

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

30-Sep-2012

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

As at 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated Financial Statements		Separate Financial Statements	
		30.9.2012	31.12.2011	30.9.2012	31.12.2011
ASSETS					
Current assets					
Cash and cash equivalents	4.	88 909	141 664	87 496	141 355
Trade receivables	5.	88 850	159 488	87 879	159 497
Inventories	6.	27 581	25 734	27 581	25 734
Other assets	8.	18 109	16 970	18 109	16 969
Assets of disposal group held for sale	7.	1 891	1 892	1 891	1 892
Total current assets		225 340	345 748	222 956	345 447
Non-current assets					
Goodwill		3 706	3 706	3 706	3 706
Property, plant and equipment	9.	949 622	1 007 369	949 622	1 007 369
Intangible assets	10.	278 744	304 922	278 735	304 913
Investments		335	335	1 134	1 134
Trade receivables	5.	5 191	4 642	5 191	4 642
Deferred tax assets, net	16.	8	73	-	-
Total non-current assets, net		1 237 606	1 321 047	1 238 388	1 321 764
TOTAL ASSETS		1 462 946	1 666 795	1 461 344	1 667 211
LIABILITIES AND EQUITY					
Current liabilities					
Dividends payable	18.	5	158 092	5	158 092
Trade payables	12.	62 559	75 921	65 517	75 921
Other payables	13.	43 380	41 392	43 249	41 392
Current income tax liabilities		788	404	372	404
Provisions for other liabilities and charges	14.	5 748	12 460	5 748	12 460
Borrowings	15.	937 064	994 925	937 064	994 925
Total current liabilities		1 049 544	1 283 194	1 051 955	1 283 194
Non current liabilities					
Borrowings	15.	1 339	3 393	1 339	3 393
Deferred tax liabilities, net	16.	25 124	27 210	25 124	27 210
Retirement benefit obligations	17.	1 682	1 610	1 682	1 610
Provisions for other liabilities and charges	14.	7 879	7 329	7 879	7 329
Trade and other payables		5 892	4 926	5 892	4 926
Total non current liabilities		41 916	44 468	41 916	44 468
Equity					
Share capital	18.	288 765	288 765	288 765	288 765
Reserves		39 776	39 810	39 776	39 810
Retained earnings		42 945	10 558	38 932	10 974
Total equity		371 486	339 133	367 473	339 549
TOTAL LIABILITIES AND EQUITY		1 462 946	1 666 795	1 461 344	1 667 211

These financial statements were approved on 16.10.2012

Bernard Moscheni
CEO

Atanas Dobrev
CFO

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

BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated financial statements	Notes	Nine months ended		Three months ended	
		30.9.2012	30.9.2011 (restated)	30.9.2012	30.9.2011 (restated)
Revenue	19.	650 433	654 371	208 963	230 280
Interconnect expenses		(93 628)	(97 897)	(19 218)	(42 208)
Other operating expenses	20.	(174 470)	(186 996)	(60 485)	(68 352)
Materials and consumables expenses		(75 495)	(76 296)	(28 822)	(24 499)
Staff costs	21.	(50 813)	(47 327)	(17 474)	(15 850)
Depreciation and amortization	9., 10.	(209 317)	(202 007)	(74 284)	(68 268)
Finance costs	22.	(24 007)	(31 069)	(7 331)	(12 327)
Finance income	22.	7 063	6 037	2 029	1 775
Other gains, net	23.	6 891	6 262	2 395	5 997
Share of profit of joint ventures		-	2 272	-	-
Profit before tax		36 657	27 350	5 773	6 548
Income tax expenses	24.	(3 736)	(2 707)	(407)	(1 118)
Profit for the period		32 921	24 643	5 366	5 430
Other comprehensive income/(loss)					
Currency forward		(595)	368	(306)	500
Loss on revaluation of land		(37)	-	-	-
Income tax effect		63	(37)	30	(50)
Other comprehensive income for the period, net of tax		(569)	331	(276)	450
Total comprehensive income for the period		32 352	24 974	5 090	5 880
Earnings per share (basic and diluted)		0,11	0,09	0,02	0,02

Separate financial statements	Notes	Nine months ended		Three months ended	
		30.9.2012	30.9.2011 (restated)	30.9.2012	30.9.2011 (restated)
Revenue	19.	642 786	654 417	201 276	230 273
Interconnect expenses		(90 849)	(97 891)	(16 443)	(42 206)
Other operating expenses	20.	(174 516)	(185 641)	(60 489)	(67 000)
Materials and consumables expenses		(75 489)	(76 280)	(28 821)	(24 493)
Staff costs	21.	(50 810)	(47 324)	(17 474)	(15 849)
Depreciation and amortization	9., 10.	(209 316)	(202 004)	(74 283)	(68 267)
Finance costs	22.	(24 007)	(31 068)	(7 332)	(12 327)
Finance income	22.	7 056	8 960	2 029	4 706
Other gains, net	23.	6 891	6 262	2 395	5 997
Profit/(loss) before tax		31 746	29 431	858	10 834
Income tax (expenses)/credit	24.	(3 254)	(2 714)	74	(1 118)
Profit for the period		28 492	26 717	932	9 716
Other comprehensive income/(loss)					
Currency forward		(595)	368	(306)	500
Loss on revaluation of land		(37)	-	-	-
Income tax effect		63	(37)	30	(50)
Other comprehensive income for the period, net of tax		(569)	331	(276)	450
Total comprehensive income for the period		27 923	27 048	656	10 166
Earnings per share (basic and diluted)		0,10	0,09	0,00	0,03

These financial statements were approved on 16.10.2012

Bernard Moscheni

CEO

Atanas Dobrev

CFO

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

Consolidated Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2011	288 765	28 876	11 527	178 870	508 038
Loss on currency forward	-	-	-	331	331
Net income for the period	-	-	-	24 643	24 643
Total comprehensive income	-	-	-	24 974	24 974
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	(176 146)	(176 146)
Total transactions with owners	-	-	-	(176 146)	(176 146)
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 30 September 2011	288 765	28 876	11 437	27 788	356 866
Balance as at 1 January 2012	288 765	28 876	10 932	10 560	339 133
Loss on revaluation of land	-	-	(34)	-	(34)
Loss on currency forward	-	-	-	(535)	(535)
Net income for the period	-	-	-	32 921	32 921
Total comprehensive income	-	-	(34)	32 386	32 352
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 September 2012	288 765	28 876	10 898	42 946	371 485

