INTERIM SEPARATE FINANCIAL STATEMENTS

OF

BULGARTABAC – HOLDING AD

for the period ended

31 December 2011

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Board of Directors

Chairman	**Alexander Romanov**
Vice Chairman	**Yavor Draganov**
Executive Director	**Vencislav Cholakov**
Executive Director	**Angel Dimitrov**
Board Member	**Miglena Hristova**
Procurator	**Ivan Bilarev**
Chief Accountant	**Diana Nikolova**
Address of Management	**Sofia city** **62 Graf Ignatiev Street**
Chief Legal Adviser	**Anastasia Dimitrova**
Bankers	**Corporate Commercial Bank AD** **UniCredit Bulbank AD** **FIB AD** **Eurobank EFG Bulgaria AD**
Auditors	**HLB Bulgaria OOD**

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 January - 31 December 2011

	Notes	31.12.2011	31.12.2010
		BGN '000	**BGN '000**
		Unaudited	*Audited*
Revenue	3	62 240	42 077
Other operating gains and losses	4	928	900
Changes in inventories of finished products		12 155	(4 339)
Costs of materials	5	(15 208)	(12 038)
Personnel expenses	6	(9 432)	(8 980)
Depreciation / amortisation expenses	11,12	(1 336)	(2 060)
Costs of hired services	7	(14 069)	(10 463)
Book value of goods sold		-	(11)
(Accrued)/reversed impairment of assets, net	8	(4 042)	32
Other operating expenses	9	(1 041)	(512)
Operating profit		**30 195**	**4 606**
Investment income and losses	10	1 651	1 750
Profit before income tax		**31 846**	**6 356**
Income tax expense		5	(531)
Net profit for the period		**31 851**	**5 825**
Total comprehensive income			
Impairment of property, plant and equipment against revaluation reserve		(134)	-
Taxes on other comprehensive income		13	-
Total other comprehensive income		**(121)**	**-**
Total comprehensive income for the period		**31 730**	**5 825**
Basic earnings per share (BGN)		**4,32**	**0,79**

Executive Directors: *signature /illegible/* *(Vencislav Cholakov)*

signature /illegible/ *(Angel Dimitrov)*

Seal of Bulgartabac-Holding AD

Seal of Bulgartabac-Holding AD

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

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

ASSETS	Notes	31 Dember 2011 BGN '000 *Unaudited*	31 December 2010 BGN '000 *Audited*
Non-current assets			
Property, plant and equipment	11	16 980	17 744
Intangible assets	12	60	21
Investments in subsidiaries	13	7 009	8 519
Investments available for sale	14	100	100
Long-term receivables from related parties	15	125	423
Long-term loans granted to employees	16	2	5
Deferred tax assets	17	692	521
Other non-current assets	18	4 085	571
Long-term trade receivables	19	51	79
		29 104	**27 983**
Current assets			
Inventories	20	19 902	8 926
Receivables from related parties	21	3 314	9 173
Trade receivables	22	1 527	1 331
Other current assets	23	2 786	2 317
Cash and cash equivalents	24	21 419	49 729
		48 948	**71 476**
TOTAL ASSETS		**78 052**	**99 459**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		7 367	7 367
Reserves		32 320	31 858
Retained earnings		32 894	54 614
	25	**72 581**	**93 839**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	26	1 480	1 502
		1 480	**1 502**
Current liabilities			
Trade and other payables	27	2 237	2 895
Payables to personnel and for social security	28	1 754	1 223
		3 991	**4 118**
TOTAL LIABILITIES		**5 471**	**5 620**
TOTAL EQUITY AND LIABILITIES		**78 052**	**99 459**

The separate statement of financial position shall be read together with the notes on pages 1 to 48 that form an integral part of the interim separate financial statements for the period 1 January 2011 - 31 December 2011.

Executive Directors: *signature /illegible/* *signature /illegible/*
(Vencislav Cholakov) *(Angel Dimitrov)*
Seal of Bulgartabac-Holding AD *Seal of Bulgartabac-Holding AD*

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

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

	Notes	31.12.2011	31.12.2010
		BGN '000	**BGN '000**
		Unaudited	*Audited*
Cash flows from operating activity			
Cash receipts from customers		41 124	48 050
Cash paid to suppliers		(32 553)	(12 185)
Dividends received from subsidiaries		32 049	1 110
Cash paid to employees and for social security		(8 962)	(9 302)
Taxes paid (other than corporate income tax)		(4 049)	(4 185)
Taxes refunded (other than corporate income tax)		95	-
Corporate income taxes paid		(127)	-
Loans to related parties		(33)	-
Donations and sponsorship		(214)	(33)
Foreign currency differences, net		(19)	52
Interest received		62	45
Interest received on loans granted		112	215
Bank charges paid		(37)	(32)
Payments on long-term guarantees		(3 500)	-
Other (payments)/proceeds, net		(271)	(130)
Net cash flows from operating activity		**23 677**	**23 605**
Cash flows from investing activity			
Purchases of property, plant and equipment		(666)	(512)
Proceeds from sale of property, plant and equipment		32	-
Purchases of intangible assets		(60)	(6)
Interest received on deposits provided		1 732	1 719
Net cash flows from investing activity		**1 038**	**1 201**
Cash flows from financing activity			
Dividends paid		(52 902)	(10 296)
Net cash flows used in financing activity		**(52 902)**	**(10 296)**
Net (decrease) / increase in cash and cash equivalents		**(28 187)**	**14 510**
Cash and cash equivalents at 1 January		49 560	35 050
Cash and cash equivalents at 31 December	**24**	**21 373**	**49 560**

Executive Directors: *signature /illegible/*
(Vencislav Cholakov)
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signature /illegible/
(Angel Dimitrov)
Seal of Bulgartabac-Holding AD

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

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period 1 January - 31 December 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)						
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 year		**-**	**-**	**-**	**5 825**	**5 825**
Total comprehensive income		**-**	**-**	**-**	**5 825**	**5 825**
Balance at 31 December 2010		**7 367**	**26 632**	**5 226**	**54 614**	**93 839**
(audited)						
Distribution of profit for:		**-**	**583**	**-**	**(53 571)**	**(52 988)**
* dividends					(52 983)	(52 983)
* reserves			583		(583)	-
* tantiemmes					(5)	(5)
Net profit for the period 01 January - 31 December 2011		**-**	**-**	**-**	**31 851**	**31 851**
Total other comprehensive income		**-**	**-**	**(121)**	**-**	**(121)**
* impairment of property, plant and equipment against revaluation reserve		-	-	(134)	-	(134)
* taxes on other comprehensive income		-	-	13	-	13
Total comprehensive income for the period 01 January - 31 December 2011		**-**	**-**	**(121)**	**31 851**	**31 730**
Balance at 31 December 2011	**25**	**7 367**	**27 215**	**5 105**	**32 894**	**72 581**
(unaudited)						

Executive Directors: *signature /illegible/* *signature /illegible/*
(Vencislav Cholakov) *(Angel Dimitrov)*
Seal of Bulgartabac-Holding AD *Seal of Bulgartabac-Holding AD*

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

1. 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 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.

As a result of the publicly announced tender, in pursuance of a decision № 3219-П dated 18 April 2011 (promulgated in the State Gazette, issue 34 of 10 May 2011) of the Agency of Privatisation and Post Privatisation Control (APPC), a privatisation contract between APPC and BT Invest GmbH, Austria, was signed on 12 September 2011 for the privatisation of 79.83% of the capital of Bulgartabac-Holding AD, Sofia.

On 14 October 2011, the Agency, in its capacity of a seller, transferred to BT Invest GmbH, Austria, 5,881,380 shares, or 79.83% of the capital of 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 December 2011 is as follows:

• BT Invest GmbH, Austria	79.83 %
• Corporate Commercial Bank AD	8.21%
• Other legal entities	10.52 %
• Individual participants - individuals	1.44 %

At 31 December 2011 Bulgartabac - Holding AD has a one-tier management system – Board of Directors (BD). The Board of Directors comprises 5 members. The Chairman of BD is Alexander Jurjevich Romanov. The Company is managed and represented jointly by the two Executive Directors, Ventsislav Zlatkov Cholakov and Angel Dimitrov Dimitrov. Ivan Atanasov Bilarev is registered as Procurator with the Trade Register at the Registry Agency and is authorized to represent the company jointly with either one of the Executive Directors.

