



**BULGARTABAC – GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

Bord of directors :

Chairman	Rahul Dattatrya Nimkar
Deputy chairman	Svetlana Raykova Marteva
Member of the BD	Radoslav Vasilev Rahnev
Member of the BD	Vladimir Gechev Zhekov
Member of the BD	Walid Abdelseid Mohamed Ahmed

Executive director	Vladimir Gechev Zhekov
Executive director	Radoslav Vasilev Rahnev

Chief accountant	Stratiya Stratiev
------------------	--------------------------

Address of managment	Sofia city 62, Graf Ignatiev str.
----------------------	--

Bankers	Citibank Europa AD, Bulgaria branch UniCredit Bulbank AD Fibank AD
---------	---

Auditor	Deloitte Audit EOOD
---------	----------------------------

INTERIM CONSOLIDATED INCOME STATEMENT
for the period 1 January - 31 March 2016

	01.01. - 31.03.2016	01.01. - 31.03.2015
	BGN '000	BGN '000
	<i>unaudited</i>	<i>unaudited</i>
Continuing operations		
Revenue	89 574	122 712
Other operating gains and losses	10 907	5 327
Changes in stocks of finished products and work in progress	14 485	(1 619)
Costs of materials	(56 869)	(62 444)
Personnel expenses	(13 717)	(17 097)
Depreciation / amortisation expenses	(5 435)	(5 449)
Costs of hired services	(10 873)	(11 622)
Book value of goods sold	(5 578)	(5 583)
Reversed/(Accrued) impairment of assets, net	-	(8)
Other operating expenses	(1 428)	(4 161)
Operating profit	21 066	20 056
Investment income and losses	(14)	134
Finance costs	(1 262)	(608)
Gain/(loss) on investments measured under the equity method	1 209	(715)
Profit before income tax	20 999	18 867
Income tax expense	(1 279)	(2 359)
Net profit for the period from continuing operations	19 720	16 508
Discontinued operation		
Profit from discontinued operation after taxes	-	-
Net profit for the period	19 720	16 508
Attributable to :		
Equity owners of the parent company	19 336	16 469
Non-controlling interest	384	39

The interim separate financial statements shall be read together with the notes, which are an integral part of these financial statements.

Sofia, 30 May 2016

Executive Director:

(Vladimir Zhekov)

Executive Director:

(Radoslav Rahnev)

Prepared by:

(Stratiya Stratiev)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January - 31 March 2016

	01.01. - 31.03.2016	01.01. - 31.03.2014
	BGN '000	BGN '000
	<i>unaudited</i>	<i>unaudited</i>
Net profit for the period	<u><u>19 720</u></u>	<u><u>16 508</u></u>
Other comprehensive income		
<i>Components that have been or to be subsequently reclassified in profit or loss:</i>		
Currency differences from translation of foreign operation	(364)	(486)
	(364)	(486)
	-	-
Total other comprehensive income	(364)	(486)
Total comprehensive income	<u><u>19 356</u></u>	<u><u>16 022</u></u>
Attributable to :		
Equity owners of the parent company	19 017	15 996
Non-controlling interest	339	26

The interim separate financial statements shall be read together with the notes, which are an integral part of these financial statements.

Sofia, 30 May 2016

Executive Director:

(Vladimir Zhekov)

Executive Director:

(Radoslav Rahnev)

Prepared by:

(Stratiya Stratiev)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	31 March 2016 BGN '000 <i>unaudited</i>	31 December 2015 BGN '000 <i>audited</i>
ASSETS		
Non-current assets		
Property, plant and equipment	152 973	156 693
Intangible assets	47 197	48 939
Investment property	30 447	30 447
Investments in entities measured under the equity method	157 882	155 160
Investments available for sale	320	320
Deferred tax assets	7 401	7 412
Other non-current assets	7 802	7 828
	404 022	406 799
Current assets		
Inventories	90 387	83 588
Receivables from clients and suppliers	124 238	131 024
Corporate income tax refundable	302	437
Other current assets	4 496	5 427
Cash and cash equivalents	34 142	47 318
	253 565	267 794
Assets classified as held for sale	45	45
TOTAL ASSETS	657 632	674 638
EQUITY AND LIABILITIES		
Capital attributable to the equity owners of the parent company		
Share capital	7 367	7 367
Reserves	82 741	83 054
Retained earnings	258 363	239 026
	348 471	329 447
Non-controlling interest	5 098	4 759
Total equity	353 569	334 206
LIABILITIES		
Non-current liabilities		
Long-term payables to financial entities	57 533	58 364
Deferred tax liabilities	5 664	5 664
Retirement benefit obligations	5 016	4 931
Other non-current liabilities	990	1 125
	69 203	70 084
Current liabilities		
Payables to suppliers and clients	116 491	131 972
Short-term payables to financial entities	31 171	23 456
Tax liabilities	62 814	85 068
Corporate income tax payable	2 423	1 184
Other current liabilities	21 961	28 668
	234 860	270 348
TOTAL LIABILITIES	304 063	340 432
TOTAL EQUITY AND LIABILITIES	657 632	674 638

The interim separate financial statements shall be read together with the notes, which are an integral part of these financial statements.

Sofia, 30 May 2016

Executive Director:

(Vladimir Zhekov)

Executive Director:

(Radoslav Rahnev)

Prepared by:

(Stratiya Stratiev)

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January to 31 March 2016

	01.01. - 31.03.2016	01.01. - 31.03.2015
	BGN '000	BGN '000
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from operating activity		
Cash receipts from customers	268 118	259 827
Cash paid to suppliers	(88 659)	(83 965)
Cash paid to employees and for social security	(12 008)	(15 105)
Taxes paid (other than corporate income tax)	(183 965)	(159 722)
Corporate income tax paid	-	(1 028)
Bank charges paid and interest on short-term loans for working	(1 960)	(2 129)
Interest received	(57)	2
Interest and penalties paid for operating activity		(2 500)
Donation and sponsorship	(77)	(107)
Other proceeds / (payments), net	(321)	64
Net cash flows from / (used in) operating activity	(18 929)	(4 663)
Cash flows from investing activity		
Purchases of property, plant and equipment	(147)	(1 174)
Purchases of intangible assets	-	(135)
Net cash flows used in investing activity	(147)	(1 309)
Cash flows from financing activity		
Long-term bank loans received	-	-
Short-term bank loans received	-	-
Long-term bank loans repaid	(602)	(249)
Short-term bank loans repaid	(582)	-
Short-term loans received / paid - overdraft, net	7 432	(4 854)
Dividends paid	(12)	(2)
Interest and changes paid on investment loans	-	(17)
Other proceeds / (payments), net	(189)	-
Net cash flows (used in) / from financing activity	6 047	(5 122)
Net increase / (decrease) in cash and cash equivalents	(13 029)	(11 094)
Cash and cash equivalents at 1 January - <i>audited</i>	47 206	17 212
Effect of foreign currency translation of cash and cash equivalents	(328)	1 429
Cash and cash equivalents at 31 March	33 849	7 547
incl.		
Cash of companies in liquidation	174	65

The interim separate financial statements shall be read together with the notes, which are an integral part of these financial statements.

