

BULGARIAN TELECOMMUNICATION COMPANY AD

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
ANNUAL DIRECTORS'S REPORT
INDEPENDENT AUDITOR'S REPORT**

31 December 2008

TABLE OF CONTENTS

	Page
Annual director's report	1
Balance sheet	13
Income statement	14
Statement of changes in equity	15
Cash flow statement	16
Notes to the financial statements	17
Independent auditor's report	

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT
For the year ended 31 December 2008

This document reflects the activity in the reporting period of Bulgarian Telecommunications Company AD ("BTC" or "the Company"), as well as the activity of the companies within BTC Group – BTC Net EOOD, BTC Security EOOD, and BTC Mobile EOOD (collectively "BTC Group" or "the Group").

I. INFORMATION ABOUT THE FINANCIAL RESULTS, ACTIVITY AND DEVELOPMENT OF THE COMPANY AND THE GROUP

1. OVERVIEW OF THE ACTIVITY OF THE COMPANY AND THE GROUP

The telecommunications services market in Bulgaria continued to be very competitive in 2008. BTC was able to constrain the reduction in the number of fixed telephone lines compared with the previous year, although the fixed-line business of the Group followed the global trends of migration from a fixed-line to mobile business. The comparatively moderate reduction was achieved mainly by means of attractive offers and promotions and lower prices.

The success of the new services of BTC will continue to influence the Company's market share in the conditions of a competitive market for voice services and data transfer services.

The positive market response to the high-speed broadband access (ADSL) helped increase the number of clients to 245,000 at the end of the year. The fast increase of the clients of the ADSL service is the main factor for the 35% higher revenues from data transfer.

The number of Vivatel subscribers is over 1 million at 31 December 2008, i.e. an increase by over 22% for the year.

As part of BTC Group, the mobile operator Vivatel managed to extend its coverage, acquired a significant number of new subscribers and strengthened its market presence. Vivatel continued to build the base for its services and in addition to the standard voice services provided SMS, MMS, Voicemail, data, roaming, WAP portal, etc.

In 2008 BTC increased its fixed-line network digitization to 81.4%. Thus the Company surpassed the requirements laid down in Bulgaria's pre-accession agreements with the EU and the privatization agreement for the respective periods.

The ADSL-network was extended and already covers 294 settlements, and the MAN-network covers 112 settlements. The investment plan for the development of the fixed-line network in the country is fulfilled successfully.

Included in BTC services portfolio is the universal number 0700, the green telephone 0800, value-added services 0900, virtual private networks, leased lines, collocation, use of channel network, VoIP services, city networks for data transfer, radio and television, etc.

With over 130 customer service centres, a dealership network of 800 shops and around the clock telephones for its clients, BTC improved considerably its customer service. Most of the shops have changed their design, which helped attract and service a larger number of clients.

2. FINANCIAL CONDITION AND RESULTS FOR 2008.

The Group ended the financial Y2008 with a net profit of approximately BGN 36,984 thousand, BTC AD – with a net loss of BGN 197,041 thousand. The financial result is lower than that for 2007 mainly as a result of the increased financial expenses and depreciation expenses. In addition, the net profit was adversely affected by the write-off of a deferred tax asset from BTC Mobile's loss, which will not be carried forward in 2009 due to the merger of the two companies. .

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

The main reason for the negative result of BTC is the impairment of the investment in BTC Mobile as of 31 December 2008

Overall, the financial statements show a slight increase in revenues and adequate optimization of operating expenses. Increase in financial and depreciation expenses (depreciation expenses are consistent with the commissioning of new assets).

At 31 December 2008, cash and cash equivalents amounted to BGN 77,190 thousand (BTC Group) and BGN 72,294 thousand (BTC AD) , comprising mainly current accounts and cash in hand.

The companies within BTC Group hold cash in BGN and EUR in view of the fact that their short-term liabilities originate in these currencies. Thus the risk of a change in exchange rates is managed and relevant potential losses are minimized.

Cash flows from operating activities for 2008 amounted to BGN 260,120k for BTC Group (14% decrease compared to 2007) and BGN 240,014k for BTC AD (23% decrease on 2007 year-end).

The net cash flow used in investment activity for the Group was BGN 222,155k, including BGN 153,621k for purchase of plant, property and equipment and BGN 71,777k for purchase of other fixed assets.

The net cash flow used in investment activity for BTC AD was BGN 163,041k, including BGN 93,370k for purchase of property, plant and equipment and BGN 41,498k for purchase of other assets.

The exposure of BTC Group companies to credit risk is determined by the total amount of trade and other receivables and short-term deposits. Currently there is a limited concentration of risk for receivables.

In 2008 BTC maintained a structure of assets and liabilities that allowed its smooth operation. In order to control the threat of liquidity risk, the Company applied planning techniques, including submission of daily liquidity reports, short-term and medium-term cash flow forecasts.

On 21 August 2007 BTC refinanced its liabilities on the existing syndicated loan to the total amount of EUR 350 million. On 17 August 2007 BTC became a party to a new loan arranged by Royal Bank of Scotland, Deutsche Bank AG, London Branch, UBS Limited and Bank Austria Creditanstalt AG with a mandate for arranging syndicated finance. Available to BTC are two term loans and one revolving loan. The first term loan matures in eight years and may be used for repayment of existing financial obligations. The second term debt matures in seven years and may be used to finance the capital expenditures of BTC and its subsidiaries. The third loan is granted on a fully revolving basis and its utilization is aimed at meeting working capital needs as well as other needs of companies within the Group.

The interest accrued in every interest period is based on the relevant value of EURIBOR plus margin. The margin is calculated in accordance with the ratio of the consolidated total net debt to the consolidated pro-forma profit before interest, taxes and depreciations. On 31 October 2007 the margins on BTC loans were updated, ranging from 2.25% to 2.75% for the first loan and 1.5% to 2.25% for the second loan and the revolving loan.

On 14 November 2007 BTC entered into an agreement for providing collaterals on repayment of BTC's obligations on the new loan agreement, whereby a registered pledge on the commercial enterprise of BTC was established, including BTC's stakes in the subsidiaries, real estates with a book value of BGN 38,670 at 31 December 2008, financial collateral by establishing a pledge on bank accounts receivables and on BTC insurers.

BULGARIAN TELECOMMUNICATION COMPANY AD ANNUAL DIRECTOR'S REPORT (CONTINUED)

For the year ended 31 December 2008

At the General Meeting of Shareholders held on 14 April 2008 a decision was taken on dividend payout from the Company's 2007 reserves allocated for distribution to the total amount of BGN 460 million (four hundred sixty million BGN).

CAPITAL RESOURCES

The obligations for 2008 digitization are fulfilled. Thanks to BTC investments a considerable growth in digitalizing the entire national telecommunications network of Bulgaria was achieved for a period of one year, the digitization reaching 81.4%.

REVENUES

The total amount of consolidated revenues for 2008 amounted to more than BGN 1.031 billion, i.e. BGN 11 million more than in 2007.

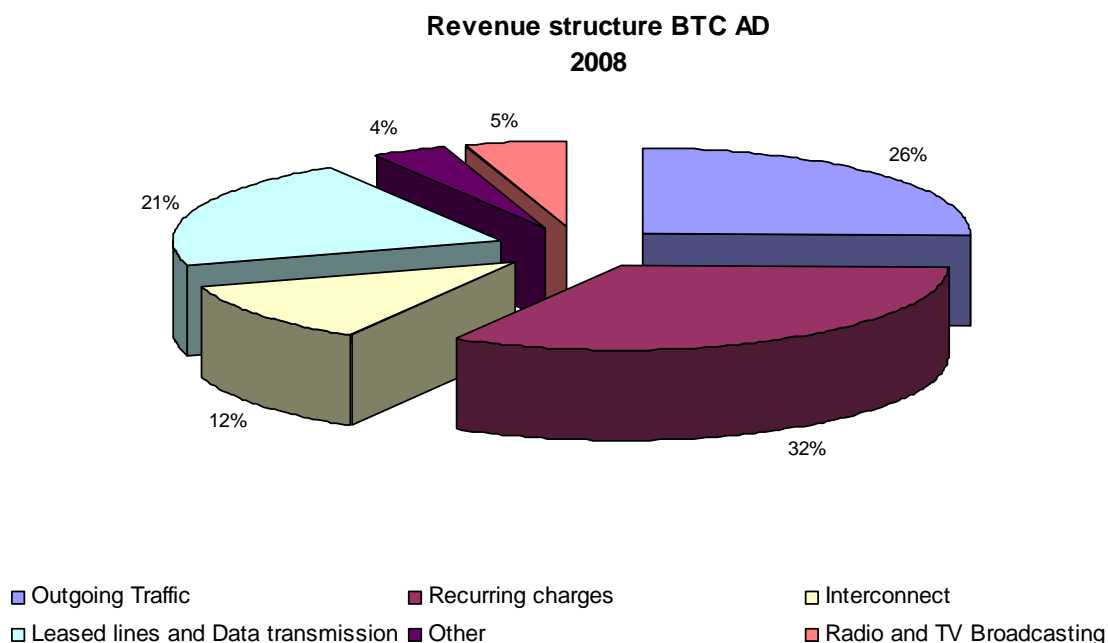
BTC operates in two main sectors:

- regulated services
- non-regulated services

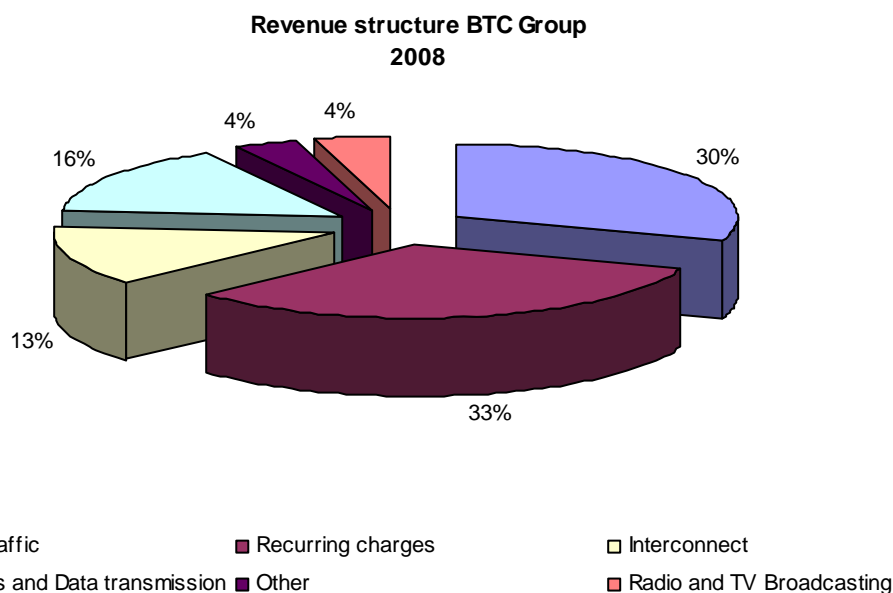
Regulation of services provision is in accordance with the requirements of the Electronic Communications Act and the commitments of the Republic of Bulgaria under Chapter 19 regarding the country's accession to the European Union.

Revenue from regulated services was a substantial part of the Company's revenues for 2008. It included traffic revenue, monthly rental, installation fees, leased lines revenue, and interconnection with the networks of other licensed operators.

The Company's revenues are generated from six main sources.



BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008



Outgoing traffic revenue

Outgoing traffic revenue of BTC Group decreased by 16% in 2008 on 2007.

The price re-balancing based on rules approved by the regulatory authority – Communications Regulation Commission (CRC) – will further influence the regulated services revenue next year.

Monthly Rental

Monthly rental revenue of BTC Group marked an increase by 3% on 2007.

On BTC AD monthly rental revenue marked a decline by 3% on 2007.

Interconnect revenue

Interconnect revenue increased compared to 2007 as a result of the highly dynamic market and variations of traffic terminated to mobile networks due to the growing international connectivity of mobile operators.

Leased lines and data transfer revenue

Leased lines and data transfer revenue marked a growth on 2007, mainly due to the increased number of ADSL clients.

Radio and TV revenue

Radio and TV revenue increased by 18% compared to 2007.

Other revenue

In 2008 other revenue from sales marked an increase on 2007 (11% for the Group and 9% for BTC AD).

EXPENSES

Staff costs

Staff costs of BTC Group 2008 decreased by 12% on 2007 in line with the restructuring of the Company's activities, whereby the headcount was further decreased. In BTC AD the decrease of staff costs is 4%.

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

Interconnect costs

Interconnect costs has increased compared 2007 (8% for BTC Group and 4% for BTC AD, mainly as a result of the higher international traffic to mobile operators.

Other operating expenses

In 2008 other operating expenses in BTC Group marked a decline by 5% on 2007, mainly as a result of the impact of the costs for advertising, consulting and other administrative costs.

The increase of operating expenses for BTC AD is 159 %. as a result of the impairment of the investment in BTC Mobile.

Corporate tax

The corporate tax expense increased considerably, as a result of written-off deferred taxes from the loss of BTC Mobile, which will not be carried forward in 2009 due to the merger of the two companies.

3. MAIN CATEGORIES OF SERVICES

The services provided by the Company and the Group include:

Fixed telephony – a BTC service enabling the clients to make local, long-distance and international calls via the fixed network of BTC. Clients with numbers from digital telephone exchanges are offered a number of additional services.

Mobile telephony – a *Vivatel* service enabling the clients to make mobile calls from the network of *Vivatel*.

ADSL – the service offers to clients a high-speed and reliable access to Internet simultaneously and independently from standard telephone services via the same subscribed line.

Integrated services digital network (ISDN) provides digital user-to-user connectivity with an option for access to voice services and services for transmission of data, text, movable and fixed images as well as various additional services.

Voice mail – the service performs for the holders of “voice mail boxes” the functions of answering machine with extended capacity, which is not located in the subscriber’s telephone set but in the digital telephone exchange.

Use of “Lines for rent” – provision of infrastructure by BTC to a client, including transmission facilities and transmission environment via which a transparent channel with a specific capacity between end points in the network defined by the client is provided.

MAN is a high-speed optic network for data transmission over Ethernet protocol. The service “Building of a client virtual local network for data transmission – Metropolitan Network” is provided via MAN, connecting separate segments of the local network or separate networks of client/clients included in a virtual network – VLAN.

ISDN access to Internet (free of charge – with extra billing and pre-paid personal account). The service provides access to Internet at a speed of 64Kbps to clients with ISDN lines.

Use of channel network – a service allowing installation along underground routes of telecommunication cables from other licensed telecommunications operators for the purposes of their business.

Green telephone 0800 – the service enables to clients to provide voice information services free of charge

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

for their users.

Universal number 0700 - the service enables clients to provide voice information services and the price of the telephone call is shared between them and their users.

VPN fix – the service provides the clients with the benefits of a closed user group across the country's territory, where members of the group call everybody else in the group with short code dialling and telephone calls among them are billed at preferential prices.

Customer virtual network for data transfer over Ethernet protocol - MAN – the service provides high-quality, high-speed connectivity between remote offices of the client/clients located in a single settlement. *VPN Net* – the service provides high-quality, high-speed and cheap IP environment for transfer of voice, video and business data between geographically remote offices of users within the country. The service is provided in two versions - IP VPN Net and L2 VPN Net.

Collocation of customer equipment – the service enables users to install and operate their communication equipment in dedicated BTC centres.

Interconnect – Provides possibilities to other licensed telecommunications operators to connect their networks with the network of BTC for the purpose of mutual exchange of traffic.

4. MAIN RISKS

Investment in securities involves different types of risks. Every investor should carefully read and analyse the information presented below and should make his own independent research and assessments before taking a decision on acquiring shares issued by BTC.

This document contains certain projections and estimates which refer to future uncertain events. The projections are made on the basis of the current information available to the authors of this document and on the estimates they consider justifiable. Actual results may differ, from the estimates stated in this document, as they depend on a number of risk factors described in the paragraphs below. Not all risk factors can be predicted or described and some of these risk factors are outside the abilities of the issuer to counteract.

