INTERIM SEPARATE FINANCIAL STATEMENTS

OF

BULGARTABAC – HOLDING AD

for the period ended 31 March 2011

Board of Directors

Chairman	**Alexander Manolev**
Vice Chairman	**Georgi Kostov**
Executive Director	**Ivan Bilarev**

Director of

Finance and Economic Policy Directorate	**Ekaterina Hristova**
Chief Accountant	**Diana Nikolova**
Address of Management	**Sofia city** **62 Graf Ignatiev Street**
Chief Legal Adviser	**Anastasia Dimitrova**
Bankers	**FIB AD** **UniCredit Bulbank AD** **Eurobank EFG Bulgaria AD** **Raiffeisenbank AD**

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INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 MARCH 2011

	Notes	31 March 2011	31 March 2010
		BGN '000	BGN '000
Revenue	3	6 969	4 164
Other operating gains and losses	4	48	294
Changes in inventories of finished products		4 025	3 519
Costs of materials	5	(4 010)	(4 609)
Personnel expenses	6	(2 299)	(2 398)
Depreciation / amortisation expenses	11,12	(323)	(525)
Costs of hired services	7	(3 570)	(2 503)
Reversed / (accrued) impairment of assets, net	8	3	(1)
Other operating expenses	9	(141)	(59)
Operating profit/(loss)		**702**	**(2 118)**
Investment income and losses	10	617	443
Profit / (loss) before income tax		**1 319**	**(1 675)**
Net profit / (loss) for the period		**1 319**	**(1 675)**
Total comprehensive income		**1 319**	**(1 675)**
Basic earnings per share (BGN)		**0,18**	**(0,23)**

Executive Director: *signature /illegible/*
(Ivan Bilarev)
Seal of Bulgartabac-Holding AD

Chief Accountant (preparer): *signature /illegible/*
(Diana Nikolova)

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

ASSETS	Notes	31 March 2011 BGN '000	31 December 2010 BGN '000
Non-current assets			
Property, plant and equipment	11	17 452	17 744
Intangible assets	12	28	21
Investments in subsidiaries	13	8 519	8 519
Investments available for sale	14	100	100
Long-term receivables from related parties	15	281	423
Long-term loans granted to employees	16	4	5
Deferred tax assets		521	521
Other non-current assets	17	533	571
Long-term trade receivables	18	44	79
		27 482	**27 983**
Current assets			
Inventories	19	23 295	8 926
Receivables from related parties	20	4 615	9 173
Trade receivables	21	2 298	1 331
Other current assets	22	3 349	2 317
Cash and cash equivalents	23	39 919	49 729
		73 476	**71 476**
TOTAL ASSETS		**100 958**	**99 459**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		7 367	7 367
Reserves		31 858	31 858
Retained earnings		55 933	54 614
	24	**95 158**	**93 839**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	25	1 615	1 502
		1 615	**1 502**
Current liabilities			
Payables to related parties	26	671	-
Trade and other payables	27	1 501	2 895
Payables to personnel and for social security	28	2 013	1 223
		4 185	**4 118**
TOTAL LIABILITIES		**5 800**	**5 620**
TOTAL EQUITY AND LIABILITIES		**100 958**	**99 459**

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(Diana Nikolova)

INTERIM SEPARATE CASH FLOW STATEMENT
for the period 1 January - 31 March 2011

	Notes	31 March 2011	31 March 2010
		BGN '000	BGN '000
Cash flows from operating activity			
Cash receipts from customers		12 164	8 223
Cash paid to suppliers		(18 495)	(3 119)
Dividends received from subsidiaries		2	-
Cash paid to employees and for social security		(1 970)	(2 963)
Taxes paid (other than corporate income tax)		(1 936)	(712)
Donations and sponsorship		(28)	(10)
Foreign currency differences, net		(25)	35
Interest received		13	16
Interest received on loans granted		31	41
Bank charges paid		(10)	(10)
Other (payments)/proceeds, net		(97)	33
Net cash flows (used in) / from operating activity		**(10 351)**	**1 534**
Cash flows from investing activity			
Purchases of property, plant and equipment		(23)	(46)
Purchases of intangible assets		(9)	-
Interest received on deposits provided		428	482
Net cash flows from investing activity		**396**	**436**
Cash flows from financing activity			
Dividends paid		(5)	(7 924)
Net cash flows used in financing activity		**(5)**	**(7 924)**
Net decrease in cash and cash equivalents		**(9 960)**	**(5 954)**
Cash and cash equivalents at 1 January		49 560	35 050
Cash and cash equivalents at 31 March	**24**	**39 600**	**29 096**

Executive Director: *signature /illegible/*
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(Diana Nikolova)

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period 1 January - 31 March 2011

	Notes	*Share capital*	*Statutory reserve*	*Revaluation reserve*	*Retained earnings*	*Total equity*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance at 31 December 2009		**7 367**	**26 313**	**5 226**	**51 386**	**90 292**
(audited)						
Net loss for the period 01 January - 31 March 2010		**-**	**-**	**-**	**(1 675)**	**(1 675)**
Total comprehensive income for the period 01 January - 31 March 2010					**(1 675)**	**(1 675)**
Balance at 31 March 2010		**7 367**	**26 313**	**5 226**	**49 711**	**88 617**
(unaudited)						
Distribution of profit for:		**-**	**319**	**-**	**(2 620)**	**(2 301)**
* dividends		-	-	-	(2 301)	(2 301)
* reserves		-	319	-	(319)	-
Other changes		**-**	**-**	**-**	**23**	**23**
* reversed provision tantiemes		-	-	-	23	23
Net profit for the period 01 April - 31 December 2010		**-**	**-**	**-**	**7 500**	**7 500**
Total comprehensive income for the period 01 April - 31 December 2010		**-**	**-**	**-**	**7 500**	**7 500**
Balance at 31 December 2010		**7 367**	**26 632**	**5 226**	**54 614**	**93 839**
(audited)						
Net profit for the period 01 January - 31 March 2011		**-**	**-**	**-**	**1 319**	**1 319**
Total comprehensive income for the period 01 January - 31 March 2011		**-**	**-**	**-**	**1 319**	**1 319**
Balance at 31 March 2011	**23**	**7 367**	**26 632**	**5 226**	**55 933**	**95 158**

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(Diana Nikolova)

1. BACKGROUND CORPORATE INFORMATION

Bulgartabac - Holding AD is a commercial entity incorporated in November 1993 pursuant to order No. 115 of the Council of Ministers for the transformation of State Organisation Bulgartabac into Bulgartabac - Holding EAD (the Holding) and 22 joint-stock companies with state participation. By means of a decision of the General Meeting of Shareholders of 1997 the company Bulgartabac - Holding EAD was transformed into Bulgartabac - Holding AD.

The Company's registered address and address of management is at 62 Graf Ignatiev Street, Sofia city. The court registration of the Company dates back to 1994, Decision No. 1 of 05 April 1994 of the Sofia City Court. The Company was entered into the Trade Register at the Registry Agency under UIC 831636680.

Bulgartabac - Holding AD is a public company under the Public Offering of Securities Act.

The distribution of the Company's share capital as at 31 March 2011 is as follows:

- Republic of Bulgaria through the Ministry of Economy and Energy 79.83 %
- Corporate Commercial Bank AD 8.11%
- Other legal entities 10.25 %
- Individuals 1.81 %

At 31 March 2011 Bulgartabac - Holding AD has a one-tier management system – Board of Directors (BD). The Board of Directors comprises 3 members. The Chairman of BD is Alexander Dimitrov Manolev. The Company is managed and represented by Ivan Atanasov Bilarev – Executive Director authorized to manage and represent the Company.

The Company holds shares (between 78,22% and 100% of the capital) in 8 domestic companies. The share capital of these companies amounts to BGN 10,529 thousand (the portion of BGN 9,562 thousand is held by Bulgartabac - Holding AD, allocated in 9,562,200 ordinary registered shares with a nominal value of BGN 1 each). Bulgartabac - Holding AD exercises control over 7 of these companies and in 1 of them it does not hold the power to manage its financial and operating policies due to the fact that the entity has become an object of judicial control (declared in insolvency proceedings).