Sofia, 30 May 2016
Executive Director:
(Vladimir Zhekov)
Executive Director:
(Radoslav Rahnev)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 for the period from 1 January to 31 March 2016

	Attributable to the equity owners of the parent company						Non-controlling interest	
	Share capital	Statutory reserve	Revaluation reserve	Reserve from translation into the presentation currency of foreign operation	Retained earnings	Reserves and financial result of companies in liquidation		Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000		BGN'000
Balance at 31 December 2014 <i>audited</i>	7 367	48 789	30 142	974	301 216	(3 314)	385 174	4 973
Net profit for the period 01.01 - 31.03.2015	-	-	-	-	16 651	(182)	16 469	39
Total other comprehensive income	-	-	-	(473)	-	-	(473)	(13)
Total comprehensive income	-	-	-	(473)	16 651	(182)	15 996	26
Changes in the parent company's share in the subsidiaries	-	-	-	-	-	-	-	-
Effect for the non-controlling interest from the loss of control over subsidiaries	-	-	-	-	-	-	0	-
Balance at 31 March 2015 <i>Unaudited</i>	7 367	48 789	30 142	501	317 867	(3 496)	401 170	4 999
Profit distribution for:	-	4	-	-	(30 946)	-	(30 942)	(670)
* dividends	-	-	-	-	(30 942)	-	(30 942)	(670)
* reserves	-	4	-	-	(4)	-	-	-
Net profit for the period 01.04 - 31.12.2015	-	-	-	-	(33 984)	(3 731)	(37 715)	(1 027)
Total other comprehensive income	-	-	(707)	1 731	(505)	-	519	(37)
Total comprehensive income	-	-	(707)	1 731	(34 489)	(3 731)	(37 196)	(1 064)
Other changes	-	-	(809)	-	1 448	(1 033)	(394)	-
* transfer to "retained earnings" reserve upon disposal (depreciation) of property, plant and equipment	-	-	(809)	-	810	(847)	(846)	-
* other	-	-	-	-	638	(186)	452	-
Changes in the parent company's share in the subsidiaries	-	-	-	-	(3 191)	-	(3 191)	2 607
Effect for the non-controlling interest from the loss of control over subsidiaries	-	-	-	-	-	-	-	(1 113)
Balance at 31 December 2015 <i>Audited</i>	7 367	48 793	28 626	2 232	250 689	(8 260)	329 447	4 759
Net profit for the period 01.01 - 31.03.2016	-	-	-	-	19 555	(219)	19 336	384
Other changes	-	-	-	-	7	-	7	-
* other	-	-	-	-	7	-	7	-
Total other comprehensive income	-	-	-	(319)	-	-	(319)	(45)
Total comprehensive income	-	-	-	(319)	19 555	(219)	19 017	339
Balance at 31 March 2016 <i>Unaudited</i>	7 367	48 793	28 626	1 913	270 251	(8 479)	348 471	5 098

The interim separate financial statements shall be read together with the notes, which are an integral part of these financial statements.

Sofia, 30 May 2016

Executive Director:
(Vladimir Zhekov)

Executive Director:
(Radoslav Rahnev)

Prepared by:
(Stratiya Stratiev)

TABLE OF CONTENTS

INTERIM CONSOLIDATED INCOME STATEMENT	1
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5

NOTES TO THE FINANCIAL STATEMENTS

NOTES	6
TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS	6
1 <i>Accounting policies</i>	6
1.1 New and amended International Financial Reporting Standards.....	7
2 <i>Consolidation principles</i>	9
3 <i>Equity and debt instruments</i>	10
4 <i>Dividends accrued</i>	10
5 <i>Related parties</i>	10
6 <i>Financial risk management</i>	11
6.1 Structure of financial assets and liabilities by categories:.....	11
6.2 Market risk	12
6.3 Credit risk.....	18
6.4 Liquidity risk	19
6.5 Capital risk management	22
6.6 Fair values	22
7 <i>Contingent liabilities and commitments</i>	24
7.1 Operating lease	24
7.2 Bank guarantees.....	26
7.3 Collateral provided	27
7.4 Court, arbitration or administrative cases of significant interest to which the Groupc companies are a party... 27	27
8 <i>Other disclosures</i>	28
9 <i>Events after the end of the reporting period</i>	29



NOTES
TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016

The consolidated financial statements of Bulgartabac Group for the period 1 January – 31 March 2016 have been prepared in accordance with Article 100o, paragraph 2 of the Public Offering of Securities Act with reference to the provisions of Article 31, paragraph 3, i. 2 of Ordinance No 2 – “On the Prospectuses to be Published When Securities are Offered to the Public or Admitted to Trading on a Regulated Market and on Disclosure of Information by the Public Companies and the Other Issuers of Securities”. Comparatives included in the Statement of Financial Position are extracted from the audited consolidated financial statements for 2014. Comparatives, included in the Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, relate to the same period (1 January – 31 March) of the previous year.

1 Accounting policies

The Group presents condensed interim consolidated financial statements for the period ended 31 March 2016. In the course of their preparation the requirements of International Accounting Standard 34 Interim Financial Reporting have been applied and therefore, not all the information and disclosures being required in relation to the annual consolidated financial statements have been included herein; thus, these financial statements shall be read together with the annual consolidated financial statements of Bulgartabac Group for 2015.

The accounting policies of Bulgartabac Group comprise principles, positions of attention, concepts, rules, bases and procedures for reporting the company’s activity, presenting information in its financial statements and in the consolidated financial statement of the Group, and have been developed in accordance with the requirements of International Financial Reporting Standards (IFRS) 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 policy is a component of the internal acts of the Group and its aim is to unify the rules for reporting transactions and events which have occurred under similar circumstances and concern all entities. The accounting policy is mandatory for all Group companies.

The accounting policies and methods of calculation applied in the preparation of the interim consolidated financial statements have not been changed compared to those applied in the preparation of the annual consolidated financial statements of Bulgartabac Group for 2015.