The main risk factors that could affect the Company's activity and results are described below.

General risk

General risk is considered in the broadest economic and political context in which the Company operates (e.g. risk related to the development of the global economy, the development of the local economy, inflation risk, general political risks, domestic policy, foreign policy and general trends). Therefore, some of these risks are not subject to management or adjustments by the Company's management. They affect BTC's activity with different weight and emerge in different, usually unpredictable periods.

Macroeconomic risks

Bulgaria's real GDP growth as well as that of other European countries and globally can affect indirectly BTC's results. The macroeconomic situation in Bulgaria and in the European Union seems relatively stable.

Inflation risk

Inflation is a factor determining the actual return on the investment. This means that at a level of inflation exceeding the nominal rate of annual return during the year, the actual rate of return on the investment denominated in the national currency would be negative during the year.

BULGARIAN TELECOMMUNICATION COMPANY AD ANNUAL DIRECTOR'S REPORT (CONTINUED)

For the year ended 31 December 2008

Market risk

Market risk is associated with changes in the earnings of a specific security as a result of changes in the market earnings as a whole. The specific change in the price of a share as a result of a specific change in the market earnings as a whole depends on the sensitivity or elasticity of the earnings of such security against changes in the market earnings. The value of that ratio for the shares of a specific company is determined on the basis of a regression analysis of the change in the earnings per specific share and of the market as a whole. As the existing information is not representative given the short history of the capital market in Bulgaria and its low liquidity, whereby it is very difficult to form a fair market value, this risk cannot be calculated correctly for the shares of BTC.

Political risks

The political process is a significant factor affecting the return on investments. The degree of political risk is associated with the probability of changes in the economic policy pursued by the government, which could lead to negative changes in the investment climate, as well as the probability of emergence of regional or global armed conflicts or political tension. Apart from this is the probability of adverse changes in the legal regulation of economic activity. At present the political situation in the country seems stable, despite the coalition governance. The ongoing process of aligning Bulgarian national legislation with the legislation of EU Member States contributes to a stable economy and outlines a clear political direction. The coalition government of Bulgaria has been consistently pursuing a policy on restricting government intervention in free market relations and improving investment climate.

Specific Company risks

Specific Company risks are the risks associated directly with its activity, which is strictly regulated. They include:

Regulatory risk

Regulatory risk exists both in respect of the special sectoral regulation and the general regulation in the area of competition law. The regulatory practice of the Commission for Protection of Competition (CPC) and that of the Communications Regulation Commission (CRC) is not always concerted and can provoke different decisions in the area of electronic communications. This could result in market uncertainty, lack of clear criteria and in many cases could lead to excessive regulation for BTC. Some cases are examined by the two commissions and the decisions issued are an example of controversial administrative practice. BTC – in the capacity of operator with a dominant position on the market for fixed voice services and on the market for the service lines for rent – is put in a situation where all significant activities of BTC are regulated. CRC determines the prices of voice services and leased lines, which comprise more than 90% of revenues. In view of the obligation for approval by CRC of retail prices of the fixed voice service an extremely high degree of regulation is possible, which could impede the Company's flexible behaviour in offering attractive services to end users. As regards retail services for end users, there is a probability of imposing restrictions on the services packages, although the package provision of electronic communication services is explicitly allowed by law. As regards wholesale markets, BTC is obliged to have and officially publish standard offers for interconnection, unbundling access to the subscription line and provision of the service lines for rent. In addition, the Company is obliged to provide specific (bitstream) access and the prices of these services are regulated and should be cost-oriented. Based on the above a conclusion could be drawn that retail and wholesale services are extremely strictly regulated.

Unfair competition

Unfair competition from a number of alternative operators poses a risk to the Company. Their typical behaviour is anti-competitive associations for concerted market behaviour (concealed as non-profit organisations), forbidden and hidden advertising, anti-advertising and unfair acquisition of clients. In addition, the same practice is carried out by mobile operators in respect of BTC due to the lack of sufficiently active and strict regulation of the short-term activity of mobile operators with dominant position.

BULGARIAN TELECOMMUNICATION COMPANY AD ANNUAL DIRECTOR'S REPORT (CONTINUED)

For the year ended 31 December 2008

Legal framework

The Electronic Communications Act based on the 2002 Legal Framework of the European Union became effective in 2007. It allowed liberalization of the telecommunications market and entry of new players. This increased competition and resulted in prices reduction. A number of specific obligations for BTC will be introduced such as forms of access and opening of the network, price limitations, which could lead to potential problems for the company.

Market analyses of CRC are due to become effective, which will introduce stringent measures for BTC. In addition, a new Competition Protection Act is to take effect in December 2008. This Act is very stringent and the maximum amount of pecuniary penalties could reach 10% of a company's turnover. The measures which the CPC may impose will have material weight and in practice could affect seriously not only one company but the whole sector.

Credit risks

Credit risks or the risk of counterparty defaulting is reduced partly by the application of monthly subscription, credit limits and monitoring procedures. The Company has no policy of obtaining collateral from its debtor clients. The credit exposure of BTC consists of the total value of trade and other receivables and short-term deposits. There is no significant concentration of credit risk related to accounts receivable.

Liquidity risks

Liquidity risk arises from the mismatch of contractual maturity of monetary assets and liabilities and the possibility that debtors may not be able to settle obligations to the Company within the normal terms of trade. To manage such risk, the Company uses planning techniques, including daily liquidity reports, and short and medium-term cash flow forecasts.

Financial crisis

The main risk for the Bulgarian economy is drop down of GDP growth as a result of a decrease in the influx of foreign investments leading to considerable slow down of credit and investment activity of the country and fast shortening of trade deficit.

In such conditions it is most likely to observe minimum inflation even, unemployment and retention of salary growth.

This will undoubtedly affect the buying capacity of customers, limiting their standard of living and resulting in much more moderate and limited purchases.

However, in recent years the telecom services have turned into necessity rather than convenience both for private customers and business clients.

BTC will aim to keep the growth in the mobile and broadband market and to moderate the drop down in the fixed line sector by providing attractive offers and promotions.

5. IMPORTANT EVENTS AFTER THE CLOSING OF THE FINANCIAL YEAR

The merger of BTC Mobile EOOD (Vivatel) with BTC was entered on 13 January in the Commercial Register of the National Registry Agency. As a result of the merger BTC became the universal legal successor of BTC Mobile and all assets and liabilities, rights and obligations of BTC Mobile passed to BTC automatically from the date of entry of the merger in the Commercial Register and at the same time BTC Mobile ceased to exist as a separate legal entity under the conditions of universal legal succession without liquidation.

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

6. EXPECTED DEVELOPMENT

In 2009 the activity of BTC Group will continue to be carried out in accordance with the main objectives of the Company:

- BTC will continue to observe the requirements for digitization of the fixed network agreed during the privatization and the country's accession to the European Union.
- BTC will continue improving its coverage in order to add a significant number of new mobile subscribers and strengthen its market presence.
- BTC will intensify its sales activity, improve customer service by providing a full range of modern telecommunications services and attractive offers. One of the key strategies is that BTC should focus on the client and provide a convergent service as well as flexible telecommunications solutions. The potential and infrastructure of BTC allow provision of customer-tailored solutions.
- On 13 January the merger of BTC and BTC Mobile into a single company was finalized. The aim of the consolidation is to improve the efficiency of management, cut costs and ensure a steady growth of the entire telecom structure. The technological integration of the two companies makes it possible to identify more precisely market niches and study user attitudes, make a detailed selection of suppliers and create innovative products and sophisticated services. In the long run, this is part of BTC strategy for boosting a single mark, a common approach and provision of services to clients. In the beginning of this year the change in BTC's policy, consistent with the merger with the mobile operator, will be already felt.

II. INFORMATION ABOUT THE COMPANY'S BOARD OF DIRECTORS AND SUPERVISORY BOARD.

1. Changes in the Company's Board of Directors and Supervisory Board.

From the beginning of the financial year to the end of the reporting period the following changes in the management and supervisory bodies of the Company were entered in the Commercial Register:

- a) on 7 February 2008 Mr. Plamen Ivanov Vachkov was deleted as a member of the Company's Board of Directors;
- b) on 23 April 2008 Mr. Marius Angelov Velichkov was deleted, and Mr. Terrence Edward Valevski was entered as a member of the Company's Board of Directors;
- c) on 12 May 2008 Mr. Terrence Edward Valevski was deleted and Mr. Madhusudan Mokilmarathur Balakrishna was entered as a member of the Company's Board of Directors;
- d) on 15 May 2008 Mr. Ivan Lyubomirov Markov and Mr. Vladimir Penkov Penkov were deleted as members of the Board of Directors of the Company and entered as members of the Supervisory Board respectively; Mr. Rossen Borisov Hadjiev was deleted as a member of the Supervisory Board and was entered as a member of the Board of Directors of the Company.

The Financial Supervision Commission and the public are notified of the above changes.

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

2. Members of the Company's Board of Directors and Supervisory Board at 31 December 2008

a) At 31 December 2008 the members of the Board of Directors of BTC are:

Rossen Hadjiev
Madhusudan Balakrishna
Bernard Moscheni
Pierre Mellinger
Ion Bogdaneris
David Kun-Wah Yeung
Martin Staub

b) At 31 December 2008 the members of the Supervisory Board of BTC are:

Ivan Markov
Vladimir Penkov
Venislav Yotov
Levon Hampartzoumian
Krasimira Stoyanova

3. The members of the Board of Directors and the Supervisory Board have not received remuneration, awards and/or other benefits paid by the Company or its subsidiaries for 2008.

4. The members of the Board of Directors, the Supervisory Board and the senior management of the Company did not acquire, hold and transfer shares and bonds of BTC in 2008. The members of the Board of Directors and the Supervisory Board are not entitled to acquire shares or bonds of BTC.

5. Participation of the members of the Board of Directors and the Supervisory Board in companies as general

partners, holdings of more than 25% of the capital in another company, as well as participations in the management of other companies or co-operations as procurators, managing directors or board members is duly disclosed in accordance with the provisions of the Commerce Act and the Public Offering of Securities Act.

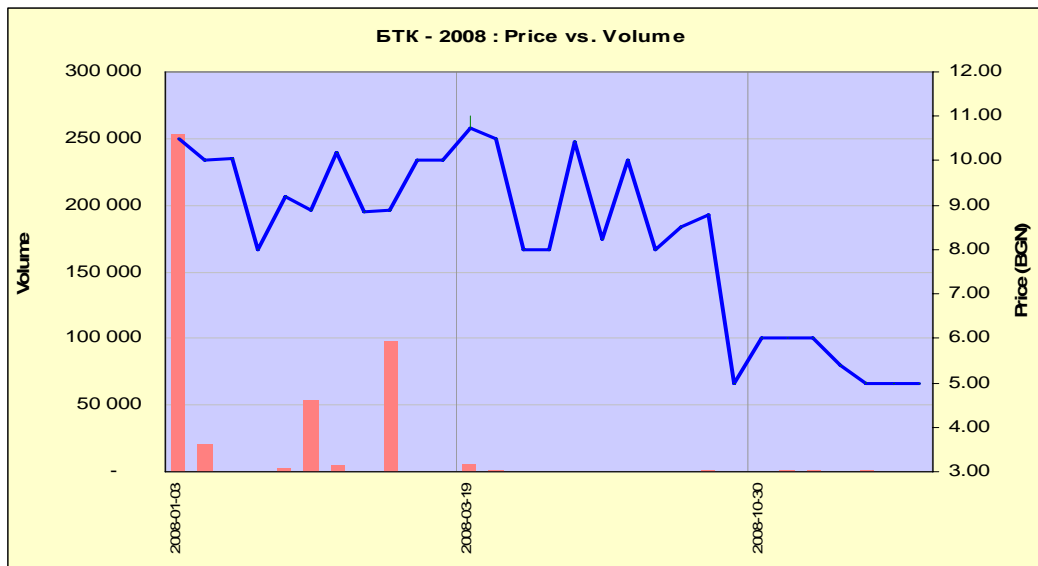
6. The members of the Board of Directors and the Supervisory Board did not enter into contracts referred to in Article 240b of the Commerce Act in 2008.

III. INFORMATION ABOUT THE COMPANY'S SHARES

Changes in the prices of shares

The chart below shows the changes in the price of the Company's shares in 2008.

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008



Number and nominal value of the shares

The capital of БТК is comprised of 288,764,839 ordinary registered shares and one preference share owned by the State through the Ministry of Transport and Communications. The nominal value of one share is BGN 1. The preference share entitles its holder to the rights referred to in Article 9 (4), (5) and (6) of the Company's Articles of Association.

The Company is not aware of any agreements (including after the close of the financial year) that could result in changes in the holding of shares or bonds of existing shareholders or bondholders.

BULGARIAN TELECOMMUNICATION COMPANY AD
ANNUAL DIRECTOR'S REPORT (CONTINUED)
For the year ended 31 December 2008

IV. INFORMATION ABOUT GOOD CORPORATE GOVERNANCE PROGRAM IMPLEMENTATION

Since 2005 BTC has had and has adhered to a program for application of internationally recognized standards for good corporate governance.

BTC complied, in all material respects, throughout the period under review, with the legal requirements for public companies and with the best practices and principles applicable to Bulgarian companies.

Internal control

The Board of Directors of BTC exercises independent supervision over the activities and the internal control established by the Company. The Internal Audit Department was established in 2005 and began operating. The objective of the internal control system is more or less to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable, but not absolute, assurance against possible misstatements and losses. The Board of Directors of BTC ensured ongoing identification, evaluation and management of the material risks faced by the business.

V. ADDITIONAL INFORMATION

1. The Company has no branches in the country or abroad.
2. General information on the capital structure of the Company, the rights and the obligations of the shareholders, the managing and the supervisory bodies of the Company can be found in the document prepared in accordance with Item 4 of Article 32 (1) and Appendix No. 11 of Ordinance No. 2 of 17.09.2003 regarding the prospectuses upon public offering and admission to trade on a regulated market of securities and information disclosure from publicly listed companies and other issuers of securities.
3. The Company has no information about pending judicial, administrative or arbitration proceedings regarding liabilities or receivables of the Company amounting to at least 10% of its equity.
4. Data about the Investor Relations Director:

Anton Ognianov Piralkov
20 Kosta Lulchev Street
Sofia 1113
Tel. (02) 949 4331
E-mail: ir@btc.bg

Board of Directors of Bulgarian Telecommunications Company AD

BULGARIAN TELECOMMUNICATION COMPANY AD CONSOLIDATED AND SEPARATE BALANCE SHEET

As at 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
ASSETS					
Current assets					
Cash and cash equivalents	5	77,190	86,413	72,294	42,513
Trade receivables	6	77,737	73,533	234,550	167,101
Current income tax receivables		37	500	-	335
Inventories	7	44,718	53,043	43,376	40,234
Other assets	10	36,108	20,341	22,270	8,013
Assets of disposal group held for sale	9	97,023	-	97,023	-
Total current assets		332,813	233,830	469,513	258,196
Non-current assets					
Property, plant and equipment	11	1,269,075	1,404,463	962,704	1,098,173
Intangible assets	12	369,183	355,938	164,213	154,634
Investments	13	355	342	404,279	716,723
Deferred tax assets, net	18	15	33,251	-	-
Total non-current assets, net		1,638,628	1,793,994	1,531,196	1,969,530
TOTAL ASSETS		1,971,441	2,027,824	2,000,709	2,227,726
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	20	49,048	-	49,048	-
Trade payables	14	155,069	178,984	118,379	100,315
Other payables	15	40,215	55,132	28,727	37,150
Current income tax liabilities		1,879	2,601	1,879	2,601
Provisions for other liabilities and charges	16	11,343	5,398	11,126	3,780
Borrowings	17	88,033	3,362	88,033	3,362
Liabilities associated with assets held for sale	9	12,845	-	12,845	-
Total current liabilities		358,432	245,477	310,037	147,208
Non current liabilities					
Borrowings	17	891,613	614,098	891,613	614,098
Deferred tax liabilities, net	18	32,033	51,322	45,919	51,322
Retirement benefit obligations	19	3,722	9,246	3,596	8,893
Provisions for other liabilities and charges	16	5,159	4,563	-	-
Total non current liabilities		932,527	679,229	941,128	674,313
Equity					
Share capital	20	551,901	551,901	551,901	551,901
Reserves		116,216	135,232	116,216	135,232
Reserves of disposal group held for sale	9	19,016	-	19,016	-
Retained earnings/(loss)		(6,651)	415,985	62,411	719,072
Total equity		680,482	1,103,118	749,544	1,406,205
TOTAL LIABILITIES AND EQUITY		1,971,441	2,027,824	2,000,709	2,227,726

These financial statements were approved on 7 April 2009.