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 one 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 December 2011.

Dividends accrued

A decision was taken by the regular General Meeting of Shareholders of Bulgartabac-Holding AD held on 23 June 2011 to distribute dividends to the shareholders in the amount of 80 percent of the 2010 profit, less the deductions of 10 % made to the Reserve Fund. Also, a decision was taken for distribution of dividends to the shareholders of Bulgartabac-Holding AD pro rata to their shares against retained earnings and additional reserves of the Company.

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

The Company presents condensed interim separate financial statements for the period ended 31 December 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.

These financial statements shall be considered as the preliminary and unaudited annual financial statements for 2011 and therefore, some changes could occur in the information presented herein.

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 and characteristic 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 the following changes: an effective standard has been replaced, one new 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 Equity Instruments;
- **IFRS 3** (amended) Business Combinations (effective for annual periods beginning on or after 1 July 2010). 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). The amendments aim at improving the definition of the scope and types of related parties, they introduce a partial exception from the requirement for full related party disclosures – with regard to government authorities and their related parties.
- **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) – clarifies the classification of rights issues. The amendments relate to supplementing the definition of the term “financial liability” as well as the principles for distinguishing financial instruments between financial liabilities 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 annual 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). IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and results in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

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:

- **IFRS 1** (amended) First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2011). The amendments relate to the period of implementation of the amendements of the standard in relation to the implementattion of IFRS 7 Financial Instruments: Disclusure.
- **IFRS 7** (amended) Financial Instruments: Disclusure — Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011). The amendments aim to help users of financial statements better evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

At the date of approval of these financial statements for issue new standards have been adopted and effective standards have been amended and improved, which have been adopted by IAS Board **but are not yet effective and endorsed by the European Commission**:

- **IFRS 7** (amended) Financial Instruments: Disclusure (effective for annual periods beginning on or after 01 January 2013 and the interim periods within these annual periods). These amendments relate to the new requirements to enlarge the disclosures regarding the offsetting of financial assets and liabilities with the aim to enable the users of financial statements better evaluate the potential effect of the offsetting and to improve the comparability between the financial statements prepared in accordance with the requirements of IFRS and those prepared in accordance with US GAAP.
- **IFRS 9** Financial Instruments (effective for annual periods beginning on or after 01 January 2015). 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.
- **IFRS 10 Consolidated Financial Statements** (effective for annual periods beginning on or after 01 January 2013). IFRS 10 substitutes the consolidation principles provided for by IAS 27 and SIC 12 Consolidation – Special Purpose Entities, through the implementation of one consolidation model for all entities based on control, regardless of the type of investee and the form of control. IFRS 10 includes new definitions of control; an investor controls an investee if it possesses all of the following three elements: power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and ability to use its power over the investee to affect the amount of the investor's.

- **IFRS 11** Joint Arrangements (effective for annual periods beginning on or after 01 January 2013). IFRS 11 introduces new accounting requirements towards joint arrangements replacing IAS 31 Interests in Joint Ventures. The possibility to apply the proportionate consolidation method has been eliminated with regard to reporting jointly controlled entities. In addition, IFRS 11 eliminates jointly controlled assets and defines joint operations and joint ventures.
- **IFRS 12** Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 01 January 2013). IFRS 12 is a standard on disclosure requirements for all consolidated and non-consolidated entities where an entity holds interests. IFRS 12 is to mandate disclosures such that users of financial statements can evaluate, where control exists, any restrictions that might exist on the consolidated assets and liabilities, the exposure to risks associated with interests in non-consolidated entities, as well as the involvement of the non-controlling interest owners in the activity of the consolidated entity.
- **IFRS 13** Fair Value Measurement (effective for annual periods beginning on or after 01 January 2013). IFRS 13 replaces the guidelines for fair value determination provided for in the existing IFRS by a separate standard. IFRS 13 defines the fair value, provides recommendations on how to determine fair value and introduces certain requirements for its disclosure. IFRS 13 does not change the requirements for items to be assessed or disclosed at fair value.
- **IAS 1** (amended) Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012). The amendments aim to improve the presentation of the components of the statement of comprehensive income, although they do not change the possibility to present all items of income and expenses recognised for a given period in one statement of comprehensive income or in two related statements (separate statements of income and comprehensive income). Aditional disclosure requirements are introduced according to which the information contained in the items of other comprehensive income shall grouped into two categories: information that, if certain conditions are met, will be recognised subsequently under the heading of current profits and losses, and information that will not be recognised under the heading of current profits and losses. Taxes relating to these items will have to be presented analogically.
- **IAS 12** (amended) Deferred Taxes (effective for annual periods beginning on or after 1 January 2012). The amendments clarify that the measurement of deferred taxes relating to non-current assets shall be made by taking into account the expectations and intentions about the manner of recovery of the invested funds – through future use or through sale. The amendments provide practical guidance regarding assets stated at fair value in accordance with IAS 40 Investment Property. When calculating the deferred taxes on these assets it is accepted that the amount of these investments will be recovered through sale. As a result of these amendments, SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets was withdrawn. Guidance previously contained in the withdrawn SIC is now incorporated in the amended IAS 12.
- **IAS 19** (amended) Employee Benefits (effective for annual periods beginning on or after 1 January 2013). The key amendments relate to the changes in the requirements for recognition and disclosure of

defined benefit plans. The method of excess of the 'corridor limit' of 10 percent for recognition of actiarial profits and losses no longer applies.

- **IAS 27** (reissued) Separate Financial Statements (effective for annual periods beginning on or after 01 January 2013). The amendments relate to the adoption of IFRS 10. The reissued IAS 27 Separate Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements (issued in 2008). The requirements for consolidation contained in IAS 27 (issued in 2008 г.) have been revised and incorporated as part of the new IFRS 10 Consolidated Financial Statements.
- **IAS 28** (amended) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 01 January 2013). The amendments relate to the adoption of IFRS 10, IFRS 11 and IFRS 12. The amended IAS 28 Investments in Associates and Joint Ventures replaces IAS 28 Investments in Associates (issued in 2003)
- **MCC 32** (amended) Financial Instruments – Presentation (effective for annual periods beginning on or after 01 January 2014). The amendments relate to the implementation and presentation of the requirements for offsetting the financial assets and liabilities.
- **IFRS 1** (amended) First-time Adoption of International Financial Reporting Standards – additional exemptions for entities that cease to exist due to conditions of severe hyperinflation (effective for annual periods beginning on or after 1 July 2011). The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period of severe hyperinflation, during which its functional currency has been subject to hyperinflation.

The comparatives in this interim separate statement of financial position as at 30 December 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 December 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 29 February 2012 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 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.

Critical 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 judgements, estimates and assumptions, which have effect on the reported values of 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 adjustments in the carrying amounts of the respective assets or liabilities in the future. 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. Such revaluations have been made at 31 December 2000, 31 December 2005, and 31 December 2009.

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 of plant and equipment was performed at the date of preparation 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 indications of impairment of an asset (the recreational facility in the town of Nessebar), which indicate that the carrying amount of the asset exceeds its recoverable amount. An impairment of the asset was made as of 31 December 2011 amounting to BGN 134 thousand, the effect of which was the decrease in the revaluation reserve formed as a result of previous revaluations.

Review of useful lives

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 December 2011 is identical to the remaining useful life determined as of 31 December 2010 less the term of the expired period, except for one asset - the recreational facility in the town of Nessebar. The independent valuers have reduced the remaining useful life from 13 to 10 years. Management judged and a correction was made of the remaining useful life of the asset - the recreational facility in the town of Nessebar, by three years. For the other buildings, there were no grounds to change their remaining useful lives.