1.1 New and amended International Financial Reporting Standards

The Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and approved by the Commission of the European Communities, which are relevant to its activity. The Group'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 2016, since part of them does not refer to its activities and the usual composition and characteristic of its assets and liabilities, or during the period there have 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 Group 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. At the date of approval of these financial statements for issue, the following amendments and improvements to effective standards have been made:

Standards and Interpretations effective in the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- IFRIC 21 Levies, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of approval of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards Annual improvements to IFRSs (2010-2012 Cycle), as a result of the annual project for improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) mainly with the purpose to eliminate inconsistencies and to clarify the wording – adopted by the EU on 17 December 2014 (the amendments are effective for annual periods beginning on or after 1 February 2015);
- Amendments to various standards Annual improvements to IFRSs (2011-2013 Cycle), as a result of the annual project for improvement of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) mainly with the purpose to eliminate inconsistencies and to clarify the wording – adopted by the EU on 18 December 2014 (the amendments are effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 19 Employee benefits – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2016);



Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS adopted by the EU do not differ significantly from those adopted by IASB, except for the following standards, amendments to existing standards and interpretations that are not yet adopted by the EU as at the date of approval of these financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets – Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 Separate Financial Statements – Equity method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards Annual improvements to IFRSs (2012-2014 Cycle) , as a result of the annual project for improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) mainly with the purpose to eliminate inconsistencies and to clarify the wording (the amendments are effective for annual periods beginning on or after 1 January 2016).

The Group's management anticipates that the adoption of these standards, amendments and interpretations will have no material impact on the financial statements of the Group in the period of initial application. At the same time, the hedge accounting relating to portfolios of financial assets and liabilities, the principles of which have not been adopted by the EU, is not yet regulated.

According to the management's judgment, the application of hedge accounting relating to portfolios of financial assets and liabilities in accordance with IAS 39 Financial Instruments: Recognition and Disclosure will not have a material effect on the financial statements, if applied at the reporting date.

For the purposes of their financial statements, the Group companies in liquidation have adopted the specific accounting principles and rules stipulated in National Accounting Standard 13 „Liquidation and Bankruptcy”, adopted for use in the Republic of Bulgaria – from the date of their announcement in liquidation. For the purposes of the consolidated financial statements, their assets and liabilities have been measured at liquidation amount at the date of announcement of the companies in liquidation and have been classified to the relevant groups of assets and liabilities in accordance with their estimated function for the



period of liquidation of the companies. Revenue and expenses are classified in the income statement depending on the economic substance of transactions and deals relating thereto for the period of liquidation.

2 Consolidation principles

In the preparation of the interim consolidated financial statements of Bulgartabac Group for the period 1 January – 31 March 2016, the method of consolidation and principles of elimination applied to the consolidated financial statements for 2015 have been preserved.

The financial statements of the subsidiaries included in the interim consolidated financial statements have been consolidated based on the “full consolidation” method, line-by-line, whereas uniform accounting policies have been applied as regards the significant items. The financial statements of the subsidiaries have been prepared for the same reporting period as that of the parent company. Intra-group transactions and balances have been eliminated. The shares of third parties outside the Group have been presented separately in the statement of financial position, income statement, statement of comprehensive income, and the statement of changes in equity as non-controlling interest.

The Group’s interests in entities reported under the equity method include one associated company.

An associate is an entity over which the Company has significant influence, but not control or joint control, on its financial and operating policies.

Investments in associates are accounted for using the equity method. The investment is initially recognised at acquisition price (cost), including the transaction costs. Subsequent to initial recognition, the consolidated financial statements include in the income statement the Group’s share of investments in entities accounted for under the equity method until the date of discontinuance of this significant influence.

The consolidated financial statements of Bulgartabac Group for the period 1 January – 31 March 2016 comprise the financial statements of Bulgartabac - Holding AD and the companies in which the Holding holds control.

At 31 March 2016 Bulgartabac - Holding AD exercised control over the following entities:

Company	%
Blagoevgrad BT AD, town of Blagoevgrad	97.36
Sofia BT AD, Sofia city	98.19
Pleven BT AD, Yassen village, Pleven Region	100.00
Baranko OOD, Plovdiv city	64.55
Fabrika Duvana AD, town of Banja Luka in the Republic of Serbia, Bosnia and Herzegovina	97.36
Bulgartabac Logistics LLC., Russia	97.36
Global Tobacco Trading SL., Spain	97.36
Global Tobacco Trading SRL, Romania	97.36
Global Tobacco Trading, Serbia	97.36
EMEA Market Establishment	100.00
Shumen Tabac AD, town of Shumen	85.60
Asenovgrad Tabac AD (in liquidation), town of Asenovgrad	82.71
Haskovo Tabac AD (in liquidation), town of Haskovo	93.25



The subsidiaries Haskovo Tabac AD and Asenovgrad Tabac AD that are in liquidation are included in the interim consolidated financial statements as well, because Bulgartabac-Holding AD, regardless of the special status of the company, still holds the control over their decisions and operations.

The group companies, SK Bulgartabac AD, Tabac Industry OOD, and Bulgarskii Tabac OOD, operating in the Russian Federation, have not been consolidated due to the following:

- They have not performed any business activities for the last few years
- There is high uncertainty as regards the future economic benefits that these companies could bring to the Group;
- There are heavy limitations on the effective control the Group could exercise over their operating policies;

The above limitations exist due to the fact that the production process of these companies does not meet the requirement of the Russian law to ensure closed production cycle. In order to make them compliant with the legal requirements, significant in amount additional investments by the Group are required, the making of which is not corroborated.

Therefore, these companies could not operate and exist as a “going concern”.

All investments and receivables of the Group from these subsidiaries have been fully impaired. The group companies do not have any commercial or other economic relationships with the above companies.

At 31 December 2015, the Group, through its subsidiaries, exercised significant control over the following companies:

Tabac Market AD
Yurii Gagarin AD
Express Logistics and Distribution OOD

3 Equity and debt instruments

Equity and debt instruments have neither been issued nor settled or redeemed for the period 1 January – 31 March 2016.

4 Dividends accrued

In the period from 1 January to 31 March 2016 decisions for distribution of dividends were not taken by the group companies.

5 Related parties

For the period 01 January – 31 March 2016 Bulgartabac Group has had transactions with related parties, and namely sales of cigarettes amounting to BGN 80,277 thousand, sales of other materials and services amounting to BGN 9,972 thousand, purchases of auxiliary materials amounting to BGN 22,902 thousand, and purchases of other materials and services amounting to BGN 771 thousand.