These interim separate financial statements will be published with the Financial Supervision Commission and Bulgarian Stock Exchange – Sofia AD.

Equity and debt instruments

Equity and debt instruments have neither been issued nor settled or redeemed for the period from 1 January to 31 March 2011.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Company presents condensed interim separate financial statements for the period ended 31 March 2011 on the grounds of Art. 100o para.1 of the Public Offering of Securities Act and with reference to the provisions of Art. 31, para. 1, i. 2 of Ordinance No 2 on the Prospectuses to be Published When Securities are Offered to the Public of Admitted to Trading on a Regulated Market and on Disclosure of Information by the Public Companies and the Other Issues of Securities.

The financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 Interim Financial Reporting and therefore, not all the information and disclosures being required in relation to the annual financial statements have been included herein; thus, these financial statements shall be read together with the annual financial statements of Bulgartabac - Holding AD for 2010.

The accounting policies of Bulgartabac - Holding AD comprises principles, positions of attention, concepts, rules, bases and procedures for reporting the company's activity, presenting information in its financial statements, they have been developed in accordance with the requirements of International Financial Reporting Standards endorsed by the Commission of the European Union. In addition, the accounting policies have been made consistent with the specifics of the industry.

The accounting policies and methods of calculation applies in the preparation of the interim financial statements have not been changed compared to those applied in the preparation of the annual financial statements of Bulgartabac - Holding AD for 2010.

Adoption of new and amended International Financial Reporting Standards

The Company has adopted all new and/or revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the Commission of the European Union that are relevant to its activity. The Company's current accounting policies have not necessitated amendments for adapting the application of all new and/or revised IFRS in effect for the current reporting year beginning on 1 January 2011, since they do not refer to its activities and the usual composition of its assets and liabilities, or during the period there has not existed any objects or transactions that have been affected by the changes in the amended IFRS. The effect of the changes in IFRS for the Company consists only of the introduction of new and the expansion of already established disclosures and also of changes in the presentation of the financial statements without this affecting the amounts stated therein. These standards and interpretations include:

At the date of approval for issue of these financial statements an effective standard has been replaced, one interpretation of the Interpretation Committee (IFRIC) was adopted and amendments and improvements of effective standards and interpretations of the Interpretation Committee (IFRIC) were made, as follows:

- **IFRS 1** (amended) First-time adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2011). The amendments relate primarily to: the application of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, when they concern the first financial statements prepared in accordance with IFRS; the use of the adopted value for transactions that are subject to regulation of their value and additional requirements in the presentation of interim financial statements;
- **IFRS 1** (amended) First-time adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply in relation to the implementation of IFRIC 19 Extinguising Financial Liabilities with Rquity Instruments;
- **IFRS 3** (amended) Business Combinations (effective for annual periods beginning on or after 1 January 2011). The amendments relate to: the measurement at the date of acqusition of the components of non-

controling interests, share-based payment transactions and rules for assessing the price of business combinations;

- **IFRS 7** (amended) Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IFRS 3 Business Combinations (revised in 2008) and in particular, to the elimination of the exception for application of IFRS 7 regarding conditional consideration contract in the event of a business combination reported by the acquiring entity. These contracts are reported in accordance with paragraphs 65A – 65E of IFRS 3 (amended in 2010);
- **IFRS 7** (amended) Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2011). These amendments relate to the disclosure of qualitative information in the context of quantitative data with the aim to enable the users to make connection between this data and thus, to form an overall view of the nature and grade of risks originating from financial instruments;
- **IFRS 8** (amended) Operating Segments (effective for annual periods beginning on or after 1 January 2011). These amendments relate to the period from which the amendments in the standard apply as supplemented by IAS 24 Related Party Disclosures (revised in 2009) and in particular, the judgements about entities under the control of the State when these are determined as one separate client;
- **IAS 1** (amended) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments relate to information to be presented in the statement of changes in equity or in the notes;
- **IAS 21** (amended) The Effects of Changes in Foreign Exchange Rates (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) and in particular, when there is a disposal or partial disposal of foreign operations;
- **IAS 24** (revised) Related Party Disclosures (applied retrospectively for annual periods beginning on or after 1 January 2011); it replaces IAS 24 Related Party Disclosures (revised in 2003);
- **IAS 28** (amended) Investments in Associates (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) and in particular, to the way of reporting by the investor of investments in an associated company where significant influence is lost;
- **IAS 31** (amended) Interest in Joint Ventures (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) and in particular, to the way of reporting by the investor of investments in an associated company where the investor ceases to have joint control over an entity;
- **IAS 32** (amended) Financial Instruments: Presentation (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IFRS 3 Business Combinations (revised in 2008) and in particular, to the elimination of the exception for application of IAS 32 regarding conditional consideration contract in the event of a business combination reported by the acquiring entity. These contracts are reported in accordance with paragraphs 65A – 65E of IFRS 3 (amended in 2010);

- **IAS 32** (amended) Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010). The amendments relate to supplementing the definition of the term “financial liability” as well as the principles for distinguishing financial instruments between financial assets or equity instruments;
- **IAS 34** (amended) Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011). The amendments relate to the need to disclose explanations about significant events and transactions, and other information in the interim financial statements, through which disclosures the relevant information, presented in the last financial statements, is updated;
- **IAS 39** (amended) Financial Instruments: Disclosure and Measurement (effective for annual periods beginning on or after 1 July 2010). These amendments relate to the period from which the amendments in the standard apply as supplemented by IFRS 3 Business Combinations (revised in 2008) and in particular, to the elimination of the exception for application of IAS 39 regarding conditional consideration contract in the event of a business combination reported by the buyer. These contracts are reported in accordance with paragraphs 65A – 65E of IFRS 3 (amended in 2010);
- **Interpretation of IFRIC 13** (amended) Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments relate to the assessment of the fair value of awarded credits;
- **Interpretation of IFRIC 14** (amended) Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011). The amendments relate to the elimination of certain undesired consequences as a result of the treatement of preliminary payments of future contributions if there is a minimum requirement for funding;
- **Interpretation of IFRIC 19** (new) Extinguising Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

At the date of approval of these financial statements for issue the following effective standard has been amended, **as the amendments are not yet effective and endorsed by the European Commission**:

- **IFRS 9** Financial Instrument (effective for annual periods beginning on or after 01 July 2013). The new Standard replaces parts of IAS 39 and specifies principles, rules and criteria for classification and evaluation of financial assets, incl. hybrid contracts. It introduces the requirement that the classification of financial assets shall be made on the basis of the business model of the company with regard to their management and of the characteristics of the agreed cash flows of the respective assets. Two main groups and respectively, types of evaluation, are introduced - at amortizable and at fair value.

The comparatives in this interim separate statement of financial position as at 31 March 2011 are extracted from the audited annual financial statements of Bulgartabac – Holding AD for 2010.

Where necessary, comparatives are reclassified in order to achieve comparability in view of the current year presentation changes.

Consolidated financial statements of the Company

The Company has started the process of preparation of its interim consolidated financial statements for the period ended 31 March 2011 and these separate financial statements will be included therein. Pursuant to the planned dates, management expects that the consolidated financial statements will be approved for issue by the Board of Directors of the Company not later than 30 May 2011 and after this date the financial statements will be made available to third parties.

Seasonal nature of the activity

Due to the specific requirements of tobacco, part of the Company's activity is of seasonal nature. The period from November to June (depending on the quantity bought and processed, sometimes the period is even shorter) impacts the rhythm of reporting the Company's expenses.

After completing the industrial processing of tobacco, additional costs are made in relation to the maintenance (growing) of the unmanufactured tobacco lots, as also other storage costs, although in much lower amounts.

Assets, liabilities, equity, revenue, expenses and cash flows in the reporting period are usual for the Company in terms of amount and nature.

Functional currency

The Company's functional and presentation currency is the Bulgarian Lev.

Income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate for 2011 is 10% (2010: 10%).

Deferred income taxes are determined using the liability method on all temporary differences existing at the end of the reporting period between the carrying amounts of the assets and liabilities and their tax bases.

The Company has not recognised the tax effects for the period – expense/benefit, and respectively, deferred tax assets/liabilities, in the interim separate financial statements for the period ended 31 March 2011.