Separate Financial Statements

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2011	288 765	28 876	11 527	177 217	506 385
Loss on currency forward	-	-	-	331	331
Net income for the period	-	-	-	26 717	26 717
Total comprehensive income	-	-	-	27 048	27 048
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	(176 146)	(176 146)
Total transactions with owners	-	-	-	(176 146)	(176 146)
Transfer to retained earnings	-	-	(90)	90	-
Balance as at 30 September 2011	288 765	28 876	11 437	28 209	357 287
Balance as at 1 January 2012	288 765	28 876	10 934	10 975	339 550
Loss on revaluation of land	-	-	(34)	-	(34)
Loss on currency forward	-	-	-	(535)	(535)
Net income for the period	-	-	-	28 492	28 492
Total comprehensive income	-	-	(34)	27 957	27 923
Transactions with owners	-	-	-	-	-
Dividends	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30 September 2012	288 765	28 876	10 900	38 932	367 473

These financial statements were approved on 16.10.2012

Bernard Moscheni

CEO

Atanas Dobrev

CFO

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

BULGARIAN TELECOMMUNICATIONS COMPANY AD
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

	Notes	Consolidated financial statement		Separate financial statement	
		Nine months ended		Nine months ended	
		30.9.2012	30.09.2011	30.9.2012	30.09.2011
Cash flows from operating activities					
Profit before tax		36 657	27 350	31 746	29 431
Adjustment for:					
Depreciation and amortization	9., 10.	209 317	202 007	209 316	202 004
Impairment and write off of receivables		14 930	19 210	14 923	19 199
Impairment of assets		585	5 706	585	4 352
Interest expenses, net		16 649	22 700	16 656	22 712
Profit from operations with non-current asset		(2 543)	(1 065)	(2 543)	(1 065)
Carrying amount of inventories written-off		63	65	63	65
Income/(loss) from operations with financial instruments		(23)	2 154	(23)	2 154
Income from investment operations		-	(2 308)	-	(2 971)
Increase/(Decrease) in provisions for other liabilities and charges		(5 173)	1 776	(5 173)	1 776
Changes in operating assets and liabilities					
Increase in operating assets		(5 282)	(21 032)	(4 333)	(20 702)
Increase in operating liabilities		2 547	11 379	5 383	11 092
Cash generated from operations		267 727	267 942	266 600	268 047
Interest received		6 482	4 371	6 475	4 360
Interest paid		(22 392)	(27 988)	(22 392)	(27 988)
Corporate income tax paid		(5 309)	(9 230)	(5 309)	(9 230)
Net cash from operating activities		246 508	235 095	245 374	235 189
Proceeds from sale of property, plant and equipment		8 496	4 973	8 496	4 973
Purchase of property, plant and equipment		(105 590)	(83 161)	(105 590)	(83 161)
Purchase of other non-current assets		(36 536)	(21 900)	(36 536)	(21 900)
Dividends received		31	37	31	37
Cash deposits with maturity greater than three months		52 314	-	52 344	-
Sale of investments		-	58 675	-	58 675
Net cash used in investing activities		(81 285)	(41 376)	(81 255)	(41 376)
Repayments of long-term borrowings		(59 169)	-	(59 169)	-
Dividend paid		(158 087)	(139 518)	(158 087)	(139 518)
Payments of obligations under finance lease		(747)	(1 502)	(747)	(1 502)
Net cash used in financing activities		(218 003)	(141 020)	(218 003)	(141 020)
Net increase/(decrease) in cash and cash equivalents		(52 780)	52 699	(53 884)	52 793
Exchange gain on cash		25	123	25	123
Cash and cash equivalents at the beginning of the year		141 664	154 523	141 355	154 163
Cash and cash equivalents at the end of the period		88 909	207 345	87 496	207 079

These financial statements were approved on 16.10.2012

Bernard Moscheni

CEO

Atanas Dobrev

CFO

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

1. General information

The Parent Company – Bulgarian Telecommunications Company AD

Bulgarian Telecommunications Company AD (“BTC”, the “Parent Company” or the “Company”) is a public joint stock company, domiciled in Bulgaria, with its registration address: 115 I, Tzarigradsko shausse Blvd, Hermes park, building A, 1784 Sofia. BTC’s activities include development, operation and maintenance of the national fixed and mobile network and data system for the Republic of Bulgaria.

The Ultimate Parent Company is PineBridge Investments Limited (“PIL”). PineBridge Investments Partners LLC (“PineBridge”) is a wholly-owned subsidiary of PIL. PineBridge holds its interest with third party investors in the Company through PineBridge Black Sea Holdings, L.P., (formerly AIG Black Sea Holdings, L.P.) and related funds (the "Entities"). The Entities’ general partners are controlled by PineBridge. PineBridge has less than 1% of the economic interest in the Entities.

The Group

As at 30 September 2012 and 2011 and 31 December 2011 the Group includes the subsidiary entity BTC Net EOOD.

BTC Security EOOD/ Renamed to BTC Net EOOD

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

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

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

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

2. Functional and Presentation Currency

These financial statements are prepared in thousand Bulgarian Levs (BGN), unless otherwise stated, whereas the Bulgarian Lev has been accepted as presentation currency for the presentation of Group's consolidated financial statements. Effective from 1 January 1999, the Bulgarian Lev was fixed to the EUR at a rate BGN 1.95583 = EUR 1.00.

3. Summary of significant accounting policies

This condensed interim consolidated and separate financial report has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The same accounting policies and methods of calculation are applied in the present interim separate and consolidated financial statement, as in the annual consolidated financial statements of the Group for the year ended 31 December 2011.

As disclosed in note 19 as of 30 September 2012 the Company adopted policy to recognize revenue from value added services net of cost of value added services (VAS). The comparative data are restated accordingly.