At 31 March 2016 related party receivables amounted to BGN 71,652 thousand and payables to related parties amounted to BGN 27,845 thousand.



6 Financial risk management

In the ordinary course of its business activities, the Bulgartabac Group companies are exposed to a variety of financial risks the most important of which are: market risk (including currency risk, interest rate risk and other price risk), credit risk, and liquidity risk. The overall risk management is focused on the difficulties of forecasting the financial markets and minimising the potential negative effects that might affect the financial performance and position of the companies. The financial risks are currently identified, measured and monitored through various control mechanisms introduced in order to establish adequate prices for the products/services, provided by the companies, and the companies' borrowings, to appropriately assess the market circumstances related to the Group companies' investments and forms for maintenance of free liquid funds through preventing undue concentration of a particular risk.

Below are presented the types of risks to which the companies of Bulgartabac Group are exposed upon performing their commercial transactions and the approach adopted for managing these risks.

6.1 Structure of financial assets and liabilities by categories:

31 March 2016	Loans and receivables BGN'000	Assets available for sale BGN'000	Total BGN'000
Financial assets			
Investments available for sale	-	320	320
Non-current receivables from related parties	600	-	600
Non-current receivables	6,409	-	6,409
Other non-current assets	680	-	680
Current receivables from related parties	71,652	-	71,652
Receivables from clients	26,119	-	26,119
Deposits placed with commercial banks	294	-	294
Cash and cash equivalents	34,142	-	34,142
Other current assets	1,266	-	1,266
Total financial assets	141,162	320	141,482
	Other financial liabilities BGN'000		Total BGN'000
Financial liabilities			
Long-term bank loans	57,117		57,117
Long-term payables to financial entities	416		416
Other non-current liabilities	990		990
Short-term payables to related parties	15,700		15,700
Payables to suppliers	86,786		86,786
Short-term payables to financial entities	31,171		31,171
Other current liabilities	12,943		12,943
Total financial liabilities	205,123		205,123



31 December 2015	Loans and receivables BGN'000	Assets available for sale BGN'000	Total BGN'000
Financial assets			
Investments available for sale	-	320	320
Non-current receivables from related parties	600	-	600
Non-current receivables	6,409	-	6,409
Other non-current assets	708	-	708
Current receivables from related parties	80,999	-	80,999
Receivables from clients	28,020	-	28,020
Deposits placed with commercial banks	294	-	294
Cash and cash equivalents	47,318	-	47,318
Other current assets	1,309	-	1,309
Total financial assets	165,657	320	165,977
	Other financial liabilities BGN'000		Total BGN'000
Financial liabilities			
Long-term bank loans	58,364		58,364
Other non-current liabilities	1,125		1,125
Short-term payables to related parties	7,834		7,834
Payables to suppliers	91,481		91,481
Short-term payables to financial entities	23,456		23,456
Other current liabilities	20,068		20,068
Total financial liabilities	202,328		202,328

6.2 Market risk

6.2.1 Currency risk

The Group companies perform their activities by trading actively with foreign contractors (clients and suppliers). They perform sales to foreign clients (tobacco products) and transactions with foreign contractors (tobacco, auxiliary materials and spare parts) contracted in USD. Therefore, the Group is exposed to an extent to currency risk to USD insofar the sales and supplies are affected directly by the exchange rate of USD to BGN. The other part of transactions is denominated in BGN, EUR and other currencies.

In order to manage the currency risk and due to the centralized system for supply of imported tobacco, and respectively, export of tobacco and tobacco products, the import supplies, and respectively, the export sales, are planned on an on-going basis within Bulgartabac Group.

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



Foreign currency structure analysis

31 March 2016	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	-	-	-	320	320
Non-current receivables from related parties	-	-	-	600	600
Non-current receivables				6,409	6,409
Other non-current assets	-	680	-		680
Current receivables from related parties	-	24,329	-	47,323	71,652
Receivables from clients	3,504	64	2,315	20,236	26,119
Deposits placed with commercial banks	294				294
Cash and cash equivalents	10,808	8,151	1,631	13,552	34,142
Other current assets	25	15	12	1,214	1,266
Total financial assets	14,631	33,239	3,958	89,654	141,482
Financial liabilities					
Long-term bank loans	57,117	-	-	-	57,117
Long-term payables to financial entities				416	416
Other non-current liabilities		-	-	990	990
Short-term payables to related parties				15,700	15,700
Payables to suppliers	35,965	44,268	2,996	3,557	86,786
Short-term payables to financial entities	21,973	-	4	9,194	31,171
Other current liabilities	12,053	-	7	883	12,943
Total financial liabilities	127,108	44,238	3007	30,740	205,123



31 December 2015	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	-	-	-	320	320
Non-current receivables from related parties	-	-	-	600	600
Non-current receivables				6,409	6,409
Other non-current assets	-	708	-		708
Current receivables from related parties	-	13,044	-	67,955	80,999
Receivables from clients	2,587	4	771	24,657	28,019
Deposits placed with commercial banks	294				294
Cash and cash equivalents	11,407	23,466	6	12,440	47,319
Other current assets	25	15	57	1,212	1,309
Total financial assets	14,313	37,237	834	113,593	165,977
Financial liabilities					
Long-term bank loans	58,364	-	-	-	58,364
Other non-current liabilities		-	-	1,125	1,125
Short-term payables to related parties		364		7,470	7,834
Payables to suppliers	17,877	40,175	199	33,230	91,481
Short-term payables to financial entities	14,453	-	3	9,000	23,456
Other current liabilities	19,121	-	4	943	20,068
Total financial liabilities	109,815	40,539	206	51,768	202,328

Foreign currency sensitivity analysis

The Group companies are exposed to currency risk mainly with regard to their exposure in USD. At 31 March 2016, 23.5% of the Group's financial assets are denominated in USD (31 December 2015: 22.44%). The table below demonstrates the currency sensitivity to a 10% increase/decrease in the current exchange rate of BGN against USD based on the structure of foreign currency assets and liabilities as at the end of both reporting periods, with the effect of all other variables being ignored. The effect is measured and presented as an impact on the financial result after taxes at a tax rate of 10% (31 December 2015: 10%), and respectively, on the equity - though profit.