Critical accounting judgments on applying the Company's accounting policies in the preparation of the interim financial statements. Key estimates and assumptions of high uncertainty

The preparation of the interim financial statements of the Company requires management to apply accounting judgements, estimates and assumptions, which have effect on the amount of reported assets and liabilities, income and expenses (and in the conditions of financial crisis the uncertainty is even bigger). Each uncertainty related to these assumptions and estimates may lead to actual results requiring material adjustments in the carrying amounts of the respective assets or liabilities in subsequent reporting periods. The estimates and assumptions made are reviewed on a regular basis. Any adjustments therein are recognized in the financial statements for the period in which the adjustment has been made as well as in all subsequent financial periods.

Information about significant estimates, evaluations and assumptions that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses, is presented below.

Revalued amounts of property, plant and equipment

The Company has adopted the policy that items of property, plant and equipment are revalued by independent certified valuers to their fair value every five years as management believes that this is a reasonable period for manifestation of the most typical trends and changes in the prices of properties and other main items of plant and equipment. If, however, their fair value is changed significantly in shorter periods of time, then the revaluation is performed at shorter periods of time as well.

Impairment of property, plant and equipment

At the date of each set of financial statements the Company's management organizes a review for impairment of land, property, plant and equipment, fixtures & fittings and motor vehicles. Such a review was performed at the date of these interim financial statements. The review was carried out on the grounds of information provided by an independent certified valuer.

Based on the review, management judged that there are no indicators for impairment.

Review of the useful life

On the grounds of a review of the conditions of operation and maintenance of assets, the independent valuers have found out that the remaining useful life of non-current assets as of 31 March 2011 is identical to the remaining useful life determined as of 31 December 2010 less the term of the expired period and that there are no grounds for its change.

Write down of investments in subsidiaries

The Company's management has conducted an analysis and evaluation of the existence of indicators of impairment of its investments in subsidiaries as of 31 March 2011.

Based on the review, management judged that that there were no indicators for impairment of its investments in subsidiaries as of 31 March 2011.

Write down of inventories

At the end of the interim period (31 March 2011), the Company's management has organised a thorough review and analysis of the available tobacco by a commission composed of specialists from Bulgartabac - Holding AD. The review of tobacco has been performed with regard to their main parameters – uniformity, moisture contents, commercial appearance etc, and expert prices have been determined. These prices take into account the achieved price levels of concluded sales contracts for the domestic and foreign markets, the supply-and-demand dynamics of tobacco markets as well as the latest price levels and trends in the deals in analogous tobacco. The net realizable value of separate tobacco types has been calculated by deducting the estimated directly attributable transaction costs from the expert-determined selling price.

Based on the review, the commission judged that there were no indicators for impairment. Management had accepted the conclusion of the commission and took a decision not to impair the available tobacco.

Impairment of financial assets

Management estimates at the date of each set of financial statements the losses from doubtful and bad debts. Receivables which are not collected within the initially set contractual terms and where difficulties in collecting are observed are subject to analysis in order to determine the actually collectible portion therefrom while the remaining portion to the nominal value is recognized in the income statement as an impairment loss.

For the purpose of presenting a correct fair value, the accounting estimate of short-term receivables adopted by the Company is based on the analysis of the total credit exposure of the debtor and its financial ability to settle the obligations. When the payment is past due compared to the contracted maturity, this also represents an indicator for impairment.

Based on a review of the possibility for collecting overdue receivables as of 31 March 2011, the Company's management has judged that the possibility for collecting the receivables from companies in insolvency and liquidation is assessed to zero. Receivables from the above companies amounting to BGN 46 thousand, incl. of receivables from penalties on loans amounting to BGN 29 thousand have been impaired and presented net in the income statement under heading "Revenue".

Investments available for sale are impaired when the Company finds out that their carrying amount is higher than the estimated recoverable amount. At 31 March 2011, based on a review for the existence of indicators of impairment, the Company's management has judged that there are no indicators for impairment of its investments available for sale. The investment in a subsidiary in insolvency has been classified as investment available for sale due to the fact that this subsidiary has been placed under court control (loss of control thereon by the parent company). The investment was 100% impaired in previous reporting periods.

Actuarial calculations of the present value of long-term retirement benefit obligations

In assessing the present value of long-term retirement benefit obligations, the calculations of certified actuaries made as of 31 December 2010 have been used in relation to the preparation of the separate financial statements for 2010. As there have not been any significant changes in the base used (assumptions for mortality rates, staff turnover rates, future levels of salaries and a discount factor), management judged that the so-prepared actuarial valuation can be used as a basis for determining the best estimate when assessing the present value of long-term retirement benefit obligations.

3. REVENUE

	31 March 2011	*31 March 2010*
	BGN '000	*BGN '000*
Sale of tobacco	1,108	2,057
Payments for rights of trademarks (royalties)	2,926	1,091
Fees under trade representation contracts with subsidiaries	2,931	1,012
Interest and penalties on loans	4	4
Total	**6,969**	**4,164**

Revenue structure is as follows:

	31 March 2011	*31 March 2010*
	BGN '000	*BGN '000*
Domestic market	3,762	1,446
Export	3,207	2.718
Total	**6,969**	**4,164**

Revenue gained on the basis of trade representation contracts includes:

	31 March 2011	*31 March 2010*
	BGN '000	*BGN '000*
Cigarettes export	2,234	659
Tobacco import and export	447	236
Import of auxiliary materials	212	104
Import of spare parts	35	13
Sale of tobacco in the domestic market	3	-
Total	**2,931**	**1,012**

4. OTHER OPERATING INCOME AND LOSSES

	31 March 2011	***31 March 2010***
	BGN '000	***BGN '000***
Rental income	53	121
Interest and penalties under contracts	35	86
Interest on current accounts	13	16
Income from services for storing of tobacco and preparation for shipping	2	3
Income from subscription and advertising in Bulgarian Tobacco magazine	2	3
Revenue from sale of goods	*1*	6
Carrying amount of goods sold	*(1)*	(5)
Sales results	-	1
Foreign exchange gains or losses on trade receivables, liabilities and current accounts, net	(60)	64
Other	3	-
Total	**48**	**294**

5. COSTS OF MATERIALS

Costs of materials include:	***31 March 2011***	***31 March 2010***
	BGN '000	***BGN '000***
Tobacco – raw material	3,812	4,475
Non-current assets below the value threshold	97	39
Fuel and energy	73	69
Stationery and consumables	26	22
Water	1	1
Materials used in the preparation of tobacco lots for export	1	-
Spare parts	-	2
Other	-	1
Total	**4,010**	**4,609**

6. PERSONNEL EXPENSES

Personnel expenses include:	*31 March 2011* BGN '000	*31 March 2010* BGN '000
Salaries and wages	1,390	1,279
Social allowances and payments	555	510
Social security contributions	188	174
Accruals for long-term retirement benefits	113	170
Accruals for unused paid leaves	41	54
Accruals for social security contributions on unused paid leaves	7	9
Severance pay	5	202
Total	**2,299**	**2,398**

7. HIRED SERVICE EXPENSES

Hired service expenses include:	*31 March 2011* BGN '000	*31 March 2010* BGN '000
Advertising	1,324	721
Tobacco processing	1,103	991
Administrative costs of tobacco processing and tobacco buy-up	456	188
Consulting services	108	93
Trademarks registration	94	87
Operating lease of motor vehicles	78	78
Commissions on tobacco exports	70	-
Security	51	65
Remunerations under civil contracts	47	43
Local taxes and charges	42	47
Storing of tobacco	32	39
Repair and maintenance	32	28
Communication services	30	42
Tobacco transportation for export	19	-
Rents	16	14
Tax on expenses	16	12
Bank charges on transfers	10	9
Translation / interpretation services	8	3
Insurances	7	10
Subscriptions	6	7
Service related to the development of food vouchers	5	6

Preparation of tobacco lots for sale	5	2
Bulgarian Tobacco magazine	3	4
Other transport services	3	1
Membership fees	2	1
Sample tasting	1	-
Labour medicine	1	1
Non-deductible expense under the tax law	-	1
Tobacco and cigarettes analysis	-	7
Notary fees	-	2
Other	1	1
Total	**3,570**	**2,503**