4. Cash and cash equivalents

As at 30 September 2012 and 31 December 2011 the components of the cash and cash equivalents are:

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Current accounts and cash in hand				
Held in BGN	2 748	3 914	2 335	3 911
Held in EUR	1 656	1 559	660	1 559
Held in foreign currencies other than EUR	147	364	143	363
Total current accounts and cash in hand	4 551	5 837	3 138	5 833
Term deposits				
Held in BGN	84 358	135 827	84 358	135 522
Held in EUR	-	-	-	-
Total term deposits	84 358	135 827	84 358	135 522
Total cash and cash equivalents	88 909	141 664	87 496	141 355

As disclosed in note 15 on 14 November 2007 BTC signed agreements to secure payments related to Company's liabilities under the new agreement loan by establishing a pledge on the receivables on bank accounts and from its insurers of the Group.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables

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

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Trade receivables	147 960	164 714	142 566	164 354
<i>incl. international settlement receivables</i>	<i>14 486</i>	<i>30 009</i>	<i>10 306</i>	<i>30 009</i>
Intercompany receivables	400	371	4 781	656
Other receivables	7 178	63 242	7 146	63 239
Total	155 538	228 327	154 493	228 249
Provision for impairment of receivables	(61 497)	(64 197)	(61 423)	(64 110)
Total Trade receivables	94 041	164 130	93 070	164 139
Incl:				
Non-current portion: trade receivables	5 561	4 953	5 561	4 953
Provision for impairment of receivables	(370)	(311)	(370)	(311)
Total non-current portion: trade receivables	5 191	4 642	5 191	4 642
Current portion trade receivables	149 977	223 374	148 932	223 296
Provision for impairment of receivables	(61 127)	(63 886)	(61 053)	(63 799)
Total current portion: trade receivables	88 850	159 488	87 879	159 497

Other receivables as at 30 September 2012 and 31 December 2011 include respectively BGN 2,193 thousand (for the consolidated financial statements), 2,163 thousand (for the separate financial statements) and 54,507 thousand term cash deposits with maturity greater than three months.

All non-current receivables are due within two years from the end of the reporting period and relate to sales of mobile phone sets on finance lease agreements with customers. The net investment in finance leases for the Group and BTC may be analyzed as follows:

	Gross receivables from finance leases		Net investment in finance leases	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Finance leases receivables with maturity:				
Within one year	10 632	13 805	9 992	13 088
In the second to fifth years inclusive	3 818	3 201	3 699	3 109
Total receivables	14 450	17 006	13 691	16 197
Less: unearned finance income	(759)	(809)	-	-
Provision for impairment of receivables	(1 368)	(1 620)	(1 368)	(1 620)
Net investment in finance leases	12 323	14 577	12 323	14 577

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

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Balance at the beginning of the period	64 197	78 744	64 110	78 609
Accrued impairment	11 247	21 420	11 239	21 407
Impairment of receivables written off	(13 947)	(35 967)	(13 926)	(35 906)
Balance at the end of the period	61 497	64 197	61 423	64 110

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables (continued)

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

Business customers	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Balance at the beginning of the period	19 364	30 748	19 277	30 613
Accrued impairment	3 038	(373)	3 030	(386)
Impairment of receivables written off	(6 668)	(11 011)	(6 647)	(10 950)
Balance at the end of the period	15 734	19 364	15 660	19 277

Residential customers	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Balance at the beginning of the period	44 833	47 996	44 833	47 996
Accrued impairment	8 209	21 793	8 209	21 793
Impairment of receivables written off	(7 279)	(24 956)	(7 279)	(24 956)
Balance at the end of the period	45 763	44 833	45 763	44 833

Related parties balances are shown in note 26.

As of 30 September 2012 and 31 December 2011 receivables of the Group and the Company at the amount of BGN 10,317 and 4,589 thousand were assessed individually and the impairment amounts to 3,826 and 4,297 thousand.

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

	Consolidated and Separate financial statements	
	30.9.2012	31.12.2011
From 60 to 90 days	6 599	5 808
From 91 to 180 days	52	343
From 181 to 360 days	43	93
Above 1 year	258	143
Total	6 951	6 387

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

Consolidated financial statements

Type	Carrying amount of the receivable as of	
	30.9.2012	31.12.2011
Outside the country	7 369	10 622
In the country	1 532	1 110
In the country	1 506	380
Outside the country	669	-
Outside the country	618	-

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

5. Trade receivables (continued)

Separate financial statements

Type	Carrying amount of the receivable as of	
	30.9.2012	31.12.2011
Outside the country	7 369	10 622
In the country	1 532	1 110
In the country	1 506	380
In the country	525	824
Outside the country	270	307

6. Inventories

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

	Consolidated and Separate financial statements	
	30.9.2012	31.12.2011
Materials and supplies, net	5 142	5 999
Merchandise and other, net	22 439	19 735
Total materials and supplies	27 581	25 734

7. Assets classified as held for sale

	30.9.2012	31.12.2011
Real estates, held for sale	1 891	1 892
Total assets held for sale	1 891	1 892

As of 30 September 2012 and 31 December 2011 BTC has signed several preliminary agreements for the sale of real estates reported in the balance sheet by their net asset value, excluding a few properties stated on the lower than their carrying value contracted price.

8. Other current assets

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

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Prepayments	14 336	12 332	14 336	12 333
Other current assets	3 773	4 638	3 773	4 636
Total other current assets	18 109	16 970	18 109	16 969

Subscriber acquisition cost, representing mainly fees paid to distributors, are included in other assets above, which for the Group and the Company are BGN 3,773 thousand as of 30 September 2012. As of 31 December 2011 they amount to BGN 3,950 thousand.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment

The composition of property, plant and equipment for the Group as of 30 September 2012 and 31 December 2011 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2010	1 347 918	896 582	282 317	39 821	2 566 638
Revaluation	-	-	(559)	-	(559)
Additions	4 011	-	87	122 531	126 629
Transfers	101 717	9 973	12 720	(124 410)	-
Impairment	-	-	-	(2 411)	(2 411)
Assets held for sale	-	-	5 024	-	5 024
Disposals	(64 232)	(11 014)	(15 274)	(2 049)	(92 569)
At 31 December 2011	1 389 414	895 541	284 315	33 482	2 602 752
Revaluation	-	-	(37)	-	(37)
Additions	295	-	3	89 303	89 601
Transfers	52 196	9 477	7 306	(68 979)	-
Impairment	-	-	-	153	153
Assets held for sale	-	-	(61)	-	(61)
Disposals	(36 442)	(14 668)	(11 732)	(352)	(63 194)
At 30 September 2012	1 405 463	890 350	279 794	53 607	2 629 214
<i>Accumulated depreciation</i>					
At 31 December 2010	741 389	583 514	152 641	-	1 477 544
Depreciation charged	135 146	24 069	27 927	-	187 142
Impairment	4 878	5	(238)	-	4 645
Assets held for sale	-	-	542	-	542
Disposals	(50 701)	(9 956)	(13 833)	-	(74 490)
At 31 December 2011	830 712	597 632	167 039	-	1 595 383
Depreciation charged	103 514	18 432	18 944	-	140 890
Impairment	669	14	55	-	738
Assets held for sale	-	-	(38)	-	(38)
Disposals	(31 899)	(14 417)	(11 065)	-	(57 381)
At 30 September 2012	902 996	601 661	174 935	-	1 679 592
<i>Net book value</i>					
At 31 December 2011	558 702	297 909	117 276	33 482	1 007 369
At 30 September 2012	502 467	288 689	104 859	53 607	949 622