Bernard Moscheni
CEO

Atanas Dobrev
CEO

Initialled for identification purposes in reference to the auditor's report:

Rossitsa Boteva
Registered Auditor
Date 10.04.2009

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

The notes on pages 17 to 69 are an integral part of these financial statements

**BULGARIAN TELECOMMUNICATION COMPANY AD
CONSOLIDATED AND SEPARATE INCOME STATEMENT**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statements		Separate financial statements	
		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Continuing operations					
Revenue	21	986,682	982,484	844,945	931,877
Interconnect expenses		(159,895)	(147,494)	(130,019)	(125,551)
Other operating expenses	22	(276,750)	(292,661)	(540,185)	(208,196)
Materials and consumables expenses		(52,371)	(47,479)	(34,140)	(31,144)
Staff costs	23	(138,811)	(157,768)	(119,690)	(124,756)
Depreciation and amortization	11,12	(232,000)	(182,465)	(151,391)	(135,624)
Financial expenses, net	24	(58,567)	(31,149)	(55,055)	(32,090)
Other gains, net	25	2,963	5,254	2,466	5,761
Profit/(loss) before tax		71,251	128,722	(183,069)	280,277
Income tax expenses	26	(39,197)	(8,460)	(19,764)	(28,375)
Profit/(loss) for the year from continuing operations		32,054	120,262	(202,833)	251,902
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	8	4,930	(4,187)	5,792	(3,349)
Profit/(loss) for the year		36,984	116,075	(197,041)	248,553
Earnings per share (basic and diluted)	20	0.13	0.40	-	0.86
Earnings per share from continuing operations		0.11	0.42	-	0.87

These financial statements were approved on 7 April 2009.

Bernard Moscheni
CEO

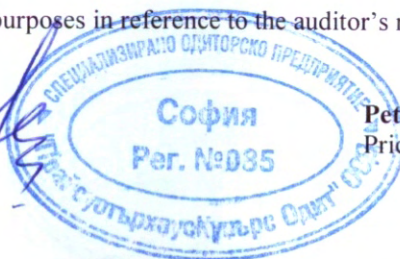
Atanas Dobrev
CFO

Initialed for identification purposes in reference to the auditor's report:

Rossitsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date 10.04.2009



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

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Share capital	Share premium	Legal reserve	Revaluation reserve	Discontinued operation	Retained earnings / (loss)	Total
Balance as at 1 January 2007	551,901	64,274	28,876	42,082	-	465,602	1,152,735
Loss on termination of interest rate swap	-	-	-	-	-	(68)	(68)
Transfer to profit on cash flow hedges	-	-	-	-	-	(6,803)	(6,803)
Net income for 2007	-	-	-	-	-	116,075	116,075
Total recognized income	-	-	-	-	-	109,204	109,204
Dividends	-	-	-	-	-	(158,821)	(158,821)
Balance as at 31 December 2007	551,901	64,274	28,876	42,082	-	415,985	1,103,118
Balance as at 1 January 2008	551,901	64,274	28,876	42,082	-	415,985	1,103,118
Discontinued operations	-	-	-	(19,016)	19,016	-	-
Net income for 2008	-	-	-	-	-	36,984	36,984
Total recognized income	-	-	-	(19,016)	19,016	36,984	36,984
Dividends	-	-	-	-	-	(459,620)	(459,620)
Balance as at 31 December 2008	551,901	64,274	28,876	23,066	19,016	(6,651)	680,482

Separate Financial Statements

	Share capital	Share premium	Legal reserve	Revaluation reserve	Discontinued operation	Retained earnings	Total
Balance as at 1 January 2007	551,901	64,274	28,876	42,082	-	636,213	1,323,346
Loss on termination of interest rate swap	-	-	-	-	-	(68)	(68)
Transfer to profit on cash flow hedges	-	-	-	-	-	(6,805)	(6,805)
Net income for 2007	-	-	-	-	-	248,553	248,553
Total recognized income	-	-	-	-	-	241,680	241,680
Dividends	-	-	-	-	-	(158,821)	(158,821)
Balance as at 31 December 2007	551,901	64,274	28,876	42,082	-	719,072	1,406,205
Balance as at 1 January 2008	551,901	64,274	28,876	42,082	-	719,072	1,406,205
Discontinued operation	-	-	-	(19,016)	19,016	-	-
Net loss for 2008	-	-	-	-	-	(197,041)	(197,041)
Total recognized loss	-	-	-	(19,016)	19,016	(197,041)	(197,041)
Dividends	-	-	-	-	-	(459,620)	(459,620)
Balance as at 31 December 2008	551,901	64,274	28,876	23,066	19,016	62,411	749,544

These financial statements were approved on 7 April 2009.

Bernard Moscheni
CEO

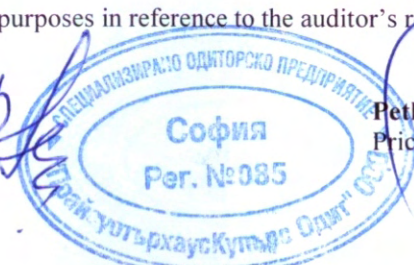
Atanas Dobrev
CFO

Initialed for identification purposes in reference to the auditor's report.

Rossitsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date 10.04.2009



The notes on pages 17 to 69 are an integral part of these financial statements.

BULGARIAN TELECOMMUNICATION COMPANY AD
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Cash flows from operating activities					
Profit/(loss) before tax from continuing operations		71,251	128,722	(183,069)	280,277
Profit/(loss) before tax from discontinued operations		5,477	(3,893)	6,436	(3,064)
Total profit/(loss) before tax		76,728	124,829	(176,633)	277,213
Adjustment for:					
Depreciation and amortization	11, 12	239,308	190,825	158,699	143,984
Impairment of receivables		20,622	16,226	17,205	12,278
Impairment of assets		8,932	2,114	352,634	120
Interest expenses/ net		59,542	38,903	59,772	39,890
Loss from operations with non-current assets		4,904	2,901	4,734	1,383
Carrying amount of inventories written-off		1,006	1,397	707	1,288
Effect of settlement of financial instruments		-	(6,873)	-	(6,873)
Revaluation profit		-	(2,107)	-	(2,107)
Income from investment operations		(219)	-	(3,919)	-
Increase in provisions for other liabilities and charges		9,664	10,816	9,806	8,311
Changes in operating assets and liabilities					
Increase in operating assets		(53,744)	(8,763)	(116,652)	(87,861)
Increase /(Decrease) in operating liabilities		(27,052)	(7,952)	13,691	(13,920)
Cash generated from operations		339,691	362,316	320,044	373,706
Interest received		1,369	4,414	898	3,162
Interest paid		(59,732)	(31,306)	(59,732)	(31,306)
Corporate income tax paid		(21,208)	(32,186)	(21,196)	(32,186)
Net cash from operating activities		260, 120	303,238	240,014	313,376
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		3,037	8,052	2,921	6,268
Purchase of property, plant and equipment		(153,621)	(263,740)	(93,370)	(103,110)
Purchase of other non-current assets		(71,777)	(136,717)	(41,498)	(92,355)
Increase of investment in subsidiaries		-	-	(35,000)	(211,546)
Dividends received		201	-	3,901	-
Sale of investment		5	-	5	-
Net cash used in investing activities		(222,155)	(392,405)	(163,041)	(400,743)
Net cash used in financing activities					
Proceeds from long-term borrowings		455,707	844,886	455,707	844,886
Repayments of long-term borrowings		(90,159)	(713,197)	(90,159)	(713,197)
Dividend paid		(409,274)	(154,933)	(409,274)	(154,933)
Proceeds from cash flows hedge		-	6,806	-	6,806
Payments of obligations under finance lease		(3,362)	(3,168)	(3,362)	(3,168)
Net cash used in financing activities		(47,088)	(19,606)	(47,088)	(19,606)
Net increase (decrease) in cash and cash equivalents		(9,123)	(108,773)	29,885	(106,973)
Exchange losses on cash		(100)	(544)	(104)	(535)
Cash and cash equivalents at the beginning of the year	5	86,413	195,730	42,513	150,021
Cash and cash equivalents at the end of the year	5	77,190	86,413	72,294	42,513

These financial statements were approved on 7 April 2009.

Bernard Moscheni
CEO

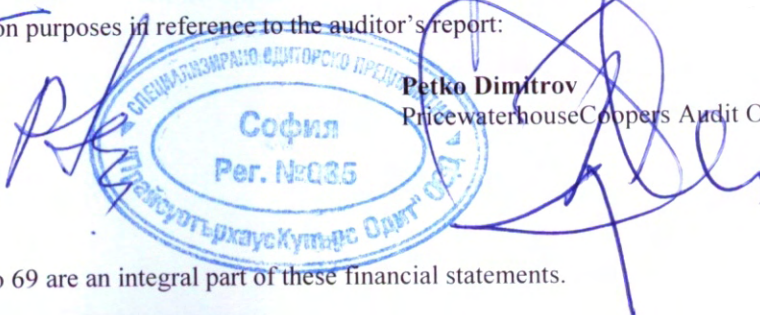
Atanas Dobrev
CFO

Initialled for identification purposes in reference to the auditor's report:

Rossitsa Boteva
Registered Auditor

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date 10.04.2009



The notes on pages 17 to 69 are an integral part of these financial statements.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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: 8, Totleben Blvd, 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 American International Group, Inc. ("AIG"). AIG holds its interest with certain third party investors in the company through AIG Black Sea Holdings, L.P. and related funds. The entities' general partners are consolidated subsidiaries of AIG Capital Partners, Inc., which is a wholly owned subsidiary of AIG.

BTC's activities are carried out at two regional organizational levels. Level 1 is the headquarters, based in Sofia, Bulgaria. Level 2 consists of 4 administrative regions; There are also a number of other entities carrying out a variety of activities, including the broadcasting of the radio and television network and maintenance of the existing trunk cable network. During the period 2005 – 2008 the Company implemented significant restructuring activities which lead to the closure of several subdivisions and the streamlining of the remaining structure. As of 31 December, 2008 and 2007 the Parent company had 7,268 and 7,973 employees, respectively.

As a result of the privatization transaction concluded on 20 February 2004 between the Privatization Agency of Republic of Bulgaria and Viva Ventures Holding GmbH, Austria (‘Viva’) which was finalized on June 11, 2004, 65% of the Company’s registered shares are owned by Viva. Viva is 100% owned by Advent International Corporation, a leading global private equity investment fund.

On May 3, 2007 an agreement between Novator, Viva and AIG Global Investment Group (AIGGIG) (through its company AIG Capital Partners, Inc.) was signed for the acquisition on behalf of AIGGIG of the 65% share of Viva in BTC. On August 21, 2007 a deal on the acquisition by AIGGIG through NEF Telecom Bulgaria OOD (‘NEF’) of the 90% share of BTC from VIVA and from minority shareholders has been registered after obtaining the respective approvals on behalf of EU and other regulatory bodies.

In September 2008, BTC’s ultimate parent company, American International Group, Inc. (AIG), experienced a severe strain on its liquidity that resulted in AIG on September 22, 2008, entering into an \$85 billion revolving credit facility and a guarantee and pledge agreement with the Federal Reserve Bank of New York (“New York Fed”). Under the credit facility agreement, AIG has agreed to issue a new series of perpetual, non-redeemable Convertible Participating Serial Preferred Stock (the “Series C Preferred Stock”) to a trust that will hold the Series C Preferred Stock for the benefit of the United States Treasury. The credit facility is secured by a pledge of the capital stock and assets of certain of AIG subsidiaries, subject to exclusions for certain property the pledge of which is not permitted by AIG debt instruments, as well as exclusions of assets of regulated subsidiaries, assets of foreign subsidiaries and assets of special purpose vehicles.

On October 3, 2008 AIG indicated its intent to refocus on its core property and casualty insurance businesses, generate sufficient liquidity to repay the outstanding balance of its loan from the New York Fed and address its capital structure. AIG plans to retain its U.S. property and casualty and foreign general insurance businesses and to retain a continuing ownership interest in its foreign life insurance operations. AIG is exploring divestiture opportunities for its remaining businesses and assets.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

In connection with the preparation of its quarterly report on Form 10-Q for the quarterly period ended September 30, 2008, AIG assessed its ability to continue as a going concern. After considering several factors as outlined in AIG's Form 10-Q, including its intention to enter into certain agreements with the New York Fed to limit AIG's future exposures to the multi-sector credit default swap portfolio and securities lending programs, AIG believes that it will have adequate liquidity to finance and operate its businesses, execute its disposition plan, and repay its obligations for at least the next twelve months. However, it is possible that the actual outcome of one or more of AIG's plans could be materially different or that one or more of its significant judgments or estimates could prove to be materially incorrect.

On November 25, 2008, AIG announced that the U.S. Department of the Treasury purchased from AIG, for \$40 billion under the United States Treasury's Troubled Asset Relief Program, .

On December 2, 2008, AIG announced the establishment of a facility with the New York Fed in which a newly-formed limited liability company will offer to purchase multi-sector collateralized debt obligations ("CDOs") from the counterparties, who will, concurrently with such purchases, terminate the related credit default swaps issued by AIG Financial Products Corp. and its subsidiaries ("AIGFP").

On December 12, 2008, AIG announced that AIG's U.S. life insurance companies ("Life Insurance Companies") have sold to a newly formed Delaware limited liability company ("RMBS LLC") in which the New York Fed is the sole member their interests in a pool of \$39.3 billion face amount of residential mortgage-backed securities ("RMBS") held by their agent, AIG Securities Lending Corp., an AIG subsidiary, in connection with AIG's U.S. securities lending program. In addition to the transfer of the RMBS assets to RMBS LLC (as described above), AIG and certain participants in AIG's U.S. securities lending program expect to monetize the remaining collateral investments related to the securities lending program that are not RMBS ("Non-RMBS Assets") through the purchase of such Non-RMBS Assets at fair value by certain participants in the program

On March 2, 2009, AIG, the NY Fed and the United States Department of the Treasury announced agreements in principle to modify the terms of the credit facility agreement and the Series D Preferred Stock and to provide a \$30 billion equity capital commitment facility. The U.S. government also issued a statement referring to the agreements in principle and other transactions they expect to undertake with AIG intended to strengthen AIG's capital position, enhance its liquidity, reduce its borrowing costs and facilitate AIG's asset disposition program

Management of BTC has assessed the impact of these events on BTC and believes that the above events will not affect BTC operations and the financial statements for the year ending 31 December 2008.

The Group

As at 31 December 2008 the Group includes the following subsidiaries: BTC Net EOOD, BTC Security EOOD, BTC Mobile EOOD.

As at 31 December 2007 the Group included the following subsidiaries: BTC Net EOOD, BTC Security EOOD, BTC Mobile EOOD, Bulfon EAD and Radio Telecommunication Company OOD.

Bulfon EAD (Bulfon) and Radio Telecommunication Company OOD (RTC OOD) were merged in BTC Mobile EOOD (BTC Mobile) and the transformation was registered in the Trade Register on 19 June and 20 August 2008 accordingly. Sole owner of the three Companies is BTC AD

As a result of the merger all assets and liabilities of Bulfon and RTC were transferred to BTC Mobile, which became their universal successor and Bulfon and RTC ceased operation without liquidation according the terms of full ownership.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

On 8 August 2008 BTC Mobile signed a contract for the sale of 100% of BTC Contact EOOD – a Company fully owned by BTC Mobile with Sofica Group AD. On 31 August 2008 the transfer was written in the Trade Register.