Write down of investments in subsidiaries

At the date of each set of financial statements, management conducts an analysis and evaluation of the existence of indications of impairment of its investments in subsidiaries and decides on the probable amount of impairment losses.

In pursuance with the company's accounting policy, the Company's management conducted an analysis and evaluation of the existence of indications of impairment of its investments in subsidiaries. By analysing the external and internal sources of information, management judged that there were indications of impairment of an investment made in the subsidiary Bulgartabac-Trading EAD. The company's net assets are decreasing, it realised negative financial results, and had failed to meet all the indicators of the adopted business programmes. As a consequence thereof, independent valuers were assigned with the task to assess the recoverable amount of the investment of Bulgartabac-Holding AD in the subsidiary. Based on the valuers' opinion, management of Bulgartabac-Holding AD judged to impair the carrying amount of the investment in the subsidiary to the assessed lower recoverable amount. Therefore, impairment amounting to BGN 1,510 thousand was included in the financial result for the period.

The Company's management has taken a decision not to impair the investments made in the other subsidiaries – joint stock companies of Bulgartabac Group, as they believe that in view of the current market and business conditions and on the base of information available at the date of preparation of the interim financial statements there are no indications of impairment.

Write down of inventories

Based on a review of independent experts of the condition and quality of tobacco owned by the Company and their proposal for prices of the individual batches, a thorough review and analysis of all tobacco available at 31 December 2011 was carried out by a commission which includes also specialists from Bulgartabac - Holding AD. The commission had made a proposal for write down of part of the available tobacco, not attached to sales contracts.

Both reviews of the available tobacco quantities were performed with regard to their main parameters – uniformity, moisture contents, commercial appearance etc, and the commission of Bulgartabac - Holding AD determined the net realisable value of the separate tobacco types. These prices took 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 had been calculated by deducting the estimated directly attributable transaction costs from the expert-determined selling price.

Based on the review, management judged that there were indications of impairment to net realisable value of part of tobacco available at 31 December 2011. The impairment reported in the interim statement of comprehensive income for the period amounted to BGN 1,767 thousand (2010: Nil).

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 overall credit exposure of the debtor, its financial ability to settle the obligations, and the possibility of worsening the company financial indicators. When the payment is past due compared to the contracted maturity, this also represents an indication of impairment.

Where it is highly uncertain that the receivables will be collected, a judgement is made of the portion thereof which is secured (pledge, mortgage), as also an analysis of the quality of the available collateral (liquidity, fair value), and then, it is judged what part of receivables has been guaranteed, including through future utilisation of the collateral.

Based on a review of the possibility for collecting overdue receivables as of 31 December 2011 and on an analysis of the information available at the date of preparation of the interim financial statements, the Company’s management has judged that the possibility for collecting receivables amounting to BGN 961 thousand shall be assessed to zero. Receivables amounting to BGN 769 thousand have been assessed as bad debts, as these are receivables that have not been collected within the initially established deadlines pursuant to the contractual terms and conditions, and, out of the analysis of the quality of available collateral, the company’s management have not been able to satisfy themselves that there is sufficient certainty of the future repayment of the amounts due. The remaining portion of the receivables written down amounting to BGN 192 thousand originate from companies in insolvency and liquidation, incl. receivables from penalties on loans amounting to BGN 116 thousand, presented net in the income statement under heading “Revenue”.

Investments available for sale are subject to review at the date of each reporting period with the aim to establish whether there are any indications of impairment.

Investments available for sale are impaired when the Company finds out that their carrying amount is higher than the estimated recoverable amount. At 31 December 2011, based on a review for the existence of indications of impairment, the Company has judged that there are no indications of 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

To assess the present value of long-term retirement benefit obligations, the services of certified actuaries have been used. At 31 December 2011, based on the report containing their calculations of the long-term retirement benefit obligations, an expense amounting to BGN 304 thousand was included in the interim statement of comprehensive income. The present value of the defined benefit liability is calculated through discounting the future cash flows that are expected to be paid within the maturity of this liability and by using the interest rates on long-term government securities denominated in Bulgarian leva. For the purpose, the projected unit credit method has been applied.

Actuarial gains and losses originate from changes in the actuarial assumptions and experience. The company has adopted an approach for accelerated recognition of the actuarial gain (loss) acumulated at the end of the period. The company applies the method of excess over the 10-percent corridor, but calculated to the amount of the present value of the closing balance of the liability. The so-calculated excess of the unrecognised actuarial gain (loss) is amorties on a straight-line basis over the next 5 years.

In the event of changes in the defined benefit plan, the Company has adopted an approach for recognition of the past service costs upon retirement due to an old age and length of service over the average term to retirement as of the date of entry into force of the changes in the plan.

3. REVENUE

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Dividends from subsidiaries	32,035	1,108
Payments for rights of trademarks (royalties)	13,173	10,862
Fees under trade representation contracts with subsidiaries	9,722	8,647
Tobacco sales	7,293	21,433
Interest and penalties on loans	17	27
Total	**62,240**	**42,077**

Revenue structure is as follows:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Domestic market	51,209	27,373
Export	11,031	14,704
Total	**62,240**	**42,077**

Dividends are from the following subsidiaries:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Blagoevgrad BT AD	26,559	1,046
Sofia BT AD	5,476	62
Total	**32,035**	**1,108**

Revenue gained on the basis of trade representation contracts includes:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Cigarettes export	7,270	6,882
Tobacco import and export	1,437	1,037
Import of auxiliary materials	876	638
Import of spare parts	113	75
Sale of tobacco in the domestic market	26	15
Total	**9,722**	**8,647**

4. OTHER OPERATING GAINS AND LOSSES

	31.12.2011	*31.12.2010*
	BGN '000	***BGN '000***
Interest income on undue taxes	338	-
Rental income	237	322
Interest and penalties under contracts	124	277
Income from services for storing of tobacco and preparation for shipping	73	12
Interest on current accounts	62	45
Income from social activity	54	54
Refunded litigation expenses	23	-
Income from sale of fixed tangible assets	*33*	-
Carrying amount of fixed tangible assets sold	*(22)*	-
Sales result	11	-
Income from subscription and advertising in Bulgarian Tobacco magazine	7	9
Revenue from sale of goods	*7*	*12*
Carrying amount of goods sold	*(5)*	*(11)*
Sales result	2	1
Foreign exchange gains or losses on trade receivables and payables and current accounts, net	*(9)*	100
Tobacco surpluses	-	12
Income from sale of materials	99	10
Carrying amount of materials sold	*(99)*	-
Sales result	-	10
Liabilities written off	-	54
Insurance indemnities	-	1
Other	6	3
Total	**928**	**900**

5. COSTS OF MATERIALS

Costs of materials include:	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Tobacco – raw material	14,509	11,402
Non-current assets below the value threshold	295	298
Fuel and energy	261	230
Stationery and consumables	117	83
Water	10	13
Spare parts	13	6

Materials used in the preparation of tobacco lots for export	1	-
Materials used in tobacco storage	1	4
Other	1	2
Total	**15,208**	**12,038**

6. PERSONNEL EXPENSES

Personnel expenses include:	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Salaries and wages	5,645	5,075
Social allowances and payments	2,033	2,093
Social security contributions	705	668
Compensations for resigned staff	612	583
Accruals for long-term retirement benefits	304	450
Accruals for unused paid leaves	135	118
Accruals for social security contributions on unused paid leaves	(2)	(7)
Total	**9,432**	**8,980**

7. COSTS OF HIRED SERVICES

Costs of hired services include:	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Advertising	6,064	5,278
Tobacco processing	3,597	2,233
Administrative costs of tobacco processing and tobacco buy-up	941	424
Trademarks registration	776	498
Consulting services	529	332
Operating lease of motor vehicles	322	311
Commissions on tobacco exports	226	-
Security	206	218
Communication services	185	169
Remunerations under civil contracts	177	135
Tobacco storage	176	188
Repair and maintenance	168	138
Local taxes and charges	168	139
Rents	123	99
Tax on expenses	64	57
Tobacco transportation for export	57	-
Translation / interpretation services	51	29
Bank charges on transfers	37	31
Insurances	34	34