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

9. Property, plant and equipment (continued)

The composition of property, plant and equipment on BTC stand alone basis as of 30 September 2012 and 31 December 2011 is as follows:

	Switching	Transmission	General support	Construction in progress	Total
<i>Gross Book Value</i>					
At 31 December 2010	1 347 771	896 582	282 800	39 821	2 566 974
Revaluation	-	-	(559)	-	(559)
Additions	4 011	-	87	122 531	126 629
Transfers	101 717	9 973	12 720	(124 410)	-
Impairment	-	-	-	(2 411)	(2 411)
Assets held for sale	-	-	5 024	-	5 024
Disposals	(64 085)	(11 014)	(15 221)	(2 049)	(92 369)
At 31 December 2011	1 389 414	895 541	284 851	33 482	2 603 288
Revaluation	-	-	(37)	-	(37)
Additions	295	-	3	89 303	89 601
Transfers	52 196	9 477	7 306	(68 979)	-
Impairment	-	-	-	153	153
Assets held for sale	-	-	(61)	-	(61)
Disposals	(36 442)	(14 668)	(11 732)	(352)	(63 194)
At 30 September 2012	1 405 463	890 350	280 330	53 607	2 629 750
<i>Accumulated depreciation</i>					
At 31 December 2010	741 245	583 514	153 124	-	1 477 883
Depreciation charged	135 144	24 069	27 927	-	187 140
Impairment	4 878	5	(238)	-	4 645
Assets held for sale	-	-	542	-	542
Disposals	(50 555)	(9 956)	(13 780)	-	(74 291)
At 31 December 2011	830 712	597 632	167 575	-	1 595 919
Depreciation charged	103 514	18 432	18 944	-	140 890
Impairment	669	14	55	-	738
Assets held for sale	-	-	(38)	-	(38)
Disposals	(31 899)	(14 417)	(11 065)	-	(57 381)
At 30 September 2012	902 996	601 661	175 471	-	1 680 128
<i>Net book value</i>					
At 31 December 2011	558 702	297 909	117 276	33 482	1 007 369
At 30 September 2012	502 467	288 689	104 859	53 607	949 622

On the base of § 8 Para 1 of Transitional and concluding provisions to the Law for amendment and supplement of the law for privatization and post-privatization control the Agency for Privatization and Post-privatization Control imposed statutory mortgage on 694 properties of BTC with a net book value as of 30 September 2012 amounting to BGN 26,852 thousand(BGN 22,951 for 688 properties as of 31 December 2011).

As disclosed in note 15 on November 14, 2007 BTC signed agreements to secure payments related to Parent company's liabilities under the new loan agreement by establishing a pledge on real estate property, which net book value as of 30 September 2012 amounted to BGN 17,405 thousand, and as of 31 December 2011 their net book value was BGN 18,680 thousand.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets

As of 30 September 2012 and 31 December 2011 intangible assets of the Group are as follows

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2010	119 044	509 687	14 711	5 387	648 829
Additions(Transfers)	726	53 116	5 604	(2 025)	57 421
Disposals	-	(19 384)	(52)	-	(19 436)
At 31 December 2011	119 770	543 419	20 263	3 362	686 814
Additions(Transfers)	336	29 849	4 557	1 794	36 536
Disposals	-	(18 000)	(206)	-	(18 206)
At 30 September 2012	120 106	555 268	24 614	5 156	705 144
<i>Accumulated amortization</i>					
At 31 December 2010	33 702	282 526	2 488	-	318 716
Amortization charge	7 252	70 215	2 862	-	80 329
Impairment	-	2 151	-	-	2 151
Disposals	-	(19 291)	(13)	-	(19 304)
At 31 December 2011	40 954	335 601	5 337	-	381 892
Amortization charge	5 462	53 107	3 981	-	62 550
Disposals	-	(17 941)	(101)	-	(18 042)
At 30 September 2012	46 416	370 767	9 217	-	426 400
<i>Net book value</i>					
At 31 December 2011	78 816	207 818	14 926	3 362	304 922
At 30 September 2012	73 690	184 501	15 397	5 156	278 744

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

10. Intangible assets (continued)

As of 30 September 2012 and 31 December 2011 intangible assets on BTC stand alone bases are as follows:

	Licenses	Software	Other intangible assets	Intangible assets under construction	Total
<i>Gross book value</i>					
At 31 December 2010	118 989	509 459	14 711	5 387	648 546
Additions(Transfers)	726	53 116	5 604	(2 026)	57 420
Disposals	-	(19 311)	(52)	-	(19 363)
At 31 December 2011	119 715	543 264	20 263	3 361	686 603
Additions(Transfers)	336	29 849	4 557	1 794	36 536
Disposals	-	(17 845)	(206)	-	(18 051)
At 30 September 2012	120 051	555 268	24 614	5 155	705 088
<i>Accumulated amortization</i>					
At 31 December 2010	33 657	282 298	2 488	-	318 443
Amortization charge	7 251	70 215	2 862	-	80 328
Impairment	-	2 151	-	-	2 151
Disposals	-	(19 218)	(14)	-	(19 232)
At 31 December 2011	40 908	335 446	5 336	-	381 690
Amortization charge	5 461	53 107	3 981	-	62 549
Disposals	-	(17 785)	(101)	-	(17 886)
At 30 September 2012	46 369	370 768	9 216	-	426 353
<i>Net book value</i>					
At 31 December 2011	78 807	207 818	14 927	3 361	304 913
At 30 September 2012	73 682	184 500	15 398	5 155	278 735

The majority of other intangible assets represents the acquired distribution network in the business combination with Kimimpex – TL OOD and the capitalized customer acquisition and retention expenses with contractual period longer than one year. Their net book value as of 30 September 2012 is respectively BGN 9,603 thousand and BGN 5,535 thousand.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