8. (REVERSED) / ACCRUED IMPAIRMENT OF ASSETS, NET

The impairment of assets includes:	***31 March 2011***	***31 March 2010***
	BGN '000	***BGN '000***
Write down of receivables from subsidiaries	16	38
Write down of other receivables	1	1
Reversed write down of receivables	(20)	(38)
Total	**(3)**	**1**

9. OTHER OPERATING EXPENSES

Other expenses include:	***31 March 2011***	***31 March 2010***
	BGN '000	***BGN '000***
Business trip expenses	52	27
Participation in conferences and training courses	37	10
Donations	27	10
Representative expenses	24	12
Scrapped non-current assets	1	-
Total	**141**	**59**

10. INVESTMENT GAINS AND LOSSES

	31 March 2011	*31 March 2010*
	BGN '000	*BGN '000*
Interest on deposits	620	439
Foreign exchange differences related to deposits, net	(3)	4
Total	**617**	**443**

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Other*		*FTA in progress*		*Total*	
	31.03.2011	*31.12.2010*	*31.03.2011*	*31.12.2010*	*31.03.2011*	*31.12.2010*	*31.03.2011*	*31.12.2010*	*31.03.2011*	*31.12.2010*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value										
Balance at 1 January	22,041	22,018	203	198	3,886	3,508	145	48	26,275	25,772
Additions	-	23	-	5	25	46	3	461	28	535
Transfer among accounts	-	-	-	-	68	364	(68)	(364)	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1)	(32)	-	-	(1)	(32)
Balance at the period-end	22,041	22,041	203	203	3,978	3,886	80	145	26,302	26,275
Accumulated depreciation										
Balance at 1 January	5,451	4,806	147	114	2,933	2,186	-	-	8,531	7,106
Depreciation charge for the year	161	645	9	33	151	777	-	-	321	1,455
Revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation written-off	-	-	-	-	(2)	(30)	-	-	(2)	(30)
Impairment	-	-	-	-	-	-	-	-	-	-
Balance at the period-end	5,612	5,451	156	147	3,082	2,933	-	-	8,850	8,531
Carrying amount at the period-end	**16,429**	**16,590**	**47**	**56**	**896**	**953**	**80**	**145**	**17,452**	**17,744**
Carrying amount at the beginning of period	**16,590**	**17,212**	**56**	**84**	**953**	**1,322**	**145**	**48**	**17,744**	**18,666**

12. INTANGIBLE ASSETS

	Trademarks		*Software*		*Other*		*Total*	
	31.03.2011	*31.12.2010*	*31.03.2011*	*31.12.2010*	*31.03.2011*	*31.12.2010*	*31.03.2011*	*31.12.2010*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value								
Balance at 1 January	4,030	4,030	88	82	-	139	4,118	4,251
Additions	-	-	9	6	-	25	9	31
Transfer among accounts	-	-	-	-	-	-	-	-
Disposals				-	-	(164)	-	(164)
Balance at 31 December	**4,030**	**4,030**	**97**	**88**	**-**	**-**	**4,127**	**4,118**
Accumulated amortization								
Balance at 1 January	4,030	3,435	67	57	-	-	4,097	3,492
Amortization charge for the year	-	595	2	10	-	-	2	605
Disposals								
Balance at the period-end	4,030	4,030	69	67	-	-	4,099	4,097
Carrying amount at the period-end	**-**	**-**	**28**	**21**	**-**	**-**	**28**	**21**
Carrying amount at the beginning of period	**-**	**595**	**21**	**25**	**-**	**139**	**21**	**759**

13. INVESTMENTS IN SUBSIDIARIES

Name of the company	*Country*	*Date of acqui-sition*	***31 March 2011 BGN' 000***	***Share %***	***31 December 2010 BGN' 000***	***Share %***
„Bulgartabac-Trading" EAD	Bulgaria	11.08.2006	4,089	100,00	4,089	100,00
"Blagoevgrad BT" AD	Bulgaria	01.01.1994	2,304	85,24	2,304	85,24
„Haskovo Tabac" AD – in liquidation	Bulgaria	01.01.1994	967	91,77	967	91,77
"Sofia BT" AD	Bulgaria	01.01.1994	952	78,22	952	78,22
„Asenovgrad Tabac" AD	Bulgaria	01.01.1994	442	82,71	442	82,71
"Shumen Tabac" AD	Bulgaria	01.01.1994	368	85,60	368	85,60
"Pleven BT" AD	Bulgaria	01.01.1994	364	85,60	364	85,60
Impairment			*(967)*		*(967)*	
Total amount of investments			**8,519**		**8,519**	

14. AVAILABLE-FOR-SALE INVESTMENTS

Name	*Country*	***31 March 2011 BGN' 000***	***Share %***	***31 December 2010 BGN' 000***	***Share %***
„Dulovo Tabac" AD – in insolvency	Bulgaria	118	99.98	118	99.98
International Asset Bank AD	Bulgaria	100	0,50	100	0,50
Impairment		*(118)*		*(118)*	
Total		**100**		**100**	

15. LONG-TERM RECEIVABLES FROM RELATED PARTIES

	31 March 2011 BGN' 000	***31 December 2010 BGN' 000***
Book value	289	437
Impairment	*(8)*	*(14)*
Carrying amount	**281**	**423**

16. LONG-TERM LOANS TO EMPLOYEES

	31 March 2011 BGN' 000	***31 December 2010 BGN' 000***
Book value	5	6
Impairment	*(1)*	*(1)*
Carrying amount	**4**	**5**

17. OTHER NON-CURRENT ASSETS

Other non-current assets of the amount of BGN 533 thousand (31 December 2010: BGN 571 thousand) include cash transferred by Bulgartabac - Holding AD to special escrow accounts in relation to agreements concluded under court cases in the territory of the USA.

18. LONG-TERM TRADE RECEIVABLES

	31 March 2011 BGN' 000	***31 December 2010 BGN' 000***
Book value	398	699
Impairment	*(354)*	*(620)*
Carrying amount	**44**	**79**

19. INVENTORIES

	31 March 2011	*31 December 2010*
	BGN '000	*BGN '000*
Tobacco – unmanufactured	10,760	6,735
Tobacco – goods	10,624	302
Advertising materials	1,176	1,151
Tobacco - raw material	625	625
Cigarettes	97	100
Materials and consumables	10	9
Goods	3	4
Total	**23,295**	**8,926**

20. RECEIVABLES FROM RELATED PARTIES

Name of the Company	*31 March 2011*	*31 December 2010*
	BGN '000	*BGN '000*
”Haskovo Tabac” AD – in liquidation	6,603	6,559
„Shumen Tabac” AD	2,440	2,334
„Sofia BT” AD	1,974	2,503
„Blagoevgrad BT” AD	1,271	5,370
„Pleven BT” AD	489	543
„Asenovgrad Tabac” AD	237	227
“Bulgartabac Trading” EAD	1	-
Write down of receivables:	*(8,400)*	*(8,363)*
Total	**4,615**	**9,173**

Receivables from related parties at 31 March include:

Type of receivable	***31 March 2011 BGN '000***	***31 December 2010 BGN '000***
Sales receivables	8,305	12,863
Impairment	*(4,618)*	*(4,626)*
Receivables as interest and penalties on loans	1,741	1,708
Impairment	*(1,610)*	*(1,582)*
Loans granted	1,665	1,665
Impairment	*(1,665)*	*(1,665)*
Advances given	-	64
Dividend	265	180
Other receivables	1,039	1,056
Impairment	*(507)*	*(490)*
Total related party receivables	13,015	17,536
Total impairment	*(8,400)*	*(8,363)*
Total	**4,615**	**9,173**

21. TRADE RECEIVABLES

	31 March 2011 BGN '000	***31 December 2010 BGN '000***
Receivables from clients	1,903	1,295
Impairment	*(18)*	*(18)*
Advances to suppliers	303	43
Loans granted	151	28
Impairment	*(151)*	*(28)*
Receivables as interest and penalties on loans	164	14
Impairment	*(131)*	*(12)*
Other receivables	422	335
Impairment	*(345)*	*(326)*
Total trade receivables at book value	2,943	1,715
Accumulated impairment	*(645)*	*(384)*
Total	**2,298**	**1,331**

22. OTHER CURRENT ASSETS

	31 March 2011	***31 December 2010***
	BGN '000	***BGN '000***
Taxes refundable	2,299	2,041
Court and awarded receivables	381	320
Impairment	*(210)*	*(210)*
Prepayments	810	104
Receivables from social security entities	54	54
Guarantees provided to contractors	12	5
Short-term portion of loans to employees	3	3
Total	**3,349**	**2,317**

23. CASH AND CASH EQUIVALENTS

	31 March 2011	***31 December 2010***
	BGN '000	***BGN '000***
Bank deposits	36,464	45,316
Current accounts	3,053	4,201
Interest receivables on deposits	319	126
Cash in hand	46	43
Restricted cash	-	43
Responsible persons	37	-
Total	**39,919**	**49,729**

Cash for the purposes of the cash flow statement

Interest accrued on term deposits with original maturity of up to 3 months and the permanently restricted cash (to secure payments on credit cards issued) are not included as part of cash when preparing the cash flow statement.