BTC Net EOOD

BTC Net EOOD, initially operating under the name of Global One Communications and Informational Services (GOCIS), was established as a joint venture between BTC and Global One, holding 40% and 60%, respectively. In June 2001 BTC acquired Global One's shares, thus becoming the sole owner of BTC Net EOOD. 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. BTC is merging the operational functionality of BTC Net into BTC. As a result, currently BTC Net is providing mainly VOIP and data on IP network.

BTC Security 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.

BTC and "BTC Security" EOOD (BTC Securities) entered into an agreement with "Cron Security" EOOD, Sofia (Cron Security) for security services (outsourcing). Under the provisions of the agreement which became effective from 13 July 2008 the BTC security services provided so far by BTC Security will be transferred to Cron Security. Also under the agreement terms Cron Security undertook the employer's rights and obligations, resulting from the labour relationships with the employees hired by BTC Security in accordance with art. 123 of the Labour Code.

BTC Mobile EOOD

BTC Mobile EOOD was registered in the Register of commercial companies of Sofia City Court on November 25, 2004 with share capital of BGN 5 thousand. As of 31 December, 2008 the share capital of BTC Mobile amounts to BGN 748, 257 thousand. The scope of its activities includes: construction, operation and maintenance of a mobile cellular digital network – GSM Standard with national coverage and provision of the corresponding telecommunication services; construction, operation and maintenance of communication systems in Bulgaria and abroad and provision of the corresponding telecommunication services. BTC is the sole owner of this subsidiary.

BTC Mobile launched its GSM mobile service in November, 2005 under the brand name Vivatel.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations

Regulatory framework.

• **Fixed line telecommunications**

In January 2003 exclusive rights for the provision of local, long distance national, international fixed voice, as well as leased lines, were removed. Carrier selection and obligations for universal telecommunications service were enforced from October 2003.

BTC is designated as a significant market power operator and has been obliged to work out Reference Offers for Interconnect, Leased lines and Local Loop Unbundling (LLU) access for other operators. In June 2004 the first Reference Offer for Interconnect was approved by the Communications Regulation Commission (CRC or the Commission), Reference Offer for Leased Lines in July 2004 and Reference Offer for the LLU access in December 2004. BTC submitted prices for the fixed telephony services that were approved by the CRC and were effective from April 1, 2005 till January 31, 2007. On December 14, 2006 CRC approved changes in the prices for the fixed telephony services, which became effective on February 1, 2007. With decision 150/25.02.2008 CRC approved changes in the prices for fixed telephone services which became effective on March 15, 2008.

During 2005 BTC submitted to the CRC new General terms and conditions for the services provided through the fixed network, the Commission approved them and they are effective as of July 1, 2005.

In 2005 BTC seized to provide the services through the telegraphic network and started a process, which aimed to transfer the network for wire radio transmission to the local municipalities.

The legal framework of the 2002 E.U. Communications Framework was implemented in the Bulgarian law with the adoption of a new Electronic Communications Act (ECA).

• **Mobile line telecommunication**

Since it has become effective ECA has not imposed additional restrictions or specific obligations on BTC Mobile as the CRC's analysis of the mobile market is still awaiting the European Commission's approval.

To BTC Mobile apply the general requirements of the current competition law, namely the orders of Chapter VII from the Competition Protection Act (CPA). The cited chapter from the CPA prohibits price squeeze, prices below costs and not allowed supplements to the service offered.

Interconnection

• **Fixed line telecommunications**

The Reference Offer for Interconnect includes a description of services for the interconnection of each network, terms and conditions of their provision; quality requirements for the interconnection; location points of interconnection, conditions and terms of opening and closing; conditions relating to the provisioning of additional services; conditions of assembly, maintenance and training; technical requirements and interfaces for interconnection; acceptance tests; management of interconnect traffic; methods of payment; terms of notice for amendment, annexes, and termination of contract; liabilities; sharing of premises and equipment; confidentiality clauses. In 2006 with decision 572/30.03.2006 CRC approved a new Reference Offer for Interconnect, which was appealed at court. After the court procedure was finalized the new Reference Offer for Interconnect became effective on February 13, 2008. The new Reference Offer of BTC defines the technical and economic conditions for realizing interconnection with the networks of the undertakings. As well BTC has offered the undertakings additional agreements which shall put the concluded contracts into compliance with decision 572 of the CRC. Only a few undertakings signed the agreements.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations (continued)

BTC concluded interconnect agreements with telecommunications operators, licensed for the provision of fixed voice services, as follows: ITD Network AD, BTC Net EOOD, BT Net AD (terminated in October, 2007), Vestitel BG AD, Gold Telecom Bulgaria AD, Eurocom Cable Management Bulgaria EOOD, "Eastern Telecommunications Company" AD, "Interut Bulgaria EAD", CableTel AD, Cosmo Bulgaria Mobile EAD, Mobiltel EAD, NexCom Bulgaria EAD, Net Is Sat OOD, Novo EOOD (terminated in October, 2008), Orbitel EAD, Spectrum Net AD, Telecom 1 OOD, Trans Telecom EOOD, Varna Net OOD, Globul Communication Net EAD.

BTC concluded interconnect agreements with telecommunications operators, licensed for provision of telecommunications- provision of voice telephone service and data transfer by public communications network from fixed radio service from the type "point to multipoint" with a national coverage, as follows: Max telecom EOOD and Trans telecom EAD.

BTC concluded interconnect agreements with the following undertakings of electronic communications services, licensed for provision of mobile voice telephone services: Cosmo Bulgaria Mobile EAD, Mobiltel EAD, BTC Mobile EOOD.

On January 2008 CRC obliged the mobile operators to even out the prices for termination of traffic from mobile and fixed networks by a plan for gradually equalization of the prices for termination fixed traffic as follows:

Date	Peak traffic (BGN/min)	Off-peak traffic (BGN/min)
From 01.02.2008	0.35	0.325
From 01.07.2008	0.32	0.29
From 01.01.2009	0.29	0.25
From 01.07.2009	0.25	0.19

At the same time CRC imposed to BTC and the other fixed operators obligation for a single time equalization of the prices for termination traffic from fixed and mobile networks in double segment.

- **Mobile line telecommunications.**

BTC Mobile has the right to negotiate interconnection with the other operators offering public electronic networks as well as the obligation for interconnection of its own network for provision of public electronic communication services and to ensure operating compatibility between the services when asked by other companies. The company can freely negotiate interconnection.

BTC Mobile has signed interconnection agreements with the following operators, providing public mobile electronic networks and services: 'Bulgarian Telecommunications Company' AD, 'Radio Telecommunications Company' EOOD, 'Mobiltel' EAD and 'Cosmo Bulgaria Mobile' EAD.

BTC Mobile has signed interconnection agreements with the following operators, providing fixed public electronic networks and services: 'ITD Network' AD, 'Eurocom Cable Management Bulgaria' EOOD, 'Interoot Bulgaria' EAD, 'Cabletel' EAD, 'Cosmo Bulgaria Mobile' EAD, 'Mobiltel' EAD, 'Nexcom Bulgaria' EAD, 'Orbitel' EAD, 'Spectrum Net' AD, 'Trans Telecom' EAD.

The interconnection contracts between BTC Mobile and operators with individual licenses for providing telecommunications- voice telephone service and data transfer through public telecommunication network from fixed radio site such as 'point to multiple point' with national scope are with 'Max Telecom' EOOD and 'Trans Telecom' EAD

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations (continued)

Leased lines

The Reference Offer was approved on 15 July 2004. It includes description of the service, its provision, requirements for quality; location of physical access, connection, exploitation and maintenance of equipment, technical requirements and interface; acceptance tests, prices and terms of payment; terms of contract; joint resource consumption. Prices must be cost oriented. According to a Regulation on the conditions for granting of leased lines, the minimum capacity of analogue and digital leased lines is 64 Kbit/s and 2MB/s, respectively. As at the current moment the minimum capacity has not been changed.

Local loop unbundling access

The Reference Offer includes means of provision, usage and termination of access; conditions relating to location of physical access, free subscriber capacity and subscriber lines; technical specifications for unbundling access to subscriber lines; conditions for joint usage of premises and telecommunications equipment; conditions for access to information; acceptance tests; protection from interference; prices and method of payment; changes in access; terms of contract. Prices must be cost oriented.

With Decision 1459 in 2006 CRC approved a new Reference Offer for unbundling access to subscription lines. The Reference Offer has been contested and appealed at the Supreme Administrative Court. (SAC). With Decision 54/08.04.2008 SAC confirmed CRC's decision. Considering that the approval of The Reference Offer for unbundling access to subscription lines has become effective and with a view to § 7 from the ECA, at the present moment, BTC has a specific obligation to provide unbundling access to subscription lines in compliance with the approved Reference Offer.

Regulations (continued)

BTC has signed three agreements for provision of unbundling access to the local loop in compliance with the Reference Offer approved by CRC in 2004. Contracts have signed the following operators: Orbitel AD, Nexcom AD, Spectrum Net AD.

In execution of Decision 1459/11.07.2006 of CRC BTC has offered to "Orbitel" EAD, "Nexcom-Bulgaria" EAD and Spectrum Net AD additional agreements which shall put the concluded contracts for unbundling access into compliance with the approved Reference Offer. Till the present moment only Orbitel EAD signed the additional agreement on September 17, 2008.

Specific (Bitstream) access

BTC is designated by the CRC as a significant market power operator to the market of fixed communications networks and provision of fixed voice telephone service and has been obliged to provide specific access to its network if a request by other undertaking is submitted.

BTC performs new reference contract for provision of specific access. During 2008 BTC has signed three agreements for provision of specific access with the following undertakings: Orbitel EAD, Nexcom-Bulgaria EAD, Spectrum Net AD, BTC Mobile EOOD, Evolink AD, Net Is Sat OOD, Net 1 EOOD and Vestitel BG AD

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations (continued)

Co-location

As per the Telecommunications Act (repealed), BTC was obliged to provide co-location of its premises, equipment, channels and towers. As per the requirements of the Telecommunications Act, BTC prepared and submitted for approval at CRC drafts for General Conditions for co-location of premises, equipment, channels and towers, which were approved by a decision of CRC at the middle of 2007. The decision of CRC for approval of the general conditions was appealed at the Supreme Administrative Court. With Decision 14/06.01.2009 9 three member jury of SAC rejected the appeals against the approved General Conditions for co-location of premises, equipment, channels and towers and confirmed CRC's Decision as a correct and legal.

According to the preceding and concluding provisions of the ECA the imposed by the Telecommunications Act obligations of the significant market power operators to co-locate premises, equipment, channels and towers are preserved until the enforcement of a decision for specific obligations of entities, defined as significant market power operators.

Cost oriented prices

In order to meet the requirements for provision of regulated services at cost oriented prices, BTC is implementing a system for determining of the cost of the provided services. The system has been developed in compliance with the regulatory framework of the EU and has been approved by CRC in April 2004. Based on this system, prices of leased lines, provision of unbundling access to subscription lines, specific access ad for co-location are defined.

In 2005, McKinsey & Co have performed a check of the system methodology and implemented some modifications, which have been presented to CRC for approval. With Decision 158/28.02.2008 CRC approved changes in the system for determining of the cost of the provided services.

Telecommunications services price regulation

In 2007, the prices of the fixed-voice telephony service are determined according to a price basket, fixed in the sub-regulatory basis of the Telecommunications Act by considering the level of costs. The last change of prices has been performed following a procedure of discussion with CRC and the current prices are approved by the regulatory body and are effective since 1 February 2007. During 2008 the prices for fixed voice telephone service are determined in accordance with a price cap defined in the License of BTC by giving an account of the expenditures level. The last price change has been made after a procedure of discussion with CRC and the current prices approved by the regulator became effective on 1 November 2008.

On 13 August 2008 BTC submitted in the CRC proposal for new prices that became effective on 1 November 2008. CRC with Decision 1960/11.09.2008 brought the proposal for price change back to be revised and obliged BTC to provide results from the System for determining of the cost of the provided services for whole services for the first half-year of 2008 as well as to provide information about the prices for termination under the interconnection agreements with foreign operators and motives for the requested change of the international zones. On 30 September 2008 BTC submitted new proposal and CRC took its final decision for approval of the prices, proposed by BTC. The new prices became effective on November 1, 2008.

In 2008 the prices for mobile voice telephone service are determined by the supply and demand under equality of the end-users categories, the volume of traffic and other conditions regarding the contract liberty

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations (continued)

Licenses

- **Fixed line communications**

On 28 January 2005 the CRC re-issued BTC's license for usage and development of telecommunications network on the territory of Bulgaria and rendering of telecommunication services through the network. The term of the license is until February 2019.

An annual license fee of 0.4% of annual revenue from telecommunication services billed to subscribers is payable quarterly in arrears. During 2008 и 2009 г. the annual fee is 0.2% of nominal annual revenue from provision of electronic communications networks and/or services without VAT included and after deduction of transferring payments to other undertakings for interconnection of networks and access, transit, roaming, valuated services, as well as expenses for settling copyrights and related rights for radio and television programs.

A fixed annual fee is to be paid to the CRC for access to limited frequency resources such as the radio-frequency spectrum. This fee is calculated on the basis of technical data and is payable quarterly in arrears as well. During 2008 and 2007 the fee was BGN 2,498 thousand and BGN 2,595 thousand, respectively

The fees are regulated by the CRC and relevant Council of Ministers Ordinances.

On 30 January 2007, the CRC issued BTC an individual license for carrying out communications through public telecommunications network from the mobile radio service from the type point to many points in the frequency band of 26 GHz with national coverage.

According to the requirements of the ECA, electronic communications are carried out freely after informing and/or after issuing a license for use of individually defined limited resource.

The issued individual licenses and certificates for operations under general licenses shall be transformed officially by entering into a register or the respective licenses shall be issued for use of individually defined limited resource.

As of the moment the CRC issued ex officio the following permissions for use of individually defined limited resource.

- Permission No 00353/29.05.2008 for use of individually defined limited resource-radiofrequency spectrum for provision of electronic communications by electronic communications network from fixed radio service from the type "point to multipoint";

- Permission No 00169/17.04.2008 for use of individually defined limited resource-radiofrequency spectrum for provision of electronic communications for own needs by electronic communications network from movable radio service-PMR;

-Permission No 00762/21.07.2008 for use of individually defined limited resource-radiofrequency spectrum for provision of electronic communications by electronic communications network for terrestrial digital radio broadcasting

- **Mobile line telecommunications**

In June 2004 the Communications Regulation Commission (CRC) grants BTC AD the license for building, exploitation and maintenance of cellular mobile telecommunications network under GSM standard with national coverage. The issued license is valid for the period of 20 years and grants the right of using radio frequency 900 and 1 800 MHz. According to the license BTC AD undertakes the commitment to ensure coverage of not less than 20% of the population within 12 month, not less than 40% within 24 months and not less than 65% within 3 years. BTC paid BGN 54,160,000 for the GSM license.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

1. General information (continued)

Regulations (continued)

In June 2005 BTC AD transferred the license to BTC Mobile after the CRC's approval. The license's value of BGN 54,160,000, initially paid by BTC AD was paid in as an in-kind contribution in the Company. BTC Mobile paid an annual fee in 2007 for frequency bands amounting to BGN 3,778,000 in quarterly instalments and a numbering plan fee of BGN 983,000. The annual fee of 0.4% of the annual revenue from telecommunication services provided to the subscribers is paid quarterly. In 2008 and 2009 the annual fee is 0.2% from the annual gross revenue from providing electronic communication networks and/or services, VAT excluded after subtracting the transfer payments to other companies for interconnection of networks and access, transit, roaming, value-added services, as well as costs for authority and related rights for radio and television programmes.

Based on the filed application, with decision No 1391 from 04.08.2008 CRC approved the transfer of the license to BTC and the respective permission for using individually limited resource will be issued consequently.