11. Investments

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

Entity	30.9.2012	31.12.2011
Intersputnik	178	178
Satbird	143	143
Sofia Commodity Exchange	14	14
Total investment	335	335

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

	30.9.2012	31.12.2011
Subsidiaries		
BTC Net	799	799
Total investments in subsidiaries	799	799
Other investments	335	335
Total investments	1 134	1 134

12. Trade payables

The payables to suppliers as of 30 September 2012 and 31 December 2011 are as follows:

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Payables to suppliers of non current assets	22 562	38 473	22 562	38 473
Payables to international accounts	9 607	8 813	8 337	8 813
Payables to suppliers of network maintenance	4 418	1 688	4 418	1 688
Payables to telecom operators	1 541	3 066	1 541	3 066
Payables to related parties (Note 27)	-	-	4 231	-
Others	24 431	23 881	24 428	23 881
Total trade payables	62 559	75 921	65 517	75 921

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

13. Other payables

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

	Consolidated financial statements		Separate financial statements	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Deferred income	19 445	17 098	19 445	17 098
Payables to employees	12 453	12 811	12 453	12 811
VAT	4 321	1 060	4 220	1 060
Social securities	1 838	1 878	1 838	1 878
Advances from clients	885	965	865	965
Personal income tax payable	826	835	826	835
Payables for license fee	318	459	308	459
Withholding and other taxes	292	332	292	332
Interest payable	288	150	288	150
Cable project MECMA	69	1 169	69	1 169
Others	2 645	4 635	2 645	4 635
Total other payables	43 380	41 392	43 249	41 392

The liabilities under Cable projects MECMA amounting to BGN 69 and 1,169 thousand originated as a result of BTC's role as a Central Billing Party in the MECMA 2004 Agreement for maintenance of submarine cables in the Mediterranean Sea, Red Sea and Black Sea area.

14. Provisions for other liabilities and charges

Consolidated and Separate financial statements

	Decommissioning	Restructuring	Legal claims	Total
At 1 January 2012	7 329	1 100	11 360	19 789
Charged to the comprehensive income	-	-	(6 105)	(6 105)
Included in the balance sheet	296	-	-	296
Used during the year	(61)	(544)	(63)	(668)
Discount rate adjustment	315	-	-	315
At 30 September 2012	7 879	556	5 192	13 627

Analysis of provision in consolidated financial statements

	30.9.2012	31.12.2011
Non-current (decommissioning costs)	7 879	7 329
Current	5 748	12 460
Total	13 627	19 789

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

14. Provisions for other liabilities and charges(continued)

Decommissioning

A provision has been recognised for decommissioning costs associated with mobile sites.. The provision has been capitalized to the cost of the sites with the amount of the present value of the decommissioning obligation after ceasing operation. The discount rate used for 2012 and 2011 is 5.7%.

Restructuring

The Provision for employment termination is related to the decision for restructuring the activities of the Group in 2011 and is recognised as staff cost in the profit or loss for the period.

Legal claims

The amounts represent a provision for labour disputes, legal claim of customers and certain penalties imposed on the Group by the Commission for Protection of Competition (CPC) and Communications Regulation Commission (CRC).

15. Borrowings

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

	30.9.2012	31.12.2011
New Syndicated credit facility	935 739	994 907
Financial lease	2 664	2 677
Trade credits	-	734
Short-term portion	(937 064)	(994 925)
Total borrowings	1 339	3 393

On August 21, 2007 BTC refinanced its debt under the existing syndicated credit facility amounting to EUR 350 million. On August 17, 2007 BTC became a party to a new loan agreement together with NEF Telecom Bulgaria OOD and it's parent NEF Telecom Company B.V. The loan is organized by Royal Bank of Scotland, Deutsche Bank AG, London branch, UBS Limited and Bank Austria Creditanstalt AG with a mandate to organize syndicated financing

Under the new loan agreement BTC has two term facilities and revolving facility. The first term loan which matures after 8 years can be used to pay existing financial liabilities. The second term loan which matures in 7 years can be used to finance capital expenses of BTC and its subsidiaries. The third facility is on a revolving basis and it can be utilized for working capital, as well as for other needs of the companies in the Group. Interest rate accrued for each interest period is calculated based on the respective value of EURIBOR plus margin.

The margin is calculated depending on the ratio of the consolidated total net debt to the consolidated pro forma profit before interest, taxes and amortization. As of October 31, 2007 the loan margins of BTC were changed and varied between 2,25% and 2,75% for the first facility and between 1,5% and 2,25% for the second and the revolving facility. On November 14, 2007 BTC signed agreement to secure the payments of Company's liabilities under the new loan agreement. The agreement established a special pledge of BTC, including the shares held in the subsidiaries, real estate property with net book value as of 30 September 2012 at the amount of BGN 17,405 thousand, and a pledge on the receivables from the Company's bank accounts, and from its insurers.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

15. Borrowings (continued)

Along with other securities, there is a pledge over the shares of BTC owned by NEF Telecom Bulgaria OOD.

The loan agreement includes provisions for certain financial covenants calculated based on the consolidated financial statements of NEF Telecom Company B.V. According to the information received from the parent company there has been a breach of the leverage ratio covenant since the second quarter of 2010. Any breaching of the requirements of the financial covenants if not remedied or waived, constitutes an Event of Default. Such a waiver has been provided by the lenders and expires on 19 October 2012, whereafter there are expectations the agreements for restructuring of the existing debt to be finalized, as disclosed in note 29.

In addition to the above covenants breach the loan agreement provides that certain events represent a technical Event of Default. Such an event is the garnishment (freezing order) imposed on 6 January 2010 over 10,230,187 common registered book entry shares from the share capital of BTC. The shares are held by NEF Telecom Bulgaria OOD and represent 3.54% of total BTC shares. The garnishment is in relation to an arbitration claim launched by the Bulgarian Privatization and Post-Privatization Control Agency (PPCA) against the former owners of BTC (as primary respondents) and NEF Telecom Bulgaria OOD (as secondary respondent). On 9 May 2012 the arbitration court rejected all the claims of PPCA and based on this the freezing order over the shares is cancelled with a final decision of the Sofia Court of Appeals, dated 11 July 2012. In relation to the arbitration claim the PPCA imposed statutory mortgages on some of the properties of BTC during the period of June – August 2010 as disclosed in Note 11 of the present financial statements. This Event of Default has been waived by the lenders in the waiver letter disclosed above.