	31 March 2011 BGN '000	*31 December 2010 BGN '000*
Cash and cash equivalents presented in the statement of financial position	**39,919**	**49,729**
Restricted cash	-	(43)
Interest receivables on deposits	(319)	(126)
Cash and cash equivalents in the cash flow statement	**39,600**	**49,560**

24. CAPITAL AND RESERVES

	31 March 2011 BGN' 000	*31 December 2010 BGN' 000*
Share capital	7,367	7,367
Statutory reserves	26,632	26,632
Revaluation reserve	5,226	5,226
Accumulated profits	55,933	54,614
Total	**95,158**	**93,839**

At the date of preparation of the interim separate financial statements no decision has been taken to distribute dividends from the 2010 profits. In 2010, at the regular General Meeting of Shareholders a decision was taken to distribute dividends from the 2009 profit in the amount of BGN 2,301 thousand. The dividend for the State amounted to BGN 1,837 thousand.

25. RETIREMENT BENEFIT OBLIGATIONS

Payables to personnel include the present value of the Company's obligation to pay indemnities to its employees upon retirement as at 31 March 2011 – BGN 1,615 thousand (31 December 2010: BGN 1,502 thousand).

26. PAYABLES TO RELATED PARTIES

At 31 March 2011 payables to related parties in the amount of BGN 671 thousand relate to purchase and tobacco processing (31 December 2010: Nil).

27. TRADE AND OTHER PAYABLES

	31 March 2011	*31 December 2010*
	BGN ‘000	*BGN ‘000*
Advances received	289	304
Accruals for expenses	290	292
Payables to suppliers	410	233
Total trade payables	***989***	***829***
Tax liabilities	243	1,808
Dividend payables	180	184
Deposit - guarantee under a real estate rental agreement	41	41
Deductions from salaries	45	33
Other payables	3	-
Total other current liabilities	**512**	**2,066**
Total	**1,501**	**2,895**

28. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31 March 2011	*31 December 2010*
	BGN '000	*BGN '000*
Payables to personnel	1,854	1,093
Social security payables	159	130
Total	**2,013**	**1,223**

29. CONTINGENT LIABILITIES AND COMMITMENTS

Court and executive cases

Before the Administrative Court Sofia a case had been initiated - Administrative case No. 5673/2009- as a result of the appeal filed by Bulgartabac - Holding AD against Tax Assessment Deed No. 290800348 dated 06 April 2009. The Tax Assessment Deed was appealed against in its part of the additionally assessed corporate income tax under CITA /repealed/ for 2004 amounting to BGN 1,251 thousand – principle. By a decision of the Sofia Administrative Court dated 21 February 2011 the appeal of Bulgartabac - Holding AD was honoured in full. The Director of Appeals and Enforcement Management – Sofia was sentenced to pay to Bulgartabac - Holding AD the court expenses amounting to BGN 33 thousand. The decision was appealed against to the Supreme Administrative Court.

Proceedings, related to rights of trademarks

- In Romania, at a request of Bulgartabac - Holding AD a case was brought to a Bucharest Court against Gallaher Canarias S.A., Spain, for the annulment of trademark Victoria of Gallaher Canarias S.A. in Romania in relation to the registration of the trademark Victory of Bulgartabac - Holding AD. The decision is in favour of Bulgartabac - Holding AD. The decision was not appealed against and entered into force.

30. RELATED PARTIES

30.1. RELATED PARTY TRANSACTIONS

The table presents data on the related party transactions of Bulgartabac-Holding AD executed during the year:

	31 March 2011 BGN '000	31 March 2010 BGN '000
1. Sales of finished products and goods to:		
subsidiaries within Bulgartabac Group, including	**118**	**-**
· Tobacco	118	-
2. Sales of services to:		
subsidiaries within Bulgartabac Group, including	**5,899**	**2,171**
· trade representation (commissions)	2,931	1,012
· rights of trademarks (royalty)	2,926	1,091
· penalties for overdue payments under loans rentals	33	33
· interest on deferred dividends and other	7	7
· rents	1	25
· advertisements in Bulgarian Tobacco magazine	1	1
· tobacco storing	-	2
3. Supply of goods from:		
subsidiaries within Bulgartabac Group, including	**25**	**-**
· cigarettes	24	-
· materials	1	-
4. Supply of services from:		
subsidiaries within Bulgartabac Group, including	**2,395**	**1,289**
· industrial processing of tobacco	1,103	991
· expenses on purchase of tobacco	704	-
· administrative costs of raw tobacco purchase	247	-
· administrative costs of industrial processing of tobacco	209	188
· advertising	122	106
· rents	8	4
· storing of tobacco	2	-

The outstanding balances (accounts) with related parties as at 31 December are as follows:

5. Receivables from subsidiaries	**4,896**	**3,011**
6. Payables to subsidiaries	**671**	**-**

In accordance with signed licence agreements with Bulgartabac-Holding AD for licences for the trademarks owned by Bulgartabac-Holding AD, the subsidiaries pay licence fees (royalty) determined as a percent of the selling price.

The subsidiaries pay fees for trade intermediary for performed by Bulgartabac-Holding AD import and export at their account, determined as a percent of the transaction amount.

On sale and purchase of unmanufactured tobacco between the subsidiaries and Bulgartabac-Holding AD, the prices are determined depending on: crop, variety, quality, uniformity of lots, and level of export prices for the respective origin at the transaction date as well as the demand and supply of the domestic and foreign markets and the existing stocks of analogous tobaccos.

On purchase and sale of cigarettes, the prices of the deals are determined on the basis of freely determined retail prices (only subject to registration) and deducting a trade discount from the retail price (VAT excluded).

Terms and conditions of transactions doe not differ from the market ones.

30.2. KEY MANAGEMENT STAFF

Members of the Board of Directors:

1. Ivan Atanasov Bilarev – Member of the BD and Executive Director
2. Alexander Dimitrov Manolev – Chairman of the BD
3. Georgi Serafimov Kostov – Member of the BD and Deputy Chairman

The remunerations of the key managing staff, including the social security contributions are:

	31 March 2011 BGN '000	***31 March 2010 BGN '000***
Remunerations and other short-term income	22	21
Total	**22**	**21**

31. FINANCIAL RISK MANAGEMENT

Structure of the financial assets and liabilities by categories:

	Loans and receivables	*Available-for-sale assets*	*Total*
	BGN'000	*BGN'000*	*BGN'000*
31 March 2011			
Financial assets			
Investments available-for-sale	-	100	100
Long-term receivables from related parties	281	-	281
Other long-term financial assets	581	-	581
Receivables from related parties	4,615	-	4,615
Trade receivables	1,995	-	1,995
Cash and cash equivalents	39,919	-	39,919
Other receivables	15	-	15
Total	**47,406**	**100**	**47,506**

	Other financial liabilities BGN'000	*Total*
		BGN'000
Financial liabilities		
Payables to related parties	671	671
Trade payables	700	700
Other liabilities	223	223
Total	**1,594**	**1,594**

	Loans and receivables	*Available-for-sale assets*	*Total*
	BGN'000	*BGN'000*	*BGN'000*
31 December 2010			
Financial assets			
Investments available-for-sale	-	100	100
Long-term receivables from related parties	423	-	423
Other long-term financial assets	655	-	655
Receivables from related parties	9,109	-	9,109
Trade receivables	1,288	-	1,288
Cash and cash equivalents	49,729	-	49,729
Other receivables	8	-	8
Total	**61,212**	**100**	**61,312**

	Other financial liabilities BGN'000	*Total BGN'000*
Financial liabilities		
Trade payables	525	525
Other liabilities	225	225
Total	**750**	**750**

The Company does not have the practice of working with derivative instruments.