In April 2005 CRC granted BTC AD the license for building cellular mobile telecommunication network under UMTS standard with national coverage. The issued license is valid for 20 years and gives the right to use the following radio frequencies:

- 1930 – 1935 MHz (total of 5 MHz) for the territory of Bulgaria for transmitting from end mobile devices to base stations;
- 2120 – 2125 MHz (total of 5 MHz) for the territory of Bulgaria for transmitting from base stations to end mobile devices; and
- 2015 – 2020 MHz (total of 5 MHz) for the territory of Bulgaria

According to the license BTC AD undertakes the commitment to ensure coverage of not less than 15% of the population within 2 years and 144 kbps granted speed of information transfer and not less than 50% within 5 years and 144 kbps granted speed of information transfer and for Sofia, Plovdiv, Varna, Bourgas and Ruse the granted speed of information transfer has to be minimum 384 kbps. BTC paid BGN 42,000,000 for the UMTS license.

In August 2006 BTC AD transferred the license to BTC Mobile after the CRC's approval. The license's value of BGN 42,000,000, initially paid by BTC AD was paid in as an in-kind contribution in the Company. BTC Mobile paid an annual fee in 2007 for frequency bands amounting to BGN 1,500,000 in quarterly instalments and a numbering plan fee of BGN 983,000. The annual fee of 0.4% of the annual revenue from telecommunication services provided to the subscribers is paid quarterly. In 2008 and 2009 the annual fee is 0.2% from the annual gross revenue from providing electronic communication networks and/of services, VAT excluded after subtracting the transfer payments to other companies for interconnection of networks and access, transit, roaming, value-added services, as well as costs for authority and related rights for radio and television programmes.

Based on the filed application, with decision No 1391 from 04.08.2008 CRC approved the transfer of the license to BTC and the respective permission for using individually limited resource will be issued consequently.

Based in the filed application, with decision No 1064 from 26.06.2008 CRC approved the individual license No 114-01053/04.11.2004 for providing telecommunications through mobile cellular network under NMT and/or CDMA standards with national coverage granted to Radio Telecommunications Company EOOD to be transferred to BTC. The respective permission for using individually limited resource will be issued consequently

In April 2008 mobile number portability started.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

2.1. Basis of preparation

The consolidated and separate financial statements of BTC have been prepared in accordance with the International Financial Reporting Standards(IFRS) as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of land at fair value through equity.

Consolidated financial information, including subsidiaries, has been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

The presentation of the financial statements requires management to make the critical accounting estimates, accruals and assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

a) Interpretations effective in 2008 but not relevant:

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the group's operations:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

b) Standards, amendments and interpretations to existing standards that are not effective and have not been early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group is currently assessing what impact the standard will have on segment disclosures in the consolidated financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration.

Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRS, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

Reclassification of Financial Assets—Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures; and a subsequent amendment, Reclassification of Financial Assets: Effective Date and Transition. The amendments allow entities the options (a) to reclassify a financial asset out of the held to trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments may be applied with retrospective effect from 1 July 2008 for any reclassifications made in periods before 1 November 2008; the reclassifications allowed by the amendments may not be applied to periods before 1 July 2008 and retrospective reclassifications are only allowed if made prior to 1 November 2008. Any reclassification of a financial asset made on or after 1 November 2008 takes effect only from the date when the reclassification is made.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009, with earlier application permitted). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

IFRS 1, First-time Adoption of International Financial Reporting Standards (effective from 1 July 2009 following an amendment in December 2008). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

2.2. Consolidation

Subsidiaries

A subsidiary is an entity that is directly or indirectly controlled by the Company. Control is the power to govern the financial and operational policies of the subsidiary for obtaining benefits from its activities – generally accompanying a shareholding of more than one half of voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

For consolidation purposes, the separate financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company transactions and resulting profits or losses as of 31 December, 2008 and 2007, including unrealized profits at the year end, have been eliminated in full

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.3. Segment Reporting

For the business segment reporting the Group has applied as a criteria the two major business lines-Fixed line of business and Mobile line of business:

- The Fixed Line business segment provides voice and data services over the fixed network;
- The Mobile Line business segment provides mobile services (GSM, UMTS and NMT Standards)

Revenue of the Group is predominantly derived from operating activities in Bulgaria from Geographical prospective and as a result, segment reporting is only shown on the basis of business segments.

2.4. Functional and Presentation Currency

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. The Bulgarian National Bank ("BNB") determines the exchange rate of the BGN to the other currencies using the rate of the EUR to the respective currency, quoted at the international markets.

Transactions and balances

Foreign currency transactions are accounted for in BGN at the exchange rate at the date of the transaction. Monetary assets and liabilities, denominated in as foreign currency at 31 December, are translated at the closing exchange rate of BNB as at that date.

The foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement as "financial income or expense" at the moment when they arise, except when deferred in equity as qualifying cash flow hedges.

Financial instruments, denominated in foreign currency as at 31 December are reported in these financial statements at the closing exchange rate of BNB.

Non-monetary reporting items in the balance sheet, which have been denominated in a foreign currency on initial recognition, are recorded in the functional currency by applying the historical exchange rate of BNB at the date of the transaction and are not subsequently revalued at closing exchange rate.

2.5. Property, plant and equipment

Initial measurement

Upon their initial acquisition property, plant and equipment are valued at acquisition cost, which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to a suitable condition for its intended use (at fair value – upon business combinations). Directly attributable costs comprise mainly the costs of site preparation, initial delivery and handling costs, installation costs, professional fees for people related to the project, non-refundable taxes, etc.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.5. Property, plant and equipment (continued)

Subsequent measurement

The chosen approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value. Land is an exception to this rule and is revalued at fair value.

Revaluation of land is performed by independent certified appraisers usually in a period of three years. When indication of material changes in their fair value in shorter intervals, the revaluation may be performed in shorter periods.

Subsequent costs

Repair and maintenance costs are recognized as current expenses as incurred. Subsequent expenses incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalized in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Upon sale or disposal of property, plant and equipment, the cost and related accumulated depreciation is removed from the accounts.

Gains or losses on sale (disposal) are determined as the difference between the amounts received and the carrying amount of the asset and are presented net under "Other gains/(losses), net" in the income statement. When revalued assets are sold, the amount of the revaluation reserve is transferred to "Retained earnings".

Depreciation

Property, plant and equipment are depreciated by using the straight-line method over the estimated useful life of the asset. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life of the classes of assets is determined in accordance with their physical wear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence.

The estimated useful lives of the major classes of property, plant and equipment are as follows:

Class	Useful life
Analog switches	10 years
Digital switches	8–12 years
Transmission, distribution and remote switching	15–25 years
Optic cables	20–25 years
Mobile network	5–10 years
General support*	5–20 years

*General support represents mainly administrative buildings, cars and other IT environment

The useful life, set for any tangible fixed asset, is reviewed at each year-end and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.6. Intangible assets

Software and licenses

Software and licenses are the main items comprising intangible assets. Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be reliably measured. After initial recognition, intangible assets are measured at cost less accumulated amortization and any impairment losses (upon business combinations - at fair value). Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Useful life of licenses is from 5 years to 20 years. Useful life of software is from 4 years to 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

2.7 Investments in subsidiaries

In the separate financial statements investments in subsidiaries are accounted for at cost of acquisition, less impairment, if any. The cost of an acquisition is measured at the fair value of the consideration given, the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Under the cost method of accounting the investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.8. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the income statement as other operating expenses, except for land previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses of assets may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement as reduction of other operating expenses unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use

2.10. Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: 'loans and receivables', including cash and cash equivalents, and 'available-for-sale assets'. The classification depends on the substance and purpose (designation) of the financial assets at the date of their acquisition. The management of each Group company determines the classification of its financial assets at the date of their initial recognition in the balance sheet.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are carried as non-current assets.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.10. Financial instruments (continued)

Loans and receivables are carried at amortised cost, or cost if no maturity, less an allowance for uncollectibility with changes in carrying value (amortisation of discount/ premium and transactions costs) recognised in the consolidated income statement under finance income or finance costs. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in Trade receivables in the balance sheet.

Loans and receivables are recognised at the date, at which the asset is delivered to or by us. Thus, a loan is recognised at the moment the cash is transferred to the borrower, redemptions of a loan are recognised at the date the payment is received.

This group of financial assets includes: trade and other receivables, and cash and cash equivalents from the balance sheet. Interest income on loans and receivables is recognised by applying the effective interest method. It is presented in the income statement under 'Financial Expenses, Net'. (Note 24.)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either designated as available-for-sale or are not classified in any other category. These are usually unlisted or not actively traded shares or shares in other companies, acquired for investment purposes, and are included within non-current assets, except where the Company intends to sell them in the following 12 months and is actively searching for a buyer.

Available-for-sale financial assets are carried at fair value with unrealised gains and losses (except for impairment losses) recognised in equity, through the consolidated statement of changes in Company's equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is taken to the consolidated income statement for the period.

Purchases and sales of investments are recognised on trade date, the date on which we commit to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred and we have transferred substantially all risks and rewards of ownership.

Dividends on shares, classified as available-for-sale financial assets, are recognised in the income statement when the Company's right to receive the dividends is established.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2.11. Materials and supplies

Materials and supplies are principally composed of network establishment and maintenance materials valued at the lower of cost or net realizable value. Materials and supplies are expensed when utilized, using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

For the sale of a handset together with a contract, where the transaction is considered as non-separable from the contract, the cost of the handset above the selling price is treated as customer acquisition cost.

2.12. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than thirty days), and historical evidence of collectability are considered indicators that trade receivables are impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within 'Other operating expenses'. When a trade receivable is uncollectible and the relevant legal grounds are present, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Other operating expenses' in the income statement.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances of current bank deposits, term deposits with original maturity up to 3 months and all other amounts that are readily convertible into cash.

2.14. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Where any BTC Group company purchases BTC's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the BTC Group equity holders.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.15. Trade and other payables

Payables to suppliers and other current amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognised at fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest rate method. The amortised cost is calculated by taking into consideration all types of charges, commissions and other costs, including any discount or premium associated with these loans. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

All borrowing costs are recognized as financial expenses in the period in which they are incurred.

2. 17. Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18. Employee benefits

Defined contribution plans

According to the Bulgarian legislation, the Group is obliged to pay contributions to Social Security Funds. This obligation relates to full-time employees and provides for paying contributions to state pension fund by the employer and by the employee in the amount of certain percentages determined in the Social Security Code. These contributions are charged to the income statement in the period to which they relate.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2 Summary of significant accounting policies (continued)

2.18. Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognized as an expense in the income statement in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Group's obligations for social security and health insurance are recognized as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At each balance sheet date, the Group measures the expected costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remunerations and the statutory social security contributions due by the employer thereon.

Retirement benefit obligations

As discussed above, in accordance with the requirements of the Labour Code, the employer is obliged to pay an indemnity to its personnel upon coming of age for retirement, which depending on the length of service with the company, varies between 2 and 6 gross monthly salaries as at the termination date of the employment. In their nature these are defined benefit plans.

The calculation of the amount of these retirement benefit obligations necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, which is included in the balance sheet, and respectively, the change in their value, which included in the income statement. For this purpose, they apply the Projected Unit Credit Method.

Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments. The Group applies the '10% corridor approach', calculated based on the present value of the opening balance of the obligation for recognizing actuarial gains and losses.

Termination benefits

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the balance sheet at their present value.

2.19. Provisions for other liabilities and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. Restructuring provisions comprise employee termination payments

The measurement of provisions is based on the best estimate, made by the management at the balance sheet date, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation maturity is long-term.

When a part the resources required to settle the obligation is expected to be recovered from a third party, the Group recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured. Income is recognised in the same category of the income statement where the creations of the provision is charged.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.20. Revenue recognition

a) Sales of services

Revenue comprises in the ordinary course of business the fair value of consideration received or receivable from the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

All streams of revenue are recognized on a monthly accrual basis and to the extent that it is probable that the economic benefits will flow to the company from the Group and as far as the revenue can be reliably measured. Revenue is measured on the basis of the fair value of the services sold, net of indirect taxes (VAT) and any discounts and rebates granted.

Revenue streams

The Company's revenue is derived from the following telecommunication and ICT services and products:

- Outgoing traffic;
- Recurring charges
- Leased lines and Data transmission
- Interconnect
- Radio and TV broadcasting
- Other sales.

Outgoing traffic fees are charged at an agreed tariff for a fixed duration of time and are recognised as revenue based upon provided services on monthly basis. Recognition of revenue from prepaid cards is based on actual airtime usage or the expiration of the obligation to provide service.

Recurring charges consist of monthly subscription fees and are recognised as revenue over the associated period.

Leased lines and Data transmission fees are charged at an agreed rate in accordance with dedicated capacity of BTC's data network and are recognized as revenue over the associated subscription period.

Interconnect revenue include charges to other telecommunications providers which terminate or transit calls on BTC's network and roaming customers of other operators and are recognised gross in the income statement based on real network usage and settled on a net basis.

Radio and TV broadcasting revenue comprise charges for broadcasting and transmission of content of radio and TV operators and is recognized based upon airtime usage.

Other sales, comprise revenue generated from services not included in the streams above, which is recognised in the income statement when services are rendered.

b) Sale of goods

Revenue and expenses associated with the sale of telecommunications equipment and accessories are recognized when the products are delivered, provided there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement.

c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

d) Dividend Income

Dividend income is recognised when the right to receive payment is established.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

2. Summary of significant accounting policies (continued)

2.21. Expenses recognition

Operating expenses are recognized as they are incurred, following the accrual and matching concepts. Financial costs are recorded in the income statement when incurred and comprise of: interest expense, using the effective interest method, including bank charges and other direct expenses on loans and bank guarantees, and exchange differences on loans denominated in foreign currency (net).

2.22. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Finance lease

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Assets acquired under the terms of finance lease are depreciated on the basis of the useful life of the asset over the lease term.

Operating lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2.23. Dividends Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

3. Financial risk management

In the ordinary course of business, the Group can be exposed to a variety of financial risks the most important of which are currency risk, interest risk, price risk, credit risk, and liquidity risk. The financial risks are currently identified, measured and monitored by Treasury Department and the Managing Directors of each company within the Group through various control mechanisms in order to establish adequate prices for the services, provided by the company, to appropriately assess the market circumstances related to its investments and the forms for maintenance of free liquid funds through preventing undue concentration of a particular risk.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)

The following table presents the financial assets and liabilities of the Group classified by category:

Categories of financial instruments

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Financial assets				
Loans and receivables	77,737	73,533	234,550	167,101
Cash and cash equivalents	77,190	86,413	72,294	42,513
Financial assets available for sale	355	342	355	342
Financial liabilities				
Financial liabilities at amortised cost	1,134,715	796,444	1,098,025	717,775

Below are presented the various types of risks to which the companies of the Group are exposed upon performing their business activities as well as the adopted approach for managing these risks.

Credit risk

Credit risks or the risk of counter-parties defaulting, is controlled by the application of limits and monitoring procedures. The Group has no policy of obtaining collateral from its retail customers.

Credit risk is managed on BTC Group level. It arises from cash and cash equivalents, derivative financial instruments and deposits at banks, as well as from credit exposures to business and households, including overdue receivables and commitments.

Deposit at banks

Credit risk is managed on BTC Group level. It arises from cash and cash equivalents, derivative financial instruments and deposits at banks, as well as from credit exposures to business and households, including overdue receivables and commitments. According to Treasury policy, applicable to BTC and its subsidiaries, transactions are carried out only with financial institutions and banks with good credit standing. Credit exposure is controlled by individual credit limits of counterparties, which are regularly revised and appropriately approved. Limits for every third party are determined according to their long-term credit rating from S&P, Moody's or Fitch. The Treasury policy also defines the financial instruments, allowed to the Treasury Department, as well as the maximum maturity

Receivables and commitments

Trade receivables consist of a big number of customers, distributed by industries and geographical regions. The fixed net business of BTC follows the approved by CRC "General Rules of Contracts between BTC and Subscribers". The management of risk of non-payment of retail customers is carried out through a policy for termination of services, based on the individual monthly bill of the subscriber for the last 3 months. The retail subscribers contracts termination follows the General Conditions.

BTC has adopted a policy for mutual connection with operators and wholesale with partners with good credit rating by applying of respective guarantees for risk management.