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

Obligations under Finance lease

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

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

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Finance lease payables with maturity:				
Within one year	1 454	19	1 388	17
In the second to fifth years inclusive	1 405	2 855	1 276	2 660
Total payables	2 859	2 874	2 664	2 677
Less: future finance charges	(195)	(197)	-	-
Present value of lease obligations	2 664	2 677	2 664	2 677

The net book value of the assets acquired under finance lease arrangements as of 30 September 2012 is BGN 3,131 thousand.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities

As of 30 September 2012 and 2011 the deferred tax, are as it follows:

For the Group:

Deferred tax assets	Tax loss carried forward	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 1 January 2011	65	14	-	-	79
Charged/(credited) to the profit/(loss) for the period	8	(1)	-	-	7
At 30 September 2011	73	13	-	-	86
At 1 January 2012	64	9	-	-	73
Charged/(credited) to the profit/(loss) for the period	(64)	(1)	-	-	(65)
At 30 September 2012	-	8	-	-	8

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 1 January 2011	(158)	(7 860)	43 800	(2 784)	32 998
Charged/(credited) to the profit/(loss) for the period	(6)	(917)	(3 248)	(235)	(4 406)
Charged to other comprehensive income for the period	-	-	-	37	37
At 30 September 2011	(164)	(8 777)	40 552	(2 982)	28 629
At 1 January 2012	(161)	(6 405)	38 553	(4 777)	27 210
Charged/(credited) to the profit/(loss) for the period	(7)	(83)	(3 584)	1 651	(2 023)
Charged to other comprehensive income for the period	-	-	(4)	(59)	(63)
At 30 September 2012	(168)	(6 488)	34 965	(3 185)	25 124

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

	Nine months ended	
	30.9.2012	30.9.2011
Deferred tax liabilities	2 023	4 406
Deferred tax assets	(65)	7
Total charged to the profit/(loss) for the period	1 958	4 413

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

16. Deferred tax assets and liabilities(continued)

For BTC:

Deferred tax liabilities	Retirement benefit obligations	Allowance for impairment of receivables	Property, plant and equipment	Expense accruals	Total
At 1 January 2011	(158)	(7 860)	43 800	(2 784)	32 998
Charged/(credited) to the profit/(loss) for the period	(6)	(917)	(3 248)	(235)	(4 406)
Charged to other comprehensive income for the period	-	-	-	37	37
At 30 September 2011	(164)	(8 777)	40 552	(2 982)	28 629
At 1 January 2012	(161)	(6 405)	38 553	(4 777)	27 210
Charged/(credited) to the profit/(loss) for the period	(7)	(83)	(3 584)	1 651	(2 023)
Charged to other comprehensive income for the period	-	-	(4)	(59)	(63)
At 30 September 2012	(168)	(6 488)	34 965	(3 185)	25 124

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

	Nine months ended	
	30.9.2012	30.9.2011
Deferred tax liabilities	2 023	4 406
Total charged to the profit/(loss) for the period	2 023	4 406

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets and liabilities as of 30 September 2012 and 31 December 2011 are calculated in these financial statements at 10% tax rate which is effective as of 1 January 2007.

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

17. Retirement benefit obligations

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

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

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

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

	Consolidated and Separate financial statements	
	30.9.2012	31.12.2011
Liability at the beginning of the period	1 610	1 917
<i>Past service cost</i>	-	(96)
<i>Current service cost</i>	51	(153)
<i>Interest cost</i>	21	74
Total cost recognized in the comprehensive income	72	(175)
Payments to retirees	-	(132)
Liability at the end of the period	1 682	1 610

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

	30.9.2012	31.12.2011
Discount rate	5,70%	6,50%
Future salary increases per year	From 3% to 6%	From 4% to 6%
Average age of retirement – male employees	65	63
Average age of retirement – female employees	63	60

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

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Mortality assumptions are based on the statistical information, provided by the National Statistical Institute for the total mortality of the population in Bulgaria for the period 2008 – 2010.

18. Share capital and dividends

	30.9.2012	31.12.2011
Number of shares	288 764 840	288 764 840
Par value per share (in BGN)	1	1
Share capital per BTC's registration	288 765	288 765
Share capital	288 765	288 765

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

18. Share capital and dividends (continued)

Structure of the share capital:	30.9.2012	%
<i>Number of ordinary shares:</i>		
NEF Telecom Bulgaria OOD	271 423 451	94%
Other shareholders	17 341 388	6%
Total ordinary shares	288 764 839	100%
<i>Number of preference shares:</i>		
The Republic of Bulgaria	1	100%
Total number of shares	288 764 840	100%

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

As of 30 September 2012, the share capital of BTC comprises 288,764,839 ordinary registered shares and a single preference share, held by the Government through the Ministry of Transport and Communications. The nominal share value is BGN 1.

Earnings per share	Consolidated financial statements		Separate financial statements	
	Nine months ended		Nine months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit for the period	32 921	24 643	28 492	26 717
Total profit for distribution	32 921	24 643	28 492	26 717
Weighted average number of ordinary shares	288 765	288 765	288 765	288 765
Earnings per share (BGN)	0,11	0,09	0,10	0,09

Dividends payable

	30.9.2012	31.12.2011
Dividend approved by the General shareholders' meeting	-	176 147
Non-distributed dividends for prior years	158 092	142 728
Tax on dividend	-	(518)
Net dividends paid	(158 087)	(160 265)
Total dividend payable	5	158 092

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

19. Revenue

Revenue of the Group and the Company for the nine months ended 30 September 2012 and 2011 consist of:

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Recurring charges	251 325	249 513	84 222	82 590
Outgoing traffic	129 692	133 570	43 949	47 253
Interconnect	109 527	116 528	23 672	50 792
Leased lines and data transmission	97 296	103 885	32 166	34 122
Other revenue	62 593	50 875	24 954	15 523
Total revenue	650 433	654 371	208 963	230 280

Separate financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Recurring charges	251 332	249 544	84 209	82 569
Outgoing traffic	129 691	133 398	43 949	47 221
Interconnect	101 359	116 674	15 496	50 823
Leased lines and data transmission	97 462	103 917	32 323	34 132
Other revenue	62 942	50 884	25 299	15 528
Total revenue	642 786	654 417	201 276	230 273

Revenue from sale of value added services are presented net of cost of value added services (VAS) in the Income Statement. As a result for the nine months ended 30 September 2011 Other operating expenses amounting BGN 4,931 thousand are reclassified and netted in Outgoing traffic and Leased lines and data transmission respectively amounting to BGN 526 and 4,405 thousand for the Group and the Company.