In the ordinary course of its business activities, the Company is exposed to a variety of financial risks the most important of which are market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The general risk management is focused on the difficulties of forecasting the financial markets and minimizing the potential negative effects that might affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms introduced 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.

Risk management in the Company is currently executed by the management and the respective structural units, depending on the type and specific features of various risks to which the Company is exposed in its operations.

Below are presented the various types of risks to which the Company is exposed upon performing its commercial transactions as well as the adopted approach for managing these risks.

Market risk

Currency risk

The main part of the economic operations of the Company is executed in BGN or EUR.

An immaterial part of the Company's financial assets and liabilities are denominated in USD (incl. cash deposited for long time in escrow accounts and some of the deposits with commercial banks).

In order to control currency risk, the Company has developed and applies the following measures:

- it has implemented a system to plan and monitor on daily basis the movements of USD exchange rate and to exercise control over the forthcoming payments to and from the Company;
- the free funds in USD are invested by the Company in short-term foreign currency deposits with good yields.

The tables below summarise the Company's exposure to currency risk.

Foreign currency structure analysis

31 March 2011	In EUR	In USD	In other foreign currency	In BGN	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Financial assets					
Investments available-for-sale	-	-	-	100	100
Long-term receivables from related parties	-	-	-	281	281
Other long-term financial assets	-	533	-	48	581
Receivables from related parties	-	-	-	4,615	4,615
Trade receivables	863	-	-	1,132	1,995
Cash and cash equivalents	24,338	308	2	15,271	39,919
Other receivables	-	-	7	8	15
Total financial assets	**25,201**	**841**	**9**	**21,455**	**47,506**
Financial liabilities					
Payables to related parties	-	-	-	671	671
Trade payables	82	1	-	617	700
Other liabilities	2	-	-	221	223
Total financial liabilities	**84**	**1**	-	**1,509**	**1,594**

31 December 2010	In EUR	In USD	In other foreign currency	In BGN	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Financial assets					
Investments available-for-sale	-	-	-	100	100
Long-term receivables from related parties	-	-	-	423	423
Other long-term financial assets	-	571	-	84	655
Receivables from related parties	-	-	-	9,109	9,109
Trade receivables	-	-	-	1,288	1,288
Cash and cash equivalents	29,655	355	2	19,717	49,729
Other receivables	-	-	-	8	8
Total financial assets	**29,655**	**926**	**2**	**30,729**	**61,312**

Financial liabilities					
Payables to related parties	-	-	-	-	-
Trade payables	3	4	-	518	525
Other liabilities	-	-	-	225	225
Total financial liabilities	**3**	**4**	-	**743**	**750**

Foreign currency sensitivity analysis

		USD	
		2010	***2009***
		BGN'000	***BGN'000***
Financial result (profit)	+	76	83
Equity (component - retained earnings)	+	**76**	83
Financial result (loss)	-	(76)	(83)
Equity (component - retained earnings)	-	**(76)**	**(83)**

In case of an increase by 10% in the exchange rate of the USD to the BGN as at 31 March 2011, would increase Company's profit (after tax) for 2010 by BGN 76 thousand (2010: BGN 83 thousand) due to the effect of the increased the BGN value of financial assets - other long-term financial assets and cash and cash equivalents, less the effect of the increase in the BGN value of trade payables. The analysis is based on currency exposures in USD at the end of the reporting period, with all other variables held constant, including interest rates. Respectively, the 10% increase in the exchange rate would have the same effect also on equity through the component 'retained earnings' (through the current profit or loss) since the equity components of the Company are not affected by foreign currency assets and liabilities, the revaluation of which is reported as other comprehensive income or directly in the equity.

A decrease by 10% of the exchange rate of the USD to BGN would have equal and reciprocal effect of the stated above, on Company's profit (after taxation) and equity.

In management's opinion, the presented above sensitivity analysis based on the structure of foreign currency assets and liabilities at the end of the reporting period is representative for the currency sensitivity of the Company for the respective period.

Post-tax profit for year 2010 is less sensitive to currency risk than in the prior year due to decrease in the Company's exposure in assets denominated in USD net of liabilities denominated in USD (USD 610 thousand) compared to the net exposure in year 2010 (USD 626 thousand).

Interest rate risk

Interest-bearing financial assets are represented mainly, in the structure of the Company's assets, by bank deposits, cash and fixed-rate loans granted. At the same time, the Company neither holds nor maintains interest-bearing liabilities. Therefore, the operating cash flows do not depend to a large extent to the changes in market interest rates.

With regard to interest-bearing assets, such as fixed-rate deposits with commercial banks, the Company applies the following procedures for current control and risk management:

- the deposit contracts concluded with commercial banks are short-term ones (usually of up to 1 month) with a maximum term of up to 3 months;
- approved procedures are followed when choosing a bank for the purpose of achieving best interest rates, as at the same time taking into consideration the financial soundness of commercial banks and the need to diversify the risk of concentration of financial resources in the separate banks;
- market conditions are constantly analysed with the support of a special department of the Company and the exposure of interest-bearing assets of the Company is controlled.

The Company holds interest-bearing assets with floating interest rates that are exposed to risk of cash flows. These assets comprise amounts deposited (in USD) through an escrow agent hired by the Company.

31 March 2011	***Interest-free***	***With floating interest %***	***With fixed interest %***	***Total***
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Financial assets				
Available-for-sale investments	100	-	-	100
Long-term receivables from related parties	194	-	87	281
Other long-term financial assets	-	537	44	581
Receivables from related parties	4,349	-	266	4,615
Trade receivables	969	-	1,026	1,995
Cash and cash equivalents	84	17	39,818	39,919
Other receivables	12	3	-	15
Total financial assets	**5,708**	**557**	**41,241**	**47,506**
Financial liabilities				
Payables to related parties	671	-	-	671
Trade payables	700	-	-	700
Other liabilities	223	-	-	223
Total financial liabilities	**1,594**	-	-	**1,594**

31 December 2010	*Interest-free*	*With floating interest %*	*With fixed interest %*	*Total*
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Financial assets				
Available-for-sale investments	100	-	-	100
Long-term receivables from related parties	248	-	175	423
Other long-term financial assets	-	576	79	655
Receivables from related parties	8,929	-	180	9,109
Trade receivables	7	-	1,281	1,288
Cash and cash equivalents	42	18	49,669	49,729
Other receivables	5	3	-	8
Total financial assets	**9,331**	**597**	**51,384**	**61,312**

Financial liabilities				
Payables to related parties	-	-	-	-
Trade payables	525	-	-	525
Other liabilities	225	-	-	225
Total financial liabilities	**750**	-	-	**750**

Funds in the current accounts bear interest rates according to the tariffs of the relevant banks, which remain relatively constant for a longer period of time, although they are affected by the changes in the basic interest rate.

The Company's management currently monitors and analysis the exposure against changed interest rates, and measures the impact on the financial result and equity in case of change with set points or percentage of interest. For each simulation, the same assumption for interest rate shift is used for BGN and USD.

The Company's management has performed an analysis of interest sensitivity of interest-bearing assets (with floating interest rate) as at the end of both reporting periods while preserving the respective structure of assets, assumption for change in the interest rate for USD and BGN by 50 basis points and ignoring the influence of other factors. The change in increase of the interest rate on long-term deposits (escrow contracts) in USD and long-term receivables in BGN by 50 basis points would result in a profit (after tax) in the statement of comprehensive income of BGN 2 thousand (2010: BGN 3 thousand). Respectively, the same increase in the interest rate would have the same effect also on equity through the component 'accumulated profits' (through the net profit or loss for the year) since the equity components of the company are not affected by interest-bearing assets, the revaluation of which is reported as other comprehensive income and in the equity.