Non-deductible expense under the tax law	28	11
Subscription	23	26
Bulgarian Tobacco magazine	20	21
Sample tasting	19	13
Service related to the development of food vouchers	14	24
Notary fees	13	4
Tobacco and cigarettes analysis	12	9
Membership fees	11	10
Preparation of tobacco lots for sale	9	16
Other transport services	7	7
Labour medicine	4	3
Other	8	6
Total	**14,069**	**10,463**

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

The impairment of assets includes:	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Write down of investments in subsidiaries	1,510	-
Write down of tobacco – finished products	1,767	-
Write down of trade receivables	729	-
Write down of receivables from subsidiaries	73	85
Write down of other receivables	43	3
Reversed write down of loans to employees	(1)	(1)
Reversed write down of receivables	(79)	(119)
Total	**4,042**	**(32)**

9. OTHER OPERATING EXPENSES

Other expenses include:	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Business trip expenses	300	208
Wastes and scrapping of inventories	217	104
Donations	214	33
Representative expenses	128	110
Participation in conferences and training courses	103	42
Scrapping of non-current assets	67	1
Receivables written off due to expired period of limitation	6	12
Other	6	2
Total	**1,041**	**512**

10. INVESTMENT GAINS AND LOSSES

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Interest on deposits	1,652	1,757
Foreign exchange differences related to deposits, net	(1)	(7)
Total	**1,651**	**1,750**

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Other*		*FTA in progress*		*Total*	
	31.12.2011	*31.12.2010*	*31.12.2011*	*31.12.2010*	*31.12.2011*	*31.12.2010*	*31.12.2011*	*31.12.2010*	*31.12.2011*	*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	6	5	131	46	578	461	715	535
Transfer among accounts	-	-	-	-	661	364	(661)	(364)	-	-
Revaluation	(235)	-	-	-	-	-	-	-	(235)	-
Disposals	(23)	-	(22)	-	(559)	(32)	-	-	(604)	(32)
Balance at the period-end	21,783	22,041	187	203	4,119	3,886	62	145	26,151	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	646	645	32	33	636	777	-	-	1314	1,455
Depreciation written-off	(1)	-	(22)	-	(550)	(30)	-	-	(573)	(30)
Impairment	(101)	-	-	-	-	-	-	-	(101)	-
Balance at the period-end	5,995	5,451	157	147	3,019	2,933	-	-	9,171	8,531
Carrying amount at the period-end	**15,788**	**16,590**	**30**	**56**	**1,100**	**953**	**62**	**145**	**16,980**	**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*	
	31.12.2011 BGN '000	*31.12.2010 BGN '000*	*31.12.2011 BGN '000*	*31.12.2010 BGN '000*	*31.12.2011 BGN '000*	*31.12.2010 BGN '000*	*31.12.2011 BGN '000*	*31.12.2010 BGN '000*
Book value								
Balance at 1 January	4,030	4,030	88	82	-	139	4,118	4,251
Additions	34	-	26	6	-	25	60	31
Transfer among accounts	-	-	-	-	-	-	-	-
Disposals			(43)	-	-	(164)	(43)	(164)
Balance at the period-end	4,064	4,030	71	88	-	-	4,135	4,118
Accumulated amortization								
Balance at 1 January	4,030	3,435	67	57	-	-	4,097	3,492
Amortization charge for the year	8	595	14	10	-	-	22	605
Disposals			(44)				(44)	
Balance at the period-end	4,038	4,030	37	67	-	-	4,075	4,097
Carrying amount at the period-end	**26**	**-**	**34**	**21**	**-**	**-**	**60**	**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 acquisition*	***31.12.2011*** ***BGN' 000***	***Share %***	***31.12.2010*** ***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			*(2,477)*		*(967)*	
Total amount of investments			**7,009**		**8,519**	

A decision was taken at the extraordinary General Meeting of Shareholders of Asenovgrad Tabac AD held on 01 September 2011 to terminate the activity and initiate a liquidation procedure with regard to the company. The decision was registered with the Trade Register at the Registry Agency on 05 October 2011.

14. AVAILABLE-FOR-SALE INVESTMENTS

Name	*Country*	***31.12.2011 BGN’ 000***	***Share %***	***31.12.2010 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

	31.12.2011 BGN’ 000	***31.12.2010 BGN’ 000***
Book value	125	437
Impairment		*(14)*
Carrying amount	**125**	**423**

16. LONG-TERM LOANS TO EMPLOYEES

	31.12.2011 BGN’ 000	***31.12.2010 BGN’ 000***
Book value	2	6
Impairment	-	*(1)*
Carrying amount	**2**	**5**

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes as of 31 December relate to the following balance sheet items:

	Temporary difference	*Tax*	*Temporary difference*	*Tax*
	30.09.2011	***30.09.2011***	***31.12.2010***	***31.12.2010***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Write down of tobacco – finished products	(1,767)	176	-	-
Long-term retirement benefits	(1,480)	148	(1,502)	150
Depreciation of property, plant and equipment	(1,548)	155	(1,283)	128
Write down of receivables	(1,929)	193	(1,520)	152
Impairment of investments	(2,508)	251	(998)	100
Impairment of property, plant and equipment	(995)	100	(995)	100
Intangible assets	(863)	86	(1,138)	114
Accruals for unused paid leaves	(411)	41	(446)	45
Accrued income to individuals	(130)	13	(133)	13
Contractual liabilities	(137)	14	-	-
Tax loss	-	-	(2,175)	217
Total deferred tax assets	(11,768)	1,177	(10,190)	1,019
Property, plant and equipment, incl.	4,847	(485)	4,982	(498)
revaluation reserve	*4,847*	*(485)*	*4,982*	*(498)*
Total deferred tax liabilities	4,847	(485)	4,982	(498)
Net balance of deferred income taxes (assets/liabilities)	**(6,921)**	**692**	**(5,208)**	**521**

18. OTHER NON-CURRENT ASSETS

Other non-current assets of the amount of BGN 4,085 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 – BGN 585 thousand (31 December 2010: BGN 571 thousand);
- pledge on receivables of Bulgartabac-Holding AD for the positive balance on the deposit account in accordance with the Privatisation contract for sale of shares of the capital of Bulgartabac-Holding AD. The pledge was established in favour of the Agency of Privatisation and Post Privatisation Control for a term of 5 years as of 30 November 2011 – BGN 3,500 thousand (31 December 2010: None).

19. LONG-TERM TRADE RECEIVABLES

	31.12.2011	***31.12.2010***
	BGN' 000	***BGN' 000***
Book value	434	699
Impairment	*(383)*	*(620)*
Carrying amount	**51**	**79**

20. INVENTORIES

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Tobacco – finished products	16,920	6,735
Tobacco – raw tobacco	1,252	302
Advertising materials	1,005	1,151
Tobacco – goods	617	625
Cigarettes	93	100
Materials and consumables	10	9
Other goods	5	4
Total	**19,902**	**8,926**

21. RECEIVABLES FROM RELATED PARTIES

Name of the Company	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
„Haskovo Tabac" AD – in liquidation	6,736	6,559
„Shumen Tabac" AD	2,478	2,334
„Blagoevgrad BT" AD	1,121	5,370
„Sofia BT" AD	773	2,503
„Pleven BT" AD	411	543
„Asenovgrad Tabac" AD - in liquidation	311	227
Write down of receivables:	*(8,516)*	*(8,363)*
Total	**3,314**	**9,173**

Receivables from related parties at 31 December include:

Type of receivable	***31.12.2011***	***31.12.2010***
	BGN '000	***BGN '000***
Sales receivables	6,740	12,863
Impairment	*(4,602)*	*(4,626)*
Receivables as interest and penalties on loans	1,828	1,708
Impairment	*(1,686)*	*(1,582)*
Loans granted	1,698	1,665
Impairment	*(1,665)*	*(1,665)*

Advances given	12	64
Dividend	237	180
Other receivables	1,315	1,056
Impairment	*(563)*	*(490)*
Total related party receivables	11,830	17,536
Total impairment	*(8,516)*	*(8,363)*
Total	**3,314**	**9,173**

22. TRADE RECEIVABLES

	31.12.2011	*31.12.2010*
	BGN '000	***BGN '000***
Receivables from clients	2,023	1,295
Impairment	*(747)*	*(18)*
Advances to suppliers	216	43
Loans granted	127	28
Impairment	*(127)*	*(28)*
Receivables as interest and penalties on loans	137	14
Impairment	*(111)*	*(12)*
Other receivables	391	335
Impairment	*(382)*	*(326)*
Total trade receivables at book value	2,894	1,715
Accumulated impairment	*(1,367)*	*(384)*
Total	**1,527**	**1,331**

Loans granted and receivables as interest and penalties on loans include loans originating from prior years of subsidiaries sold and companies where Bulgartabac-Holding AD lost its control as they have been announced insolvent, fully impaired as past due and for which there is high uncertainty as to their repayment, as also interest and penalties related thereto partially impaired as past due.