The credit risk related to international accounts is managed through the possibilities for net arrangement with the contractual parties and by directing traffic through chosen routes in order to decrease of existing exposures. There is no significant risk concentration in receivables.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)

The customers of the mobile business at a subscription plan are valued by independent credit agencies, using scoring cards. The control values the credit ability of customers taking into account their financial position, repayment history and other factors. Individual credit limits are developed, base on internal and external sources of information in compliance with the credit policy. The levels of the credit limits and their daily observation are monitored. Most of the payment from customers are in cash.

The BTC Group is not exposed to credit risk from an individual partner or group of partners with similar profile. Trade relations with related parties are similar to those with third parties.

Liquidity risk

Liquidity risk arises from the mismatch of contractual maturity of monetary assets and liabilities and the possibility that trade debtors may not be able to settle obligations to the Parent company within the normal terms of trade. To manage such risk, the Parent company uses planning techniques, including but not limited to, arrangement of overdraft facilities, daily liquidity reports, and short and medium-term cash forecasts.

Maturity analysis

The table below presents the financial liabilities of the Group, grouped by remaining term to maturity, determined against the contractual maturity at the balance sheet date. The table is prepared on the basis of contracted undiscounted cash flows and the earliest date on which the liability becomes due for payment. The amounts include principal and interest.

For the Group:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Accounts payable	97,569	47,103	10,397	-	-	155,069
Long-term borrowings	4,360	9,043	127,661	294,449	900,093	1,335,606
Total financial liabilities	101,929	56,146	138,058	294,449	900,093	1,490,675

For BTC

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Accounts payable	88,050	28,194	2,135	-	-	118,379
Long-term borrowings	4,360	9,043	127,661	294,449	900,093	1,335,606
Total financial liabilities	92,410	37,237	129,796	294,449	900,093	1,453,985

Currency risk

Due to the fact that the companies within BTC Group use mainly BGN and EUR as operating currencies they are not significantly exposed to currency risk. Most of the income is generated in BGN while long term borrowings, interest expenses and part of the capital expenses are in EUR. This mismatch has not been a problem for the past 10 years as the Bulgarian lev is pegged to the euro. The major part of the cash flows that are in other foreign currencies (mainly US Dollars and Special Drawing Rights) are generated from international settlements and offset each other. Therefore, BTC's management believes that the effect from possible changes in foreign currency rates would have insignificantly affected profit or loss. At the same time the stability of the currency board needs to be monitored closely since a potential free floating of the local currency and devaluation of the Lev will significantly affect the financial situation of the Group.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

3. Financial risk management (continued)**Interest rate risk**

Liabilities of BTC sensitive to interest rates amount to BGN 979,647 thousand and the interest payments are based on EURIBOR. As of 31 December, 2008 the Parent company has used no instruments to compensate possible changes in the EURIBOR levels. However, potential hedging transactions are periodically measured based on the possible interest rate levels, as well as in accordance with the market risk policy and if necessary are performed such.

If the interest rate on borrowings were 2% higher, that would have resulted in an increase of interest expenses for 2008 and 2007 respectively by BGN 16,480 thousand and BGN 11,218 thousand therefore, the consolidated profit after taxation from continuing operations would have been BGN 20,803 thousand for 2008 and BGN 110,166 thousand for 2007. If the interest on long-term borrowings were 2% lower, that would result in lower interest expenses for 2008 and 2007 amounting respectively to BGN 16,480 thousand and BGN 11,218 thousand and therefore, profit from continuing operations after taxation would have been BGN 50,467 thousand for 2008 and BGN 130,358 thousand for 2007.

Capital risk management

The Group manages its equity in order to perform its activity as a going concern and to maximize return on equity of shareholders by optimizing the debt to equity ratio in medium term. Further comments on Group's consideration regarding the capital risk management are provided in note 3.24 (Going Concern

The equity structure of BTC consists of long-term borrowings (note 13), cash and cash equivalents (note 4) and equity, including share capital and retained earnings.

Parent company's management reviews its equity structure on a annual basis. The gearing ratios as of 31 December 2008 and 2007 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Total borrowings	979,646	617,460	979,646	617,460
Cash and cash equivalents	(77,190)	(86,413)	(72,294)	(42,513)
Net debt	902,456	531,047	907,352	574,947
Equity	680,482	1,103,118	749,544	1,406,205
Total capital	680,482	1,103,118	749,544	1,406,205
Gearing ratio	133%	48%	121%	41%

During the period gearing has increased in line with the plans of management to accelerate cash returns to shareholders. The management believes that higher gearing will result in more efficient capital structure and higher returns to the shareholders but aims to keep the ratio below 200%.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates could differ from the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a) Impairment of fixed assets

The ability of an tangible and intangible asset to generate sufficient future economic benefits to recover its carrying amount is usually subject to greater uncertainty. In performing these assessments of recoverable amount a significant number of estimates and judgments is required including but not limited to:

- An estimate of future cash flows expected to derive from these assets,
- Expectations about possible variations in the amount or timing of those future cash flows,
- The designation of the cash generating unit for which future cash flows are derived,
- The time value of money represented by weighted average cost of capital (WACC)
- Perpetual growth rate (PGR)

As at 31 December 2008 the Group performed impairment testing of its assets in both the fixed and mobile segments and as a result no need for impairment was identified in either segment. If estimated cash flows were 10% lower or WACC/PGR were 1% higher/lower there would still be no need for impairment.

As stated in Note 13, in the Company's separate financial statements, BTC impaired its investment in BTC Mobile as at 31 December 2008. The table below summarizes the sensitivity analysis of the significant estimates. These sensitivities are calculated on an individual basis (*ceteris paribus*) and as such, any combination of these hypothetical changes would result in higher amounts of impairment.

Estimate	Change (%)	Effect on value in use
Cash flow decrease	(10%)	(40,700)
WACC absolute increase	1%	(52,500)
PGR absolute decrease	(1%)	(18,500)

b) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that the accounting estimate related to the determination of the useful lives of assets is a critical accounting estimate since it involves assumptions about technological development in an innovative industry. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations.

Were the actual useful lives of the assets to differ by 10% from management's estimates, the carrying value of the plant and equipment and respectively depreciation and amortization charge would be an estimated BGN 23,290 higher/lower.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

4. Critical accounting estimates and judgments(continued)

c) Provisions and contingent liabilities

As set out in Note 29 the Group is a participant in several lawsuits and administrative proceedings. The Group's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive).

A provision is recognized when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs.

d) Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. In 2008 The Group realized a profit of BGN 32,054 thousand (2007 – BGN 120,262 thousand). The Group's net current liabilities as at 31 December 2008 are BGN 21,638 thousand (31 December 2007 – BGN 11,647 thousand). The future viability of the Group depends upon the business environment as well as upon the continuing support of the existing and potential owners and providers of finance. If this risk is not mitigated and if the business of the Group was to be wound down and its assets sold, adjustments would have to be made to reduce the balance sheet value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify property, plant and equipment and long term liabilities as current assets and liabilities. The directors, in light of their assessment of expected future cash flows, are satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

The events surrounding the ultimate parent of BTC – AIG and potential impact of these events have been described in detail in section 1, General information. BTC's management believes these have no impact on the going concern status of the company.

e) Subscriber acquisition costs

Costs to acquire telecommunication customers are capitalized and amortized over the minimum enforceable contractual period as these will be recovered from the future revenue generated from the customers. In the event that a customer terminates a service contract prior to the expiration of the minimum enforceable contractual period, any unamortized customer acquisition costs are written off.

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

5. Cash and cash equivalents

As at 31 December 2008 and 31 December 2007 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Current accounts and cash in hand				
Held in BGN	3,379	53,154	2,888	33,988
Held in EUR	2,950	12,875	2,641	4,173
Held in foreign currencies other than EUR	212	1,428	86	1,352
Total current accounts and cash in hand	6,541	67,457	5,615	39,513
Term deposits				
Held in BGN	60,870	18,956	56,900	3,000
Held in EUR	9,779	-	9,779	-
Total term deposits	70,649	18,956	66,679	3,000
Total cash and cash equivalents	77,190	86,413	72,294	42,513

As disclosed in note 17 on 14 November 2007 BTC signed agreements to secure payments related to Company's liabilities under the new agreement loan by establishing a pledge on the receivables on bank accounts and from its insurers of the Group.

Rating	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
AA+	450	65,108	450	32,742
AA		87		
AA-	465			
A+	20,537		17,120	
A-	6,000	301	6,000	293
BBB+	20,025	5,277	20,025	878
BBB	10,577	4	10,177	4
BBB-	15,840		15,186	
BB-	22			
B+		54		43
Not rated banks		11,876		4,858
Total cash at current accounts and term deposits	73,916	82,707	68,958	38,818

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

6. Trade receivables

As at 31 December 2008 and 31 December 2007 trade receivables include:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Trade receivables	126,071	105,546	101,623	85,778
<i>incl. international settlement receivables</i>	31,752	19,634	31,322	19,158
Intercompany receivables	-	235	170,827	106,413
Other receivables	3,323	5,818	2,572	4,190
Total	129,394	111,599	275,022	196,381
Provision for impairment of receivables	(51,659)	(38,066)	(40,472)	(29,280)
Trade receivables, net	77,737	73,533	234,550	167,101

Movement of the provision for impairment of accounts receivables in 2008 and 2007 is as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Balance at the beginning of the period	38,066	32,332	29,280	26,671
Discontinued operations balance	(451)	-	(451)	-
Accrued impairment	20,044	15,871	16,703	11,927
Impairment of receivables written off	(6,000)	(10,137)	(5,060)	(9,318)
Balance at the end of the period	51,659	38,066	40,472	29,280

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

6. Trade receivables (continued)

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

Business customers

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Balance at the beginning of the period	15,883	17,281	13,789	15,755
Discontinued operations balance	(451)	-	(451)	-
Accrued impairment	5,678	5,633	4,736	5,065
Impairment of receivables written off	(3,877)	(7,031)	(3,865)	(7,031)
Balance at the end of the period	17,233	15,883	14,209	13,789

Residential customers

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Balance at the beginning of the period	22,183	15,051	15,491	10,916
Accrued impairment	14,366	10,238	11,967	6,862
Impairment of receivables written off	(2,123)	(3,106)	(1,195)	(2,287)
Balance at the end of the period	34,426	22,183	26,263	15,491

Related parties balances are shown in note 28.

As of 31 December, 2008 and 31 December, 2007 receivables of the Group at the amount of BGN 6,463 and 6,060 thousand were assessed individually and the impairment amounts to 6,419 and 6,010 thousand. For the Company receivables at the amount BGN 6,323 and 5,936 thousand were assessed individually and the impairment amounts to BGN 6,323 and 5,930 thousand.

As of 31 December, 2008 and 31 December, 2007 the age structure of overdue receivables not impaired is as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
From 60 to 90 days	365	464	6,740	9,101
From 91 to 180 days	1,203	3,451	16,167	28,532
From 181 to 360 days	333	1,086	40,020	41,255
Above 1 year	342	731	85,893	906
Total	2,243	5,732	148,820	79,794

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

Type	Carrying amount of the receivable as of	
	31.12.2008	31.12.2007
Outside the country	2,739	163
Outside the country	1,866	-
Within the country	1,623	3
Within the country	1,562	1,562
Within the country	1,391	1,149

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

7. Inventories

The materials and supplies as of 31 December, 2008 and 31 December, 2007 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Materials and supplies, net	30,332	41,484	28,939	40,078
Merchandise and other, net	14,386	11,559	14,437	156
Total materials and supplies	44,718	53,043	43,376	40,234

Impairment charges related to the inventory items for the reporting period were BGN 6,542 for the group and BGN 5,177 for the company which were recognized as other operating expenses.

8. Discontinued operations

On 3 December 2008 BTC agreed with Oesterreichische Rundfunksender GmbH & Co KG (ORS) the sale of National Unit Radio and TV Systems (NU RTS), internal unit of BTC for radio and TV broadcasting on the territory of Republic of Bulgaria. ORS has been selected through a competitive international tender with the participation of several strategic and financial investors. Essential element for the transaction is the approval of the relevant regulatory authorities which is the condition for its closing. As at 31 December 2008 NU RTS was classified as a disposal group held for sale and as a discontinued operation.

The results of NU RTS for the year is presented below:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Revenue	44,713	38,022	45,672	38,851
Other operating expenses	(10,267)	(12,240)	(10,773)	(13,327)
Materials and consumables expenses	(12,406)	(11,735)	(12,406)	(11,735)
Staff costs	(9,261)	(9,580)	(8,755)	(8,493)
Depreciation and amortization	(7,308)	(8,360)	(7,308)	(8,360)
Other gains, net	6	-	6	-
Profit (loss) before tax from a discontinued operation	5,477	(3,893)	6,436	(3,064)
Income tax expenses	(547)	(294)	(644)	(285)
Profit/(Loss) for the year from discontinued operation	4,930	(4,187)	5,792	(3,349)

The net cash flows incurred by NU RTS are as follows:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Operating activities	8,836	9,068	9,795	9,897
Investing activities	(6,110)	(8,016)	(6,110)	(8,016)
Net cash flow	2,726	1,052	3,685	1,881

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

9. Assets classified as held for sale

	Note	Consolidated financial statements		Separate financial statements	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
Real estates, held for sale	9.1	504	-	504	-
Assets related to NU RTS operations	9.2	96,519	-	96,519	-
Total assets held for sale		97,023	-	97,023	-
Liabilities associated with assets held for sale		12,845	-	12,845	-

9.1 Real estates, held for sale

In December 2008 BTC signed three preliminary agreements for the sale of real estates reported in the balance sheet by their net asset value

9.2 NU RTS operations

The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	Consolidated financial statements	Separate financial statements
Assets		
Property, plant, equipment	86,811	86,811
Intangible assets	561	561
Trade and other receivables	5,027	5,027
Inventories	4,120	4,120
Assets classified as held for sale	96,519	96,519
Liabilities		
Trade payables	5,553	5,553
Other Payables	1,840	1,840
Deferred tax liabilities, net	5,452	5,452
Liabilities associated with assets held for sale	12,845	12,845
Net assets associated with assets held for sale	83,674	83,674
Revaluation reserves	21,129	21,129
Deferred tax on revaluation reserves	(2,113)	(2,113)
Reserve of disposal group classified as held for sale	19,016	19,016

10. Other current assets

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Prepayments	27,100	13,278	21,441	8,013
VAT recoverable and other	9,008	7,063	829	-
Total other current assets	36,108	20,341	22,270	8,013

Subscriber acquisition cost are included in other assets above, which for the Group are BGN 6,140 thousand and for the Company are BGN 829 thousand.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

11. Property, plant and equipment

The composition of consolidated property, plant and equipment for the Group as of 31 December 2008 and 31 December 2007 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2006	1,071,592	845,261	379,215	143,885	2,439,953
Additions	1,888	91	451	283,428	285,858
Transfers	203,552	28,315	52,586	(284,453)	-
Assets held for sale	(13,810)	-	(770)	(307)	(14,887)
Disposals	(29,569)	(2,393)	(25,976)	(392)	(58,330)
At 31 December 2007	1,233,653	871,274	405,506	142,161	2,652,594
Additions	11,016		132	136,807	147,955
Transfers	128,224	24,982	31,639	(184,845)	
Reclassification	(3,300)	14,675	(3,837)	-	7,538
Impairment	-	-	-	(2,390)	(2,390)
Transfer to assets held for sale	(102,731)	(2,769)	(95,333)	(3,857)	(204,690)
Disposals	(51,563)	(975)	(23,013)	(652)	(76,203)
At 31 December 2008	1,215,299	907,187	315,094	87,224	2,524,804
<i>Accumulated depreciation</i>					
At 31 December 2006	475,835	521,905	170,380	-	1,168,120
Depreciation charge	100,153	17,189	27,015	-	144,357
Assets held for sale	(1,874)	-	(74)	-	(1,948)
Impairment	(10,617)	-	(558)	-	(11,175)
Disposals	(24,092)	(2,130)	(25,001)	-	(51,223)
At 31 December, 2007	539,405	536,964	171,762	-	1,248,131
Depreciation charged	121,832	21,805	30,949	-	174,586
Reclassification	(1,013)	11,622	(3,071)	-	7,538
Transfer to assets held for sale	(73,647)	(2,168)	(41,560)	-	(117,375)
Disposals	(34,254)	(881)	(22,016)	-	(57,151)
At 31 December 2008	552,323	567,342	136,064	-	1,255,729
<i>Net book value</i>					
At 31 December 2007	694,248	334,310	233,744	142,161	1,404,463
At 31 December 2008	662,976	339,845	179,030	87,224	1,269,075