A decrease by 50 basis points of the interest rate on long-term deposits (with floating interest rate) in USD and of long-term receivables (with floating interest rate) in BGN would have an equal and reciprocal effect on the Company's (post-tax) profit and equity.

Price risk

The Company is not exposed to a price risk of adverse changes in the prices of goods and services, subject to its operations, because the goods are not traded in stock exchange and as per the contractual arrangements with clients and suppliers, prices are periodically analysed and discussed for revision and update in accordance with market changes. The major sales transactions executed by the Company cover sales of goods and finished products (tobacco), services - commissions related to purchase of raw materials, materials and sales of finished products to subsidiaries, as well as the service to provide a licence for trademarks for the production of tobacco products. As far as the licence service is directly related to the value of tobacco products (determined as a percent of the final selling price), management believes that no price risk exists considering that the prices to tobacco products in the domestic market are determined by the market and are only subject to registration.

In order to manage the price risk as regards the cigarette prices, the Company currently monitors the status and dynamics of the market (monitors the behaviour of the other market participants) for the purposes of adequate pricing of cigarettes depending on the market environment.

Upon sales of goods and finished products (tobacco), the Company was exposed to a specific price risk in 2010 in relation to the minimal purchase prices of tobacco determined by a Council of Ministers (CM) Decree. In 2010 the CM of the Republic of Bulgaria did not determine minimal purchase prices of tobacco, crop 2010, and therefore, the purchase prices had been set by a decision of the Company’s management, which minimized this type of risk. Moreover, the Company is exposed to possible negative changes in the tobacco prices in the global market.

The price risk to negative changes in prices is minimized by performing periodic analyses and discussions of the contractual relations in order to re-review and update the prices vs. the market changes.

The Company does not hold a significant portfolio of available-for-sale investments in terms of amount and the available-for-sale investments held by the Company are not traded in a stock exchange, therefore, the Company is not exposed to a risk of changes in the stock prices of securities.

Credit risk

Upon performing its activities, the Company is exposed to a credit risk related to the risk that any of its clients or other counterparts will fail to discharge the obligations, related to due amounts under trade and other receivables, in full and within the normally envisaged terms. The latter are presented in the statement of financial position at net value after deducting the impairment accrued. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

The Company's financial assets are mainly concentrated in the following groups: other long-term financial assets, investments available-for- sale, cash – cash in hand and in bank accounts (current and deposit), trade receivables, and receivables from related parties (subsidiaries) and other receivables. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets as disclosed herein (Structure of financial assets and financial liabilities by categories). A significant part of the Company’s financial assets is secured by collateral (related party receivables, trade receivables, incl. long-term ones), the fair value of which is higher than the carrying amount of the secured receivables.

In view of the credit risk of cash flows in bank accounts (current and deposit), the risk management in the case of active transactions with temporarily free cash includes the activities on identifying, measuring and controlling any potential events or situations, which may impact negatively the achievement of the company’s goals to ensure additional stable source of income. The object of analysis is the possible negative consequence (income outflow) which could occur as a result of an unfavourable event and the resources that will be required to overcome this event.

Rules for the procedure, methods and criteria for selection of financial organizations providing cash and cash equivalent management services, payment and related services, financing, purchase of specific financial instruments, hedging transactions and other financial services (the Rules) have been adopted and applied by the Company. The Rules are a methodology applied by a specialised department of the Company and thus, guaranteeing the achievement of maximum economic effect at minimum financial risk. The criterion for classification of proposals is the economically most favourable offer in terms of the optimal ratio “yield (benefit)/risk”. A diversification policy setting credit limits for the contractors is applied by the Company. The diversification policy is applied with the aim to reduce to a minimum the concentration of risks for the Company and to guarantee its stability and steadiness.

The Company does not have a significant concentration of credit risk except for receivables from related parties and companies undergoing insolvency procedures, part of them being risk-bearing due to the worsening financial position of the respective companies. In relation to the credit risk of failure to collect receivables from these subsidiaries (under loan agreements, contracts for trade representation and other) the Company undertakes the following security measures:

- under the loan agreements - a collateral is required (usually at 150% of the principal) on their concluding, which includes pledge of tangible fixed assets, mortgage of real estate and other. An additional requirement is to issue a promissory note in favour of Bulgartabac-Holding AD - at amount equal to the sum of principal and interest under the loan agreement as per the repayment schedule.
- with regard to trade and other receivables, which are past due and have not been secured on their origination, agreements are being concluded for their deferral and a collateral is agreed at an amount not less than the initially recognised amount of the receivable. The collateral usually represents an established mortgage of real estate(s);
- regarding the remaining agreements, which are not secured in advance, the following common actions are undertaken in cases of overdue payment by the debtor company - setoff of payables to the company against overdue receivables and where the payable amount is not sufficiently large to cover the receivable of Bulgartabac-Holding AD, then other out-of-court options are searched to settle receivables (deals related to purchases of assets, ownership of the debtor - which are settled by setoff).

In the Company, the current servicing of receivables, the reasons for being past due and the changes in the financial abilities of debtor companies are currently monitored and analysed, and the status and quality of collateral provided is controlled.

Regarding the other clients, the Company's policy is that deferred payments (credit sales) are offered as an exception only to clients having long account of business relations with the Company, good financial position and no history of credit terms violations. Receivables are controlled jointly by the trade and financial departments in the Company by following the established common practice and monitoring the observance of contractual terms and conditions. Sales to the other clients are mainly performed through prepayment (in part or in full) or payment on transaction date.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity.

The liquidity management policy of the Company's is conservative maintaining a constant optimal liquid reserve of cash and a good capability for funding its business activities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities. The Company usually maintains optimal quantity of available cash so that it is able to meet its obligations at any time pursuant to their maturity. The Company generates and has sufficient working capital and does not need borrowed credit resources for financing its operating activities.

Maturity analysis

The Financial and the Accounting Departments monitor currently the maturity and the timely payments by maintaining daily information on the cash available and analysis of forthcoming payments. Free cash is invested usually in short-term deposits with commercial banks.

The Company's financial non-derivative assets and liabilities at the end of the reporting period are presented below. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable become due for payment. The amounts include principal and interest.

The Company's assets and liabilities, analyzed in terms of the remaining useful life at the end of the reporting period, are as follows:

31 March 2011	on demand	within 1 month	1-3 months	3-6 months	6-12 months	1-2 year	2-5 years	over 5 years	With no maturity	Total:
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Financial assets										
Available-for-sale investments	-	-	-	-	-	-	-	-	100	**100**
Long-term receivables from related parties	-	-	-	-	-	289	-	-	-	**289**
Other long-term financial assets	-	-	-	-	-	47	2	533	-	**582**
Receivables from related parties	-	2,095	1,354	147	1,048	-	-	-	-	**4,644**
Trade receivables	-	346	1,100	384	165	-	-	-	-	**1,995**
Cash and cash equivalents	3,153	36,928	-	-	-	-	-	-	-	**40,081**
Other receivables	-	-	1	1	1	-	-	-	12	**15**
Total financial assets	**3,153**	**39,369**	**2,455**	**532**	**1,214**	**336**	**2**	**533**	**112**	**47,706**
Financial liabilities										
Payables to related parties	-	671	-	-	-	-	-	-	-	**671**
Trade payables	-	700	-	-	-	-	-	-	-	**700**
Other liabilities	180	2	-	-	-	-	-	-	41	**223**
Total financial liabilities	**180**	**1,373**	-	-	-	-	-	-	**41**	**1,594**

31 December 2010	On demand	within 1 month	1-3 months	3-6 months	6-12 months	1-2 year	2-5 years	over 5 years	With no maturity	Total:
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Financial assets										
Available-for-sale investments	-	-	-	-	-	-	-	-	100	**100**
Long-term receivables from related parties	-	-	-	-	-	415	22	-	-	**437**
Other long-term financial assets	-	-	-	-	-	82	3	571	-	**656**
Receivables from related parties	-	3,255	5,142	171	575	-	-	-	-	**9,143**
Trade receivables	-	136	256	384	512	-	-	-	-	**1,288**
Cash and cash equivalents	4,262	45,547	-	-	-	43	-	-	-	**49,852**
Other receivables	-	-	1	1	1	-	-	-	5	**8**
Total financial assets	**4,262**	**48,938**	**5,399**	**556**	**1,088**	**540**	**25**	**571**	**105**	**61,484**
Financial liabilities										
Payables to related parties	-	-	-	-	-	-	-	-	-	-
Trade payables	-	525	-	-	-	-	-	-	-	**525**
Other liabilities	184	-	-	-	-	-	-	-	41	**225**
Total financial liabilities	**184**	**525**	-	-	-	-	-	-	**41**	**750**

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors the availability and structure of its capital. It is a characteristic feature that it traditionally funds its activities from its own generated profits and working capital.