	<i>Change of the exchange rate by +/-10%</i>	<i>USD</i>	
		<i>31.03.2016</i>	<i>31.12.2015</i>
		<i>BGN'000</i>	<i>BGN'000</i>
<i>Financial result profit / (loss)</i>	+	(990)	(297)
<i>Equity (component - retained earnings)</i>	+	(990)	(297)
<i>Financial result (loss) / profit</i>	-	990	297
<i>Equity (component - retained earnings)</i>	-	990	297



An increase by 10% in the exchange rate of the USD to the BGN as at 31 March 2016 would decrease the Group's profit (after tax) as of 31 March 2016 by BGN 990 thousand (2015: an increase by BGN 297 thousand) due to the effect of the excess of the BGN equivalent of financial assets (cash and cash equivalents, receivables from clients, other non-current assets and other receivables) over the BGN equivalent of financial liabilities (payables to suppliers). Respectively, the 10% increase in the exchange rate would have the same effect on the equity as well, through the component 'retained earnings' (through the current profit or loss).

A decrease by 10% of the exchange rate of the USD to BGN would have an equal and reciprocal effect of that described above, on the Group's profit (after taxes) and the equity.

The financial result after taxes is more sensitive to currency risk in the period ending 31 March 2016 than that in 2015 due to the increase in the Group's net negative exposure to foreign currency assets and liabilities denominated in USD (USD 10,999 thousand) compared to the Group's negative net exposure as of 31 December 2015 (USD 3,302 thousand).

6.2.2 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 Group, will vary due to changes in market interest rates. Fixed-rate instruments are exposed to interest rate fair value risk - the price of the Group's fixed-rate financial assets will decrease, and of the financial liabilities will increase, 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.

In general, interest-bearing financial assets are represented mainly, in the structure of the Group's assets, by cash bearing fixed interest rates. The Group's share of interest-bearing floating-rate assets is immaterial, and therefore, it is not exposed to significant cash flow risk with respect to these assets.

At the same time, the Group is exposed to interest rate risk as regards the long-term and short-term loans utilized by it to finance its business activity. Therefore, the changes in interest rates are constantly monitored and possibilities for timely re-negotiation in the event of adverse changes are sought.

The cash outflows of Bulgartabac Group are exposed to interest rate risk related to the loans agreed with floating interest rates amounting to BGN 78,075 thousand (31 December 2015: BGN 73,101 thousand).

The payables on bank loans amounting to BGN 10,629 thousand (31 December 2015: BGN 8,719 thousand) bear fixed interest rates and expose the Group to a risk of changes in the fair values of interest rates.



31 March 2016	Interest-free	With floating interest %	With fixed interest %	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets				
Investments available for sale	320	-	-	320
Non-current receivables from related parties			600	600
Non-current receivables	6,409			6,409
Other non-current assets		680	-	680
Current receivables from related parties	71,652			71,652
Receivables from clients	26,119	-	-	26,119
Deposits placed with commercial banks			294	294
Cash and cash equivalents	10,884	125	23,133	34,142
Other current assets	1,266	-	-	1,266
Total financial assets	116,650	805	24,027	141,482
Financial liabilities				
Long-term bank loans	-	57,117	-	57,117
Long-term payables to financial entities			416	416
Other non-current liabilities	990	-	-	990
Short-term payables to related parties	15,700			15,700
Payables to suppliers	86,786	-	-	86,786
Short-term payables to financial entities	-	20,958	10,213	31,171
Other current liabilities	12,943	-	-	12,943
Total financial liabilities	116,419	78,075	10,629	205,123



31 December 2015	Interest-free	With floating interest %	With fixed interest %	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets				
Investments available for sale	320	-	-	320
Non-current receivables from related parties			600	600
Non-current receivables	6,409			6,409
Other non-current assets		708	-	708
Current receivables from related parties	80,999			80,999
Receivables from clients	28,020	-	-	28,020
Deposits placed with commercial banks			294	294
Cash and cash equivalents	10,605	387	36,326	47,318
Other current assets	1,309	-	-	1,309
Total financial assets	127,662	1,095	37,220	165,977
Financial liabilities				
Long-term bank loans	-	58,364	-	58,364
Other non-current liabilities	1,125	-	-	1,125
Short-term payables to related parties	7,834			7,834
Payables to suppliers	91,481	-	-	91,481
Short-term payables to financial entities	-	14,737	8,719	23,456
Other current liabilities	20,068	-	-	20,068
Total financial liabilities	120,508	73,101	8,719	202,328

The Group's management and management of the separate companies currently monitor and analyse the exposure to changes in the interest rates, and measure the impact on the financial result and equity in case of change with set points or percentages of interest. For each simulation, the same assumption for interest rate shift is used with respect to BGN and USD.

At the end of both reporting periods, the Group's management performed an analysis of the interest sensitivity of interest-bearing assets and liabilities (with floating interest rate) while preserving the respective structure of assets and liabilities, assuming the change in the interest rate for USD and BGN by 50 basis points, and ignoring the influence of other factors.

The change in increase in the interest rate of financial assets and liabilities denominated in USD and in BGN by 50 basis points would result in a loss (after taxes) amounting to BGN 495 thousand (2015: BGN 394 thousand) in the consolidated income statement of the Group. Respectively, the same increase in the interest rate would have the same effect also on equity through the component 'retained earnings' (through the current profit or loss) since the components of the Group's equity are not affected by interest-bearing assets and liabilities, the revaluation of which is reported as other comprehensive income or directly in the equity.

A decrease by 50 basis points of the interest rate on financial assets and liabilities (bearing floating interest rate) denominated in USD and in BGN would have an equal and reciprocal effect on the Group's profit (after taxes) and equity.



6.2.3 Price risk

The Group is exposed to a risk of possible adverse changes in the prices of raw materials and materials needed for the production of tobacco products (cigarettes).

In order to control the price risk as regards the cigarette prices, the Group monitors the market status and dynamics, and constantly monitors and analyses the market, with the aim to effectively plan the supplies and to optimise the quantities of inventories, and to achieve adequate pricing of cigarettes depending on the market environment.

The Group is exposed to a price risk relating to the determination of the buy-out prices of raw tobacco to be paid to tobacco growers. This risk is minimised through an analysis of the respective crop and updating the buy-out prices in response to market changes.

The Group is exposed also to possible adverse changes in prices on the global tobacco market. The minimization of the price risk of negative changes in prices is achieved through periodical analyses and discussions of the contractual relationships with the aim to reconsider and update the prices in relation to market charges.

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

6.3 Credit risk

In the course of performing its activities, the Group companies are exposed to credit risk associated with the risk that one party to a contract will fail to discharge its obligations fully and within the normally prescribed terms. The Group's receivables are presented net in the statement of financial position, less of any accumulated impairment. Such impairments are made where and when there were events identifying losses due to uncollectability based on previous experience.