23. OTHER CURRENT ASSETS

	31.12.2011	*31.12.2010*
	BGN '000	***BGN '000***
Taxes refundable	2,354	2,041
Prepayments	119	104
Court and awarded receivables	360	320

Impairment	*(141)*	*(210)*
Receivables from social security entities	58	54
Guarantees provided to contractors	33	5
Short-term portion of loans to employees	3	3
Total	**2,786**	**2,317**

24. CASH AND CASH EQUIVALENTS

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Bank deposits	19,440	45,316
Current accounts	1,878	4,201
Cash in hand	54	43
Interest receivables on deposits	46	126
Food vouchers	1	-
Restricted cash	-	43
Total	**21,419**	**49,729**

Cash for the purposes of the cash flow statement

Interest accrued on term deposits with original maturity of up to 3 months is not included as part of cash when preparing the cash flow statement.

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Cash and cash equivalents presented in the statement of financial position	**21,419**	**49,729**
Interest receivables on deposits	(46)	(126)
Restricted cash	-	(43)
Cash and cash equivalents in the cash flow statement	**21,373**	**49,560**

25. CAPITAL AND RESERVES

	31.12.2011	***31.12.2010***
	BGN’ 000	***BGN’ 000***
Share capital	7,367	7,367
Statutory reserves	27,215	26,632
Revaluation reserve	5,105	5,226
Retained earnings	32,894	54,614
Total	**72,581**	**93,839**

At the regular General Meeting of Shareholders of Bulgartabac-Holding AD a decision was taken to distribute dividends from the 2010 profit in the amount of BGN 4,194 thousand, from retained earnings amounting to BGN 18,596 thousand and from other reserves amounting to BGN 30,193 thousand (31 December 2010: from the 2009 profit – BGN 2,301 thousand). The dividend for the State amounted to BGN 42,298 thousand (31 December 2010: BGN 1,837 thousand). The dividend per share is BGN 7.19 (31 December 2010: BGN 0.31).

26. 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 December 2011 – BGN 1,480 thousand (31 December 2010: BGN 1,502 thousand).

27. TRADE AND OTHER PAYABLES

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to suppliers	1,048	233
Advances received	238	304
Accruals for expenses	221	292
Total trade payables	***1,507***	***829***
Tax liabilities	397	1,808
Dividend payable	266	184
Deposit - guarantee under a real estate rental agreement	41	41
Salary seductions	21	33
Payables on credit cards	4	-
Other payables	1	-
Total other current liabilities	***730***	***2,066***
Total	**2,237**	**2,895**

28. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to personnel	1,613	1,093
Social security payables	141	130
Total	**1,754**	**1,223**

29. CONTINGENT LIABILITIES AND COMMITMENTS

Court and executive cases

1. Cases initiated against Bulgartabac - Holding AD

A civil case was brought to Sofia City Court against Bulgartabac - Holding AD by an individual in relation to a dispute concerning intellectual property. The case is pending.

A case was brought to Asenovgrad Regional Court against Bulgartabac - Holding AD by an individual in relation to a property dispute. The case is pending.

In Bulgaria, a case was brought by Buhler and Berger Bulgaria EOOD to the Sofia Regional Court against Bulgartabac - Holding AD for the payment of outstanding amounts on invoices issued in relation to a long-term loan contract, together with the statutory interest due on the amount claimed. The case is pending.

2. Proceedings related to rights of trademarks

The company is a party to disputes for rights of trademarks in the country and abroad. Part of the cases are initiated by Bulgartabac – Holding AD for deletion of rights of trademarks registered by foreign persons, for which Bulgartabac – Holding AD has either made the registration already or which are not used by the persons that have made their initial registration. The constituted cases under appeals by and against Bulgartabac-Holding AD related to rights of trademarks are as follows:

In Turkey, 2 cases were brought to the Mersin Regional Court against European Tobacco Inc. for the annulment of their trademarks Prestige and Prestage. The decisions were in favour of Bulgartabac-Holding AD and were appealed against to the Supreme Court – Ankara by European Tobacco Inc. The cases are pending.

In Turkey, 2 cases were brought to the Intellectual and Industrial Rights Court Mersin against European Tobacco Inc. for the annulment of their trademarks President. The cases are pending.

In Turkey, before the Court for Intellectual Property – Ankara, at an appeal of Bulgartabac - Holding AD a case was initiated against the Patent Authority – Turkey. The case was for the refusal to register the MM trademark. The case was closed with a decision in favour of Bulgartabac-Holding AD.

In Turkey, before the Supreme Court – Ankara 2 cases were initiated at an appeal of the Patent Authority against decisions of the Court for Intellectual Property – Ankara claiming the rejection of decisions for the registration of the trademarks Privace Prestige and Protocol Prestige in relation to the registration of the trademark Prestige of Bulgartabac - Holding AD. The cases were closed with decisions in favour of Bulgartabac-Holding AD.

In Turkey, against the Patent Authority, a case was initiated in relation to the revocation of the registration of the E♥A slims of Bulgartabac - Holding AD. The case was brought to the Court for Intellectual Property - Ankara. The decision was not in favour of Bulgartabac-Holding AD and was appealed against to the Supreme Court – Ankara. The case is pending.

In Turkey, at a request of European Tobacco Inc. - Turkey a case was brought to the Mersin Civil Court for cancellation of registration of 5 trademarks Prestige of Bulgartabac - Holding AD. The case is pending.

In Turkey, at the request of Bulgartabac - Holding AD 2 cases were brought to the Intellectual and Industrial Rights Court – Ankara against the Patent Agency of Turkey and European Tobacco. The subject-matter of the cases was the refusal to annul 2 trademarks President of European Tobacco. The decisions were in favour of Bulgartabac-Holding and were appealed by the Patent Authority. The cases are pending.

In Turkey, at the request of Bulgartabac - Holding AD a case was brought to the Intellectual and Industrial Rights Court – Ankara against the Patent Agency of Turkey and European Tobacco. The subject-matter of the case was the refusal to annul the trademark President of European Tobacco. The decision was in favour of Bulgartabac-Holding AD and was appealed against by the Patent Agency of Turkey and European Tobacco. The case is pending.

In Turkey, at the request of Bulgartabac - Holding AD a case was brought to the Intellectual and Industrial Rights Court – Ankara against the Patent Agency of Turkey and European Tobacco. The subject-matter of the case was the refusal to annul the trademark President of European Tobacco. The case is pending.

In Turkey, at the request of Philip Morris Brand Sarl – Switzerland a case was brought to the specialised Intellectual and Industrial Rights Court – Istanbul against Bulgartabac - Holding AD. The subject-matter of the case was the annulment of the registration the trademarks Prestige и Prestige Slims of Bulgartabac - Holding AD in Turkey. The case is pending.

In Turkey, at a request of Bulgartabac-Holding AD a case was brought to the Intellectual and Industrial Rights Court – Istanbul against Liens S.A. and European Tobacco. The subject-matter of the case was the suspension of the disloyal use of the trademark Premier Point, confiscation and destruction of the cigarettes bearing the trademark Premier Point, and publication of the decision. The case is pending.

