<b>3</b>
incl.: income	1	7
net book value	-	(4)
<b>Total other gains, net</b>	<b>1,428</b>	<b>1,754</b>

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**24. Tax expense**

Income tax expenses for the three months ended 31 March 2013 and 2012 consist of:

**Consolidated financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Current income tax charge	180	1,520
Deferred tax credit to comprehensive income	315	(349)
<b>Total tax expense</b>	<b>495</b>	<b>1,171</b>

**Separate financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Current income tax charge	-	1,520
Deferred tax credit to comprehensive income	346	(350)
<b>Total tax expense/(credit)</b>	<b>346</b>	<b>1,170</b>

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

**Consolidated financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Profit before tax	4,247	11,408
<b>Total profit before tax</b>	<b>4,247</b>	<b>11,408</b>
Tax rate	10%	10%
Tax at the applicable tax rate	424	1,141
Effect of permanent tax differences	56	27
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	15	3
<b>Income tax expense</b>	<b>495</b>	<b>1,171</b>
Effective tax rate	11.66%	10.26%
Income tax expense in the comprehensive income	495	1,171
<b>Total income tax expense</b>	<b>495</b>	<b>1,171</b>

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

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Profit before tax	2,756	11,423
<b>Total profit before tax</b>	<b>2,756</b>	<b>11,423</b>
Tax rate	10%	10%
Tax at the applicable tax rate	275	1,142
Effect of permanent tax differences	56	27
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	15	1
<b>Income tax expense/(credit)</b>	<b>346</b>	<b>1,170</b>
Effective tax rate	12.55%	10.24%
Income tax expense in the comprehensive income	346	1,170
<b>Total income tax expense</b>	<b>346</b>	<b>1,170</b>

**25. Segment information**

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

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

The Board of Directors assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Board of directors for the periods ended 31 March 2013 and 2012 is presented below.

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**25. Segment information(continued)****Three months ended 31 March 2013**

	<b>Fixed line of business</b>	<b>Mobile line of business</b>	<b>Total</b>
Revenue	102,487	92,866	<b>195,353</b>
Cost of sales	(15,934)	(28,791)	<b>(44,725)</b>
<b>Gross margin</b>	<b>86,553</b>	<b>64,075</b>	<b>150,628</b>
Operating expenses			<b>(135,969)</b>
Financial expenses, net			<b>(11,840)</b>
Other gains, net			<b>1,428</b>
<b>Profit before tax</b>			<b>4,247</b>
Income tax expense			<b>(495)</b>
<b>Net profit for the year</b>			<b>3,752</b>

**Three months ended 31 March 2012**

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

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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.

**Balances**

The following table summarizes the balances of receivables and payables with related parties as of 31 March 2013 and 31 December 2012:

For the Group	Note	Receivables		Payables	
		31.3.2013	31.12.2012	31.3.2013	31.12.2012
Members of Bromak EOOD Group	Parent	1	9	-	-
<b>Total for BTC group</b>		<b>1</b>	<b>9</b>	<b>-</b>	<b>-</b>

For BTC	Note	Receivables		Payables	
		31.3.2013	31.12.2012	31.3.2013	31.12.2012
BTC Net EOOD	Subsidiary	3,628	507	5,438	1,161
Members of Bromak EOOD Group	Parent	1	9	-	-
<b>Total for BTC</b>		<b>3,629</b>	<b>516</b>	<b>5,438</b>	<b>1,161</b>

**Transactions**

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

For BTC	Note	Three months ended	
		31.3.2013	31.3.2012
BTC Net EOOD	Subsidiary	2,669	26
<b>Total for BTC</b>		<b>2,669</b>	<b>26</b>

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All amounts are in thousand BGN, unless otherwise stated

**26. Related parties(continued)**

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

	Note	Three months ended	
		31.3.2013	31.3.2012
BTC Net EOOD	Subsidiary	2,102	37
Members of Bromak EOOD Group	Parent	129	-
NEF Telecom Bulgaria OOD	Parent	-	2
<b>Total for BTC group</b>		<b>2,231</b>	<b>39</b>

**Borrowings**

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

		Loan principal	Interest expense	Interest payable
Members of VTB Bank OJSC Group	2012	-	-	-
	2013	-	2,604	-
	As of 31.03.2013	168,248	-	1,286
Members of Bromak EOOD Group	2012	-	-	-
	2013	-	846	-
	As of 31.03.2013	59,174	-	452

**Interest income**

Part of the cash availability of the Group and the Company is deposited in a bank, member of Bromak EOOD Group as disclosed in Note 4. Interest income from such bank deposits for the three months ended 31 March 2013 is BGN 716 thousand in the consolidated and separate financial statements.

**Management remunerations**

There is no compensation paid by the company to the members of the Board of Directors as of 31 March 2013 and 2012. Remuneration amounting to BGN 1,157 thousand relating to key management personnel has been accrued as of 31 March 2013.

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

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 31 March 2013, for the Group and the Company is presented in the table below:

<b>Equipment description</b>	<b>Aggregate contracted amount</b>	<b>Delivered till 31.03.2013</b>	<b>Commitments outstanding</b>
Hardware and software	11,941	4,756	7,185
Construction and assembly works of the BTC	27,198	7,099	20,099
Network equipment	96,975	60,760	36,215
<b>Total</b>	<b>136,114</b>	<b>72,615</b>	<b>63,499</b>

**Contingencies**

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

**28. Operating lease**

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

**Consolidated and Separate financial statements**

	<b>Three months ended</b>	
	<b>31.3.2013</b>	<b>31.3.2012</b>
Minimum lease payments	2,223	2,311

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

	<b>31.3.2013</b>	<b>31.12.2012</b>
Within one year	8,908	9,168
In the second to fifth years inclusive	29,288	29,653
Later than five years	84,792	86,546
<b>Total commitments</b>	<b>122,989</b>	<b>125,368</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.