The Group's financial assets are mainly concentrated in the following groups: non-current receivables, other non-current assets, other current assets, cash and cash equivalents – cash on hand and in bank accounts (current and deposit), receivables from clients, and available-for-sale investments. The maximum exposure to credit risk at the end of the reporting period is equal to the carrying amount of each class of financial assets, as disclosed in this Note.

With respect to the credit risk of cash flows in bank accounts (current and deposit), the Group has adopted best practices and methods for selection of financial organizations to provide payment and other related services at a good level and with high quality. By working with a number of financial organizations, the concentration of risks for the Group companies has been minimised and their stability and steadiness has been guaranteed.

The policy for control of contractual relationships adopted by the Group is of significant importance for overcoming the risk of non-collectability of receivables. It is a policy of the Group to offer deferred payments (sales on credit) only to clients with a long-lasting history of trade cooperation with the Group, as well as that are in a good financial position and has not breached the terms of the credit. To all other clients sales are made primarily against a preliminary (partial or full) payment, payment on the transaction date and/or letters of credit. The collectability and concentration of receivables are monitored currently at the level of both the



individual companies and Bulgartabac – Holding AD, in accordance with the policies adopted by the companies of Bulgartabac Group. For the purpose, the open positions are reviewed on a daily basis by clients and also by collected receivables and an analysis of the outstanding amounts and status of the clients is made.

During the reporting period, the sales of products (tobacco products) in the domestic market are performed by the Group through a network of distributors on the basis of concluded contracts. The Group maintains long-lasting relationships of trade cooperation with these clients and effectively manages its contractual relationships in order to ensure the timely collection of its receivables.

The sales of products (tobacco products) in foreign markets are performed by the Group on the basis of concluded contracts and agreements reached, by applying good commercial practices. The Group has long-lasting successful relationship with its trade partners. The payments under the foreign trade contracts for sale of products are managed in such a way as to limit the risk of non-collectability at a maximum grade.

6.4 Liquidity risk

Liquidity risk is the risk that the companies of Bulgartabac Group will encounter difficulties in meeting unconditionally its obligations within their maturity. The Group companies' liquidity management policies are conservative, as they maintain constant optimal liquid reserve of cash (own and borrowed) and good capability to fund their business activities. In relation to the above, a maturity analysis of financial assets and liabilities according to their structure at 31 March is presented below.

Currently, the maturity and timely settlement are monitored and controlled at two levels, by the parent company and by the respective units of the Group companies, through maintaining day-to-day information about the cash available and analysing the forthcoming payments. The Group companies monitor and control also the actual and forecasted cash flows, and match the maturity profiles of assets and liabilities.

Maturity analysis

The Group'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 Group's assets and liabilities, analysed by residual maturity as of the end of the reporting period, are as follows:



31 March 2016

	within 1 month	within 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
Financial assets									
Investments available for sale	-	-	-	-	-	-	-	320	320
Non-current receivables from related parties	-	-	-	-	600	-	-	-	600
Non-current receivables	-	-	-	-	1,236	3,290	1,883	-	6,409
Other non-current assets	-	-	-	-	-	680	-	-	680
Current receivables from related parties	71,652	-	-	-	-	-	-	-	71,652
Receivables from clients	23,285	1,155	-	1,679	-	-	-	-	26,119
Deposits placed with commercial banks	-	-	294	-	-	-	-	-	294
Cash and cash equivalents	25,439	-	-	8,703	-	-	-	-	34,142
Other current assets	1,069	-	-	33	-	11	-	153	1,266
Total financial assets	121,445	1,155	294	10,415	1,836	3,981	1,883	473	141,482

31 March 2016

	within 1 month	within 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
Financial liabilities									
Long-term bank loans	-	-	-	-	7,882	30,213	25,762	-	63,857
Long-term payables to financial entities	-	-	-	-	230	213	-	-	443
Other non-current liabilities	-	-	-	-	405	585	-	-	990
Short-term payables to related parties	15,700	-	-	-	-	-	-	-	15,700
Payables to suppliers	79,093	7,675	9	9	-	-	-	-	86,786
Short-term payables to financial entities	17,905	1,184	1,778	12,264	-	-	-	-	33,131
Payables on credit cards	22	-	-	-	-	-	-	-	22
Other current liabilities	6,366	-	-	-	6,532	-	-	45	12,943
Total financial liabilities	119,086	8,859	1,787	12,273	15,049	31,011	25,762	45	213,872



31 December 2015

	within 1 month	within 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
Financial assets									
Investments available for sale	-	-	-	-	-	-	-	320	320
Non-current receivables from related parties	-	-	-	-	640	-	-	-	640
Non-current receivables	-	-	-	-	2,400	2,126	1,883	-	6,409
Other non-current assets	-	-	-	-	-	708	-	-	708
Current receivables from related parties	80,999	-	-	-	-	-	-	-	80,999
Receivables from clients	22,212	4,057	77	1,674	-	-	-	-	28,020
Deposits placed with commercial banks	-	-	294	-	-	-	-	-	294
Cash and cash equivalents	38,561	-	-	8,757	-	-	-	-	47,318
Other current assets	1,116	-	-	33	-	11	-	149	1,309
Total financial assets	142,888	4,057	371	10,464	3,040	2,845	1,883	469	166,017

31 December 2015

	within 1 month	within 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
Financial liabilities									
Long-term bank loans	-	-	-	-	12,868	29,184	23,523	-	65,575
Other non-current liabilities	-	-	-	-	540	585	-	-	1,125
Short-term payables to related parties	7,834	-	-	-	-	-	-	-	7,834
Payables to suppliers	79,585	11,145	725	26	-	-	-	-	91,481
Short-term payables to financial entities	10,164	1,531	1,721	12,004	-	-	-	-	25,420
Payables on credit cards	29	-	-	-	-	-	-	-	29
Other current liabilities	900	2	-	12,589	6,532	-	-	45	20,068
Total financial liabilities	98,512	12,678	2,446	24,619	19,940	29,769	23,523	45	211,532



6.5 Capital risk management

The capital management objectives of the Group are to build and maintain capabilities to continue its operations 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 - at the level of the individual Group company (incl. the parent company) and at the level of the Group (the consolidated equity).