In Turkey, at a request of Bulgartabac-Holding AD a case was brought to the Intellectual and Industrial Rights Court – Istanbul against UFT Ltd. and European Tobacco. The subject-matter of the case was the suspension of the disloyal use of the trademark Private Point, confiscation and destruction of the cigarettes bearing the trademark Private Point, and publication of the decision. The case is pending.

In Greece, a case was brought to the Administrative Court of Athens for the trademark E♥A Rose against Bulgartabac-Holding AD and the Patent Agency initiated at the appeal of Philip Morris Products. The decision was in favour of Bulgartabac – Holding AD. The term of appealing the decision is ongoing.

In Greece, 2 cases were brought against the Patent Agency initiated by Bulgartabac – Holding AD for the refusal of registration of the trademarks Bulgartabac and Femina of Bulgartabac - Holding AD. The proceedings are to be heard by the Administrative Court of Athens. The cases are pending.

In Bulgaria, a case was initiated on the grounds of an appeal of „Alpi" OOD to the Sofia Administrative Court against a decision of the Patent Authority for deletion of trademark Victoria. The decision was in favour of Bulgartabac - Holding AD. The decision of the Sofia Administrative Court was appealed against to the Supreme Administrative Court. The case was closed in favour of Bulgartabac-Holding AD.

In Austria, a case was initiated to the Supreme Court in relation to the claim of Philip Morris Products rejected by the Trade Court – first instance in Vienna, for prohibiting the sales of the mark E♥A slims of Bulgartabac-Holding AD in the territory of Austria. The decision was issued in favour of Bulgartabac - Holding AD and had been appealed against by Philip Morris Products to the Trade Court of second instance in Vienna. The appeal was honoured. Bulgartabac - Holding AD filed an appeal to the Supreme Court of Austria. The appeal of Bulgartabac - Holding AD was honoured by the Supreme Court which repealed the decision of the previous instance and returned the case for new hearing to the Trade Court of second instance. The decision of the Trade Court of second instance was in favour of Bulgartabac - Holding AD. Philip Morris Products – Switzerland filed an appeal to the Supreme Court against the decision. The appeal was rejected. The case was closed in favour of Bulgartabac - Holding AD.

In Poland, a case was initiated to the Administrative Court Warsaw on the grounds of an appeal of Bulgartabac – Holding AD against the Patent Authority in relation to the revocation of the registration of the trademark Prestige slims. The case is pending.

In Lithuania, a case was brought to the District Court of Vilnius on the grounds of an appeal filed by Philip Morris Products against the registration of the trademark E♥A slims of Bulgartabac - Holding AD in Lithuania. Bulgartabac - Holding AD was the defendant on the case. The Patent Authority of Lithuania was attached as an interested party. The decision was in favour of Bulgartabac - Holding AD. The decision was appealed against by Philip Morris Products to the Appellate Court of Vilnius. The case is pending.

In Bulgaria, a case was brought to the Sofia City Court against „Fraport Twin Star Airport Management" AD and „Plovdiv Airport" EAD for violating the rights of trademarks owned by Bulgartabac - Holding AD. The claim was honoured in favour of Bulgartabac - Holding AD. The decision was appealed by „Fraport Twin Star Airport Management" AD in its part dealing with the expenses. No motion was passed on the appeal of „Fraport Twin Star Airport Management" AD. The decision of Sofia City Court was appealed against by „Fraport Twin Star Airport Management" AD to the Sofia Appellate Court. The case was closed in favour of Bulgartabac - Holding AD.

In Romania, at an appeal of Bulgartabac - Holding AD a case was brought to the Appellate Court of Bucharest against a decision of the Patent Agency to refuse the registration of the trademark E♥A slims in Romania. The case is pending.

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

In Argentina, at a request of Bulgartabac - Holding AD a case was brought to the National Federal Court on Civil and Commercial Cases of First Instance against the Patent Agency and Philip Morris in relation to the refusal of registration of the trademark E♥A slims. The case is pending.

In Greece, at a request of Bulgartabac - Holding AD two cases were brought to the Administrative Court of Athens for the obliteration of the registration of trademark Victory in Greece of Philip Morris Products S.A. – Switzerland by reason of being unused. The decisions are in favour of Bulgartabac - Holding AD.

In Greece, at a request of Bulgartabac - Holding AD a case was brought to the Administrative Court of Athens against the Patent Agency of Greece for the refusal to register the trademark Victory. The case is pending.

In Germany, at a request of Societe National de Kemics to the Federal Patent Court against the Patent Agency for the obliteration of the registration of the trademark Orient Express owned by Bulgartabac - Holding AD. Bulgartabac - Holding AD is an interested party to the case. The case is pending.

At a request of Philip Morris Products S.A., a case was brought to the Supreme Court of Israel against the decision of the Patent Agency – Israel by virtue of which the objection of Philip Morris Products S.A against the request of Bulgartabac - Holding AD for registration of the trademark E♥A slims in Israel was rejected. The appeal of Philip Morris Products S.A. was honoured. A term of appealing the decision by Bulgartabac - Holding AD is ongoing. The decision is not in favour of Bulgartabac - Holding AD and is final.

In Portugal, a case was brought to the Commercial Court of Lisbon at an appeal of Cita Tabacos de Canarias – S.L. against the decision of the Portuguese Patent Agency for registration of the trademark Victory slims of Bulgartabac - Holding AD. The case is pending.

In Portugal, a case was brought to the Commercial Court of Lisbon at an appeal of Empresa Madeirence de Tabacos S.A. against the decision of the Portuguese Patent Agency for registration of the trademark Victory slims of Bulgartabac - Holding AD. The case is pending.

In Bulgaria, a case was brought to the Sofia City Court at an appeal of the company "Reemtsma" GmbH, Germany, against a decision of the Patent Agency for obliteration of the international registration of trademark TIR. Bulgartabac - Holding AD was an interested party to the case. The decision was in favour of Bulgartabac - Holding AD and was appealed against to the Supreme Administrative Court by “Reemtsma” GmbH, Germany, and ITC – Iran. The decision is in favour of Bulgartabac - Holding AD.

In Bulgaria, at an appeal of the company “Japan Tobacco” Inc., Japan, 2 cases were initiated to the Sofia City Court against decisions of the Patent Authority for revocation of the registration of trademarks Mild Seven and Seven Star. The appeal was honoured. Bulgartabac - Holding AD filed an appeal against the decision to the Supreme Administrative Court. A decision was issued by virtue of which the appeal was rejected.

In Bulgaria, a case was brought to the Sofia City Court at an appeal of Bulgartabac – Holding against SERPI (SAS). The claim is for the prohibition of use of the Community trademark MV Prestige in the territory of the Republic of Bulgaria. The case is pending.

3. *Cases initiated by Bulgartabac - Holding AD*

Executive cases have also been initiated for collecting of receivables from other persons totalling BGN 299 thousand.

Two cases were brought to the Sofia City Court against Board – 17 AD for infringement of exclusive intellectual property rights over the trademark Victory of Bulgartabac - Holding AD. The proceeding on one of the cases was suspended until the closure with an effective decision of the dispute on the other case. The claim was rejected. The decision was appealed against the Sofia Appellate Court. The cases are pending.

In 2008, a case was initiated before the Sofia Administrative Court as a result of the appeal filed by Bulgartabac - Holding AD against a Tax Assessment Deed from June 2008. The Tax Assessment Deed was appealed in its part of the additionally assessed liabilities under VAT Act /repealed/ - a non-recognised input VAT amounting to BGN 145 thousand – principal, BGN 26 thousand – interest, and in the part of the additionally assessed corporate income tax under CITA /repealed/ for 2003, 2005 and 2006 amounting to BGN 2,392 thousand – principle and BGN 416 thousand – interest. By a decision of the Sofia Administrative Court dated 1 December 2010, the appeal of Bulgartabac - Holding AD was honoured partially, in its part dealing with the additionally assessed liabilities under VATA – a non-recognised input VAT in the amount of BGN 145 thousand – principal, BGN 26 thousand – interest and additionally assessed corporate income tax under CITA for 2003, 2005 and 2006 amounting to BGN 974 thousand – principle and the associated portion of interest thereon. The other part of the appeal was rejected. The decision was appealed against to the Supreme Administrative Court. By a decision of the Supreme Administrative Court, the decision of the Administrative Court Sofia City was repealed in its part dealing with the rejection of the appeal of Bulgartabac - Holding AD and the Appeal and Enforcement Management Directorate – Sofia city was convicted to pay to Bulgartabac - Holding AD the amount of BGN 146 thousand being the costs incurred in relation to the case. The decision is final and cannot be appealed against.