Fair values

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties.

With regard to trade receivables and payables, as well as provided loans and deposits, the Company expects to realize these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at their amortised cost which is accepted as being close to their fair value.

The large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables) or are presented in the balance sheet at market value (deposits placed with banks) and therefore, their fair value is almost equal to their carrying amount. The available-for-sale investments for which there is neither market available nor objective conditions for a reliable fair value measurement form an exception to this rule. Therefore, they are presented at acquisition cost (cost), which could be accepted conservatively as not materially different from their fair value.

As far as no sufficient market experience, stability and liquidity exist with regard to purchases and sales of certain financial assets and liabilities, still no adequate and reliable quotes of market prices are available thereof. The Company's management has judged that the estimates of the financial assets and liabilities presented in the balance sheet are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

32. PRIVATISATION, RESTRUCTURING AND SALE OF SUBSIDIARIES

NEW PROCEDURE FOR THE PRIVATISATION OF BULGARTABAC-HOLDING AD

By a decision of the National Assembly of the Republic of Bulgaria dated 17 December 2008 (promulgated in the State Gazette (SG), issue 109/2008) the Strategy for the privatization of BULGARTABAC-HOLDING AD, adopted by a decision of the National Assembly dated 10 December 2003, was revoked.

By virtue of §99 of the Transitional and Final Provisions (TFP) of the State Budget Act of the Republic of Bulgaria for 2009 (promulgated in the SG, issue 110/2008) the Privatisation and Post-privatisation Control Act was amended, whereby i.1 of the List – Note No. 2 to Art. 35a., Para.1 of the Privatisation and Post-privatisation Control Act was revoked (BULGARTABAC-HOLDING AD was taken out of the List of commercial companies with more than 50 per cent of State interest in their capital which are important to the Bulgaria’s national security).

By a letter dated 18 February 2009, the Privatisation Agency informed Bulgartabac - Holding AD that on the grounds of Art. 4, Para.1 and Art. 28, Para.1 and Para. 2 of the Privatisation and Post-privatisation Control Act and a Decision No. 1490 dated 17 February 2009 of the Privatisation Agency Bulgartabac - Holding AD was forbidden to perform disposal transactions with long-term assets of the Company, to conclude contracts for the acquisition of share participations, rental contracts, contracts for joint operations, loan contracts, contracts for securing receivables, as well as to undertake any bill-of-exchange obligations, except with the permission of the Privatisation Agency.

By a letter of the Privatisation Agency dated 23 March 2009, Bulgartabac - Holding AD was required to notify in advance the Agency of all transactions outside the scope of application of Art. 28 of the Privatisation and Post-privatisation Control Act that would bind Bulgartabac - Holding AD or its subsidiaries for a term longer than one year. The Privatisation Agency should be notified in advance also of any transactions concluded by the subsidiaries, namely of any disposal transactions involving fixed tangible assets of the company, signing of contracts for the acquisition of shares, rental agreements, contracts for joint activities, loan contracts, contracts for securing receivables, as well as for assuming obligations related to bills of exchange.

By a letter of the Privatisation Agency dated 23 November 2010, Bulgartabac - Holding AD was informed that the prohibition under Art. 28 of PPCA for conclusion of deals applies also to the subsidiaries, except for those ongoing liquidation or insolvency proceedings.

As a result of a tender carried out, between the Privatisation and Post-privatisation Control Agency and the selected consultant - Citigroup Global Markets Limited, London, a contract was signed for the assignment of activities related to the preparation for privatization of a package of shares held by the Bulgarian state in

Bulgartabac - Holding AD (Bulgartabac - Holding AD was notified thereof by a letter dated 14 September 2010). The consultant was assigned the overall consultancy and support of APPC with regard to the preparation and implementation of the privatisation deal for the company in compliance with the privatisation method selected and the effective legislation.

At present, the analyses required for the privatization procedure have been prepared. It is expected that the real privatization procedure will be announced shortly.

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events after the end of the reporting period that have not been reported in the interim separate financial statements for the period ended 31 March 2011.

34. CLAIMS TO THE COMPANY

Claims of the Russian Federation Regarding Properties of the Group Companies

The Embassy of the Russian Federation in Bulgaria delivered four notes (97/28.11.2001, 29/04.04.2002, 4357/11.06.2002 and 9336-n/3ed/17.12.2002) to the Ministry of External Affairs whereby it laid claims of the Russian Federation in regard of the title of ownership on assets of companies belonging to the Group.

The Russian Federation grounded that claim on the decisions of the Berlin Conference of the Three Powers dated from year 1945 and the Law of the Bulgarian Government for Delivery of the Ownership on the German Properties in Bulgaria to the Soviet Union (State Gazette, issue 120/31 May 1946).

On 11 July 2002, the Ministry of External Affairs delivered a note to the Embassy of the Russian Federation in Sofia stating the official position of the Bulgarian party with regard to the claims of the Russian Federation for assets of companies belonging to Bulgartabac Group. The note stated that the inspection performed had found out that the said companies and assets had been transferred to the Bulgarian party gratuitously, unconditionally and ultimately based on a series of international agreements related to the peace treaties after the World War II. Therefore, they could not be subject to negotiations between the Republic of Bulgaria and the Russian Federation. In this sense, the Bulgarian party regards as unjustifiable the claims related to the so called 'rights over part of the assets of Bulgartabac Holding AD'.

This official position of the Ministry of External Affairs of the Republic of Bulgaria was also confirmed in note Ref. No. 55-64-186/27 December 2002, addressed to the Embassy of the Russian Federation in Sofia. The Bulgarian party expressed its opinion that the Russian party in its note dated 17 December had not provided new legal or factual information to serve as grounds for change in the position of the Bulgarian party with regard to the claims to the assets of Bulgartabac Holding AD, expresses in previous notes, and that one-side termination of the 'Agreement of 4 July 1953' could only be made if legal grounds for that exist.

By a letter Ref. No. 26-Б-50/05.03.2006, the Ministry of Economy and Energy confirmed that it did not have information for new documents received and/or new circumstances occurred, which could change the position that the claims of the Russian party for the assets of companies belonging to Bulgartabac Group, were unjustifiable.

In the same letter, the Ministry of Economy and Energy informed us that:

• By a letter of 14 February 2007, the Embassy of the Republic of Bulgaria in Moscow notified about a publication in the semi-official paper Rossiyskaya Gazeta of the same date in the section for orders of the government of the Russian Federation, regarding an approved decision for terminating the validity of the Agreement to grant on lease to the Republic of Bulgaria enterprises and properties, signed between the Chief Office for Soviet Property Overseas at the Ministry of Internal and External Trade of the USSR and the Ministry f Finance of the Republic of Bulgaria (in its part referring to tobacco industry objects) on 4 July 1953 in Sofia.

• It had the position of the International Law Directorate to the Ministry of External Affairs of the Republic of Bulgaria dated 27 December 2002 according to which the stated Agreement could not lead to legal conclusions other than the already stated by the Bulgarian party since a subsequent valid international agreement existed, which settled the same issues.

By a letter Ref. No. T-26-Б-26 dated 08 February 2011, the Ministry of Economy and Energy confirmed that at the present moment it had not been provided with new documents and information, which could be used as arguments to change the position that the claims of the Russian party for the assets of companies belonging to Bulgartabac Group, were unjustifiable.

By a letter Ref. No. 21-00-22 dated 28 January 2011, the Ministry of External Affairs informed the management of Bulgartabac Holding AD that it did not have information about facts and circumstances that should necessitate change in the position expressed in the note to the Embassy of the Russian Federation in Sofia of 11 July 2002, which stated the official position of the Bulgarian party.