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

11. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 31 December 2008 and 31 December 2007 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2006	958,287	859,936	360,938	69,680	2,248,841
Additions		91	453	112,975	113,519
Transfers	68,325	28,315	40,533	(137,173)	-
Disposals	(29,491)	(2,393)	(25,512)	(393)	(57,789)
At 31 December 2007	997,121	885,949	376,412	45,089	2,304,571
Additions			100	85,965	86,065
Transfers	45,031	24,981	23,451	(93,463)	-
Transfer to assets held for sale	(102,731)	(2,769)	(95,333)	(3,857)	(204,690)
Disposals	(32,009)	(974)	(22,206)	(18)	(55,207)
At 31 December 2008	907,412	907,187	282,424	33,716	2,130,739
<i>Accumulated depreciation</i>					
At 31 December 2006	441,181	533,527	164,819	-	1,139,527
Depreciation charge	76,280	17,189	24,347	-	117,816
Disposals	(24,037)	(2,130)	(24,778)	-	(50,945)
At 31 December 2007	493,424	548,586	164,388	-	1,206,398
Depreciation charge	78,863	21,805	25,899	-	126,567
Transfer to assets held for sale	(73,647)	(2,168)	(41,560)	-	(117,375)
Disposals	(25,212)	(881)	(21,462)	-	(47,555)
At 31 December 2008	473,428	567,342	127,265	-	1,168,035
<i>Net book value</i>					
At 31 December 2007	503,697	337,363	212,024	45,089	1,098,173
At 31 December 2008	433,984	339,845	155,159	33,716	962,704

As disclosed in note 17 on November 14, 2007 BTC signed agreements to secure payments related to Parent company's liabilities under the new loan agreement by establishing a pledge on real estate property, which net book value as of 31 December, 2008 amounted to BGN 38,670 thousand, and as of 31 December 2007 their net book value was BGN 39,805 thousand.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

12. Intangible assets

As of 31 December, 2008 and 31 December, 2007 consolidated intangible assets of the Group are as follows

	Licenses	Software	Intangible assets under construction	Total
<i>Gross book value</i>				
At 31 December 2006	99,782	271,295	11,289	382,366
Additions	790	128,068	7,859	136,717
Reversal of impairment	-	-	672	672
Disposals	-	(14,651)	(1)	(14,652)
At 31 December 2007	100,572	384,712	19,819	505,103
Additions(Transfers)	18,558	71,028	(13,615)	75,971
Reclassification	4,690	2,170	-	6,860
Transfer to assets held for sale	(743)	(1,109)	-	(1,852)
Disposals	(11)	(8,345)	(197)	(8,553)
At 31 December 2008	123,066	448,456	6,007	577,529
<i>Accumulated amortization</i>				
At 31 December 2006	1,806	115,516	-	117,322
Amortization charge	6,350	40,118	-	46,468
Disposals	-	(14,625)	-	(14,625)
At 31 December 2007	8,156	141,009	-	149,165
Amortization charge	7,204	51,106	-	58,310
Reclassification	4,690	2,170	-	6,860
Transfer to assets held for sale	(295)	(996)	-	(1,291)
Disposals	(6)	(4,692)	-	(4,698)
At 31 December 2008	19,749	188,597	-	208,346
<i>Net book value</i>				
At 31 December 2007	92,416	243,703	19,819	355,938
At 31 December 2008	103,317	259,859	6,007	369,183

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

12. Intangible assets (continued)

As of 31 December, 2008 and 31 December, 2007 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Intangible assets under construction	Total
<i>Gross book value</i>				
At 31 December 2006	472	181,320	5,941	187,733
Additions	462	90,869	1,025	92,356
Reversal of impairment	-	-	672	672
Disposals	-	(14,651)	(1)	(14,652)
At 31 December 2007	934	257,538	7,637	266,109
Additions(Transfers)	18,545	27,368	(4,415)	41,498
Transfer to assets held for sale	(743)	(1,109)	-	(1,852)
Disposals	-	(2,940)	-	(2,940)
At 31 December 2008	18,736	280,857	3,222	302,815
<i>Accumulated amortization</i>				
At 31 December 2006	161	99,771	-	99,932
Amortization charge	107	26,061	-	26,168
Disposals	-	(14,625)	-	(14,625)
At 31 December 2007	268	111,207	-	111,475
Amortization charge	950	30,304	-	31,254
Transfer to assets held for sale	(295)	(996)	-	(1,291)
Disposals	-	(2,836)	-	(2,836)
At 31 December 2008	923	137,679	-	138,602
<i>Net book value</i>				
31 December 2007	666	146,331	7,637	154,634
31 December 2008	17,813	143,178	3,222	164,213

13. Investments

Investments available for sale on the Group level as of 31 December 2008 and 31 December 2007 are as follows:

Entity	31.12.2008	31.12.2007
Intersputnik	178	160
Satbird	143	143
Economic & Investment Bank – Sofia	20	20
Sofia Commodity Exchange	14	14
Auxiliary Farm "Kamenica"	-	5
Total investment	355	342

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

13. Investments (continued)

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

Subsidiaries	31.12.2008	Share	31.12.2007	Description
Investments in subsidiaries:				
BTC Mobile	403,125	100%	713,257	Mobile operator
Bulfon	-	100%	2,325	Prepaid phone services operator
BTC Net	794	100%	794	Internet provider
BTC Security	5	100%	5	Protection
Total investments in subsidiaries	403,924		716,381	
Other investments	355		342	
Total investments	404,279		716,723	

Cash contribution of BGN 35,000 thousand was made during the period as at 31 December 2008 to the capital of BTC Mobile.

In 2008 BTC impaired its investment in BTC Mobile. An impairment charge amounting to BGN 347,457 thousand is recognised in the separate income statement in Other operating expenses. This impairment will be reversed in the individual financial statements at the date of the merger of BTC Mobile in BTC, as disclosed in note 30, and has no effect on the consolidated financial statements.

The carrying amount of the investment has been reduced to its recoverable amount, based on estimated Value in Use. In the calculations, BTC uses a range of weighted average cost of capital (WACC) before tax depending on the changes in country risk premium over time as summarized in the table below. The Perpetual growth rate (PGR) applied is 2 %. The WACCs are determined based on CAPM (capital asset pricing model) using the average betas of the peer group, 15 year S&P Composite Index for publicly traded corporate bonds (BBB) and a debt ratio in line with the usual indebtedness of listed peer telecommunications companies, while the PGRs used are in line with the long-term average growth rate for the mobile telecommunications sector.

Period	WACC (%)
2009 – 2012	16.3
2013 – 2018	14.7

14. Trade payables

The payables to suppliers as of 31 December 2008 and 31 December 2007 are as it follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Payables to suppliers of non current assets	81,521	101,473	34,412	45,188
Payables to telecom operators	17,872	11,963	15,470	10,517
Payables to suppliers of network maintenance	9,930	9,843	4,570	7,346
Payables to related parties (Note 28)	7,828	7,635	39,614	10,807
Payables to international accounts	2,088	2,833	675	1,458
Others	35,830	45,237	23,638	24,999
Total trade payables	155,069	178,984	118,379	100,315

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

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

15. Other payables

Other payables as of 31 December 2008 and 31 December 2007 are as follows:

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Payables to employees	14,420	26,450	14,215	19,974
Deferred income	9,524	8,876	-	-
Social securities	3,491	4,910	3,479	4,146
Personal income tax payable	2,735	4,741	2,720	4,265
VAT	2,103	3,484	1,633	3,300
Cable project MECMA	2,044	952	2,044	952
Advances from clients	1,609	879	1,608	879
Interest payable	1,348	973	1,348	973
Withholding and other taxes	383	528	383	391
Payables for license fee	364	759	338	693
Others	2,194	2,580	959	1,577
Total other payables	40,215	55,132	28,727	37,150

The liabilities under Cable projects MECMA amounting to BGN 2,044 and 952 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.

16. Provisions for other liabilities and charges

Consolidated financial statements

	Decommissioning	Restructuring	Legal claims	Future discounts	Total
At 1 January 2008	4,563	3,656	1,742	-	9,961
Charged to the income statement	368	9,000	1,934	217	11,519
Used during year	-	(3,656)	(1,550)	-	(5,206)
Discount rate adjustment	228	-	-	-	228
At 31 December 2008	5,159	9,000	2,126	217	16,502

Analysis of provision in consolidated financial statements

	31.12.2008	31.12.2007
Non-current (decommissioning costs)	5,159	4,563
Current	11,343	5,398
Total	16,502	9,961

Separate financial statements

	Restructuring	Legal claims	Total
At 1 January 2008	3,238	542	3,780
Charged to the income statement	9,000	1,934	10,934
Used during year	(3,238)	(350)	(3,588)
At 31 December 2008	9,000	2,126	11,126

The whole amount of the provision is classified as current.

BULGARIAN TELECOMMUNICATION COMPANY AD

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

16. Provisions for other liabilities and charges (continued)

Decommissioning

A provision has been recognised for decommissioning costs associated with BTC Mobile sites, integrated in 2008. The provision has been capitalized to the cost of the sites to the amount of the present value of the decommissioning obligation after ceasing operation.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2009 and is recognised as staff cost in the income statement.

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)

Future discounts

An accrual is made for expected discount to be granted to dealers of BTC Mobile for subscriber equipment sold during the year. The discount is related to subscriber acquisition initiatives with the dealers. Assumptions used to calculate the accrual were based on current sales levels and current information available about the volume of the discount applied in previous years.

17. Borrowings

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

	31.12.2008	31.12.2007
New Syndicated credit facility	979,646	614,098
Financial lease	-	3,362
Short-term portion	(88,033)	(3,362)
Total borrowings	891,613	614,098

On August 21, 2007 BTC refinanced its debt under the existing syndicated credit facility amounting to EUR 350 million. On August 17, 2007 BTC became a party to a new loan agreement organized by Royal Bank of Scotland, Deutsche Bank AG, London branch, UBS Limited and Bank Austria Creditanstalt AG with a mandate to organize syndicated financing. Under the new loan agreement BTC has two term facilities and revolving facility. The first term loan which matures after 8 years can be used to pay existing financial liabilities. The second term loan which matures in seven years can be used to finance capital expenses of BTC and its subsidiaries. The third facility is on a revolving basis and it can be utilized for working capital, as well as for other needs of the companies in the Group.

Interest rate accrued for each interest period is calculated based on the respective value of EURIBOR plus margin. The margin is calculated depending on the ratio of the consolidated total net debt to the consolidated pro forma profit before interest, taxes and amortization. As of October 31, 2007 the loan margins of BTC were change and varied between 2,25% and 2,75% for the first facility and between 1,5% and 2,25% for the second and the revolving facility. On November 14, 2007 BTC signed agreement to secure the payments of Company's liabilities under the new loan agreement, by which was established a special pledge of BTC, including on the shares held in the subsidiaries, real estate property with net book value as of 31 December, 2008 at the amount of BGN 38,670 thousand, and a pledge on the receivables from the Company's bank accounts, and from its insurers.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

17. Borrowings (continued)

On 9 May 2008 BTC has reclaimed 141,891 thousand Euro from the first term loan.

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. The average effective borrowing rate is 6.10%. The fair value of Group's and Company's lease obligations approximates their carrying amount.

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Finance lease payables with maturity:				
Within one year	-	3,514	-	3,362
In the second to fifth years inclusive	-	-	-	-
Total payables	-	3,514	-	3,362
Less: future finance charges	-	(152)	-	-
Present value of lease obligations	-	3,362	-	3,362

18. Deferred tax assets and liabilities

As of 31 December, 2008 and 2007 the deferred tax, are as it follows:

For the Group:

Deferred tax assets	Tax loss carried forward	Retirement benefit obligations	Allowance for impairment	Property, plant and equipment	Expense accruals	Total
At 1 January 2007	7,192	32	430	3,009	2,659	13,322
Charged/(credited) to the income statement	17,072	3	375	4,189	(1,710)	19,929
At 31 December 2007	24,264	35	805	7,198	949	33,251
Charged/(credited) to the income statement	(24,259)	(22)	351	5,025	(415)	(19,320)
Company merger	-	(13)	(1,106)	(12,268)	(532)	(13,919)
Transfer to deferred tax liabilities	-	-	(8)	41	(1)	32
Subsidiary disposal	-	-	(29)	-	-	(29)
At 31 December 2008	5	-	13	(4)	1	15

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment	Property, plant and equipment	Expense accruals	Total
At 1 January 2007	(726)	(2,518)	57,480	(5,105)	49,131
Charged/(credited) to the income statement	(163)	(410)	3,073	(309)	2,191
At 31 December 2007	(889)	(2,928)	60,553	(5,414)	51,322
Charged/(credited) to the income statement	529	(1,169)	(1,392)	2,082	50
Company merger	(13)	(1,106)	(12,268)	(532)	(13,919)
Transfer from deferred tax assets	-	(8)	41	(1)	32
Discontinued operations	-	47	(5,614)	115	(5,452)
At 31 December 2008	(373)	(5,164)	41,320	(3,750)	32,033

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

18. Deferred tax assets and liabilities (continued)

Deferred tax charge(credit) to income statement	2008	2007
Deferred tax liabilities	50	2,191
Deferred tax assets	19,320	(19,927)
Total charged in income statement	19,370	(17,736)
Deferred tax charge(credit) for discontinued operations	(94)	-
Deferred tax charge for continuing operations	19,464	(17,736)
Total charged in income statement	19,370	(17,736)

For BTC:

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment	Property, plant and equipment	Expense accruals	Total
At 1 January 2007	(726)	(2,518)	57,480	(5,105)	49,131
Charged/(credited) to the income statement	(163)	(410)	3,073	(309)	2,191
At 31 December 2007	(889)	(2,928)	60,553	(5,414)	51,322
Charged/(credited) to the income statement	529	(1,170)	(1,392)	2,082	49
Discontinued operations	-	47	(5,614)	115	(5,452)
At 31 December 2008	(360)	(4,051)	53,547	(3,217)	45,919

Deferred tax charge(credit) to income statement	2008	2007
Deferred tax liabilities	49	2,191
Total charged to income statement	49	2,191
Deferred tax charge(credit) for discontinued operations	(94)	-
Deferred tax charge for continuing operations	143	2,191
Total charged to income statement	49	2,191

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 2008 and 2007 are calculated in these financial statements at 10% tax rate which is effective as of 1 January 2007.

The Group tax losses are available for 5 years to be offset against future taxable profits. This is not applicable for merger transactions. The amount of BGN 24,259 thousand in the Group deferred tax assets note above represents the deferred tax on loss carried forward of the merging entities written off in 2008.

The last period audited by the tax authorities for BTC is 2006 and for BTC Mobile is 2005.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

19. Retirement benefit obligations

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

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

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

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

	Consolidated financial statements		Separate financial statements	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Liability at the beginning of the period	9,246	7,585	8,893	7,258
<i>Past service cost</i>	(6,171)	607	(5,944)	687
<i>Current service cost</i>	569	612	552	519
<i>Interest cost</i>	273	499	271	483
Total cost recognized in the income statement	(5,329)	1,718	(5,121)	1,689
Payments to retirees	(195)	(57)	(176)	(54)
Liability at the end of the period	3,722	9,246	3,596	8,893

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

	31.12.2008	31.12.2007
Discount rate at 31 December	6.2%	5.7%
Future salary increases per year	6%	6%
Average age of retirement – male employees	63	63
Average age of retirement – female employees	59.5	59

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 2005 – 2007.