In 2009, a case was initiated before the Sofia Administrative Court as a result of the appeal filed by Bulgartabac - Holding AD against Tax Assessment Deed from April 2009. The Tax Assessment Deed was appealed in its part of the additionally assessed corporate income tax under CITA 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 Appeal and Enforcement Management Directorate – Sofia city was convicted to pay to Bulgartabac - Holding AD the amount of BGN 33 thousand being the costs incurred in relation to the case. The decision was appealed against to the Supreme Administrative Court. The court decision is pending.

A case was initiated to the Supreme Court of Cassation at an appeal filed by Bulgartabac - Holding AD in relation to distribution for use of a mutual property - a building located in Burgas, 7 Graf Ignatiev Street. The case was returned for new hearing to the Burgas District Court. The decision of the Burgas District Court was in favour of Bulgartabac - Holding AD. The decision was appealed against to the Supreme Court of Cassation.

A case was initiated to the Yambol District Court against Topolovgrad BT AD on the grounds of a claim for actual enforcement of obligations of Topolovgrad– BT AD for dividends and other payments. The request of Bulgartabac - Holding AD was rejected. The decision was appealed against the Appellate Court of Burgas. The appeal of Bulgartabac - Holding AD was rejected. The decision of the Appellate Court of Burgas was appealed against to the Supreme Court of Cassation. A decision was issued by virtue of which the claim was rejected.

A case was initiated to the Arbitration Court at the BCCI against „Trakiya Tabac" EOOD on the grounds of a claim for actual enforcement of contractual obligations. The case is pending.

A case was initiated before the Commercial Court of the USA, the South Region of New York by Bulgartabac-Holding AD against the Republic of Iraq, the State Tobacco Group, the Central Bank of Iraq, and Rafidan bank. The case was initiated in relation to trade receivables of Bulgartabac - Holding AD under contracts for export of cigarettes and spare parts dated 1987. The claim was rejected due to the expired period of limitation. The decision was appealed against to the Appellate Court of New York. The case is pending.

4. *Cases whereto the obliterated Supervisory Board of Bulgartabac - Holding AD is a party*

At an appeal of Bulgartabac - Holding AD, a case was brought to the Sofia City Court against a decision of the Sofia Regional Court, by virtue of which the claim of Bulgartabac - Holding AD against CD TAB EOOD for the establishment of the voidness of a decision of the Supreme Administrative Court was rejected, and thus, the Supervisory Board of Bulgartabac - Holding AD was recognized as an administrative body. The appeal of Bulgartabac - Holding AD was rejected. A cassation appeal was filed to the Supreme Court of Cassation against the decision of the Sofia City Court.

5. *Other cases*

Supreme Administrative Court. The Board of Directors of Bulgartabac - Holding AD – claimant, and CD TAB EOOD, Dulovo - defendant. Appeal against the decision of the Administrative Court – Sofia city, by means of which a silent refusal, followed by the express refusal of the Supervisory Board of Bulgartabac - Holding AD on a bid of CD TAB EOOD for the purchase of 99.98% of the capital of Dulovo Tabac AD, was declared null and void.

Supreme Administrative Court. CD TAB EOOD, Dulovo – claimant, the Board of Directors of Bulgartabac - Holding AD – defendant. Appeal against a ruling of the Administrative Court – Sofia city, by means of which the proceedings against the Supervisory Board of Bulgartabac - Holding AD was terminated for the lack of action on the part of the Supervisory Board with respect to the performance of its obligations under paragraph 5 of the Additional Provisions of the Privatisation and Post-Privatisation Act, objectivated in the non-filing of a request to the public enforcer at the State Receivables Agency, the Regional Directorate of Varna, for the suspension of the enforcement collection actions towards public liabilities of Dulovo Tabac AD. The case is closed.

6. Court cases whereto Bulgartabac - Holding AD is an interested party

In Bulgaria, before the Supreme Administrative Court, at an appeal of the Partnership "Equal rights for the people laid off by Plovdiv Yurii Gagarin BT AD" (at present, "Yurii Gagarin AD") a case was initiated against the refusal of the Discrimination Commission to establish a record. Bulgartabac - Holding AD is an interest party to the case. The Supreme Administrative Court – a three-member panel repealed the decision of the Discrimination Commission and returned the case for a new investigation. The decision was appealed against by "Yurii Gagarin AD" Plovdiv to the Supreme Administrative Court – a five-member panel. The Supreme Administrative Court – a five-member panel returned the case for new hearing. The case is pending.

Collateral provided

At 31 December 2011 the Company provided the positive balance of a bank account to serve as a pledge to secure the penalties under the Privatisation contract for the sale of shares of the capital of Bulgartabac-Holding AD. The pledge matures on 30 November 2016.

30. RELATED PARTIES

30.1. RELATED PARTY TRANSACTIONS

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

	31.12.2011	*31.12.2010*
	BGN '000	**BGN '000**
1. Sales of finished products and goods to:		
subsidiaries within Bulgartabac Group, including	**3,193**	**13,617**
· Tobacco	3,094	13,606
· Materials	99	10
· Goods	-	1
2. Sales of services to:		
subsidiaries within Bulgartabac Group, including	**23,063**	**19,725**
· rights of trademarks (royalty)	13,173	10,862
· trade representation (commissions)	9,722	8,647
· penalties for overdue payments under cash loans	131	131
· interest on deferred dividends and other receivables	27	27
· advertisements in Bulgarian Tobacco magazine	6	6
· rents	4	45
· tobacco storing	-	7
3. Dividends from subsidiaries:	**32,035**	**1,108**

4. Supply of goods and fixed assets by:		
subsidiaries within Bulgartabac Group, including	**135**	**70**
· cigarettes	132	70
· fixed assets	2	-
· materials	1	-
5. Supply of services by:		
subsidiaries within Bulgartabac Group, including	**5,903**	**3,211**
· tobacco processing	3,597	2,233
· expenses on purchase of tobacco	767	17
· administrative costs of industrial processing of tobacco	671	418
· advertising	495	457
· administrative costs of raw tobacco purchase	270	6
· rents	91	61
· storing of tobacco	10	15
· preparation of tobacco lots for sale	2	4

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

5. Receivables from subsidiaries	**3,439**	**9,596**

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 retail selling price.

The subsidiaries pay fees for trade intermediary for performed by Bulgartabac-Holding AD import and export on 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).

The terms and conditions of the transactions do not differ from the market ones applied to similar types of transactions.

The positive balance (BGN 3,500 thousand) of a bank account was provided to serve as a pledge to secure the penalties under the Privatisation contract for the sale of shares of the capital of Bulgartabac-Holding AD in relation to the commitment of the Buyer to make investments.