The Group currently monitors the availability and structure of its capital based on gearing ratios. It is a characteristic feature for both periods presented that it funds its activities from its own generated profits and by maintaining a certain level of trade and other short-term liabilities, bank loans, and payables under finance leases. The gearing ratios are as follows:

<u>Ratios</u>	<i>31.03.2016</i>	<i>31.12.2015</i>
Equity / Borrowings	1.16	0.99
Bank loans / Borrowings	0.29	0.24
Cash and cash equivalents / Borrowings	0.11	0.14

6.6 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 at the date of measurement. It is a policy of the Group to disclose in its financial statements the fair value of these financial assets and liabilities for which market quotations are available.

The fair value concept presumes realisation of the financial instruments through sale. However, in most cases especially with regards to trade receivables and payables as well as loans granted and deposits, the Group expects to realise 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 fairly close to their fair value.

The main portion of financial assets and liabilities are short-term in their nature (receivables from clients, payables, short-term loans) and therefore, their fair value is almost equal to their carrying amount.

The available-for-sale investments, for which there is no market or objective conditions for a reliable fair value measurement, form an exception to this rule. Therefore, they are presented at acquisition price (cost), which is judged conservatively by the Group's management 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 Group's management has judged that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances in the country.

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels within the fair value hierarchy. If the carrying amount is a reasonable approximation of the fair value, no information about the fair values is included.



As at 31 March 2016	Carrying amount	Level 1	Level 2	Level 3	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets					
Investments available for sale	320				
Non-current receivables from related parties	600	-	617	-	617
Non-current receivables	6,409				
Other non-current assets	680	-	708	-	708
Current receivables from related parties	71,652				
Receivables from clients	26,119				
Deposits placed with commercial banks	294				
Cash and cash equivalents	34,142				
Other receivables	1,266				
Total financial assets	141,482				
Financial liabilities					
Long-term payables to financial entities	57,117	-	57,466	-	57,466
Long-term payables to financial entities	416				
Other non-current liabilities	990				
Short-term payables to related parties	15,700				
Payables to suppliers	86,786				
Short-term portion of long-term payables to financial entities	31,171				
Other liabilities	12,943				
Total financial liabilities	205,123				
As at 31 December 2015	Carrying amount	Level 1	Level 2	Level 3	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets					
Investments available for sale	320				
Non-current receivables from related parties	600	-	495	-	495
Non-current receivables	6,409				
Other non-current assets	708	-	689	-	689
Current receivables from related parties	80,999				
Receivables from clients	28,020				
Deposits placed with commercial banks	294				
Cash and cash equivalents	47,318				
Other receivables	1,309				
Total financial assets	165,977				



Financial liabilities

Long-term payables to financial entities	58,364	-	58,347	-	58,347
Other non-current liabilities	1,125				
Short-term payables to related parties	7,834				
Payables to suppliers	91,481				
Short-term portion of long-term payables to financial entities	23,456				
Other liabilities	20,068				
Total financial liabilities	202,328				

The fair values of financial assets and financial liabilities included in Level 2 in the above table have been determined in accordance with the generally accepted valuation model based on discounted cash flows. Any significant observable inputs used in this method represent discount factors reflecting the credit risk.

7 Contingent liabilities and commitments

7.1 Operating lease

Operating lease liabilities – the Group as a lessee

At 31 March 2016 some of the group companies are a party to operating (cancellable) lease agreements as a lessee:

•Bulgartabac-Holding AD

Leased cars for the company's activities – a term of the rental agreement up to 3 years. The contract may be terminated by mutual consent or after the expiry of the lease term. The monthly rent is determined depending on the number and makes of the leased motor vehicles.

As at 31 March the Company has rental agreements concluded for renting out of buildings.

•Blagoevgrad BT AD

Leased cars for the company's activities – a term of the rental agreement up to 3 years. The contract may be terminated by mutual consent or after the expiry of the lease term. The monthly rent is determined depending on the number and makes of the leased motor vehicles.

As at 31 December the Company was a lessee to an operating lease contract for buildings and areas.

•Sofia BT AD

Leased cars for the company's activities – a term of the rental agreement up to 3 years. The contract may be terminated by mutual consent or after the expiry of the lease term. The monthly rent is determined depending on the number and makes of the leased motor vehicles.

The Company is a lessee to an operating lease contract for storage premises and areas.



•Fabrika Duvana AD

Cars leased for the company's activity – the term of the rental agreement is up to 4 years as of 18 August 2014. It may be terminated after the expiry of its term.

The future minimum rentals under operating leases (cancellable) are as follows:

	31.03.2016	31.12.2015
	BGN '000	BGN '000
Within 1 year	1,640	1,640
From 1 to 5 years	615	1,025
After 5 years		-
Total	2,255	2,665

Receivables under operating lease – the Group as a lessor

At 31 March 2016 the most significant contracts for lease out of property owned by the Group companies under operating leases (cancellable) are as follows:

•Bulgartabac - Holding AD

Part of the administrative building for an office of a bank – a total leased area of 300 sq.m. The term of the contract is up to 5 years as of 27 April 2012. It may be terminated by a six-month advance notice.

Garage cells in the town of Asenovgrad – a total rented area of 216 sq.m. with a term of the contracts of 1 month. Condition for termination – by a 5-day advance notice in writing.

Part of tobacco warehouses in the town of Asenovgrad - with a total leased out area of 1,200 sq.m. Term of termination- by a one-month notice in writing.

The properties have been treated as used in the operations.

•Blagoevgrad BT AD

The Company leased out a machinery with a term of the contract of 2 years as of December 2015. The company is a lessor under operating lease contracts of parts of buildings, storage premises and a production platform. The term of the contracts ranges from 1 to 2 years.

The properties have been treated as used in the operations.

•Sofia BT AD

Part of a building leased out as a bank office with a total leased out rental area of 100 sq. m. with a term of the contract of up to 3 years as of 4 February 2012. The contract may be terminated by mutual consent or by a three-month advance notice.

Catering establishments – an equipped canteen and cafeteria, together with the equipment. Term of the contract - 3 years as of 01 November 2012. Conditions for termination – upon the expiry of the term or by a three-month advance notice.



Part of a roof of a building for mounting and using telecommunication installations. Term of the contract - 5 years as of 7 July 2008. Conditions for termination – upon the expiry of the term, by a three-month advance notice by the lessor or by a one-month advance notice by the lessee.

A production platform – a total leased out area of 300 sq.m. The term of the contract is 1 year.

The properties have been treated as used in the operations.

•Shumen Tabac AD

The company is a lessor under operating lease contracts of parts of buildings and storage premises. The term of the contract is for 1 year. The properties have been treated as used in the operations.

•Fabrika Duvana AD

The company leased out a machine; the term of the contract is for 2 years.