20. Share capital and dividends

	31.12.2008	31.12.2007
Number of shares	288,764,840	288,764,840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288,764	288,764
Foreign exchange adjustments from prior hyperinflationary period	263,137	263,137
Share capital	551,901	551,901

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

20. Share capital and dividends (continued)

Structure of the share capital:

	31.12.2008	%
<i>Number of ordinary shares:</i>		
NEF Telecom Bulgaria OOD	271,349,053	94%
Other shareholders	17,415,786	6%
Total ordinary shares	288,764,839	100%
<i>Number of preference shares:</i>		
The Republic of Bulgaria	1	100%
Total number of shares	288,764,840	100%

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

As of 31 December 2008, 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. This preference share gives to the owner specific rights being mainly right to appoint one member of the supervisory board and the managing board and veto right in disposal of strategic telecommunication equipment.

Earnings per share	Consolidated financial statements		Separate financial statements	
	Year ended		Year ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Profit/(loss) for distribution from continuing operations	32,054	120,262	(202,833)	251,902
Profit/(loss) for distribution from discontinuing operations	4,930	(4,187)	5,792	(3,349)
Total profit/(loss) for distribution	36,984	116,075	(197,041)	248,553
Weighted average number of ordinary shares	288,765	288,765	288,765	288,765
Earnings per share (BGN)	0.13	0.40	-	0.86

Earnings per share have been calculated using the weighted average number of ordinary shares increased after the share split made in 2005 (when the nominal value of the shares was changed from BGN 35 to BGN 1).

Dividends payable

The Annual General Meeting of Shareholders, held on April 14, 2008, voted to distribute out BTC's distributable reserves dividends, at the total amount of EUR 235,000 thousand (BGN 459,620 thousand)

	31.12.2008	31.12.2007
Dividend approved by the General shareholders' meeting	459,620	158,821
Non-distributed dividends for prior years	78	11
Tax on dividend	(1,376)	(3,821)
Net dividends paid	(409,274)	(154,933)
Total dividend payable	49,048	78

As shown in Note 28, dividends payable outstanding as at 31 December 2008 includes the amount of BGN 48,770 thousand – dividends to NEF Telecom Bulgaria OOD.

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

21. Revenue

Revenue of the Group and the Company for the years ended 31 December, 2008 and 2007 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Recurring charges	340,835	331,483	289,860	297,450
Outgoing traffic	312,516	373,019	228,744	307,406
Leased lines and data transmission	161,891	145,895	188,587	216,309
Interconnect	133,900	98,216	106,137	81,653
Other revenue	37,540	33,871	31,617	29,059
Total revenue	986,682	982,484	844,945	931,877

22. Other operating expenses

Other operating expenses for the years ended 31 December, 2008 and 2007 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Advertising, customer service, billing and collection	67,452	89,760	30,181	42,569
Maintenance and repairs	54,430	42,974	34,047	29,686
Professional Fees	39,130	55,646	38,714	53,344
Facilities	19,827	17,148	16,222	16,540
Vehicles and transport	15,246	15,061	12,910	12,484
Administration expenses	14,284	19,631	13,193	17,399
License fees	12,844	13,324	5,328	5,810
Cost of value added services (VAS)	6,382	4,584	3,206	2,790
Leased lines and data transmission	5,827	4,814	5,763	5,396
Other	41,328	29,719	380,621	22,178
Total other operating expenses	276,750	292,661	540,185	208,196

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

Services for the independent audit of the financial statements for 2008 are included in Professional Fees, which amount to BGN 703 thousands for the Group, and BGN 554 thousands for the Company

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

23. Staff costs

Staff costs for the years ended 31 December 2008 and 2007 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Salaries and wages	109,675	121,105	94,306	97,110
Pension, health and unemployment fund contributions	20,928	23,365	17,889	19,745
Other benefits	5,311	6,086	4,929	5,114
Other staff costs	2,897	7,212	2,566	2,787
Total staff costs	138,811	157,768	119,690	124,756

As stated in note 19 the amounts of post employment termination benefits included/(reversed) in salaries and wages above for the consolidated and separate financial statements are respectively for 2008 BGN (5,329) thousand and BGN(5,121) thousand and for 2007 – BGN 1,719 thousand and BGN 1,689 thousand.

24. Financial expense, net

Financial expenses net for the years ended 31 December 2008 and 2007 consist of:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Interest expenses	60,978	42,257	60,750	41,985
Interest income	(1,436)	(3,355)	(978)	(2,095)
Gains from financial instruments	-	(6,803)	-	(6,803)
Foreign exchange gains, net	(1,036)	(1,059)	(987)	(1,086)
Other expenses (income), net	61	109	(3,730)	89
Total financial income and expenses, net	58,567	31,149	55,055	32,090

BGN 3,700 dividend from the subsidiary BTC Net is included in Other expenses(income), net in the separate financial statements for 2008.

25. Other gains, net

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Gains from sales of non-current assets	3,403	5,118	2,838	5,616
Gains/(Loss) from sales of materials	(369)	136	(372)	145
Other losses	(71)	-	-	-
Total other gains, net	2,963	5,254	2,466	5,761

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

25. Other gains, net (continued)

In the Consolidated financial statements the income from sales of PPE for 2008 was BGN 4,070 thousand and their net book value was BGN 667 thousand. For 2007 these figures are respectively BGN 8,075 thousand and BGN 2,957 thousand. The income from sales of materials in 2008 was BGN 434 thousand and cost of sales was BGN 803 thousand. For 2007 these figures were BGN 1,745 thousand and BGN 1,609 thousand respectively.

In the Separate financial statements the income from sales of PPE for 2008 was BGN 3,017 thousand and their net book value was BGN 179 thousand. For 2007 these figures are BGN 6,298 thousand and BGN 682 thousand respectively. The income from sales of materials in 2008 was BGN 427 thousand and cost of sales was BGN 799 thousand. For 2007 these figures were BGN 1,745 thousand and BGN 1,600 thousand respectively.

26. Tax expense

Income tax expenses for the years ended 31 December 2008 and 2007 are as follows:

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Current income tax charge	19,733	26,490	19,621	26,469
Deferred tax charge/(credit) to income statement	19,464	(18,030)	143	1,906
Total tax expense	39,197	8,460	19,764	28,375

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Profit/(loss) before tax from continuing operations	71,251	128,721	(183,069)	280,277
Profit/(loss) before tax from discontinued operations	5,477	(3,893)	6,436	(3,064)
Total profit/(loss) before tax	76,728	124,828	(176,633)	277,213
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	7,673	12,483	(17,663)	27,721
Effect of permanent tax differences	726	1,375	34,945	872
Effect of current tax from previous periods, accounted during the year	305	(6,218)	300	-
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	31,041	1,114	2,826	67
Income tax expense	39,745	8,754	20,408	28,660
Effective tax rate	51,80%	7,01%	11,95%	10,34%
Income tax expense in the income statement	39,197	8,460	19,764	28,375
Income tax to a discontinued operation	548	294	644	285
Total income tax expense	39,745	8,754	20,408	28,660

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

27. Business segments

For management purposes, the Group 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, UMTS and NMT Standards)

Segment information as of and for the period ended 31 December 2008 is presented below.

Revenue	Continuing operations				Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations	Total		
External sales	795,252	191,430	-	986,682	44,713	1,031,395
Inter-segment sales	55,083	39,570	(94,653)			
Total revenue	850,335	231,000	(94,653)	986,682	44,713	1,031,395

Result	Continuing operations				Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations	Total		
Segment result	(126,336)	(90,552)	346,706	129,818	5,477	135,295
Interest expenses, net				(59,542)	-	(59,542)
Other income, net				975	-	975
Profit before tax				71,251	5,477	76,728
Income tax expense				(39,197)	(547)	(39,744)
Net profit for the year				32,054	4,930	36,984

Other information	Continuing operations				Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations	Total		
Capital addition	127,563	100,613	(4,250)	223,926	-	223,926
Depreciation and amortization	151,770	80,009	221	232,000	7,308	239,308
Impairment losses in profit and loss	369,351	7,082	(347,457)	28,976	291	29,267

Balance sheet	Continuing operations				Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations	Total		
Assets						
Segment assets	1,503,983	575,165	(204,595)	1,874,553	96,519	1,971,072
Unallocated assets				369	-	369
Total Assets				1,874,922	96,519	1,971,441
Liabilities						
Segment liabilities	296,280	257,076	(204,340)	349,016	12,845	361,861
Unallocated liabilities				929,098	-	929,098
Total Liabilities				1,278,114	12,845	1,290,959

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

27. Business segments (continued)

Segment information about the Group's operations as of and for the period ended 31 December 2007 is presented below.

Revenue	Continuing operations				Total	Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations				
External sales	845,602	136,882	-	982,484	38,022	1,020,506	
Inter-segment sales	94,086	19,932	(114,018)	-	-	-	
Total revenue	939,688	156,814	(114,018)	982,484	38,022	1,020,506	

Result	Continuing operations				Total	Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations				
Segment result	313,595	(154,334)	610	159,871	(3,893)	155,978	
Interest expenses, net				(38,902)	-	(38,902)	
Other income, net				7,753	-	7,753	
Profit before tax				128,722	(3,893)	124,829	
Income tax expense				(8,460)	(294)	(8,754)	
Net profit for the year				120,262	(4,187)	116,075	

Other information	Continuing operations				Total	Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations				
Capital addition	205,873	219,245	(2,543)	422,575	-	-	
Depreciation and amortization	135,944	46,521	-	182,465	8,360	190,825	
Impairment losses in profit and loss	11,995	5,842	-	17,837	60	17,897	

Balance sheet	Continuing operations				Total	Discontinued operations NU RTS	Total operations
	Fixed line of business	Mobile line of business	Eliminations				
Assets							
Segment assets	1,521,933	583,001	(110,704)	1,994,230	-	1,994,230	
Unallocated assets				33,594	-	33,594	
Total Assets				2,027,824	-	2,027,824	
Liabilities							
Segment liabilities	154,976	209,486	(111,138)	253,324	-	253,324	
Unallocated liabilities				671,382	-	671,382	
Total Liabilities				924,706	-	924,706	

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

28. 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;

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 December 2008 and 31 December 2007:

For the Group:	Note	Receivables		Payables	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
NEF Telecom Bulgaria OOD	Parent	-	235	56,598	7,635
Total for BTC group		-	235	56,598	7,635

For BTC:	Note	Receivables		Payables	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
BTC Mobile EOOD	Subsidiary	170,051	96,051	31,785	3,153
BTC Security EOOD	Subsidiary	740	13	1	303
BTC Net EOOD	Subsidiary	36	66	-	20
Bulfon EAD	Subsidiary	-	845	-	(284)
RTC EOOD	Subsidiary	-	9,203	-	(20)
NEF Telecom Bulgaria OOD	Parent	-	235	56,598	7,635
Total for BTC		170,827	106,413	88,384	10,807

The balance on NEF Telecom Bulgaria OOD payable includes the amount of BGN 48,770 thousand which represents outstanding dividend payable for the year 2007 as of the balance sheet date. The amount was paid on 31 January 2009.

Transactions

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

	Note	Consolidated financial statements		Separate financial statements	
		Year ended	Year ended	Year ended	Year ended
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
NEF Telecom Bulgaria OOD	Parent	35,701	17,230	35,701	17,230
BTC Mobile EOOD	Subsidiary	-	-	23,298	15,393
BTC Security EOOD	Subsidiary	-	-	2,191	4,738
Bulfon EAD	Subsidiary	-	-	907	3,068
BTC Net EOOD	Subsidiary	-	-	17	25
RTC EOOD	Subsidiary	-	-	-	556
Advent BTC UK Ltd.	Parent	-	22,097	-	22,097
Sycamore EOOD	Parent	-	3,874	-	3,874
Total for BTC		35,701	43,201	62,114	66,981

BULGARIAN TELECOMMUNICATION COMPANY AD**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

28. Related parties (continued)

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

	Note	Separate financial statements	
		Year ended 31.12.2008	Year ended 31.12.2007
BTC Mobile EOOD	Subsidiary	55,909	84,188
RTC EOOD	Subsidiary	-	9,937
BTC Net EOOD	Subsidiary	1,003	1,269
Bulfon EAD	Subsidiary	82	2,155
BTC Security EOOD	Subsidiary	5	5
Total for BTC		56,999	97,554

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 31 December 2008 and 31 December 2007. In accordance with a management contract NEF Telecom Bulgaria OOD, Sofica provides consulting and managing services to BTC and respectively the remunerations and social securities of the management are accrued as external services.

Certain management remunerations are paid by the parent company and recharged to the entity as part of a management charge as disclosed above. This management charge, which for 2008 amounted to BGN 35,701 thousand (BGN 37,422 thousand for 2007) also includes additional recharges of payroll cost, technical services and other administration costs borne by the parent on behalf of the Group and it is not possible to identify separately the amounts paid as remuneration of the members of the Board of Directors.

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

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 31 December, 2008, is presented in the table below:

For the Group:

Equipment description	Aggregate contracted amount	Delivered till 31.12.2008	Commitments outstanding
Hardware and software	23,999	10,514	13,485
Construction and assembly works of the BTC	46,147	11,364	34,783
Network equipment	103,699	34,949	68,750
TOTAL	173,845	56,827	117,018

For BTC:

Equipment description	Aggregate contracted amount	Delivered till 31.12.2008	Commitments outstanding
Hardware and software	11,725	1,551	10,174
Construction and assembly works of the BTC	37,199	10,989	26,210
Network equipment	30,075	11,851	18,224
TOTAL	78,999	24,391	54,608

BULGARIAN TELECOMMUNICATION COMPANY AD
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2008

All amounts are in thousand BGN, unless otherwise stated

29. Commitments and contingencies (continued)

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.

30. Operating lease

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Minimum lease payments	12,981	12,425	10,994	10,319

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

	Consolidated financial statements		Separate financial statements	
	Year ended 31.12.2008	Year ended 31.12.2007	Year ended 31.12.2008	Year ended 31.12.2007
Within one year	7,664	12,729	6,784	10,984
In the second to fifth years inclusive	5,430	7,976	4,966	5,911
Total commitments	13,094	20,705	11,750	16,895

Operating lease payments represent rentals payable for certain parts of the vehicles of the Group and the Company. Leases and rentals are negotiated for an average term of three years.

30. Post balance sheet events

BTC Mobile EOOD (BTC Mobile) was merged in BTC AD and the transformation was registered in the Commercial Register on 13 January 2009.

As a result, BTC Mobile has ceased to exist as a separate legal entity, by virtue of law BTC has become universal legal successor of BTC Mobile and all assets, rights and obligations of BTC Mobile have passed to BTC automatically as of the date of entry of the merger in the Commercial Register of the Bulgarian Registry Agency.

Independent auditor's report

To the Shareholders of the Bulgarian Telecommunication Company AD

Report on the Separate and Consolidated Financial Statements

- 1 We have audited the accompanying separate and consolidated financial statements of Bulgarian Telecommunication Company AD (the Company) and its subsidiaries (the 'Group') which comprise the separate and consolidated balance sheets as of 31 December 2008 and the separate and consolidated income statements, separate and consolidated statements of changes in equity and separate and consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. Except as described in paragraph 6, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion on the separate financial statements

- 6 As described in Note 13, an impairment of the investment in BTC Mobile amounting to BGN 347,457 thousand is charged to the separate income statement for 2008. There is insufficient information to determine what portion of this charge might have been accounted in prior periods. Consequently, we were not able to determine whether any adjustments to the amount recognised in the separate income statement for 2008 might have been necessary had we been able to obtain such information.

Opinion


- 7 In our opinion,
- the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
 - except for the possible effects of the matter discussed in the preceding paragraph, the accompanying separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Annual Director's Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Director's Report is consistent with the annual separate and consolidated financial statements of the Company and the Group.

In our opinion, the Annual Director's Report set out on pages 1 to 12, is consistent with the accompanying separate and consolidated financial statements of the Company and the Group as of 31 December 2008.



Rositsa Boteva
Registered Auditor

10 April 2009, Sofia





Petko Dimitrov
PricewaterhouseCoopers Audit OOD