30.2. KEY MANAGEMENT STAFF

Members of the Board of Directors:

For the period from 01 January 2011 to 03 November 2011

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

For the period from 04 November 2011 to 31 December 2011

1. Ventsislav Zlatkov Cholakov – Member of the BD and Executive Director
2. Angel Dimitrov Dimitrov – Member of the BD and Executive Director
3. Alexander Jurjevich Romanov - Chairman of the BD
4. Miglena Petrova Hristova - Chairman of the BD
5. Yavor Nikolaev Draganov - Chairman of the BD

Procurator:

Ivan Atanasov Bilarev

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Remunerations and other short-term benefits	253	81
Tantiemmes	5	-
Total	**258**	**81**

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 December 2011			
Financial assets			
Investments available-for-sale	-	100	100
Long-term receivables from related parties	125	-	125
Other long-term financial assets	4,138	-	4,138
Receivables from related parties	3,302	-	3,302
Trade receivables	1,311	-	1,311
Cash and cash equivalents	21,419	-	21,419
Other receivables	36	-	36
Total	**30,331**	**100**	**30,431**

	Other financial liabilities BGN'000	*Total BGN'000*
Financial liabilities		
Trade payables	1,269	1,269
Other liabilities	311	311
Total	**1,580**	**1,580**

	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	*Total*
	BGN'000	*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 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 (primarily cash deposited for long time in escrow accounts and cash in current accounts).

The Company is exposed to currency risk primarily with regard to its exposure in USD.

For the purpose of monitoring its currency risk, the Company has developed and 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 tables below summarise the Company's exposure to currency risk.

Foreign currency structure analysis

31 December 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	-	-	-	125	125
Other long-term financial assets	-	585	-	3,553	4,138
Receivables from related parties	-	-	-	3,302	3,302
Trade receivables	1,275	-	-	36	1,311
Cash and cash equivalents	10,088	36	2	11,293	21,419
Other receivables	16	-	7	13	36
Total financial assets	**11,379**	**621**	**9**	**18,422**	**30,431**
Financial liabilities					
Trade payables	165	9	-	1,095	1,269
Other liabilities	4	-	-	307	311
Total financial liabilities	**169**	**9**	-	**1,402**	**1,580**

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					
Trade payables	3	4	-	518	525
Other liabilities	-	-	-	225	225
Total financial liabilities	**3**	**4**	-	**743**	**750**

Foreign currency sensitivity analysis

		USD	
		31.12.2011	**31.12.2010**
		BGN'000	***BGN'000***
Financial result (profit)	+	55	83
Equity (component - retained earnings)	+	**55**	**83**
Financial result (loss)	-	(55)	(83)
Equity (component - retained earnings)	-	**(55)**	**(83)**

An increase by 10% in the exchange rate of the USD to the BGN as at 31 December 2011 would increase the Company's profit (after tax) by BGN 55 thousand (2010: BGN 83 thousand) due to the effect of the increased 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 the structure of the 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 the 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 USD to BGN would have an equal and reciprocal effect of the one stated above, on the Company's profit (after tax) and equity.

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

Post-tax profit for the period is less sensitive to currency risk compared with the prior year due to the decrease in the Company's exposure in foreign currency assets denominated in USD, net of foreign currency liabilities denominated in USD (USD 405 thousand) compared to the net exposure in year 2010 (USD 626 thousand).

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of the financial instruments, held by the Company, will vary due to changes in market interest rates. Instruments with fixed interest are exposed to interest fair value risk - the price of Group's fixed-rate financial assets will decrease with the increase in the market interest rate, and vice versa.

Floating-rate financial assets and liabilities are exposed to a cash flow risk - the future cash flows from floating-rate financial instruments will vary due to changes in market interest rates.

Interest-bearing fixed-rate financial assets have a significant share in the structure of the Company's assets and are represented primarily by bank deposits, cash, and loans granted. At the same time, the Company neither holds nor maintains interest-bearing liabilities. 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;
- best practices 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 December 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	21	-	104	125
Other long-term financial assets	-	587	3,551	4,138
Receivables from related parties	3,032	-	270	3,302
Trade receivables	1,311	-	-	1,311
Cash and cash equivalents	55	18	21,346	21,419
Other receivables	33	3	-	36
Total financial assets	**4,552**	**608**	**25,271**	**30,431**
Financial liabilities				
Trade payables	1,269	-	-	1,269
Other liabilities	311	-	-	311
Total financial liabilities	**1,580**	**-**	**-**	**1,580**

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				
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 and liabilities, 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 3 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 licensing 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 specific price risk until 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. In 2011, the CM of the Republic of Bulgaria did not determine minimal purchase prices of tobacco, crop 2011, as well.

The price risk of negative changes in prices is minimized by performing periodical 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 risk of changes in the stock prices of securities.

Credit risk

Upon performing its activities, the Company is exposed to credit risk related to the risk that some of its counterparts might not be able to discharge their obligations in full and within the normally established deadlines. The Company’s receivables are presented in the statement of financial position net, less any impairment. Such impairments have been accrued for receivables where and when there have been events identifying losses due to uncollectability based on previous experience.

The Company's financial assets are concentrated primarily in the following groups: other long-term financial assets, investments available-for-sale, and 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 could impact negatively the achievement of the company goal 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.

The Company has adopted best practices and methods for selection of financial organizations to provide cash and cash equivalent management services, as also payments and other services related thereto. They have been developed on the basis of the applied 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. By working with a number of financial organizations selected according to this procedure, the concentration of risks for the Company has been minimised and its stability and steadiness has been guaranteed.

The Company does not have a significant concentration of credit risk, except for the receivables from related parties being risk-bearing due to the worsened financial position. In relation to the credit risk of failure to collect the receivables the Company undertakes the following security measures:

- under the loan agreements - collateral is required on their concluding, which includes pledge of fixed tangible assets, mortgage of real estate, and other similar. In addition, in some cases it is required a promissory note to be issued in favour of Bulgartabac-Holding AD - at an 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 collateral is agreed at an amount not less than the initially recognised amount of the receivable. The collateral usually represents an established mortgage of property(ies);

- regarding the remaining agreements, which have nor been secured in advance, the following common actions are undertaken in the event of overdue payment by the debtor company - setoff of payables to the company against overdue receivables and where the payable amount is not sufficient to cover the receivable of Bulgartabac-Holding AD, then other out-of-court options are sought to settle the receivables (transactions related to purchases of assets owned by the debtor, which are settled by setoff).

In the Company, the servicing of receivables, the reasons for them 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 are subject to control as well.

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 of the Company, by following the established common practices and monitoring the observance of contractual terms and conditions. Sales to other clients are performed mainly through advance payments (partial or full) or through payment on the transaction date.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulties in meeting unconditionally its obligations within their maturity. The liquidity management policy of the Company's is conservative maintaining a constant optimal liquid reserve, 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 operates sufficient working capital and does not use borrowed credit resources to finance its operating activities.

Maturity analysis

The financial and accounting departments monitor currently the maturity and the timely payments by maintaining day-to-day information about the available cash and by analysing the 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 payables, become due for payment. The amounts include principal and interest.

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

31 December 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	-	-	-	-	-	125	-	-	-	**125**
Other long-term financial assets	-	-	-	-	-	53	3,500	585	-	**4,138**
Receivables from related parties	-	1,971	169	150	1,026	-	-	-	-	**3,316**
Trade receivables	-	1,275	8	3	25	-	-	-	-	**1,311**
Cash and cash equivalents	1,952	19,496	-	54	-	-	-	-	-	**21,502**
Other receivables	-	-	1	1	1	-	-	-	33	**36**
Total financial assets	**1,952**	**22,742**	**178**	**208**	**1,052**	**178**	**3,500**	**585**	**133**	**30,528**
Financial liabilities										
Payables to related parties										
Trade payables	-	1,269	-	-	-	-	-	-	**-**	**1,269**
Other liabilities	266	4	-	-	-	-	-	-	41	**311**
Total financial liabilities	**266**	**1,273**	**-**	**-**	**-**	**-**	**-**	**-**	**41**	**1,580**

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										
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. EVENTS AFTER THE END OF THE REPORTING PERIOD

At its meeting held on 23 January 2012, the Board of Directors of Bulgartabac-Holding AD approved the new organizational and management structure.

There are no other 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 December 2011.

33. 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 of 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. Т-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.

On 27 September 2011, the Ministry of Economy, Energy and Tourism informed the management of Bulgartabac-Holding AD that it had received a letter (ref. № of MEET No T 99-00-93 dd. 29 August 2011) by the law firm CMS, Russia, regarding claims of the Russian Federation towards the property of Bulgartabac-Holding AD and Sofia-BT AD.