The future minimum lease receivables under operating leases (cancellable) are as follows:

	31.03.2016	31.12.2015
	BGN '000	BGN '000
Within 1 year	1,775	1,775
From 1 to 5 years	548	992
	<u>2,323</u>	<u>2,767</u>

7.2 Bank guarantees

At 31 March 2016 the bank guarantees issued by group companies in favour of their contractors amounted to BGN 71,997 thousand, as follows:

Company	Guarantee amount BGN '000	In favour of
Blagoevgrad BT AD	30,000	Customs Agency
Sofia BT AD	30,000	Customs Agency
Bulgartabac Holding AD	8,703	Citibank NA Moscow
Bulgartabac Holding AD	294	Julius Meinl Austria GmbH, Austria
Pleven BT EAD	3,000	Customs Agency
	<u>71,997</u>	

At 31 March 2016 bank guarantees amounting to BGN 63,000 thousand were issued to group companies with the purpose to secure excise duty liabilities; the amount of BGN 8,703 thousand was to secure loans, and the amount of BGN 294 thousand was to secure payables under contracts.



Collateral on bank guarantees issued include pledge of receivables on current accounts, deposits and promissory notes.

7.3 Collateral provided

Collateral provided under long-term and short-term loans:

- pledge and mortgages of fixed assets – BGN 113,373 thousand (31.12.2015: BGN 113,373 thousand);
- pledge of inventories – BGN 66,598 thousand (31.12.2015: BGN 66,598 thousand);
- pledge of accounts receivable.

Collateral on issued bank guarantees includes pledge of current account receivables, deposits and promissory notes.

7.4 Court, arbitration or administrative cases of significant interest to which the Group companies are a party

More important Court, arbitration or administrative cases of significant interest to which the Group companies are a party

Bulgartabac - Holding AD

Court cases relating to trademark rights

Bulgartabac – Holding AD is a party to disputes for rights of trademarks in the country, as also in Turkey, Greece, Argentina, and Israel. 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. There are cases constituted against the company for deletion of already registered trademarks.

Court cases initiated by Bulgartabac - Holding AD

Burgas Regional Court, civil case No 4481/2012. Claimant - Bulgartabac-Holding AD. Defendants – Tarpina Petrova and Sofiyka Koleva. A negative declaratory claim to establish the right of ownership. Burgas Regional Court issued a decision in favour of Bulgartabac-Holding AD. The decision was appealed against by Tarpina Petrova and Sofiyka Koleva before the Burgas District Court. A civil case was brought to Burgas District Court No. (B) 599/2014; Civil Department, VI panel. The decision of the Burgas District Court was not in favour of Bulgartabac-Holding AD. The decision was appealed against by Bulgartabac-Holding AD before the Supreme Court of Cassation.



Court cases to which Bulgartabac - Holding AD is an interested party:

Sofia Administrative Court - a court case was constituted at an appeal of Dunhill Tobacco of London LTD against a decision of the Chairman of the Patent Agency of the Republic of Bulgaria in connection with an opposition against the registration of the trademark BT NANO. A decision was issued in favour of Bulgartabac-Holding AD. The decision of Sofia Administrative Court was appealed against before the Supreme Administrative Court. A hearing is scheduled to be held on 05 December 2016.

8 Other disclosures

Events that could have an effect on the financial results

In March 2016, management of Bulgartabac Group disclosed that as a result of the reduction in orders, as also in order to prevent any more significant business risks, a decision was passed to discontinue the manufacture and sales of products to the Middle East Region as of 1 April 2016.

As a consequence, management of Bulgartabac Group believes that there are certain risks and uncertainty with regard to the future income, expenses and financial results from the Group companies' activities. At the date of preparation of these financial statements, the Group's management conducted an analysis of the occurred and potential consequences of the above circumstances, as also of the necessary measures to reduce and neutralize their effects on business of the Group companies.

Based on the already analysed information, the management's best estimate is that the subsidiaries Sofia Bulgartabac AD, Blagoevgrad BT AD and Pleven BT AD will continue their business activities and measures will be taken to optimise the economic indicators in light of the individual circumstances.

Liquidation procedures

Asenovgrad Tabac AD (in liquidation)

At present, the biggest part of the machinery for tobacco products manufacturing, as well as a significant part of real estates owned by Asenovgrad Tabac AD, have been sold.

By a decision of the General Meeting of the company, held on 1 September 2011, the following decisions were passed: winding up and announcing the company's liquidation, discontinuing the powers of the Board of Directors, setting a term to complete the liquidation of one year as of the date of announcing the invitation to the creditors to request their receivables, and appointing a liquidator. The decision was registered with the Trade Register at the Registry Agency on 5 October 2011. The invitation to creditors to claim their receivables was announced on 26 October 2011. The sale of property owned by Asenovgrad Tabac AD is to be made.

As at the date of preparation of these financial statements, by a decision of the General Meeting of Shareholders held on 03 December 2015 a term of 18 months for completing the company's liquidation as of 22 June 2015 was set. The decision was registered with the Commercial Register on 09 December 2015.

Haskovo Tabac AD (in liquidation)

The decision of the General Meeting for winding-up the company and starting a liquidation procedure was registered by a decision of the Haskovo District Court dated 31 March 2006. On 11 July 2006 the creditors were invited by the liquidators to claim their receivables within a three- month period as from the date of publication of the invitation. By a decision of the General Meeting of Shareholders, dated 9 May 2007,



the initial financial statements and the balance sheet at the liquidation date were approved. The sale of the company's property is forthcoming. As at the date of preparation of these financial statements, by a decision of the General Meeting of Shareholders held on 03 December 2015 a term of 18 months for completing the company's liquidation as of 11 July 2015 was set. The decision was registered with the Commercial Register on 09 December 2015.

9 Events after the end of the reporting period

An extraordinary General Meeting of Shareholders (GMS) of Bulgartabac-Holding AD was held on 31 March 2016. The GMS changed the number of the members of the Board of Directors (BD) from 3 to 5. The members Vencislav Zlatkov Cholakov and Miglena Petrova Hristova were discharged from the BD. Vladimir Gechev Zhekov, Svetlana Raykova Marteva, Shreyas Kishor Phadnis, and Rahul Dattatrya Nimkar were elected as new members of BD. These circumstances were entered into the batch of the Company at the Commercial Register on 14 May 2016.

No other significant events have occurred after the end of the reporting period, which have not been disclosed in the interim consolidated financial statements for the period ending 31 March 2016.

The interim consolidated financial statements of Bulgartabac Group for the first quarter of 2016 were approved by the Board of Directors of Bulgartabac-Holding AD on 30 May 2016.