20. Other operating expenses

Other operating expenses for the nine months ended 30 September 2012 and 2011 consist of:

Consolidated financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Maintenance and repairs	65 373	65 559	22 265	22 107
Advertising, customer service, billing and collectio	38 219	35 941	13 426	13 381
Facilities	30 159	28 711	10 316	9 723
License fees	9 728	9 675	3 266	3 202
Administrative expenses	5 618	4 651	(1 718)	1 610
Professional fees	5 118	3 397	1 614	800
Leased lines and data transmission	2 871	2 889	1 072	870
Vehicles and transport	2 716	2 777	906	939
Other	14 668	33 396	9 338	15 720
Total other operating expenses	174 470	186 996	60 485	68 352

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

20. Other operating expenses(continued)

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Maintenance and repairs	65 372	65 557	22 265	22 105
Advertising, customer service, billing and collectio	38 290	35 945	13 448	13 380
Facilities	30 159	28 711	10 316	9 723
License fees	9 714	9 671	3 255	3 200
Administrative expenses	5 616	4 663	(1 719)	1 615
Professional fees	5 118	3 397	1 614	800
Leased lines and data transmission	2 871	2 889	1 072	870
Vehicles and transport	2 716	2 777	906	939
Other	14 660	32 031	9 332	14 368
Total other operating expenses	174 516	185 641	60 489	67 000

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

21. Staff costs

Staff costs for the year ended nine months ended 30 September 2012 and 2011 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Salaries and wages	41 613	37 938	14 417	12 796
Pension, health and unemployment fund contributio	6 332	6 655	2 059	2 204
Other benefits	1 888	1 789	618	579
Other staff costs	980	945	380	271
Total staff costs	50 813	47 327	17 474	15 850

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

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

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Salaries and wages	41 610	37 935	14 417	12 795
Pension, health and unemployment fund contributi	6 332	6 655	2 059	2 204
Other benefits	1 888	1 789	618	579
Other staff costs	980	945	380	271
Total staff costs	50 810	47 324	17 474	15 849

As stated in note 17 the amounts of post employment termination benefits included in salaries and wages above for the consolidated and separate financial statements for the nine months ended 30 September 2012 and 2011 are respectively BGN 51 thousand and BGN 130 thousand.

22. Finance income and costs

Financial income and costs for the nine months ended 30 September 2012 and 2011 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Finance costs				
Interest expense:	23 690	28 701	7 234	10 137
-Bank borrowings	23 245	28 691	7 077	10 300
-Provisions	337	(21)	115	(171)
-Finance lease	88	7	33	-
-Other	20	24	9	8
Loss on financial instruments	-	2 157	-	2 157
Foreign exchange loss	138	40	35	(18)
Other finance costs	179	171	62	51
Total finance cost	24 007	31 069	7 331	12 327
Finance income				
Interest income:	7 040	6 001	2 023	1 836
-Bank deposits	6 000	4 565	1 715	1 384
-Finance lease	801	1 240	248	386
-Other	239	196	60	66
Gains on financial instruments	23	-	6	(60)
Equity investments income	-	36	-	(1)
Total finance income	7 063	6 037	2 029	1 775
Net finance costs	16 944	25 032	5 302	10 552

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

22. Finance income and costs(continued)

Separate financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Finance costs				
Interest expense:	23 690	28 701	7 234	10 137
-Bank borrowings	23 245	28 691	7 077	10 300
-Provisions	337	(21)	115	(171)
-Finance lease	88	7	33	-
-Other	20	24	9	8
Loss on financial instruments	-	2 157	-	2 157
Foreign exchange loss	138	40	35	(18)
Other finance costs	179	170	63	51
Total finance cost	24 007	31 068	7 332	12 327
Finance income				
Interest income:	7 033	5 989	2 023	1 832
-Bank deposits	5 993	4 553	1 715	1 381
-Finance lease	801	1 240	248	386
-Other	239	196	60	65
Gains on financial instruments	23	-	6	(60)
Equity investments income	-	2 971	-	2 934
Total finance income	7 056	8 960	2 029	4 706
Net finance costs	16 951	22 108	5 303	7 621

23. Other gains, net

Other gains, net for the nine months ended 30 September 2012 and 2011 consist of:

Consolidated and Separate financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Gains from sales of non-current assets	6 879	6 372	2 394	5 988
Gain from sales of materials	12	(110)	1	9
Total other gains, net	6 891	6 262	2 395	5 997

In the Consolidated and the Separate financial statements the income from sales of PPE and assets held for sale for the nine months ended 30 September 2012 was BGN 8,525 thousand and their net book value was BGN 1,646 thousand. For the nine months ended 30 September 2011 these figures are respectively BGN 7,674 thousand and BGN 1,302 thousand. The income from sales of materials for the nine months ended 30 September 2012 was BGN 25 thousand and cost of sales was BGN 13 thousand. For the nine months ended 30 September 2011 these figures were BGN 57 thousand and BGN 167 thousand respectively.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense

Income tax expenses for the nine months ended 30 September 2012 and 2011 consist of:

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Current income tax charge	5 693	7 119	2 460	3 053
Deferred tax expense	(1 957)	(4 412)	(2 053)	(1 935)
Total tax expense	3 736	2 707	407	1 118

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Current income tax charge	5 277	7 119	2 044	3 053
Deferred tax expense	(2 023)	(4 405)	(2 118)	(1 935)
Total tax expense/(credit)	3 254	2 714	(74)	1 118

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

Consolidated financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit before tax	36 657	27 350	5 773	6 548
Total profit before tax	36 657	27 350	5 773	6 548
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	3 666	2 735	577	655
Effect of permanent tax differences	76	244	(160)	458
Effect of current tax from previous periods, accounted during the year	-	(290)	-	-
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	(6)	18	(10)	5
Income tax expense	3 736	2 707	407	1 118
Effective tax rate	10,19%	9,90%	7,05%	17,07%
Income tax expense in the comprehensive income	3 736	2 707	407	1 118

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

24. Tax expense(continued)

Separate financial statements

	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Profit before tax	31 746	29 431	858	10 834
Total profit before tax	31 746	29 431	858	10 834
Tax rate	10%	10%	10%	10%
Tax at the applicable tax rate	3 175	2 943	86	1 083
Effect of permanent tax differences	76	43	(160)	29
Effect of current tax from previous periods, accounted during the year	-	(290)	-	-
Effect of unrecognised tax losses and tax offsets not recognised as deferred tax assets	3	18	-	6
Income tax expense/(credit)	3 254	2 714	(74)	1 118
Effective tax rate	10,25%	9,22%	-8,62%	10,32%
Income tax expense(credit) in the comprehensive income	3 254	2 714	(74)	1 118

25. Segment information

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

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

The Board of Directors assesses the performance of the business segments based on a measure of gross margin. Revenue and gross margin information as reviewed by the Board of directors for the periods ended 30 September 2012 and 2011 is presented below.

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

25. Segment information(continued)

Nine months ended 30 September 2012

	Fixed line of business	Mobile line of business	Total
Revenue	354 280	296 153	650 433
Cost of sales	(75 749)	(93 543)	(169 292)
Gross margin	278 531	202 610	481 141
Operating expenses			(434 431)
Financial expenses, net			(16 944)
Other gains, net			6 891
Profit before tax			36 657
Income tax expense			(3 736)
Net profit for the year			32 921

Nine months ended 30 September 2011

	Fixed line of business	Mobile line of business	Total
Revenue	390 820	263 551	654 371
Cost of sales	(80 123)	(88 566)	(168 689)
Gross margin	310 697	174 985	485 682
Operating expenses			(441 834)
Financial expenses, net			(25 032)
Other gains, net			6 262
Share of profit of JV			2 272
Profit before tax			27 350
Income tax expense			(2 707)
Net profit for the year			24 643

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

26. Related parties

The Group's related parties are considered to be the following:

- shareholders of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders;
- members of the Company's statutory and supervisory bodies and parties close to such members, including the subsidiaries and associates of the members and their close parties;
- joint ventures in which the Company is a venturer

For the stand alone statements as a related parties are considered all consolidated subsidiaries as well.

The following table summarizes the balances of receivables and payables with related parties as of 30 June 2012 and 31 December 2011:

For the Group	Note	Receivables		Payables	
		30.9.2012	31.12.2011	30.9.2012	31.12.2011
NEF Telecom Company BV	Parent	385	370	-	-
NEF Telecom Bulgaria OOD	Parent	15	1	-	157 624
Total for BTC group		400	371	-	157 624

For BTC	Note	Receivables		Payables	
		30.9.2012	31.12.2011	30.9.2012	31.12.2011
BTC Net EOOD	Subsidiary	4 381	285	4 231	-
NEF Telecom Company BV	Parent	385	370	-	-
NEF Telecom Bulgaria OOD	Parent	15	1	-	157 624
Total for BTC		4 781	656	4 231	157 624

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

For the Group	Note	Nine months ended		Three months ended	
		30.9.2012	30.9.2011	30.9.2012	30.9.2011
NURTS Bulgaria AD	JV	-	4 346	-	1 138
Total for BTC group		-	4 346	-	1 138

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

26. Related parties(continued)

For BTC	Note	Nine months ended		Three months ended	
		30.9.2012	30.9.2011	30.9.2012	30.9.2011
BTC Net EOOD	Subsidiary	3 724	22	3 675	5
NURTS Bulgaria AD	JV	-	4 346	-	1 138
Total for BTC		3 724	4 368	3 675	1 143

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

	Note	Nine months ended		Three months ended	
		30.9.2012	30.9.2011	30.9.2012	30.9.2011
BTC Net EOOD	Subsidiary	3 562	230	3 514	27
NEF Telecom Bulgaria OOD	Parent	16	9	10	4
NEF Telecom Company BV		11	-	11	-
NURTS Bulgaria AD	JV	-	4 625	-	1 432
Total for BTC group		3 589	4 864	3 535	1 463

Management remunerations

There is no compensation paid by the company to the members of the Board of Directors as of 30 June 2012 and 2011. Remuneration amounting to BGN 5,366 thousand relating to key management personnel has been accrued as of 30 June 2012.

27. Commitments and contingencies

Contractual commitments for the acquisition of property, plant and equipment

The parent company has entered into agreements with various suppliers relating to the capital expenditure as approved in the investment program. Certain agreements have not been completed as of the balance sheet date. A summary of the main commitments to acquire equipment under such contracts, effective as of 30 September 2012, for the Group and the Company is presented in the table below:

Equipment description	Aggregate contracted amount	Delivered till 30.09.2012	Commitments outstanding
Hardware and software	16 136	7 829	8 307
Construction and assembly works of the BTC	36 978	11 708	25 270
Network equipment	107 904	64 986	42 918
Total	161 018	84 523	76 495

Contingencies

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

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

For the nine months ended 30 September 2012

All amounts are in thousand BGN, unless otherwise stated

28. Operating lease

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

Consolidated and Separate financial statements	Nine months ended		Three months ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Minimum lease payments	2 059	2 017	698	697

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

	30.9.2012	31.12.2011
Within one year	9 347	9 530
In the second to fifth years inclusive	29 935	29 526
Later than five years	88 301	90 751
Total commitments	127 583	129 807

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

In the amount of the non-cancellable operating lease payables are included payments related to contract for lease of administrative building that commenced in 2010 and the leasing term is above 5 years.

29. Post balance sheet events

On the extraordinary general meeting of the Company held on 8 October 2012 the shareholders approved the proposed amendments to the credit facilities agreement dated 9 August 2007 for the fulfillment of certain actions for restructuring of the existing debt. The terms of the proposed restructuring are the result of long and thorough negotiations between the companies of NEF group, the lenders, and all interested stakeholders and numerous potential third party purchasers, identified through a competitive international tender process. The proposed restructuring envisions an equity investment in newly established companies by Corporate and Commercial Bank AD (CCB) and VTB Capital plc, United Kingdom (VTB) or in each case, their affiliates, which will be used to partially repay the group's debt in exchange for acquisition by VTB and CCB or their affiliates of a majority shareholding stake in these newly established companies. The remaining minority shareholding stake of the equity will be held by the existing creditors of BTC and NEF group. The structure of the newly established companies will acquire all shares in BTC. The proposed restructuring will result in a reduction of the total leverage of BTC and NEF group from approximately EUR 1.7 billion to EUR 588 million through a combination of debt repayment, equity conversion and an outright debt write off, as well as in a change of the control over BTC. The maturity date of the Company's facilities will be extended to five years as of the date of amendment of the credit facilities agreement. If approved and completed, the deal is expected to be completed during the fourth quarter of 2012.